

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 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 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 30 September 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 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
30/09/2014						
<b>Revenue:-</b>						
External customers	8,036	10,785	11,147	656	-	30,624
Inter-segment	218	3,446	1,014	3	(4,681)	-
	<u>8,254</u>	<u>14,231</u>	<u>12,161</u>	<u>659</u>	<u>(4,681)</u>	<u>30,624</u>

**Results:-**

Interest income	112
Finance costs	(149)
Depreciation and amortisation	(721)
Other non-cash expenses (a)	(2,187)
Taxation	(769)
Segment loss	<u>(1,871)</u>

**Assets:-**

Additions to non-current assets (b)	2,783
Unallocated corporate assets	<u>39,412</u>

**Liabilities:-**

Unallocated corporate liabilities	<u>17,013</u>
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Period ended	Industrial labels	Laser/ die-cut products	Fabrication of plastic parts	Trading of non-core products	Elimination	Total
30/09/2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue:-</b>						
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>

**Results:-**

Interest income	33
Finance costs	(84)
Depreciation	(641)
Other non-cash income (a)	556
Taxation	(826)
Segment profit	<u>190</u>

**Assets:-**

Additions to non-current assets (b)	3,238
Unallocated corporate assets	<u>30,639</u>

**Liabilities:-**

Unallocated corporate liabilities	<u>10,938</u>
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**Notes:**

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

	Current Year to-Date 30/09/2014 RM'000	Preceding Year Period 30/09/2013 RM'000
Bad debts written off	-	(115)
Fair value loss adjustment on share option granted	(1,800)	-
(Loss)/Gain on disposal of property, plant and equipment	(1)	2,080
Impairment of trade receivable	-	(1,358)
Inventories written down	(395)	-
Written back impairment loss on trade receivable	34	-
Unrealised foreign exchange gain/(loss)	(23)	(51)
Property, plant and equipment written off	(2)	-
	<u>(2,187)</u>	<u>556</u>

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

	Current Year to-Date 30/09/2014 RM'000	Preceding Year Period 30/09/2013 RM'000
Property, plant and equipment	<u>2,783</u>	<u>3,238</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) 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> 30/09/2014		<u>Cumulative Quarter Ended</u> 30/09/2014	
	<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	5,702	9,682	17,578	9,682
Singapore	876	-	2,975	-
USA	861	-	2,511	-
Thailand	507	-	1,373	-
France	384	-	1,454	-
Netherlands	199	-	3,123	-
Malaysia	124	70	443	70
Hong Kong	98	-	419	-
England	86	-	254	-
Israel	82	-	228	-
New Zealand	26	-	45	-
Canada	15	-	84	-
Poland	7	-	15	-
India	7	-	21	-
Australia	5	-	7	-
Taiwan	2	-	46	-
Lithuania	1	-	8	-
German	1	-	2	-
Vietnam	-	-	28	-
Japan	-	-	9	-
Philippines	-	-	1	-
	<u>8,983</u>	<u>9,752</u>	<u>30,624</u>	<u>9,752</u>

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	<u>Individual Quarter Ended</u> 30/09/2013		<u>Cumulative Quarter Ended</u> 30/09/2013	
	<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	5,379	6,616	13,767	6,616
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	82	1,031	82
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>

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

	As at 30/09/2014 RM'000	As at 30/09/2013 RM'000
Property, plant and equipment	6,969	6,589
Prepaid land lease payments	1,449	-
Investment property	1,225	-
Other investment	109	109
	<u>9,752</u>	<u>6,698</u>

(iii) Information About Major Customers

On the period to date basis, revenue from a major customer amounted to RM3.36 million (2013: RM3.67 million) with the majority arising from sales of by the Laser/Die-cut 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 30/09/2014 RM'000	As at 30/09/2013 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 30/09/2014 RM'000	As at 30/09/2013 RM'000
Capital expenditure - Authorised and contracted for: - Property, plant & equipment	6,723	-

Investment commitment

As at 30 September 2014, the total investment commitment is USD3,500,000 (2013: USDNil). The Group has invested with an accumulated investment of USD700,000 (2013: USDNil) and it still has a balance of USD2,800,000 (2013: 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 30/09/2014 RM'000	Preceding Year Period 30/09/2013 RM'000
Sales to a corporate shareholder	<u>727</u>	<u>749</u>
Sales to a corporate shareholder of a subsidiary company	<u>360</u>	<u>-</u>
Purchases from a corporate shareholder	<u>54</u>	<u>35</u>
Commission paid to a corporate shareholder	<u>381</u>	<u>46</u>
Sales to a company in which director of a subsidiary companies has interest	<u>-</u>	<u>1,270</u>
Purchases from a company in which directors of subsidiary companies have interest	<u>-</u>	<u>88</u>
Management fee charged by a corporate shareholder of a subsidiary company	<u>719</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 30 September 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>30/09/2014</u>	<u>30/09/2013</u>	<u>RM'000</u>	<u>%</u>
Revenue	8,983	9,874	(891)	(9)
Loss from operation	(763)	(1,163)	400	34
(Loss)/Profit before tax	(794)	1,063	(1,857)	>(100)
(Loss)/Profit after tax	(927)	556	(1,483)	>(100)

For the quarter under review, the Group revenue decreased slightly at 9% from RM9.87 million to RM8.98 million as compared to the preceding financial year corresponding quarter.

The decreases of revenue were from:-

- (i) Laser/Die-cut dropped by RM0.85 million due to strong competition and weak demand for smartphone components.
- (ii) Slight drop in revenue from Fabrication of Plastic Parts at RM0.17 million and Trading of Non-core Products segment at RM0.13 million.

The Group recorded lower gross profit margin as a result of the competitive pricing for Fabrication of Plastic Parts Products and relatively low margin from sales of smartphone components, which is categorized under Laser/Die-cut segment.

The Group recorded a loss before tax of RM0.79 million and loss after tax at RM0.93 million as compared to preceding financial year corresponding quarter which registered a profit before and after tax of RM1.06 million and RM0.56 million respectively. The profit from preceding financial year corresponding quarter was mainly due to the gain from disposal of property at a wholly-owned subsidiary in China, Ideal Jacobs (Xiamen) Corporation ("IJX") at approximately RM2.22 million.

Apart from that, some exceptional high expenses were charged out during the quarter under review:-

- (i) Management fees incurred by a subsidiary in Singapore for the management services provided by a related party.
- (ii) Impairment of slow moving inventories by a subsidiary in PRC.
- (iii) Increase in expenses included entertainment expenses, professional fees, and provision of bonus.



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	<u>Cumulative Quarter Ended</u>		<u>Variance</u>	
	<u>30/09/2014</u>	<u>30/09/2013</u>	<u>RM'000</u>	<u>%</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
Revenue	30,624	23,998	6,626	28
Loss from operation	(1,348)	(1,215)	(133)	(11)
Loss/(Profit) before tax	(1,102)	1,016	(2,118)	>(100)
Loss/(Profit) after tax	(1,871)	190	(2,061)	>(100)

On the year to date basis, the Group registered total revenue of RM30.62 million and loss before tax of RM1.10 million as compared to previous year revenue of RM24.00 million and profit before tax of RM1.02 million.

Higher revenue recorded for the financial period ended 30 September 2014 was from the increase in Core Products at RM7.68 million but was offset by a drop from Trading of Non-core Products at RM1.05 million. The Group had ceased trading of electrical powered vehicles and trading of IT products.

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

The recorded loss from operation as compared to previous financial year was due to fair value loss adjustment to share option granted amounting to RM1.80 million, which was charged to income statement under operating expenses.

**B2. Comparison to the Results of the preceding quarter**

	<u>Quarter Ended</u>		<u>Variance</u>	
	<u>30/09/2014</u>	<u>30/06/2014</u>	<u>RM'000</u>	<u>%</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
Revenue	8,983	11,139	(2,156)	(19)
Loss from operation	(763)	(1,207)	444	37
Loss before tax	(794)	(1,050)	256	24
Loss after tax	(927)	(1,329)	402	30

The Group revenue dropped by RM2.16 million to RM8.98 million during the current quarter compared to the revenue of RM11.14 million recorded in the immediate preceding quarter.

The drop was mainly from Fabrication of Plastic Parts segments at RM1.95 million due to slowdown in orders from major customers.

The quarter under review observed a loss before tax and after tax due to lower revenue generated.

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### B3. Prospects

The sales from all segments except for Industrial Labels had declined in the 3<sup>rd</sup> quarter of 2014 as compared to 3<sup>rd</sup> quarter 2013. The sales for the quarter under review are lower than anticipated. The 3<sup>rd</sup> quarter had recorded a lower gross margin due to competitive pricing and we expect the trend would continue. 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.

### B5. Taxation

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter 30/09/2014	Preceding Year Quarter 30/09/2013	Current Year to- Date 30/09/2014	Preceding Year Period 30/09/2013
Current income tax:				
- Malaysia	-	-	-	-
- Foreign	133	507	769	826
	<u>133</u>	<u>507</u>	<u>769</u>	<u>826</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.

On 19 August 2014, the Board had announced that the Company had decided not to proceed with the Proposal as it is the Board's intention to undertake a proposed reverse take-over exercise.

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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.

(iii) Reverse Take-Over

On 18 August 2014, the Board of the Company announced that the Company had entered into the agreements with the vendors of Cepak Technical Services Sdn Bhd ("CTSSB") and MECIP Global Engineers Sdn Bhd ("Mecip") for the Proposed Reverse Take-Over ("Proposed Reverse Take-Over") as per follows:

- (a) Conditional share acquisition agreement with Md Nazir Bin Md Kassim and Sofiyan Bin Yahya, the vendors of CTSSB ("CTSSB Vendors") to acquire the entire equity interest in CTSSB comprising 1,008,000 ordinary shares of RM1.00 each ("CTSSB Shares") from the CTSSB Vendors for a purchase consideration of RM86,000,000 to be satisfied entirely via the allotment and issuance of 344,000,000 new ordinary shares of RM0.10 each in CMOG Group Sdn Bhd ("CMOG") (a newly incorporated special purpose vehicle) (CMOG Shares") to the CTSSB Vendors and/or their nominees at an issue price of RM0.25 per CMOG Share ("Proposed CTSSB Acquisition");
- (b) Conditional share acquisition agreement with Ir. Ahmad Nazari Bin Ashari, Ir. Mohd Nor Bin Abd Basar, Nor Hanani Binti Muhamad and Mecip (M) Sdn Bhd, the vendors of Mecip ("Mecip Vendors") to acquire the entire equity interest in Mecip comprising 1,000,000 ordinary shares of RM1.00 each ("Mecip Shares") from the Mecip Vendors for a purchase consideration of RM43,000,000 to be satisfied entirely via the allotment and issuance of 172,000,000 new CMOG Shares to the Mecip Vendors and/or their nominees at an issue price of RM0.25 per CMOG Share ("Proposed Mecip Acquisition");

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(c) Master restructuring agreement with the Company, CTSSB Vendors, Mecip Vendors and Ideal Jacobs Holdings Sdn Bhd, being the purchaser for the proposed management buy-out, to undertake a series of proposals to facilitate the Proposed Reverse Take-Over. Pursuant thereto, the Proposed Reverse Take-Over shall comprise the following:-

- (I) Proposed Acquisitions comprising the Proposed CTSSB Acquisition and Proposed Mecip Acquisition;
- (II) Proposed Scheme of Arrangement with Shareholders;
- (III) Proposed Issuance of Shares;
- (IV) Proposed Offer for Sale;
- (V) Proposed Transfer of Listing Status; and
- (VI) Proposed Management Buy-Out.

(d) Conditional share sale agreement with Ideal Jacobs Holdings Sdn Bhd ("MBO Purchaser") for the disposal by CMOG of all the entire issued and paid-up share capital of IJacobs of up to RM13,800,115 comprising up to 138,001,150 IJacobs Shares for a cash consideration of RM19,500,000 to the MBO Purchaser.

Submission to the relevant authorities shall be made upon the satisfactory completion of the due diligence exercise.

### **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>5,882</u>	<u>243</u>
RMB	1,071	243
USD	<u>4,811</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. (Loss)/Earnings Per Share ("EPS")**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/09/2014	Preceding Year Quarter 30/09/2013	Current Year to Date 30/09/2014	Preceding Year Period 30/09/2013
<b>(I) Basic EPS</b>				
Net (loss)/profit for the period (RM'000)	(733)	525	(1,308)	389
Weighted average number of ordinary shares issued ('000)	122,972	120,001	122,972	120,001
Basic (loss)/ earnings per share (sen)	(0.60)	0.44	(1.06)	0.32
<b>(II) Diluted EPS</b>				
Net (loss)/profit for the period (RM'000)	(733)	525	(1,308)	389
Weighted average number of ordinary shares issued adjusted for the effects of dilutive potential ordinary shares ('000)	130,207	120,001	126,805	120,001
Basic (loss)/ earnings per share (sen)	(0.56)	0.44	(1.03)	0.32

(i) The basic EPS is calculated by dividing the net (loss)/ profit attributable to the owners of the Parent by the weighted average number of shares in issued during the period.

(ii) The diluted EPS is calculated by dividing the net (loss)/profit attributable to the owners of the Parent by the weighted average numbers of shares in issued during the period adjusted for the effects of dilutive potential ordinary shares.

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**B14. Realised & Unrealised Profits**

	As at 30/09/2014 RM'000	As at 31/12/2013 RM'000
Total accumulated (losses)/profits for the Group :		
- Realised (loss)/profit	(754)	690
- Unrealised profit/(loss)	<u>(59)</u>	<u>(195)</u>
Total Group's accumulated (losses)/profits as per consolidated statement of financial position	<u>(813)</u>	<u>495</u>

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