

**INFORTECH ALLIANCE BERHAD (“IAB” OR “COMPANY”)
(Company No: 439230 - A)**

QUARTERLY REPORT

Notes on the quarterly report for the first quarter ended 31 March 2014

Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting

A1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS134: Interim Financial Reporting and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted as disclosed in the Group’s annual audited financial statements for the year ended 31 December 2013.

The Group has adopted the new and revised Malaysian Financial Reporting Standards (“MFRSs”) and IC Interpretations that became mandatory for the current reporting period. The adoption of these new and revised MFRSs and IC Interpretations does not result in significant changes in the accounting policies of the Group.

A3. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no audit qualification on the annual financial statements of IAB for the financial year ended 31 December 2013.

A4. SEASONAL AND CYCLICAL FACTORS

The Group’s business operations were mainly attributable (i.e., contributing 99.6% and 100% of its total revenue and total segment results, respectively) from its manufacturing and trading segments involving recycling and recovery activities and are affected by the cyclicity of the semiconductor companies. The semiconductor industry is cyclical and dependent on its end user industries, in particular the electrical & electronic industries. The demand for semiconductors typically mirrors the trend in the demand for personal computers, mobile phones and other electronic equipment.

As the availability of electrical and electronic waste (“E-waste”) for recycling and manufacturing services is dependent on the volume of E-waste discharged by semiconductor manufacturers, the E-waste recycling industry is dependent on the trends in the semiconductor industry.

A5. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

On 27 January 2014, IAB announced that its wholly-owned subsidiary, Jaring Metal Industries Sdn Bhd (“JMI”) had on 24 January 2014 entered into a sale and purchase agreement for the acquisition of a property located beside JMI’s existing factory complex for a total cash consideration of RM14.5 million (“Property”). The said acquisition was completed on 11 April 2014.

A loan was obtained from a commercial bank to finance the said purchase amounting to RM11.6 million whereas the balance of RM2.9 million was financed via internally generated funds of JMI.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates that have had effect on the current financial quarter under review.

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A7. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities held as treasury shares or resale of treasury shares during the current financial quarter under review.

A8. DIVIDEND

No dividend has been declared, recommended or paid during the financial quarter under review.

A9. SEGMENT INFORMATION

The Group’s segmental information is as follows:

	Quarter ended		Year to date	
	31 March 2014 RM’000	31 March 2013 RM’000	31 March 2014 RM’000	31 March 2013 RM’000
Revenue - External				
Manufacturing activities	34,473	NA	34,473	NA
Trading activities	1,361	NA	1,361	NA
Proprietary solutions and software maintenance	143	NA	143	NA
	<hr/>		<hr/>	
	35,977	NA	35,977	NA
Elimination of inter-segment sales	-	NA	-	NA
	<hr/>		<hr/>	
	35,977	NA	35,977	NA
Segment result				
Manufacturing activities	1,647	NA	1,647	NA
Trading activities	523	NA	523	NA
Proprietary solutions and software maintenance	(119)	NA	(119)	NA
	<hr/>		<hr/>	
Profit/(loss) from operations	2,051	NA	2,051	NA
Interest income	34	NA	34	NA
Finance cost	(211)	NA	(211)	NA
	<hr/>		<hr/>	
Profit before tax	1,875	NA	1,875	NA
Income tax	(500)	NA	(500)	NA
	<hr/>		<hr/>	
Profit after tax	1,375	NA	1,375	NA

There is no comparative figure for the preceding year corresponding quarter and period as the corporate exercise (i.e. reverse takeover exercise) was only completed on 10 December 2013.

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A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

As disclosed in Note A5, JMI had acquired the Property. The Property has been valued on 27 January 2014 by the directors of JMI and concurred by the Board of Directors of IAB (“Board”) based upon valuation carried out by Henry Butcher (SEL) Sdn Bhd (“Independent Valuer”). The Independent Valuer was of the opinion that the market values were RM11.4 million (for vacant industrial land only) and RM17.3 million (on the assumption that the buildings erected thereon the subject land have been constructed in accordance to the approved building plans and issued with a Certificate of Fitness for Occupation / Certificate of Completion and Compliance).

Save as disclosed above, there was no other valuation / revaluation of property, plant and equipment during the financial quarter under review.

Nevertheless, there was a revaluation of freehold land and building (i.e., JMI’s factory complex at Lot 7, Jalan Sungai Kayu Ara 32/37, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor) done during the preceding financial year ended 31 December 2013 and the market value of the property was RM30.7 million.

The said property was revalued on 15 July 2013 by the directors of JMI and concurred by the Board based upon revaluations carried out by the Independent Valuer using the fair value method which is determined by reference to open market values on an existing use basis.

A11. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT FINANCIAL QUARTER

Save for the purchase of the Property which was completed on 11 April 2014, there were no other material events that happened subsequent to the current financial quarter.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

On, 11 March 2014, IAB announced that its wholly-owned subsidiary, Infotech Software Sdn Bhd (“ISSB”) had on 11 March 2014 entered into a joint venture agreement that would entail, among others, the incorporation of a joint venture company (“JVC”) upon the conditions precedent being fulfilled. It was intended that ISSB would hold 51% equity interest in the JVC. As at the date of this announcement, the parties are in the midst of fulfilling the conditions precedent and the JVC has not been incorporated.

Save as disclosed above, there were no other changes and/or intended changes in the composition of the Group during the quarter under review.

A13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no changes in the contingent liabilities and contingent assets.

A14. CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 March 2014 was approximately RM110,000.

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Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities for the ACE Market

B1. REVIEW OF PERFORMANCE

The Group recorded a revenue of approximately RM35.98 million for the current financial quarter ended 31 March 2014. Export sales accounted for about RM31.16 million or 86.6% of total revenue for the current financial quarter ended 31 March 2014.

Other income mainly consists of gain on foreign exchange and gain on commodities hedging of amounting to approximately RM630,000 and fixed deposit interest of RM34,000.

Other operating expenses mainly consists of bank charges, repair and maintenance, waste disposal charges, professional fees, rental expense, security charges, utilities and travelling expenses.

There is no comparative figure for the preceding year corresponding quarter as the corporate exercise was only completed on 10 December 2013.

B2. COMPARISON OF CURRENT FINANCIAL QUARTER RESULTS WITH THE PRECEDING QUARTER

The Group recorded a revenue of approximately RM35.98 million and RM35.50 million for the current quarter ended 31 March 2014 and preceding quarter ended 31 December 2013 respectively. The increase was mainly attributable to the higher export sales of end products.

The increase in other income was mainly due to gain on foreign exchange and gain on commodity hedging amounting to approximately RM630,000 for the current quarter under review.

The Group recorded reduced other operating expenses in the current quarter compared to the preceding quarter mainly due to the absence of loss on commodity hedging of RM1.03 million. There were also reductions in insurance premium, repair and maintenance cost, commission and marketing expenses. However, the Group incurred higher staff cost mainly due to bonuses paid out in the current quarter under review.

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The corporate exercise has enabled IAB to diversify into the recycling of scheduled waste industry where there are favourable growth prospects. Consequent thereto, the Group foresees a better financial position for the Group for the current financial year ending 31 December 2014.

B4. VARIANCE OF FORECAST PROFIT AND PROFIT GUARANTEE

The Group has not provided any profit forecast or profit guarantee and thus this is not applicable to the Group.

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B5. TAXATION

	Current quarter ended		Current year to date	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Estimated income tax payable				
- Current year	(500)	NA	(500)	NA
- Over/(under) provision in prior year	-	NA	-	NA
	(500)	NA	(500)	NA
Deferred tax				
- Current year	-	NA	-	NA
- Under provision in prior year	-	NA	-	NA
	-	NA	-	NA
	(500)	NA	(500)	NA
Profit before tax	1,875	NA	1,875	NA
Taxation at statutory rate of 25% (31.12.2013: 25%)	(469)	NA	(469)	NA
Expenses not deductible for tax purposes	(31)	NA	(31)	NA
Income not subject to tax	-	NA	-	NA
Recognition of previously unrecognised deferred tax liabilities	-	NA	-	NA
(Under)/over provision in prior year	-	NA	-	NA
- Income tax	-	NA	-	NA
- Deferred tax	-	NA	-	NA
	(500)	NA	(500)	NA

There was a net provision for taxation of RM500,000 provided by the Group after taking into account of expenses not deductible for tax purposes during the financial quarter under review.

The Group's effective tax rate of about 27% for the financial quarter ended 31 March 2014 was higher than previous year as JMI's pioneer status expired on 30 June 2013.

B6. UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties during the financial quarter under review.

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B7. QUOTED AND MARKETABLE SECURITIES

There were no investments in quoted and marketable securities made during the financial quarter under review.

B8. STATUS OF CORPORATE PROPOSAL

There is no other corporate proposal announced but not completed as at the date of issuance of this announcement.

B9. GROUP BORROWINGS

Group borrowings stood at RM20,129,000 as at 31 March 2014 and consisted mainly of trade facilities provided by a licensed commercial bank such as banker's acceptance, revolving credit and hire purchase facilities.

The details of the borrowings are as follows:-

- (a) Secured borrowings of approximately RM18,511,000 and the remaining RM1,618,000 are unsecured borrowings.
- (b) The current portion of the borrowings is approximately RM19,472,000 and the remaining of RM657,000 are long term borrowings.
- (c) The foreign currency borrowings is approximately RM1,128,000 and the remaining of RM19,001,000 are borrowings denominated in local currency.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at the date of this announcement.

B11. MATERIAL LITIGATION

There was no pending material litigation as at the date of this announcement.

B12. REALISED AND UNREALISED PROFITS/(LOSSES) DISCLOSURE

The accumulated profits of the Group may be analyzed as follows:

	As at 31 March 2014 RM'000	As at 31 March 2013 RM'000
Total accumulated profits of the Group		
- Realised	49,254	NA
- Unrealised	355	NA
Total before consolidation adjustments	49,609	NA
Less: Consolidation adjustments	-	NA
Total accumulated profits as per statement of financial position	49,609	NA

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B13. NOTES TO THE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Current quarter ended 31 March 2014 RM'000	Current year to date 31 March 2014 RM'000
Interest income	34	34
Changes in fair value of derivative financial instrument	(24)	(24)
Gain/(loss) on foreign exchange		
- Realised	(84)	(84)
- unrealised	355	355
Depreciation of property, plant and equipment	732	732
Amortisation of club membership	1	1
Interest expense	211	211

Other than as disclosed above, the Group does not have other material items (such as provision for and write-off of receivables, impairment of assets and exception items) that are recognised as profit/(loss) in the Statement of Profit and Loss and Other Comprehensive Income.

B14. EARNINGS/(LOSS) PER SHARE

(i) Basic earnings per share

The basic earnings per share was calculated by dividing the net profit for the current financial quarter and the current financial quarter to date by the weighted average number of ordinary shares in issue:

	Current quarter ended		Current year to date	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Net profit attributable to owners of the parent (RM'000)	1,375	NA	1,375	NA
Weighted average number of ordinary shares in issue ('000)	649,809	NA	649,809	NA
Basic earnings per share (sen)	0.21	NA	0.21	NA

(ii) Diluted earnings per share

Diluted earnings per share are not applicable for the financial quarter under review.

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B15. UTILISATION OF THE PROCEEDS AS AT THE DATE OF THIS ANNOUNCEMENT

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe For Utilisation	Deviation (Excess)/ Shortfall Amount	%	Balance	Notes
	RM'000	RM'000		RM'000			
Repayment of bank borrowings	9,000	9,000	Within 3 months	-	-	-	(i)
Capital expenditure	3,859	3,859	Within 12 months	-	-	-	(i)
Working capital	15,831	7,021	Within 6 months	8,810	56%	8,810	
Estimated expenses in relation to the proposal	1,831	1,831	Within 2 weeks	-	-	-	(i)
Total	30,521*	21,711				8,810	

Notes:

* The private placement of 107,091,400 Shares were placed out at 28.5 sen per Share thus the actual proceeds raised were approximately RM30.521 million.

(i) The funds have been fully utilised.