



## **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 2016.

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 2016.

### **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:

		<b>Effective for financial periods beginning in or after</b>
<b>New MFRSs</b>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 15	Revenue From Contracts With Customers	1 January 2017
<b>Amendments/Improvements to MFRSs</b>		
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 5	Non-current Assets held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016
MFRS 8	Operating Segments	1 July 2014
MFRS 10	Consolidated Financial Statements	1 January 2014 and 1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interests in Other Entities	1 January 2014
MFRS 13	Fair Value Measurement	1 July 2014



## 2. Changes in Accounting Policies (*continued*)

		<b>Effective for financial periods beginning in or after</b>
<b>Amendments/Improvements to MFRSs</b>		
MFRS 116	Property, Plant and Equipment	1 July 2014 and 1 January 2016
MFRS 119	Employee Benefits	1 July 2014 and 1 January 2016
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Consolidated and Separate Financial Statements	1 January 2014 and 1 January 2016
MFRS 128	Investments in Associate	1 January 2016
MFRS 134	Interim Financial Reporting	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2014
MFRS 136	Impairment of Assets	1 January 2014
MFRS 138	Intangible Assets	1 July 2014 and 1 January 2016
MFRS 139	Financial Instruments: Recognition and	1 January 2014
MFRS 140	Measurements	1 July 2014
MFRS 141	Investment Property Agriculture	1 January 2016
<b>New IC Int</b>		
IC Int 21	Levies	1 January 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.

## 8. Segmental Reporting

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

	<b>12 months ended 31.12.2017 RM'000</b>	12 months ended 31.12.2016 RM'000
<b><u>Segment Revenue</u></b>		
Construction	<u>27,406</u>	<u>20,507</u>
	<b>27,406</b>	<b>20,507</b>
<b><u>Segment Results (Profit Before Taxation)</u></b>		
Construction	<u>572</u>	1,211
Rental	<u>234</u>	<u>292</u>
	<b>806</b>	<b>1,503</b>



**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 31 December 2017 until 26 February 2018 being a date not earlier than 7 days from the date of issuance of this quarterly report.

**11. Material Uncertainty Related To Going Concern**

The Board of Lebttech Berhad (“LB” or “the Company”) wishes to announce that the Company external auditors Messrs Afrizan Tarmili Khairul Azhar had expressed a statement of “Material Uncertainty Related To Going Concern” (“statement”) in relation to the Company’s audited financial statements for the financial year ended 31 December 2016.

Pursuant to Rule 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the description of the statement is as follows:

We draw attention to Note 23.3 to the Group’s audited financial statements for the year ended 31 December 2016. The Group conducts its activities during the year mainly with related parties and these have been approved during the Group’s Annual General Meeting. This inadvertently increase the exposure to credit risk and going concern risk. For the financial year ended at 31 December 2016, the Group through its subsidiary company derived 100% of its revenue from related parties and at the balance sheet date, 98% of Group’s trade receivables are due from related parties. Our opinion is not qualified in respect of this matter.



The Board further informs that the key audit matters as reported by the Independent Auditor’s Report for the Financial Year 2016 is as follows:

<b><u>Key Audit Matters</u></b>	<b><u>How Our Audit Addressed The Key Audit Matters</u></b>
<p><b><u>Revenue and cost recognition of construction contracts</u></b></p> <p>Group’s contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract as discussed in notes 4 (m)(i) and 17 to the financial statements. We identified revenue recognition in respect of construction contract to be an area of audit focus as the determination of the stage of completion requires the management to exercise significant judgment in estimating the total costs to complete and contract profit.</p> <p>In estimating the total costs to complete, the Group considers the completeness and accuracy of its cost estimation, including its obligation to contract variation, claims and cost contingencies. The total cost to complete including sub-contractor costs, varies with market conditions and may also be incorrectly forecasted due to unforeseen events during construction.</p> <p><b><u>Recoverability of amount due from related parties</u></b></p> <p>Refer to note 4 (j)(i) - Significant accounting policies of financial assets</p> <p>The Group carries significant amount due from related parties as disclosed in Note 10 to the financial statements and is subject to major credit risk exposures. The assessment</p>	<p>Our audit procedures performed in this area included, among others:-</p> <ul style="list-style-type: none"> <li>• We performed a detail analysis of the costing schedule for the contract used to calculate the stage of completion, for significant construction contract;</li> <li>• We performed test of details to verify the amount of cost incurred and recognised in the profit or loss and re-computation of the percentage of completion of the contract to ensure the accuracy of the recognition of revenue and cost; and</li> <li>• We examined potential foreseeable loss on the significant construction contract.</li> </ul> <p>Our audit procedures performed in this area included, among others:-</p> <p>Obtaining an understanding of the Group’s:</p> <p>Control over the receivables approval and collection process;</p> <ul style="list-style-type: none"> <li>-Process to identify and assess the impairment of receivables; and</li> <li>-Policy to determine the accounting estimate for the impairment of receivables</li> </ul>



<p>of recoverability of receivables involved judgments and estimation uncertainty in analysing historical bad debts, customer creditworthiness, customer payment terms and current economic trends.</p> <p>The recoverability of receivables from related parties, impairment and allowance for doubtful debts are considered to be a significant risk due to the pervasive nature of these balances to the financial statements and affect the working capital management of the business. We focused our testing of the impairment and recoverability of trade receivables on the key assumptions made by the management.</p>	<ul style="list-style-type: none"> <li>• Reviewing the aging analysis and testing the reliability thereof;</li> <li>• Reviewing subsequent receipt and ensure the receipts are in respect of the outstanding balance as at the reporting date;</li>   <li>• Challenged management’s view on credit risk of trade receivables and take into consideration the historical patterns for outstanding trade receivables, reviewing other evidence including related parties financial position based on latest audited accounts and holding discussions with those charged with governance and management personnel;</li>   <li>• Evaluate whether the model used to calculate the recoverable amount complies with the requirement of applicable standards; and</li>   <li>• Assessing the adequacy of the Group’s disclosures in respect of credit risk.</li> </ul>
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In relation to the above, the Board wishes to advise the following:

- (a) the Independent Auditors have expressed their unqualified opinion for the Financial Year 2016;
- (b) The Company and the Group has commenced the process to address the issue of recognition of the Group’s contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. This is mainly due to the applicable practice under FRS111 which is applicable to cost plus contracts and is subject to estimation of the completion of the contract.
- (c) The Company and the Group is continuously seeking avenues for other projects that are outside the related party transactions and is continuously easing the reliability on related party transactions which includes the settlement of transactions between related parties and ensuring that the impact to the Company and the Group is minimal.



## 12. 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.

## 13. Changes in Contingent Liabilities and Contingent Assets

Contingent liabilities of the Group as at 26 February 2018 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 2017	100	9,600
Additional during the period	-	-
Expired/Cancelled during the period	(100)	-
Balance as at 26 February 2018	<u>-</u>	<u>9,600</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.

## 14. Capital Commitments

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

## 15. Significant Related Party Disclosures

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



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TO THE UNAUDITED QUARTERLY REPORT  
THE FOURTH QUARTER ENDED 31 DECEMBER 2017

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

<b>Lebtech Bhd &amp; its subsidiary</b>	<b>Transacting Party</b>	<b>Relationship</b>	<b>Nature of Transaction</b>	<b>Current Year Quarter RM'000</b>	<b>Current Year To-date RM '000</b>	<b>Balance Outstanding (Including Retention) As at 31-12-2017 RM'000</b>
Lebtech Construction Sdn Bhd	Lebar Daun Development Sdn Bhd	Company connected with major shareholders and Directors	Construction Revenue Receivable from	(2,742)	(2,183)	18,712
Lebtech Construction Sdn Bhd	Basco Sdn Bhd	Company connected with major shareholders and Directors	Construction Revenue Receivable from	(10,799)	(10,799)	119,286
			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	153	-



**16. Group Performance Review**

The revenue for the current financial quarter ended 31 December 2017 decreased by 49% to RM1.99 million from RM3.92 million recorded in preceding corresponding period. Cumulatively, the revenue recorded for the period ended 31 December 2017 increased by 33% to RM27.46 million from RM20.5 million recorded in the preceding corresponding period.

For the current financial quarter, the Group recorded a loss before taxation of RM2.52 million as compared to a profit before taxation of RM0.61 million for the preceding corresponding period. Cumulatively, profit before taxation for the period ended 31 December 2017 stood at RM0.8 million as compared to a profit before taxation of RM1.5 million for the preceding corresponding period.

The decrease in revenue was mainly due to absorption of the excess cost of several construction contracts undertaken by the Group. The higher profit before taxation recorded in the preceding corresponding period was due to the reversal of provision made amounting RM1.60 million. The results relate solely to the construction operating segment.

**17. Comparison with Preceding Quarter's Results**

The Group recorded revenue of RM1.99 million for the current quarter as compared to RM13.41 million in the immediate preceding quarter. The Group recorded a loss before taxation of RM2.52 million as compared to a profit before taxation of RM0.94 million in the immediate preceding quarter.

The reduction in revenue and profit before taxation 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.

**18. Prospect for the Financial Year 2017 (Current Year's Prospect)**

The Group remain cautious in view of challenging year of 2017 with the Board foresees the Group's operational results to be equally challenging.

The revenue generation mainly come from the construction contracts of property development projects with significant effort be given to secure new construction jobs to improve the order book. The Group expects the market would be softer due to uncertain economic environment and will continue to focus on the completion of its construction projects.



**19. Variances on Profit Forecast and Profit Guarantee for Financial Year Ending December 2017 31**

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

**20. Taxation**

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

	<b>Current year quarter</b>	Preceding year corresponding quarter	<b>Current year-to-date</b>	Preceding year corresponding period
	<b>31.12.2017 RM'000</b>	31.12.2016 RM'000	<b>31.12.2017 RM'000</b>	31.12.2016 RM'000
<b>Corporate tax</b>				
- current year	-	453	<b>473</b>	-
- deferred tax	<b>1,026</b>	-	-	-
	<b>1,026</b>	453	<b>473</b>	-

**21. Status of Corporate Proposals**

There was no corporate proposal announced that has not been completed as at 26 February 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

**22. Borrowings and Debt Securities**

The details of the Group borrowings and debts securities as at 31 December 2017 are as follows:

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	<b>Short term</b>		<b>Long term</b>	
	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>
Bankers' Acceptance	-	-	-	-
Bank overdraft	1,034	-	-	-
	<b>1,034</b>	-	-	-



### 23. 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 third quarter and financial year ended 31 December 2017: -

	Individual Quarter		Cumulative Period	
	<b>Current Year Quarter 31.12.2017 RM'000</b>	Preceding Year Corresponding Quarter 31.12.2016 RM'000	<b>Current Year To-date 31.12.2017 RM'000</b>	Preceding Year Corresponding Period 31.12.2016 RM'000
(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 gain on available-for-sale investment	Nil	Nil	Nil	Nil
(e) Reversal of trade payables	Nil	Nil	Nil	Nil
(f) Foreign exchange gain or loss	Nil	Nil	Nil	Nil
(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 on trade receivables	177	Nil	2,104	Nil



## 24. Off Balance Sheet Financial Instrument

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

## 25. 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.

## 26. Dividends

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

## 27. Earnings Per Share

### Basic earnings per share

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

		<b>Current Year Quarter 31.12.2017</b>	Preceding Year Corresponding Quarter 31.12.2016	<b>Current Year To- date 31.12.2017</b>	Preceding Year Corresponding Period 31.12.2016
<b>Basic earnings per share</b>					
- (Loss)/profit for the period	(RM'000)	<b>(1,497)</b>	161	<b>333</b>	1,050
- Weighted average number of ordinary shares in issue	('000)	<b>136,484</b>	136,484	<b>136,484</b>	136,484
- Basic earnings per share	(sen)	<b>(1.10)</b>	0.12	<b>0.24</b>	0.77



**28. Realised and Unrealised Retained Earnings**

The breakdown as at 31 December 2017 is as follows: -

	<b>As at 31.12.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
Retained earnings/(loss)		
- Realised	<b>56,598</b>	55,129
- Unrealised	<b>(5,539)</b>	(4,110)
Total group retained earnings	<b>51,059</b>	51,019

By Order of the Board,

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Norazmi Bin Mohamed Nurdin  
Managing Director

Date: 26 FEBRUARY 2018