



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 2018.

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 2018.

2. Changes in Accounting Policies

At the date of authorization of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC interpretation have been applied by the Group and Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on 1 January 2018

- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- Amendments MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2017 Cycle)
- Amendments to MFRS 2 Share-based Payment – Classification and Measurement of Share- based Payment Transactions
- Amendments to MFRS 4 Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 15 Revenue from Contracts with customer – Effective Date of MFRS 15
- Amendments to MFRS 15 Revenue from Contracts with Customers – Clarifications to MFRS15
- Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140 Investment Property – Transfers of Investment Property
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration



2. Changes in Accounting Policies (*continued*)

The following MFRSs, amendments to MFRSs and IC interpretation will be applied by the Group & Company when they become effective in their respective financial periods:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16 Leases
- Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9 Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11 Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112 Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119 Employee Benefits – Plan Amendments, curtailment or settlement
- Amendments to MFRS 123 Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128 Investments in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures
- IC Interpretation 23 Uncertainty over Income Tax Treatments

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

Amendments to MFRSs effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures - Sales or Contribution of Assets between an Investor and its Associates and Joint Venture



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: -

	3 months ended 31.03.2019 RM'000	3 months ended 31.03.2018 RM'000
<u>Segment Revenue</u>		
Construction	9,866	7,001
	9,866	7,001
<u>Segment Results (Profit Before Taxation)</u>		
Construction	(31)	(56)
Rental	60	58
	29	2

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 March 2019 until 21 May 2019 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 Lebtech Berhad (“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” in relation to the Company’s audited financial statements for the financial year ended 31 December 2018.

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 2018. 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 2018, the Group through its subsidiary company derived 100% of its revenue from related parties and at the balance sheet date, 99% of Group’s trade receivables are due from related parties. Our opinion is not qualified in respect of this matter.



11. Material Uncertainty Related To Going Concern (continued)

The Board further informs that the key audit matters as reported by the Independent Auditor's Report for the Financial Year 2018 is as follows:

<u>Key Audit Matters</u>	<u>How Our Audit Addressed The Key Audit Matters</u>
<p><u>Revenue and cost recognition of construction contracts</u></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><u>Recoverability of amount due from related parties</u></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 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><u>How Our Audit Addressed The Key Audit Matters</u></p> <p>Our audit procedures performed in this area included, among others:-</p> <ul style="list-style-type: none"> • We performed a detail analysis of the costing schedule for the contract used to calculate the stage of completion, for significant construction contract; • 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 • We examined potential foreseeable loss on the significant construction contract. <p>Our audit procedures performed in this area included, among others:-</p> <p>Obtaining an understanding of the Group's: Control over the receivables approval and collection process;</p> <ul style="list-style-type: none"> • Process to identify and assess the impairment of receivables; and • Policy to determine the accounting estimate for the impairment of receivables



<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">• Reviewing the aging analysis and testing the reliability thereof;• Reviewing subsequent receipt and ensure the receipts are in respect of the outstanding balance as at the reporting date;• 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;• Evaluate whether the model used to calculate the recoverable amount complies with the requirement of applicable standards; and• Assessing the adequacy of the Group's disclosures in respect of credit risk.
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In relation to the above, the Board wishes to advise the following:

- The Independent Auditors have expressed their unqualified opinion for the Financial Year 2018;
- 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.



11. Material Uncertainty Related To Going Concern (continued)

Pursuant to Rule 9.19(38) of the Listing Requirements, the Board of Directors wishes to further announce the timeline to address a statement of “Material Uncertainty Related to Going Concern” issued by external auditors Messrs Afrizan Tarmili Khairul Azhar in respect of the Company’s and Group’s Financial Statements for the financial year ended 31 December 2018.

- 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 which includes the settlement of transactions between related parties and ensuring that the impact to the Company and the Group is minimal.
- As of 2018, the Company and the Group participated but was unsuccessful in various government tenders with provisional contracts sum worth approximately RM300 million. The Company and the Group pursuing more projects in 2019, public and private project alike such as road works and residential/commercial development on privately owned land of which the decision is yet to be finalised.
- In relation to the amount due from related parties, the Company and the Group wishes to highlight that efforts has been made to progressively recover the amount due.

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 21 May 2019 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 2019	-	7,900
Additional during the period	-	-
Expired/Cancelled during the period	-	-
Balance as at 21 May 2019	<u>-</u>	<u>7,900</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).

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 31-03-2019 RM'000
Lebtech Construction Sdn Bhd	Lebar Daun Development Sdn Bhd	Company connected with major shareholders and Directors	Construction Revenue Receivable from	-	-	86,739
Lebtech Construction Sdn Bhd	Basco Sdn Bhd	Company connected with major shareholders and Directors	Construction Revenue Receivable from	3,487	3,487	37,727
			Construction Cost Payable to	-	-	-
Lebtech Construction Sdn Bhd	Lebar Daun Development Sdn Bhd	Company connected with majors shareholders and Directors	Rental Revenue Received from	58	58	292



16. Group Performance Review

The revenue for the current financial quarter ended 31 March 2019 increased by 40.86% to RM9.86 million from RM7.00 million recorded in preceding corresponding period. Cumulatively, the revenue recorded for the period ended 31 March 2019 increased by 40.86% to RM9.86 million from RM7.00 million recorded in the preceding corresponding period.

For the current financial quarter, the Group recorded a profit before taxation of RM29 thousand as compared to a profit before taxation of RM2 thousand for the preceding corresponding period. Cumulatively, profit before taxation for the period ended 31 March 2019 stood at RM29 thousand as compared to a profit before taxation of RM2 thousand for the preceding corresponding period.

The increase in revenue was mainly due to better progress at site of construction contracts undertaken by the Group. The results relate solely to the construction operating segment.

17. Comparison with Preceding Quarter's Results

The Group recorded revenue of RM9.86 million for the current quarter as compared to RM8.43 million in the immediate preceding quarter. The Group recorded a profit before taxation of RM29 thousand as compared to a loss before taxation of RM0.88 million in the immediate preceding quarter.

The improve in profit before taxation was mainly due to better progress at site of construction contracts undertaken by the Group. The results relate solely to the construction operating segment.

18. Prospect for the Financial Year 2019 (Current Year's Prospect)

The Group remain cautious in view of challenging year of 2019 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 construction industry to record slower growth in year 2019 amid revision of mega projects and in line with the slowdown in the global construction sector.



19. Variances on Profit Forecast and Profit Guarantee for Financial Year Ending 31 March 2019.

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

20. Taxation

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

	Current year quarter 31.03.2019 RM'000	Preceding year corresponding quarter 31.03.2018 RM'000	Current year-to-date 31.03.2019 RM'000	Preceding year corresponding period 31.03.2018 RM'000
Corporate tax				
- current year	25	13	25	13
- deferred tax	-	-	-	-
	25	13	25	13

21. Status of Corporate Proposals

There was no corporate proposal announced that has not been completed as at 21 May 2019 (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 march 2019 are as follows:
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	Short term		Long term	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Bank term loan	-	-	824	-
	-	-	824	-



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 first quarter and financial year ended 31 March 2019: -

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.03.2019 RM'000	Preceding Year Corresponding Quarter 31.03.2018 RM'000	Current Year To-date 31.03.2019 RM'000	Preceding Year Corresponding Period 31.03.2018 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	Nil	Nil	Nil	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.

		Current Year Quarter 31.03.2019	Preceding Year Corresponding Quarter 31.03.2018	Current Year To- date 31.03.2019	Preceding Year Corresponding Period 31.03.2018
Basic earnings per share					
- (Loss)/profit for the period	(RM'000)	4	(11)	4	(11)
- Weighted average number of ordinary shares in issue	('000)	136,484	136,484	136,484	136,484
- Basic earnings per share	(sen)	0.00	(0.01)	0.00	(0.01)



LEBTECH BERHAD(590945-H)
NOTES TO THE UNAUDITED QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2019

28. Realised and Unrealised Retained Earnings

The breakdown as at 31 March 2019 is as follows: -

	As at 31.03.2019 RM'000	As at 31.03.2018 RM'000
Retained earnings/(loss)		
- Realised	54,184	54,008
- Unrealised	(3,027)	(2,960)
Total group retained earnings	51,157	51,048

By Order of the Board,

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Norazmi Bin Mohamed Nurdin
Managing Director

Date: 21 May 2019