

IDEAL JACOBS (MALAYSIA) CORPORATION BHD (857363-U)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134: *Interim Financial Reporting in Malaysia* and ACE Market ("ACE") Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements do not included all the information required for full annual financial statements and should be read together with audited financial statements of the Group of Ideal Jacobs (Malaysia) Corporation Bhd ("the Group") for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial report. The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with Financial Reporting Standard ("FRS").

These are the Group's financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The transition to MFRS framework does not have any financial impact to the financial statements of the Group.

A2. Audit Report of Preceding Annual Financial Statements

The preceding year annual audited financial statements were not subject to any qualification.

A3. Seasonal or Cyclical Factors

The Group's operations were not subject to any seasonal or cyclical changes.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group since the last annual audited financial statements.

A5. Material Changes in Estimates

There were no material changes in estimates for the quarter ended 30 September 2012.

A6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

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A7. Dividend Paid

There were no dividends declared or paid by the Group for the current quarter under review.

A8. Segment Information

(i) Business Segment

Period ended	Industrial <u>labels</u>	Laser/ die-cut <u>products</u>	Fabrication of plastic <u>parts</u>	Trading of non-core <u>products</u>	<u>Elimination</u>	<u>Total</u>
30/09/2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue:-</u>						
External customers	6,241	6,057	2,803	3,857	-	18,958
Inter-segment	37	536	96	-	(669)	-
	<u>6,278</u>	<u>6,593</u>	<u>2,899</u>	<u>3,857</u>	<u>(669)</u>	<u>18,958</u>
<u>Results:-</u>						
Interest income						57
Finance costs						(98)
Depreciation						(466)
Other non-cash expenses (a)						(212)
Taxation						(616)
Segment profit						<u>561</u>
<u>Assets:-</u>						
Additions to non-current assets (b)						539
Segment assets						<u>23,964</u>
<u>Liabilities:-</u>						
Segment liabilities						<u>6,219</u>

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Period ended 30/09/2011	Industrial <u>labels</u> RM'000	Laser/ die-cut <u>products</u> RM'000	Fabrication of plastic <u>parts</u> RM'000	Trading of non-core <u>products</u> RM'000	<u>Elimination</u> RM'000	<u>Total</u> RM'000
<u>Revenue:-</u>						
External customers	6,906	3,616	4,381	59	-	14,962
Inter-segment	10	-	-	-	(10)	-
	<u>6,916</u>	<u>3,616</u>	<u>4,381</u>	<u>59</u>	<u>(10)</u>	<u>14,962</u>
<u>Results:-</u>						
Interest income						54
Finance costs						(9)
Depreciation						(434)
Other non-cash expenses (a)						(28)
Taxation						(983)
Segment loss						<u>(1,700)</u>
<u>Assets:-</u>						
Additions to non-current assets (b)						1,819
Segment assets						<u>21,659</u>
<u>Liabilities:-</u>						
Segment liabilities						<u>2,988</u>

Notes:

(a) Notes to other non-cash expenses consist of the following item:

	Current Year to-Date 30/09/2012 RM'000	Preceding Year Period 30/09/2011 RM'000
Loss on disposal of property, plant and equipment	45	-
Property, plant and equipment written off	112	7
Bad debts written off	4	-
Unrealised foreign exchange loss	51	21
	<u>212</u>	<u>28</u>

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(b) Additional to non-current assets consist of:

	Current Year to-Date 30/09/2012 RM'000	Preceding Year Period 30/09/2011 RM'000
Property, plant and equipment	430	1,819
Other investment	109	-
	<u>539</u>	<u>1,819</u>

(c) It was not practicable to separate out the segment results for its business segments to conform with current year's presentation as the Directors of the Company are of the opinion that excessive costs would be incurred.

(d) Segment assets and liabilities were unallocated as they were jointly used by four products segments.

(e) Inter-segment revenues are eliminated on consolidation.

(ii) Geographical Segments for Revenue

	<u>Individual Quarter Ended</u> 30/09/2012		<u>Cumulative Quarter Ended</u> 30/09/2012	
	<u>Revenue</u> RM'000	<u>Non-Current Asset</u> RM'000	<u>Revenue</u> RM'000	<u>Non-Current Asset</u> RM'000
PRC	4,284	5,134	11,799	5,134
Malaysia	909	242	2,002	242
Brazil	426	-	852	-
Singapore	424	-	1,395	-
Thailand	390	41	1,218	41
USA	290	-	928	-
Sweden	139	-	147	-
Netherlands	36	-	270	-
Australia	32	-	60	-
India	22	-	32	-
Canada	20	-	57	-
Japan	20	-	65	-
New Zealand	13	-	76	-
Israel	5	-	5	-
Poland	4	-	4	-
Hong Kong	3	-	6	-
Taiwan	3	-	29	-
France	2	-	5	-
England	1	-	1	-
German	1	-	1	-
Korea	1	-	6	-
	<u>7,025</u>	<u>5,417</u>	<u>18,958</u>	<u>5,417</u>

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	<u>Individual Quarter Ended</u> 30/09/2011		<u>Cumulative Quarter Ended</u> 30/09/2011	
	<u>Revenue</u>	<u>Non-Current</u> <u>Asset</u>	<u>Revenue</u>	<u>Non-Current</u> <u>Asset</u>
	RM'000	RM'000	RM'000	RM'000
PRC	4,597	4,747	11,094	4,747
USA	546	-	1,221	-
Singapore	493	-	736	-
Thailand	323	614	1,230	614
Malaysia	134	207	251	207
Netherlands	89	-	103	-
Mexico	41	-	137	-
Taiwan	13	-	53	-
Hong Kong	11	-	32	-
Philippines	4	-	64	-
Canada	2	-	29	-
India	2	-	2	-
Germany	1	-	3	-
England	-	-	5	-
France	-	-	2	-
	<u>6,256</u>	<u>5,568</u>	<u>14,962</u>	<u>5,568</u>

Non currents asset information presented above consist of the following items as presented in the consolidated statement of financial position:

	As at 30/09/2012 RM'000	As at 30/09/2011 RM'000
Property, plant and equipment	5,257	5,421
Goodwill on consolidation	51	147
Other investment	109	-
	<u>5,417</u>	<u>5,568</u>

(iii) Information About Major Customers

On the year to date basis, revenue from one major customer amounted to RM2.00 million (2011: RM1.67 million) majority arising from laser/die-cut product segment.

A9. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

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A10. Changes in The Composition Of The Group

Incorporation of Subsidiary:

On 8 August 2012, the Company's wholly-owned subsidiary, Ideal Jacobs Xiamen Corporation in the People's Republic of China ("PRC") has incorporated a wholly-owned subsidiary, namely Ideal Jacobs Suzhou ("IJS") under the Company Law of the PRC. The registered and paid-up capital of IJS is RMB1.5 million.

Saved as disclosed above, there were no changes in the composition of the Group during the current quarter under review.

A11. Contingent Liabilities and Capital Commitments

There were no material contingent liabilities and capital commitments as at the end of the quarter.

A12. Significant Related Party Transaction

In addition to balances detailed elsewhere in the financial statements, the Group carried out the following transactions with its related parties during the interim financial period.

	Current Year to-Date 30/09/2012 RM'000	Preceding Year Period 30/09/2011 RM'000
Entities controlled by certain key management personnel; directors and/or substantial shareholders:		
Sales to a corporate shareholder	<u>510</u>	<u>647</u>
Purchases from a corporate shareholder	<u>28</u>	<u>72</u>
Commission paid to a corporate shareholder	<u>22</u>	<u>35</u>

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A13. Material Events Subsequent to The End Of The Reporting Quarter

Save as disclosed below, there were no material events subsequent to the current financial quarter ended 30 September 2012 up to the date of this report which is likely to substantially affect the results or the operations of the Group.

On 4 October 2012, the Company incorporated a new 51% owned subsidiary, namely Ideal Laminar Pte Ltd ("ILPL") under the Accounting and Corporate Regulatory Authority in Singapore by way of business registration. The registered and paid up share capital of ILPL is SGD\$100.00 divided into 100 ordinary shares of SGD1.00 each.

On 16 November 2012, the Company announced that Ideal Jacobs Corporation (Thailand) Limited ("IJT"), a 99.99% owned subsidiary of the Company had on 15 November 2012 commenced its members' voluntary winding up proceeding pursuant to Section 1236 of the civil and commercial code of the Thailand Act and Article 19 of the Articles of Association of IJT.

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B. ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Performance

	<u>Quarter Ended</u>		<u>Variance</u>	
	<u>30/09/2012</u>	<u>30/09/2011</u>	<u>RM'000</u>	<u>%</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	
Revenue	7,025	6,256	769	12
Profit from operation	313	843	(530)	(63)
Profit before tax	278	874	(596)	(68)
Profit after tax	128	434	(306)	(71)

For the quarter under review, the Group revenue increased by approximately 12% to RM7.03 million as compared to the revenue of RM6.26 million recorded in the preceding financial year corresponding quarter.

The higher quarterly revenue was contributed by:

- (i) The core business segments, Laser/Die-Cut Products which recorded an increase of approximately RM0.27 million for the financial quarter under review as compared to the preceding financial year corresponding quarter.
- (ii) Substantial increase in trading of non-core products , which consist of the following:

Trading of Information Technology ("IT") Products by Ideal Jacobs (HK) Corporation Limited ("IJHK") and Ideal Jacobs International Limited Company ("IJXI") of approximately RM0.75 million or representing 10.7% of the Group revenue of RM7.03 million during the financial quarter under review. .

Apart from the IT products, IJHK and IJXI also traded in Electric Powered Vehicle which contributed a revenue of approximately RM0.77 million or 10.9% to the Group revenue of RM7.03 million.

However, the above favorable results had been set off with the decrease from Industrial Labels and Fabrication of Plastic Parts due mainly to slowdown of sales order from existing customers.

Although the Group recorded a higher revenue during the quarter but profit from operation was lower mainly due to lower product margin from trading sales and lower margin from new customers particularly Laser/Die-cut Product segment coupled with slight increase in operating expenses at approximately RM0.12 million.

On the year to date basis, the Group registered total revenue of RM18.96 million and profit before tax of approximately RM1.18 million as compared to previous year of revenue of RM14.96 million and loss before tax of RM0.72 million.

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Despite higher revenue recorded for the financial period ended 30 September 2012, the profit from operation of RM1.17 million was relatively low as compared to previous year of RM1.88 million. These were mainly due to lower gross margin from trading sales; coupled with higher admin expenses at subsidiaries, as well as corporate head office expenses.

B2. Comparison to The Results Of The Preceding Quarter

	<u>Quarter Ended</u>		<u>Variance</u>	
	<u>30/09/2012</u>	<u>30/06/2012</u>	<u>RM'000</u>	<u>%</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	
Revenue	7,025	7,276	(251)	(3)
Profit from operation	313	593	(280)	(47)
Profit before tax	278	610	(332)	(54)
Profit after tax	128	356	(228)	(64)

The Group revenue decreased slightly at RM0.25 million or representing 3% during the current quarter as compared to the revenue of RM7.28 million recorded in the immediate preceding quarter. This was mainly attributed by slight decline in revenue from trading of non-core products at approximately RM0.38 million.

The Group registered a lower profit before tax at RM0.28 million during the quarter under review as compared to the immediate preceding quarter of RM0.61 million. This was due to lower product margin from new customers.

B3. Prospects

Although the Group is well positioned in the prevailing competitive PRC domestic market, however the continuous slowdown of the global and PRC economy has adversely impact the sales of Industrial Labels and Fabrication of Plastic Parts. Therefore, the Board is cautious that the performance of the Group may weaken for the remaining period of the financial year.

B4. Profit Forecast

The Group did not announce any profit forecast in any publicly available documents or announcement.

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B5. Taxation

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter 30/09/2012	Preceding Year Quarter 30/09/2011	Current Year to- Date 30/09/2012	Preceding Year Period 30/09/2011
Current income tax:				
- Malaysia	-	-	-	-
- Foreign	150	440	616	983
	<u>150</u>	<u>440</u>	<u>616</u>	<u>983</u>

Included herein the income tax provision are income tax payable by a subsidiary company in PRC, and it is calculated based on the statutory income tax rate of 15% (2011: 15%) in accordance with the relevant PRC income tax rules.

B6. Unquoted Investments and Properties

Save as disclosed in A10, there were no acquisitions or disposals of unquoted investments and properties during the financial quarter under review and the financial year-to-date.

B7. Quoted Securities

There were no acquisitions or disposals of quoted securities for the financial quarter under review and the financial year-to-date.

B8. Status of Corporate Proposals

Save as disclosed below, there were no corporate proposals announced but not completed as at the date of issuance of this announcement.

On 4 July 2012, the Board of the Company announced that the Company proposed to undertake the following:

- (a) Proposed renounceable rights issue of up to 60,000,500 new ordinary shares of RM0.10 each in the Company ("Rights Shares") together with up to 60,000,500 free detachable warrants ("Warrants") on the basis of one (1) Rights Share for every two (2) existing ordinary shares of RM0.10 each held in the Company ("IJM Shares") together with one (1) Warrant for every Rights Shares subscribed at an indicative issue price of RM0.20 per Rights Share and at an entitlement date to be determined later ("Proposed Rights Issue with Warrants"); and
- (b) Proposed exemption for Ideal Jacobs Corporation, Andrew Conrad Jacobs and persons acting in concert with them under Practice Note 9, Paragraph 16.1 of the Malaysian Code on Take-Overs and Mergers, 2010 from the obligation to undertake a mandatory general offer for all the remaining IJM Shares not already owned by them pursuant to their subscription of the Rights Shares in relation to the Proposed Rights Issue with Warrants ("Proposed Exemption").

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The Proposed Right Issue with Warrants and the Proposed Exemption shall collectively be referred to as the "Proposal".

The Proposal is subject to approval of the shareholders of the Company at an EGM to be convened and any other relevant authorities. Barring any unforeseen circumstances, the Proposal is expected to be completed in the fourth quarter of 2012.

However, on 13 September 2012, the Board had announced that the proposal will not be submitted as previously announced and the Board is deliberating on amending certain terms of the Proposal due to changes in the investment climate and the funding requirements of the Company. Further announcement on the amendments to the terms of the Proposal will be announced in due course.

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B9. Status of Utilisation of Proceeds

As at 30 September 2012, the details of the utilisation of IPO proceeds are as follows:

Purpose	Original proposed utilisation	Revised IPO proceeds	Actual utilisation as at 30 September 2012	Actual balance unutilised as at 30 September 2012	Time frame for utilisation from the date of EGM
	RM'000	RM'000	RM'000	RM'000	
Establishment of industrial label manufacturing plant in Suzhou, PRC	1,500	(1,500)	-	-	-
Launch of a new production line for engineered thermoplastic composite products in factory located at Samut Prakan Province, Thailand	1,000	(1,000)	-	-	-
Establishment of an industrial label manufacturing plant in the northern region of Malaysia	800	(800)	-	-	-
Working capital for our Group	1,800	3,300	4,400	700 ⁽¹⁾	Within 6 months
Estimated listing expenses	3,000	-	3,000	-	-
TOTAL	8,100	-	7,400	700	

Note:

⁽¹⁾ Proceeds are placed in fixed deposit with a bank and has yet to be utilised.

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B10. Group's Borrowings and Debt Securities

The Group's secured borrowings as at end of the reporting quarter are as follows:-

	Short Term RM'000	Long Term RM'000
Hire Purchase	24	-
Term Loan	<u>2,492</u>	<u>-</u>
RMB	1,505	-
USD	<u>1,011</u>	<u>-</u>

The short-term portion of hire purchase has been included in other payables.

B11. Off Balance Sheet Financial Instruments

There were no financial instruments with off-balance sheet risk as at the date of this interim report.

B12. Material Litigation

There were no material litigations involving the Group as at the date of this interim report.

B13. Dividends

No dividends have been declared or paid during the quarter under review.

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B14. Earnings Per Share (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/09/2012	Preceding Year Quarter 30/09/2011	Current Year to Date 30/09/2012	Preceding Year Period 30/09/2011
(i) Basic EPS				
Net profit/(loss) for the period (RM'000)	110	434	543	(1,700)
Weighted average number of ordinary shares issued ('000)	120,001	105,220	120,001	105,220
Basic earnings/(loss) per share (sen)	0.09	0.41	0.45	(1.62)
(ii) Diluted EPS	N/A	N/A	N/A	N/A

- (i) The basic EPS is calculated by dividing the net profit/(loss) attributable to the owners of the Parent by the weighted average number of shares in issued during the period.
- (ii) The Group has no potential equity instruments in issue as at the reporting date and therefore, diluted EPS has not been presented.

B15. Realised & Unrealised Profits

	As at 30/09/2012 RM'000	As at 31/12/2011 RM'000
Total retained profits for the Group :		
- Realised gain/(loss)	654	(8)
- Unrealised (loss)/gain	(51)	32
Total Group's retained profits as per consolidated account	603	24

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