

KUMPULAN JETSON BERHAD (34134-H) NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1. Basis of Preparation

The condensed interim financial statements have been prepared on the historical cost basis, unless otherwise stated.

The condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012. 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 2012.

On 19 November 2011, the MASB issued a new MASB approved accounting standards, the Malaysian Financial Reporting Standards (“MFRSs framework”) for application in the annual periods beginning on or after 1 January 2012.

The MFRSs framework is mandatory for adoption by all Entities Other Than Private Entities for annual period beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141: Agriculture and/or IC Interpretation 15: Agreements for the Construction of Real Estate (“Transitioning Entities”). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1 January 2014. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are Transitioning Entities have chosen to defer the adoption of the MFRSs framework to financial year beginning on 1 January 2014. The Group and the Company will prepare their first MFRSs financial statements using MFRSs framework for the financial year ending 31 December 2014.

A2. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the year ended 31 December 2012 was not qualified.

A3. 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 quarter under review.

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A4. Segment Information

Financial period ended 30 June 2013

Business Segments	Construction and Property RM'000	Hostel Management RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Revenue from external customers	26,823	3,724	51,126	-	81,673
Inter-segment revenue	75	-	-	(75)	-
Total revenue	26,898	3,724	51,126	(75)	81,673
Operating (loss)/profit	(4,096)	1,289	621	-	(2,186)
Financing expenses					(1,591)
Financing income					59
Loss before taxation					(3,718)
Taxation					(80)
Loss after taxation					(3,798)

A5. Changes in Estimates

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

A6. Comments about Seasonal or Cyclical Factors

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

A7. Dividends Paid

No interim or final dividend was paid in the current quarter under review.

A8. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendments from the financial statements for the year ended 31 December 2012.

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A9. Debt and Equity Securities

There were no issuance and repayment of debts and equity securities for the financial period to date.

A10. Changes in Composition of the Group

On 14 February 2013, the issued and paid-up capital of Jetson (UK) Limited (“Jetson UK”), a 60.93% owned subsidiary of Jetson Construction Sdn. Bhd. (“JCSB”) has been increased from GBP1,674 to GBP2,000 by way of allotment of 326 ordinary shares of GBP1.00 each. Subsequent to the allotment, Jetson UK became 51% owned subsidiary to JCSB.

Other than the above, there were no other changes in the composition of the Group during the financial period under review.

A11. Capital Commitments

	30.06.2013	31.12.2012
	RM'000	RM'000
Approved and contracted for:-		
Acquisition of shares in subsidiaries	-	4,857
Investment in associate	2,967	2,967
Property, plant and equipment	181	560
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	3,148	8,384
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A12. 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 RM83.50 million as at 31 December 2012 to RM99.79 million as at 30 June 2013.

A13. Subsequent Events

There were no material events subsequent to the end of the interim period reported which have not been reflected in the financial statements.

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

B1. Performance Review

The Group recorded revenue of RM45.59 million in Q2 2013, an increase of RM14.17 million or 45.1% compared to Q2 2012 of RM31.42 million. Despite higher revenue recognised, the Group reported a pre-tax loss of RM1.69 million in Q2 2013 as compared to pre-tax profit of RM0.96 million in Q2 2012. The pre-tax profit in the previous corresponding quarter was supported by the gain on disposal of a factory in Yangzhou, China coupled by lower administrative expenses incurred by the construction and property division.

The performance of the respective division for the current quarter is as follows:-

a) *Construction and Property Division*

Revenue increased from RM5.00 million in Q2 2012 to RM17.01 million in current quarter due to the progress of work from MBSA, Ritz Corporate Suites Phase 1, Kolej Tunku Ja'afar and Johor Bahru projects. Despite the higher revenue recognised, the loss before tax was RM2.32 million, an increase of RM0.21 million as compared to Q2 2012. The higher loss in the current quarter was mainly higher administrative expenses incurred.

b) *Hostel Management Division*

The revenue reported in Q2 2013 was RM1.85 million as compared to revenue of RM1.74 million in Q2 2012. This is mainly due to higher occupancy rate achieved in Q2 2013.

The pre-tax profit recorded for Q2 2013 was RM0.50 million, which was slightly higher compared to RM0.39 million reported in Q2 2012.

c) *Manufacturing Division*

Revenue recorded in this quarter was RM26.77 million as compared to RM24.69 million in Q2 2012. This is mainly due to higher demand of automotive parts from local and oversea customers. However, the pre-tax profit for current quarter was RM0.13 million, a decrease of RM2.55 million as compared to Q2 2012. This higher pre-tax profit achieved in Q2 2012 was due to the recognition of gain on disposal of a factory in Yangzhou, China.

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B1. Performance Review (Cont'd)

For the six months ended 30 June 2013 ("H1 2013"), the Group's revenue was RM81.67 million, an increase of RM19.97 million or 32.4% as compared to the six months ended 30 June 2012 ("H1 2012"). The Group reported pre-tax loss of RM3.72 million for the H1 2013 as opposed to pre-tax profit of RM2.63 million for H1 2012. The pre-tax profit for H1 2012 was mainly derived from the gain on disposal of a factory building in Yangzhou, China.

The performance of the respective division for H1 2013 is analysed as follows:-

a) Construction and Property Division

Revenue for the H1 2013 reported was RM26.90 million, an increase of approximately 271% or RM19.64 million as compared to H1 2012, which was recorded at RM7.26 million. This is mainly due to revenue contributed from the new projects secured by Construction Division. Despite the huge increase in revenue, the pre-tax loss increased by 103% from RM2.33 million in H1 2012 to RM4.73 million in H1 2013. The higher loss for the period was due to higher administrative expenses incurred.

b) Hostel Management Division

Hostel Management Division reported revenue of RM3.72 million for the H1 2013 as compared to RM3.53 million for the corresponding period in the previous year. This is mainly due to higher occupancy rate in the period under review.

The pre-tax profit recorded for H1 2013 was RM0.87 million as compared to pre-tax profit of RM1.02 million in H1 2012, which was mainly due to professional fee incurred for the banking facilities in H1 2013.

c) Manufacturing Division

Revenue recorded in H1 2013 was RM51.13 million as compared to RM50.94 million in H1 2012. This is mainly due to an increase in revenue from sale of pails while sale of automotive parts dropped for the period.

Profit before taxation decreased by approximately RM2.85 million from RM3.0 million in H1 2012 to RM0.15 million in H1 2013. Higher pre-tax profit for H1 2012 is mainly due to the recognition of gain on disposal of a factory building in Yangzhou, China.

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

The Group's revenue increased from RM36.09 million in Q1 2013 to RM45.59 million in the current quarter. This increase in revenue was mainly attributed to the pickup in the progress of projects for the construction division.

As a result of the higher revenue contributed from construction division, the pre-tax loss for Q2 2013 was RM1.75 million, which is lower by RM0.30 million as compared to Q1 2013.

B3. Commentary on Prospect

Path ahead still remains "rocky" due to uncertainties in Europe. However, it is anticipated that local economy would stay resilient with the ongoing infrastructure and mega projects.

We should witness an increase in construction activities as a result of on-going and newly secured projects. At the same time, the division will continue to pursue for more projects in the building and curtain walling segment aggressively.

Meanwhile, the manufacturing division would pick up its momentum with the soon to be "up and running" setup in Yangzhou China as well on its new business of Nu pail product.

B4. Profit Forecast or Profit Guarantee

Not applicable.

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B5. (Loss)/Profit before taxation

	Individual quarter		Cumulative quarter	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
(Loss)/Profit before taxation is arrived after charging/(crediting):-				
Amortisation of concession assets	467	467	934	934
Amortisation of land use right	33	-	62	-
Depreciation of property, plant and equipment	706	869	1,454	1,868
Interest expense	843	693	1,591	1,422
Interest income	(10)	(18)	(23)	(26)
(Gain)/Loss on disposal of property, plant and equipment	(1)	(2,128)	1	(2,140)
Net gain on foreign exchange - realised	(171)	(13)	(179)	(14)
Net gain on foreign exchange - unrealised	(16)	(58)	(16)	(82)

B6. Taxation

	Individual quarter		Cumulative quarter	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Current tax:-				
Current period's provision	58	72	73	237
Deferred tax:-				
Current period's provision	(3)	61	7	61
Tax expenses	55	133	80	298

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B7. Status of Corporate Proposal

KAF Investment Bank Berhad (“KAF”) had on 18 October 2012 announced on behalf of the Board of Directors that the Company proposes to undertake a private placement of up to 8,187,658 new ordinary shares of RM1.00 each in the Company (“Placement Shares”), representing up to 10% of the issued and paid-up share capital of the Company (“Proposed Private Placement”).

KAF had on 6 November 2012 announced on behalf of the Board of Directors that Bursa Malaysia Securities Berhad (“Bursa Securities”) had vide its letter dated 5 November 2012, approved the Proposed Private Placement.

On 9 November 2012, KAF announced on behalf of the Board of Directors that the Ministry of International Trade and Industry had vide its letter dated 9 November 2012, approved the Proposed Private Placement.

KAF had on 19 November 2012 announced on behalf of the Board of Directors that the Company had fixed the issue price for the first tranche of the Proposed Private Placement comprising 4,500,000 Placement Shares at RM1.04 per Placement Share.

The 4,500,000 Placement Shares issued pursuant to the private placement have been listed on the Main Market of Bursa Securities on 29 November 2012.

On 12 April 2013, KAF announced on behalf of the Board of Directors that the Company had fixed the issue price for the second tranche of the Proposed Private Placement comprising 3,680,000 Placement Shares at RM1.32 per Placement Share.

The 3,680,000 Placement Shares issued pursuant to the Proposed Private Placement have been listed on the Main Market of Bursa Securities on 26 April 2013.

KAF had on 26 April 2013 announced on behalf of the Board of Directors that a total of 8,180,000 Placement Shares were placed out to identified investors in two tranches, raising a total of RM9,537,600 for the Company pursuant to the Proposed Private Placement. The Board of Directors does not intend to place the remaining Placement Shares to potential investors. As a result, the Private Placement is deemed completed.

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B8. Borrowings

	30.06.2013	31.12.2012
	RM'000	RM'000
Current:		
Bank overdrafts	14,520	12,475
Revolving credits	2,000	4,159
Trust receipts and bankers' acceptance	15,030	8,745
Term loans	6,177	8,202
Finance lease payables	1,084	960
	<hr/> 38,811	<hr/> 34,541
Non-current		
Term loans	37,704	28,132
Finance lease payables	1,910	2,058
	<hr/> 39,614	<hr/> 30,190

The bank overdrafts, revolving credits, trust receipts and bankers' acceptances of the Group at the end of the quarter under review are secured by:

- a) Negative pledge over all the assets of certain subsidiaries;
- b) corporate guarantee from the Company;
- c) deposits with licensed banks of a subsidiary; and
- d) existing assignment of contract payments.

The term loans of the Group are secured by the following:

- a) first fixed and floating charge over all assets of a subsidiary;
- b) first part legal assignment of the rights, titles, benefits and proceeds of the privatisation agreement of the university hostel project;
- c) assignment of the rights, benefits, proceeds from/ under all insurance policies over the hostel building;
- d) freehold land included in property development costs;
- e) property, plant and equipment pledged as collateral; and
- f) corporate guarantee from the Company.

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B9. Off Balance Sheet Financial Instruments

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

B10. Status of Material Litigation

On 4 January 2013, the Company announced that Lin Shi Deng (“Lin”) a citizen of People’s Republic of China and a former General Manager of Jetson (Yangzhou) Development Co, Ltd (“Jetson Yangzhou”), a wholly-owned subsidiary of the Company, has filed a statement of claim dated 21 December 2012 against Jetson Yangzhou with the People’s Court of Hanjiang District of Yangzhou, claiming the following based on a promissory note dated 2 November 2012 purportedly given by Jetson Yangzhou to Lin (“Promissory Note”):-

- a) that Jetson Yangzhou shall repay borrowings amounting to RMB2,312,780 (equivalent to approximately RM1,136,269 based on exchange rate of RMB1.00 : RM0.4913);
- b) that Jetson Yangzhou shall pay 20% interest per annum on RMB1,000,000 (equivalent to approximately RM491,300 based on exchange rate of RMB1.00 : RM0.4913)(which is part of the borrowings referred to in paragraph (a) above) with effect from 20 November 2010 up to the date of repayment; and
- c) that Jetson Yangzhou shall bear all costs and expenses of the proceedings.

Lin has also claimed that the Promissory Note arose from a request by Jetson Yangzhou that Lin advanced monies to Jetson Yangzhou.

Jetson Yangzhou does not have any record of the Promissory Note being given and denies that Jetson Yangzhou has borrowed any monies from Lin.

Jetson Yangzhou has appointed solicitors in the People’s Republic of China (“PRC Solicitors”) to defend the matter and to advise on the next course of action. The PRC Solicitors have advised that Lin does not have any valid claim against Jetson Yangzhou and that the Promissory Note had not been properly executed and may instead be fabricated. The PRC Solicitors are also of the view that Lin’s claims are baseless and in all likelihood the relevant court will reject the claim.

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B11. Retained Profits

The breakdown of the retained earnings of the Group as at 30 June 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants.

	30.06.2013	31.12.2012
	RM'000	RM'000
Total retained earnings of the Group		
- realised	21,749	25,729
- unrealised	2,813	2,745
	<hr/>	<hr/>
	24,562	28,474
Less: Consolidation adjustments	(12,143)	(12,181)
	<hr/>	<hr/>
Total retained earnings	12,419	16,293
	<hr/>	<hr/>

B12. Dividend Payable

No dividend has been recommended by the Board of Directors during the three months ended 30 June 2013.

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B13. (Loss)/Profit Per Share

(a) Basic

Basic (loss)/profit per share amounts are calculated by dividing (loss)/profit for the financial period attributable to ordinary equity holders of the company by the weighted average number of ordinary shares in issue during the financial period.

	3 months ended		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Net (loss)/profit attributable to the owners of the Company	(1,848)	767	(3,915)	2,136
Weighted average number of ordinary shares in issue	84,473	63,185	83,145	62,183
Effect of conversion of 5% ICULS 2002/2012	-	2,690	-	2,690
Adjusted weighted average number of ordinary shares in issue and issuable	84,473	65,875	83,145	64,873
Basic (loss)/earnings per share (sen)	(2.19)	1.16	(4.71)	3.29

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B13. (Loss)/Profit Per Share (Cont'd)

(b) Diluted

For the purpose of calculating diluted profit per share, the profit for the financial period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial period have been adjusted for the dilutive effects of all potential ordinary shares, i.e. detachable warrants ("Warrants").

	3 months ended		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to the owners of the Company	*	767	*	2,136
Weighted average number of ordinary shares in issue	*	63,185	*	62,183
Effect of conversion of 5% ICULS 2002/2012	*	2,690	*	2,690
	*	65,875	*	64,873
Effect of dilution - Warrants 2002/2012	*	3,316	*	3,290
Adjusted weighted average number of ordinary shares in issue and issuable	*	69,191	*	68,163
Basic earnings per share (sen)	*	1.11	*	3.13

* Both Warrants 2002/2012 and ICULS 2002/2012 have expired or matured and hence there is no dilution in the earnings per shares of the Company as at 30 June 2013.