

EXPLANATORY NOTES AND ADDITIONAL INFORMATION

1. Basis of Preparation

This interim financial report is unaudited and has been prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Malaysian Financial Reporting Standards (“MFRS”) 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”).

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (“the Group”) subsequent to 31 December 2016.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2016 except for the following:

- (a) Mandatory adoption of the following new and revised Malaysian Financial Reporting Standards (“MFRS”) and Issues Committee Interpretations (“IC Int.”) effective for annual periods beginning on or after 1 January 2017:

- Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)

- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative

- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

- (b) Classification of interest income as Revenue

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

2. Seasonality or Cyclicity of Interim Operations

Generally, the Group’s operations are not affected by seasonal or cyclical factors. However, the Group’s share of profit from an associate company which is involved in the job portal business may be negatively impacted in the last quarter of the year as recruitment activities tend to slow down towards year-end and during major holidays.

3. Unusual Items

There were no items or events that arose during the quarter under review, which affected assets, liabilities, equity, net income or cash flows that are unusual by reason of their nature, size or incidence.

4. Changes in Estimates

There were no changes in the nature and amount of estimates reported that have a material effect during the quarter under review.

5. 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 during the quarter under review.

6. Dividends Paid

The shareholders of the Company had on 29 June 2017 approved the payment of a final single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2016 amounting to RM2.797 million. The dividend was subsequently paid on 11 July 2017.

7. Operating Segments

The information reported to the Group’s chief operating decision maker, who is also the Group’s Chief Executive Officer, for the purposes of resource allocation and assessment of performance is segregated according to the following segments:

Investment holding	Includes equity investments, property investments, treasury investments, investment in associates, and property leasing
Others	Includes online advertising and contract staffing

JCBNEXT BERHAD (“the Company”)
(Company No: 641378-W)
Notes on the quarterly report – 30 September 2017

Cumulative Quarter Ended 30/9/2017
(The figures have not been audited)

	Investment holding RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Segment revenue				
Revenue from external customers	1,326	708	-	2,034
Inter-segment revenue	217	-	(217)	-
Dividends	14,356	-	(11,666)	2,690
Interest income	634	-	-	634
Investment distribution income	2,235	-	-	2,235
Revenue for the year	18,768	708	(11,883)	7,593
Segment profit/(loss)				
Operating loss for reportable segments	11,557	(89)	(11,666)	(198)
Interest income	-	5	-	5
Gain on financial assets classified as fair value through profit or loss	(135)	-	-	(135)
Gain on accretion in associate	52	-	-	52
Gain on disposal of quoted investments	-	-	-	-
Share of profit of equity-accounted associates	7,483	-	-	7,483
Profit before tax	18,957	(84)	(11,666)	7,207
Income tax expense	(1,813)	(6)	-	(1,819)
Profit for the year	17,144	(90)	(11,666)	5,388
Segment assets	338,539	658	(1,300)	337,897
<i>Included in the measure of segment assets are:</i>				
Investment in associates	120,780	-	-	120,780
Non-current assets other than financial instruments and deferred tax assets	20,499	1	-	20,500
Additions to non-current assets other than financial instruments and deferred tax assets	19	-	-	19
Other segment information				
Depreciation of property and equipment	82	1	-	83

JCBNEXT BERHAD (“the Company”)
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Notes on the quarterly report – 30 September 2017

Cumulative Quarter Ended 30/9/2016

	Investment holding RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Segment revenue				
Revenue from external customers	1,665	1,202	-	2,867
Inter-segment revenue	16	-	(16)	-
Dividends	9,723	-	(7,758)	1,965
Investment distribution income	1,284	-	-	1,284
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue for the year	12,688	1,202	(7,774)	6,116
	<hr/>	<hr/>	<hr/>	<hr/>
Segment profit/(loss)				
Operating profit/(loss) for reportable segments	6,773	(118)	(7,758)	(1,103)
Interest income	1,342	13	-	1,355
Loss on financial assets classified as fair value through profit or loss	(781)	-	-	(781)
Share of profit of equity-accounted associates	11,107	-	-	11,107
	<hr/>	<hr/>	<hr/>	<hr/>
Profit before tax	18,441	(105)	(7,758)	10,578
Income tax expense	(1,898)	(22)	-	(1,920)
	<hr/>	<hr/>	<hr/>	<hr/>
Profit for the year	16,543	(127)	(7,758)	8,658
	<hr/>	<hr/>	<hr/>	<hr/>
Segment assets	322,583	845	(1,900)	321,528
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Included in the measure of segment assets are:</i>				
Investment in associates	118,697	-	-	118,697
Non-current assets other than financial instruments and deferred tax assets	20,589	3	-	20,592
Additions to non-current assets other than financial instruments and deferred tax assets	74	-	-	74
	<hr/>	<hr/>	<hr/>	<hr/>
Other segment information				
Depreciation of property and equipment	101	3	-	104
	<hr/>	<hr/>	<hr/>	<hr/>

8. Subsequent Events

There were no material events subsequent to the end of the current quarter under review that have not been reflected in the financial statements for the current quarter.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

10. Changes in contingent assets and contingent liabilities

There were no material contingent liabilities or contingent assets as at 22 November 2017 (being the latest practicable date not earlier than 7 days from the date of issue of this interim financial report).

11. Capital Commitments

	As at 30.9.2017 RM’000
Investment in unquoted shares	
Contracted but not provided for:	1,588
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12. Review of Performance for the Quarter

For the quarter ended 30 September 2017, consolidated revenue amounted to RM2.67 million, which is 11.1% higher than the revenue in the corresponding quarter in the preceding year of RM2.41 million. The increase was mainly due to higher dividend income from Lion Rock Group Limited (formerly known as 1010 Printing Group Limited) (“Lion Rock”) amounting to RM0.88 million compared with RM0.70 million in the corresponding quarter in the previous year. In addition, total returns from the Group’s cash and money market investments in the form of interest and investment distribution income amounted to RM1.14 million in the current quarter, an increase of 34.2% compared with RM0.85 million in Q3 2016. The increase was mainly due to higher cash and short term investments.

Foreign exchange losses amounting to RM0.69 million during the current quarter consist mainly of unrealised foreign exchange losses on the Group’s US dollar denominated bank deposits as the Ringgit strengthened from USD1:RM4.2950 at the end of June 2017 to USD1:RM4.2265 at the end of September 2017. The unrealised foreign exchange losses in the current quarter and for the 9 month period ended 30 September 2017 are mainly a reversal of the unrealised foreign exchange gain of RM3.27 million recorded in the fourth quarter of 2016.

On a pre-tax basis, the Group’s profit before tax (“PBT”) decreased by 7.6% to RM2.76 million compared with RM2.99 million in the corresponding quarter in the previous year mainly due to the lower share of profit from equity-accounted associates which had decreased by 17.2% year-on-year to RM2.77 million compared with RM3.34 million in Q3 2016. Our associate, 104 Corporation (TSE:3130), a leading provider of integrated human resource services in Taiwan, reported net income of NT\$ 93.82 million in Q3 2017 compared with NT\$ 88.44 million in Q3 2016 which is a 6.07% increase year-over-year. This was achieved on operating revenue of NT\$ 401 million which marked a 4.57% year-over-year increase. Our other associate, Innity Corporation Berhad reported a net loss attributable to shareholders for the current quarter under review of RM1.27 million compared with a net profit of RM2.91 million in the corresponding quarter in the previous year. The loss was attributable to revenue decreasing approximately 6% for Q3 year over year while operating expenses increased. The decrease in revenue in 3Q17 was due to lower contribution from Hong Kong, Philippines, Indonesia and Vietnam segments even

though the lower performance was cushioned by higher revenue generated by Singapore, Taiwan and Malaysia segments coupled with new contribution from South Korea segment.

13. Comparison with previous quarter's results

	Q3 2017 <u>Current Quarter</u> RM'000	Q2 2017 <u>Preceding Quarter</u> RM'000
Revenue	2,672	3,365
Profit before tax	2,758	3,631

For the current quarter under review, the Group recorded a lower revenue of RM2.67 million compared with RM3.37 million recorded in the preceding quarter. Revenue in the preceding quarter included the receipt of final and special dividends from Lion Rock totaling RM1.81 million whereas revenue in current quarter included an interim dividend from Lion Rock of RM0.88 million. The lower dividend income is partially offset by an increase in income from the Group's liquid assets following a reallocation of funds from money market funds into fixed deposits.

Although the Group recorded lower unrealised foreign exchange losses of RM0.61 million in the current quarter compared with RM1.04 million in the preceding quarter, PBT decreased by 24.0% to RM2.76 million in the current quarter compared with RM3.63 million in Q2. Apart from the lower revenue in the current quarter, the decrease was also due to lower share of profit from associates amounting to RM2.77 million compared with RM3.11 million in Q2. In addition, the Group had also recorded a loss on financial assets classified as fair value through profit or loss of RM0.14 million in the current quarter compared with a gain of RM0.15 million in Q2.

14. Prospects for the Year 2017

Pending the acquisition of new businesses and/or investments, the Group's future prospects will depend on the performance of its associated companies in Taiwan and Malaysia, quoted investment in Hong Kong, foreign exchange rates and operating activities in Malaysia and Japan. The Group will derive income primarily from the provision of consultancy services, dividend income from its quoted investments and rental of office space. The Board and management will endeavour to identify and evaluate new businesses and/or assets to be acquired by the Company which can contribute to the financial performance of the Group. The Group has a healthy cash position, receives good cash flow from its investments and does not have any material debt.

Uncertain economic conditions may however affect the short-term profit performance of the Group's associated companies and investments. We have seen this in 2017 with lower profits from our associated companies. Additionally, the acquisition of suitable new businesses and/or assets will take time. The tenants for Wisma JobStreet.com who are the operators of the JobStreet.com business will be moving out at the end of their tenancy on 31 January 2018 and this will negatively impact the Group's revenue in 2018. The Group has already engaged the services of real estate agents to procure new tenants.

15. Profit Forecast

No profit forecast was announced hence there is no comparison between actual results and forecast.

16. Taxation

The taxation charge for the current quarter includes the following:

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM’000	RM’000	RM’000	RM’000
Estimated current tax payable	207	604	1,815	1,898
Deferred taxation	10	(23)	4	22
	<u>217</u>	<u>581</u>	<u>1,819</u>	<u>1,920</u>

17. Quoted Investments

The Group’s dealings in quoted securities during the current quarter and financial year-to-date are as follows:-

	Individual Quarter Ended 30.9.2017	Cumulative Quarter Ended 30.9.2017
	RM’000	RM’000
Quoted securities of associate companies		
Share of results and changes in equity in associates and exchange differences	839	(4,385)
	<u> </u>	<u> </u>
Long term:		
Changes in fair value	(6,927)	2,193
Exchange differences	(4)	(13)
	<u> </u>	<u> </u>
Short term:		
Purchase consideration	692	2,235
Sale proceeds	(44,021)	(46,371)
Changes in fair value	(169)	(51)
	<u> </u>	<u> </u>

The Group’s available-for-sale investments in quoted securities, investments in the quoted securities of associate companies and other short term investments in quoted securities as at 30 September 2017 are summarized below:

	RM’000
At cost	162,822
At carrying value/book value	227,900 [^]
At market value	289,250
	<u> </u>

Other than the above, there was no purchase or disposal of quoted securities during the financial period under review.

^ Carrying value of investments in associate companies represents the Group’s proportionate share of net assets in the associate companies.

18. Status of Corporate Proposals

Proposed disposal of ordinary shares in JS E-Recruitment Ltd

The Company had on 24 June 2009 entered into a Share Sale Agreement (the “SSA”) with Daffodil Computers Limited, a company incorporated in Bangladesh (“Daffodil”) for the disposal of 60,000 ordinary shares of BDT 10 each in the share capital of JS E-Recruitment Ltd. (“JSE”) to Daffodil, representing 60% equity interest in the issued and paid-up share capital of JSE for a total cash consideration of USD1.00 (equivalent to RM3.549 based on the exchange rate as at 23 June 2009 of USD1:RM3.549).

19. Group Borrowings and Debt Securities

The Group’s borrowings are unsecured, denominated in Japanese Yen and classified as follows:-

	As at 30.9.2017 RM’000
Current	63*
Non-current	-
Total	<hr/> <u>63</u>

* A director of a subsidiary advanced JPY3.1 million to the subsidiary for the settlement of a legal suit.

20. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

21. Dividend

No dividend has been declared during the quarter under review in line with the discontinuation of the previous dividend policy with effect from 22 February 2016.

22. Earnings Per Share

Basic earnings per share

The basic earnings per share is calculated by dividing the Group’s net profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Net profit attributable to owners of the Company (RM’000)	2,528	2,385	5,349	8,625
Weighted average number of shares in issue (‘000)	139,852	139,858	136,782	139,858
Basic earnings per share (sen)	1.81	1.70	3.91	6.17

Fully diluted earnings per share

No diluted earnings per share is disclosed in the financial statements as there are no dilutive potential ordinary shares.

23. Realised and Unrealised Profits/losses

	Group As at 30.9.2017	Group As at 31.12.2016
Total retained earnings of the Company and its subsidiaries:		
- Realised	41,036,444	32,272,376
- Unrealised	586,199	2,606,240
Total share of retained earnings of associated companies:		
- Realised	10,171,671	14,319,364
- Unrealised	(30,236)	(47,550)
Total share of accumulated losses of joint venture:		
- Realised	(3,155,674)	(3,155,674)
	<hr/> 48,608,404	<hr/> 45,994,756
Add: Consolidation adjustments	28,364,288	28,675,008
Total retained profits	<hr/> 76,972,692	<hr/> 74,669,764

24. Profit for the Period

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM’000	RM’000	RM’000	RM’000
Profit for the period is arrived at after (charging)/ crediting:-				
Interest income	444	19	638	1,355
Depreciation	(27)	(30)	(83)	(104)
Reversal/ impairment (loss) on trade receivables	2	34	6	53

* Interest income has been classified as Revenue with effect from 1 January 2017.

Save as disclosed above and in the Condensed Consolidated Income Statement, the other items as required under Appendix 9B, Part A(16) of the Main Market Listing Requirements are not applicable.

25. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 29 November 2017.