

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 2019.

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 2019 except for the mandatory adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRS”) that have been issued by MASB effective for annual periods beginning on or after 1 January 2020:

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

The adoption of the abovementioned amendments to MFRSs did not have any material impact to the current and prior periods financial statements of the Group and the Company.

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 17 July 2020 approved the payment of a final single tier dividend of 4.0 sen per ordinary share in respect of the financial year ended 31 December 2019 amounting to RM5.375 million. The dividend was subsequently paid on 13 August 2020.

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”)
Registration No.: 200401002875 (641378-W)
Notes on the quarterly report – 30 September 2020

Cumulative Quarter Ended 30/09/2020
(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	789	302	-	1,091
Inter segment revenue	3	-	(3)	-
Dividends	11,325	-	(9,365)	1,960
Interest income	1,367	-	-	1,367
Investment distribution income	803	-	-	803
Revenue for the year	<u>14,287</u>	<u>302</u>	<u>(9,368)</u>	<u>5,221</u>
Segment profit/(loss)				
Operating profit/(loss) for reportable segments	10,928	(261)	(9,364)	1,303
Interest expense	(6)	(2)	-	(8)
Gain on financial assets classified as fair value through profit or loss	2	-	-	2
Share of profit of equity-accounted associates	5,252	-	-	5,252
Profit before tax	<u>16,176</u>	<u>(263)</u>	<u>(9,364)</u>	<u>6,549</u>
Income tax expense	(1,534)	(6)	-	(1,540)
Profit for the year	<u>14,642</u>	<u>(269)</u>	<u>(9,364)</u>	<u>5,009</u>
Segment assets	<u>343,736</u>	<u>660</u>	<u>(27,191)</u>	<u>317,205</u>
<i>Included in the measure of segment assets are:</i>				
Investment in associates	122,541	-	-	122,541
Non-current assets other than financial instruments and deferred tax assets	19,127	80	-	19,207
Additions to non-current assets other than financial instruments and deferred tax assets	<u>14</u>	<u>128</u>	<u>-</u>	<u>142</u>
Other segment information				
Depreciation of property and equipment	47	-	-	47
Depreciation of right-of-use assets	42	48	-	90

Cumulative Quarter Ended 30/09/2019

	Investment holding RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Segment revenue				
Revenue from external customers	108	807	-	915
Inter segment revenue	3	-	(3)	-
Dividends	11,971	-	(8,662)	3,309
Interest income	1,276	-	-	1,276
Investment distribution income	1,768	-	-	1,768
Revenue for the year	<u>15,126</u>	<u>807</u>	<u>(8,665)</u>	<u>7,268</u>
Segment profit/(loss)				
Operating profit/(loss) for reportable segments	12,225	(120)	(8,556)	3,549
Interest income	-	60	-	60
Loss on financial assets classified as fair value through profit or loss	1	-	-	1
Gain on dilution of interest in an associate	17	-	-	17
Share of profit of equity-accounted associates	6,816	-	-	6,816
Profit before tax	<u>19,059</u>	<u>(60)</u>	<u>(8,556)</u>	<u>10,443</u>
Income tax expense	(1,242)	(6)	-	(1,248)
Profit for the year	<u>17,817</u>	<u>(66)</u>	<u>(8,556)</u>	<u>9,195</u>
Segment assets	<u>354,170</u>	<u>813</u>	<u>(24,164)</u>	<u>330,819</u>
<i>Included in the measure of segment assets are:</i>				
Investment in associates	117,729	-	-	117,729
Non-current assets other than financial instruments and deferred tax assets	19,728	-	-	19,728
Additions to non-current assets other than financial instruments and deferred tax assets	<u>134</u>	<u>-</u>	<u>-</u>	<u>134</u>
Other segment information				
Depreciation of property and equipment	70	-	-	70
Depreciation of right-of-use assets	23	-	-	23

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 19 November 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 30.9.2020 RM'000
Investment in unquoted shares	
Contracted but not provided for:	452
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12. Review of Performance for the Quarter

For the quarter ended 30 September 2020, consolidated revenue amounted to RM0.88 million, which is 59.1% lower than the revenue in the corresponding quarter in the preceding year of RM2.16 million. The decrease was mainly due to lower investment distribution income from investments in money market unit trust funds and lower dividends from quoted investments.

The Group recorded foreign exchange losses of RM0.89 million in the current quarter compared with foreign exchange gains of RM0.14 million in Q3 2019. The foreign exchange losses consist mainly of unrealised foreign exchange losses on the Group’s US Dollar and Singapore Dollar denominated bank deposits as the Ringgit strengthened from USD1:RM4.2835 and SGD1:RM3.074 at the end of June 2020 to USD1:RM4.153 and SGD1:RM3.035 respectively at the end of September 2020.

The Group’s profit before tax (“PBT”) decreased by 60.2% to RM1.40 million compared with RM3.51 million in the corresponding quarter in the previous year mainly attributable to the decrease in revenue and the foreign exchange losses as mentioned above.

Our share of profit from equity accounted associates increased by 8.6% year-over-year to RM2.81 million compared with RM2.59 million in Q3 2019. Our associate, 104 Corporation, a leading provider of integrated human resource services in Taiwan, posted a marginally higher net profit attributable to shareholders of NT\$81.46 million in Q3 2020 compared with NT\$81.22 million in Q3 2019. Its revenue increased to NT\$433.90 million in the current quarter from NT\$425.39 million in Q3 2019 as the Taiwan economy rebounded in the third quarter. Our other associate, Innity Corporation Berhad also recorded a marginally higher net profit of RM0.58 million in the current quarter compared with RM0.40 million in the corresponding quarter in the preceding year despite a slight decrease in revenue from RM26.10 million in Q3 2019 to RM25.35 million in the current quarter.

13. Comparison with previous quarter's results

	Q3 2020 <u>Current Quarter</u> RM'000	Q2 2020 <u>Preceding Quarter</u> RM'000
Revenue	882	2,937
Profit before tax	1,396	3,369

For the current quarter under review, the Group reported a lower revenue of RM0.88 million compared with RM2.94 million recorded in the preceding quarter. Revenue in the preceding quarter included the receipt of the final dividend for the year ended 31 December 2019 amounting to RM1.16 million as well as a dividend in specie in the form of shares in Left Field Printing Group Ltd amounting to RM0.74 million, both from Lion Rock Group Limited. Apart from the lower revenue, profit before tax in the current quarter was also negatively impacted by foreign exchange losses of RM0.89 million compared with foreign exchange gains of RM0.41 million recorded in the preceding quarter. The lower revenue and foreign exchange losses were partially offset by higher share of profit from associates amounting to RM2.81 million during the current quarter compared with RM1.24 million recorded in Q2 2020.

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 COVID-19 coronavirus outbreak which has already been declared a pandemic on 11 March 2020, has resulted in significant disruptions to businesses and everyday life as we know it. With the ensuing slowdown in economic activities, many countries have already reported contractions in their economies as a result of the pandemic. In October 2020, the International Monetary Fund (“IMF”) revised its global economic growth forecast for 2020 to -4.4% from the -4.9% it had announced in June and the -3% in April. According to the IMF, the latest revision reflects better than anticipated second quarter GDP outturns, mostly in advanced economies where activity began to improve sooner than expected after lockdowns were scaled back in May and June, as well as indicators of a stronger recovery in the third quarter. However, the risk of worse growth outcomes than projected remains sizable.

On a positive note, since the start of 2020, the Group has been deriving rental income from a tenant that has taken up 6 floors of office space in Wisma JcbNext. However, following a request from the tenant, the Group has agreed to a partial deferment of rent for six months beginning June 2020, with the deferred rent to be paid over 12 months in 2021. The rental deferment is not expected to have any material financial impact to the Group.

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	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Estimated current tax payable	142	81	1,510	1,231
Deferred taxation	17	(53)	30	17
	<u>159</u>	<u>28</u>	<u>1,540</u>	<u>1,248</u>

17. Investments

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

	Individual Quarter Ended 30.9.2020	Cumulative Quarter Ended 30.9.2020
	RM'000	RM'000
Associate companies		
Share of results and changes in equity in associates and exchange differences	1,322	1,596
	<u> </u>	<u> </u>
Long term:		
Acquisitions	3,000	4,639
Disposals	-	-
Changes in fair value	(1,717)	(14,052)
	<u> </u>	<u> </u>
Short term:		
Acquisitions	3,873	53,013
Disposals	(6,775)	(63,693)
Changes in fair value	-	2
	<u> </u>	<u> </u>

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 30 September 2020 are summarized below:

	RM'000
At cost	169,374
At carrying value/book value	208,465 [^]
At market value	<u>253,899</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. 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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Net profit attributable to owners of the Company (RM’000)	1,276	3,456	5,082	9,188
Weighted average number of shares in issue (‘000)	134,313	136,186	134,591	136,834
Basic earnings per share (sen)	0.95	2.54	3.78	6.71

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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM’000	RM’000	RM’000	RM’000
Profit for the period is arrived at after (charging)/ crediting: -				
Interest income	315	362	1,360	1,336
Depreciation of property and equipment	(15)	(22)	(47)	(70)
Depreciation of right-of-use assets	(30)	(14)	(90)	(23)
Reversal of impairment on trade receivables	-	-	-	1

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 26 November 2020.