

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

QUARTERLY REPORT

Notes on the quarterly report for the second quarter ended 30 June 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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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	
	30 Jun 2015 RM’000	30 Jun 2014 RM’000	30 Jun 2015 RM’000	30 Jun 2014 RM’000
Revenue By Business Segments				
Manufacturing activities	18,828	33,678	37,240	68,151
Trading activities	1,032	1,801	2,830	3,162
Proprietary solutions and software maintenance	246	261	576	404
	<u>20,106</u>	<u>35,740</u>	<u>40,646</u>	<u>71,717</u>
Elimination of inter-segment sales	-	-	-	-
	<u>20,106</u>	<u>35,740</u>	<u>40,646</u>	<u>71,717</u>
Segment results				
Manufacturing activities	1,487	1,771	1,722	3,419
Trading activities	102	510	480	1,033
Investment holding	(533)	-	(742)	-
Proprietary solutions and software maintenance	507	9	469	(110)
Profit/(loss) from operations	<u>1,563</u>	<u>2,290</u>	<u>1,929</u>	<u>4,342</u>
Interest income	39	52	86	86
Finance cost	(158)	(336)	(310)	(547)
Profit before taxation	<u>1,444</u>	<u>2,006</u>	<u>1,705</u>	<u>3,881</u>
Taxation	(36)	200	(87)	(300)
Profit after taxation	<u>1,408</u>	<u>2,206</u>	<u>1,618</u>	<u>3,581</u>
Revenue By Geographical Segment				
Malaysia	5,306	14,362	10,663	29,428
Foreign countries	14,800	21,378	29,983	42,289
	<u>20,106</u>	<u>35,740</u>	<u>40,646</u>	<u>71,717</u>

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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 30 June 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. As at the date of this announcement, the Board has revised the earlier intended principal activity of JAG Nasmec from the business of treatment and disposal of medical waste to the carrying of laundry business.

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 30 June 2015 was approximately RM1,341,458.

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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 revenue of approximately RM20.11 million for the current financial quarter and RM40.65 million for the financial period ended 30 June 2015. Export sales accounted for about RM14.8 million or 73.6% of total revenue for the current financial quarter and RM29.98 or 73.8% of total revenue for the period ended 30 June 2015.

The Group recorded lower revenue for the current financial quarter and current financial period compared to the previous corresponding quarter and previous financial period. The lower revenue for the current financial period was mainly due to lower quantity of E-waste procured from the suppliers thus resulting in lower sales volume of recovered metals and relatively lower commodity prices, particularly copper.

Other income mainly consisted of gain on realized foreign exchange, gain on disposal of fixed assets, unrealized gain on other investment and interest received. The increase in other income for the current financial quarter and period compared to the previous corresponding quarter and previous financial period was mainly due to gain on realized foreign exchange as a result of strengthening of the United States Dollar against the Malaysia Ringgit and unrealized gain on other investment.

The increase in staff cost for the current financial quarter compared to the previous corresponding quarter was due to higher staff welfare cost incurred. However, staff cost for the current financial period compared to the previous financial period decreased mainly due to the reduced of overall number of staff in the Group.

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 period compared to the previous corresponding quarter and previous financial period was mainly due to lower bank charges, professional fees and rental incurred.

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

The Group recorded revenue of approximately RM20.11 million and RM20.54 million for the current quarter ended 30 June 2015 and preceding quarter ended 31 March 2015, respectively. The decrease in revenue was mainly due to lower quantity of E-waste procured from the suppliers thus resulting in lower sales volume of recovered metals and relatively lower commodity prices, particularly copper. Correspondingly, the Group also recorded lower raw materials and consumables used due to lower raw materials used in the current quarter compared to the previous quarter.

The increase in other income was mainly due to gain on realized foreign exchange as a result of strengthening of the United States Dollar against the Malaysia Ringgit and unrealized gain on other investment.

The Group incurred lower other operating expenses in the current quarter mainly due to lower bank charges, professional fees and rental incurred.

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B2. COMPARISON OF CURRENT FINANCIAL QUARTER RESULTS WITH THE PRECEDING QUARTER (CONTINUED)

Despite weaker sales of recovered metals, the Group recorded a higher profit after tax for the current quarter compared to the immediate preceding quarter. It was mainly due to gain on realized foreign exchange and lower staff cost incurred.

B3. PROSPECTS FOR CURRENT FINANCIAL YEAR

While the Group was profitable for the financial period ended 30 June 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	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Current income tax	(36)	200	(87)	(300)
Deferred tax	-	-	-	-
	<u>(36)</u>	<u>200</u>	<u>(87)</u>	<u>(300)</u>

The effective tax rate of the Group for current quarter and financial period ended 30 June 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 30 June 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.

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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 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.

The effective date for the implementation of the Proposed SIS is 1 July 2015, which is the date of full compliance of the SIS in accordance with Rule 6.44(1) of the Listing Requirements.

B7. GROUP BORROWINGS

The Group’s borrowings as at 30 June 2015 are as follows:-

	Short term (Secured) RM’000	Long Term (Secured) RM’000	Total RM’000
Term loan	513	10,566	11,079
Hire purchase liabilities	700	470	1,170
Total	<u>1,213</u>	<u>11,036</u>	<u>12,249</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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B10. REALISED AND UNREALISED PROFITS/(LOSSES) DISCLOSURE

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

	As at 30 Jun 2015 RM'000	As at 30 Jun 2014 RM'000
Total accumulated profits of the Group		
- Realized	51,309	51,439
- Unrealized	(79)	376
Total before consolidation adjustments	51,230	51,815
Less: Consolidation adjustments	-	-
Total accumulated profits as per statement of financial position	51,230	51,815

B11. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Current Quarter Ended		Year to date	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Changes in fair value on derivative financial instrument	-	-	(63)	24
Depreciation of property, plant and equipment	827	760	1,629	1,493
Gain on disposal of property, plant and equipment	(27)	(1)	(41)	(1)
Gain on disposal of quoted shares	-	(263)	-	(263)
(Gain)/Loss on foreign exchange – unrealized	220	(21)	79	(376)
Government grant income	(23)	-	(46)	-
Interest income	(39)	(52)	(86)	(86)
Interest expenses	158	336	310	547
Unrealized gain on other investment	(510)	-	(510)	-

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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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	
	30 Jun 2015 RM	30 Jun 2014 RM	30 Jun 2015 RM	30 Jun 2014 RM
Net profit attributable to owners of the Company (RM'000)	1,408	2,206	1,618	3,581
Weighted average number of ordinary shares in issue ('000)	1,066,645	649,809	1,061,911	649,809
Basic earnings per share (sen)	0.13	0.34	0.15	0.55

- (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	
	30 Jun 2015 RM	30 Jun 2014 RM	30 Jun 2015 RM	30 Jun 2014 RM
Net profit attributable to owners of the Company (RM'000)	1,408	N/A	1,618	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)	0.10	N/A	0.12	N/A

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