

**JAG BERHAD (“JAG” OR “COMPANY”)  
(FORMERLY KNOWN AS INFORTECH ALLIANCE BERHAD)  
(Company No: 439230 - A)**

**QUARTERLY REPORT**

**Notes on the quarterly report for the fourth quarter ended 31 December 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 JAG for the financial year ended 31 December 2013.

**A4. SEASONAL AND CYCLICAL FACTORS**

The Group’s business operations were mainly attributable (i.e., contributing approximately 99% 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.

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

On 27 January 2014, JAG 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 Property has been valued on 27 January 2014 by the directors of JMI and concurred by the Board of Directors of JAG (“Board”) based upon valuation carried out by Henry Butcher (SEL) Sdn Bhd. The said acquisition was completed on 11 April 2014.

A loan was obtained from a commercial bank to finance the said acquisition 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 year under review.

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

Save as disclosed below, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities held as treasury shares or resale of treasury shares during the current financial year under review:

On 14 August 2014, JAG completed a bonus issue of 292,413,844 new ordinary shares of RM0.10 each in the Company (“JAG Shares” or “Shares”) (“Bonus Shares”) on the basis of nine (9) Bonus Shares for every twenty (20) existing JAG Shares held as at 13 August 2014, being the entitlement date;

On 20 August 2014, JAG completed an issue of 324,904,271 free warrants (“Warrants”) on the basis of ten (10) Warrants for every twenty (20) existing JAG Shares held as at 13 August 2014, being the entitlement date; and

On 27 October 2014, JAG completed a private placement of 94,222,200 new JAG Shares at an issue price of RM0.175 per JAG Share on the ACE Market of Bursa Securities (“Private Placement”).

**A8. DIVIDEND**

(i) First single-tier interim dividend of 0.25 sen per ordinary share of RM0.10 each, amounting to RM2.35 million in respect of the current financial year ended 31 December 2014 was paid on 5 September 2014; and

(ii) Second single-tier interim dividend of 0.25 sen per ordinary share of RM0.10 each, amounting to RM2.59 million in respect of the current financial year ended 31 December 2014 was paid on 19 December 2014.

The total dividends paid for the current financial year amounted to 0.50 sen per ordinary share of RM0.10 each.

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**A9. SEGMENT INFORMATION**

The Group’s segmental information is as follows:

	Current Quarter Ended		Year to date	
	31 Dec 2014 RM’000	31 Dec 2013 RM’000	31 Dec 2014 RM’000	31 Dec 2013 RM’000
<b>Revenue By Business Segments</b>				
Manufacturing activities	23,953	32,796	121,279	127,159
Trading activities	3,477	2,616	8,356	8,480
Proprietary solutions and software maintenance	206	90	760	77
	<u>27,636</u>	<u>35,502</u>	<u>130,395</u>	<u>135,716</u>
Elimination of inter-segment sales	-	-	-	-
	<u>27,636</u>	<u>35,502</u>	<u>130,395</u>	<u>135,716</u>
<b>Segment results</b>				
Manufacturing activities	1,847	2,564	7,420	9,712
Trading activities	(779)	193	651	482
Investment holding	(342)	-	(722)	-
Proprietary solutions and software maintenance	(186)	(90)	(297)	(129)
Profit/(loss) from operations	<u>540</u>	<u>2,667</u>	<u>7,052</u>	<u>10,065</u>
Interest income	69	9	231	60
Finance cost	180	(338)	(698)	(1,370)
Profit before taxation	<u>789</u>	<u>2,338</u>	<u>6,585</u>	<u>8,755</u>
Taxation	41	(614)	(459)	(1,199)
Profit after taxation	<u>830</u>	<u>1,724</u>	<u>6,126</u>	<u>7,556</u>
<b>Revenue By Geographical Segment</b>				
Malaysia	(787)	9,655	38,264	37,809
Foreign countries	28,423	25,847	92,131	97,907
	<u>27,636</u>	<u>35,502</u>	<u>130,395</u>	<u>135,716</u>

**A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

Save as disclosed in Note A5, there was no other valuation / revaluation of property, plant and equipment during the financial quarter and year under review and the valuation of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

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**A11. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT FINANCIAL QUARTER**

There were no material events subsequent to the current financial quarter ended 31 December 2014 up to the date of this report.

**A12. CHANGES IN THE COMPOSITION OF THE GROUP**

On 18 July 2014, the Board announced that the Company had on 18 July 2014 subscribed for additional 24,679,490 new ordinary shares of RM1.00 each in the share capital of JMI for a total consideration of RM24,679,490.00 by way of capitalisation of the amount owing by JMI to JAG (“Subscription of Shares”). Upon completion of the Subscription of Shares, the issued and paid-up share capital of JMI increased from RM4,000,000.00 comprising 4,000,000 ordinary shares of RM1.00 each to RM28,679,490.00 comprising 28,679,490 ordinary shares of RM1.00 each.

Save as disclosed above, there were no other changes and/or intended changes in the composition of the Group during the current financial quarter and year 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 December 2014 was approximately RM508,410.

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**QUARTERLY REPORT**

**Notes on the quarterly report for the fourth quarter ended 31 December 2014**

**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 revenue of approximately RM27.64 million for the current financial quarter and RM130.40 million for the current financial year ended 31 December 2014. Export sales accounted for about RM28.42 million or 102.82% of total revenue for the current financial quarter and RM92.1 million or 70.66% of total revenue for the current financial year ended 31 December 2014.

The Group recorded lower revenue for the current financial quarter and current financial year compared to the previous corresponding quarter and previous financial year. The negative revenue from local sales for the current financial quarter was mainly reclassification of local sales to export sales due to reclassification error in the previous quarters. The lower revenue for the current financial year was mainly due to generally lower commodity prices, particularly copper.

Other income mainly consisted of gain on foreign exchange and commodities hedging, gain on disposal of quoted shares and interest received. The increase in other income for the current financial quarter and current financial year was mainly due to gain on foreign exchange, gain on commodities hedging, gain on disposal of quoted shares and higher interest income.

The increase in staff cost for the current financial quarter and current financial year was mainly due to yearly increments and higher bonuses paid out in the current financial year.

Other operating expenses mainly consisted of bank charges, repair and maintenance, waste disposal charges, professional fees, rental expense, security charges, utilities and travelling expenses. The decrease in other operating expenses in the current financial quarter and current financial year was mainly due to lower production expenses arising from improved processes as well as lower donation, professional fees, repair and maintenance and travelling expenses.

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

The Group recorded revenue of approximately RM27.64 million and RM31.04 million for the current quarter ended 31 December 2014 and preceding quarter ended 30 September 2014, respectively. The decrease in revenue was mainly due to lower commodity prices, particularly copper. Nevertheless, the Group also recorded lower raw materials and consumables used due to lower purchase prices of the raw materials used in the current quarter compared to the previous quarter.

The decrease in other income was mainly due to absence of gain on commodity hedging and lower interest income for the current quarter under review.

The Group incurred higher other operating expenses in the current quarter compared to the preceding quarter mainly due to losses on commodity hedging and derivatives instruments.

Due to weaker sales of end products and higher other operating expenses, the Group recorded a lower profit after tax for the current quarter compared to the immediate preceding quarter.

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**B3. PROSPECTS FOR YEAR 2015**

While the Group continued to remain profitable for the financial year ended 31 December 2014, the Group foresees year 2015 to be challenging amid the downward trend of commodity prices, particularly copper.

**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.

**B5. TAXATION**

	Current Quarter		Year to date	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Current income tax	231	(265)	(269)	(850)
Deferred tax	(190)	(349)	(190)	(349)
	<u>41</u>	<u>(614)</u>	<u>(459)</u>	<u>(1,199)</u>

The effective tax rate of the Group for current quarter and financial period ended 31 December 2014 are lower than the statutory tax rate of 25% due to availability of reinvestment allowance which arose from the capital expenditure of a subsidiary in the current financial year under review.

**B6. STATUS OF CORPORATE PROPOSALS**

Save as disclosed below, there were no other corporate proposals announced but not completed as at 31 December 2014:

On 11 March 2014, JAG announced that its wholly-owned subsidiary, Infotech Software Sdn Bhd (“ISSB”) had on 11 March 2014 entered into a joint venture agreement (“JVA”) 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. However, JAG had on 21 January 2015 announced that the JVA was mutually terminated by both parties on 20 January 2015. At the date of announcement of termination, the JVC was not incorporated.

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**B7. GROUP BORROWINGS**

The Group’s borrowings as at 31 December 2014 are as follows:-

	<b>Short term (Secured) RM’000</b>	<b>Long Term (Secured) RM’000</b>	<b>Total RM’000</b>
Bankers’ acceptance	5,519	-	5,519
Term loan	773	10,567	11,340
Hire purchase	796	712	1,508
<b>Total</b>	<u>7,088</u>	<u>11,279</u>	<u>18,367</u>

**B8. MATERIAL LITIGATION**

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

**B9. DIVIDEND**

A second single-tier interim dividend of 0.25 sen per ordinary share of RM0.10 each, amounting to RM2.59 million in respect of the current financial year ended 31 December 2014 was declared on 20 November 2014 and paid on 19 December 2014.

**B10. REALISED AND UNREALISED PROFITS/(LOSSES) DISCLOSURE**

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

	<b>As at 31 Dec 2014 RM’000</b>	<b>As at 31 Dec 2013 RM’000</b>
Total accumulated profits of the Group		
- Realized	48,399	49,215
- Unrealized	1,015	(981)
<b>Total before consolidation adjustments</b>	49,414	48,234
Less: Consolidation adjustments	-	-
<b>Total accumulated profits as per statement of financial position</b>	<u>49,414</u>	<u>48,234</u>

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**B11. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME**

	Current Quarter Ended		Year to date	
	31 Dec 2014 RM'000	31 Dec 2013 RM'000	31 Dec 2014 RM'000	31 Dec 2013 RM'000
Amortization for club membership	1	1	1	1
Changes in fair value on derivative financial instrument	63	(24)	87	(24)
Depreciation of property, plant and equipment	801	973	3,083	3,046
Gain on disposal of property, plant and equipment	-	(160)	(1)	(160)
Gain on disposal of quoted shares	-	-	(263)	-
Gain on foreign exchange – unrealized	(330)	63	(1,015)	63
Interest income	(69)	9	(231)	(60)
Interest expenses	(180)	338	698	1,370
Inventories written down	-	296	-	296
Property, plant and equipment written off	-	5	-	5
Realized gain on foreign exchange – cash and cash equivalents	-	(139)	-	(139)

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

**B12. EARNINGS 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 year to date by the weighted average number of ordinary shares in issue:

	Current Quarter Ended		Year to date	
	31 Dec 2014 RM	31 Dec 2013 RM	31 Dec 2014 RM	31 Dec 2013 RM
Net profit attributable to owners of the Company (RM'000)	830	1,724	6,126	7,556
Weighted average number of ordinary shares in issue ('000)	1,039,111	474,690	795,870	474,690
Basic earnings per share (sen)	0.08	0.36	0.77	1.59



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**B12. EARNINGS PER SHARE (CONTINUED)**

(ii) Diluted earnings per share

The diluted earnings per share was calculated by dividing the net profit for the current financial quarter and year to date by the weighted average number of ordinary shares based on the assumption that the Warrants issued are fully exercised and converted into ordinary shares.

	Current Quarter Ended		Year to date	
	31 Dec 2014 RM	31 Dec 2013 RM	31 Dec 2014 RM	31 Dec 2013 RM
Net profit attributable to owners of the Company (RM'000)	830	N/A	6,126	N/A
Weighted average number of ordinary shares in issue ('000)	1,361,349	N/A	930,580	N/A
Diluted earnings per share (sen)	0.06	N/A	0.66	N/A

**B13. UTILISATION OF THE PROCEEDS AS AT THE DATE OF THIS ANNOUNCEMENT**

The status of the utilisation of proceeds from the Private Placement is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe For Utilisation	Deviation		Balance RM'000	Notes
				Amount RM'000	%		
Repayment of bank borrowings	12,000	10,931	Within 12 months	-	-	1,069	
Working Capital	4,069	-	Within 12 months	300	-	4,369	
Estimated expenses in relation to the proposal	420	120	Within 2 weeks	300 <sup>^</sup>	-	-	
<b>Total</b>	<b>16,489*</b>	<b>11,051</b>				<b>5,438</b>	

Notes:

\* The actual proceeds raised from the Private Placement amounted to approximately RM16.489 million.

<sup>^</sup> To be adjusted for working capital purposes.