

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 2013. 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 2013.

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 2015. The Group and the Company will prepare their first MFRSs financial statements using MFRSs framework for the financial year ending 31 December 2015.

A2. **Auditors’ Report on Preceding Annual Financial Statements**

The auditors’ report on the financial statements for the year ended 31 December 2013 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.

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

A4. Segment Information

Financial year ended 31 March 2014

Business Segments	Construction and Property RM'000	Hostel Management RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Revenue from external customers	8,106	1,820	25,316	-	35,242
Inter-segment revenue	10	-	-	(10)	-
Total revenue	8,116	1,820	25,316	(10)	35,242
Operating (loss)/profit	(1,904)	618	518	-	(768)
Finance expenses					(884)
Finance income					35
Loss before taxation					(1,617)
Taxation					(27)
Loss after taxation					(1,644)

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 year 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 2013.

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

A9. Debt and Equity Securities

During the quarter, the Company implemented a share split exercise, whereby the issued and paid up capital of RM85,483,506 comprising 85,483,506 ordinary shares of RM1.00 each has been subdivided into RM85,483,506 comprising 170,967,012 ordinary shares of RM0.50 each ("Resultant Shares"). The exercise has been completed following the listing of and quotation for 170,967,012 Resultant Shares on the Main Market of Bursa Malaysia Securities Berhad on 5 February 2014.

The bonus issue of free warrants on the basis of one (1) warrant for every five (5) ordinary shares of RM0.50 each held has been completed following the listing of and quotation for the 34,193,402 Warrants on the Main Market of Bursa Malaysia Securities Berhad on 12 February 2014.

Apart from the above, there were no other issuance and repayment of debts and equity securities for the financial period to date.

A10. Changes in Composition of the Group

There were no other changes in the composition of the Group during the financial period under review.

A11. Capital Commitments

	31.3.2014	31.12.2013
	RM'000	RM'000
Approved and contracted for:-		
Investment in associate	2,967	2,967
Property, plant and equipment	2,276	2,212
	<u>5,243</u>	<u>5,179</u>
Approved and not contracted for:-		
Property, plant and equipment	-	1,528
		<u>1,528</u>

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 RM90.87 million as at 31 December 2013 to RM91.18 million as at 31 March 2014.

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

A13. Subsequent Events

KAF Investment Bank Berhad (“KAF”) had on 9 May 2014 announced on behalf of the Board of Directors that the Company has fixed the issue price for the first tranche of the Private Placement comprising 5,000,000 Placement Shares at RM0.58 per Placement Share. The said issue price of RM0.58 per Placement Share represents a discount of approximately 2.64% from the five (5)-day volume weighted average market traded price of Jetson Shares up to and including 8 May 2014 of approximately RM0.5957 per Jetson Share.

Pursuant to the Private Placement of 5,000,000 ordinary shares, the new issued and paid-up capital of Kumpulan Jetson Berhad after the Private Placement will be 175,967,012 ordinary shares at RM0.50 per share. The new shares were granted listing and quotation on 16 May 2014.

Other than the above, there were no other subsequent events during the financial period under review.

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

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 RM35.24 million in Q1 2014, a decrease of RM0.85 million or 2% as compared to Q1 2013 of RM36.09 million. Despite lower revenue recognised, the Group reported a lower pre-tax loss of RM1.62 million in Q1 2014 as compared to pre-tax loss of RM2.03 million in Q1 2013.

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

a) *Construction and Property Division*

Revenue decreased from RM9.89 million in Q1 2013 to RM8.12 million in current quarter mainly due to progress work of MBSA and Kolej Tunku Ja'afar projects were in the final stages in Q1 2013 which resulted to lower revenue to be recognized for the current quarter.

Despite the lower revenue reported, the loss before tax was RM2.18 million, a decrease of RM0.23 million as compared to Q1 2013. The higher losses in the previous corresponding quarter was mainly driven by the higher administrative expenses incurred.

b) *Hostel Management Division*

The revenue reported in Q1 2014 and Q1 2013 was both RM1.80 million.

The pre-tax profit reported for Q1 2014 was RM0.41 million, which has not materially fluctuated as compared to RM0.37 million reported in Q1 2013. Slight increase in pre-tax profit of RM0.04 million was due to lower administrative expenses incurred in Q1 2014.

c) *Manufacturing Division*

Revenue recorded in this quarter was RM25.32 million as compared to RM24.36 million in Q1 2013. This was attributable to higher demand of pail products from a new customer, Akzo Nobel which explained the increase in profit before taxation by approximately RM0.14 million from RM0.01 million in Q1 2013 to RM0.15 million in Q1 2014.

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

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

The Group's revenue decreased from RM55.75 million in Q4 2013 to RM35.24 million in the current quarter. This decrease in revenue was mainly attributed to the pickup in the progress of workdone for Ijok Alam Perdana, VSummer Place, Jaya 14 and Ritz Corporate Suite projects by construction division in Q4 2013.

As lower revenue reported in Q1 2014, the Group recorded higher loss before taxation of RM1.62 million as compared to loss before taxation of RM0.56 million in the preceding quarter.

B3. Commentary on Prospect

Path ahead still remains "rocky" due to somewhat weak sentiment in the global economy. 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 impending commencement of operation in Yangzhou China as well on its new business of Nu pail product.

B4. Profit Forecast or Profit Guarantee

Not applicable.

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

B5. Loss before taxation

	Individual quarter		Cumulative quarter	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
Loss before taxation is arrived after charging/(crediting):-				
Amortisation of concession assets	467	467	467	467
Amortisation of land use rights	33	29	33	29
Depreciation of property, plant and equipment	767	748	767	748
Interest expense	884	748	884	748
Interest income	(35)	(13)	(35)	(13)
Loss on disposal of property, plant and equipment	-	2	-	2
Net loss/(gain) on foreign exchange - realised	34	(8)	34	(8)
Net loss on foreign exchange - unrealised	3	-	3	-

B6. Taxation

	Individual quarter		Cumulative quarter	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
Current tax:-				
Current period's provision	27	15	27	15
Deferred tax:-				
Current period's provision	-	10	-	10
Tax expenses	27	25	27	25

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

B7. Status of Corporate Proposal

KAF Investment Bank Berhad (“KAF”) had on 16 January 2014 announced on behalf of the Board of Directors that the Company proposes to undertake a private placement of up to 17,096,701 new ordinary shares of RM0.50 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 28 January 2014 announced on behalf of the Board of Directors that Bursa Malaysia Securities Berhad had vide its letter dated 27 January 2014, approved the Proposed Private Placement.

On 12 February 2014, KAF announced on behalf of the Board of Directors that the Ministry of International Trade and Industry had vide its letter dated 11 February 2014, approved the Proposed Private Placement.

KAF had on 9 May 2014 further announced that the Company has fixed the issue price for the first tranche of the Private Placement comprising 5,000,000 Placement Shares at RM0.58 per Placement Share. The said issue price of RM0.58 per Placement Share represents a discount of approximately 2.64% from the five (5)-day volume weighted average market traded price of Jetson Shares up to and including 8 May 2014 of approximately RM0.5957 per Jetson Share.

Pursuant to the Private Placement of 5,000,000 ordinary shares, the new issued and paid-up capital of Kumpulan Jetson Berhad after the Private Placement will be 175,967,012 ordinary shares at RM0.50 per share. The new shares were granted listing and quotation on 16 May 2014.

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

B8. Borrowings

	31.3.2014	31.12.2013
	RM'000	RM'000
Current :		
Bank overdrafts	12,700	13,334
Revolving credits	2,000	2,000
Trust receipts and bankers' acceptance	19,253	19,130
Term loans	6,084	5,985
Finance lease payables	1,520	1,340
	<u>41,557</u>	<u>41,789</u>
Non-current :		
Term loans	27,565	28,471
Finance lease payables	3,272	2,861
	<u>30,837</u>	<u>31,332</u>

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) property, plant and equipment pledged as collateral;
- e) corporate guarantee from the Company; and
- f) land use rights of a subsidiary.

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

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

Citarasa Haruman Sdn. Bhd. ("CHSB"), subsidiary of the Company, entered into a Joint Development Agreement ("JDA") with LBCN to develop a piece of land in Mukim of Ijok ("the Land") on 28 May 2007.

Under the JDA, LBCN was to provide and make available the Land for development whereas CHSB was identified as the sole and exclusive developer of the Land and had paid RM12 million towards the land cost which constitutes LBCN's sole entitlement pursuant to the JDA.

In the course of carrying out development of the Land, CHSB had incurred costs in respect of improvements to the Land and other development costs. Under the JDA, CHSB is entitled to all gross sale proceeds arising from the JDA.

On 19 December 2009, the Land Administrator of the District of Kuala Selangor ("LADKS") issued a notification to compulsorily acquire the Land with an award of approximately RM50 million to a secured creditor of LBCN and LBCN as the proprietor of the Land ("the Award").

In November 2011, a Land Reference Proceedings was lodged by CHSB, as the person interested in the Land, to object to the Award. Concurrently, LBCN filed a Judicial Review Proceedings against certain local authorities responsible for the acquisition of the Land.

Status of litigation is as follows:

(i) Judicial Review Proceedings by LBCN

In January 2011, LBCN had filed an application for judicial review at the Shah Alam High Court ("The High Court") against Lembaga Perumahan Dan Hartanah Selangor, Pentadbir Tanah Kuala Selangor and Kerajaan Negeri Selangor on the basis that the acquisition of the Land was not valid.

On 6 November 2011, the High Court granted stay of acquisition proceedings pending judicial review.

On 14 November 2011, CHSB had filed an objection under Land Reference Proceedings (as described in (ii) below). The objection has however, been stayed on the basis that the Judicial Review Proceedings are dismissed, barring any further suits or applications that may be filed, CHSB would be able to proceed with its Land Reference Proceedings for compensation.

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

B10. Status of Material Litigation (Continued)

Status of litigation is as follows:

(i) Judicial Review Proceedings by LBCN (Continued)

On 16 October 2012, Menteri Besar Incorporation Berhad intervened the judicial review as it had made the payments towards the Land. The High Court has directed this application to proceed concurrently with the judicial review.

On 23 May 2013, the High Court dismissed LBCN's application for judicial review. LBCN then lodged an appeal to the Court of Appeal.

In September 2013, LBCN applied for a stay of all Land Reference Proceedings pending its appeal to the Court of Appeal on judicial review. The High Court dismissed this application for a stay on 6 February 2014.

The appeal to the Court of Appeal on judicial review is presently pending and a hearing date is set on 29 May 2014.

(ii) Land Reference Proceedings ("LRP") by CHSB

On 14 November 2011, pursuant to the Land Acquisition Act, 1960 (the "Act"), CHSB had lodged a land reference to the High Court objected to the Award by LADKS on the following premise:-

- the amount of compensation;
- the persons to whom it is payable; and
- the apportionment of the compensation.

The LRP is fixed for case management on 26 May 2014 for the parties to ensure that all necessary case papers are in order to proceed with the hearing of the LRP.

The solicitors are of the view that:

(i) LBCN does not have a good arguable case to succeed in its appeal to the Court of Appeal;

(ii) CHSB has a good arguable case of demonstrating that it is entitled to compensation for the acquisition of the Land, on the basis that it is a "person interested" within the meaning of the Act;

(iii) The amount recoverable would be based on the market value of the Land at the time it was acquired, principally assessed and decided by the High Court based on the valuers' reports filed to the Court by CHSB and by LADKS in the LRP; and

(iv) CHSB will, at the very least, be entitled to the compensation of the land cost of RM12 million (together with other costs incurred prior to the acquisition) as restitution of the contributions CHSB had made on the Land prior to its acquisition.

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

B11. Retained Profits

The breakdown of the retained earnings of the Group as at 31 March 2014 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.

	31.3.2014	31.12.2013
	RM'000	RM'000
Total retained earnings of the Group		
- realised	389	1,718
- unrealised	1,451	1,824
	<hr/>	<hr/>
	1,840	3,542
Less: Consolidation adjustments	(52)	(57)
	<hr/>	<hr/>
	1,788	3,485
	<hr/>	<hr/>

B12. Dividend Payable

No dividend has been recommended by the Board of Directors during the three months ended 31 March 2014.

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

B13. Loss Per Share

(a) Basic

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

	Current Quarter/Cumulative quarter to date	
	31.03.2014	31.03.2013
	RM'000	RM'000
Net loss attributable to the owners of the Company	(1,697)	(2,067)
Adjusted weighted average number of ordinary shares in issue and issuable	162,770	81,804
Basic loss per share (sen)	*(1.04)	(2.53)

* Pursuant to MFRS 133, Earnings Per Share, the loss per share for the individual and cumulative quarter ended 31 March 2014 have been adjusted for the share split involving the subdivision of every one existing ordinary share of RM1.00 each in the Company into two ordinary shares of RM0.50 each completed on 5 February 2014.

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

B13. Loss Per Share (Cont'd)

(b) Diluted

For the purpose of calculating diluted loss per share, the loss 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").

	Current Quarter/Cumulative quarter to date	
	31.03.2014	31.03.2013
	RM'000	RM'000
Net loss attributable to the owners of the Company	(1,697)	*
Weighted average number of ordinary shares in issue	162,770	*
Effect of dilution - Warrants 2014/2019	1,976	*
Adjusted weighted average number of ordinary shares in issue and issuable	164,746	*
Basic loss per share (sen)	(1.03)	*

* There is no dilution in the earnings per shares of the Company as at 31 March 2013.