

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2013

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

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 Ideal Jacobs (Malaysia) Corporation Bhd ("the Group") for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial report. The audited financial statements of the Group for the financial year ended 31 December 2012 were prepared in accordance with MFRS.

The accounting policies and method of computation adopted for the interim financial reports are consistent with those adopted for audited financial statements for financial year ended 31 December 2012. The adoption of new MFRSs has not resulted in any material impact on 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 June 2013.

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>
30/06/2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue:-</u>						
External customers	4,250	5,991	2,539	1,343	-	14,123
Inter-segment	146	1,101	272	-	(1,519)	-
	<u>4,396</u>	<u>7,092</u>	<u>2,811</u>	<u>1,343</u>	<u>(1,519)</u>	<u>14,123</u>
<u>Results:-</u>						
Interest income						29
Finance costs						(60)
Depreciation						(413)
Other non-cash expenses (a)						(21)
Taxation						(319)
Segment loss						<u>(366)</u>
<u>Assets:-</u>						
Additions to non-current assets (b)						1,036
Segment assets						<u>30,102</u>
<u>Liabilities:-</u>						
Segment liabilities						<u>11,728</u>

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Period ended 30/06/2012	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	4,130	3,620	1,854	2,329	-	11,933
Inter-segment	30	168	2	-	(200)	-
	<u>4,160</u>	<u>3,788</u>	<u>1,856</u>	<u>2,329</u>	<u>(200)</u>	<u>11,933</u>

Results:-

Interest income						40
Finance costs						(38)
Depreciation						(316)
Other non-cash expenses (a)						(183)
Taxation						(466)
Segment profit						<u>434</u>

Assets:-

Additions to non-current assets (b)						291
Segment assets						<u>24,173</u>

Liabilities:-

Segment liabilities						<u>6,136</u>
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Notes:

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

	Current Year to-Date 30/06/2013 RM'000	Preceding Year Period 30/06/2012 RM'000
Loss on disposal of property, plant and equipment	-	45
Property, plant and equipment written off	-	111
Bad debts written off	1	4
Unrealised foreign exchange loss	20	23
	<u>21</u>	<u>183</u>

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

	Current Year to-Date 30/06/2013 RM'000	Preceding Year Period 30/06/2012 RM'000
Property, plant and equipment	<u>1,036</u>	<u>291</u>

(c) It was not practicable to separate out the segment results for its business segments 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> 30/06/2013		<u>Cumulative Quarter Ended</u> 30/06/2013	
	<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	4,853	6,037	8,389	6,037
USA	879	-	1,302	-
Hong Kong	767	-	897	-
Netherlands	584	-	595	-
Thailand	508	-	1,019	-
Singapore	410	-	698	-
Malaysia	336	193	879	193
Japan	51	-	75	-
France	51	-	53	-
New Zealand	44	-	86	-
Israel	28	-	37	-
England	24	-	31	-
Poland	6	-	16	-
Taiwan	6	-	12	-
Slovenia	3	-	7	-
India	2	-	13	-
Finland	2	-	2	-
Canada	1	-	3	-
Australia	-	-	9	-
	<u>8,555</u>	<u>6,230</u>	<u>14,123</u>	<u>6,230</u>

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	<u>Individual Quarter Ended</u> 30/06/2012		<u>Cumulative Quarter Ended</u> 30/06/2012	
	<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	4,470	5,313	7,516	5,313
Malaysia	987	116	1,093	116
Thailand	501	47	828	47
Singapore	502	-	971	-
USA	291	-	638	-
Brazil	253	-	426	-
Netherlands	130	-	234	-
New Zealand	38	-	63	-
Canada	27	-	37	-
Japan	27	-	45	-
Australia	17	-	28	-
Taiwan	13	-	25	-
Sweden	7	-	8	-
India	5	-	11	-
Hong Kong	3	-	3	-
France	3	-	3	-
Korea	2	-	4	-
	<u>7,276</u>	<u>5,476</u>	<u>11,933</u>	<u>5,476</u>

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

	As at 30/06/2013 RM'000	As at 30/06/2012 RM'000
Property, plant and equipment	6,121	5,425
Goodwill on consolidation	-	51
Other investment	109	-
	<u>6,230</u>	<u>5,476</u>

(iii) Information About Major Customers

On the period to date basis, revenue from one major customer amounted to RM2.33 million (2012: nil) majority arising from sales by Laser/Die-cut 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

On 26 April 2013, the Company announced that Ideal Jacobs Corporation (Thailand) Limited ("IJT"), a 99.99% owned subsidiary of the Company in Thailand had on 24 April 2013 received a letter from the liquidator of IJT informing that the liquidation of IJT has been completed on 17 April 2013.

On 19 June 2013, the company has incorporated a wholly-owned subsidiary, namely Ideal Jacobs Rangkuman Sdn Bhd ("IJRSB") in Malaysia under The Companies Act, 1965. The authorized share capital of IJRSB is RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM2.00 comprising 2 ordinary shares of RM1.00 each.

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. Related Party Disclosures

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 30/06/2013 RM'000	Preceding Year Period 30/06/2012 RM'000
Entities controlled by certain key management personnel; directors and/or substantial shareholders:		
Sales to a corporate shareholder	<u>413</u>	<u>400</u>
Purchases from a corporate shareholder	<u>23</u>	<u>21</u>
Commission paid to a corporate shareholder	<u>11</u>	<u>10</u>
Sales to companies in which directors of subsidiary companies have interest	<u>1,094</u>	<u>-</u>
Purchases from a company in which directors of subsidiary companies have interest	<u>44</u>	<u>-</u>

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

There were no material events subsequent to the current financial quarter ended 30 June 2013 up to the date of this report which is likely to substantially affect the results or the operations of the Group.

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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>30/06/2013</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	8,555	7,276	1,279	18
Profit from operation	300	593	(293)	(49)
Profit before tax	305	610	(305)	(50)
Profit after tax	90	356	(266)	(75)

For the quarter under review, the Group revenue increased at 18% to RM8.56 million as compared to the revenue of RM7.28 million recorded in the preceding financial year corresponding quarter.

The higher quarterly revenue was contributed by:-

- (i) The core business segments, Industrial Labels, Laser/Die-cut and Fabrication of Plastic Parts Products which recorded an increase of approximately RM2.38 million.
- (ii) Slight increase of Trading of metal parts and Others under non-core business segment at RM0.09 million.

However, the above favorable results had been set off with the decrease from trading of non-core products, particularly IT Products at RM0.49 million and Powered Electrical Vehicles at RM0.70 million respectively due to slow down of order from existing customer.

The Group registered profit before and after tax of RM0.31 million and RM0.09 million respectively as compared to preceding financial year corresponding quarter which recorded a profit before and after tax of RM0.61 million and RM0.36 million.

In summary, the recorded lower profit from operation as compared to the preceding financial year corresponding quarter was due to higher operating expenses:

- (i) Increase in selling & distribution expenses at subsidiaries in PRC, which in tandem with the hike in sales.
- (ii) Payment of withholding tax for the dividend declared by a subsidiary company outside Malaysia.
- (iii) Higher product development expenses incurred by a subsidiary company in PRC.

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- (iv) Commencement of operation of the new plant in Suzhou, PRC, namely Ideal Laminar (Suzhou) Ltd Co ("ILSZ") since first quarter of year 2013 and it was still making losses in the 1st and 2nd quarter.
- (v) Increase in expenses included donation, travelling and foreign currency exchange losses.

On the year to date basis, the Group registered total revenue of RM14.12 million and loss before tax of approximately RM0.05 million as compared to previous year of revenue of RM11.93 million and profit before tax of RM0.90 million.

Despite higher revenue recorded for the financial period ended 30 June 2013, the Group was making a loss from its operation due mainly to higher operating expenses incurred:

- (i) Increase in selling & distribution expenses at subsidiaries in PRC, which in tandem with the hike in sales.
- (ii) Payment of withholding tax for the dividend declared by a subsidiary company outside Malaysia.
- (iii) Higher product development expenses incurred by a subsidiary company in PRC.
- (iv) Commencement of operation of the new plant in Suzhou, ILSZ since first quarter of year 2013 and it was still making losses in the 1st and 2nd quarter.
- (v) Increase in expenses included donation, travelling, foreign currency exchange losses and staff cost.

B2. Comparison to The Results Of The Preceding Quarter

	<u>Quarter Ended</u>		<u>Variance</u>	
	<u>30/06/2013</u>	<u>31/03/2013</u>	<u>RM'000</u>	<u>%</u>
	<u>RM'000</u>	<u>RM'000</u>		
Revenue	8,555	5,568	2,987	54
Profit/(Loss) from operation	300	(352)	652	>100
Profit/(Loss) before tax	305	(352)	657	>100
Profit/(Loss) after tax	90	(456)	546	>100

The Group revenue increased at RM2.99 million or representing 54% during the current quarter as compared to the revenue of RM5.57 million recorded in the immediate preceding quarter.

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The higher quarterly revenue was contributed by the core business segments, Industrial Labels, Laser/Die-cut and Fabrication of Plastic Parts Products and trading of non-core products, IT Products at a total of RM3.29 million. Meanwhile, revenue from trading of Powered Electric Vehicles and Metal Parts decreased slightly at RM0.30 million.

The Group registered a profit before tax at RM0.31 million during the quarter under review as compared to the immediate preceding quarter, which recorded a loss at RM0.35 million. This was due to higher sales generated during the quarter as customers' order was in a picking up trend after long festive season celebration in PRC in first quarter.

B3. Prospects

The sales for Fabrication of Plastic Parts had improved in the 2nd quarter of 2013 and the Board expects the trend to continue. The Board also anticipates additional sales in 2013 to be generated from the newly incorporated subsidiaries, Ideal Lamina Pte Ltd and ILSZ. In these regards, the Board is cautiously optimistic that the performance of the Group shall improve 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.

B5. Taxation

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter 30/06/2013	Preceding Year Quarter 30/06/2012	Current Year to- Date 30/06/2013	Preceding Year Period 30/06/2012
Current income tax:				
- Malaysia	-	-	-	-
- Foreign	215	254	319	466
	<u>215</u>	<u>254</u>	<u>319</u>	<u>466</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% (2012: 15%) in accordance with the relevant PRC income tax rules.

B6. Unquoted Investments and Properties

Saved 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”).

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.

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

The proceeds received from IPO had been fully utilized during the first quarter of 2013.

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
Term Loan	<u>2,720</u>	<u>-</u>
USD	<u>2,720</u>	<u>-</u>

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 30/06/2013	Preceding Year Quarter 30/06/2012	Current Year to Date 30/06/2013	Preceding Year Period 30/06/2012
(i) Basic EPS				
Net profit/(loss) for the period (RM'000)	210	356	(136)	434
Weighted average number of ordinary shares issued ('000)	120,001	120,001	120,001	120,001
Basic earnings/(loss) per share (sen)	0.17	0.30	(0.11)	0.36
(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 and Losses

	As at 30/06/2013 RM'000	As at 31/12/2012 RM'000
Total accumulated losses for the Group :		
- Realised loss	230	38
- Unrealised loss	20	76
Total Group's accumulated losses as per consolidated statement of financial position	<u>250</u>	<u>114</u>

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