

KUMPULAN JETSON BERHAD

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial statements have been prepared under the historical cost convention except for the revaluation of freehold land included within property, plant and equipment.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Group since the year ended 31 December 2007.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning on or after 1 January 2008 as follows::

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 121 Amendment	The Effect of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members’ Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 2004 – Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

Deferred FRS 139 – Financial Instruments : Recognition and Measurement. The effective date of this standard has yet to be determined by the Malaysian Accounting Standard Board (“MASB”).

A3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the year ended 31 December 2007 was not qualified.

A4. Segment Information

Period ended 31 March 2008

Business Segments	← Continuing Operations →					← Discontinued Operation →				Consolidated
	Construction and Property RM’000	Hostel Management RM’000	Manufacturing RM’000	Investment holding RM’000	Elimination RM’000	Total RM’000	Environmental services RM’000	Elimination RM’000	Total RM’000	
Revenue from external customer	3,816	1,303	21,660	-	-	26,779	962		962	27,741
Inter-segment revenue	5	-	-	-	(5)	-	12	(12)	-	-
Total revenue	3,821	1,303	21,660	-	(5)	26,779	974	(12)	962	27,741
Operating profit / (loss)	(647)	435	858	(526)		120	(44)		(44)	76
Financing expenses						(1,114)			(3)	(1,117)
Financing income						97			-	97
Share of associate result						-			2,045	2,045
Loss before tax						(897)			1,998	1,101
Taxation						(2)			-	(2)
Loss after tax						(899)			1,998	1,099

A5. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 March 2008.

A6. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter's results.

A7. Comments about Seasonal or Cyclical Factors

The business of the Group was not affected by any significant seasonal or cyclical factors for the financial period under review.

A8. Dividends Paid

No dividend has been paid out during the quarter under review.

A9. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2007.

A10. Debt and Equity Securities

During the quarter, there was no movement in the issued and paid up capital of the Company.

A11. Changes in Composition of the Group

There have been no changes in composition of the Group during the quarter under review.

A12. Capital Commitments

The amount of commitments for the property, plant and equipment not provided for in the interim financial statements as at 31 March 2008 is as follows:

	RM'000
Approved and contracted for	76

A13. Changes in Contingent Liabilities and Contingent Assets

Contingent liabilities for the Company refer to bank guarantees and corporate guarantees extended in support of banking and credit facilities utilised by its subsidiaries. Contingent liabilities decreased from RM.61.75 million as at 31 December 2007 to RM60.84 million as at 31 March 2008.

A14. Subsequent Events

There were no material events subsequent to the end of the interim period up to 27 May 2008 that have not been reflected in the financial statements for this quarter.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Performance Review

In comparison with the preceding corresponding quarter, the performance of the Group improved from a loss after tax and minority interest of RM3,391,000 for the quarter ended 31 March 2007 to a profit after tax and minority of RM1,087,000 for the current quarter. The improvement was mainly attributed to the contribution from the Manufacturing Division which recorded a higher sales compared to the previous corresponding quarter. In addition, the contribution from the Environmental Division has also improved from a loss of approximately RM200,000 to a profit after tax and minority interest of about RM2,000,000.

B2. Comment on Material Change in Results Against the Preceding Quarter

The Group recorded a profit after tax and minority interest of RM1,087,000 for the current quarter compared to RM721,000 in the preceding quarter. The improvement was mainly attributed to the improved contribution from the Environmental Division.

B3. Commentary on Prospects

The Group is in active negotiations on new projects which if secured, will contribute positively to the performance of the Group. Additionally, the Manufacturing Division has made strong inroads into new international markets and customers for its customized molded polymer and elastomer products for the automotive, industrial, rail and motorcycle applications.

B4. Profit Forecast or Profit Guarantee

Not applicable.

B5. Income Tax Expense

	3 months ended	
	31.3.2008	31.3.2007
	RM'000	RM'000
Continuing Operations:-		
Current tax:		
Current period's provision	2	2

B6. Sale of Unquoted Investments and Properties

There is no sale of unquoted investments and / or properties for the quarter under review.

B7. Quoted Securities

Not applicable.

B8. Status of Corporate Proposal

(a) Bumiputera Condition for Private Placement

The Company's private placement exercise representing up to 5,689,980 new ordinary shares of RM1.00 each in the Company, or equivalent to 10% of the enlarged issued and paid-up share capital of the Company, assuming full conversion of outstanding irredeemable convertible unsecured loan stocks ("Private Placement"), was approved by the Securities Commission ("SC") on 15 June 2004 subject to compliance with certain conditions.

One of the conditions of the SC's approval on the Private Placement is that the Company should allocate 30% of the placement shares to Bumiputera investors or increase its Bumiputera equity by 3.46% of the enlarged issued and paid-up share capital within two (2) years from the date of the implementation of the Private Placement, i.e. by 19 August 2006 ("Bumiputera Condition"). The SC had on 31 July 2006, approved an extension of time of one (1) year i.e. to 19 August 2007, for the Company to comply with the Bumiputera Condition.

Subsequently, SC vide its letter on 22 August 2007 had approved for a further extension of time of one (1) year i.e. to 19 August 2008, for the Company to comply with the Bumiputera Condition.

(b) Proposed Provision of Financial Assistance

On 28 May 2007, Citarasa Haruman Sdn Bhd ("CHSB"), a 40%-owned associated company of the Company had entered into a conditional Sale and Purchase Agreement ("SPA") with LBCN Development Sdn Bhd ("LBCN") for the proposed acquisition by CHSB from LBCN of a piece of vacant leasehold land measuring approximately 78 acres held under HSD 5304, PT 3861, Mukim Ijok, Daerah Kuala Selangor, Selangor for a total cash consideration of RM25,482,600 ("Purchase Consideration").

Pursuant to the SPA, the Company and Jetson Construction Sdn Bhd ("JCSB") have agreed to set off part of the indebtedness, which has been novated by Vega Builders Sdn Bhd ("VBSB") to LBCN, amounting to RM12,000,000 as part payment of the Purchase Consideration.

The Proposed Provision of Financial Assistance involves the settlement of the indebtedness amounting to RM12 million owing by VBSB by way of setting off against part of the Purchase Consideration on behalf of CHSB. The Proposed Provision of Financial Assistance is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 25 June 2008.

(c) Proposed Disposal of Environmental Services Division

The Company had entered into a conditional Share Sale Agreement dated 14 November 2007 with Kumpulan Darul Ehsan Berhad (“KDEB”) for the disposal of a wholly-owned subsidiary of the Company, Jetson Corporation Sdn Bhd to KDEB for a cash consideration of RM30,700,000.

With the Proposed Disposal, KDEB shall also be deemed to obtain indirect control in the subsidiaries of JCorp, namely, Hebat Abadi Sdn Bhd and Segar Prima Sdn Bhd and the associated company of JCorp, namely Alam Flora Sdn Bhd.

The Proposed Disposal is conditional upon approvals being obtained from the following authorities/parties:-

- (i) the SC which was obtained on the 25 February 2008;
- (ii) the shareholders of the Company at an extraordinary general meeting which was obtained on 21 March 2008; and
- (iii) any other relevant authorities or parties, if required.

The Disposal was fully completed on 23 April 2008.

(d) Status on the utilisation of proceeds raised from disposal of Environmental Services Division

The total proceeds raised by the Company from the disposal of the Environmental Services Division were RM30.7 million. The status of utilisation of the proceeds is as follows:

	Approved utilisation RM'000	Utilised as at 20 May 2008 RM'000	Balance yet to be utilised RM'000
Repayment of bank borrowings	25,900	17,046	8,854
Working capital of the Group	4,500	1,603	2,897
Expenses relating to the Disposal	300	97	203
	<u>30,700</u>	<u>18,746</u>	<u>11,954</u>

B9. Borrowings

The Group's borrowings at the end of the quarter under review:

a) are secured by way of negative pledge, legal charge and / or corporate guarantees executed by the Company

b) are segregated into short and long term as follows :

	RM'000
Continuing Operations:-	
Short Term	46,337
Long Term	19,508
Discontinued Operation:-	
Short Term	374
Long Term	43
Total:-	
Short Term	46,711
Long Term	19,551

c) are denominated in RM.

B10. Off Balance Sheet Financial Instruments

There is no financial instrument with off balance sheet risk at the date of this report.

B11. Status in Material Litigation

(a) the Company entered into a construction contract with Kumpulan Sepang Utama Sdn Bhd ("Respondent"). On July 2002, the project was suspended indefinitely and remains incomplete.

On 12 December 2002, the Company joined a winding up petition together with third parties and filed in action against the Respondent, pursuant to the recovery of the outstanding amounts due from the Respondent.

On 22 August 2003, the Company lodged a Debt General Form with Official Assignee and currently the case is under the Official Assignee.

(b) the Company made various claims against Xin Yiap Project Consultants Sdn Bhd (formerly known as Xin Yiap Management Services Sdn Bhd) ("Xin Yiap") by way of arbitration proceedings arising out of a construction contract in respect of superstructure works on 3 Blocks of 5-Storey Apartments for "Cadangan Skim Perumahan Di Atas Lot 2851, Mukim Cheras, Daerah Ulu Langat, Selangor" ("Project"). The Company was the

contractor employed by Xin Yiap in that Project and the works were completed and a Certificate of Practical Completion was issued.

The works were completed later than the time stipulated in the contract due to events which caused delay and which form part of the disputes in the arbitration. The Company succeeded in obtaining the Arbitrator's Award on 23 March 2004 and Xin Yiap failed in its counterclaim against the Company. The Arbitrator's Award was challenged by Xin Yiap at the High Court and the High Court set aside the Arbitrator's Award. The Company has filed for an appeal at the Court of Appeal against the decision of the High Court. No hearing date has been fixed for the appeal as yet. The solicitors are of the opinion that the Company has a reasonably strong case to appeal.

B12. Dividend Payable

The Board has not proposed any dividend for the current period to date.

B13. Earning / (Loss) Per Share

(a) Basic

The calculation of basic earning/(loss) per share is based on the net earning/(loss) for the period attributable to ordinary equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period including the effect of mandatory conversion of ICULS which is required by FRS133.

	Current Quarter		Cumulative Quarter	
	31.3.2008	31.3.2007	31.3.2008	31.3.2007
Loss from continuing operations attributable to ordinary equity holders of the parent (RM'000)	(911)	(3,151)	(911)	(3,151)
Profit / (Loss) from discontinued operation attributable to ordinary equity holders of the parent (RM'000)	1998	(240)	1998	(240)
Profit / (Loss) attributable to ordinary equity holders of the parent (RM'000)	<u>1,087</u>	<u>(3,391)</u>	<u>1,087</u>	<u>(3,391)</u>
Weighted average number of ordinary shares in issue ('000)	52,791	52,428	52,791	52,428
Increase in shares on conversion of ICULS ('000)	<u>6,393</u>	<u>6,755</u>	<u>6,393</u>	<u>6,755</u>
Adjusted weighted average number of ordinary shares in issue ('000)	<u>59,184</u>	<u>59,183</u>	<u>59,184</u>	<u>59,183</u>

(b) Diluted

The Company has 2 categories of dilutive potential ordinary shares:

- (i) ESOS options granted to eligible directors and employees of the Group; and
- (ii) 17,004,000 warrants

There is no dilution in the earnings per share of the Company as the market values of the above securities were lower than the exercise prices. Accordingly, there is no assumed full conversion of the securities to merit for adjusting for an increase in the number of ordinary shares which could result in a dilution of the Company's earnings per share.