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 2008. 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 2008.

## 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 2008.

The following new FRSs and interpretations were issued but not yet effective and have not been applied by the Group:-

| **FRSs and Interpretations** | **Effective for financial periods beginning on or after** |
|---|---|
| FRS 4 : Insurance Contracts | 1 January 2010 |
| FRS 7 : Financial Instruments : Disclosures | 1 January 2010 |
| FRS 8 : Operating Segments | 1 July 2009 |
| FRS 139 : Financial Instruments : Recognition and Measurement | 1 January 2010 |
| IC Interpretation 9 : Reassessment of Embedded Derivatives | 1 January 2010 |
| IC Interpretation 10 : Interim Financial Reporting and Impairment | 1 January 2010 |

The new FRSs and Interpretations are expected to have no significant impact to the financial statements of the Group upon their initial application except for the changes in the disclosures arising from the adoption of FRS 7 and FRS 8.

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon initial application of FRS 139 and FRS 7.

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2008 was not qualified.

A4. Segment Information

**Period ended 31 December 2009**

| Business Segments | Construction and Property RM'000 | Hostel Management RM'000 | Manufacturing RM'000 | Investment Holding RM'000 | Elimination RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| Revenue from External customer | 25,379 | 6,048 | 89,281 | - | - | 120,708 |
| Inter-segment revenue | 83 | - | - | - | (83) | - |
| Total revenue | 25,462 | 6,048 | 89,281 | - | (83) | 120,708 |
| Operating profit/(loss) | (1,366) | 1,641 | 7,943 | (1,711) | - | 6,507 |
| Financing expenses | | | | | | (3,026) |
| Financing income | | | | | | 60 |
| Profit before tax | | | | | | 3,541 |
| Taxation | | | | | | 2,598 |
| Profit after tax | | | | | | 6,139 |

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 December 2009.

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 of the Group have been brought forward without amendment from the financial statements for the year ended 31 December 2008 except for the freehold land and factory buildings. These were revalued by Rahim & Co, an independent professional valuer, based on the open market basis. Details of the latest independent professional valuations are as follows :-

| **Date of valuation** | **Description of property** | **Valuation amount (RM)** |
|---|---|---|
| 6th August 2009 | Freehold land and factory buildings | 22,500,000.00 |

The valuation indicated that the Group's revalued properties have appreciated in value as compared to the net carrying amounts as at date of valuation. The difference has been accounted for as an increase in the revaluation reserve of the Group.

A10. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review except for the following :-

(a) On 1st October 2009, the Company issued 16,000 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(b) On 7th October 2009, the Company issued 37,388 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(c) On 12th October 2009, the Company issued 129,700 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(d) On 14th October 2009, the Company issued 10,000 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(e) On 22nd October 2009, the Company issued 4,000 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(f) On 27th October 2009, the Company issued 33,400 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(g) On 29th October 2009, the Company issued 11,800 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(h) On 5th November 2009, the Company issued 2,300 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(i) On 11th November 2009, the Company issued 15,700 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(j) On 16th November 2009, the Company issued 24,000 ordinary shares of RM1.00 each arising from the conversion of ICULS;

A10. Debt and Equity Securities (continue)

(k) On 18th November 2009, the Company issued 20,400 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(l) On 20th November 2009, the Company issued 5,279,000 ordinary shares of RM1.00 each arising from the Private Placement;
(m) On 26th November 2009, the Company issued 10,600 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(n) On 2nd December 2009, the Company issued 2,000 ordinary shares of RM1.00 each arising from the conversion of ICULS; and
(o) On 10th December 2009, the Company issued 84,271 ordinary shares of RM1.00 each arising from the conversion of ICULS.

A11. Changes in Composition of the Group

There was no change in the composition of the Group for the current 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 December 2009 is as follows:

| | RM'000 |
|---|---|
| Approved and contracted for | 77 |

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 increased from RM50.40 million as at 31 December 2008 to RM56.03 million as at 31 December 2009.

A14. Subsequent Events

There were no material events subsequent to the end of the current quarter except for the following :-

(a) On 4th January 2010, the Company issued 41,000 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(b) On 5th January 2010, the Company issued 9,500 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(c) On 6th January 2010, the Company issued 1,400 ordinary shares of RM1.00 each arising from the conversion of ICULS;
(d) On 26th January 2010, the Company issued 1,748,662 ordinary shares of RM1.00 each arising from the conversion of ICULS; and
(e) On 2nd February 2010, the Company issued 11,500 ordinary shares of RM1.00 each arising from the conversion of ICULS.

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

B1. Performance Review

The Group posted higher revenue of RM40.49 million in the current quarter compared to RM29.72 million in the previous corresponding quarter, representing an increase of 36.24%. Accordingly, the Group's profit before tax increased to RM1.10 million from a loss before tax of RM1.94 million for the respective periods. The improvement in the performance was mainly attributed to the commencement of new project by the Construction Division in the current quarter.

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

The Group's revenue increased from RM28.19 million in Qtr 3 to RM40.49 million in the current quarter. Such improvement is resulted from the commencement of a new project in the quarter under review.

Despite the improvement, the Group's profit before tax dropped from RM2.14 million in Qtr 3 to RM1.10 million in the current quarter under review. The decrease in the profit was attributed to the upward cost revision upon finalization of the completed phases.

B3. Commentary on Prospect

The global economy is still fundamentally fragile with recovery uneven and growth remains highly dependent on the government support. Accordingly, the Directors foresee that the operating environment of the Group remain challenging and competitive. As a result, the Group will continue to exercise prudent management and focus on its affirmative measures to minimize its impact.

B4. Profit Forecast or Profit Guarantee

Not applicable.

B5. Income Tax Expense

| | Current Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Continuing Operations:-** | | | | |
| Current tax: | | | | |
| Current period's provision | 219 | 202 | 402 | 250 |
| Deferred tax assets | (3,000) | - | (3,000) | - |
| | (2,781) | 202 | (2,598) | 250 |

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) 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 10 Feb 2010 RM'000 | Balance yet to be utilised RM'000 |
|---|---|---|---|
| Repayment of bank borrowings | 25,900 | 25,900 | - |
| Working capital of the Group | 4,500 | 4,500 | - |
| Expenses relating to the Disposal | 300 | 174 | 126 |
| | 30,700 | 30,574 | 126 |

(b) On 22 December 2009, the Company and TTDI KL Metropolis Sdn. Bhd. ("TKLM"), a wholly-owned subsidiary of Naza TTDI Sdn. Bhd. (collectively referred to as the "JV Parties") had entered into a shareholders' agreement ("Proposed Shareholders' Agreement") to form a JV company known as TTDI Jetson Sdn. Bhd. ("TTDI Jetson") to facilitate the joint venture arrangement between the JV parties to carry out the planning, design, construction including interior design works for an exhibition centre building located off Jalan Duta, Kuala Lumpur ("Matrade Centre") and to develop a plot of land measuring approximately 62.45 acres currently forming part of title Geran 61092, Lot 50978, Mukim Batu Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur ("Exchange Land") which will be transferred from Government of Malaysia to TKLM in exchange for Matrade Centre.

The construction of the Matrade Centre and the development of the Exchange Land shall here in after collectively be referred to as the "Ventures".

The Proposed Shareholders' Agreement formalizes and sets out the basic terms of the relationship of the JV parties via their respective investment participation in the Ventures through TTDI Jetson to carry out the Ventures on a commercial basis and in the spirit and in the manner set out in the said agreement.

The Proposed Shareholders' Agreement also provides for the equity structure of TTDI Jetson to be 51% owned by TKLM and 49% owned by KJB. The initial authorized share capital of TTDI Jetson shall be RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each. The initial paid-up share capital of TTDI Jetson is proposed to be RM250,000 divided into 250,000 ordinary shares of RM1.00 each.

B8. Status of Corporate Proposal (continue)

(d) The Proposed Shareholders' Agreement will require the Company to seek the approvals of its shareholders at an Extraordinary General Meeting ("EGM") and any other relevant authorities if required.

At the date of this report, the Company has yet to convene the EGM.

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 | 26,441 |
| Long Term | 12,026 |

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.

B11. Status of Material Litigation (continue)

(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. The Court Hearing date has been postponed until further notice. 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. Earnings/(Loss) Per Share

(a) Basic

The calculation of basic earnings/(loss) per share is based on the net earnings/(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 | |
|---|---|---|---|---|
| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
| Profit/(Loss) from continuing operations attributable to ordinary equity holders of the parent (RM'000) | 4,207 | (2,840) | 6,660 | (4,412) |
| Profit from discontinued operation attributable to ordinary equity holders of the parent (RM'000) | - | - | - | 15,085 |
| Earnings/(Loss) attributable to ordinary equity holders of the parent (RM'000) | 4,207 | (2,840) | 6,660 | 10,673 |
| Weighted average number of ordinary shares in issue ('000) | 58,805 | 52,791 | 53,578 | 52,791 |
| Increase in shares on conversion of ICULS ('000) | 5,678 | 6,393 | 5,678 | 6,393 |
| Adjusted weighted average number of ordinary shares in issue ('000) | 64,483 | 59,184 | 59,256 | 59,184 |

(b) Diluted

The Company has 17,004,000 warrants which could have potential dilutive effect on the earnings per share of the Company.

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.