

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of LebttechBerhad ("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 2017.

A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

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

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

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

B. BOARD COMPOSITION

The Board currently has five (5) members, one (1) of whom is Executive Director, one (1) Non-Independent Non-Executive Director and the remaining three (3) are Independent

Non-Executive Directors. Each Director's brief profile is presented under the section titled "Profiles of Directors" of this Annual Report.

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

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

C. REINFORCE INDEPENDENCE

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

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

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

D. BOARD COMMITTEES

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

Audit Committee

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

Nomination Committee

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

Chairman

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

Members

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

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

During the financial year ended 31 December 2017, a formal evaluation process has been carried out to assess the effectiveness of the Board, Board Committees and individual Directors. Based on the result of the annual review, the Nomination Committee is satisfied with the performance and contribution of each individual Director and the Board Committees.

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

Re-election of Directors

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

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

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

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

Remuneration Committee

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

Chairman

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

Members

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

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

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

E. DIRECTORS' REMUNERATION

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

The Directors' remuneration paid or payable to all the Directors of the Company for the financial year ended 31 December 2017 is as follows:-

	Fees RM	Salaries RM	Total RM
Executive Director	-	204,000	204,000
Non-Executive Directors	160,000	-	160,000
Total	160,000	204,000	364,000

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	-	4
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	1	-

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

F. FOSTER COMMITMENT

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

Name of Director	Meetings attended	Percentage of attendance (%)
TAN SRI DATUK ADZMI BIN ABDUL WAHAB	5/5	100
NORAZMI BIN MOHAMED NURDIN	5/5	100
DATO' NIK ISMAIL BIN DATO' NIK YUSOFF	5/5	100
DATO' NOOR AZMAN @ NOOR HIZAM BIN MOHD NURDIN	5/5	100
DATO' HAZLI BIN IBRAHIM	5/5	100

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

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

Directors' Training

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

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

During the financial year ended 31 December 2017, the following Directors have attended the following training programmes and conferences:-

Tan Sri Datuk Adzmi Bin Abdul Wahab

- Global Capital Markets Entering a New Era by Malaysian Institute of Accountants
- 2017 Corporate Governance by Epsilon Advisory Services Sdn. Bhd.
- An Overview on the Malaysian Code on Corporate Governance 2017 by Cospec Management Services Sdn. Bhd.

Norazmi Bin Mohamed Nurdin

- Introduction to Sustainability Report by Bursa Malaysia Berhad

Dato' Nik Ismail Bin Dato' Nik Yusoff

- The Highlights of Companies act 2016 by CHK Consultancy Sdn. Bhd.

Dato' Hazli Bin Ibrahim

- Sustainability Forum for Directors/CEOs
"The Velocity of Global Change & Sustainability – The New Business Model" by Bursa Malaysia Berhad.
- Updates on Companies Act 2016 and its implications to directors
Presented by Norhisham Rahim, partner Azmi & Assocs.
- I Am Ready to Manage Risk (I,A,R,M,R)
Risk Management Training for Directors by Bursa Malaysia Berhad and PWC.
- Advocacy session on the corporate disclosure for directors and principal officers of listed issuer by Bursa Malaysia Berhad.

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.

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 2016 save as explained above.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 31 March 2018.

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.

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 2016 RM
Construction works awarded to Lebtech Construction Sdn Bhd (LCSB) by LebarDaun Development Sdn Bhd (LDDSB)	i. Norazmi bin Mohamed Nurdin ⁽¹⁾ ii. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin ⁽²⁾ iii. Datin Nor HayatibtAbd Malik ⁽³⁾	5,965,685

Nature of Transactions	Interested Related Party	Transaction Value for the Financial Year Ended 31 December 2016 RM
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 HayatibtAbd 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 HayatibtAbd Malik ⁽³⁾	48,960
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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. FatmawatibtKasbin ⁽⁵⁾	102,456,132
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Notes:-

(1) Norazmi bin Mohamed Nurdin is the Managing Director and a shareholder of LebtechBerhad (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 Nurdinand Norazlan bin Mohamad Nordin and the brother-in-law to Datin Nor HayatibtAbd Malik and FatmawatibtKasbin.

- (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 DatinNorHayatibtAbd Malik and the brother of Norazmi bin Mohamed Nurdinand Norazlan bin Mohamad Nordin and the brother-in-law to FatmawatibtKasbin.
- (3) DatinNorHayatibtAbd 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 FatmawatibtKasbin.
- (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 FatmawatibtKasbin and the brother of Norazmi bin Mohamed Nurdin, Dato' Noor Azman @ Noor Hizam bin Mohd Nurdinand the brother-in-law to DatinNorHayatibtAbd Malik.
- (5) FatmawatibtKasbin 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 HayatibtAbd Malik.