

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2014

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

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 include 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 2013 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 2013 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 2013. 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 March 2014.

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>
31/03/2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue:-</u>						
External customers	2,494	3,573	4,209	226	-	10,502
Inter-segment	70	1,052	103	-	(1,225)	-
	<u>2,564</u>	<u>4,625</u>	<u>4,312</u>	<u>226</u>	<u>(1,225)</u>	<u>10,502</u>

Results:-

Interest income	34
Finance costs	(27)
Depreciation and amortisation	(230)
Other non-cash income (a)	4
Taxation	(357)
Segment profit	<u>385</u>

Assets:-

Additions to non-current assets (b)	977
Unallocated corporate assets	<u>34,860</u>

Liabilities:-

Unallocated corporate liabilities	<u>14,997</u>
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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>
31/03/2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue:-</u>						
External customers	1,724	2,510	800	534	-	5,568
Inter-segment	78	533	152	-	(763)	-
	<u>1,802</u>	<u>3,043</u>	<u>952</u>	<u>534</u>	<u>(763)</u>	<u>5,568</u>

Results:-

Interest income	6
Finance costs	(25)
Depreciation	(189)
Other non-cash expenses (a)	(10)
Taxation	(104)
Segment loss	<u>(456)</u>

Assets:-

Additions to non-current assets (b)	433
Unallocated corporate assets	<u>24,383</u>

Liabilities:-

Unallocated corporate liabilities	<u>6,779</u>
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Notes:

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

	Current Year to-Date 31/03/2014 RM'000	Preceding Year Period 31/03/2013 RM'000
Bad debts written off	-	(1)
Unrealised foreign exchange gain/(loss)	5	(9)
Property, plant and equipment written off	(1)	-
	<u>4</u>	<u>(10)</u>

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

	Current Year to-Date 31/03/2014 RM'000	Preceding Year Period 31/03/2013 RM'000
Property, plant and equipment	977	433

(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

	<u>Individual Quarter Ended</u> 31/03/2014		<u>Cumulative Quarter Ended</u> 31/03/2014	
	<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	6,141	8,202	6,141	8,202
Netherlands	1,425	-	1,425	-
Singapore	1,007	-	1,007	-
France	558	-	558	-
Thailand	449	-	449	-
USA	367	-	367	-
Malaysia	145	72	145	72
Hong Kong	142	-	142	-
England	97	-	97	-
Israel	76	-	76	-
Canada	35	-	35	-
Taiwan	26	-	26	-
New Zealand	14	-	14	-
India	12	-	12	-
Poland	2	-	2	-
Australia	2	-	2	-
German	1	-	1	-
Philippines	1	-	1	-
Vietnam	1	-	1	-
Lithuania	1	-	1	-
	10,502	8,274	10,502	8,274

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	<u>Individual Quarter Ended</u> 31/03/2013		<u>Cumulative Quarter Ended</u> 31/03/2013	
	<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	3,536	5,569	3,536	5,569
Malaysia	543	87	543	87
Thailand	511	-	511	-
USA	423	-	423	-
Singapore	289	-	289	-
Hong Kong	132	-	132	-
New Zealand	42	-	42	-
Japan	23	-	23	-
Netherlands	11	-	11	-
Poland	10	-	10	-
India	10	-	10	-
Australia	9	-	9	-
Israel	9	-	9	-
England	7	-	7	-
Taiwan	5	-	5	-
Slovenia	4	-	4	-
Canada	2	-	2	-
France	2	-	2	-
	<u>5,568</u>	<u>5,656</u>	<u>5,568</u>	<u>5,656</u>

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

	As at 31/03/2014 RM'000	As at 31/03/2013 RM'000
Property, plant and equipment	5,493	5,547
Prepaid land lease payments	1,439	-
Investment property	1,233	-
Other investment	109	109
	<u>8,274</u>	<u>5,656</u>

(iii) Information About Major Customers

On the period to date basis, revenue from major customers amounted to RM4.01million (2013: RM0.98 million) with the majority arising from sales of by the Laser/Die-cut and Fabrication of Plastic Parts segment (2013: Laser/Die-cut segment).

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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 did not revalue any of its investment property during the current quarter under review.

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 31/03/2014 RM'000	As at 31/03/2013 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 31/03/2014 RM'000	As at 31/03/2013 RM'000
Capital expenditure - Authorised and contracted for: - Property, plant & equipment	8,500	-

Investment commitment

As at 31 March 2014, 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.

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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 31/03/2014 RM'000	Preceding Year Period 31/03/2013 RM'000
Sales to a corporate shareholder	<u>191</u>	<u>228</u>
Sales to a corporate shareholder of a subsidiary company	<u>139</u>	<u>-</u>
Purchases from a corporate shareholder	<u>25</u>	<u>13</u>
Commission paid to a corporate shareholder	<u>-</u>	<u>7</u>
Sales to a company in which director of a subsidiary companies has interest	<u>-</u>	<u>718</u>
Management fee charged by a corporate shareholder of a subsidiary company	<u>242</u>	<u>-</u>

A15. Material Events Subsequent to The End Of The Reporting Quarter

There were no material events subsequent to the current financial quarter ended 31 March 2014 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>31/03/2014</u>	<u>31/03/2013</u>	<u>RM'000</u>	<u>%</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
Revenue	10,502	5,568	4,934	89
Profit/(Loss) from operation	622	(352)	974	>100
Profit/(Loss) before tax	742	(352)	1,094	>100
Profit/(Loss) after tax	385	(456)	841	>100

For the quarter under review, the Group revenue increased substantially from RM5.57 million to RM10.50 million as compared to the preceding financial year corresponding quarter, representing a 89% 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 a total increase of approximately RM5.24 million.
- (ii) Trading of Others Products under non-core business segment at RM0.13 million.

The above favorable results had been set off with the decrease from trading of non-core products, Electric Powered Vehicles at RM0.44 million due to nil order during the quarter under review.

The Group registered profit before tax of RM0.74 million and profit after tax at RM0.39 million as compared to preceding financial year corresponding quarter which recorded a loss before and after tax of RM0.35 million and RM0.46 million respectively due mainly to higher revenue generated.

The Group recorded higher revenue but lower gross profit margin as a result of the competitive pricing for Fabrication of Plastic Parts Products segment which contributed lower product margin compared to Industrial Label and Laser/Die-cut Segment and coupled with relatively low margin from sales of smartphone components, which is categorized under Laser/Die-cut segment.

The higher operating expenses during the quarter under review as compared to the preceding financial year corresponding quarter were mainly due to:

- (i) Increase in selling & distribution expenses at subsidiaries in PRC, which was in tandem with the hike in sales.
- (ii) Management fees paid to a related party by the subsidiary in Singapore.

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B2. Comparison to the Results of the preceding quarter

	<u>Quarter Ended</u>		<u>Variance</u>	
	<u>31/03/2014</u>	<u>31/12/2013</u>	<u>RM'000</u>	<u>%</u>
Revenue	10,502	12,038	(1,536)	(13)
Profit from operation	622	203	419	>100
Profit before tax	742	347	395	>100
Profit after tax	385	119	266	>100

The Group revenue decreased slightly by RM1.54 million to RM10.50 million during the current quarter compared to the revenue of RM12.04 million recorded in the immediate preceding quarter due to PRC observed a long festive celebration in first quarter of year 2014.

The drop in quarterly revenue was from all business segments, except revenue from Fabrication of Plastic Parts segment, which contributed a slight increase at RM0.44 million.

Despite lower revenue recorded for the quarter under review, the profit before tax and after tax were higher due to substantial expenses incurred during immediate preceding quarter for impairment loss of trade receivables and product development cost.

B3. Prospects

Except for the trading of electric powered vehicles and IT products, the sales from all segments improved for the 1st quarter of 2014 as compared to the preceding financial year corresponding quarter. 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, at the expense of lower gross profit margin. 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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter 31/03/2014	Preceding Year Quarter 31/03/2013	Current Year to- Date 31/03/2014	Preceding Year Period 31/03/2013
Current income tax:				
- Malaysia	-	-	-	-
- Foreign	357	104	357	104
	<u>357</u>	<u>104</u>	<u>357</u>	<u>104</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% (2013: 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.

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(ii) ESOS

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 2013, 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 had been approved by the shareholders of the Company via Extraordinary General Meeting on 28 February 2014 and the effective date of implementation of the proposed ESOS is 19 March 2014.

B9. 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>4,422</u>	<u>-</u>
RMB	788	-
USD	<u>3,634</u>	<u>-</u>

B10. Off Balance Sheet Financial Instruments

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

B11. Material Litigation

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

B12. Dividends

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

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B13. Earnings Per Share (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2014	Preceding Year Quarter 31/03/2013	Current Year to Date 31/03/2014	Preceding Year Period 31/03/2013
(i) Basic EPS				
Net profit/(loss) for the period (RM'000)	602	(346)	602	(346)
Weighted average number of ordinary shares issued ('000)	120,001	120,001	120,001	120,001
Basic earnings/(loss) per share (sen)	0.50	(0.29)	0.50	(0.29)
(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.

B14. Realised & Unrealised Profits

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
Total accumulated profits for the Group :		
- Realised profit	1,050	690
- Unrealised gain/(loss)	47	(195)
Total Group's accumulated profits as per consolidated statement of financial position	<u>1,097</u>	<u>495</u>

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