

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

**QUARTERLY REPORT**

**Notes on the quarterly report for the first quarter ended 31 March 2015**

**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 2014.

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 2014.

**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.

**A5. 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 during the financial quarter and period under review.

**A6. MATERIAL CHANGES IN ESTIMATES**

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

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(Company No: 439230 - A)**

**QUARTERLY REPORT**

**Notes on the quarterly report for the first quarter ended 31 March 2015**

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

Save for the conversion of 22,200,000 warrants into 22,200,000 ordinary shares of RM0.10 each in JAG (“JAG Shares”), 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 financial quarter and period under review.

**A8. DIVIDEND**

There was no dividend being declared, recommended or paid during the financial quarter and period under review.

**A9. SEGMENT INFORMATION**

The Group’s segmental information is as follows:

	Current Quarter Ended		Year to date	
	31 Mar 2015 RM'000	31 Mar 2014 RM'000	31 Mar 2015 RM'000	31 Mar 2014 RM'000
<b>Revenue By Business Segments</b>				
Manufacturing activities	18,412	34,473	18,412	34,473
Trading activities	1,798	1,361	1,798	1,361
Proprietary solutions and software maintenance	330	143	330	143
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		35,977		35,977
Elimination of inter-segment sales	-	-	-	-
	<u>20,540</u>	<u>35,977</u>	<u>20,540</u>	<u>35,977</u>
<b>Segment results</b>				
Manufacturing activities	235	1,647	235	1,647
Trading activities	378	523	378	523
Investment holding	(209)	-	(209)	-
Proprietary solutions and software maintenance	(38)	(119)	(38)	(119)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Profit/(loss) from operations	366	2,051	366	2,051
Interest income	47	34	47	34
Finance cost	(152)	(211)	(152)	(211)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Profit before taxation	261	1,875	261	1,875
Taxation	(51)	(500)	(51)	(500)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Profit after taxation	<u>210</u>	<u>1,375</u>	<u>210</u>	<u>1,375</u>
<b>Revenue By Geographical Segment</b>				
Malaysia	5,357	15,066	5,357	15,066
Foreign countries	15,183	20,911	15,183	20,911
	<u>20,540</u>	<u>35,977</u>	<u>20,540</u>	<u>35,977</u>

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**QUARTERLY REPORT**

**Notes on the quarterly report for the first quarter ended 31 March 2015**

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

There was no other valuation or revaluation of property, plant and equipment during the financial quarter and period under review and the valuation of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

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

There were no material events subsequent to the current financial quarter ended 31 March 2015 up to the date of this report.

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

The Board of Directors of JAG (“Board”) announced:

- i. On 10 February 2015, that the Company had on 6 February 2015 incorporated a new wholly-owned subsidiary, JAG Land Sdn Bhd (“JAG Land”). JAG Land is a private limited company which has an authorized share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1 each and the present issued and paid-up capital is RM2 divided into two (2) ordinary shares of RM1 each.

JAG Land has not commenced business since its incorporation. The intended activity of JAG Land is to acquire and deal with any land or property, whether movable or immovable, and to carry on business in connection with the construction of buildings.

- ii. On 13 February 2015, that Jaring Metal Industries Sdn Bhd, a wholly-owned subsidiary of the Company, had incorporated a wholly-owned subsidiary, JAG Nasmec Sdn Bhd (“JAG Nasmec”). JAG Nasmec is a private limited company which has an authorized share capital of RM500,000 comprising 500,000 ordinary shares of RM1 each and a present issued and paid-up share capital of RM2 divided into two (2) ordinary shares of RM1 each.

JAG Nasmec has not commenced business since its incorporation. The intended principal activity of JAG Nasmec is to carry on the business of treatment and disposal of medical waste.

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 period under review.

**A13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no changes in the contingent liabilities and contingent assets during the financial quarter and period under review.

**A14. CAPITAL COMMITMENTS**

The outstanding capital commitments as at 31 March 2015 was approximately RM1,030,063.

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(Company No: 439230 - A)**

**QUARTERLY REPORT**

**Notes on the quarterly report for the first quarter ended 31 March 2015**

**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 RM20.54 million for the current financial quarter and period ended 31 March 2015. Export sales accounted for about RM15.18 million or 73.9% of total revenue for the current financial quarter and period ended 31 March 2015.

The Group recorded a lower revenue for the current financial quarter and period compared to the previous corresponding quarter and period. The lower revenue for the current financial quarter and period was due to non-renewal of a contract for the supply of E-waste by one (1) supplier and also due to the relatively lower commodity prices, in particular copper. Therefore, the lower quantity of E-waste procured from the suppliers resulted in the lower sales volume of recovered metals. In addition, the Group temporarily halted the processing of certain batches of raw materials during the current financial quarter and period as part of the Group's continuous improvement efforts to recover higher quantities of precious metals from E-waste. This contributed to the lower processing volume and in turn lower sales volume of recovered metals.

Other income mainly consisted of gain on foreign exchange, gain on disposal of fixed assets and interest received. The decrease in other income for the current financial quarter and period compared to the previous corresponding quarter and period was mainly due to absence of gain on commodity hedging.

The decrease in staff cost for the current financial quarter and period compared to the previous corresponding quarter and period was mainly due to the reduced number of staff in the Group by 10%.

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 increase in other operating expenses in the current financial quarter and period compared to the previous corresponding quarter and period was mainly due to higher travelling expenses, insurance expenses and entertainment.

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

The Group recorded revenue of approximately RM20.54 million and RM27.64 million for the current quarter ended 31 March 2015 and preceding quarter ended 31 December 2014, respectively. The decrease in revenue was mainly due to lower quantities of E-waste procured from the suppliers and processed by the Group thus resulting in a lower sales volume of recovered metals. The decreased revenue was also due to the relatively lower commodity prices, particularly copper. Correspondingly, the Group also recorded lower raw materials and consumables used due to lower raw materials processed in the current quarter compared to the previous quarter.

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

The Group incurred lower other operating expenses in the current quarter mainly due to lower loss on foreign exchange transactions.

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(Company No: 439230 - A)**

**QUARTERLY REPORT**

**Notes on the quarterly report for the first quarter ended 31 March 2015**

Due to weaker sales of recovered metals, the Group recorded a lower profit after tax for the current quarter compared to the immediate preceding quarter.

**B3. PROSPECTS FOR CURRENT FINANCIAL YEAR**

While the Group was profitable for the financial period ended 31 March 2015, the Group foresees the current financial year to be challenging amid the relatively lower 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 Ended		Year to date	
	31 Mar 2015 RM'000	31 Mar 2014 RM'000	31 Mar 2015 RM'000	31 Mar 2014 RM'000
Current income tax	(51)	(500)	(51)	(500)
Deferred tax	-	-	-	-
	<u>(51)</u>	<u>(500)</u>	<u>(51)</u>	<u>(500)</u>

The effective tax rate of the Group for current quarter and financial period ended 31 March 2015 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 quarter under review and previous financial year.

**B6. STATUS OF CORPORATE PROPOSALS**

Save as disclosed below, there were no other corporate proposals announced but not completed as at 31 March 2015:

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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(Company No: 439230 - A)**

**QUARTERLY REPORT**

**Notes on the quarterly report for the first quarter ended 31 March 2015**

On 10 April 2015, TA Securities Holdings Berhad (“TA Securities”) had on behalf of the Board announced that the Company proposes to establish and implement a share issuance scheme of up to thirty percent (30%) of the Company’s total issued and paid-up share capital (excluding treasury shares, if any) at any one time during the duration of the scheme, for the Directors and employees of the Company and its subsidiaries (excluding dormant subsidiaries) who fulfil the eligibility criteria (“Proposed SIS”). The listing application in relation to the Proposed SIS was submitted to Bursa Securities on 13 April 2015.

**B6. STATUS OF CORPORATE PROPOSALS (CONTINUED)**

The Company had on 28 April 2015 obtained Bursa Securities’ approval for the listing of and quotation for such number of additional new JAG Shares representing up to 30% of the issued and paid-up ordinary share capital of JAG (excluding treasury shares) to be issued pursuant to the exercise of options pursuant to the Proposed SIS. The approval granted by Bursa Securities for the Proposed SIS, is subject to the following conditions:

- (i) TA Securities is required to submit a confirmation to Bursa Securities of full compliance of the Proposed SIS pursuant to Rule 6.44(1) of the ACE Marketing Listing Requirements of Bursa Securities (“Listing Requirements”) and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed SIS; and
- (ii) JAG is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of options, arising from the Proposed SIS as at the end of each quarter together with a detailed computation of listing fees payable.

JAG is required to ensure full compliance of all the requirements pertaining to the Proposed SIS as provided under the Listing Requirements at all times.

**B7. GROUP BORROWINGS**

The Group’s borrowings as at 31 March 2015 are as follows:-

	<b>Short term (Secured) RM’000</b>	<b>Long Term (Secured) RM’000</b>	<b>Total RM’000</b>
Term loan	525	10,693	11,218
Hire purchase	738	577	1,315
Total	<u>1,263</u>	<u>11,270</u>	<u>12,533</u>

**B8. MATERIAL LITIGATION**

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

**B9. DIVIDEND**

There was no dividend declared, recommended or paid during the current financial quarter under review.

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(Company No: 439230 - A)**

**QUARTERLY REPORT**

Notes on the quarterly report for the first quarter ended 31 March 2015

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

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

	<b>As at 31 Mar 2015 RM'000</b>	<b>As at 31 Mar 2014 RM'000</b>
Total accumulated profits of the Group		
- Realized	49,681	49,254
- Unrealized	141	355
<b>Total before consolidation adjustments</b>	<b>49,822</b>	<b>49,609</b>
Less: Consolidation adjustments	-	-
<b>Total accumulated profits as per statement of financial position</b>	<b>49,822</b>	<b>49,609</b>

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

	<b>Current Quarter Ended</b>		<b>Year to date</b>	
	<b>31 Mar 2015 RM'000</b>	<b>31 Mar 2014 RM'000</b>	<b>31 Mar 2015 RM'000</b>	<b>31 Mar 2014 RM'000</b>
Amortization for club membership	-	1	-	1
Changes in fair value on derivative financial instrument	(63)	(24)	(63)	(24)
Depreciation of property, plant and equipment	802	732	802	732
Gain on disposal of property, plant and equipment	(14)	-	(14)	-
Gain / (Loss) on foreign exchange – unrealized	(141)	355	(141)	355
Government grant income	(23)	-	(23)	-
Interest income	(47)	34	(47)	34
Interest expenses	152	211	152	211

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.

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**QUARTERLY REPORT**

**Notes on the quarterly report for the first quarter ended 31 March 2015**

**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 Mar 2015 RM	31 Mar 2014 RM	31 Mar 2015 RM	31 Mar 2014 RM
Net profit attributable to owners of the Company (RM'000)	210	1,375	210	1,375
Weighted average number of ordinary shares in issue ('000)	1,057,178	649,809	1,057,178	649,809
Basic earnings per share (sen)	0.02	0.21	0.02	0.21

(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 Mar 2015 RM	31 Mar 2014 RM	31 Mar 2015 RM	31 Mar 2014 RM
Net profit attributable to owners of the Company (RM'000)	210	N/A	210	N/A
Weighted average number of ordinary shares in issue ('000)	1,361,349	N/A	1,361,349	N/A
Diluted earnings per share (sen)	0.015	N/A	0.015	N/A

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**QUARTERLY REPORT**

**Notes on the quarterly report for the first quarter ended 31 March 2015**

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

The status of the utilization of proceeds from the private placement of 94,222,200 new JAG Shares which was completed on 27 October 2014 (“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	12,000	Within 12 months	-	-	-	
Working Capital	4,069	4,369	Within 12 months	300	-	-	
Estimated expenses in relation to the proposal	420	120	Within 2 weeks	300 <sup>^</sup>	-	-	
<b>Total</b>	<b>16,489*</b>	<b>16,489</b>				<b>-</b>	

Notes:

\* The actual proceeds raised from the Private Placement amounted to approximately RM16.489 million and were fully utilized on 13 February 2015.

<sup>^</sup> Adjusted for working capital purposes.

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