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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELTH MONTHS FINANCIAL YEAR ENDED 31 DECEMBER 2013

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 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.

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 31/12/2013	Industrial labels RM'000	Laser/ die-cut products RM'000	Fabrication of plastic parts RM'000	Trading of non-core products RM'000	Elimination RM'000	Total RM'000
Revenue:-						
External customers	9,456	15,332	8,980	2,268	-	36,036
Inter-segment	276	4,092	742	-	(5,110)	-
	9,732	19,424	9,722	2,268	(5,110)	36,036
Results:-						
Interest income						40
Finance costs						(116)
Depreciation and amortisation						(841)
Other non-cash income (a)						458
Taxation						(1,054)
Segment profit						309
Assets:-						
Additions to non-current assets (b)						4,210
Unallocated corporate assets						33,074
Liabilities:-						
Unallocated corporate liabilities						12,831

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Period ended 31/12/2012	Industrial labels RM'000	Laser/ die-cut products RM'000	Fabrication of plastic parts RM'000	Trading of non-core products RM'000	Elimination RM'000	Total RM'000
Revenue:-						
External customers	8,148	8,368	3,707	4,165	-	24,388
Inter-segment	92	1,244	163	524	(2,023)	-
	8,240	9,612	3,870	4,689	(2,023)	24,388
Results:-						
Interest income						95
Finance costs						(131)
Depreciation						(651)
Other non-cash expenses (a)						(396)
Taxation						(721)
Segment profit						272
Assets:-						
Additions to non-current assets (b)						682
Unallocated corporate assets						22,269
Liabilities:-						
Unallocated corporate liabilities						4,675

Notes:

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

	Current Year to-Date 31/12/2013 RM'000	Preceding Year Period 31/12/2012 RM'000
Loss on deconsolidation of subsidiary company	(45)	-
Fair value gain adjustment on investment property	78	-
Waiver of debts on amount due to a director	-	2
Inventories written down	(23)	(90)
Goodwill written off	-	(51)
Unrealised foreign exchange loss	(159)	(76)
Property, plant and equipment written off	(50)	(131)
Gain/(Loss) on disposal of property, plant and equipment	2,098	(40)
Impairment loss on trade receivables	(1,441)	(10)
	458	(396)

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

	Current Year to-Date 31/12/2013 RM'000	Preceding Year Period 31/12/2012 RM'000
Property, plant and equipment	2,779	573
Prepaid land lease payments	1,431	-
Other investment	-	109
	4,210	682

(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) Unallocated assets and liabilities were jointly used by four products segments.

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

(ii) Geographical Segments for Revenue

	Individual Quarter Ended 31/12/2013		Cumulative Quarter Ended 31/12/2013	
	Revenue	Non-Current Asset	Revenue	Non-Current Asset
	RM'000	RM'000	RM'000	RM'000
PRC	7,777	7,686	21,545	7,686
Singapore	1,056	-	3,065	-
Netherlands	976	-	2,146	-
USA	828	-	3,294	-
France	735	-	1,133	-
Thailand	301	-	1,897	-
Malaysia	143	77	1,175	77
Hong Kong	101	-	736	-
England	41	-	116	-
Canada	19	-	36	-
India	14	-	27	-
Slovenia	12	-	19	-
New Zealand	9	-	138	-
Israel	8	-	52	-
Taiwan	6	-	18	-
Brazil	3	-	496	-
German	3	-	4	-
Finland	2	-	4	-
Poland	2	-	21	-
Japan	1	-	94	-
Philippines	1	-	1	-
Australia	-	-	9	-
Lithuania	-	-	10	-
	12,038	7,763	36,036	7,763

	Individual Quarter Ended 31/12/2012		Cumulative Quarter Ended 31/12/2012	
	Revenue	Non-Current Asset	Revenue	Non-Current Asset
	RM'000	RM'000	RM'000	RM'000
PRC	3,729	5,143	15,526	5,143
Thailand	362	-	1,580	-
Singapore	360	-	1,756	-
Malaysia	280	200	2,283	200
USA	279	-	1,207	-
Sweden	145	-	292	-
Brazil	94	-	946	-
Netherlands	63	-	333	-
Australia	35	-	95	-
England	20	-	20	-
New Zealand	16	-	92	-
Japan	10	-	76	-
Canada	8	-	65	-
Poland	8	-	12	-
Israel	6	-	11	-
India	4	-	37	-
Taiwan	3	-	32	-
Slovenia	3	-	3	-
Hong Kong	2	-	8	-
France	1	-	6	-
German	1	-	2	-
Korea	-	-	6	-
	5,429	5,343	24,388	5,343

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

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
Property, plant and equipment	4,904	5,234
Prepaid land lease payments	1,476	-
Investment property	1,275	-
Other investment	109	109
	7,764	5,343

(iii) Information About Major Customers

On the period to date basis, revenue from one major customer amounted to RM4.91million (2012: RM2.66 million) with the majority arising from sales of by the industrial labels 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.

A10. Valuation of Investment Property

The Group has undertaken a revaluation on the investment property during the current quarter under review and stated at fair value. Revaluation reserve was taken up as follows:

	Carrying Value RM'000	Revaluation Value RM'000	Revaluation Reserve RM'000
Investment property	1,145	1,275	128

A11. Changes in The Composition Of The Group

There were no changes in the composition of the Group during the current quarter under review.

A12. Contingent Liabilities

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
Unsecured		
Corporate guarantee given by a subsidiary company to financial institution on the banking facilities granted to a corporate shareholder of a subsidiary company – utilised amount	738	-

A13. Capital Commitments

Commitments not provided for in the financial statements are as follows:-

Capital commitment

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
Capital expenditure		
- Authorised and contracted for:		
- Property, plant & equipment	12,506	-

Investment commitment

The Group has entered into agreements with Government of Tong Ann District in Xiamen to invest in China, via the subsidiary company, Ideal Jacobs (Xiamen) Corporation ("IJX").

As at 31 December 2013, the total investment commitment is USD3,500,000 (2012: USDNil). The Group has invested with an accumulated investment of USD700,000 (2012: USDNil) and it still has a balance of USD2,800,000 (2012: USDNil) to be invested in the next financial period.

A14. Related Party Disclosures

The Group has the following transactions with the related parties at negotiated terms agree between the parties during the interim financial period:

	Current Year to-Date 31/12/2013 RM'000	Preceding Year Period 31/12/2012 RM'000
Sales to a corporate shareholder	890	661
Sales to a corporate shareholder of a subsidiary company	713	357
Purchases from a corporate shareholder	63	44
Commission paid to a corporate shareholder	47	28
Licensing fees paid to a corporate shareholder	257	215
Sales to a company in which director of a subsidiary companies has interest	670	845
Management fee charged by a corporate shareholder of a subsidiary company	311	-
Purchases from corporate shareholder of a subsidiary company	50	-

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A15. 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). Bursa Securities had vide its letter dated 11 December 2013, approved the proposed ESOS and it is subject to approval of the shareholders of the Company at an extraordinary general meeting to be convened on 28 February 2014.

On 23 January 2014, IJX entered into a Sales and Purchase Agreement for the acquisition of two units of condominium in Tong Ann, PRC for a total consideration of RM654,184.

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

B1. Review of Performance

	Quarter Ended			
	31/12/2013	31/12/2012	Variance	
	RM'000	RM'000	RM'000	%
Revenue	12,038	5,429	6,609	>100
Profit/(Loss) from operation	203	(299)	502	>100
Profit/(Loss) before tax	347	(184)	531	>100
Profit/(Loss) after tax	119	(289)	408	>100

For the quarter under review, the Group revenue increased from RM5.43 million to RM12.04 million as compared to the preceding financial year corresponding quarter, representing a 122% 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 RM6.35 million.

(ii) Trading of Metal Parts and Others under non-core business segment at RM0.52 million.

The above favorable results had been set off with the decrease from trading of non-core products, particularly Information Technology ("IT") Products at RM0.14 million and Electric Powered Vehicles at RM0.13 million respectively due to nil order during the quarter under review.

The Group registered profit before tax of RM0.35 million and profit after tax at RM0.12 million as compared to preceding financial year corresponding quarter which recorded a loss before and after tax of RM0.18 million and RM0.29 million respectively due mainly to higher revenue generated.

The Group recorded higher revenue during the quarter but the profit from operation did not increase in tandem with the increase in revenue as the result of lower product margin from new customers particularly Laser/Die-cut and Fabrication of Plastic Parts Products segment coupled with increase in operating expenses at approximately RM1.24 million.

The higher operating expenses during the quarter under review were mainly:

(i) Increase in selling & distribution expenses at subsidiaries in PRC, which was 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 4th quarter ended 31 December 2013.

(iv) Increase in expenses included donation, entertainment, travelling and rental.

(v) Impairment of trade receivable.

(vi) Management fees paid to a related party by a subsidiary in Singapore.

	Cumulative Quarter Ended			
	31/12/2013	31/12/2012	Variance	
	RM'000	RM'000	RM'000	%
Revenue	36,036	24,388	11,648	48
(Loss)/Profit from operation	(1,012)	872	(1,884)	>(100)
Profit before tax	1,363	993	370	37
Profit after tax	309	272	37	14

On the year to date basis, the Group registered total revenue of RM36.04 million and profit before tax of approximately RM1.36 million as compared to previous year of revenue of RM24.39 million and profit before tax of RM0.99 million.

Higher revenue recorded for the financial period ended 31 December 2013 was from Core Products at RM13.55 million but was offset by a drop form Trading of Non-core Products at RM1.90 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 4th quarter ended 31 December 2013.

(v) Increase in expenses included donation, entertainment, travelling, rental, office expenses and foreign currency exchange losses.

(vi) Value added tax written off.

(vii) Impairment of trade receivable.

(viii) Management fees paid to a related party by a subsidiary in Singapore.

B2. Comparison to The Results Of The Preceding Quarter

	Quarter Ended		Variance	
	31/12/2013	30/09/2013		
	RM'000	RM'000	RM'000	%
Revenue	12,038	9,874	2,164	22
Profit/(Loss) from operation	203	(1,163)	1,366	>100
Profit before tax	347	1,063	(716)	(67)
Profit after tax	119	556	(437)	(79)

The Group revenue increased at RM2.16 million to RM12.04 million during the current quarter as compared to the revenue of RM9.87 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 decreased to RM0.35 million compared to the immediate preceding quarter, which was at RM1.06 million as preceding quarter captured a gain from disposal of property at a wholly-owned subsidiary in China, Ideal Jacobs (Xiamen) Corporation ("IJX") at approximately RM2.23 million.

B3. Prospects

Except for the trading of electric powered vehicles and IT products, the sales from all segments had improved for the financial year ended 2013 as compared to 2012 especially for laser/die-cut products and fabrication of plastic parts. We expect the sales from core business segments which include industrial labels, laser/die-cut and fabrication of plastic parts to increase marginally in year 2014 as compared to 2013 albeit strong competition. The trading of electrical powered vehicles and IT products will continue to be slow in 2014. The production and sales of smartphone components which is categorized under laser/die cut products is expected to slow down in 2014 due to strong competition and weak demand for the finished goods. In these regards, the Board is anticipating a challenging year ahead.

B4. Profit Forecast

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

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B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2013	Preceding Year Quarter 31/12/2012	Current Year to- Date 31/12/2013	Preceding Year Period 31/12/2012
Current income tax:				
- Malaysia	9	-	9	-
- Foreign	219	105	1,045	721
	228	105	1,054	721

Included herein the income tax provision are income tax payable by subsidiaries company in PRC and a subsidiary in Singapore, and it is calculated based on the statutory income tax rate of 25% and 17% in accordance with the relevant PRC and Singapore 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.

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(ii) <u>ESOS</u>

On 23 October 2013, on behalf of the Board of IJACOBS ("the Board"), M&A Securities Sdn Bhd ("M&A") 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").

Subsequently on 12 December 2013, M&A had on behalf of the Board, announced that Bursa Securities had vide its letter dated 11 December 2103, approved the listing and quotation for the new IJACOBS Shares, representing up to fifteen percent (15%) of the total issued and paid-up share capital of the Company, to be issued pursuant to the exercise of the ESOS option granted under Proposed ESOS.

The proposed ESOS is subject to approval of the shareholders of the Company at an extraordinary general meeting to be convened on 28 February 2014.

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	2,818	-
USD	2,818	-

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.

B14. Earnings Per Share ("EPS")

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31/12/2013	Preceding Year Quarter 31/12/2012	Current Year to Date 31/12/2013	Preceding Year Period 31/12/2012
(i)	**Basic EPS**				
	Net profit/(loss) for the period (RM'000)	837	(264)	1,226	314
	Weighted average number of ordinary shares issued ('000)	120,001	120,001	120,001	120,001
	Basic earnings/(loss) per share (sen)	0.70	(0.22)	1.02	0.26
(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 31/12/2013 RM'000	As at 31/12/2012 RM'000
Total accumulated profits/(losses) for the Group :		
- Realised profit/(loss)	612	(38)
- Unrealised loss	(117)	(76)
Total Group's accumulated profits/(losses) as per consolidated statement of financial position	495	(114)

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