

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 2020.

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 2020 except for the mandatory adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRS”) that have been issued by MASB.

Amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

Amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

The Group and the Company do not plan to apply MFRS 4, *Insurance Contracts – Interest Rate Benchmark Reform – Phase 2* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

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

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

JCBNEXT BERHAD (“the Company”)
Registration No: 200401002875 (641378-W)
Notes on the quarterly report – 31 March 2021

Cumulative Quarter Ended 31/03/2021
(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	305	77	-	382
Inter segment revenue	1	-	(1)	-
Dividends	24	-	-	24
Interest income	188	-	-	188
Investment distribution income	185	-	-	185
Revenue for the year	<u>703</u>	<u>77</u>	<u>(1)</u>	<u>779</u>
Segment profit/(loss)				
Operating profit/(loss) for reportable segments	627	(78)	(109)	440
Interest expense	(2)	-	-	(2)
Loss on financial assets classified as fair value through profit or loss	(3)	-	-	(3)
Gain on changes of interest in associates	13	-	-	13
Share of profit of equity-accounted associates	3,459	-	-	3,459
Profit before tax	<u>4,094</u>	<u>(78)</u>	<u>(109)</u>	<u>3,907</u>
Income tax expense	9	(5)	-	4
Profit for the year	<u>4,103</u>	<u>(83)</u>	<u>(109)</u>	<u>3,911</u>
Segment assets	<u>366,977</u>	<u>352</u>	<u>(32,526)</u>	<u>334,803</u>
<i>Included in the measure of segment assets are:</i>				
Investment in associates	130,816	-	-	130,816
Non-current assets other than financial instruments and deferred tax assets	18,499	46	-	18,545
Other segment information				
Depreciation of property and equipment	12	-	-	12
Depreciation of right-of-use assets	14	15	-	29

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Cumulative Quarter Ended 31/03/2020

	Investment holding RM’000	Others RM’000	Eliminations RM’000	Consolidated RM’000
Segment revenue				
Revenue from external customers	239	234	-	473
Inter segment revenue	1	-	(1)	-
Dividends	39	-	-	39
Interest income	521	-	-	521
Investment distribution income	369	-	-	369
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Revenue for the year	1,169	234	(1)	1,402
Segment profit/(loss)				
Operating profit/(loss) for reportable segments	747	3	(167)	583
Interest expense	(2)	(1)	-	(3)
Gain on financial assets classified as fair value through profit or loss	2	-	-	2
Share of profit of equity-accounted associates	1,202	-	-	1,202
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Profit before tax	1,949	2	(167)	1,784
Income tax expense	(8)	(2)	-	(10)
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Profit for the year	1,941	-	(167)	1,774
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Segment assets	347,974	935	(24,434)	324,475
<i>Included in the measure of segment assets are:</i>				
Investment in associates	126,891	-	-	126,891
Non-current assets other than financial instruments and deferred tax assets	19,179	112	-	19,291
Additions to non-current assets other than financial instruments and deferred tax assets	8	128	-	136
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Other segment information				
Depreciation of property and equipment	17	-	-	17
Depreciation of right-of-use assets	14	16	-	30
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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 May 2021 (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 31.3.2021 RM’000
Investment in unquoted shares	
Contracted but not provided for:	423
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12. Review of Performance for the Quarter

For the quarter ended 31 March 2021, consolidated revenue amounted to RM0.78 million, which is 44.4% lower than the revenue in the corresponding quarter in the preceding year of RM1.40 million. The decrease was mainly due to lower investment distribution income from investments in money market unit trust funds and lower interest income from bank deposits.

The Group reported higher foreign exchange gains of RM0.90 million in the current quarter compared with RM0.71 million in Q1 2020. The foreign exchange gains consisted mainly of unrealised foreign exchange gains on the Group’s US and Singapore dollar denominated bank deposits as the Ringgit weakened from USD1:RM4.011 and SGD1:RM3.038 at the end of December 2020 to USD1:RM4.1505 and SGD1:RM3.0815 at the end of March 2021.

The decrease in operating expenses by 18.9% year-on-year from RM1.54 million in the corresponding quarter in the previous year to RM1.25 million in Q1 2021 was mainly due to lower staff costs in the current quarter.

The Group’s profit before tax (“PBT”) increased by 119.0% to RM3.91 million from RM1.78 million in Q1 2020 mainly attributable to the higher share of profit from associates in the current quarter. Our share of profit from equity accounted associates increased by 187.7% year-over-year to RM3.46 million from RM1.20 million in Q1 2020. Our associate, 104 Corporation, a leading provider of integrated human resource services in Taiwan, posted a higher net profit attributable to shareholders of NT\$104.0 million in Q1 2021 compared with NT\$61.88 million in the corresponding quarter in the preceding year mainly due to its strong revenue growth of 10.3% to NT\$437.90 million from NT\$396.92 million in Q1 2020. In addition, 104 Corporation’s net profit during the quarter was positively impacted by the recognition of a NT\$19 million tax exemption related to its R&D expenses in 2019. Our another associate, Innity Corporation Berhad recorded a lower net loss of RM0.02 million in the current quarter under review compared with RM3.68 million in Q1 2020 on the back of an increase in revenue from RM21.31 million in Q1 2020 to RM25.87 million in Q1 2021 .

13. Comparison with previous quarter's results

	Q1 2021 <u>Current Quarter</u> RM'000	Q4 2020 <u>Preceding Quarter</u> RM'000
Revenue	779	800
Profit before tax	3,907	1,335

For the current quarter under review, the Group’s revenue of RM0.78 million is comparable with the revenue of RM0.80 million recorded in the preceding quarter.

The higher PBT in Q1 2021 was mainly due to foreign exchange gains of RM0.90 million in the current quarter compared with foreign exchange losses of RM0.48 million in Q4 2020 and higher share of profit from associates of RM3.46 million compared with RM3.17 million in the preceding quarter. In addition, PBT in Q4 2020 was negatively impacted by the decrease in the fair value of investment properties of RM0.50 million.

14. Prospects for the Year 2021

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, dividend income from its quoted investments and rental income from its investment properties. 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.

The COVID-19 pandemic has resulted in significant disruptions to businesses and everyday life as we know it. Global prospects remain highly uncertain one year into the pandemic. New virus mutations and the accumulating human toll raise concerns, even as growing vaccine coverage lifts sentiment. Economic recovery as seen in Q1 GDP growth rates, varies across countries. In April 2021, the International Monetary Fund raised its global economic growth forecast for 2021 to 6% from the 5.5% announced in January 2021. The upward revision reflects additional fiscal support in a few large economies especially the United States, the anticipated vaccine-powered recovery in the second half of 2021, and the continued adaptation of economic activity in the new normal. Nonetheless, the outlook presents daunting challenges related to divergences in the speed of recovery both across and within countries and the potential for persistent economic damage from the crisis. Future developments will depend on the path of the health crisis, including whether new COVID-19 strains prove susceptible to vaccines or they prolong the pandemic; the effectiveness of policy actions to limit persistent economic damage; the evolution of financial conditions and commodity prices; and the adjustment capacity of the economy.

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 and Cumulative Quarter Ended	
	31.3.2021	31.3.2020
	RM’000	RM’000
Estimated current tax payable	5	22
Deferred taxation	(9)	(12)
	<u>(4)</u>	<u>10</u>

17. Investments

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

	Individual and Cumulative Quarter Ended 31.3.2021 RM’000
Associate companies	
Share of results and changes in equity in associates and exchange differences	5,725
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Long term:	
Purchase consideration	6,300
Sale proceeds	-
Changes in fair value	5,296
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Short term:	
Purchase consideration	188
Sale proceeds	(3,850)
Changes in fair value	(3)
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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 March 2021 are summarized below:

	RM’000
At cost	172,887
At carrying value/book value	233,206 [^]
At market value	296,530
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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 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 and Cumulative Quarter Ended	
	31.3.2021	31.3.2020
Net profit attributable to owners of the Company (RM’000)	3,930	1,766
Weighted average number of shares in issue (‘000)	133,488	134,931
Basic earnings per share (sen)	2.94	1.31

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	
	31.3.2021	31.3.2020
	RM’000	RM’000
Profit for the period is arrived at after (charging)/crediting:-		
Interest income	186	518
Depreciation of property and equipment	(12)	(17)
Depreciation of right-of-use assets	(29)	(30)

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 May 2021.