



## Corporate Statements

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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*

**JAMIL BIN SAIMON**  
*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*



# Corporate Information

cont'd

## AUDIT & RISK MANAGEMENT COMMITTEE

Dato' Hazli Bin Ibrahim  
(Chairman)

Tan Sri Datuk Adzmi Bin Abdul Wahab  
Jamil Bin Saimon

## NOMINATION COMMITTEE

Jamil Bin Saimon  
(Chairman)

Dato' Hazli Bin Ibrahim



## REMUNERATION COMMITTEE

Tan Sri Datuk Adzmi Bin Abdul Wahab  
(Chairman)

Jamil Bin Saimon  
Dato' Hazli Bin Ibrahim

## REGISTERED OFFICE

Wisma Lebar Daun  
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)

## GROUP COMPANY SECRETARY

Nor Hisyam bin Ahmad Fodzi  
(LS 0009957/PC 201908000197)

## SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.  
11th Floor, Menara Symphony,  
No. 5, Jalan Prof. Khoo Kay Kim,  
Seksyen 13,  
46200 Petaling Jaya, Selangor,  
Malaysia

## AUDITORS

Al Jafree Salihin Kuzaimi PLT  
(AF 1522)  
Chartered Accountants  
555 Jalan Samudra Utara 1  
Taman Samudra  
68100 Batu Caves  
Selangor Darul Ehsan  
Tel : 603 6185 9970  
Fax : 603 6184 2524

Tel : 603 7890 4700  
Fax : 603 7890 4670

## PRINCIPAL BANKER

CIMB Bank Berhad  
Bank Muamalat Berhad  
RHB Bank Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Code : 9628





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*Bridging Time Tomorrow's*  
**Infrastructure**  
*Today*

# Profile of the Board of Directors

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

*Independent Non-Executive Chairman*

Aged 77, 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 and several other private companies involved in property development and construction, manufacturing and automotive. 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 five out of five Board Meetings held during the financial year ended 31 December 2019.

## Profile of the Board of Directors

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### **NORAZMI BIN MOHAMED NURDIN**

*Managing Director*

Aged 54, 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 arevenue 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 page 21 of this Annual Report. He attended all the five Board Meetings held during the financial year ended 31 December 2019.

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### **JAMIL BIN SAIMON**

*Independent Non-Executive Director*

Aged 56, Malaysian, was appointed as Independent Non-Executive Director of LEBTECH on 6 August 2018. He holds Bachelor Degree in Town Planning, Institut Teknologi Mara (MARA Technology Institute) from 1983 until 1986. Encik Jamil has vast and in-depth experience in the field of town planning and property development. He played big role as Town Planning Director with Klang Municipal Council since 1996 for 12 years before joining Kumpulan Lebar Daun as Director for one (1) year and appointed as Managing Director for the group until 2003. Encik Jamil has accrued comprehensive experience in all facets of town planning and property development over the last decade.

## Profile of the Board of Directors

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### **DATO' HAZLI BIN IBRAHIM**

*Independent Non-Executive Director*

Aged 57, 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 Aseam bankers 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 Dana harta 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 DutaLandBerhad 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 all the five Board Meetings held during the financial year ended 31 December 2019.

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

*Non-Independent Non-Executive Director*

Aged 58, 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 page 21 of this Annual Report. He attended all the five Board Meetings held during the financial year ended 31 December 2019.

# Chairman's Statement

## Dear Shareholders and Stakeholders,

Our transformation over the past three years has been a remarkable albeit challenging journey. We have welcomed many structural changes and paradigm shifts in the way we approach our short-term priorities and long-term growth objectives. It was disruptive, particularly for our operations in Malaysia, but we have witnessed some positive improvements in our efficiency as well as our performance.

## ECONOMIC OUTLOOK

To some extent, we had largely anticipated the increasingly competitive market environment with the outcome of Covid-19 pandemic together with weakening currency, rising cost of operations, and volatile commodity prices. This is precisely why major steps were taken to reinforce our fundamental strengths. Across the globe, property development companies are reinventing themselves to adapt to the fast growing in construction world. And as responsible, forward-looking leaders in these disruptive times, we too, consistently ask ourselves the all-important question: whether we are the company we need to be to succeed in the future. The robust growth of infrastructure development and public projects will continue to drive construction activity. 2019 was a challenging year as advanced economies grappled with escalating national debt, stagnating global trade, protectionist and a low investment environment.

## FINANCIAL PERFORMANCE: POISED FOR GROWTH

The financial year ended 31 December 2019 saw the Group registered a profit before taxation of RM1.64 million as compared to a profit before taxation of RM0.25 million achieved in the last financial year. The Group's revenue recorded at RM 48.83 million in 2019 as compared to RM33.83 million in 2018. The increase in revenue was primarily derived from our construction segment in residential development of Bukit Bandaraya Shah Alam, constructions of Suruhanjaya Syarikat Malaysia's and Lembaga Air Perak's buildings in Ipoh.

Some key financial highlights for the financial year ended 31 December 2019 are:

- i. Loss per share for the current year is at 1.32 sen;
- ii. Group's profit before interest, amortization and tax is at RM1.71 million; and
- iii. Net assets of the Group stood at RM128 million.

## Chairman's Statement

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There was no movement in the Company's issued and paid-up share capital during the year under review. As at 31 December 2019, the Company's issued and paid-up share capital remained at RM78.72 million.

### REVIEW OF OPERATION

The Group remains cautious in view of another challenging year with the Board foresees the Group's operational results for the financial year 2019 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 construction of two (2) buildings in Ipoh for the Companies Commission of Malaysia or Suruhanjaya Syarikat Malaysia and Lembaga Air Perak and also 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 2019.

### OUTLOOK AND PROSPECT

The Group is working towards increasing its revenue and building a strong order book by securing more construction jobs in 2020. 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 2020. 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 instead the negative effect on the Covid-19 pandemic. During the last few years, the Group has implemented many business strategies to ensure we stay competitive with current construction market demands.

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 deliver 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.

The Board is also looking at strategies and avenues in obtaining projects out of the Group.

### 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 2020.

Thank you.

**TAN SRI DATUK ADZMI BIN ABDUL WAHAB**

*Independent Non-Executive Chairman*  
31 March 2020

# Management Discussion And Analysis

## OPERATING AND BUSINESS OVERVIEW

Lebtech Berhad's involved primarily in construction industry which contributed substantially to the Group's earnings in the current financial under review ended 31 December 2019. Revenue's generation was mainly derived from construction contracts of property development projects and infrastructure projects.

The current construction works of Suruhanjaya Syarikat Malaysia (SSM) and Lembaga Air Perak (LAP) in Ipoh, Perak is progressing on schedule and contributes significantly to the Group's revenue. In view of construction contracts of property development projects, the current on-going construction works includes private residential development at D'Kayangan, Bukit Bandaraya, Shah Alam and other pocket residential development in Puchong. Also undertaken and currently on-going is a mixed commercial development of Basco Avenue in Ipoh.

## REVIEW OF FINANCIAL RESULTS

The Group's revenue increased from RM33.83 million recorded in 2018 to RM48.83 million in the current financial year ended 31 December 2018, representing an increase of 0.44%. The increase was mainly derived from construction works of SSM and LAP.

Profit net of tax attributable to ordinary shareholders decreased by RM1.8 million or 3.52% as compared to 2018. The decrease was mainly due to the increase in construction cost and absorption of the excess cost of several construction contracts undertaken by the Group.

The cash and bank balance stood at RM156.8 thousand with borrowings of RM0.67 million as at 31 December 2019. The Group's cash position remains positive with efforts to be placed to secure additional contract financing to meet the on-going cash flow requirements.

## DIVIDEND

Currently, the Group does not have a dividend policy. However, appropriate dividend is recommended after taking into consideration the Group's operating performance, cash flow in 2020 requirements and the capitalization of any sound investment opportunities in the coming year.

## MARKET & INDUSTRY OVERVIEW

The local economic conditions had remained challenging throughout the financial year due to the unwavering effects from the global economic slowdown. The weakening Malaysian Ringgit against major currencies has had a significant impact on local businesses during the financial year. Over the years, the Group have developed a more discipline and prudent approach to be able to endure challenging times and to deliver the commendable results for the financial year. The market condition is expected to remain uncertain in the near term in view of the tight credit control by banks, the large market supply of properties remaining unabated and the increasing cost of living and economic uncertainties resulting in more restrained consumer spending. The Covid-19 pandemic and its attendant effect on markets and commercial activity will likely present a range of challenges to the industry. Our Board is cautiously optimistic about the financial results of the Group for the financial year ending 31 December 2019, given the challenging business environment.

# Management Discussion And Analysis

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## MARKET OUTLOOK & PROSPECTS

Going forward, Lebttech Group will continue to pursue our goals and objectives set to rationalize business while devoting resources to our core business in government projects, construction and property development which we have competitive advantages and where we expect to see continued growth.

Lebttech Group also oversee the impact of COVID-19 pandemic and treated as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period and therefore, judgements and assumptions used in the preparation of the financial statements of the Group for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event. Not with standing that, the Group anticipates that the effects of COVID-19 would be recognised in the financial statements for the financial year ending 31 December 2020. The effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses of financial assets, fair value measurements of financial instruments, and impairment assessments of assets (property, plant and equipment and goodwill).

Our main focus remains on government projects, construction and property development activities in Malaysia. As highlighted above, our Group is involved in the following projects during 2019:-

- i. SSM building located in Ipoh, Perak with a combined project value of approximately RM48.00 million;
- ii. LAP located in Ipoh, Perak with a total GDV of approximately RM60.00 million;

The Group remain cautious in view of challenging year of 2020 with the Board foresees the Group's operational results to be equally challenging.

The revenue generation 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 Group expects the market would be softer due to uncertain economic environment and will continue to focus on the completion of its construction projects.

The outlook of the local construction section is positive underpinned by the on-going infrastructure works and social projects such as MRT line, ECRL, and affordable housing.

This will contribute towards a high demand for construction works and benefits the construction sector. The Group will intensify its efforts to replenish the order book in 2020 and leverage on its track record to seize future growth opportunities. Moving forward, the Group will continue to enhance its value proposition and strengthen its rapport with government agency by supplying quality products in its existing projects.

Thank you.

**NORAZMI BIN MOHAMED NURDIN**

*Managing Director*

31 March 2020

# Corporate Social Responsibility

The Board of Lebtech Berhad recognizes 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 summarized below:-

## ENVIRONMENT

The nature of our business activities has a major impact on the environment in which we are operate. We have taken many steps to mitigate or minimize 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 Sports Club has organized 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.

## MARKETPLACE

At the marketplace, we always endeavor to deliver a good quality product 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.

## Sustainability Statement

As a diversified conglomerate, Lebttech Berhad ("LB") aspires to achieve excellence in sustainability by integrating sustainable practices into every one of its business activities in line with the Group's vision and core values.

The LB Board ("the Board") has oversight responsibility to deliver sustainable value to stakeholders through the principles, policies, objectives and strategies of LB and all its subsidiaries in Malaysia ("the Group"). To assist the Board in fulfilling its responsibilities, a Sustainability Steering Committee ("SSC") was established in August 2018. The SSC is chaired by LB's Managing Director and comprises LB's Head of Corporate Affairs as Group Chief Sustainability Officer, LB's Department Heads and the Sustainability Officers of the various subsidiaries.

In 2015, Bursa Malaysia introduced a requirement for listed companies to publish a statement of their material economic, environmental and social performance in their annual reports. Accordingly, we initiated a process whereby our Malaysian operations in our main segments collected data on sustainability parameters defined by international reporting guidelines and frameworks, such as the Global Reporting Initiative (GRI). In 2018, we released our first Sustainability Statement. This described our performance on key non-financial metrics, highlighted areas where our sustainability management and processes can be strengthened and provided a basis on which we can continually improve our reporting to better meet the expectations of our stakeholders.

During our first reporting process, we drafted a materiality matrix of issues for validation by our various divisions. This was combined into a consolidated matrix of 16 prioritised issues relating to the activities of the Group, which was subsequently approved by the Board. Thereafter, the prioritised issues formed the basis of an agreed set of key performance indicators ("KPIs") which are used to report on our sustainability performance. Our sustainability reporting covers only the operations of our Malaysian subsidiaries. Subject to there being no significant changes, a materiality assessment will be conducted once every three years to ensure that any change in our businesses, as well as socio-economic and environmental trends, are taken into consideration.

The Board is ultimately responsible for implementing LB Code of Ethics which is applicable to Directors, officers and employees of the Group. The Corporate Disclosure Policy and Procedures outlines the policies and processes for communications with shareholders, analysts and investors to ensure effectiveness and compliance with the applicable laws, rules and regulations.

### RISK MANAGEMENT

The Group focuses on managing two types of risks, strategic and operational. Strategic risks are caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. These are dealt with by the Board and the Group Managing Director.

Operational risks are inherent in the activities within the different business units or subsidiaries of the Group. These risks are the responsibility of the various Business Units or Department heads. However, the Group impresses on all its employees that everyone at LB is responsible for good risk management.

# Corporate Governance Overview Statement

The Board of Directors of Lebtech 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 2019.

## 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.

## 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.

# Corporate Governance Overview Statement

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## 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

Jamil Bin Saimon (*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 2019, 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.

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.

# Corporate Governance Overview Statement

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## D. BOARD COMMITTEES *cont'd*

### 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

Jamil Bin Saimon (*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 2019 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.

# Corporate Governance Overview Statement

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
JAMIL BIN SAIMON	5/5	100
DATO' NOOR AZMAN @ NOOR HIZAM BIN MOHD NURDIN	5/5	100
DATO' HAZLI BIN IBRAHIM	5/5	100

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 2019, the following Directors have attended the following training programmes and conferences:-

#### Tan Sri Datuk Adzmi Bin Abdul Wahab

- Forum: Accelerating the Fourth Industrial Revolution in Malaysia by Perdana Leadership Foundation.
- Revisiting the misconception of Board Remuneration by the institute of corporate directors Malaysia
- Digital Ethics and sustainability in a New Economy of Privacy by Business Council for sustainable development Malaysia.
- Updates to listing requirements by Epsilon Advisory Services Sdn. Bhd.
- Would a Business Judgement Rule help Directors sleep better at night? By the institute of Corporate Directors Malaysia.
- Non-Financial-Does it Matter? By the ICLIF Leadership and Governance Centre.
- Companies of the Future-The Role of Boards by the Institute of Corporate Directors Malaysia
- Gearing up for Corporate Liability by the Malaysian Anti-Corruption Academy.

#### Norazmi Bin Mohamed Nurdin

- Non-Financial-Does it Matter? By the ICLIF Leadership and Governance Centre.
- Companies of the Future-The Role of Boards by the Institute of Corporate Directors Malaysia

# Corporate Governance Overview Statement

cont'd

## F. FOSTER COMMITMENT *cont'd*

### Directors' Training *cont'd*

#### Jamil Bin Saimon

- MAICSA Conference

#### Dato' Hazli Bin Ibrahim

- Bursa Sime Darby Convention Center Corporate Governance Case Study Workshop by Prof Mak Yuen Teen, NUS Business School
- MIA CCEC, Bangsar South Directors' Dialogue with Jonathan Labrey on Integrated Reporting
- ICDM SC – Conference Hall 2 Bursa Malaysia Thought Leadership: Sustainability-Inspired Innovations: Enablers of the 21st Century

#### Dato' Noor Azman@ Noor Hizam Bin Mohd Nurdin

- SSM Conference 2019
- Corporate Governance Case Study Workshop

## 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, 2016 ("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 judgements 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.

# Corporate Governance Overview Statement

cont'd

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

### 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.

### 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 2019 save as explained above.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 30 April 2020.

## 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.

# Corporate Governance Overview Statement

cont'd

## ADDITIONAL COMPLIANCE INFORMATION *cont'd*

### 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.

### 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 2019
		RM
Letting of office premises to LDDSB by LCSB	i. Norazmi bin Mohamed Nurdin <sup>(1)</sup>	185,220
	ii. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin <sup>(2)</sup>	
	iii. Datin Nor Hayati bt Abd Malik <sup>(3)</sup>	
Letting of office equipment and furniture to LDDSB by LCSB	i. Norazmi bin Mohamed Nurdin <sup>(1)</sup>	48,960
	ii. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin <sup>(2)</sup>	
	iii. Datin Nor Hayati bt Abd Malik <sup>(3)</sup>	
Revenue from construction contract from Basco Sdn Bhd (BASCO)	i. Norazmi bin Mohamed Nurdin <sup>(1)</sup>	52,688,264.27
	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>	

# Corporate Governance Overview Statement

cont'd

## ADDITIONAL COMPLIANCE INFORMATION *cont'd*

### Recurrent Related Party Transactions of a Revenue or Trading Nature *cont'd*

#### Notes:-

- (1) *Norazmi bin Mohamed Nurdin is the Managing Director and a shareholder of Lebttech 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*)

Jamil Bin Saimon (*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.

# Audit Committee Report

cont'd

## 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*

The functions of the Audit Committee are as follows:- *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 2019, 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	5/5
Tan Sri Datuk Azmi Bin Abdul Wahab	5/5
Dato' Noor Azman@ Noor Hizam Bin Mohd Nurdin	5/5
Jamil Bin Saimon	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.

# Audit Committee Report

cont'd

## 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 RM 54,582.00.

# 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.

## ASSURANCE MECHANISM

The duties of Board are reviewing and monitoring the effectiveness of the Group's internal control systems. In carrying out this responsibility, they relies significantly on the support of audit focus carry out internal audits on various operating units within the Group based on a risk-based audit plan approved annually by the Board. Based on these audits, internal audit provides the Board with quarterly reports highlighting observations, recommendation and management action plans to improve the internal control systems.

## 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.

# Statement On Risk Management And Internal Control

cont'd

## RISK MANAGEMENT FRAMEWORK *cont'd*

- 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.

## 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 9001:2015 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 2019 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 30 April 2020.

## Directors' Report

The Directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2019.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 7 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
Net loss for the financial year	(1,803,513)	(276,315)
Amount attributable to:		
Owner of the Company	(1,803,513)	(276,315)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

### DIVIDENDS

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

### 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.

### ISSUANCE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures was made by the Company.

### DIRECTORS OF THE COMPANY

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Datuk Adzmi bin Abdul Wahab  
 Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin \*\*  
 Norazmi bin Mohamed Nurdin \*\*  
 Jamil bin Saimon \*\*  
 Dato' Hazli bin Ibrahim

\*\* These directors are also the directors of certain subsidiaries of the Company.

# Directors' Report

cont'd

## DIRECTORS OF THE SUBSIDIARIES OF LEBTECH BERHAD

The Director who held office in the subsidiaries of the Company during the financial year and up to the date of this report (not including those directors listed above) is:

Nor Syafiqah binti Dato' Noor Azman @ Nor Hizam

## DIRECTORS' INTERESTS

The interest and deemed interest in the ordinary shares of the Group and 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 Group and the Company) as recorded in the Register of Directors' Shareholdings are as follows:-

	As at 1.1.2019	Number of ordinary shares		As at 31.12.2019
		Bought	Sold	
<b>Shareholdings in which Directors have direct interests</b>				
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	62,817,000	-	-	<b>62,817,000</b>
Norazmi bin Mohamed Nurdin	5,016,000	-	-	<b>5,016,000</b>
Dato' Hazli bin Ibrahim	554,400	-	-	<b>554,400</b>
<b>Shareholdings in which Directors have deemed interests</b>				
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	23,341,800	-	-	<b>23,341,800</b>
Norazmi bin Mohamed Nurdin	81,142,800	-	-	<b>81,142,800</b>
Dato' Hazli bin Ibrahim	157,000	-	-	<b>157,000</b>

By virtue of their interests in the shares of the Company, Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin, Norazmi bin Mohamed 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 2019 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 Group and 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 Note 21 to 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 21 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 Group of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Group of the Company or any other body corporate.

# Directors' Report

cont'd

## DIRECTORS' REMUNERATIONS

The amounts of remunerations of the directors of the Group and of the Company comprising remunerations received or receivable from the Group and the Company during the year are disclosed in the Note 21 to the financial statements.

## INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There is no indemnities coverage and insurance premiums paid for directors, officers and auditors of the Group and the Company during the end of the year.

## AUDITORS' REMUNERATION

Details of the auditors' remuneration are disclosed in Note 20 to the financial statements.

## SUBSEQUENT EVENTS

Details of the subsequent events are disclosed in Note 29 to the financial statements.

## OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for expected credit losses and satisfied themselves that no known bad debts and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) its necessary to write off any bad debts or the amount of the allowance of expected credit losses for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

## Directors' Report

cont'd

### AUDITORS

The auditors, Messrs Al Jafree Salihin Kuzaimi PLT, have expressed their willingness to continue in office.

Signed on behalf of the board in accordance with a resolution of the directors.

**NORAZMI BIN MOHAMED NURDIN**

*Director*

**JAMIL BIN SAIMON**

*Director*

Shah Alam, Selangor

## Statement by Directors

Pursuant to section 251(2) of the Companies Act, 2016

We, **NORAZMI BIN MOHAMED NURDIN** and **JAMIL BIN SAIMON**, being two of the Directors of **LEBTECH BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016, in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as of 31 December 2019 and of the changes in equity, the results and statement of cash flows of the Group and the Company for the financial year ended on that date.

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

**NORAZMI BIN MOHAMED NURDIN**

*Director*

**JAMIL BIN SAIMON**

*Director*

Shah Alam, Selangor

## Statutory Declaration

Pursuant to section 251(1)(b) of the Companies Act, 2016

I, **VEERAPPAN V. SENTHILNATHAN (CA 28908)**, being the officer primarily responsible for the financial management of **LEBTECH BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are in my opinion, 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 abovenamed at **Shah Alam** )  
in the state of **Selangor Darul Ehsan** )  
on )

**VEERAPPAN V. SENTHILNATHAN**  
**(CA 28908)**

Group Financial Controller

Before me,

Commissioner for Oaths  
Shah Alam, Selangor

# Independent Auditors' Report

## To the members of Lebtech Berhad (Incorporated in Malaysia)

### REPORT ON THE FINANCIAL STATEMENTS

#### OPINION

We have audited the financial statements of **Lebtech Berhad**, which comprise the statements of financial position as at 31 December 2019 of the Group and the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on the accompanying pages 41 to 80.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of their financial performance and their 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, 2016 in Malaysia.

#### BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("ByLaws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 25.3 to the financial statements. The Group conducts its business activities during the year mainly with related parties. This has inadvertently increased the exposure to the credit risk and going concern risk. For the financial year ended at 31 December 2019, the Group, through its subsidiary company, derived 100% of its revenue from related parties and at the statement of financial position date, 99% of Group's trade receivables are due from related parties. Our opinion is not qualified in respect of this matter.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have addressed the key audit matters related to a material uncertainty related to events or conditions that cast significant doubt on the entity's ability to continue as a going concern in the section *Material Uncertainty Related to Going Concern* of the Company's Auditor's Report in accordance with ISA 570 (Revised), *Going Concern*.

# Independent Auditors' Report

To the members of Lebttech Berhad (Incorporated in Malaysia)

cont'd

## KEY AUDIT MATTERS *cont'd*

Key audit matters	How our audit addressed the key audit matters
<p><i>Revenue and cost of sales from construction contract recognised on percentage of completion method.</i></p> <p>In accordance with MFRS 15 Revenue from Contracts with Customers, the analysis of whether the contracts comprise one or more performance obligations, allocation of transaction prices to one or more performance obligations and the determination whether the performance obligations are satisfied over time or at a point in time are areas requiring significant management judgement.</p> <p>There is a risk of error in the measurement and timing of revenue recognition due to either inappropriate assessment of the performance obligations and/or inaccurate allocation of transaction price to various performance obligations.</p> <p>Furthermore, significant judgement is required in estimating the cost to complete the performance obligation satisfied over time using the input method.</p> <p>The Group's accounting policies and disclosures on revenue recognition based on percentage of completion method are disclosed in respectively to the financial statements.</p> <p>We identified the revenue and cost of sales recognised on the percentage of completion method or over time from construction contract as matters requiring audit focus as these are areas involved significant management's judgement.</p>	<ul style="list-style-type: none"> <li>• We obtained an understanding on policies and procedures applied to revenue, as well as compliance therewith, including analysis of the effectiveness internal controls related to revenue recognition process processes employed by the Group.</li> <li>• We obtained an understanding of the process in deriving the stage of completion which includes verifying the certified work done such as obtaining project schedule from management and examining the progress billings from contractors.</li> <li>• We evaluated the assumptions applied in estimating the construction budgeted costs by examining documentary evidence such as letter of award issued to contractors to support the budgeted costs.</li> <li>• We checked the mathematical accuracy of the revenue and profit based on the percentage of completion by reperforming the revenue calculations and considered implication of identified errors and changes in estimates.</li> <li>• We have performed cut off procedures for a sample of revenues transacted.</li> <li>• We analysed others adjustments and credit notes issued subsequent to year-end.</li> <li>• We reviewed disclosures included in the notes to the complying to the Group financial statements.</li> </ul>
<p><i>Goodwill impairment assessment - Lebttech Construction Sdn. Bhd.</i></p>	
<p>The group has a significant amount of the intangibles assets amounted to RM11,806,642 (2018: RM11,806,642) attributed to the significant cash-generating unit (CGU) relating to its acquisitions of Lebttech Construction Sdn. Bhd., in year 2000.</p>	<ul style="list-style-type: none"> <li>• We identified, documented and confirmed our understanding of the controls operated by Group surrounding the Goodwill allocations and impairment process.</li> </ul>

# Independent Auditors' Report

## To the members of Lebtech Berhad (Incorporated in Malaysia)

cont'd

### KEY AUDIT MATTERS *cont'd*

Key audit matters	How our audit addressed the key audit matters
<p><i>Goodwill impairment assessment - Lebtech Construction Sdn. Bhd. cont'd</i></p> <p>The Group Management analysed the recoverable amounts of each significant CGUs and compared it with the carrying amount in determining the amount of impairment losses to be recognised in the financial statements.</p> <p>The impairment assessment performed by management involved significant degree of judgements in estimating the assumptions on growth rate and discount rate used. The key assumptions are disclosed in Note 5 to the financial statements and kindly refer to Note 3.1 (a) for the Significant Accounting Estimates and Judgements.</p> <p>Arising from the impairment assessment, no impairment loss of goodwill was recognised in the current financial year.</p>	<ul style="list-style-type: none"> <li>• In reviewing the impairment assessments based on VIU model, our procedures included, amongst others: <ul style="list-style-type: none"> <li>a) We challenged the key assumptions used in the projected cashflows based on ongoing projects awarded;</li> <li>b) We assessed the reliability of the cash flow projections by assessing the historical accuracy of management's estimates of profits (and the resulting cash flows) for the respective CGUs in previous years;</li> <li>c) We performed sensitivity analysis on the key inputs of the cash flow projections and challenged management on the outcome of the assessment; and</li> <li>d) We assessed the appropriateness of the disclosures in the notes to the financial statements.</li> </ul> </li> </ul>
<p><i>Recoverability of amount due from related parties</i></p> <p>As at 31 December 2019, the net carrying value of amount due from related parties of the Group amounting to RM114,220,941.00.</p> <p>During the current financial year, the impairment loss recognised is amounting to RM304,949.</p> <p>We focused on the carrying value of amount due from related parties of the Group as the recoverable amounts are subject to significant judgement and critical estimates made by management over the key assumptions used in projected cash flows and the discount rates.</p>	<ul style="list-style-type: none"> <li>• We obtained an understanding of the Group's:- <ul style="list-style-type: none"> <li>i) Control over the receivables approval and collection process - we assessed the validity of material long outstanding receivable by obtaining third parties' confirmation of the owing. We also consider amount (payment) received subsequent to years -ended, past payment histories and unusual pattern to identify potentially impairment balances.</li> <li>ii) Process to identify and assess the impairment of receivables and we assessed the appropriateness of the allowances for the trade receivables comprised a variety of audit procedures across the Group including: <ul style="list-style-type: none"> <li>a) We challenged the appropriateness and reasonableness of the assumptions applies in the director's assessments of the receivable allowances;</li> <li>b) We considered and concurred with the agreed payment terms;</li> <li>c) We verified receipts from trade receivables subsequent to year-end; and</li> <li>d) We considered the completeness and accuracy of disclosures.</li> </ul> </li> </ul> </li> </ul>

# Independent Auditors' Report

To the members of Lebtech Berhad (Incorporated in Malaysia)

cont'd

## KEY AUDIT MATTERS *cont'd*

Key audit matters	How our audit addressed the key audit matters
<i>Recoverability of amount due from related parties cont'd</i>	
The recoverability of receivables from related parties, impairment and allowance for doubtful debts are considered to be a significant risk due to the pervasive nature of these balances to the financial statements and affect the working capital management of the business. We focused our testing of the impairment and recoverability of trade receivables on the key assumptions made by the management.	<ul style="list-style-type: none"> <li>• We obtained an understanding of the Group's:- <i>cont'd</i> <ul style="list-style-type: none"> <li>iii) We have reviewed the adequacy of policy disclosed to determine the accounting estimate for the impairment of receivables as disclosed in Note 3.1 (d).</li> </ul> </li> <li>• We challenged management's view on credit risk of trade receivables and take into consideration the historical patterns for outstanding trade receivables, reviewing other evidence including related parties financial position based on latest audited accounts and holding discussions with those charged with governance and management;</li> <li>• We discussed with management to understand the underlying assumptions used in the simplified approach impairment model under MFRS 9 when determining the ECL for amounts receivable from subsidiaries;</li> <li>• We tested the accuracy of the ageing against supporting documents on a sample basis.</li> </ul>

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Group and the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Group and the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statement of the Group and the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditors' Report

## To the members of Lebtech Berhad (Incorporated in Malaysia)

cont'd

### RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Group and the Company are responsible for the preparation of financial statements of the Group and of the Group and the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statement of the Group and the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and the Company, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statement of the Group and the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# Independent Auditors' Report

To the members of Lebtech Berhad (Incorporated in Malaysia)

cont'd

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we also report that:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Group and the Company have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary company that have been consolidated with the financial statements of the Group, and we have received satisfactory information and explanations as required by us for those purpose; and
- (c) The auditors' report on the account of the subsidiary company were not subject to any qualification and did not include any adverse commend made under Sub-section (3) of Section 266 of the Act.

## OTHER MATTERS

The financial statements of the Group and the Company for the year ended 31 December 2018 were audited by another auditors whom have expressed an unmodified opinion with a paragraph on Material Uncertainty Related to Going Concern on these statements on 25 April 2019.

This report is made solely to the members of the Group and the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**AL JAFREE SALIHIN KUZAIMI PLT**

(AF 1522)

Chartered Accountants

**SIRI BIN SANYUT**

No. 03078/07/2021 J

Chartered Accountants

Selangor

Dated: 30 April 2020

## Statements of Financial Position

as at 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
			Restated		
ASSETS					
Non current asset					
Property, plant and equipments	4	13,761,657	2,591,577	-	-
Intangible asset	5	11,803,642	11,803,642	-	-
Investment properties	6	405,000	420,000	-	-
Investment in subsidiaries	7	-	-	74,500,002	74,500,002
Deferred tax assets	8	547,181	3,026,803	-	-
Total non current assets		26,517,480	17,842,022	74,500,002	74,500,002
Current assets					
Trade and other receivables	9	149,009,121	173,734,647	1,409,299	1,648,106
Fixed deposits with licensed banks	10	137,949	134,523	-	-
Cash and cash equivalents	11	156,800	31,290	5,786	5,796
Tax Recoverable		46,360	698,717	-	-
Total current assets		149,350,230	174,599,177	1,415,085	1,653,902
TOTAL ASSETS		175,867,710	192,441,199	75,915,087	76,153,904
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	78,719,784	78,719,784	78,719,784	78,719,784
Retained earnings/(Accumulated losses)	13	49,349,202	51,152,715	(3,145,593)	(2,869,278)
TOTAL EQUITY		128,068,986	129,872,499	75,574,191	75,850,506
Current liabilities					
Deferred income	14	-	3,938,694	-	-
Trade and other payables	15	47,131,296	57,711,585	340,896	303,398
Loans and borrowings	16	667,428	918,421	-	-
TOTAL LIABILITIES		47,798,724	62,568,700	340,896	303,398
TOTAL EQUITY AND LIABILITIES		175,867,710	192,441,199	75,915,087	76,153,904

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

## Statements of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	17	<b>48,834,078</b>	33,826,351	-	-
Cost of sales	18	<b>(43,149,452)</b>	(29,737,572)	-	-
Gross profit		<b>5,684,626</b>	4,088,779	-	-
Other income		<b>239,819</b>	251,200	-	-
Administrative expenses		<b>(4,214,046)</b>	(4,001,651)	<b>(276,315)</b>	(243,142)
<b>Result from operating activities</b>		<b>1,710,399</b>	338,328	<b>(276,315)</b>	(243,142)
Finance cost	19	<b>(71,068)</b>	(91,891)	-	-
<b>Profit/(loss) before taxation</b>	20	<b>1,639,331</b>	246,437	<b>(276,315)</b>	(243,142)
Taxation	22	<b>(3,442,844)</b>	(153,703)	-	-
<b>(Loss)/profit for the year, representing total comprehensive (loss)/income for the financial year</b>		<b>(1,803,513)</b>	92,734	<b>(276,315)</b>	(243,142)
Attributable to:					
Non-controlling interest		-	-	-	-
Owners of the Company		<b>(1,803,513)</b>	92,734	<b>(276,315)</b>	(243,142)
		<b>(1,803,513)</b>	92,734	<b>(276,315)</b>	(243,142)
Basic earning per ordinary share attributable to owners of the Company	23	<b>(1.32)</b>	0.07		

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

## Statements of Changes in Equity

for the financial year ended 31 December 2019

	Non- distributable share capital RM	Distributable retained earnings/ (accumulated losses) RM	Total RM
<b>GROUP</b>			
Balance as at 1 January 2018	78,719,784	51,059,981	129,779,765
Total comprehensive income for the year	-	92,734	92,734
Balance at 31 December 2018	78,719,784	51,152,715	129,872,499
Balance as at 1 January 2019	<b>78,719,784</b>	<b>51,152,715</b>	<b>129,872,499</b>
Total comprehensive loss for the year	-	<b>(1,803,513)</b>	<b>(1,803,513)</b>
Balance at 31 December 2019	<b>78,719,784</b>	<b>49,349,202</b>	<b>128,068,986</b>
	Non- distributable share capital RM	Distributable accumulated losses RM	Total RM
<b>COMPANY</b>			
Balance as at 1 January 2018	78,719,784	(2,626,136)	76,093,648
Total comprehensive loss for the year	-	(243,142)	(243,142)
Balance at 31 December 2018	78,719,784	(2,869,278)	75,850,506
Balance as at 1 January 2019	<b>78,719,784</b>	<b>(2,869,278)</b>	<b>75,850,506</b>
Total comprehensive loss for the year	-	<b>(276,315)</b>	<b>(276,315)</b>
Balance at 31 December 2019	<b>78,719,784</b>	<b>(3,145,593)</b>	<b>75,574,191</b>

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

# Statements of Cash Flows

for the financial year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
		Restated		
	RM	RM	RM	RM
<b>Cash flows from operating activities</b>				
Profit/(Loss) before taxation	1,639,331	246,437	(276,315)	(243,142)
Adjustments for :				
Allowance for doubtful debts	304,949	274,307	-	-
Depreciation of property, plant and equipment	99,569	97,776	-	-
Depreciation of investment properties	15,000	15,000	-	-
Finance cost	71,068	91,891	-	-
Interest income	(3,426)	(4,220)	-	-
<b>Operating profit/(loss) before changes in working capital</b>	<b>2,126,491</b>	<b>721,191</b>	<b>(276,315)</b>	<b>(243,142)</b>
Changes in trade and other receivables	24,417,152	(2,898,319)	238,807	219,596
Changes in trade and other payables	(14,518,983)	2,943,717	37,498	23,960
<b>Cash inflows/(outflows) in operating activities</b>	<b>12,024,660</b>	<b>766,589</b>	<b>(10)</b>	<b>414</b>
Interest received	3,426	4,220	-	-
Interest paid	(71,068)	(91,891)	-	-
Tax paid	(310,865)	(682,362)	-	-
<b>Net cash in operating activities</b>	<b>11,646,153</b>	<b>(3,444)</b>	<b>(10)</b>	<b>414</b>
<b>Cash flows from investing activity</b>				
Acquisition of property, plant and equipment	(11,269,650)	-	-	-
<b>Net cash used in investing activity</b>	<b>(11,269,650)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Advance to related parties	-	(6,963)	-	-
Repayment of borrowings	(250,993)	(111,466)	-	-
<b>Net cash used in financing activities</b>	<b>(250,993)</b>	<b>(118,429)</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and bank balances</b>	<b>125,510</b>	<b>(121,873)</b>	<b>(10)</b>	<b>414</b>
<b>Cash and bank balances at beginning of the year</b>	<b>31,290</b>	<b>153,163</b>	<b>5,796</b>	<b>5,382</b>
<b>Cash and bank balances at end of the year</b>	<b>156,800</b>	<b>31,290</b>	<b>5,786</b>	<b>5,796</b>

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

# Notes to the Financial Statements

## 31 December 2019

### 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 registered office and principal place of business is located at 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 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies.

These financial statements are presented in Ringgit Malaysia.

#### 2.2 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2019, the Group and the Company adopted the following Amendments and Annual Improvements mandatory for annual financial periods beginning on or after 1 January 2019:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 11 *Joint Arrangements - Annual improvements to MFRS standards 2015-2017 cycle*
- Amendments to MFRS 112 *Income Taxes - Annual improvements to MFRS standards 2015-2017 cycle*
- Amendments to MFRS 119 *Employee benefits (Plan Amendments, Curtailment or settlement)*
- Amendments to MFRS 123 *Borrowing costs - Annual improvements to MFRS standards 2015-2017 cycle*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

# Notes to the Financial Statements

31 December 2019

cont'd

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

### 2.2 Change in accounting policies *cont'd*

The initial application of the abovementioned pronouncements does not have any material impact to the financial statements of the Company except as discussed below:

#### **MFRS 16 Leases**

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The adoption of MFRS 16, does not have any material impact to the financial statements of the Group and the Company.

### 2.3 Standards issued but not yet effects

As at the date of authorisation of these financial statements, the following Standards, Amendments and Annual Improvements have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

#### ***MFRS effective for annual periods beginning on or after 1 January 2020***

- The conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108: *Definition of Material*
- Amendments to MFRS 3: *Definition of a Business Combination*

#### ***MFRS effective for annual periods beginning on or after 1 January 2021***

- MFRS 17: *Insurance Contracts*

#### ***MFRS effective date to be announced***

- Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate of Joint Venture*

The directors expect that the adoption of the above standards, if applicable will have no material impact on the financial statements of the Group and the Company in the period of initial application.

# Notes to the Financial Statements

31 December 2019

cont'd

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

### 2.4 Basis of consolidation

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.

#### (a) Business combinations

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 statement of comprehensive income.

#### (b) Transactions eliminated on consolidation

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

### 2.5 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### (i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

# Notes to the Financial Statements

31 December 2019

cont'd

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

### 2.5 Financial instruments - initial recognition and subsequent measurement *cont'd*

#### (i) Recognition and initial measurement *cont'd*

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

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

##### Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

##### (a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

##### (b) Fair value through other comprehensive income

##### (i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses recognised in other comprehensive income. On derecognition gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

##### (ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

# Notes to the Financial Statements

31 December 2019

cont'd

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

### 2.5 Financial instruments - initial recognition and subsequent measurement *cont'd*

#### (ii) Financial instrument categories and subsequent measurement *cont'd*

##### (c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment.

#### Financial liabilities

##### (a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group and the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group and the Company's key management personnel; or
- (iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

# Notes to the Financial Statements

31 December 2019

cont'd

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

### 2.5 Financial instruments - initial recognition and subsequent measurement *cont'd*

#### (ii) Financial instrument categories and subsequent measurement *cont'd*

##### Financial liabilities *cont'd*

##### (b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

#### (iii) 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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised 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, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

#### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

### 2.6 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 and the Company accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

# Notes to the Financial Statements

31 December 2019

cont'd

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

### 2.6 Property, plant and equipment *cont'd*

#### (i) Recognition and measurement *cont'd*

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 the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

#### (iii) Depreciation and impairment

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

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

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

	Useful lives (years)
Leasehold land and building	50 years
Motor vehicles	5 years
Plant and equipment	2.5 - 10 years
Fixture and fittings	8 - 10 years
Renovation	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 or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the profit or loss.

# Notes to the Financial Statements

31 December 2019

cont'd

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

### 2.7 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 statement of comprehensive income.

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.

### 2.8 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.

#### (i) 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 2.6.

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

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

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.

# Notes to the Financial Statements

31 December 2019

cont'd

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

### 2.8 Investment properties *cont'd*

#### (i) Investment property carried at cost *cont'd*

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in statement of comprehensive income.

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 statement of comprehensive income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus.

### 2.9 Leased assets

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.

#### (i) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases and all leases of low-value assets are recognised on a straightline basis as an expense in profit or loss.

#### (ii) 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 statement of comprehensive income 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 statement of comprehensive income when incurred.

#### (iii) 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.

### 2.10 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.

# Notes to the Financial Statements

31 December 2019

cont'd

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

### 2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three (3) months or less.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy note 2.5.

### 2.12 Impairment of non-financial assets

#### (i) 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.

Impairment losses are recognised in statement of comprehensive income. 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 statement of comprehensive income in the year in which the reversals are recognised.

### 2.13 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.

# Notes to the Financial Statements

31 December 2019

cont'd

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

### 2.14 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.

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

### 2.15 Revenue recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Revenue from contract with customers may 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, revenue and expenses are recognised in statement of comprehensive income in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a revenue from contract customers 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 statement of comprehensive income.

### 2.16 Other income

#### (i) Rental income

Rental income from investment property is recognised in statement of comprehensive income 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) Interest income

Interest income is recognised on accrual basis, using the effective interest method in statement of comprehensive income.

# Notes to the Financial Statements

31 December 2019

cont'd

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

### 2.17 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.

### 2.18 Income tax

Income tax comprises current and deferred tax. Income tax expense is recognised in statement of comprehensive income 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.

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.

### 2.19 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.

### 2.20 Operating 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.

# Notes to the Financial Statements

31 December 2019

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

### 2.21 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 profit or loss. Dividends to shareholders are recognised in equity in the period in which they are declared and approved.

### 2.22 Fair value information

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

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

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

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

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

Level 3 : unobservable inputs for the asset or liability.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the respected amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### 3.1 Key sources of estimation uncertainty

#### (i) Useful lives of property, plant and equipment and intangible assets

The estimated for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group and the Company anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

# Notes to the Financial Statements

31 December 2019

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## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *cont'd*

### 3.1 Key sources of estimation uncertainty *cont'd*

#### (i) Useful lives of property, plant and equipment and intangible assets *cont'd*

When the recoverable amount of an intangible asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows. The carrying amount of the Group's and of the Company's property, plant and equipment and intangible assets at the reporting date is disclosed in Note 4, Note 5 and Note 6 respectively.

#### (ii) Taxation

There are certain transactions computations for which the ultimate tax determination may be different from the initial estimate. The Group recognised tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's and of the Company's taxation at the reporting date is disclosed in Note 22.

#### (iii) Measurement of progress when revenue is recognised over time

For those contracts involving the system application and development revenue and engineering works that meet the over time criteria of revenue recognition, the Group's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation. The Group generally uses the costs incurred method as a measure of progress for its contracts because it best depicts the Group's performance. Under this method of measuring progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When costs are incurred, but do not contribute to the progress in satisfying the performance obligation (such as unexpected amounts of wasted materials, labour or other resources), the Group excludes the effect of those costs. Also, the Group adjusts the input method for any cost incurred that are not proportionate to the Group's progress in satisfying the performance obligation.

The carrying amounts of amounts due from contract customers and revenue recognised over time of the Group are disclosed in Note 9 and 17 respectively.

#### (iv) Impairment of loans and receivables

The Group and the Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the Group and the Company's contractual entitlement to a debt, the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. The carrying amount of the Group's and of the Company's trade and other receivables at the reporting date is disclosed in Note 9.

# Notes to the Financial Statements

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## 4. PROPERTY, PLANT AND EQUIPMENTS

	Leasehold land and buildings RM	Motor vehicles RM	Plant and equipment RM	Fixtures and fittings RM	Renovation RM	Total RM
<b>Group</b>						
<b>Cost</b>						
At 1 January 2019	3,566,004	2,214,439	1,101,790	221,082	48,733	7,152,048
Additions	11,240,000	-	29,650	-	-	11,269,650
Disposals	-	-	(16,900)	-	-	(16,900)
At 31 December 2019	14,806,004	2,214,439	1,114,540	221,082	48,733	18,404,798
<b>Accumulated depreciation</b>						
At 1 January 2019	1,069,801	2,214,102	1,011,644	216,191	48,733	4,560,471
Depreciation for the year	71,320	317	26,980	952	-	99,569
Disposals	-	-	(16,899)	-	-	(16,899)
At 31 December 2019	1,141,121	2,214,419	1,021,725	217,143	48,733	4,643,141
<b>Net Carrying amounts</b>						
At 1 January 2019	2,496,203	337	90,146	4,891	-	2,591,577
At 31 December 2019	13,664,883	20	92,815	3,939	-	13,761,657
<b>Cost</b>						
At 1 January 2018	3,566,004	2,214,439	1,101,790	221,082	48,733	7,152,048
Additions	-	-	-	-	-	-
At 31 December 2018	3,566,004	2,214,439	1,101,790	221,082	48,733	7,152,048
<b>Accumulated depreciation</b>						
At 1 January 2018	998,481	2,213,147	987,095	215,239	48,733	4,462,695
Depreciation for the year	71,320	955	24,549	952	-	97,776
At 31 December 2018	1,069,801	2,214,102	1,011,644	216,191	48,733	4,560,471
<b>Net Carrying amounts</b>						
At 1 January 2018	2,567,523	1,292	114,695	5,843	-	2,689,353
At 31 December 2018	2,496,203	337	90,146	4,891	-	2,591,577

\* Leasehold land and buildings

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

# Notes to the Financial Statements

31 December 2019

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## 5. INTANGIBLE ASSETS

	Group	
	2019 RM	2018 RM
At 1 January	11,803,642	11,803,642
Impairment on goodwill	-	-
At 31 December	11,803,642	11,803,642

The recoverable amount of the investment in its subsidiary, Lebtech Construction Sdn. Bhd., was based on its value in use and the recoverable amount is higher than the carrying amount of this intangible asset. During the financial year, the Group has assessed the recoverable amount of goodwill on consolidation, and determined that goodwill is not impaired.

The recoverable amount are determined using the value in use approach, and this is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by management covering a period of five (5) years. The key assumptions used in the determination of the recoverable amounts are as follows:-

- The basis used to determine the value assigned for five (5) years projected revenue is based on ongoing projects awarded.
- Discounted rate of 3.50% (2018: 3.50%) based on incremental borrowing rate is applied in calculating Net Present Value (NPV).

The values assigned to the key assumptions represent management's assessment of future trends in the cash generating units and are based on both external sources and internal historical data.

### Sensitivity to changes in assumption

The management believes that no reasonable possible change in the above key assumptions applied that is likely to materially cause the carrying value of the goodwill to exceed its recoverable amount.

## 6. INVESTMENT PROPERTIES

	As at 1.1.2019 RM	Additions RM	Disposals RM	As at 31.12.2019 RM
<b>GROUP</b>				
<b>Cost</b>				
Freehold land and building	750,000	-	-	750,000
<b>Amortisation</b>				
	As at 1.1.2019 RM	Additions RM	Amortisation for the year RM	As at 31.12.2019 RM
Freehold land and building	330,000	15,000	-	345,000

# Notes to the Financial Statements

31 December 2019

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## 6. INVESTMENT PROPERTIES *cont'd*

	31.12.2019 RM	31.12.2018 RM
<b>Net Carrying Amount</b>		
Freehold land and building	405,000	420,000

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 2019, the properties are pledged to a licensed bank to secure banking facilities granted to the Company (see Note 16).

## 7. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
At cost		
Unquoted shares, at cost	74,700,002	74,700,002
Direct operating expenses	(200,000)	(200,000)
	74,500,002	74,500,002

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2019 %	2018 %
Lebtech Construction Sdn Bhd	Malaysia	Civil and building construction	100	100
Lebtech Energy Sdn Bhd	Malaysia	Dormant	100	100
Paksi Aman Sdn Bhd	Malaysia	Dormant	100	100

# Notes to the Financial Statements

31 December 2019

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## 8. 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.

Deferred tax assets are attributable to the following:

	Assets/(liabilities)		Net		
	2019	2018	2019	2018	
	RM	RM	RM	RM	
GROUP					
Property, plant and equipment	(21,791)	(269,016)	(21,791)	(269,016)	
Impairment loss on trade receivables	(72,960)	1,936,781	(72,960)	1,936,781	
Unutilised business loss	641,932	1,329,152	641,932	1,329,152	
Unabsorbed capital allowance	-	29,886	-	29,886	
Net tax assets	547,181	3,026,803	547,181	3,026,803	
	As at 01.01.2018	Recognised in profit or loss (Note 22)	As at 31.12.2018	Recognised in profit or loss (Note 22)	As at 31.12.2019
	RM	RM	RM	RM	RM
Property, plant and equipment	(21,737)	(247,279)	(269,016)	247,225	(21,791)
Impairment loss on trade receivables	2,981,740	(1,044,959)	1,936,781	(2,009,741)	(72,960)
Unutilised business loss	-	1,329,152	1,329,152	(687,220)	641,932
Unabsorbed capital allowance	-	29,886	29,886	(29,886)	-
Net tax assets	2,960,003	66,800	3,026,803	(2,479,622)	547,181

# Notes to the Financial Statements

31 December 2019

cont'd

## 8. DEFERRED TAX ASSETS *cont'd*

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

### Deferred tax assets/(liabilities) of the Group:

	Unutilised tax losses RM	Unabsorbed capital allowances RM	Capital allowance and depreciation differences RM	Other deductible/ (taxable) temporary differences RM	Total RM
At 1 January 2018	-	-	(21,737)	2,981,740	2,960,003
Recognised in profit or loss (Note 22)	1,329,152	29,886	(247,279)	(1,044,959)	66,800
At 31 December 2018 and 1 January 2019	1,329,152	29,886	(269,016)	1,936,781	3,026,803
Recognised in profit or loss (Note 22)	(687,220)	(29,886)	247,225	(2,009,741)	(2,479,622)
At 31 December 2019	<b>641,932</b>	<b>-</b>	<b>(21,791)</b>	<b>(72,960)</b>	<b>547,181</b>

### Deferred tax (assets)/liabilities of the Company:

At 1 January 2017	-	-	(21,737)	2,981,740	2,960,003
Recognised in profit or loss (Note 22)	-	-	-	-	-
At 31 December 2017 and 1 January 2018	-	-	(21,737)	2,981,740	2,960,003
Recognised in profit or loss (Note 22)	1,329,152	29,886	(247,279)	(1,044,959)	66,800
At 31 December 2018	1,329,152	29,886	(269,016)	1,936,781	3,026,803

# Notes to the Financial Statements

31 December 2019

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## 9. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
<b>Trade</b>					
Trade receivables		-	1,742,400	-	-
Amount due from contract customers	b	<b>34,430,965</b>	42,982,222	-	-
Amount due from related parties	c	<b>114,220,941</b>	127,106,109	-	-
		<b>148,651,906</b>	171,830,731	-	-
<b>Non-Trade</b>					
Other receivables		<b>212,724</b>	1,761,957	-	-
Deposits		<b>123,575</b>	122,407	-	-
Prepayments		<b>20,916</b>	19,552	-	-
Amount due from subsidiaries	d	-	-	<b>1,409,299</b>	1,648,106
		<b>357,215</b>	1,903,916	<b>1,409,299</b>	1,648,106
		<b>149,009,121</b>	173,734,647	<b>1,409,299</b>	1,648,106

### Note a

Included in trade receivables at 31 December 2019 are retention sums of RM NIL(2018: RM1,742,400) relating to construction work-in-progress.

The Company credit policy provides trade receivables with credit period of up to 60 days (2018: 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 25.3.

### Note b

#### Amount due from contract customers

	Note	Group	
		2019 RM	2018 RM
Aggregate costs incurred to date		<b>680,037,297</b>	640,733,114
Add: Attributable profits		<b>75,040,572</b>	66,267,521
		<b>755,077,869</b>	707,000,635
Less: Progress billings		<b>(720,646,904)</b>	(667,957,107)
		<b>34,430,965</b>	39,043,528
Deferred income	14	-	3,938,694
		<b>34,430,965</b>	42,982,222

# Notes to the Financial Statements

31 December 2019

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

### Note c

	Note	2019 RM	2018 RM
Amount due from related companies (Gross)		121,595,811	134,176,030
Less: Impairment losses		(7,374,870)	(7,069,921)
Amount due from related companies (Net)		114,220,941	127,106,109

The trade 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 as at 31 December 2019 are retention sums of RM43,187,941 (2018: RM47,538,730) relating to amount due from contract customers.

### Note d

The non-trade amount due from subsidiaries companies is unsecured, interest-free and is repayable on demand.

## 10. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed banks of the Group bear effective interest rates of 3.10% (2018: 3.35%) per annum as at the financial year with maturity of 365 days (2018: 365 days).

## 11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
		Restated		
	RM	RM	RM	RM
Cash and bank balances	156,800	31,290	5,786	5,796

The Company's cash management policy is to use cash and bank balances to manage cash flows to ensure sufficient liquidity to meet Company's obligations.

## 12. SHARE CAPITAL

	Group and the Company			
	2019	2018	2019	2018
	Unit	Unit	RM	RM
<b>Issued and fully paid:-</b>				
At the beginning/end of the financial year	136,483,676	136,483,676	78,719,784	78,719,784

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

# Notes to the Financial Statements

31 December 2019

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## 13. RESERVES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
<b>Distributable:</b>				
Retained earnings / (Accumulated losses)	<b>49,349,202</b>	51,152,715	<b>(3,145,593)</b>	(2,869,278)

\* The retained earnings may be distributed as dividend under the single tier system.

## 14. DEFERRED INCOME

	Group	
	2019	2018
	RM	RM
Customer advances for construction work-in-progress (Note 9)	-	3,938,694

## 15. TRADE AND OTHER PAYABLES

		Group		Company	
	Notes	2019	2018	2019	2018
		RM	RM	RM	RM
<b>Trade</b>					
Trade payables	a	<b>40,791,608</b>	47,997,444	-	-
<b>Non - Trade</b>					
Other payables		<b>5,255,284</b>	8,708,571	<b>329,829</b>	268,648
Accruals		<b>717,387</b>	632,547	<b>11,067</b>	34,750
Amount due to affiliated company		<b>367,017</b>	373,023	-	-
		<b>6,339,688</b>	9,714,141	<b>340,896</b>	303,398
		<b>47,131,296</b>	57,711,585	<b>340,896</b>	303,398

### Note a

- i) The normal trade terms granted to the Company range from 30 days to 90 days (2018: 30 days to 90 days).
- ii) Included in the trade payables are:-
  - a) Amount totalling RM19,063,156 (2018: RM17,844,380) are retention sums.

# Notes to the Financial Statements

31 December 2019

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## 16. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate risk, see Note 25.5.

	Group	
	2019	2018
	RM	RM
<b>Current</b>		
Term loan	667,428	918,421

The term loan amounting to RM667,428 (2018: RM918,421) bears interest at 1.75% to 3.50% (2018: 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 RM107,646 (2018: RM104,220).

## 17. REVENUE

	Group	
	2019	2018
	RM	RM
Revenue from contract customers		
Over time		
Revenue from construction contracts	48,834,078	33,826,351

### 17.1 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

	Group		Total
	2020	2021	
	RM	RM	RM
<b>Over time</b>			
Revenue from construction contracts	40,112,230	50,140,288	90,252,518

The Group applies the following practical expedients:

Exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

### 17.2 Nature of goods and services

Timing of recognition or method used to recognised revenue	Significant payment terms	Warranty
Revenue is recognised over time using the cost incurred method.	Based on agreed milestone certified by Architect.	Defect liability period 2 years

# Notes to the Financial Statements

31 December 2019

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## 18. COST OF SALES

	Group	
	2019	2018
	RM	RM
Construction contract costs	43,149,452	29,737,572

## 19. FINANCE COSTS

	Group	
	2019	2018
	RM	RM
Interests on term loan	71,068	91,891

## 20. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation has been determined after charging the following items:-

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Allowance for doubtful debts	304,949	274,307	-	-
Auditors' remuneration	114,500	113,500	20,000	20,000
Depreciation of investment properties	15,000	15,000	-	-
Depreciation of property, plant and equipment	99,569	97,776	-	-
Finance costs	71,068	9,188	-	-
Interest income	(3,426)	(4,220)	-	-
Rental income from property leases	(185,220)	(185,220)	-	-
Rental income from equipment leases	(48,960)	(48,960)	-	-
Impairment loss on trade receivables	304,949	274,307	-	-

### Employees' information

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Salaries and allowances	2,201,580	2,269,493	140,000	140,000
Contribution to Employee Provided Fund	242,766	247,695	-	-
	50,089	32,762	-	-
	2,494,435	2,549,950	140,000	140,000

The total number of employees of the Company at the financial year ended was 37 (2018: 37).

# Notes to the Financial Statements

31 December 2019

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## 21. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Directors remuneration	<b>344,000</b>	344,000	<b>140,000</b>	140,000

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

	Number of Directors	
	2019	2018
<b>Non executive Directors</b>		
RM0 to RM50,000	<b>4</b>	4

## 22. TAXATION

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
<b>Current tax expense</b>				
Malaysian				
- Current	<b>53,369</b>	220,503	-	-
- Overprovision of taxation	<b>909,582</b>	-	-	-
Total current tax expense	<b>962,951</b>	220,503	-	-
<b>Deferred tax expense</b>				
Deferred tax - current	<b>2,479,622</b>	(76,347)	-	-
Underprovision of deferred liability in prior year	<b>271</b>	9,547	-	-
Total deferred tax expense (Note 7)	<b>2,479,893</b>	(66,800)	-	-
Total tax expense	<b>3,442,844</b>	153,703	-	-

# Notes to the Financial Statements

31 December 2019

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## 22. TAXATION *cont'd*

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:-

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Profit before taxation	<b>1,639,331</b>	246,437	<b>(276,315)</b>	(243,142)
Tax effect on :-				
Taxation at Malaysian statutory tax rate of 24%	<b>393,439</b>	59,145	<b>(66,316)</b>	(58,354)
Income not subject to tax	<b>(57,145)</b>	(10,500)	-	-
Expenses not deductible for tax purposes	<b>137,254</b>	95,511	-	-
Utilisation of capital allowances	<b>(1,376)</b>	(2,004)	<b>66,316</b>	58,354
(Utilisation)/unutilisation of unabsorbed business losses	<b>(472,172)</b>	1,993	-	-
Other income subject to tax	<b>53,369</b>	11	-	-
Overprovision of taxation	<b>662,628</b>	-	-	-
Deferred taxation expenses	<b>2,726,847</b>	9,547	-	-
	<b>3,442,844</b>	153,703	-	-

Subject to the agreement by Inland Revenue Board, the Group has unabsorbed losses and which is available for setting off against future taxable profit for a maximum period of seven (7) years of assessment as follows:-

	Group	
	2019	2018
	RM	RM
Unabsorbed losses	<b>3,921,525</b>	4,946,425

## 23. EARNINGS PER ORDINARY SHARE

### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2019 was based on the (loss)/profit attributable to ordinary shareholders of (RM1,803,513) (2018: profit of RM92,734) and 136,483,676 (2018:136,483,676) ordinary shares outstanding during the year.

## 24. SEGMENTAL REPORTING

Segmental reporting is not presented as the Group is principally engaged in 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.

# Notes to the Financial Statements

31 December 2019

cont'd

## 25. FINANCIAL INSTRUMENTS

### 25.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2019 categorised as amortised cost ("AC") and fair value through profit or loss designated upon initial recognition (FVTPL – DUIR). The details are as follows:

	Carrying amount RM	AC RM	FVTPL - DUIR RM
<b>Group</b>			
<b>Financial assets</b>			
Trade and other receivables	149,009,121	149,009,121	-
	149,009,121	149,009,121	-
<b>Financial liabilities</b>			
Trade and other payables	47,131,296	47,131,296	-
	47,131,296	47,131,296	-
	Carrying amount RM	AC RM	OL RM
<b>Company</b>			
<b>Financial assets</b>			
Trade and other receivables	1,409,299	1,409,299	-
	1,409,299	1,409,299	-
<b>Financial liabilities</b>			
Trade and other payables	340,896	340,896	-
	340,896	340,896	-

# Notes to the Financial Statements

31 December 2019

cont'd

## 25. FINANCIAL INSTRUMENTS *cont'd*

### 25.1 Categories of financial instruments *cont'd*

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

- (a) Loans and receivables (L&R);
- (b) Other liabilities (OL)

	Carrying amount RM	L & R RM	OL RM
<b>Group</b>			
<b>2019</b>			
<b>Financial assets</b>			
Trade and other receivables	149,009,121	149,009,121	-
<b>Financial liabilities</b>			
Loans and borrowings	667,428	667,428	-
Trade and other payables	47,131,296	-	47,131,296
	<b>47,798,724</b>	<b>149,676,549</b>	<b>47,131,296</b>
<b>Group</b>			
<b>2018</b>			
<b>Financial assets</b>			
Trade and other receivables	173,734,647	173,734,647	-
<b>Financial liabilities</b>			
Loans and borrowings	918,421	918,421	-
Trade and other payables	57,711,585	-	57,711,585
	<b>58,630,006</b>	<b>174,653,068</b>	<b>57,711,585</b>
	Carrying amount RM	L & R RM	OL RM
<b>Company</b>			
<b>2019</b>			
<b>Financial assets</b>			
Trade and other receivables	1,409,299	1,409,299	-
<b>Financial liabilities</b>			
Trade and other payables	340,896	-	340,896
	<b>340,896</b>	<b>1,409,299</b>	<b>340,896</b>

# Notes to the Financial Statements

31 December 2019

cont'd

## 25. FINANCIAL INSTRUMENTS *cont'd*

### 25.1 Categories of financial instruments *cont'd*

	Carrying amount RM	L & R RM	OL RM
<b>Company</b>			
<b>2018</b>			
<b>Financial assets</b>			
Trade and other receivables	1,648,106	1,648,106	-
<b>Financial liabilities</b>			
Trade and other payables	303,398	-	303,398
	303,398	1,648,106	303,398

### 25.2 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

### 25.3 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.

#### 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 nor 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, which are deemed to have higher credit risk, are monitored individually.

# Notes to the Financial Statements

31 December 2019

cont'd

## 25. FINANCIAL INSTRUMENTS *cont'd*

### 25.3 Credit risk *cont'd*

#### Receivables *cont'd*

##### Impairment losses

The ageing of receivables of the Group as at the end of the reporting date was:-

	Gross RM	Collective Impairment RM	Net RM
<b>2019</b>			
<b>Not past due</b>	<b>47,480,975</b>	-	<b>47,480,975</b>
Past due 91-180 days	<b>6,936,053</b>	-	<b>6,936,053</b>
Past due 181-364 days	-	-	-
Past due more than 365 days	<b>101,609,748</b>	<b>(7,374,870)</b>	<b>94,234,878</b>
	<b>156,026,776</b>	<b>(7,374,870)</b>	<b>148,651,906</b>
<b>2018</b>			
<b>Not past due</b>	4,932,907	-	4,932,907
Past due 91-180 days	-	-	-
Past due 181-364 days	14,664,662	-	14,664,662
Past due more than 365 days	159,303,083	(7,069,921)	152,233,162
	178,900,652	(7,069,921)	171,830,731

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

	RM	RM
At 1 January	7,069,921	6,795,614
Charge for the year	304,949	274,307
Reversal of impairment losses	-	-
At 31 December	7,374,870	7,069,921

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

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

# Notes to the Financial Statements

31 December 2019

cont'd

## 25. FINANCIAL INSTRUMENTS *cont'd*

### 25.3 Credit risk *cont'd*

#### Concentration risk

A substantial majority of trade receivables which are derived from sales to related companies which accounted for 100% of net revenue. Additionally, these two largest customers accounted for 99% of the accounts receivables as of 31 December 2019 (2018: 99%). 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.

### 25.4 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.

The Group maintains a level of cash and bank balances deemed adequate by the Directors to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

#### Maturity analysis

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

	Carrying amount RM	Contractual cash flows RM	Under 1 year RM
<b>2019</b>			
<b>Financial liabilities</b>			
Term loan	667,428	667,428	667,428
Trade and other payables	47,131,296	47,131,296	47,131,296
	<b>47,798,724</b>	<b>47,798,724</b>	<b>47,798,724</b>
<b>2018</b>			
<b>Financial liabilities</b>			
Term loan	918,421	918,421	918,421
Trade and other payables	52,385,182	52,385,182	-
	<b>53,303,603</b>	<b>53,303,603</b>	<b>918,421</b>

### 25.5 Market risk

Market risk is the risk that changes in market prices, such as 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. Investment on equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

# Notes to the Financial Statements

31 December 2019

cont'd

## 25. FINANCIAL INSTRUMENTS *cont'd*

### 25.5 Market risk *cont'd*

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

Risk management objectives, policies and processes for managing the risk.

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

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 period was:-

	2019 RM	2018 RM
<b>Fixed rate instruments</b>		
Financial assets	137,949	134,523
<b>Floating rate instruments</b>		
Financial liabilities	(667,428)	(918,421)

#### *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 period would not affect profit or loss.

#### **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*

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).

# Notes to the Financial Statements

31 December 2019

cont'd

## 25. FINANCIAL INSTRUMENTS *cont'd*

### 25.6 Fair value information

The varying amounts of cash and cash equivalents, short term receivables and payables 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.

The following table presents 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 carry at fair value	
	Level 3	Carrying amount
	RM	RM
<b>2019</b>		
<b>Financial liabilities</b>		
Trade and other payables	340,896	340,896
Loans and borrowings	667,428	667,428
	<b>1,008,324</b>	<b>1,008,324</b>

# Notes to the Financial Statements

31 December 2019

cont'd

## 25. FINANCIAL INSTRUMENTS *cont'd*

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

(iv) Level 3 fair value *cont'd*

	Fair value of financial instruments not carry at fair value	
	Level 3	Carrying amount
	RM	RM
<b>2018</b>		
<b>Financial liabilities</b>		
Trade and other payables	303,398	303,398
Loans and borrowings	918,421	918,421
	1,221,819	1,221,819

## 26. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Company if the Company 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 Company 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 Group and the Company either directly or indirectly. The key management personnel include all the Directors of the Company

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 the Directors of the Company are common Directors; and
- ii) Basco Sdn. Bhd. is deemed related to all the Directors of the Company.

The Group has a related party relationship as follows:-

	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2019	2018	2019	2018
	RM	RM	RM	RM
Revenue	48,834,078	33,826,351	114,220,941	141,233,999
Rental income	234,180	234,180	-	-
Impairment loss recognised for the year	(304,949)	(274,307)	-	-

All outstanding balances with these related parties are to be settled in cash and repayable upon demand. None of the balances are secured.

# Notes to the Financial Statements

31 December 2019

cont'd

## 27. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company monitors capital using a gearing ratio, which is the net debt divided by total equity plus net debt. The Company includes within its net debt, term loan, payables, less cash and bank balances and short term deposits. Capital of the Company represents total equity.

The debt to equity ratio as at 31 December 2019 and 31 December 2018 are as follows:-

	Note	2019 RM	2018 RM
Loans and borrowings	16	667,428	918,421
Less: Cash and bank balances	11	(156,800)	(31,290)
<b>Net debt</b>		<b>510,628</b>	887,131
Total equity		<b>128,068,986</b>	129,872,499
Equity and net debt		<b>128,579,614</b>	130,759,630
<b>Gearing ratio</b>		<b>0.40%</b>	0.68%

## 28. 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.

	2019 RM	2018 RM
<b>Contingent liabilities not considered remote</b>		
Corporate guarantees given to financial institution	7,900,000	7,900,000
Payment guarantee given to customers which is secured by the Company's landed properties and corporate guarantee of the immediate holding company	(134,523)	(134,523)

## 29. SUBSEQUENT EVENTS

Events subsequent to the reporting date are as follows:

- (i) On 30.4.2020, the Company's solicitors was served with the Form 15 and 16 pursuant to the Construction Industry Payment and Adjudication Act 2012 ('CIPAA 2012') both dated 28.4.2019 wherein the learned adjudicator has decided the matter against the Company for the sum of RM1,171,909.94 together with interest at 5% per annum on the adjudicated sum commencing from 24.07.2016 until the date of full payment from the Respondent, costs of adjudication of RM16,351.75 and party to party costs of RM40,000.00 in accordance to Section 18 of CIPAA 2012 and Rule 7 of Construction Industry Payment & Adjudication Regulations 2014 payable to the Claimant within 14 days from the decision date.

As at the date of financial statements, the directors and management in consultation with their legal counsels were of the opinion that no additional liability has been recognised in the financial statements in respect of the above said claim.

The Company intends to set aside the decision at the high court.

# Notes to the Financial Statements

31 December 2019

cont'd

## 29. SUBSEQUENT EVENTS *cont'd*

- (ii) The Coronavirus disease 2019 "COVID-19" pandemic has interrupted the movement of people and goods throughout the world, and many levels of government are instituting restrictions on individuals and businesses, including Malaysia, where majority of the Group's operations are located. In relation to this, the Government of Malaysia issued a Federal Government Gazette on 18 March 2020 imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from the COVID-19 pandemic. The MCO was extended for two (2) weeks consecutively on 25 March 2020 and 10 April 2020 until 14 April 2020 and 28 April 2020 respectively, followed by another announcement on 23 April 2020 on further extension of the MCO for another two (2) weeks until 12 May 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period and therefore, judgements and assumptions used in the preparation of the financial statements of the Group for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

Not with standing that, the Group anticipates that the effects of COVID-19 would be recognised in the financial statements for the financial year ending 31 December 2020. The effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses of financial assets, fair value measurements of financial instruments, impairment assessments of assets (property, plant and equipment and goodwill).

As at the date of the authorisation of the financial statements, the COVID-19 pandemic and the MCO since 18 March 2020 have significant financial impact to the Group. In view of the lack of visibility on the end date of the COVID-19 pandemic and the MCO, the Group is not able to estimate the full potential financial impact as at the date of the authorisation of the financial statements. The Group will only recognise the financial impact in the financial statements for the financial year ending 31 December 2020

## 30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Board of Directors in accordance with a resolution of the Board of Directors on

## 31. COMPARATIVE INFORMATION

Group		As stated in previous report	Reclassification	Restated
	Note	RM	RM	RM
Statement of financial position				
Fixed deposits with licensed banks	10	-	134,523	134,523
Cash and bank balances	11	165,813	(134,523)	31,290

The comparative figures are audited by another firm of Chartered Accountants other than Al Jafree Salihin Kuzaimi PLT.

# Analysis of Shareholdings

## 21 April 2020

### DISTRIBUTION OF SHAREHOLDINGS

Category	No. of Holders	%	No. of Securities	%
1- 99	1,416	59.30	28,988	0.02
100 -1,000	857	35.89	142,870	0.11
1,001-10,000	50	2.09	190,134	0.14
10,001-100,000	34	1.42	1,260,679	0.92
100,001 to less than 5% of issued shares	27	1.13	56,044,004	41.06
5% and above of issued shares	4	0.17	78,817,000	57.75
<b>Total</b>	<b>2,388</b>	<b>100.00</b>	<b>136,483,675</b>	<b>100.00</b>

### INFORMATION ON DIRECTORS' SHAREHOLDINGS AS AT 21 APRIL 2020

No	NAME	SHAREHOLDINGS	%
1	TAN SRI DATUK ADZMI BIN ABDUL WAHAB	-	-
2	NORAZMI BIN MOHAMED NURDIN	5,016,000	1.48
	Pledged under:		
	AMBANK (M) BERHAD - 216,000 shares		
	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD - 1,800,000 shares		
3	JAMIL BIN SAIMON	406,400	0.30
4	DATO' NOOR AZMAN @ NOOR HIZAM BIN MOHD NURDIN	62,817,000	46.03
	Pledged under:		
	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD - 5,000,000 shares CIMSEC		
	NOMINEES (TEMPATAN) SDN BHD - 39,243,000 shares		
	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - 18,574,000 shares		
5	DATO' HAZLI BIN IBRAHIM (# 2 accounts)	554,400	0.41
<b>TOTAL</b>		<b>68,793,800</b>	<b>48.21</b>

# Analysis of Shareholdings

21 April 2020

cont'd

## INFORMATION ON SUBSTANTIAL SHAREHOLDERS AS AT 10 APRIL 2019

No	NAME	SHAREHOLDINGS	%
1	DATO' NOOR AZMAN @ NOOR HIZAM BIN MOHD NURDIN	62,817,000	46.03
	Pledged under:		
	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD - 5,000,000 shares		
	CIMSEC NOMINEES (TEMPATAN) SDN BHD - 39,243,000 shares		
	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - 18,574,000 shares		
2	NOR AZLAN BIN MOHAMAD NORDIN	10,848,000	7.95
	Pledged under:		
	PERSONAL ACCOUNT - 48,000 shares		
	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - 10,800,000 shares		
3	NOR HAYATI BINTI ABD MALIK	10,200,000	7.47
	Pledged under:		
	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD		
<b>TOTAL</b>		<b>83,865,000</b>	<b>61.45</b>

# Analysis of Shareholdings

21 April 2020

cont'd

## LIST OF THIRTY LARGEST SHAREHOLDERS

NO.	NAME	HOLDINGS	%
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NOOR AZMAN @ NOOR FOZAM B MOHD NURDIN (PB)	39,243,000	28.75
2	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NOOR AZMAN @ NOOR FOZAM B MOHD NURDIN (CEB)	18,574,000	13.61
3	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NOR AZLAN BIN MOHAMAD NORDIN (CEB)	10,800,000	7.91
4	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NOR HAYATI BINTI ABD MALIK (1181002)	10,200,000	7.47
5	SHAHRUDIN BIN MOHAMMED MISKUN	6,500,004	4.76
6	MOHD NASIR BIN MOHD MISKUN	5,800,000	4.25
7	MUSTAFA BIN MOHAMMED MISKUN	5,800,000	4.25
8	NORLIA BINTI JOHAN	5,300,000	3.88
9	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NOOR AZMAN @ NOOR FOZAM B MOHD NURDIN (8037673)	5,000,000	3.66
10	ANUAR BIN ABD MALIK	4,500,000	3.30
11	CITI GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C - NR)	3,665,700	2.69
12	MUSTAPAH BIN MOHAMED	3,168,600	2.32
13	PERBADANAN SETIAUSAHA KERAJAAN SELANGOR	2,819,800	2.07
14	CGS - CIMB NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS - CIMB SECURITIES (SINGAPORE) PTR LID. (RETAIL CLIENTS)	2,387,900	1.75
15	CITI GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK OF SINGAPORE LIMITED (FOREIGN)	1,943,600	1.42
16	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD	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	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD JOHAR BIN ISMAIL (MARGIN)	436,400	0.32
24	JAMIL BIN SAIMON	406,400	0.30
25	IKMAL BIN IBRAHIM PLEDGED SECURITIES ACCOUNT FOR NOOR AZHAR BIN MOHAMED NURDIN (CEB)	391,000	0.29
27	AMBANK (M) BERHAO	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 (KLDESOS)	140,000	0.10
30	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ABD HAUS BIN ISMAIL (551010)	105,900	0.08
<b>TOTAL</b>		<b>134,755,604</b>	<b>98.74</b>

## List of Properties

### As at 31 December 2019

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	15	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	15	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	24	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	24	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	24	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 18th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of Lebtech Berhad will be conducted fully virtual at the Broadcast Venue at Boardroom Wisma Lebar Daun, No.2 Jalan Tengku Ampuan Zabedah J9/J Seksyen 9, 40000 Shah Alam Selangor Darul Ehsan on Thursday, 25 June 2020 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 2019 together with the Reports of the Directors and Auditors thereon.  | <b>(Please refer to Explanatory Note A)</b> |
| 2. | To approve the Directors' fees for the financial year ended 31 December 2019.   | <b>(Resolution 1)</b>                       |
| 3. | To re-elect Tan Sri Datuk Adzmi Bin Abdul Wahab, 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. | <b>(Resolution 2)</b>                       |
| 4. | To re-appoint Messrs Salihin as Auditors of the Company and to authorise the Directors to fix their remuneration.   | <b>(Resolution 3)</b>                       |

### As Special Business

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

- |    |  |                       |
|----|--|-----------------------|
| 5. | <p><b>Authority to Continue in Office as Independent Non-Executive Director</b></p> <p>"THAT authority be and is hereby given to Tan Sri Datuk Adzmi Bin Abdul Wahab, who has served the Board as Independent Non-Executive Chairman of the Company for a cumulative term of more than eight (8) years since 2012, to continue to act as Independent Non-Executive Chairman of the Company pursuant to the Malaysian Code on Corporate Governance 2012."</p>   | <b>(Resolution 4)</b> |
| 6. | <p><b>Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature</b></p> <p>"THAT subject to the Companies Act, 2016 ("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<sup>th</sup> June 2019, subject further to the following:-</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(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:- <ul style="list-style-type: none"> <li>(a) the type of Recurrent Related Party Transactions made; and</li> <li>(b) the names of the related parties involved in each type of Recurrent Related Party Transactions made and their relationship with the Company;</li> </ul> </li> </ul> |                       |

## Notice of 18th Annual General Meeting

cont'd

- (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 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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 5)**

- 7. 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 HISYAM BIN AHMAD FODZI**

(LS 0009957/PC 201908000197)

Group Company Secretary

Shah Alam

19<sup>th</sup> May 2020

### Notes:

- A. *This item in the Agenda is meant for discussion only as under the provisions of Section 248(2) of the Companies Act, 2016 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.*
- 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 notmore 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.*

# Notice of 18th Annual General Meeting

cont'd

## Explanatory Note on Special Business

### 7. Resolution 4 - 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 Tan Sri Datuk Adzmi Bin Abdul Wahab, who has served as Independent Non-Executive Chairman of the Company for a cumulative term of more than eight years and the Nomination Committee has recommended him to continue to act as Independent Non-Executive Chairman of the Company based on the following justifications:-

- i. Tan Sri Datuk Adzmi Bin Abdul Wahab 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 eight 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.

### 8. Resolution 5 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed ordinary resolution under item 6, 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 18th 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 19<sup>th</sup> June 2020. Only a depositor whose name appears on the ROD as at 19<sup>th</sup> June 2020 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.

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# FORM OF PROXY



**LEBTECH BERHAD**  
200201023282 (590945-H)

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 18th Annual General Meeting of Lebtech Berhad to be conducted fully virtual at the Broadcast Venue at Boardroom Wisma Lebar Daun, No.2 Jalan Tengku Ampuan Zabedah J9/J Seksyen 9, 40000 Shah Alam Selangor Darul Ehsan on Thursday, 25 June 2020 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 Tan Sri Datuk Adzmi Bin Abdul Wahab as Director		
No. 3 Re-appointment of Messrs Salihin as Auditors		
No. 4 Continuing in office as Independent Non-Executive Chairman Tan Sri Datuk Adzmi Bin Abdul Wahab		
No. 5 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2020

No. of shares held:	
---------------------	--

CDS Account No.	
-----------------	--

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

**Notes:-**

1. A proxy may but need not be a member of 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

Group Company Secretary

**LEBTECH BERHAD** 200201023282 (590945-H)

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

1st Fold Here