

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

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

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

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>
30/09/2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue:-</u>						
External customers	6,834	10,252	5,208	1,704	-	23,998
Inter-segment	237	2,542	511	-	(3,290)	-
	<u>7,071</u>	<u>12,794</u>	<u>5,719</u>	<u>1,704</u>	<u>(3,290)</u>	<u>23,998</u>
<u>Results:-</u>						
Interest income						33
Finance costs						(84)
Depreciation						(641)
Other non-cash income (a)						556
Taxation						(826)
Segment profit						<u>190</u>
<u>Assets:-</u>						
Additions to non-current assets (b)						3,238
Segment assets						<u>30,639</u>
<u>Liabilities:-</u>						
Segment liabilities						<u>10,938</u>

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

Period ended 30/09/2012	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	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>

Results:-

Interest income						57
Finance costs						(98)
Depreciation						(466)
Other non-cash expenses (a)						(212)
Taxation						(616)
Segment profit						<u>561</u>

Assets:-

Additions to non-current assets (b)						539
Segment assets						<u>23,964</u>

Liabilities:-

Segment liabilities						<u>6,219</u>
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Notes:

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

	Current Year to-Date 30/09/2013 RM'000	Preceding Year Period 30/09/2012 RM'000
Gain/(Loss) on disposal of property, plant and equipment	2,080	(45)
Property, plant and equipment written off	-	(112)
Bad debts written off	(115)	(4)
Impairment of trade receivable	(1,358)	-
Unrealised foreign exchange loss	(51)	(51)
	<u>556</u>	<u>(212)</u>

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

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

	Current Year to-Date 30/09/2013 RM'000	Preceding Year Period 30/09/2012 RM'000
Property, plant and equipment	3,238	430
Other investment	-	109
	<u>3,238</u>	<u>539</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> 30/09/2013		<u>Cumulative Quarter Ended</u> 30/09/2013	
	<u>Revenue</u> RM'000	<u>Non-Current</u> <u>Asset</u> RM'000	<u>Revenue</u> RM'000	<u>Non-Current</u> <u>Asset</u> RM'000
PRC	5,379	6,507	13,767	6,507
Singapore	1,311	-	2,010	-
USA	1,164	-	2,466	-
Thailand	577	-	1,596	-
Netherlands	574	-	1,170	-
France	345	-	398	-
Hong Kong	221	-	634	-
Malaysia	152	191	1,031	191
New Zealand	44	-	129	-
England	44	-	75	-
Japan	18	-	93	-
Canada	14	-	17	-
Lithuania	10	-	10	-
Brazil	9	-	494	-
Israel	7	-	44	-
Poland	3	-	19	-
India	1	-	14	-
German	1	-	1	-
Taiwan	-	-	12	-
Australia	-	-	9	-
Slovenia	-	-	7	-
Finland	-	-	2	-
	<u>9,874</u>	<u>6,698</u>	<u>23,998</u>	<u>6,698</u>

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

	<u>Individual Quarter Ended</u> 30/09/2012		<u>Cumulative Quarter Ended</u> 30/09/2012	
	<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	4,284	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>

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

	As at 30/09/2013 RM'000	As at 30/09/2012 RM'000
Property, plant and equipment	6,589	5,257
Goodwill on consolidation	-	51
Other investment	109	109
	<u>6,698</u>	<u>5,417</u>

(iii) Information About Major Customers

On the period to date basis, revenue from one major customer amounted to RM3.67 million (2012: RM2.00 million) with the majority arising from sales of laser/die-cut products.

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

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.

A10. Changes in The Composition Of The Group

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 30/09/2013 RM'000	Preceding Year Period 30/09/2012 RM'000
Entities controlled by certain key management personnel; directors and/or substantial shareholders:		
Sales to a corporate shareholder	<u>749</u>	<u>510</u>
Purchases from a corporate shareholder	<u>35</u>	<u>28</u>
Commission paid to a corporate shareholder	<u>46</u>	<u>22</u>
Sales to companies in which directors of subsidiary companies have interest	<u>1,270</u>	<u>-</u>
Purchases from a company in which directors of subsidiary companies have interest	<u>88</u>	<u>-</u>

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

Saved as disclosed below, there were no material events subsequent to the current financial quarter ended 30 September 2013 up to the date of this report which is likely to substantially affect the results or the operations of the Group.

On 23 October 2013, on behalf of the Board of Directors (“Board”) of Ideal Jacobs (Malaysia) Corporation Bhd (“IJACOBS”), M&A Securities Sdn Bhd announced that the Company has proposed to establish and implement an employees’ share option scheme (“ESOS”) for the eligible employees and directors of the Company and its subsidiaries (excluding dormant subsidiaries).

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

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>30/09/2013</u>	<u>30/09/2012</u>	<u>RM'000</u>	<u>%</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	
Revenue	9,874	7,025	2,849	41
(Loss)/Profit from operation	(1,163)	313	(1,476)	>(100)
Profit before tax	1,063	278	785	>100
Profit after tax	556	128	428	>100

For the quarter under review, the Group revenue increased from RM7.03 million to RM9.87 million as compared to the preceding financial year corresponding quarter, representing a 41% increase.

The higher quarterly revenue was contributed by:-

- (i) All core business segments, which are Industrial Labels, Laser/Die-cut and Fabrication of Plastic Parts Products recorded an increase of approximately RM4.02 million.
- (ii) Trading of Metal Parts and Others under non-core business segment at RM0.32 million.

The above favorable results had been set off with the decrease from trading of non-core products, particularly Information Technology ("IT") Products at RM0.74 million and Electric Powered Vehicles at RM0.75 million respectively due to nil order during the quarter under review.

The Group registered profit before tax of RM1.06 million and profit after tax at RM0.56 million as compared to preceding financial year corresponding quarter at RM0.28 million and RM0.13 million respectively.

In summary, the recorded higher profit before tax as compared to the preceding financial year corresponding quarter was due to:-

Gain from disposal of property at a wholly-owned subsidiary in China, Ideal Jacobs (Xiamen) Corporation ("IJX") at approximately RM2.22 million.

Subsequent to the disposal, IJX lease back the property while waiting for the completion of construction of new property.

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

Total gain from disposal of property, plant & equipment amounting to RM2.08 million as disclosed in Note (ii) of the Statement of Profit or Loss was derived by netting off the loss from disposal of other plant & equipment amounting to RM0.14 million with the gain from disposal of property.

The recorded loss 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) Higher product development expenses incurred by a subsidiary company in PRC.
- (iii) 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 for 3rd quarter ended 30 September 2013.
- (iv) Increase in expenses included donation, travelling, rental, office expenses and foreign currency exchange losses.
- (v) Value added tax written off.
- (vi) Impairment of trade receivable of RM1.36 million.

On the year to date basis, the Group registered total revenue of RM24.00 million and profit before tax of approximately RM1.02 million as compared to previous year of revenue of RM18.96 million and profit before tax of RM1.18 million.

Higher revenue recorded for the financial period ended 30 September 2013 was from Core Products at RM7.19 million but was offset by a drop from Trading of Non-core Products at RM2.15 million.

The recorded loss from operation as compared to previous financial year 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.
- (iv) Commencement of operation of the new plant in Suzhou, ILSZ since first quarter of year 2013 and it was still making losses for 3rd quarter ended 30 September 2013.
- (v) Increase in expenses included donation, travelling, rental and foreign currency exchange losses.
- (vi) Value added tax written off.
- (vii) Impairment of trade receivable of RM1.36 million.

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

B2. Comparison to The Results Of The Preceding Quarter

	Quarter Ended		Variance	
	30/09/2013	30/06/2013	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	9,874	8,555	1,319	15
(Loss)/Profit from operation	(1,163)	300	(1,463)	>(100)
Profit before tax	1,063	305	758	>100
Profit after tax	556	90	466	>100

The Group revenue increased at RM1.32 million to RM9.87 million during the current quarter as compared to the revenue of RM8.56 million recorded in the immediate preceding quarter.

The higher quarterly revenue was contributed by all business segments, except revenue from trading of Electric Powered Vehicles and Information Technology Products under Trading of Non-core Product segment.

The Group profit before tax increased to RM1.06 million during the quarter under review as compared to the immediate preceding quarter, which was at RM0.31 million due to gain from disposal of property by IJX at RM2.22 million.

Despite the higher revenue recorded, the group registered a loss from operation during the current quarter as compared to the immediate preceding quarter due mainly to higher operating expenses incurred for selling & distribution expenses, product development expenses, travelling, rental, value added tax written off, impairment of trade receivable and loss from disposal of plant & equipment.

B3. Prospects

The sales for all segments had improved in the 3rd quarter of 2013 except for the trading of Electric Powered Vehicles and IT Products. The Board also anticipates additional sales in 2013 to be generated from the newly incorporated subsidiaries, Ideal Laminar Pte Ltd and ILSZ. In this regard, the Board believes 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.

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

B5. Taxation

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter 30/09/2013	Preceding Year Quarter 30/09/2012	Current Year to- Date 30/09/2013	Preceding Year Period 30/09/2012
Current income tax:				
- Malaysia	-	-	-	-
- Foreign	507	150	826	616
	<u>507</u>	<u>150</u>	<u>826</u>	<u>616</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 15-25% (2012: 15%) in accordance with the relevant PRC income tax rules.

B6. Unquoted Investments and Properties

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.

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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.

(i) Right Issue

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.

(ii) ESOS

On 23 October 2013, on behalf of the Board of IJACOBS, M&A Securities Sdn Bhd announced that the Company has proposed to establish and implement an ESOS for the eligible employees and directors of IJACOBS and its subsidiaries (excluding dormant subsidiaries) (“IJACOBS Group” or “Group”) (“Proposed ESOS”).

The application to Bursa Securities for the listing of and quotation for the new IJACOBS Shares to be issued pursuant to the Proposed ESOS is expected to be made within two (2) months from the date of the announcement.

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

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>2,806</u>	<u>-</u>
USD	<u>2,806</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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IDEAL JACOBS (MALAYSIA) CORPORATION BHD (857363-U)

B14. Earnings Per Share (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/09/2013	Preceding Year Quarter 30/09/2012	Current Year to Date 30/09/2013	Preceding Year Period 30/09/2012
(i) Basic EPS				
Net profit for the period (RM'000)	525	110	389	543
Weighted average number of ordinary shares issued ('000)	120,001	120,001	120,001	120,001
Basic earnings per share (sen)	0.44	0.09	0.32	0.45
(ii) Diluted EPS	N/A	N/A	N/A	N/A

- (i) The basic EPS is calculated by dividing the net profit 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 30/09/2013 RM'000	As at 31/12/2012 RM'000
Total accumulated profits/(losses) for the Group :		
- Realised profit/(loss)	326	(38)
- Unrealised loss	(51)	(76)
Total Group's accumulated profits/(losses) as per consolidated statement of financial position	275	(114)

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