

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 2015. The 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 2015.

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 2018. 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 2018. The Group and the Company will prepare their first MFRSs financial statements using MFRSs framework for the financial year ending 31 December 2018.

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

The auditors’ report on the financial statements for the year ended 31 December 2015 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 2016

Business Segments	Construction and Property RM'000	Hostel Management RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Revenue from external customers	19,857	3,612	54,165	-	77,634
Inter-segment revenue	1,568	-	-	(1,568)	-
Total revenue	21,425	3,612	54,165	(1,568)	77,634
Operating (loss)/profit	(4,274)	1,111	3,078	-	(85)
Finance expenses					(1,734)
Finance income					45
Loss before taxation					(1,774)
Taxation					(247)
Loss after taxation					(2,021)

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 period under review.

A7. Dividends Paid

No interim or final dividend was paid in the current period 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 2015.

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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 8 March 2016, a wholly-owned subsidiary of the Company, namely Jetson Construction Sdn. Bhd. ("JCSB") subscribed 60 ordinary shares of RM1.00 each in Jetson Construction (Sabah) Sdn. Bhd. ("JCSSB"). Consequent to the subscription, JCSSB became a 60% owned subsidiary of JCSB.

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

A11. Capital Commitments

	30.06.2016	31.12.2015
	RM'000	RM'000
Approved and contracted for:-		
Property, plant and equipment	6,671	3,214
Property development cost	5,745	5,745
	<u>12,416</u>	<u>8,959</u>
Approved and not contracted for:-		
Property, plant and equipment	<u>-</u>	<u>2</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 decreased from RM71.80 million as at 31 December 2015 to RM69.87 million as at 30 June 2016.

A13. Subsequent Event

There were no material events subsequent to the end of the financial period reported.

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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 RM41.67 million for the quarter ended 30 June 2016 (“Q2 2016”), an increase of 4.80% or RM1.90 million against the corresponding period ended 30 June 2015 (“Q2 2015”) of RM39.76 million. However, the Group reported a pre-tax loss of RM0.33 million in Q2 2016 as opposed to pre-tax profit of RM2.35 million in Q2 2015.

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

a) *Construction and Property Division*

Revenue from the division for the current quarter under review amounted to RM10.90 million, which was RM0.63 million higher than the corresponding quarter in previous year of RM10.27 million. This is due to higher revenue contributed from existing Vsummer Place project.

Despite higher revenue achieved, the division reported pre-tax loss of RM2.45 million in Q2 2016 compared to pre-tax profit of RM0.22 million in Q2 2015. The loss was due to lower gross profit margin recorded for the current quarter. Higher profit margin recorded in Q2 2015 was due to recognition of final accounts for Ijok Alam Perdana project.

b) *Hostel Management Division*

There was a slight decrease in revenue for the quarter at RM1.79 million compared to RM1.84 million reported in Q2 2015.

Accordingly, the division reported a lower pre-tax profit of RM0.34 million compared to RM0.45 million reported in Q2 2015.

c) *Manufacturing Division*

Manufacturing Division registered revenue of RM28.99 million in the current quarter compared to previous year corresponding quarter of RM27.65 million. The increase in revenue was mainly due to higher demand for pail business and chemical products.

Accordingly, the division reported a higher pre-tax profit of RM1.78 million compared to RM1.68 million in the corresponding quarter of previous year.

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B1. Performance Review (Cont'd)

For the six months ended 30 June 2016 ("H1 2016"), the Group's revenue was RM77.63 million, a decrease of RM10.81 million or 12.22% as compared to the six months ended 30 June 2015 ("H1 2015"). Accordingly, the Group reported a pre-tax loss of RM1.77 million for H1 2016 as opposed to pre-tax profit of RM2.62 million for H1 2015.

The performance of the respective division for H1 2016 is analysed as follows:-

a) *Construction and Property Division*

The division reported revenue of RM19.86 million in H1 2016 compared to RM27.32 million in H1 2015. This is mainly due to recognition of final claims for Ijok Alam Perdana in H1 2015. The pre-tax loss in H1 2016 was reported at RM4.86 million compared to pre-tax loss of RM1.95 million in H1 2015. Higher pre-tax loss was due to lower gross profit margin reported coupled with higher administrative expenses during the quarter.

b) *Hostel Management Division*

Hostel Management Division reported revenue of RM3.61 million for the H1 2016 compared to RM3.68 million for the corresponding period in the previous year.

Despite decrease in revenue, pre-tax profit was marginally higher at RM0.79 million compared to RM0.75 million in H1 2015, mainly due to lower electricity and maintenance cost incurred during the quarter.

c) *Manufacturing Division*

Revenue recorded in H1 2016 was RM54.16 million as compared to RM57.45 million in H1 2015. This is mainly due to lower sales from automotive parts business.

Profit before taxation decrease from RM3.82 million in H1 2015 to RM2.30 million in H1 2016. Lower profit before taxation reported is in line with lower revenue recorded and recognition of forex loss for H1 2016.

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

The Group's revenue increased from RM35.96 million in the preceding quarter (Q1 2016) to RM41.67 million in Q2 2016. The increase in revenue is mainly due to higher sales from pail business as well as chemical products for the current quarter.

As a result, loss before taxation decreased from RM1.44 million in Q1 2016 to RM0.33 million for the current quarter. Higher pretax loss in the preceding quarter was also resulted by the recognition of higher forex losses.

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B3. Commentary on Prospect

Local economy, moving forward, remain gloomy due to weakening ringgit and low crude oil prices. Its sustainability is largely dependent on public and private consumption with the on-going infrastructure and mega projects.

The Group is continuing to aggressively pursue for more projects for its Construction Division in order to replenish its order book.

In addition, the Group is also relentlessly penetrating into property development either through acquisition of land or joint venture with the land owner.

Riding on the weakening ringgit and low material prices, the Manufacturing Division will be aggressively strengthening its presence in the export market. Meanwhile, the division is also broadening its product base to accommodate for different market segments.

B4. Profit Forecast or Profit Guarantee

Not applicable.

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B5. (Loss)/Profit before taxation

	Individual quarter		Cumulative quarter	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation is arrived after charging/(crediting):-				
Amortisation of concession assets	467	467	934	934
Depreciation of property, plant and equipment	1,094	986	2,116	1,967
Interest expense	878	926	1,734	1,794
Interest income	(20)	(25)	(45)	(63)
Inventories written (back)/off	(13)	-	(13)	31
Impairment loss on trade receivable	6	-	6	54
Gain on disposal of property, plant and equipment	(73)	(12)	(73)	(160)
Net (gain)/loss on foreign exchange				
- realised	205	(63)	232	(217)
- unrealised	(247)	(87)	168	(87)
Plant and equipment written off	2	-	4	-

B6. Taxation

	Individual quarter		Cumulative quarter	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Current tax:-				
Current period's provision	112	555	226	601
	112	555	226	601
Deferred tax:-				
Current period's provision	11	10	21	21
	11	10	21	21
Tax expenses	123	565	247	622

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B7. Status of Corporate Proposal

On 2 April 2015, a 60% owned subsidiary of the Company, namely Strategic Jewel Sdn. Bhd. ("SJSB"), entered into a share sale agreement ("SSA") with EBIC Development Sdn. Bhd. to acquire 5,143,005 ordinary shares of RM1 each representing of the entire issued and paid-up share capital of Homegrown Development Sdn. Bhd. ("HDSB") for total purchase consideration of RM4,184,318.48 ("Proposed Acquisition of HDSB"). The Proposed Acquisition of HDSB was completed on 10 August 2015. Following the completion of the Proposed Acquisition of HDSB, HDSB became a 60% owned subsidiary of the Company.

On the even date, SJSB has also entered into sale and purchase agreement ("SPA") with HDSB and Welly City Sdn. Bhd. for proposed acquisition of a piece of land held under No. Hakmilik PM 78. Lot 1228, Mukim Ulu Kelang, Daerah Gombak, Kampong Klang Gates Bharu with an available land area measuring approximately 0.9965 hectares for a purchase consideration of RM8.5 million ("Proposed Acquisition of Property"). In consideration of the completion of the Proposed Acquisition of HDSB, all the parties agreed that in relation to the Proposed Acquisition of Property, the extended completion date which falls on 31 July 2015 ("Extended Completion Date") shall be extended for a further 3 months commencing on 1 August 2015 (i.e. the day immediately following the expiration of the Extended Completion Date) and expiring on 31 October 2015.

Other than above, there was no other corporate proposal announced but not completed as of 18 August 2016 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this announcement).

B8. Borrowings

	30.06.2016	31.12.2015
	RM'000	RM'000
Current :		
Bank overdrafts	9,713	8,110
Revolving credits	3,201	4,800
Trust receipts and bankers' acceptance	13,827	12,480
Term loans	4,264	3,552
Finance lease payables	2,843	2,355
	33,848	31,297
Non-current :		
Term loans	21,934	24,305
Finance lease payables	4,488	3,994
	26,422	28,299

The bank overdrafts, revolving credits, trust receipts and bankers' acceptances of the Group at the end of the year 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.

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B8. Borrowings (Cont'd)

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 all rights, benefits, proceeds from/ under all insurance policies over the concession asset;
- d) freehold land, long leasehold land and buildings pledged as collateral;
- e) fresh 2 party assignment between a subsidiary and a financial institution for the rental proceeds generated from the above property;
- f) corporate guarantee from the Company;
- g) property development cost of the Group; and
- h) pledge of fixed deposit placed with a licensed bank.

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

- (a) Citarasa Haruman Sdn. Bhd. ("CHSB"), a subsidiary of the Company (pursuant to FRS 10), entered into a Joint Development Agreement ("JDA") with LBCN Development Sdn. Bhd. ("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.

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B10. Status of Material Litigation (Cont'd)

(a) 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 (“LPDHS”), Pentadbir Tanah Kuala Selangor (“PTKS”) and Kerajaan Negeri Selangor (“KNS”) 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.

On 16 October 2012, Menteri Besar Incorporation Berhad (“MBIB”) 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. LBCN's lawyers sought for an adjournment of the matter as it wanted to file further affidavits in the appeal which the court granted the adjournment and fixed for hearing on 20 April 2015.

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. By this, the Land Reference Proceedings are to proceed in the normal way as directed by the High Court.

On 20 April 2015, the Court of Appeal dismissed LBCN's appeal on High Court's decision to dismiss LBCN's application for judicial review and further awarded costs in the sum of RM15,000 to be paid by LBCN to CHSB.

LBCN then lodged an appeal to the Federal Court and this matter was fixed for case management on 29 February 2016 for purposes of fixing hearing dates.

On 17 May 2016, LBCN had in accordance to the consent order between LBCN and LPDHS, PTKS, KNS and MBIB (collectively, “the Parties”), withdrawn the above appeal with no order as to cost.

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B10. Status of Material Litigation (Cont'd)

(a) Status of litigation is as follows (cont'd):

(ii) Land Reference Proceedings (“LRP”) by CHSB

On 14 November 2011, pursuant to the Land Acquisition Act, 1960, 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.

On 9 July 2014, the judge decided that the land was indeed alienated for the purposes of mixed development. In this respect, the land ought to be valued as commercial land taking into account all the infrastructures that were built on the land.

LADKS had filed a Notice of Appeal dated 21 July 2014 against the court decision on the category or usage of land. On 29 October 2014, CHSB was served with LADKS’s notice of application for stay of proceedings. Furthermore, on 14 January 2015, a new valuation report has been filed by LADKS and a new case management was held on 29 January 2015 for CHSB to file rebuttal to the valuation report.

On 12 March 2015, the Court of Appeal dismissed LADKS’s appeal in the Court of Appeal and on 7 April 2015, LADKS then filed an appeal in the Federal Court against the decision of the Court of Appeal. This matter was fixed for case management on 29 February 2016 for purposes of fixing hearing dates.

On 29 February 2016, the Federal Court fixed a further case management on 19 May 2016 for parties to update the Court as to the status of the on-going settlement discussion between the Parties.

At the case management on 19 May 2016, given that the Parties have yet to finalise the terms of settlement, the Federal Court therefore fixed the matter for case management on 20 June 2016 for parties to update the Court on the status of the settlement.

The hearing for the LRP were initially fixed on 26 April 2016 to 28 April 2016. These dates have however been vacated given that parties are in settlement discussion. The Court has fixed a case management date on 10 October 2016 for parties to update the court as to the status of settlement discussions.

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B10. Status of Material Litigation (Cont'd)

(a) On 11 May 2016, the Company announced that CHSB had on even date, entered into a settlement agreement (“SA”) with LBCN, Mujur Zaman Sdn Bhd and Liputan Canggih Sdn Bhd to:-

- (i) Revoke the written agreement dated 28 May 2007 entered into between LBCN and CHSB (“SPA”) pertaining to the sale and purchase of the Land;
- (ii) Revoke the JDA dated 28 May 2007 entered into between LBCN and CHSB pertaining to the joint development of the Land;
- (iii) Discontinue and withdraw all Judicial Review and the Borang N Application filed by CHSB and includes any appeals therefrom; and
- (iv) Carry out all other matters as stipulated in the SA

for a settlement sum of RM15,000,000, being the agreed, full and final settlement of all monies due and owing to CHSB under the SPA and JDA arising from or by reason of the mutual revocation of the same.

(b) Jetson Lucksoon Sdn. Bhd. (“JLSB”), a 80% owned subsidiary of the Company, had on 10 December 2014 served a Notice of Amicable Settlement and Arbitration (“Notice”) on Vinci Construction Grands Projets Sdn. Bhd. (“VCGP”) pertaining to, amongst others, the following disputes that have arisen between JLSB and VCGP in connection with or arising from the sub-contract works, namely design, supply, installation and completion of internal glazing and façade works – Package 1 and Package 2 for the project known as “Basement, podium and corporate suites for the proposed development comprising of 3 levels basement car parks, 1 level reception lobby, 7 levels + 1 mezzanine level podium car parks, 1 level amenities and swimming pool and 1 block of 38 levels offices on Lots 43, 44, 133 & 135 Section 58, Kuala Lumpur (“Sub-Contract Works”):

- (i) VCGP’s failure and refusal to make payment for all amounts properly due and owing to JLSB, including but not limited to certified progress claims, variation orders and materials purchased and VCGP’s continuous conduct of under certifying of JLSB’s claims;
- (ii) VCGP’s unilateral and unlawful conduct in dealing directly with JLSB’s sub-contractors and suppliers without JLSB’s knowledge or consent including but not limited to making direct payments to JLSB’s sub-contractors and suppliers;
- (iii) VCGP’s unlawful interference with JLSB’s scope of works, including but not limited to unlawful procurement of materials purportedly on JLSB’s behalf and taking over of JLSB’s works when there was no basis for such intervention; and
- (iv) VCGP’s wrongful and unlawful deductions, set-offs and back charges without proper and valid justification and without taking into account all of the matters set out in the Notice, especially VCGP’s continued failure to recognise that both packages have been delayed due to VCGP’s failure to meet its financial commitments to JLSB.

JLSB filed the Request for Arbitration against VCGP on 13 April 2015 claiming a sum of RM22 million.

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B10. Status of Material Litigation (Cont'd)

- (b) On 17 June 2015, VCGP served the Answer to the Request and Counterclaim and also a Request for Joinder, joining Kumpulan Jetson Berhad to the arbitration proceedings as the parent company of JLSB.

JLSB had on 21 July 2015 filed and served the Reply and Defence to Counterclaim and filed and served the Answer to the Request for Joinder on 27 July 2015. On 19 October 2015, the Tribunal dismissed VCGP's request for Joinder.

On 26 October 2015, parties appeared before the Tribunal for a case management meeting wherein the Procedural Order 3 dated 27 October 2015 was issued in accordance with the agreement by all parties, as well as the Tribunal on the timetable of the arbitration.

On 20 November 2015, the parties submitted their respective List of Expert Issues.

Hearings for arbitration took place on 11 April 2016 to 15 April 2016 and 18 April 2016 to 20 April 2016. On 9 April 2016, JLSB made an urgent application to the Tribunal for an interim injunction to restrain VCGP from making a call on the bank guarantee. At the start of the hearing on 11 April 2016, parties made oral submissions before the Tribunal. Resulting therefrom, parties entered into a Consent Order wherein amongst others, it was agreed that in the event that the Final Award could not be rendered by 30 September 2016, JLSB shall renew the bank guarantee until 1 month after the date of the Final Award and JLSB shall renew and/or extend the bank guarantee no later than 14 days prior to the prevailing date. At the close of hearing, the Tribunal gave directions with regards to the filing of closing submissions and reply submissions, amongst others.

On 15 May 2016, parties submitted their respective closing submissions, together with bundles of authorities and documents annexed thereto.

On 1 June 2016, JLSB submitted its Interests and Cost Submissions dated 1 June 2016 and VCGP submitted its Costs Submissions dated 1 June 2016, together with bundles of authorities and documents annexed thereto.

On 8 June 2016, JLSB submitted its Reply Submissions on Interests and Costs and VCGP submitted its Submissions in Reply (in reply to JLSB's Interests and Costs submissions).

On 16 July 2016, the Tribunal declared the arbitration proceedings closed with respect to matters to be decided in the award. On 9 August 2016, parties were informed that the Tribunal had sent its draft Arbitral Award to the Court of Arbitration of the International Chamber of Commerce for scrutiny.

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B10. Status of Material Litigation (Cont'd)

- (c) JLSB had on 16 December 2014 through its solicitors served a Writ and Statement of Claim filed by the JLSB against Mr Cha Ti @ Cheah Tai ("1st Defendant"), Mr Woh Teng Sang ("2nd Defendant") and Lucksoon Metal Works Sdn. Bhd. ("LMWSB" or "3rd Defendant") (collectively known as "Defendants") on the 1st Defendant. Service of the Writ and Statement of Claim had also been carried out on the 2nd Defendant and 3rd Defendant.

According to the Writ and Statement of Claim, JLSB contends and will contend, amongst others, the following:

- (i) The 1st Defendant and/or 2nd Defendant were in breach of trust and confidence/fiduciary duties/duty of care and their employment in JLSB by the reason of, amongst other matters, as follows:
- (a) The 1st Defendant and/or the 2nd Defendant, in requesting and agreeing to direct payments being made to JLSB's subcontractors and suppliers, including the 3rd Defendant, had acted against JLSB's interest and had compromised JLSB's rights and entitlements under the Sub-Contract Works awarded by VCGP to JLSB.
- (b) The 1st Defendant and/or 2nd Defendant had acted in conflict of interest with their duties and obligations as officers of JLSB given that the 1st Defendant and/or 2nd Defendant had placed their own interest and the interest of the 3rd Defendant before the interest of JLSB.
- (ii) The 1st Defendant and/or 2nd Defendant, through the 3rd Defendant, were directly negotiating with VCGP to take over the Sub-Contract Works from JLSB, for the benefit of the 3rd Defendant.
- (iii) The 3rd Defendant is the recipient of monies and benefits as a result of the conduct and actions of the 1st Defendant and/or 2nd Defendant as pleaded in the Statement of Claim.

JLSB's claim against the Defendants is, amongst others, the following:

- (i) damages for breach of trust and confidence/fiduciary duties/duty of care and their employment in JLSB as against the 1st Defendant and 2nd Defendant;
- (ii) a declaration that the 3rd Defendant holds all profits and other remuneration achieved as a result of the breach of trust and confidence/fiduciary duties/duty of care and their employment in JLSB on trust for JLSB;
- (iii) an account of all monies received or the value of the materials procured for the benefit and received by the 3rd Defendant under the Sub-Contract Works, including any secret profits; and
- (iv) such further or other relief, including all further necessary or appropriate accounts, inquiries and directions.

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B10. Status of Material Litigation (Cont'd)

- (c) On 19 January 2015, the Defendants have filed a Statement of Defence and Counter Claim against JLSB for the sum of RM478,143.66 and interest of 8% per annum from the date of this counter claim. Subsequently on 4 February 2015, a Notice of Application was filed by JLSB to stay the Counterclaim proceedings pending arbitration.

The matters were fixed for case management on 9 February 2015 and 16 February 2015 to obtain directions from the Court regarding the Notice of Application dated 4 February 2015. The Court subsequently fixed the matter for hearing on 11 March 2015.

On 11 March 2015, the Defendants' solicitors informed the Court that the Defendants are ready to withdraw the Counterclaim and to make an amendment to the Statement of Defence. The Court ordered the Counterclaim to be struck out and the Notice of Application dated 4 February 2015 withdrawn. The Court had also ordered cost of RM2,000 to be paid by the Defendants to JLSB. The Defendants' solicitors had informed the Court that they will be making a formal application to amend the Statement of Defence.

Trial of the proceedings took place on 3 August 2015 to 5 August 2015 and all witnesses took the stand and parties accordingly closed their case. After the trial had completed, the Judge gave the following directions:-

- (i) parties to file Written Submissions by 28 August 2015;
- (ii) parties to file Reply Submissions by 7 September 2015; and
- (iii) decision to be delivered on 17 September 2015 at 4.00 p.m..

On 5 October 2015, the High Court Judge dismissed JLSB's claim and awarded cost to be paid by the JLSB of (i) RM40,000 to the 1st and 3rd Defendants, and (ii) RM40,000 to the 2nd Defendant.

On 4 November 2015, JLSB filed a Notice of Appeal to appeal against the decision of the High Court Judge on 5 October 2015. Record of Appeal has been filed on 30 December 2015 in accordance to the Rules and Practice Direction.

On 17 May 2016, JLSB has filed its written submissions, together with bundle of authorities in support thereof.

At the hearing on 26 May 2016, the Court of Appeal dismissed the appeal with cost of RM20,000 to be paid to the 1st and 3rd Defendants and RM20,000 to be paid to the 2nd Defendant, subject to allocator and further ordered that the deposit be refunded to JLSB.

- (d) On 8 April 2015, Jetson Construction Sdn. Bhd. ("JCSB") filed an Originating Summons ("OS") and Notice of Application ("NOA") for an order restraining LMWSB from acting in breach of the non-compete clause under the Shareholders' Agreements pending disposal of the arbitration proceedings vide Notice of Arbitration dated 6 April 2015 from JCSB.

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B10. Status of Material Litigation (Cont'd)

- (d) On 20 April 2015, VCGP filed an application to intervene (“Application to Intervene”) in these proceedings. Both NOA and Application to Intervene were fixed for hearing on 22 April 2015. Upon hearing the parties’ counsels on 22 April 2015, the Court allowed VCGP’s Application to Intervene with no order as to cost. The Court also refused to grant the Ad-Interim Injunction pending disposal of the OS at hearing proper.

At the hearing of the OS and NOA on 27 May 2015, the Court dismissed JCSB’s OS and NOA for an interim injunction pending disposal of the arbitration on inter alia, the grounds that the balance of convenience lies in favour of not granting the injunction in that the defendants would suffer grievances and that damages were adequate remedy. In addition thereto, the Judge granted an interim preservation pending the arbitration by ordering the Defendants to produce all documents in relation to payments made by VCGP to LMWSB from 10 December 2014 to the date of the arbitral award between JCSB and LMWSB, subject to JCSB’s undertaking for confidentiality save for usage in the arbitration between JCSB and LMWSB.

By Notice of Arbitration dated 6 April 2015 above, JCSB commenced arbitration proceedings against LMWSB for inter alia, a declaration that LMWSB has engaged in business or entered into transactions/contracts that are in direct competition with the business undertaken by JLSB of the Shareholders’ Agreement, without prior written consent of JCSB.

On 20 May 2015, JCSB requested the Kuala Lumpur Regional Centre for Arbitration for the appointment of a sole arbitrator and on 28 May 2015, an arbitrator was appointed.

Pursuant to Procedural Orders and Direction No. 1 (“Procedural Order”) dated 3 July 2015, orders and directions were made by the Arbitration in respect of the arbitration proceedings.

Pursuant to paragraph 6.1 of the Procedural Order and the Variation of the Procedural Order granted by the Arbitrator on 8 August 2015, JCSB delivered the Statement of Claim on 17 August 2015. On 5 October 2015, LMWSB delivered the Statement of Defence and Counterclaim. On 12 November 2015, JCSB delivered the Statement of Reply and Defence to Counterclaim. On 22 December 2015, LMWSB submitted the Respondent’s Reply to Defence to Counterclaim. On or about 2 February 2016, parties exchanged their respective bundle of documents. On 17 February 2016, the parties submitted the request to produce.

On 14 April 2016, the Tribunal decided to hear the jurisdictional challenge in an award on the merits after having heard parties’ submissions on or when to hear JCSB’s jurisdictional challenge, for the reason that this issues requires an assessment of the evidence, more appropriately and conveniently presented at the full hearing in light of LMWSB’s assertions in their pleadings.

The hearings of the arbitration have been adjourned to 21 November 2016 to 25 November 2016.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

B11. Retained Profits

The breakdown of the retained earnings of the Group as at 30 June 2016 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.

	30.06.2016	31.12.2015
	RM'000	RM'000
Total retained earnings of the Group		
- realised	(11,592)	(9,870)
- unrealised	(3)	390
	<hr/>	<hr/>
	(11,595)	(9,480)
Less: Consolidation adjustments	7,440	7,286
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	(4,155)	(2,194)
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B12. Dividend Payable

No dividend has been recommended by the Board of Directors during the financial period ended 30 June 2016.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

B13. (Loss)/Earnings Per Share

(a) Basic

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

	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Net (loss)/profit attributable to the owners the Company	(398)	1,750	(1,961)	1989
Adjusted weighted average number of ordinary shares in issue and issuable	187,967	187,967	187,967	187,967
Basic (loss)/earnings per share (sen)	(0.21)	0.93	(1.04)	1.06

* Pursuant to MFRS 133, Earnings Per Share, the (loss)/profit per share for the individual and cumulative quarter ended 30 June 2016 and 30 June 2015 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.

(b) Diluted

For the purpose of calculating diluted earnings /(loss) per share, the profit /(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 year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. detachable warrants ("Warrants").

There is no dilution in the profit per share of the Company as at 30 June 2016 and 30 June 2015 as the market value of the above securities was lower than the exercise prices. Accordingly, full conversion of the securities would result in anti-dilution.