



LEBTECH BERHAD

200201023282 (590945-H)

ANNUAL REPORT 2020



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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



AUDIT 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

ISKANDAR MIRZAN BIN NOOR AZMAN
Non-Independent Non-Executive Director

IR. CHE FISOL BIN ABDUL HAMID
Independent Non-Executive Director

SR. TS. DR. RIDZUAN BIN YACOB
Non-Independent Non-Executive Director



CORPORATE INFORMATION

cont'd

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

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

REMUNERATION COMMITTEE

Tan Sri Datuk Adzmi Bin
Abdul Wahab
(Chairman)

Jamil Bin Saimon
Dato' Hazli Bin Ibrahim

GROUP COMPANY SECRETARY

Nor Hisyam bin Ahmad Fodzi
(LS 0009957)



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

Tel : 603 7890 4700
Fax : 603 7890 4670

PRINCIPAL BANKER

CIMB Bank Berhad
RHB Bank Berhad
Bank Muamalat Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Code : 9628







BRIDGING TIME TOMORROW'S INFRASTRUCTURE TODAY

Built with environmental sensitivity and sustainability in mind.

Good building come from good people and all problems are solved by good design

- P - Passion
- R - Respect & Teamwork
- I - Integrity & Accountability
- M - Make it Happen
- E - Entrepreneurial Spirit

PROFILE OF THE BOARD OF DIRECTORS

TAN SRI DATUK ADZMI BIN ABDUL WAHAB

Independent Non-Executive Chairman

Aged 78, 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 the 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 2020.

PROFILE OF THE BOARD OF DIRECTORS

cont'd

DATO' NOOR AZMAN @ NOOR HIZAM BIN MOHD NURDIN

Non-Independent Non-Executive Director

Aged 59, 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 Lebttech Construction Sdn Bhd. He also sits on the board of several other private companies. He does not hold any other directorships of public companies. He holds a total of 86,158,800 ordinary shares (direct and indirect) in LEBTECH and is deemed to have an interest in the shares of the subsidiary companies to the extent held by LEBTECH. He is the spouse of Datin Nor Hayati bt Abd Malik, a major shareholder of LEBTECH and the brother of Encik Norazmi bin Mohamed Nurdin, the Managing Director and a shareholder of LEBTECH and Encik Norazlan bin Mohamad Nordin, a major shareholder of LEBTECH. He does not have any conflict of interest with the Company except for the recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the LEBTECH Group for which he is deemed to be interested as disclosed in pages 21 of this Annual Report. He attended all the five Board Meetings held during the financial year ended 31 December 2020.

NORAZMI BIN MOHAMED NURDIN

Managing Director

Aged 55, Malaysian, was appointed as Chairman and Managing Director of Lebttech Berhad ("LEBTECH") on 7 January 2004. Subsequently, on 28 February 2014, he was re-designated as Managing Director of LEBTECH. He holds a Degree in Civil Engineering and also a Degree in Engineering Management from the University of Portland, USA. He started his career with Petronas Berhad in November 1992 as Senior Executive, Tender and Contract Division. He was with the company until 1996. Prior to joining the LEBTECH Group, he was the General Manager of Putrajaya Holdings Sdn Bhd and also served in various senior positions in several other private companies under Putrajaya Holdings Sdn Bhd. He is the key personnel in the management team that runs the day-to-day operations of LEBTECH Group. He also sits on the board of several other private companies. He does not hold any other directorships of public companies. He holds a total of 86,158,800 ordinary shares (direct and indirect) in LEBTECH and is deemed to have an interest in the shares of the subsidiary companies to the extent held by LEBTECH. He is the brother of Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin, a Non-Independent Non-Executive Director and major shareholder of LEBTECH and Encik Norazlan bin Mohamad Nordin, a major shareholder of LEBTECH and the brother-in-law to Datin Nor Hayati bt Abd Malik, a major shareholder of LEBTECH. He does not have any conflict of interest with the Company except for the recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the LEBTECH Group for which he is deemed to be interested as disclosed in pages 21 of this Annual Report. He attended all the five Board Meetings held during the financial year ended 31 December 2020.

PROFILE OF THE BOARD OF DIRECTORS

cont'd

ISKANDAR MIRZAN BIN NOOR AZMAN

Non-Independent Non-Executive Director

Aged 27, Iskandar Mirzan was appointed as Non- Independent Non-Executive Director of Lebttech Berhad in August 2020. He holds a Bachelor of Engineering (BEng) (Hons) in Mechanical Engineering and a Master's of Research (MRes) in Engineering from the University of the West of England, United Kingdom where he conducted extensive research on the various applications of renewable energy and building energy management. He also specialises in corporate strategy and risk and has experience in diagnosing corporate issues and developing strategic initiatives. Currently, he is in the Corporate Planning & Risk Management team at Malaysia Marine and Heavy Engineering (MHB) and act as an advisor to the management committee and board of directors.

DATO' HAZLI BIN IBRAHIM

Independent Non-Executive Director

Aged 58, 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 Danaharta Nasional Berhad ("Danaharta"), a national asset management company of Malaysia, as the Head of Corporate Planning, Corporate Services Division. He left Danaharta in October 2002 to set up Haz-iq Capital Sdn. Bhd., a consultancy firm, specializing in corporate finance works, where he is currently the Managing Director. He has extensive experience in investment banking and capital markets. He currently sits on the boards of Mentiga Corporation Berhad and Duta Land Berhad and several other private companies. He holds a total of 711,400 ordinary shares (direct and indirect) in LEBTECH and is deemed to have an interest in the shares of the subsidiary companies to the extent held by LEBTECH. He does not have any family relationship with any Director and/or major shareholder of LEBTECH and has no conflict of interest with LEBTECH. He attended all the five Board Meetings held during the financial year ended 31 December 2020.

PROFILE OF THE BOARD OF DIRECTORS

cont'd

SR. TS. DR. RIDZUAN BIN YACOB

Non-Independent Non-Executive Director

Aged 50, Malaysian, was appointed as Non-Independent Non-Executive Director of LEBTECH on 27 August 2020. He holds a Doctor of Philosophy in Built Environment and Master of Science in Integrated Construction Project Management from Universiti Teknologi MARA, Shah Alam, and a Bachelor of Education Hons in Civil Engineering from Open University Malaysia, Kuala Lumpur. He is a Registered Building Surveyor by the Royal Institution of Surveyors Malaysia (RISM), a Registered Property Manager by the Board of Valuers, Appraisers and Estate Agents Malaysia (BOVAEP), and a Certified Professional Technologist by the Malaysia Board of Technologists (MBOT). He started his career in the construction field since his first job with ACMAR International as a Civil and Structural Supervisor in 1995 and joined Lebttech Construction Sdn Bhd, in 2000. A dedicated Construction Project Manager with extensive knowledge of research and publications in construction management, and engineering principles. He is involved in many types of construction projects such as buildings and infrastructure work. Bringing leadership's drive to the table and a proven track record of completed projects.

IR. CHE FISOL BIN ABDUL HAMID

Independent Non-Executive Director

Aged 54, Ir. Che Fisol Abdul Hamid is a Professional Engineer with a Practicing Certificate and a member of Institution of Engineers Malaysia (IEM). He holds a Bachelor of Engineering (Hons) in Civil Engineering from University of Newcastle Upon Tyne, UK. He started his career in 1990 with multi-disciplinary consultancy firm, Minconsult Sdn Bhd as a design engineer involved in structural design for projects such as resort and township development, silos and multi-storey buildings. He then left Minconsult after 7 years and moved to Worldwide Holdings Bhd, a property development and investment holding company. He was involved in various property development projects undertaken by the company throughout his tenure as a Project Manager. He has extensive experience in property development, construction and project management.

JAMIL BIN SAIMON

Independent Non-Executive Director

Aged 57, 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 a major 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.

CHAIRMAN'S STATEMENT



Dear Shareholders and Stakeholders,

The unprecedented developments in 2020 have challenged businesses in every part of the world. The global outbreak of the health pandemic brought the world economy to a grinding halt in the first half of the year. All of us were confronted by a common threat that had a major impact on the economy and society. In this environment, the Group's journey reflected a similar trajectory as with others. It is the organisational resilience during such a tumultuous crisis that will determine our ability to ride out this difficult period and the potential to capitalise the opportunities that emerge with the recovery. Against these extreme conditions, I am pleased to share that our people and business were able to adapt and evolve to build a durable recovery for all our shareholders and stakeholders.

FINANCIAL PERFORMANCE: POISED FOR GROWTH

The financial year ended 31 December 2020 saw the Group registered a loss before taxation of RM12.17 million as compared to a profit before taxation of RM1.64 million achieved in the last financial year. The Group's revenue recorded at RM36.89 million as compared to RM48.83 million in 2019. The decrease in revenue was primarily from the delay of our construction in the residential development of Bukit Bandaraya Shah Alam, construction of Suruhanjaya Malaysia's and Lembaga Air Perak's buildings in Ipoh due to Covid-19 lockdown.

Some key financial highlights for the financial year ended 31 December 2020 are:

- (i) Loss per share for the current year is at 9.04 sen;
- (ii) Group's loss before interest, amortization and tax is at RM0.32 million; and
- (iii) Net assets of the Group stood at RM 115.7 million.

There was no movement in the Company's issued and paid-up share capital during the year under review. As at 31 December 2020, the Company's issued and paid-up share capital remained at RM78.72 million.

CHAIRMAN STATEMENT

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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 2020 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.

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 2020.

OUTLOOK AND PROSPECT

The Group anticipates that business conditions will likely remain challenging in FY2021 with uncertainties continuing to cloud global and local markets.

In addition, the substantial reduction in the Group's cost structure achieved in FY2020, as well as continued efficiency gains to be reaped from the reinvention of processes and ongoing digitalisation, will help sustain cash flow and profits. Barring unforeseen circumstances, these measures should place the Group on a path of steady growth in the years ahead.

MOVING FORWARD

We are looking forward to obtain more projects due to positive signs for a higher demand instead of the negative impact from 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 the construction sector to prepare for any possible market changes. The Group has continuously improved 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 to secure more projects for the Group.

CORPORATE SOCIAL RESPONSIBILITY

Our commitment to Corporate Social Responsibility ("CSR") is based on conducting our operations in a responsible manner, building environmental friendly 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 2021.

Thank you.

TAN SRI DATUK ADZMI BIN ABDUL WAHAB

Independent Non-Executive Chairman

27 April 2021

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 2020. 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 decreased from RM 48.83 million recorded in 2019 to RM 36.89 million in the current financial year ended 31 December 2020, representing a decrease of 24.45%. The decreased was mainly derived from slow construction works of SSM and LAP. Due to Covid-19, net loss of tax attributable to ordinary shareholders decrease by RM 12.34 million or 584.03% as compared to 2019. The decrease was mainly due to the increase in construction cost, write off the goodwill and previous project cost by the Group. The cash and bank balance stood at RM 82.06 thousand with borrowings of RM 0.58 million as at 31 December 2020. 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.

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 2021, given the challenging business environment.

MARKET OUTLOOK & PROSPECTS

Going forward, Lebtech 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 were competitive advantages and expect to see continued growth.

The revenue generation mainly comes 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 positively underpinned by the on-going infrastructure works.

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 2021 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 the government agency by supplying quality products in its existing projects.

Thank you.

NORAZMI BIN MOHAMED NURDIN

Managing Director
27 April 2021

CORPORATE SOCIAL RESPONSIBILITY

The Board of Lebttech 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.

Lebttech Berhad and its subsidiaries ("LEBTECH Group") is committed to undertake its CSR practices, with the belief that these initiatives will have a 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 instil 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 instil 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

Our sustainability governance is overseen by the Board, who is responsible for overseeing key decisions relating to sustainability matters of the Group. Our sustainability agenda is centred on the delivery and the development of products of uncompromising quality for our customers while considering regulatory and natural environment in our respective fields of businesses. We believe in aligning our long term sustainable goals with our business strategies in consideration of our stakeholders and in ensuring our position as a responsible developer.

The Group believes that good corporate governance, effective risk management and sound business ethics are important to build and maintain successful relationships with stakeholders to succeed in the long-term. These relationships will be successful and enduring if they are based on respect, trust and mutual benefit. Hence, the Group advocates transparency, accountability, and integrity by putting in place business practices which is stated in our Corporate Governance Overview Statement. In the conduct of business, the Group understands that there are associated risks, regulatory and political factors which may contribute towards uncertainties. The Group's risk management and internal control systems are regularly reviewed by the Board to ensure adequacy and effectiveness on risk mitigation associated with the operations of the Group.

Materiality assessment is an integral part of our approach to sustainability as it helps us to identify the significance of economic, environment and social impacts. In FY2020, we conducted our materiality assessment by engaging our stakeholders, which resulted in identifying 7 material areas as high priority to the Group. These 7 material areas are re-assessed annually to ensure its relevance and importance to the Group.

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

The Board is pleased to report on the manner the Group has applied the principles and the extent of compliance with the best practices of the Code throughout the financial year ended 31 December 2020.

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 the 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 eight (8) members, one (1) of whom is Executive Director, three (3) Non-Independent Non-Executive Director and the remaining four (4) 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 judgement. 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 seven (7) 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

cont'd

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 seven 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 2020, 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 every 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

cont'd

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 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 2020 is as follows:-

Name of Directors	Amount (RM)
TAN SRI DATUK ADZMI BIN ABDUL WAHAB	50,000
JAMIL BIN SAIMON	30,000
DATO' NOOR AZMAN @ NOOR HIZAM BIN MOHD NURDIN	30,000
DATO' HAZLI BIN IBRAHIM	30,000
ISKANDAR MIRZAN BIN DATO' NOOR AZMAN	10,000
IR CHE FISOL BIN ABDUL HAMID	10,000
DR. RIDZUAN BIN YACOB	10,000
	170,000

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

Range of Remuneration	Executive	Non-Executive
Less than RM50,000	-	7
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
ISKANDAR MIRZAN BIN NOOR AZMAN	1/5	Appointed on 27/8/2020
IR. CHE FISOL BIN ABDUL HAMID	1/5	Appointed on 27/8/2020
SR. TS. DR. RIDZUAN BIN YACOB	1/5	Appointed on 27/8/2020

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 2020, the following Directors not able to attend the training because of the Covid-19 pandemic.

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) 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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 judgments and estimates. The Directors also have a general responsibility for taking such steps to safeguard the assets of the Group and to prevent and detect fraud and irregularities.

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

Internal Control

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

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

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 27 April 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

ADDITIONAL COMPLIANCE INFORMATION

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

Utilisation of Proceeds

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

Share Buybacks

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

Options, Warrants or Convertible Securities

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

Depository Receipt Programme

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

Imposition of Sanctions/Penalties

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

Non-Audit Fees

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

Variation in Results

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

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

ADDITIONAL COMPLIANCE INFORMATION *cont'd*

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 2020 RM
Construction works awarded to Lebtech Construction SdnBhd (LCSB) by LebarDaun Development SdnBhd (LDDSB)	i. Norazmi bin Mohamed Nurdin ⁽¹⁾ ii. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin ⁽²⁾ iii. Datin Nor Hayati bt Abd Malik ⁽³⁾	-
Letting of office premises to LDDSB by LCSB	i. Norazmi bin Mohamed Nurdin ⁽¹⁾ ii. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin ⁽²⁾ iii. Datin Nor Hayati bt Abd Malik ⁽³⁾	185,220
Letting of office equipment and furniture to LDDSB by LCSB	i. Norazmi bin Mohamed Nurdin ⁽¹⁾ ii. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin ⁽²⁾ iii. Datin Nor Hayati bt Abd Malik ⁽³⁾	48,960
Construction works awarded to LCSB by Basco Sdn Bhd (BASCO)	i. Norazmi bin Mohamed Nurdin ⁽¹⁾ ii. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin ⁽²⁾ iii. Norazlan bin Mohamad Nordin ⁽⁴⁾ iv. Fatmawati bt Kasbin ⁽⁵⁾	-

Notes:-

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

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee presently comprises the following members:-

Chairman

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

Members

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

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.

AUDIT COMMITTEE REPORT

cont'd

TERMS OF REFERENCE *cont'd*

5. Meetings *cont'd*

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.

MEETINGS

During the financial year ended 31 December 2020, 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
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 a 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 36,000.

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 the 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 the 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, the 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 the Internal Audit Report and this Statement of Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2020 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 27 April 2021.

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2020.

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	Company
	RM	RM
Net loss for the financial year	(12,336,670)	(241,087)
Amount attributable to:		
Owner of the Company	(12,336,670)	(241,087)

In the opinion of the Directors, the results of the operations of the Group and 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 has been declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any payment of dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

SHARE CAPITAL 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:

Iskandar Mirzan bin Noor Azman	(Appointed on 27/8/2020)
Che Fisol bin Abdul Hamid	(Appointed on 27/8/2020)
Ridzuan bin Yacob	(Appointed on 27/8/2020)
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:

	Number of ordinary shares			As at 31.12.2020
	As at 1.1.2020	Bought	Sold	
Shareholdings in which Directors have direct interests				
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	62,817,000	-	-	62,817,000
Norazmi bin Mohamed Nurdin	5,016,000	-	-	5,016,000
Dato' Hazli bin Ibrahim	554,400	-	-	554,400
Shareholdings in which Directors have direct interests				
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	23,341,800	-	-	23,341,800
Norazmi bin Mohamed Nurdin	81,142,800	-	-	81,142,800
Dato' Hazli bin Ibrahim	157,000	-	-	157,000

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 Lebttech Berhad has an interest.

None of the other Directors holding office at 31 December 2020 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 and the Company to acquire benefits by means of the acquisition of shares in or debentures of the Group and the Company or any other body corporate.

DIRECTORS' REPORT

cont'd

DIRECTORS' REMUNERATIONS

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

No indemnities have been given or insurance premiums paid, during or since end of the year, for any person who is or has been the Directors and officers of the Group and the Company.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position of the Group and 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.

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 the Company misleading.

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 the Company misleading or inappropriate.

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 the Company which would render any amount stated in the financial statements misleading.

As at the date of this report, there does not exist:

- (i) any charge on the assets of the Group and 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 the Company which has arisen since the end of the financial year.

In the opinion of the Directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made, except as disclosed in the Note 30 to the financial statements.

DIRECTORS' REPORT

cont'd

SIGNIFICANT EVENT

Details of the significant event are disclosed in Note 30 to the financial statements.

AUDITORS

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

Auditor remuneration is as follows:

	Group RM	Company RM
Al Jafree Salihin Kuzaimi PLT	114,000	20,000

There were no indemnity given or insurance effected for the auditors of the Group and the Company during the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 27 April 2021.

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 2020 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 of Directors in accordance with a resolution of the Directors dated on 27 April 2021.

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**, 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 **27 April 2021**.)

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 Lebttech Berhad (“the Group and the Company”), which comprise the statements of financial position as at 31 December 2020 of the Group and the Company, and the statements of 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.

In our opinion, the accompanying financial statements of the Group and the Company give a true and fair view of the financial position of the Group and the Company as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) 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 2.1 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 2020, the Group 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 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 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 LEBTECH BERHAD (INCORPORATED IN MALAYSIA)

cont'd

Key Audit Matters *cont'd*

Key audit matters	How our audit addressed the key audit matters
<p>Revenue and cost of sales from construction contract recognised on stage of completion of the contract method</p> <p>In accordance with MFRS 15 <i>Revenue from Contracts with Customers</i>, 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 judgements are 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 stage of completion of the contracts method are disclosed in Note 2.21 and 17 to the financial statements.</p> <p>We identified the revenue and cost of sales from construction contract recognised on the stage of completion of the contract method or over time as matters requiring audit focus as these are areas involved significant management's judgement.</p>	<ul style="list-style-type: none"> • We have 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 implemented by the Company. • We have 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. • We have evaluated the assumptions applied in estimating the construction budgeted costs on sampling basis by examining documentary evidences such as letter of award issued to contractors to support the budgeted costs. • We have 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. • We have reviewed the adequacy of the disclosures included in the notes to the financial statements.
<p>Recoverability of amount due from related parties</p> <p>As at 31 December 2020, the net carrying values of amount due from related parties of the Group amounting to RM95,497,366 as discussed in Note 9 to the financial statements.</p> <p>During the current financial year, the impairment loss recognised is amounting to RM118,794.</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"> • We obtained an understanding of the Group's: <ul style="list-style-type: none"> i) Control over the receivables approval and collection process - we assessed the validity of material long outstanding receivable by obtaining related parties' confirmation. We also consider amounts (settlement) received subsequent to the year end up until the date of financial statements, past payment histories and unusual pattern to identify potential impairment balances to be impaired at reporting date.
Key audit matters	How our audit addressed the key audit matters

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LEBTECH BERHAD (INCORPORATED IN MALAYSIA)

cont'd

<p>Recoverability of amount due from related parties <i>cont'd</i></p> <p>The recoverability of receivables from related parties, impairment 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.</p>	<ul style="list-style-type: none"> • We obtained an understanding of the Group's: <i>cont'd</i> <ul style="list-style-type: none"> 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 Company including: <ul style="list-style-type: none"> a) We challenged the appropriateness and reasonableness of the assumptions applies in the director's assessment of the impairment of the receivables; b) We considered and concurred with the agreed payment terms; c) We verified receipts from trade receivables subsequent to year-end; and d) We considered the completeness and accuracy of disclosures. iii) We have reviewed the adequacy of the policy disclosed to determine the accounting estimates for the impairment of receivables as disclosed in Note 3.1(iv). • We challenged management's view on credit risk of trade receivables and take into consideration the historical patterns for outstanding trade receivables and holding discussions with those charged with governance and management; • We discussed with management to understand the underlying assumptions used in the simplified approach impairment model under MFRS 9 when determining the Expected Credit Loss ("ECL") for amounts receivable from related parties; • We tested the accuracy of the ageing against supporting documents on a sample basis.
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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, which we obtained prior to the date of this auditors' report, and the Annual Report 2020, which is expected to be made available to us after the date of this auditors' report.

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.

When we read the annual report, if we conclude that there is material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LEBTECH BERHAD (INCORPORATED IN MALAYSIA)

cont'd

DIRECTORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

The Directors of the Group and the Company are responsible for the preparation of financial statements 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements the Group and the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

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 Accountant

Selangor
Dated: 27 April 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipments	4	2,456,632	13,761,657	-	-
Intangible asset	5	-	11,803,642	-	-
Investment properties	6	390,000	405,000	-	-
Investment in subsidiaries	7	-	-	74,500,002	74,500,002
Deferred tax assets	8	433,528	547,181	-	-
Total non current assets		3,280,160	26,517,480	74,500,002	74,500,002
Current assets					
Trade and other receivables	9	141,664,715	149,009,121	1,194,283	1,409,299
Fixed deposit with licensed bank	10	109,913	137,949	-	-
Cash and bank balances	11	82,068	156,800	15,715	5,786
Tax recoverable		92,191	46,360	-	-
		141,948,887	149,350,230	1,209,998	1,415,085
Assets held for sale	12	21,840,000	-	-	-
Total current assets		163,788,887	149,350,230	1,209,998	1,415,085
TOTAL ASSETS		167,069,047	175,867,710	75,710,000	75,915,087
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	78,719,784	78,719,784	78,719,784	78,719,784
Retained earnings/(Accumulated losses)	14	37,012,532	49,349,202	(3,386,680)	(3,145,593)
TOTAL EQUITY		115,732,316	128,068,986	75,333,104	75,574,191
Current liabilities					
Trade and other payables	15	50,755,102	47,131,296	376,896	340,896
Loans and borrowings	16	581,629	667,428	-	-
TOTAL LIABILITIES		51,336,731	47,798,724	376,896	340,896
TOTAL EQUITY AND LIABILITIES		167,069,047	175,867,710	75,710,000	75,915,087

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	17	36,897,887	48,834,078	-	-
Cost of sales	18	(33,249,534)	(43,149,452)	-	-
Gross profit		3,648,353	5,684,626	-	-
Other income		360,246	239,819	-	-
Administrative expenses		(16,133,121)	(4,214,046)	(241,087)	(276,315)
Result from operating activities		(12,124,522)	1,710,399	(241,087)	(276,315)
Finance cost	19	(51,661)	(71,068)	-	-
(Loss)/Profit before taxation	20	(12,176,183)	1,639,331	(241,087)	(276,315)
Taxation	22	(160,487)	(3,442,844)	-	-
Loss for the year, representing total comprehensive loss for the financial year		(12,336,670)	(1,803,513)	(241,087)	(276,315)
Attributable to:					
Owners of the Company		(12,336,670)	(1,803,513)	(241,087)	(276,315)
Basic earning per ordinary share attributable to owners of the Company (sen)	23	(9.04)	(1.32)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Non-distributable share capital RM	Distributable retained earnings/ RM	Total RM
Group			
At 1 January 2019	78,719,784	51,152,715	129,872,499
Total comprehensive loss for the year	-	(1,803,513)	(1,803,513)
At 31 December 2019	78,719,784	49,349,202	128,068,986
At 1 January 2020	78,719,784	49,349,202	128,068,986
Total comprehensive loss for the year	-	(12,336,670)	(12,336,670)
At 31 December 2020	78,719,784	37,012,532	115,732,316
Company			
At 1 January 2019	78,719,784	(2,869,278)	75,850,506
Total comprehensive loss for the year	-	(276,315)	(276,315)
At 31 December 2019	78,719,784	(3,145,593)	75,574,191
At 1 January 2020	78,719,784	(3,145,593)	75,574,191
Total comprehensive loss for the year	-	(241,087)	(241,087)
At 31 December 2020	78,719,784	(3,386,680)	75,333,104

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash flows from operating activities				
(Loss)/Profit before taxation	(12,176,183)	1,639,331	(241,087)	(276,315)
Adjustments for:				
Impairment losses on:				
- Trade receivables	118,794	304,949	-	-
- Goodwill	11,803,642	-	-	-
Depreciation of property, plant and equipment	104,932	99,569	-	-
Depreciation of investment properties	15,000	15,000	-	-
Finance cost	51,661	71,068	-	-
Interest income	(2,266)	(3,426)	-	-
Operating (loss)/profit before changes in working capital	(84,420)	2,126,491	(241,087)	(276,315)
Decrease in trade and other receivables	3,608,594	13,180,578	36,000	238,807
(Decrease)/Increase in trade and other payables	(3,342,763)	(14,518,983)	215,016	37,498
Cash generated from/(used in) operating activities	181,411	788,086	9,929	(10)
Interest paid, net	(49,395)	(67,642)	-	-
Tax paid	(114,656)	(310,865)	-	-
Net cash generated from/(used in) operating activities	17,360	409,579	9,929	(10)
Cash flows from investing activities				
Acquisition of property, plant and equipment, representing net cash used in investing activities	(39,907)	(29,650)	-	-
Cash flow from financing activity				
Repayment of borrowings, representing net cash used in financing activity	(80,221)	(250,993)	-	-
Net (decrease)/increase in cash and bank balances	(102,768)	128,936	9,929	(10)
Cash and bank balances at beginning of the year	294,749	165,813	5,786	5,796
Cash and bank balances at end of the year	191,981	294,749	15,715	5,786
Cash and bank balances comprised:				
Cash in hand and cash at bank	82,068	156,800	15,715	5,786
Fixed deposits	109,913	137,949	-	-
	191,981	294,749	15,715	5,786

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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 ("IFRSs") 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.

The conditions or events, along with other matters as disclosed in Note 9 indicate existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, the financial statements of the Group has been prepared on a going concern basis as the Board of Directors is optimistic on the successful recovery of Covid-19 as well as the Group's ability to tender on latest projects on their own instead of being awarded by its related parties.

2.2 Changes in accounting policies arising from adoption of new MFRS, amendments to MFRS and IC Interpretations

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

On 1 January 2020, the Group and the Company adopted the following Amendments and Annual Improvements mandatory for annual financial periods beginning on or after 1 January 2020:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 2: Share-based Payment	1 January 2020
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101: Definition of Material	1 January 2020
Amendments to MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 16: Covid-19-Related Rent Concessions	1 June 2020

The adoption of the above standards did not have any material effect to the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 3: Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual improvements to MFRS 2018 - 2020	1 January 2022

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statement in the year of initial applications.

2.4 Basis of consolidation

The consolidated financial statements comprise 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 for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions are eliminated in full.

Profit or loss within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.4 Basis of consolidation *cont'd*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisition of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9, is measured at fair value with the changes in fair value recognised in profit or loss or changes to other comprehensive income in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.4 Basis of consolidation *cont'd*

Business combinations *cont'd*

Business combinations involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control. No adjustments are made to reflect the fair values on the date of combination or recognise any new assets or liabilities. No additional goodwill is recognised as a result of the combination.

2.5 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.6 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

2.7 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.7 Property, plant and equipment *cont'd*

(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 or 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 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.8 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 the statement of comprehensive income.

(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.

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.

2.9 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 2.7.

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.

Gains or 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.10 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial statements.

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company has applied the practical expedient, the Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables of the Group and the Company do not contain a significant financing component and therefore are measured at the transaction price determined under MFRS 15 Revenue from Contracts with Customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains or losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains or losses upon derecognition (equity instruments) ; and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group and the Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.10 Financial assets *cont'd*

(ii) Subsequent measurement *cont'd*

Financial assets at fair value through OCI (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains or losses are recognised in statements of comprehensive income when the asset is derecognised, modified or impaired.

The Group and the Company financial assets at amortised cost includes trade and other receivables.

The Group and the Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statements of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group and the Company has no financial assets at fair value through OCI (debt instruments) at the reporting date.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains or losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statements of comprehensive income when the right of payment has been established, except when the Group and the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group and the Company has no financial assets at fair value through OCI (equity instruments) at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.10 Financial assets *cont'd*

(ii) Subsequent measurement *cont'd*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in statements of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statements of comprehensive income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in statements of comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.10 Financial assets *cont'd*

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Group and the Company has transferred substantially all the risks and rewards of the asset, or the Group and the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

2.11 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group and the Company may consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.12 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 2.10.

2.13 Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group and the Company's financial liabilities include trade and other payables and bank borrowings.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statements of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in statements of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method ("EIR") amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statements of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.13 Financial liabilities *cont'd*

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

2.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.15 Non-current assets classified as assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non current assets is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the comprehensive income.

2.16 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(i) As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.16 Leases *cont'd*

(i) As a lessee *cont'd*

Short-term leases and leases of low-value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for the short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise lease payments associated with these leases as an expense over the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(ii) As a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.17 Contract assets

A contract asset is the right of the Company to consideration in exchange for goods or services that it has transferred to the customer when that right is conditional upon future performance but not through the passage of time. If the Company has performed its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised and presented net of any amounts that has been recognised as receivables. Contract asset is presented as the excess of cumulative revenue earned or recognised in comprehensive income over the billings to date to the customer. Contract assets are subject to impairment assessment in accordance of MFRS 9: Financial Instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.18 Impairment of non-financial assets

(i) Other assets

The carrying amounts of other assets (except for 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 Company 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 the comprehensive income. Impairment losses recognised in respect of cash generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the units (group of units) on a prorata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.19 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 Company 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 Company'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 Company has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.20 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.

2.21 Revenue recognition

(i) Revenue from construction contracts

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 Company 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.

The revenue recognition of other classes of revenue that are not within the scope of MFRS 15 are set out below:

(ii) 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.

(iii) 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 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.22 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.

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.

2.23 Income tax

(i) Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.23 Income tax *cont'd*

(ii) Deferred tax *cont'd*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.24 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.

2.25 Operating segments

An Operating Segment, 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.

2.26 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.

2.27 Fair value measurement

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.27 Fair value measurement *cont'd*

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 JUDGEMENTS

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.

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 the Company's property, plant and equipment and intangible assets at the reporting date is disclosed in Note 4 and Note 5 respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

3.1 Key sources of estimation uncertainty *cont'd*

(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 the Company's taxation at the reporting date is disclosed in Note 22.

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2020 was NIL (2019: RM11,803,642). Further details are disclosed in Note 5. There is recognition of impairment losses on goodwill for the financial year amounting to RM11,803,642.

(iv) 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.

(v) 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 the Company's trade and other receivables at the reporting date is disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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4. PROPERTY, PLANT AND EQUIPMENTS

	Note	Leasehold land and buildings*	Motor vehicles	Plant and equipment	Fixtures and fittings	Renovation	Total
		RM	RM	RM	RM	RM	RM
Group							
Cost							
At 1 January 2020		14,806,004	2,214,439	1,114,540	221,082	48,733	18,404,798
Additions		-	-	39,907	-	-	39,907
Reclassification to asset held for sale	12	(11,240,000)	-	-	-	-	(11,240,000)
At 31 December 2020		3,566,004	2,214,439	1,154,447	221,082	48,733	7,204,705
Accumulated depreciation							
At 1 January 2020		1,141,121	2,214,419	1,021,725	217,143	48,733	4,643,141
Depreciation for the year		71,320	-	32,659	953	-	104,932
At 31 December 2020		1,212,441	2,214,419	1,054,384	218,096	48,733	4,748,073
Net carrying amounts							
At 1 January 2020		13,664,883	20	92,815	3,939	-	13,761,657
At 31 December 2020		2,353,563	20	100,063	2,986	-	2,456,632
Cost							
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
Accumulated depreciation							
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
Net carrying amounts							
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

* Leasehold land and buildings

Addition in 2019 is due to the transfer of properties from Lebar Daun Development Sdn. Bhd. (LDD) as part of its repayment terms under Partial Debt Settlement Agreement to comply with Main Market Chapter 10 - Transaction.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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5. INTANGIBLE ASSETS

	Group	
	2020 RM	2019 RM
At 1 January	11,803,642	11,803,642
Impairment on goodwill	(11,803,642)	-
At 31 December	-	11,803,642

The recoverable amount of the goodwill 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 fully impaired due to Covid-19 and subsequently its impact on the market risk.

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:

- i The basis used to determine the value assigned for five (5) years projected revenue is based on ongoing projects awarded.
- ii Discounted rate of 3.50% (2019: 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

Group	As at 1.1.2020 RM	Additions RM	As at 31.12.2020 RM
Cost			
Freehold land and building	750,000	-	750,000
Accumulated depreciation			
Freehold land and building	345,000	15,000	360,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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6. INVESTMENT PROPERTIES *cont'd*

	2020	2019
	RM	RM
Net carrying amount		
Freehold land and building	390,000	405,000

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

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2020	2019
	RM	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	
			2020	2019
			%	%
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

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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	
	2020 RM	2019 RM	2020 RM	2019 RM
GROUP				
Property, plant and equipment	(18,525)	(21,791)	(18,525)	(21,791)
Impairment loss on trade receivables	-	(72,960)	-	(72,960)
Unutilised business loss	452,053	641,932	452,053	641,932
Net tax assets	433,528	547,181	433,528	547,181

	As at 1.1.2019 RM	Recognised in profit or loss (Note 22) RM	As at 31.12.2019 RM	Recognised in profit or loss (Note 22) RM	As at 31.12.2020 RM
Property, plant and equipments	(268,745)	246,954	(21,791)	3,266	(18,525)
Impairment loss on trade receivables	1,936,781	(2,009,741)	(72,960)	72,960	-
Unutilised business losses	1,329,152	(687,220)	641,932	(189,879)	452,053
Unabsorbed capital allowances	29,886	(29,886)	-	-	-
Net tax assets	3,027,074	(2,479,893)	547,181	(113,653)	433,528

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 2019	1,329,152	29,886	(268,745)	1,936,781	3,027,074
Recognised in profit or loss (Note 22)	(687,220)	(29,886)	246,954	(2,009,741)	(2,479,893)
At 31 December 2019 and 1 January 2020	641,932	-	(21,791)	(72,960)	547,181
Recognised in profit or loss (Note 22)	(189,879)	-	3,266	72,960	(113,653)
At 31 December 2020	452,053	-	(18,525)	-	433,528

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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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: *cont'd*

Deferred tax assets/(liabilities) of the Group: *cont'd*

	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	-	-	(21,466)	2,981,740	2,960,274
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	(268,745)	1,936,781	3,027,074
Recognised in profit or loss (Note 22)	(687,220)	(29,886)	246,954	(2,009,741)	(2,479,893)
At 31 December 2019	641,932	-	(21,791)	(72,960)	547,181

9. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Trade					
Amount due from contract customers	a	45,305,340	34,430,965	-	-
Amount due from related parties	b	95,497,366	114,220,941	-	-
		140,802,706	148,651,906	-	-
Non-Trade					
Other receivables		663,833	212,724	-	-
Deposits		169,761	123,575	-	-
Prepayments		28,415	20,916	-	-
Amount due from subsidiaries	c	-	-	1,194,283	1,409,299
		862,009	357,215	1,194,283	1,409,299
		141,664,715	149,009,121	1,194,283	1,409,299

Trade receivables of the Group are 99% derived from the projects being awarded by Basco Sdn. Bhd. ("Basco") as well as Lebar Daun Development Sdn. Bhd. ("LDD") to the Group. Should any of these two companies unable to secure a project for development, it will cast a significant doubt on the Group's ability to continue as a going concern.

The Group credit policy provides trade receivables with credit period of up to 60 days (2019: 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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9. TRADE AND OTHER RECEIVABLES *cont'd***Note a****Amount due from contract customers**

	Group	
	2020	2019
	RM	RM
Aggregate costs incurred to date	707,867,381	680,037,297
Add: Attributable profits	84,108,376	75,040,572
	791,975,757	755,077,869
Less: Progress billings	(746,670,417)	(720,646,904)
	45,305,340	34,430,965

Note b

	2020	2019
	RM	RM
Amount due from related parties (Gross)	102,991,030	121,595,811
Less: Impairment losses (Note 25.3)	(7,493,664)	(7,374,870)
Amount due from related parties (Net)	95,497,366	114,220,941

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 receivables as at 31 December 2020 are retention sums of RM36,188,311 (2019: RM43,187,941) relating to amount due from contract customers.

Note c

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 bank of the Group bear effective interest rates of 1.85% (2019: 3.10%) per annum as at the financial year with maturity of 366 days (2019: 365 days). The fixed deposits are pledged as security for term loan facility in favour of the Bank which is disclosed in Note 16 to the financial statements.

11. CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash and bank balances	82,068	156,800	15,715	5,786

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.

NOTES TO THE FINANCIAL STATEMENTS

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12. ASSETS HELD FOR SALE

	Group	
	2020 RM	2019 RM
At 1 January	-	-
Additions*	10,600,000	-
Transfer from property, plant and equipment	11,240,000	-
At 31 December	21,840,000	-

* Additions in the financial year ended 31 December 2020 relates to transfer of properties from Lebar Daun Development Sdn. Bhd. (LDD) as part of the repayment terms under Partial Debt Settlement Agreement to comply with Main Market Chapter 10 - Transaction.

During the financial year, there were an additional properties received amounted to RM10,600,000. The additional properties are 7 units of double storey semi-detached house located within Bukit Bandaraya Shah Alam, the exclusive and gated residential scheme in Section U11, Shah Alam, Selangor Darul Ehsan. The units convey a leasehold interest for a term of 99 years expiring on 28 November 2116 (with an unexpired term of about 96 years).

The properties were recorded at cost whereby the Company opted to use the transaction price rather on the higher market value provided by the independent professional valuer amounted to RM12,880,000 as of 29 October 2020.

If the sale of the properties are no longer probable within 12 months, the said properties will be reclassified back to property, plant and equipment, in accordance with MFRS 5 *Non-Current Assets Held For Sale*.

13. SHARE CAPITAL

	Group and the Company			
	2020 Unit	2019 Unit	2020 RM	2019 RM
Issued and fully paid:				
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.

14. RESERVES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Distributable:				
Retained earnings/(Accumulated losses)	37,012,532	49,349,202	(3,386,680)	(3,145,593)

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

15. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Trade					
Trade payables	a	47,852,108	40,791,608	-	-
Non - Trade					
Other payables		633,500	5,255,284	340,500	329,829
Accruals		513,355	717,387	17,067	11,067
Amount due to related parties		1,756,139	367,017	19,329	-
Amount due to subsidiary companies		-	-	-	-
		2,902,994	6,339,688	376,896	340,896
		50,755,102	47,131,296	376,896	340,896

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 RM19,899,247 (2019: RM19,063,156) are retention sums.

16. LOANS AND BORROWINGS

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

	Group	
	2020 RM	2019 RM
Current		
Term loan	581,629	667,428

The term loan amounting to RM581,629 (2019: RM667,428) bears interest at 1.75% to 3.50% (2019: 1.75% to 3.50%) per annum above the bank's Base Lending Rate and is secured by the followings:

Against 3rd party, 1st legal charge over properties also known as

- HSM 24228, PT 30110b, Daerah Klang, Mukim of Kelang, Selangor.
- HSM 24378, PT 29999, Temapat Johan Setia, Mukim of Kelang, Selangor.
- HSM 23567, Lot 30370b, Temapat Johan Setia, Mukim of Kelang, Selangor.
- HSM 24618, PT 31174, Temapat Johan Setia, Mukim of Kelang, Selangor.
- HSD 79541, PT 846 Seksyen 8, Petaling, Bandar of Shah Alam, Selangor.
- EMR 7957, Lot 5420, Daerah Klang, Mukim of Klang, Selangor.
- EMR 6920, Lot 5602, Daerah Klang, Mukim of Klang, Selangor.

Against Corporate Guarantee By Lebar Daun Berhad for RM2,900,000.00.

Against Fixed Deposit for RM109,913. (2019:RM106,606)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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17. REVENUE

	Group	
	2020	2019
	RM	RM
Revenue from contract customers		
(i) Over time		
Revenue from construction contracts	36,897,887	48,834,078

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		
	2021	2022	Total
	RM	RM	RM
Over time			
Revenue from construction contracts	50,140,288	33,274,326	83,414,614

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 Architects.	Defect liability period 2 years

18. COST OF SALES

	Group	
	2020	2019
	RM	RM
Construction contract costs	33,249,534	43,149,452

19. FINANCE COSTS

	Group	
	2020	2019
	RM	RM
Interests on term loan	51,661	71,068

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

20. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been determined after charging/(crediting) the following items:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Auditors' remuneration				
- Statutory audit	114,000	114,500	20,000	20,000
- Other services	6,000	6,000	-	-
Depreciation of:				
- investment properties	15,000	15,000	-	-
- property, plant and equipment	104,932	99,569	-	-
Finance costs	51,661	71,068	-	-
Interest income	(2,266)	(3,426)	-	-
Rental income from:				
- property leases	(185,220)	(185,220)	-	-
- equipment leases	(48,960)	(48,960)	-	-
SOCSO wage subsidy	(118,800)	-	-	-
Impairment losses on:				
- Goodwill	11,803,642	-	-	-
- Trade receivables	118,794	304,949	-	-
Employees' information:				
Salaries and allowances	1,713,293	2,201,580	140,000	140,000
Contribution to Employee Provident Fund	213,080	242,766	-	-
Other benefits	51,067	50,089	-	-
	1,977,440	2,494,435	140,000	140,000

The total number of employees of the Company at the financial year ended was 33 (2019: 37).

21. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Directors remuneration	374,000	344,000	170,000	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	
	2020	2019
Non executive Directors		
RM0 to RM50,000	7	4

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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22. TAXATION

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax expense				
Malaysian				
- Current	46,834	53,369	-	-
- Underprovision of tax in prior years	-	909,582	-	-
Total current tax expense	46,834	962,951	-	-
Deferred tax expense				
- Current	186,090	2,479,622	-	-
- (Over)/under provision of deferred tax in prior years	(72,437)	271	-	-
Total deferred tax expense (Note 8)	113,653	2,479,893	-	-
Total tax expense	160,487	3,442,844	-	-

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 Group and the Company are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
(Loss)/Profit before taxation	(12,176,183)	1,639,331	(241,087)	(276,315)
Tax effect on :				
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	(2,922,284)	393,439	(57,861)	(66,316)
Income not subject to tax	(28,512)	(57,145)	-	-
Expenses not deductible for tax purposes	3,334,868	137,254	57,861	66,316
Utilisation of capital allowances	-	(1,376)	-	-
Utilisation of unabsorbed losses	(189,879)	(472,172)	-	-
Other income subject to tax	-	53,369	-	-
Underprovision of taxation in prior years	-	909,582	-	-
Deferred tax assets not recognised	38,731	-	-	-
(Over)/under provision of deferred tax in prior years	(72,437)	271	-	-
Deferred tax expense recognised during the year	-	2,479,622	-	-
	160,487	3,442,844	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

22. TAXATION *cont'd*

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

	Group	
	2020	2019
	RM	RM
Unabsorbed losses	1,882,928	2,674,090

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2020 was based on the loss attributable to ordinary shareholders of RM12,336,670 (2019: loss of RM1,803,513) and 136,483,676 (2019: 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.

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2020 categorised as amortised cost ("AC") and fair value through profit or loss designated upon initial recognition (FVTPL – DUIR). The details are as follows:

Group	Carrying amount	AC
	RM	RM
2020		
Financial assets		
Trade and other receivables	141,636,300	141,636,300
Financial liabilities		
Trade and other payables	50,755,102	50,755,102
2019		
Financial assets		
Trade and other receivables	148,988,205	148,988,205
Financial liabilities		
Trade and other payables	47,131,296	47,131,296

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

25.1 Categories of financial instruments *cont'd*

Company	Carrying amount RM	AC RM
2020		
Financial assets		
Trade and other receivables	1,194,283	1,194,283
Financial liabilities		
Trade and other payables	376,896	376,896
2019		
Financial assets		
Trade and other receivables	1,409,299	1,409,299
Financial liabilities		
Trade and other payables	340,896	340,896

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

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

Group	Carrying amount RM	L & R RM	OL RM
2020			
Financial assets			
Trade and other receivables	141,636,300	141,636,300	-
Financial liabilities			
Term loan	581,629	581,629	-
Trade and other payables	50,755,102	-	50,755,102
	51,336,731	142,217,929	50,755,102
2019			
Financial assets			
Trade and other receivables	148,988,205	148,988,205	-
Financial liabilities			
Term loan	667,428	667,428	-
Trade and other payables	47,131,296	-	47,131,296
	47,798,724	149,655,633	47,131,296

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

25. FINANCIAL INSTRUMENTS *cont'd***25.1 Categories of financial instruments** *cont'd*

	Carrying amount RM	L & R RM	OL RM
Company			
2020			
Financial assets			
Trade and other receivables	1,194,283	1,194,283	-
Financial liabilities			
Trade and other payables	376,896	-	376,896
2019			
Financial assets			
Trade and other receivables	1,409,299	1,409,299	-
Financial liabilities			
Trade and other payables	340,896	-	340,896

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 2020

cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

25.3 Credit risk *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
2020			
Not past due	49,804,048	-	49,804,048
Past due 91-180 days	8,841,074	-	8,841,074
Past due 181-364 days	-	-	-
Past due more than 365 days	89,640,112	(7,493,664)	82,146,448
	148,285,234	(7,493,664)	140,791,570
2019			
Not past due	47,480,975	-	47,480,975
Past due 91-180 days	6,936,053	-	6,936,053
Past due 181-364 days	-	-	-
Past due more than 365 days	101,609,748	(7,374,870)	94,234,878
	156,026,776	(7,374,870)	148,651,906

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

	2020 RM	2019 RM
At 1 January	7,374,870	7,069,921
Charge for the year	118,794	304,949
At 31 December	7,493,664	7,374,870

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.

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 receivable as of 31 December 2020 (2019: 99%). The management believe that the receivables balances from these largest customers do not represent a significant credit risk based on cash flow forecasts, balance sheet analysis and past collection experience.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

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
2020			
Financial liabilities			
Term loan	581,629	581,629	581,629
Trade and other payables	50,755,102	50,755,102	50,755,102
	51,336,731	51,336,731	51,336,731
2019			
Financial liabilities			
Term loan	667,428	667,428	667,428
Trade and other payables	47,131,296	47,131,296	47,131,296
	47,798,724	47,798,724	47,798,724

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

25.5 Market risk *cont'd*

Interest rate risk cont'd

Exposure to interest rate risk

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

	2020 RM	2019 RM
Fixed rate instruments		
Financial assets	109,913	137,949
Floating rate instruments		
Financial liabilities	(581,629)	(667,428)

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.

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 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).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

25.6 Fair value information *cont'd*

(iii) Level 2 fair value *cont'd*

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 Group'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
2020		
Financial liabilities		
Term loan	581,629	581,629
Trade and other payables	50,755,102	50,755,102
	51,336,731	51,336,731
2019		
Financial liabilities		
Term loan	667,428	667,428
Trade and other payables	47,131,296	47,131,296
	47,798,724	47,798,724

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

26. RELATED PARTIES *cont'd*

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

- i) Lebar Daun Development Sdn. Bhd. in which 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	
	2020	2019	2020	2019
	RM	RM	RM	RM
Revenue	36,897,887	48,834,078	95,497,366	114,220,941
Rental income	234,180	234,180	-	-
Impairment loss recognised for the year	(118,794)	(304,949)	-	-

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

27. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group'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 Group monitors capital using a gearing ratio, which is the net debt divided by total equity plus net debt. The Group includes within its net debt, term loan, payables, less cash and bank balances and short term deposits. Capital of the Group represents total equity.

The debt to equity ratio as at 31 December 2020 and 31 December 2019 are as follows:

	Note	2020 RM	2019 RM
Loans and borrowings	16	581,629	667,428
Less: Cash and bank balances	11	(82,068)	(156,800)
Net debt		499,561	510,628
Total equity		115,732,316	128,068,986
Equity and net debt		116,231,877	128,579,614
Gearing ratio		0.43%	0.40%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

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.

	2020	2019
	RM	RM
Contingent liabilities not considered remote		
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 holding company	(134,523)	(134,523)

29. MATERIAL LITIGATIONSa) Lebtech Construction Sdn. Bhd. vs SPM Hardware Sdn. Bhd.

On 26 October 2020, Lebtech Construction Sdn. Bhd. ("LCSB" or the "Company") was served with "Writ Saman dan Penyataan Tuntutan" dated 19.10.2020 under "Aturan 62 Kaedah 4 Kaedah-Kaedah Mahkamah 2012" by SPM Hardware Sdn. Bhd. ("Plaintiff") via its solicitors Yong dan Rakan-Rakan for a total claim of RM1,298,256.35 and accrued interest of 1.5% monthly as at 19.10.2020 amounting RM662,204.42 against the Company.

From year 2015 until 2020, the Company appointed Plaintiff as the Supplier for goods and equipment for the projects under the Company such as Taman Dato Demang, Puchong and other maintenance supply. Plaintiff alleged that the Company has failed to pay balance amounting RM1,298,256.35 for the purchase of goods that have been sold and delivered since 2015.

On 8 December 2020, LCSB has filed striking out application and the matter has been fixed for hearing on 4 March 2021 and as at 31 December 2020, LCSB has provided the provision for interest and legal fee for the amount claim by Plaintiff amounting to RM662,204.42 and RM20,000 respectively.

b) Lebtech Construction Sdn. Bhd. vs Usahawan Teguh Sdn. Bhd.

On 19 October 2020, Usahawan Teguh Sdn. Bhd. ("Plaintiff") has filed Statement of Claim on others sum of RM75,939.50 being goods sold and delivered to Lebtech Construction Sdn. Bhd. ("LCSB"). The Plaintiff had on 30 November 2020 filed Summary Judgement application and Shah Alam Magistrate's Court has allowed the Plaintiff's summary judgement application with cost amounting to RM3,000.00.

As at 31 December 2020, the Group have fully provided the other sum of the abovementioned claim and cost of judgement application amounting to RM75,939.50 and RM3,000.00 respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

cont'd

30. SIGNIFICANT EVENT

(a) Coronavirus 2019 (Covid-19) outbreak

As for the Group and the Company, the impact on the business operations have not been direct consequences of the Covid-19 outbreak, but a result of the measure taken by the Malaysian Government to contain it. As the outbreak continues to evolve subsequent to the financial year, it is challenging to predict the full extent and duration to its on business and the economy. At this juncture, it is not possible to estimate the full impact of the outbreak's short term and long term effects or the Government's varying efforts to combat the outbreak and support businesses.

However, there is uncertainty about the length and severity of Government or regulatory intervention which could have an unexpected impact. A prolonged economic downturn could also lead to further Government's varying efforts to combat the outbreak and support businesses.

The Company will continue to monitor the development of these events and have implemented measures to mitigate the impact of Covid-19 to the Company's business, including prudent management of its cash flows on the operating, investing and financing activities.

31. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 27 April 2021.

ANALYSIS OF SHAREHOLDINGS

AS AT 4 MAY 2021

Authorised Share Capital	: RM250,000,000.00
Issued and Paid Up Capital	: RM68,241,837.50
Class of Shares	: Ordinary Shares of RM0.50 each
Voting Rights	: One (1) vote per Ordinary Share
No. of Shareholders	: 2,365

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	1,411	59.66	28,766	0.02
100 – 1,000	845	35.73	140,071	0.11
1,001 – 10,000	46	1.95	171,055	0.14
10,001 – 100,000	29	1.23	1,138,979	0.92
100,001 – 6,824,182 *	25	1.06	53,209,004	43.26
6,824,183 and above **	3	0.13	16,000,000	55.55
Total	2,365	100.00	136,483,675	100.00

* Less than 5% of issued shares
 ** 5% and above of issued shares

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Tan Sri Datuk Adzmi Bin Abdul Wahab	-	-	-	-
2. Norazmi Bin Mohamed Nurdin	-	-	2,016,000	1.48
3. Jamil Bin Saimon	406,400	0.30	-	-
4. Dato' Noor Azman @ Noor Hizam Bin Mohd Nurdin	62,817,000	46.03	9,000,000	6.59 ⁽¹⁾
5. Dato' Hazli Bin Ibrahim	554,400	0.41	157,000	0.11 ⁽²⁾
6. Ir. Che Fisol Bin Abdul Hamid	1,000	-	-	-
7. Dr. Ridzuan Bin Yacob	1,000	-	-	-
8. Iskandar Mirzan Bin Noor Azman	-	-	-	-

Notes:-

⁽¹⁾ Deemed interest by virtue of his spouse, Datin Nor Hayati bt Abd Malik's direct shareholdings in Lebtech Berhad
⁽²⁾ Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 through his shareholdings in Cherry Vista Sdn Bhd

ANALYSIS OF SHAREHOLDINGS

AS AT 4 MAY 2021

cont'd

SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Dato' Noor Azman @ Noor Hizam Bin Mohd Nurdin	-	-	62,817,000	46.03 ⁽¹⁾
2. Norazlan Bin Mohamad Nordin	48,000	100	10,800,000	7.95 ⁽²⁾
3. Datin Nor Hayati Bt Abd Malik	-	-	10,200,000	7.47 ⁽³⁾

Notes:-

⁽¹⁾ Deemed interest by virtue of his spouse, Datin Nor Hayati bt Abd Malik's direct shareholdings in Lebttech Berhad

⁽²⁾ Deemed interest by virtue of his spouse, Fatmawati bt Kasbin's direct shareholdings in Lebttech Berhad

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

LIST OF THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shares	%
1. CIMSEC Nominees (Tempatan) Sdn. Bhd. (CIMB for Noor Azman @ Noor Hizam Bin Mohd Nurdin)	39,243,000	28.75
2. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Noor Azman @ Noor Hizam Bin Mohd Nurdin)	18,574,000	13.61
3. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Nor Hayati Binti Abd Malik)	9,000,000	6.59
4. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Norazlan Bin Mohamad Nordin)	9,000,000	6.59
5. Shah Rudin Bin Mohammed Miskun	6,500,004	4.76
6. HSBC Nominees (Asing) Sdn. Bhd. (Exempt An for Credit Suisse)	6,053,600	4.44
7. Mohd Nasir Bin Mohd Miskun	5,800,000	4.25
8. Mustafa Bin Mohammed Miskun	5,800,000	4.25
9. Nor Lia Binti Johan	5,300,000	3.88
10. AllianceGroup Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Noor Azman @ Noor Hizam Bin Mohd Nurdin)	5,000,000	3.66
11. Anuar Bin Abd Malik	4,500,000	3.30
12. Mustapah Bin Mohamed	3,168,600	2.32
13. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Norazmi Bin Mohamed Nurdin)	3,000,000	2.20
14. Perbadanan Setiausaha Kerajaan Selangor	2,819,800	2.07
15. DB (Malaysia) Nominee (Asing) Sdn. Bhd. (Exempt An For Bank of Singapore Limited)	1,943,600	1.42

ANALYSIS OF SHAREHOLDINGS

AS AT 4 MAY 2021

cont'd

LIST OF THIRTY LARGEST SHAREHOLDERS *cont'd*

Name of Shareholders	No. of Shares	%
16. Alliance Group Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Norazmi Bin Mohamed Nurdin)	1,800,000	1.32
17. Abu Sujak Bin Mahmud	1,174,600	0.86
18. Perbadanan Kemajuan Negeri Selangor	1,000,000	0.73
19. Mohd Don Bin Mastol @ Mastor	944,900	0.69
20. Mhd Omar Bin Abdul Hamid	854,600	0.63
21. Faizal Bin Abdullah	672,000	0.49
22. Hazli Bin Ibrahim	499,400	0.37
23. BIMSEC Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Mohd Johar Bin Ismail)	436,400	0.32
24. Jamil Bin Saimon	406,400	0.30
25. Ikmal Bin Ibrahim	391,000	0.29
26. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Noorazhar Bin Mohamed Nurdin)	254,800	0.19
27. AmBank (M) Berhad (Pledged Securities Account for Norazmi Bin Mohamed Nurdin)	216,000	0.16
28. Cherry Vista Sdn. Bhd.	157,000	0.12
29. CIMB Group Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Anuar Bin Abd Malik)	140,000	0.10
30. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Ab Ghaus Bin Ismail)	105,900	0.08
TOTAL	134,755,604	98.73

LIST OF PROPERTIES

AS AT 31 DECEMBER 2020

Location	Tenure	Description/ Existing Use	Approximate Age of Buildings (Years)	Land Area/ Built-up Area (Sq. m.)	Net Book Value at 31.12.2020 (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 Lebttech Construction Sdn Bhd, a wholly-owned subsidiary of the Company.

NOTICE OF 19TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of Lebtech Berhad will be conducted at the Boardroom Wisma Lebar Daun, No.2 Jalan Tengku Ampuan Zabedah J9/J Seksyen 9,40000 Shah Alam Selangor Darul Ehsan on Tuesday, 22 June 2021 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 2020 together with the Reports of the Directors and Auditors thereon. | (Please refer to Explanatory Note A) |
| 2. | To approve the Directors' fees for the financial year ended 31 December 2020. | (Resolution 1) |
| 3. | To re-elect Dato' Noor Azman @ Noor Hizam Bin Mohd Nurdin, Norazmi Bin Mohamed Nurdin and Dato' Hazli Bin Ibrahim who retire by rotation in accordance with Article 84 of the Company's Articles of Association and, being eligible, have offered himself for re-election. | (Resolution 2) |
| 4. | To re-appoint Messrs Salihin as Auditors of the Company and to authorise the Directors to fix their remuneration. | (Resolution 3) |

As Special Business

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

- | | | |
|----|---|-----------------------|
| 5. | <p>Authority to Continue in Office as Independent Non-Executive Director</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 ten (10) years since 2010, to continue to act as Independent Non-Executive Chairman of the Company pursuant to the Malaysian Code on Corporate Governance 2012."</p> | (Resolution 4) |
| 6. | <p>Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature</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 6th May 2021, subject further to the following:-</p> <p>(i) the Recurrent Related Party Transactions are entered into in the ordinary course of business on terms not more favorable 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;</p> <p>(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:-</p> <p>(a) the type of Recurrent Related Party Transactions made; and</p> <p>(b) the names of the related parties involved in each type of Recurrent Related Party Transactions made and their relationship with the Company;</p> | |

NOTICE OF 19TH 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
 - (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

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

(Resolution 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)
Group Company Secretary

Shah Alam
6th May 2021

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 vote at the 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 19TH 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 ten 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 ten 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 favorable 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.

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



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 19th Annual General Meeting of Lebttech Berhad to be held at Boadroom Wisma Lebar Daun, No.2 Jalan Tengku Ampuan Zabedah J9/J Seksyen 9, 40000 Shah Alam Selangor Darul Ehsan on Tuesday 22 June 2021 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 To re-elect the following Directors of the Company who retire in accordance with Article 84 of the Company's Constitution and who being eligible, have offered themselves for re-election:		
(i) Dato' Noor Azman @ Noor Hizam Bin Mohd Nurdin		
(ii) Norazmi Bin Mohamed Nurdin		
(iii) Dato' Hazli Bin Ibrahim		
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 _____ 2021

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



www.lebtech.com.my

LEBTECH BERHAD 200201023282 (590945-H)

Wisma Lebar Daun
No. 2, Jalan Tengku Ampuan Zabedah J9/J
Seksyen 9, 40000 Shah Alam
Selangor Darul Ehsan
Tel : 603 5511 1333
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