

**EXPLANATORY NOTES****1. Basis of Preparation**

The condensed interim financial statements are unaudited and have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

2. Changes in Accounting Policies

At the date of authorization of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC interpretation will be applied by the Group and Company when they become effective in the respective financial periods:

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual periods beginning on or after
Amendments to MFRS 132, <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 2, <i>Share-based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRSs 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 8, <i>Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 13, <i>Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 116, <i>Property, Plant and Equipment (Annual Improvements to MFRSs 2010-2012 Cycle)</i>	1 July 2014



LEBTECH BERHAD^(590945-H)

NOTES TO THE UNAUDITED QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30TH JUNE 2014

2. Changes in Accounting Policies (*continued*)

Amendments to MFRS 119, <i>Employee Benefits – Defined Benefits Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRS 124, <i>Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 138, <i>Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 140, <i>Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)</i>	1 July 2014

3. Seasonality and Cyclically Factors

The business of the Group was not significantly affected by any seasonal or cyclical factors.

4. Nature and Amount of Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no unusual material items that affect assets, liabilities, equity, net income or cash flows of the Group for the current quarter.

5. Changes in Estimates

There were no changes to the estimates of amount reported in the prior financial year that have a material effect in the current quarter.

6. Issuances, Cancellations, Repurchases, Resale and Repayment of Debts & Equity Securities

There were no issuances and repayments of debts and equity securities, shares buy-backs, shares cancellations, shares held as treasury shares and/or resale of treasury shares by the Company for the current quarter under review.

7. Dividend Paid

There were no dividends paid during the current quarter and current financial year to-date.

**LEBTECH BERHAD**(590945-H)NOTES TO THE UNAUDITED QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30TH JUNE 2014**8. Segmental Reporting**

The segmental report of the Group for the current year to-date and preceding year corresponding period is as follows: -

	6 months ended 30.06.2014 (RM'000)	6 months ended 30.06.2013 (RM'000)
<u>Segment Revenue</u>		
Construction	38,025	56,890
	38,025	56,890
<u>Segment Results (Profit Before Taxation)</u>		
Construction	3,145	3,601
Rental	115	112
	3,260	3,713

9. Carrying Amount of Revalued Property, Plant and Equipment

There were no valuation of property, plant and equipment in the Group, the amount accounted is the net book value based on the cost of acquisition less accumulated depreciation.

10. Subsequent Material Events

There was no subsequent material events not reflected in the financial statements from the end of 30 June 2014 until 21 August 2014 being a date not earlier than 7 days from the date of issuance of this quarterly report.

11. Changes in The Composition of The Group / Capital Structure

There were no changes in the composition or capital structure of the Group during the current quarter under review.

**LEBTECH BERHAD**(590945-H)NOTES TO THE UNAUDITED QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30TH JUNE 2014**12. Changes in Contingent Liabilities and Contingent Assets**

Contingent liabilities of the Group as at 21 August 2014 being a date not earlier than 7 days from the date of issue of this quarterly report comprises of Bank Guarantees and Corporate Guarantees provided by the Group to the various parties in the normal course of business and the changes in contingent liabilities since the last annual balance sheet are as follows: -

	Bank Guarantee (RM'000)	Corporate Guarantee (RM'000)
Balance as at 1 January 2014	200	14,380
Additional during the period	-	-
Expired/Cancelled during the period	-	-
Balance as at 21 August 2014	<u>200</u>	<u>14,380</u> **

** Included in the Corporate Guarantee, a total sum of RM7.90 million is guaranteed by the Company extended to a Financial Institution as security for banking facilities granted to its wholly owned subsidiary.

There were no contingent assets as at the report date.

13. Capital Commitments

There were no capital commitments that have a material effect in the current interim financial period.



LEBTECH BERHAD(590945-H)

NOTES TO THE UNAUDITED QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30TH JUNE 2014

14. Significant Related Party Disclosures

Related parties are those defined under FRS 124 (Related Party Disclosures).

The following are the related party transactions of the Group for the current year quarter and current year to-date under review.

Lebtech Bhd & its subsidiary	Transacting Party	Relationship	Nature of Transaction	Current Year Quarter RM'000	Current Year To-date RM '000	Balance Outstanding (Including Retention) As at 30-06-2014 RM'000
Lebtech Construction Sdn Bhd	Lebar Daun Development Sdn Bhd	Company connected with major shareholders and Directors	Construction Revenue Receivable from	2,117	6,954	41,053
Lebtech Construction Sdn Bhd	Basco Sdn Bhd	Company connected with major shareholders and Directors	Construction Revenue Receivable from	(10,839)	(15,992)	117,172
			Construction Cost Payable to	-	-	1,997
Lebtech Construction Sdn Bhd	Lebar Daun Development Sdn Bhd	Company connected with majors shareholders and Directors	Rental Revenue Received from	58	115	-



SECURITIES LISTING REQUIREMENTS

15. Group Performance Review

The Group revenue for the current financial quarter ended 30 June 2014 decreased by RM10.68 million to RM15.13 million from RM25.81 million in the preceding corresponding period. The decrease in revenue was mainly due to slower progress at site of several construction contracts undertaken by the Group. The results relate solely to the construction operating segment.

The Group generated a profit before taxation of RM2.38 million, an increased in profit of RM6.20 million as compared to loss of RM3.82 million in the preceding corresponding period. The increase in profit before taxation in the current quarter was mainly attributed to the higher amount for reversal of impairment loss on trade receivables in the current quarter period.

16. Comparison with Preceding Quarter's Results

The Group revenue decreased to RM15.13 million for the current quarter, as compared to revenue of RM22.89 million for the immediate preceding quarter. The decrease in revenue was mainly due to slower progress at site of several construction contracts undertaken by the Group. The results relate solely to the construction operating segment.

The current quarter generated a profit before taxation of RM2.38 million, an increased from RM0.88 million profits recorded in the immediate preceding quarter. The increase in profit before taxation in the current quarter was mainly attributed by the reversal of impairment loss on trade receivables in the current quarter period.

17. Prospect for the Financial Year 2014

The Directors expect the Group's operating environment to remain challenging and competitive. Barring unforeseen circumstances, the Board foresees the Group's operational results for the financial year 2014 will be satisfactory.

The revenue generation will come mainly from the construction contracts from the property development projects. The Group anticipates that the property development market i.e., the construction of housing and commercial buildings, will remain challenging. For the construction sector, the greatest challenge for the Group will be the price fluctuations of the construction materials.

**LEBTECH BERHAD**(590945-H)NOTES TO THE UNAUDITED QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30TH JUNE 2014**18. Variances on Profit Forecast and Profit Guarantee for Financial Year Ending 31 December 2014**

Not applicable as there was no profit forecast and profit guarantee issued.

19. Taxation

The taxation for the current quarter consists of the followings: -

	Current year quarter	Preceding year corresponding quarter	Current year-to-date	Preceding year corresponding period
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Corporate tax				
- Current year	207	135	445	740
	207	135	445	740

20. Status of Corporate Proposals

There was no corporate proposal announced that has not been completed as at 21 August 2014 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).



LEBTECH BERHAD(590945-H)

NOTES TO THE UNAUDITED QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30TH JUNE 2014

21. Borrowings and Debt Securities

The details of the Group borrowings and debts securities as at 30 June 2014 are as follows: -

	Short term		Long term	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Hire purchase	9	-	-	-
Bankers' Acceptance	1,997	-	-	-
Bank overdraft	3,917	-	-	-
	<u>5,923</u>	<u>-</u>	<u>-</u>	<u>-</u>

22. Notes to the Statement of Comprehensive Income

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the condensed consolidated Statement of Comprehensive Income for the second quarter and financial year ended 30 June 2014: -

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30.06.2014 RM'000	Preceding Year Corresponding Quarter 30.06.2013 RM000	Current Year To-date 30.06.2014 RM'000	Preceding Year Corresponding Period 30.06.2013 RM000
(a) Allowance for doubtful debts	Nil	Nil	Nil	Nil
(b) Provision for and write off of inventories	Nil	Nil	Nil	Nil
(c) Gain on disposal of property, plant and equipment	Nil	Nil	Nil	Nil
(d) Impairment loss on available-for-sale investment	Nil	(9)	Nil	(9)
(e) Reversal of trade payables	Nil	Nil	Nil	176
(f) Foreign exchange gain or loss	Nil	Nil	Nil	Nil



LEBTECH BERHAD(590945-H)

NOTES TO THE UNAUDITED QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30TH JUNE 2014

22. Notes to the Statement of Comprehensive Income (continued)

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30.06.2014 RM'000	Preceding Year Corresponding Quarter 30.06.2013 RM'000	Current Year To-date 30.06.2014 RM'000	Preceding Year Corresponding Period 30.06.2013 RM'000
(g) Gain or loss on derivatives	Nil	Nil	Nil	Nil
(h) Exceptional items	Nil	Nil	Nil	Nil
(i) Gain on disposal of available-for-sale investment	Nil	Nil	Nil	Nil
(k) Reversal of impairment loss on trade receivables	1,821	Nil	1,821	5,200

Items (a), (b), (c), (f), (g), (h) and (i) are not applicable.

23. Off Balance Sheet Financial Instrument

The Group does not have any off balance sheet financial instrument as at the date of this report.

24. Material Litigation

Neither the Company nor its subsidiary is engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect and adversely affect on the financial position of the Group.

25. Dividends

The Board does not recommend any interim dividend in respect of the current quarter under review.

**LEBTECH BERHAD**(590945-H)NOTES TO THE UNAUDITED QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30TH JUNE 2014**26. Earnings Per Share****Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares issued during the period.

		Current Year Quarter 30.06.2014	Preceding Year Corresponding Quarter 30.06.2013	Current Year To- date 30.06.2014	Preceding Year Corresponding Period 30.06.2013
<u>Basic earnings per share</u>					
- Profit/(Loss) for the period	(RM'000)	2,174	(3,959)	2,815	2,973
- Weighted average number of ordinary shares in issue	('000)	136,484	136,484	136,484	136,484
- Basic earnings per share	(sen)	1.59	(2.90)	2.06	2.18

27. Realised and Unrealised Retained Earnings

The breakdown as at 30 June 2014 is as follows: -

	As at 30.06.2014 RM'000	As at 30.06.2013 RM'000
Retained earnings/(loss)		
- Realised	54,217	43,340
- Unrealised	(4,043)	(3,732)
Total group retained earnings	<u>50,174</u>	<u>39,608</u>

By Order of the Board,

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Norazmi Bin Mohamed Nurdin
Managing Director

Date: 28 August 2014