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

A2. Changes in Accounting Policies (Cont'd)

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

Year ended 31 December 2008

Business Segments	Continuing Operations: Construction and Property	Hostel Management	Manufacturing	Investment holding	Elimination	Total	Discontinued Operation: Environmental services	Elimination	Total	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customer	15,357	5,523	92,494	-	-	113,374	1,206	-	1,206	114,580
Inter-segment revenue	78	-	-	-	(78)	-	40	(40)	-	-
Total revenue	15,435	5,523	92,494	-	(78)	113,374	1,246	(40)	1,206	114,580
Operating (loss) / profit	(1,744)	3,154	4,526	(5,511)	-	425	(93)	-	(93)	332
Gain on disposal of subsidiaries						54			12,660	12,714
Financing expenses						(4,076)			(5)	(4,081)
Financing income						299			-	299
Share of associate result						-			2,523	2,523
(Loss) / Profit before tax						(3,298)			15,085	11,787
Taxation						(250)			-	(250)
(Loss) / Profit after tax						(3,548)			15,085	11,537

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 year ended 31 December 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 year 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

a) The Disposal of Environmental Services Division was completed on 23 April 2008. With the completion of Disposal, Jetson Corporation Sdn Bhd and its subsidiaries namely, Hebat Abadi Sdn Bhd and Segar Prima Sdn Bhd ceased to be subsidiaries of the Company.

b) During the period under review,

   i) Jetson Construction Sdn Bhd ("JCSB"), a wholly owned subsidiary of the Company, acquired 50% of the total issued and paid up share capital of Jetson Construction (Indonesia) Sdn Bhd ("JCI"), a private limited company incorporated in Malaysia with an authorised share capital of RM100,000, comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each had been fully issued and paid up, for a total cash consideration of RM1.00;

   ii) JCSB acquired the remaining balance of 50% of the total issued and paid up share capital of JCI, for a total cash consideration of RM1.00. JCI is now a wholly owned subsidiary of JCSB;

A11. Changes in Composition of the Group (Cont'd)

iii) JCSB acquired the entire issued and paid up share capital of Jetson (Labuan) Ltd, a private limited company incorporated in Labuan with an authorised share capital of USD12,000, comprising 12,000 ordinary shares of USD1.00 each, of which 1 ordinary share of USD1.00 each had been fully issued and paid up, for a total cash consideration of USD1.00; and

iv) JCSB incorporated a wholly owned subsidiary company, known as Jetson (Singapore) Pte Ltd ("JSPL"), in Singapore with paid up share capital of SGD1.00 divided into 1 ordinary share of SGD1.00.

On 23 September 2008, the Company acquired the entire paid up share capital of JSPL for a cash consideration of SGD1.00 from JCSB. As a result, JSPL is now a wholly-owned subsidiary of the Company.

v) On 26 November 2008, Kumpulan Jebco (M) Sdn Bhd ("Jebco"), a wholly-owned subsidiary of the Company, had disposed off 70,000 ordinary shares of RM1.00 each in Jebco Silicone Products (M) Sdn Bhd ("JSP") for a total cash consideration of RM1.00 to En Isnin Bin Rahim, a director of the Company.

Following the Disposal, JSP ceased to be a subsidiary of Jebco.

vi) On 26 November 2008, Jebco had disposed of 2 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Jebco R&D (M) Sdn Bhd ("JRD") for a total cash consideration of RM2.00.

Following the Disposal, JRD ceased to be a subsidiary of Jebco.

A12. Capital Commitments

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

	RM'000
Approved and contracted for	33

A13. Changes in Contingent Liabilities and Contingent Assets

Contingent liabilities of 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 RM61.75 million as at 31 December 2007 to RM53.38 million as at 31 December 2008.

A14. Subsequent Events

There were no other material events subsequent to the end of the interim period up to 26 February 2009 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

The Group recorded lower revenue of RM29.72 million in the current quarter compared to RM41.16 million in the previous corresponding quarter, representing a drop of 28%. Accordingly, the Group suffered loss before tax of RM1,940K compared to a marginal profit of RM190K.

The decline in the performance of the Group was mainly attributed to the drop in the number of the projects undertaken by the Construction Division in current quarter compared to Qtr 4, 2007. Most of the projects in this Division nearing completion and new projects have yet to kick start.

For the 12 months ended 31 December 2008, the Group suffered a lower loss before tax of RM3.30 million compared to higher loss of RM4.27 million in 2007 despite lower revenue achieved in the year under review of RM113.37 million compared to RM126.19 million in the preceding year. This was resulted by higher provisioning of doubtful debts in the previous financial year. In addition, interest expense has also reduced in the current year following the repayment of the bank borrowings.

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

The Group's revenue inched up marginally from RM29.29 million in Qtr 3, 2008 to RM29.72 million in the current quarter. Despite the slight increase, the Group registered a higher loss before tax of RM1,904K compared to RM604K, which was mainly resulted by the higher provisioning of doubtful debts.

B3. Commentary on Prospects

With the current global economy crisis, the Directors foresee that the operating environment of the Group remain challenging and competitive. However, the Group will continue to focus on the affirmative measures taken to minimize its impact.

Following the disposal of Environmental Services Division, the Group's direction will be concentrating in Construction, Property Development and Manufacturing industries. Currently, the Group is in active negotiations on new projects. 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		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Continuing Operations:-				
Current tax:				
Current period's provision	202	853	250	114
Under provision in prior years	-	1,490	-	1,490
	202	2,343	250	1,604
Deferred tax	-	(448)	-	(448)
	202	1,895	250	1,156
Discontinuing Operation:-				
Current tax:				
Current period's provision	-	2	-	2
Under provision in prior prior years	-	(1)	-	(1)
	-	1	-	1
Deferred tax	-	90	-	90
	-	91	-	91
Total income tax expense	250	1,986	250	1,247

B6. Sale of Unquoted Investments and Properties

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

B7. Quoted Securities

There was no sale of quoted securities during the quarter under review.

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.

The Company had applied for further extension from SC and SC had vide its letter dated 7 August 2008, granted further extension of time of one (1) year i.e. up to 19 August 2009, 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 had been approved by the shareholders of the Company at the annual general meeting held on 25 June 2008.

B8. Status of Corporate Proposal (Cont'd)

As LBCN failed to comply with certain conditions precedent of the SPA within the agreed timeframe, CHSB, had on 10 December 2008, terminated the SPA and accordingly, the Parties proceeded with the Joint Development Agreement ("JDA"). Pursuant to the terms of the JDA, in event that the SPA is terminated, the indebtedness amounting to RM12,000,000 shall be utilized as part payment of the Guaranteed Land Cost on behalf of CHSB.

(c) Disposal of GRP Sdn Bhd by Kumpulan Jebco (M) Sdn Bhd, a wholly owned subsidiary of Kumpulan Jetson Bhd.

On 28th October 2008, Kumpulan Jebco (M) Sdn Bhd ("Vendor"), a wholly owned subsidiary of the Company, entered into a Share Sale Agreement ("SSA") with SWHP Sdn Bhd ("Purchaser") to dispose its 1,000,002 ordinary shares of RM1.00 each in GRP Sdn Bhd ("GRP") (a wholly owned subsidiary of the Vendor) ("Shares"), representing 100% of the issued and paid up capital of GRP to the Purchaser at a cash consideration of RM1,751,207.00 ("Disposal').

The completion of the Disposal is conditional on the fulfillment of the following Conditions Precedents ("CPs") within three (3) months from the date of the SSA or mutually extended period or alternatively waived by the Purchaser. The completion shall take place upon due transfer of all but not part of the Shares from the Vendor to the Purchaser or its nominee ("Completion").

CPs to be fulfilled are:

(i) The Vendor and the Purchaser shall seek from the authorities the grant of all approvals necessary including the issuance or transfer of any licence to enable Completion lawfully to take place;

(ii) The Purchaser procuring a letter of offer for a loan of not less than RM6.0 million from a financial institution to first redeem the various credit and banking facilities made available to GRP with an aggregate facility limit not exceeding RM6.65 million and thereafter to finance the working capital of GRP;

(iii) Discharge satisfaction or payment in full by GRP of its indebtedness amounting to approximately RM1.6 million being the aggregate of the long term loan and business debt owing to the Vendor and/or its related companies;

(iv) The Vendor and the Purchaser obtaining in writing the approval of Building Adhesive Ltd (Company No. 742637) of Longton Road Trentham Stoke on Trent ST4 8JB England to the sale of the Shares pursuant to the SSA; and

(v) Agreement between the Vendor and the Purchaser on the terms of the assignment to GRP of the relevant registered and unregistered trade marks and names together with the goodwill of the business in which they are used.

B8. Status of Corporate Proposal (Cont'd)

On 14 January 2009, the Vendor had granted an extension of one month until 28 February 2009 to the Purchaser to comply with the CPs.

(c) Utilisation of Proceeds 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 Feb 2009 RM'000	Balance yet to be utilised RM'000
Repayment of bank borrowings	25,900	23,020	2,880
Working capital of the Group	4,500	2,865	1,635
Expenses relating to the Disposal	300	171	129
	30,700	26,056	4,644

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
Short Term	34,218
Long Term	16,073

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 of 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. (Loss)/Earnings Per Share

(a) Basic

The calculation of basic (loss)/earnings per share is based on the net (loss)/earnings 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	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Loss from continuing operations attributable to ordinary equity holders of the parent (RM'000)	(2,840)	(292)	(4,412)	(3,562)
Profit from discontinued operation attributable to ordinary equity holders of the parent (RM'000)	0	1,013	15,085	2,400
(Loss)/earnings attributable to ordinary equity holders of the parent (RM'000)	(2,840)	721	10,673	(1,162)
Weighted average number of ordinary shares in issue ('000)	52,791	52,791	52,791	52,663
Increase in shares on conversion of ICULS ('000)	6,393	6,393	6,393	6,393
Adjusted weighted average number of ordinary shares in issue ('000)	59,184	59,184	59,184	59,056

(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.