

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 2018.

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 2018 except for the mandatory adoption of the following accounting standards, amendments and interpretations of Malaysian Financial Reporting Standards (“MFRS”) that have been issued by MASB effective for annual periods beginning on or after 1 January 2019:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

The adoption of the abovementioned standards, amendments and interpretations did not have any material impact to the current and prior periods financial statements of the Group and the Company except for MFRS 16 Leases as described below:

MFRS 16 Leases

The Group has adopted MFRS 16 which is applied retrospectively from 1 January 2019, where MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The right-of-use asset is depreciated in accordance with the principles in MFRS 116 Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in the profit or loss.

Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The adoption of MFRS 16 did not have any material financial impact to the Group.

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

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

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

Cumulative Quarter Ended 31/12/2019
(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	331	1,014	-	1,345
Inter segment revenue	4	-	(4)	-
Dividends	11,974	-	(8,662)	3,312
Interest income	1,892	-	-	1,892
Investment distribution income	2,138	-	-	2,138
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Revenue for the year	<u>16,339</u>	<u>1,014</u>	<u>(8,666)</u>	<u>8,687</u>
Segment profit/(loss)				
Operating profit/(loss) for reportable segments	12,040	(154)	(8,704)	3,182
Interest income	-	57	-	57
Loss on financial assets classified as fair value through profit or loss	(22)	-	-	(22)
Gain on changes of interest in associates	17	-	-	17
Loss on changes in fair value of investment properties	(1,000)	-	-	(1,000)
Impairment loss on amounts due from subsidiaries	(154)	-	154	-
Share of profit of equity-accounted associates	9,099	-	-	9,099
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Profit before tax	19,980	(97)	(8,550)	11,333
Income tax expense	(1,443)	(8)	-	(1,451)
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Profit for the year	<u>18,537</u>	<u>(105)</u>	<u>(8,550)</u>	<u>9,882</u>
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Segment assets	<u>351,062</u>	<u>872</u>	<u>(24,215)</u>	<u>327,719</u>
<i>Included in the measure of segment assets are:</i>				
Investment in associates	121,158	-	-	121,158
Non-current assets other than financial instruments and deferred tax assets	18,703	-	-	18,703
Additions to non-current assets other than financial instruments and deferred tax assets	144	-	-	144
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Other segment information				
Depreciation of property and equipment	92	-	-	92
Depreciation of right-of-use assets	37	-	-	37
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Cumulative Quarter Ended 31/12/2018

	Investment holding RM’000	Others RM’000	Eliminations RM’000	Consolidated RM’000
Segment revenue				
Revenue from external customers	166	1,053	-	1,219
Inter-segment revenue	4	-	(4)	-
Dividends	12,966	-	(9,764)	3,202
Interest income	1,977	-	-	1,977
Investment distribution income	2,132	-	-	2,132
Revenue for the year	<u>17,245</u>	<u>1,053</u>	<u>(9,768)</u>	<u>8,530</u>
Segment profit/(loss)				
Operating profit/(loss) for reportable segments	12,980	(4)	(9,823)	3,153
Loss on disposal of investment in a joint venture	(86)	-	-	(86)
Loss on financial assets classified as fair value through profit or loss	(164)	-	-	(164)
Gain on changes of interest in associates	56	-	-	56
Loss on changes in fair value of investment properties	(500)	-	-	(500)
Impairment loss on amounts due from subsidiaries	(208)	-	208	-
Share of profit of equity-accounted associates	8,980	-	-	8,980
Profit before tax	<u>21,058</u>	<u>(4)</u>	<u>(9,615)</u>	<u>11,439</u>
Income tax expense	(1,477)	(8)	-	(1,485)
Profit for the year	<u>19,581</u>	<u>(12)</u>	<u>(9,615)</u>	<u>9,954</u>
Segment assets	<u>343,355</u>	<u>792</u>	<u>(14,025)</u>	<u>330,122</u>
<i>Included in the measure of segment assets are:</i>				
Investment in associates	119,970	-	-	119,970
Non-current assets other than financial instruments and deferred tax assets	19,688	-	-	19,688
Additions to non-current assets other than financial instruments and deferred tax assets	<u>123</u>	<u>-</u>	<u>-</u>	<u>123</u>
Other segment information				
Depreciation of property and equipment	<u>109</u>	<u>1</u>	<u>-</u>	<u>110</u>

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 18 February 2020 (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 31.12.2019 RM'000
Investment in unquoted shares	
Contracted but not provided for:	538
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12. Review of Performance for the Quarter

For the quarter ended 31 December 2019, consolidated revenue amounted to RM1.42 million, which is 17.3% lower than the revenue in the corresponding quarter in the preceding year of RM1.72 million. The decrease was mainly due to lower investment distribution income from investments in money market unit trust funds.

Foreign exchange losses amounting to RM0.30 million consist mainly of unrealised foreign exchange losses on the Group’s US dollar denominated bank deposits as the Ringgit strengthened from USD1:RM4.1905 at the end of September 2019 to USD1:RM4.096 at the end of December 2019.

On a pre-tax basis, the Group’s profit before tax (“PBT”) decreased by 57.1% to RM0.89 million from RM2.07 million in the corresponding quarter in the previous year mainly attributable to the foreign exchange losses of RM0.30 million in Q4 2019 as mentioned above and loss on changes in the fair value of investment properties of RM1.0 million during the quarter compared with RM0.50 million in Q4 2018.

Our share of profit from equity accounted associates decreased by 9.3% year-over-year to RM2.28 million from RM2.52 million in Q4 2018. Our associate, 104 Corporation, a leading provider of integrated human resource services in Taiwan, reported a profit before tax of NT\$68.18 million in Q4 2019, which is slightly lower than a profit before tax of NT\$69.26 million in the corresponding quarter in the preceding year. Despite the lower profit before tax, 104 Corporation’s revenue grew 5.7% to NT\$403.03 million from NT\$381.27 million in Q4 2018. Our another associate, Innity Corporation Berhad recorded a lower net profit of RM1.04 million in Q4 2019 compared with RM3.89 million in the previous year’s corresponding quarter on the back of a slight decrease in revenue from RM31.10 million in Q4 2018 to RM30.15 million in the current quarter under review.

13. Comparison with previous quarter's results

	Q4 2019 <u>Current Quarter</u> RM'000	Q3 2019 <u>Preceding Quarter</u> RM'000
Revenue	1,419	2,156
Profit before tax	890	3,507

For the current quarter under review, the Group posted a lower revenue of RM1.42 million compared with RM2.16 million recorded in the preceding quarter mainly due to lower dividend income from investments in quoted shares and lower investment distribution income.

PBT decreased by 74.6% to RM0.89 million in Q4 2019 from RM3.51 million in Q3 2019. Apart from the lower revenue in the current quarter, the decrease was due to foreign exchange losses of RM0.30 million compared with foreign exchange gains of RM0.14 million in Q3 2019, lower share of profit from equity accounted associates of RM2.28 million compared with RM2.59 million in the previous quarter and a loss on fair value of investment properties of RM1.0 million taken up in Q4 2019.

14. Prospects for the Year 2020

Pending further acquisitions 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 investments, foreign exchange rates and operating activities in Malaysia and Japan. The Group will derive income primarily from the provision of consultancy services and dividend income from its quoted investments. 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. The outbreak of the COVID-19 coronavirus at the turn of the new year will likely have global economic ramifications, the severity of which is unknown at this juncture. On a positive note in 2020, the Group will be able to derive rental income from the tenant of Wisma JcbNext that has moved into the premises in Q4 2019.

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Estimated current tax payable	114	46	1,345	1,484
Deferred taxation	89	(47)	106	1
	<u>203</u>	<u>(1)</u>	<u>1,451</u>	<u>1,485</u>

17. Investments

The Group’s investments during the current quarter and financial year-to-date are as follows:-

	Individual Quarter Ended 31.12.2019 RM’000	Cumulative Quarter Ended 31.12.2019 RM’000
Associate companies		
Share of results and changes in equity in associates and exchange differences	3,429	1,188
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Long term:		
Purchase consideration	668	11,100
Sale proceeds	-	(10,667)
Changes in fair value	(4,702)	(4,310)
Exchange differences	4	7
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Short term:		
Purchase consideration	57,550	122,959
Sale proceeds	(58,350)	(131,232)
Changes in fair value	(23)	(22)
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The Group’s investments at fair value through other comprehensive income, investments in the quoted securities of associate companies and other short term investments at fair value through profit or loss as at 31 December 2019 are summarized below:

	RM’000
At cost	175,423
At carrying value/book value	227,345 [^]
At market value	286,241
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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

JCBNEXT BERHAD (“the Company”)
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consideration of USD1.00 (equivalent to RM3.549 based on the exchange rate as at 23 June 2009 of USD1:RM3.549).

19. 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.

20. 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

21. 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net profit attributable to owners of the Company (RM’000)	685	2,045	9,873	9,895
Weighted average number of shares in issue (‘000)	135,872	137,898	136,591	138,817
Basic earnings per share (sen)	0.50	1.48	7.23	7.13

Fully diluted earnings per share

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

22. Profit for the Period

	Individual Quarter Ended		Cumulative Quarter Ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM’000	RM’000	RM’000	RM’000
Profit for the period is arrived at after (charging)/ crediting: -				
Interest income	613	478	1,949	2,132
Depreciation of property and equipment	(22)	(28)	(92)	(110)
Depreciation of right-of-use assets	(14)	-	(37)	-
Reversal of impairment on trade receivables	-	-	1	-
Loss on disposal of investment in a joint venture	-	-	-	(86)

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.

23. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 25 February 2020.