

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 2019.

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 2019.

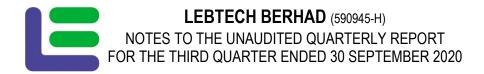
2. Changes in Accounting Policies

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:

On 1 January 2019, the Group and the Company adopted the following Amendments and Annual Improvements mandatory for annual financial periods beginning on or after 1 January 2019:

- MFRS 16 Leases
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- 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 Longterm Interests in Associates and Joint Ventures

The initial application of the abovementioned pronouncements does not have any material impact to the financial statements of the Company except as discussed below:



2. Changes in Accounting Policies (continued)

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

2.1 Standards issued but not yet effects

As at the date of authorisation of these financial statements, the following Standards, Amendments and Annual Improvements have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRS effective for annual periods beginning on or after 1 January 2020

- The conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108: Definition of Material
- Amendments to MFRS 3: Definition of a Business Combination

MFRS effective for annual periods beginning on or after 1 January 2021

• MFRS 17: Insurance Contracts

MFRS effective date to be announced

• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate of Joint Venture

The directors expect that the adoption of the above standards, if applicable will have no material impact on the financial statements of the Group and the Company in the period of initial application.

3. Seasonality and Cyclically Factors

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



LEBTECH BERHAD (590945-H) NOTES TO THE UNAUDITED QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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.

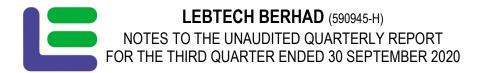
7. Dividend Paid

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: -

	9 months ended 30.09.2020	9 months ended 30.09.2019
	RM'000	RM'000
Segment Revenue		
Construction	28,786	34,648
	28,786	34,648
Segment Results (Profit/(Loss) before		
taxation)		
Construction	(178)	457
Rental	281	181
	103	638



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

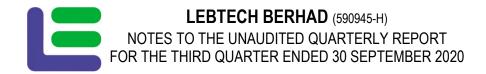
There were no subsequent material events not reflected in the financial statements from the end of 30 September 2020 until 23 November 2020 being a date not earlier than 7 days from the date of issuance of this quarterly report.

11. Material Uncertainty Related To Going Concern

The Board of Lebtech Berhad ("the Company") wishes to announce that the Company external auditors Messrs Al Jafree Salihin Kuzaimi 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 2019.

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 25.3 to the Group's audited financial statements for the year ended 31 December 2019. The Group conducts it 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 2019, 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.



The Board further informs that the key audit matters as reported by the Independent Auditor's Report for the Financial Year 2019 is as follows:

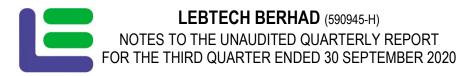
Key audit matters	How our audit addressed the key audit matters
Revenue and cost of sales from construction contract recognized on percentage of completion method.	
Contracts with Customers, the analysis of whether the contracts comprise one or more performance obligations, allocation of transaction prices to one or more performance obligations and the determination whether the performance obligations are satisfied over time or at a	 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 evaluated the assumptions applied in estimating the construction budgeted costs by examining documentary evidence such as letter of award issued to contractors to support the budgeted costs. We 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.



LEBTECH BERHAD (590945-H) NOTES TO THE UNAUDITED QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

11. Material Uncertainty Related To Going Concern (continued)

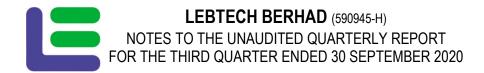
Key audit matters	How our audit addressed the key audit matters
Revenue and cost of sales from construction contract recognized on percentage of completion method (Contd.)	
The Group's accounting policies and disclosures on revenue recognition based on percentage of completion method are disclosed in respectively to the financial statements.	 We have performed cut off procedures for a samples of revenues transacted. We analysed others adjustments and credit notes issued subsequent to year-end.
We identified the revenue and cost of sales recognised on the percentage of completion method or over time from construction contract as matters requiring audit focus as these are areas involved significant management's judgement.	• We reviewed disclosures included in the notes to the complying to the Group financial statements.
Goodwill impairment assessment - Lebtech Construction Sdn. Bhd.	
other intangibles assets amounted to RM11,806,642 (2018: RM11,806,642)	 We identified, documented and confirmed our understanding of the controls operated by Group surrounding the Goodwill allocations and impairment process. In reviewing the impairment assessments based on VIU model, our procedures included, amongst others:
The Group Management analysed the recoverable amounts of each significant CGUs and compared it with the carrying amount in determining the amount of impairment losses to be recognised in the financial statements.	 a) We challenged the key assumptions used in the projected cashflows based on ongoing projects awarded; b) We assessed the reliability of the cash flow projections by assessing the historical
The impairment assessment performed by management involved significant degree of judgements in estimating the assumptions on growth rate and discount rate used. The key assumptions are disclosed in Note 5 to the financial statements and kindly refer to Note 3.1 (a) for the Significant Accounting Estimates and Judgements.	 projections by assessing the historical accuracy of management's estimates of profits (and the resulting cash flows) for the respective CGUs in previous years; c) We performed sensitivity analysis on the key inputs of the cash flow projections and challenged management on the outcome of the assessment; and



Key audit matters	How our audit addressed the key audit matters
Goodwill impairment assessment - Lebtech Construction Sdn. Bhd.	
Arising from the impairment assessment, no impairment loss of goodwill was recognised in the current financial year.	d) We assessed the appropriateness of the disclosures in the notes to the financial statements.
Recoverability of amount due from related parties	
As at 31 December 2019, the net carrying value of trade receivables of the Group amounting to RM114,220,941. During the current financial year, the impairment loss recognised is amounting to RM304,949. We focused on the carrying value of trade receivables 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.	 We obtained an understanding of the Group's:- i) Control over the receivables approval and collection process - we assessed the validity of material long outstanding receivable by obtaining third parties' confirmation of the owning. We also consider amount (payment) received subsequent to years-ended, past payment histories and unusual pattern to identify potentially impairment balances. ii) Process to identify and assess the impairment of receivables and we assessed the appropriateness of the allowances for the
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.	 trade receivables comprised a variety of audit procedures across the Group including: a) We challenged the appropriateness and reasonableness of the assumptions applies in the director's assessments of the receivable allowances; 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.



Key audit matters	How our audit addressed the key audit matters
Recoverability of amount due from related parties (Contd.)	 iii) We have reviewed the adequacy of policy disclosed to determine the accounting estimate for the impairment of receivables as disclosed in Note 3.1 (d). We 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; We discussed with management to understand the underlying assumptions used in the simplified approach impairment model under MFRS 9 when determining the ECL for amounts receivable from subsidiaries; We tested the accuracy of the ageing against supporting documents on a sample basis.



In relation to the above, the Board wishes to advise the following:

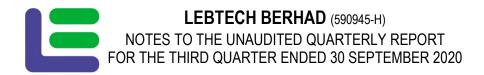
- The Independent Auditors have expressed their unqualified opinion for the Financial Year 2019;
- The Company and the Group has commenced the process to address the issue of recognition of the Group's contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion 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.

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 Al Jafree Salihin Kuzaimi in respect of the Company's and Group's Financial Statements for the financial year ended 31 December 2019.

- 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.
- As of 2019, 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 2020, 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 30 September 2020 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 2020	-	7,900
Additional during the period	-	-
Expired/Cancelled during the period		
Balance as at 30 September 2020		7,900 **

** 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.

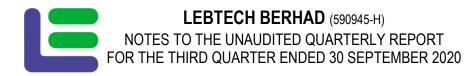
14. Capital Commitments

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:



15. Significant Related Party Disclosures (continued)

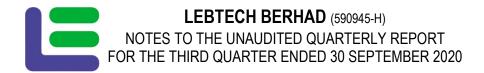
Lebtech Bhd & its subsidiary	Transacting Party	Relationship	Nature of Transaction	Current Year Quarter RM'000	Current Year To- date RM '000	Balance Outstanding (Including Retention) As at 30-09-2020 RM'000
Lebtech Construction Sdn Bhd	Lebar Daun Development Sdn Bhd	Company connected with major shareholders and Directors	Construction Revenue Receivable from	-	-	46,769
Lebtech Construction	Basco Sdn Bhd	Company connected with major	Construction Revenue Receivable from	229	2,401	64,830
Sdn Bhd	Dia	shareholders and Directors	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	281	641

16. Group Performance Review

The revenue for the current financial quarter ended 30 September 2020 decreased by 24.18% to RM11.54 million from RM15.22 million recorded in preceding corresponding period. Cumulatively, the revenue recorded for the period ended 30 September 2020 decreased by 16.91% to RM28.79 million from RM34.65 million recorded in the preceding corresponding period.

For the current financial quarter, the Group recorded a profit before taxation of RM1.48 million as compared to a profit before taxation of RM829 thousand in the preceding corresponding period. Cumulatively, profit before taxation for the period ended 30 September 2020 stood at RM103 thousand as compared to a profit before taxation of RM638 thousand in the preceding corresponding period.

The decrease in revenue was mainly due to slow progress at site of construction contracts undertaken by the Group and Covid-19. The results relate solely to the construction operating segment.



17. Comparison with Preceding Quarter's Results

The Group recorded revenue of RM11.53 million for the current financial quarter as compared to RM3.55 million in the immediate preceding quarter. A profit before taxation of RM1.48 million recorded for the current financial quarter as compared to a loss before taxation of RM1.62 million in the immediate preceding quarter.

The profit before taxation was mainly due to improvement in construction progress that impacted higher revenue recognition at certain construction contracts undertaken by the Group. The results relate solely to the construction operating segment.

18. Prospect for the Financial Year 2020 (Current Year's Prospect)

The Group remain cautious in view of challenging year of 2020 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 2020 amid revision of mega projects and in line with the slowdown in the global construction sector and the COVID-19 pandemic.

The COVID-19 pandemic and the MCO since 18 March 2020 have significant financial impact to the Group. In view of the lack of visibility on the end date of the COVID-19 pandemic and the MCO, the Group is not able to estimate the full potential financial impact as at the date of the authorisation of this Interim Financial Report.

19. Variances on Profit Forecast and Profit Guarantee for Financial Year Ending 30 September 2020.

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	Preceding year corresponding quarter	Current year-to-date	Preceding year corresponding period
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Corporate tax - current year	-	185	59	210
	-	185	59	210

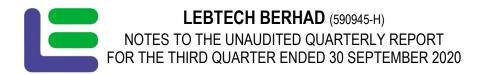
21. Status of Corporate Proposals

There was no corporate proposal announced that has not been completed as at the date of this report.

22. Borrowings and Debt Securities

The details of the Group borrowings and debts securities as at 30 September 2020 are as follows: -

	Short term		Lor	ng term
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Bank term loan	-	-	626	-
	-	-	626	-



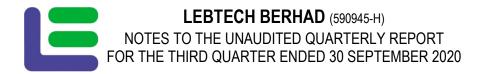
23. Notes to the Statement of Comprehensive Income

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the condensed consolidated Statement of Comprehensive Income for the fourth quarter and financial year ended 30 September 2020: -

	Individual Quarter		Cumulat	tive Period
	Current Year Quarter 30.09.2020 RM'000	Preceding Year Corresponding Quarter 30.09.2019 RM'000	Current Year To-date 30.09.2020 RM'000	Preceding Year Corresponding Period 30.09.2019 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 (g) Gain or loss on derivatives	Nil Nil	Nil Nil	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

On 30.4.2020, the Company's solicitors was served with the Form 15 and 16 pursuant to the Construction Industry Payment and Adjudication Act 2012 ('CIPAA 2012') both dated 28.4.2019 wherein the learned adjudicator has decided the matter against the Company for the sum of RM1,171,909.94 together with interest at 5% per annum on the adjudicated sum commencing from 24.07.2016 until the date of full payment from the Respondent, costs of adjudication of RM16,351.75 and party to party costs of RM40,000.00 in accordance to Section 18 of CIPAA 2012 and Rule 7 of Construction Industry Payment & Adjudication Regulations 2014 payable to the Claimant within 14 days from the decision date.

As at the date of financial statement, the Group fully recognised the liability in Second Quarter's financial statements in respect of the above said claim.

26. Dividends

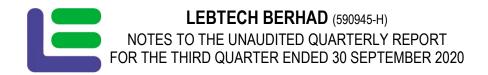
The Board does not recommend any interim dividend in respect of the current quarter under review.

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 30.09.2020	Preceding Year Corresponding Quarter 30.09.2019	Current Year To- date 30.09.2020	Preceding Year Corresponding Period 30.09.2019
Basic earnings per share					
- (Loss)/profit for the period - Weighted average number	(RM'000)	1,482	644	44	428
of ordinary shares in issue	('000)	136,484	136,484	136,484	136,484
- Basic earnings per share	(sen)	1.09	0.47	0.03	0.31



28. Realised and Unrealised Retained Earnings

The breakdown as at 30 September 2020 is as follows: -

	As at	As at
	30.09.2020	30.09.2019
	RM'000	RM'000
Retained earnings/(loss)		
- Realised	49,940	54,608
- Unrealised	(547)	(3,027)
Total group retained earnings	49,393	51,581

By Order of the Board,

Norazmi Bin Mohamed Nurdin Managing Director

Date: 23 November 2020