

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 2021.

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 2021 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 April 2021

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

Amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020)

The Group and the Company do not plan to apply MFRS 1 and MFRS 141 that are effective for annual periods beginning on or after 1 January 2022 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

Other than the disposal of 104 Corporation shares as mentioned in Note 12, 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 22 June 2022 approved the payment of a final single tier dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 December 2021 amounting to RM4.621 million. The dividend was subsequently paid on 27 July 2022.

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 June 2022

Cumulative Quarter Ended 30/06/2022
(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	611	183	-	794
Inter segment revenue	2	-	(2)	-
Dividends	3,190	-	-	3,190
Interest income	299	-	-	299
Investment distribution income	9	-	-	9
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Revenue for the year	4,111	183	(2)	4,292
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Segment profit/(loss)				
Operating profit/(loss) for reportable segments	3,076	(68)	(429)	2,579
Interest expense	(4)	-	-	(4)
Gain on disposal of investment in an associate	3,003	-	-	3,003
Gain on financial assets classified as fair value through profit or loss	248	-	-	248
Share of profit of equity-accounted associates	8,642	-	-	8,642
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Profit before tax	14,965	(68)	(429)	14,468
Income tax expense	(1,711)	(4)	-	(1,715)
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Profit for the year	13,254	(72)	(429)	12,753
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Segment assets	452,122	365	(96,560)	355,927
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<i>Included in the measure of segment assets are:</i>				
Investment in associates	125,602	-	-	125,602
Non-current assets other than financial instruments and deferred tax assets	18,457	-	-	18,457
Additions to non-current assets other than financial instruments and deferred tax assets	12	-	-	12
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Other segment information				
Depreciation of property and equipment	20	-	-	20
Depreciation of right-of-use assets	30	-	-	30
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Cumulative Quarter Ended 30/06/2021

	Investment holding RM’000	Others RM’000	Eliminations RM’000	Consolidated RM’000
Segment revenue				
Revenue from external customers	611	157	-	768
Inter segment revenue	2	-	(2)	-
Dividends	1,718	-	-	1,718
Interest income	404	-	-	404
Investment distribution income	323	-	-	323
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Revenue for the year	3,058	157	(2)	3,213
Segment profit/(loss)				
Operating profit/(loss) for reportable segments	2,198	(146)	(13)	2,039
Interest expense	(3)	(1)	-	(4)
Loss on financial assets classified as fair value through profit or loss	(2)	-	-	(2)
Gain on changes of interest in associates	13	-	-	13
Share of profit of equity-accounted associates	6,457	-	-	6,457
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Profit before tax	8,663	(147)	(13)	8,503
Income tax expense	(1,240)	(9)	-	(1,249)
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Profit for the year	7,423	(156)	(13)	7,254
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Segment assets	374,322	287	(37,656)	336,953
<i>Included in the measure of segment assets are:</i>				
Investment in associates	127,433	-	-	127,433
Non-current assets other than financial instruments and deferred tax assets	18,546	30	-	18,576
Additions to non-current assets other than financial instruments and deferred tax assets	73	-	-	73
Other segment information				
Depreciation of property and equipment	23	-	-	23
Depreciation of right-of-use assets	28	31	-	59
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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 23 August 2022 (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 30.6.2022 RM'000
Investment in unquoted shares	
Contracted but not provided for:	344
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12. Review of Performance for the Quarter

For the quarter ended 30 June 2022, consolidated revenue amounted to RM3.54 million, which is 45.4% higher than the revenue in the corresponding quarter in the preceding year of RM2.43 million. The increase was mainly due to higher dividend income from Lion Rock Group Limited and other quoted investments.

The Group recorded higher foreign exchange gains of RM0.37 million in the current quarter compared with RM0.18 million in Q2 2021. The foreign exchange gains during the quarter consist mainly of realised foreign exchange gains from the utilisation of Singapore Dollars and Hong Kong Dollars for cash injection and settlement of share purchases.

The Group’s profit before tax (“PBT”) increased by 82.5% to RM8.38 million in Q2 2022 from RM4.60 million in Q2 2021 mainly attributable to the gain on disposal of shares amounting to RM1.03 million and higher share of profit from associates of RM4.45 million. During the quarter under review, the Company had disposed a very small portion of its shares in an associate, 104 Corporation, in the open market and in the process, the Group recorded gains on disposal of the said shares amounting to RM1.03 million. Following the disposals, the Company continued to hold 22.10% equity interest in 104 Corporation as at 30 June 2022.

Our share of profit from equity accounted associates increased by 48.3% year-on-year to RM4.45 million from RM3.0 million in Q2 2021. Our associate, 104 Corporation, a leading provider of integrated human resource services in Taiwan, reported a higher net profit attributable to shareholders of NT\$133.53 million in Q2 2022 compared with NT\$88.41 million in the corresponding quarter in the preceding year due to its strong revenue growth of 20.9% from NT\$456.93 million in Q2 2021 to NT\$552.23 million in the current quarter contributed by its job posting business. Our other associate, Innity Corporation Berhad posted a net profit of RM0.07 million in the current quarter under review compared with a net loss of RM0.11 million in Q2 2021 on the back of an increase in revenue from RM27.33 million in Q2 2021 to RM32.74 million in Q2 2022.

13. Comparison with previous quarter's results

	Q2 2022 <u>Current Quarter</u> RM'000	Q1 2022 <u>Preceding Quarter</u> RM'000
Revenue	3,540	752
Profit before tax	8,384	6,084

For the current quarter under review, the Group recorded a higher revenue of RM3.54 million compared with RM0.75 million reported in the preceding quarter mainly due to the dividend income from Lion Rock Group Limited amounting to RM1.78 million and RM1.22 million from other quoted investments in Q2 2022.

Apart from the large increase in revenue, the Group’s PBT was contributed by higher share of profit from associates of RM4.45 million compared with RM4.20 million in Q1 2022. The higher revenue and share of profit from associates were partially offset by lower gain on disposal of shares amounting to RM1.03 million in Q2 2022 compared with RM1.97 million in Q1 2022.

14. Prospects for the Year 2022

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 global economy is still reeling from the pandemic and Russia’s invasion of Ukraine. Global output contracted in the second quarter of 2022, attributable to downturns in China and Russia. The International Monetary Fund (“IMF”) has revised downwards its 2022 global growth forecast to 3.2% in July 2022 from 3.6% in April 2022. Many of the downside risks began to materialise: firstly, higher-than-expected and broader inflation, especially in the US and major European economies, triggering a tightening of global financial conditions; secondly, China’s slowdown has been worse than anticipated amid further COVID-19 outbreaks and lockdowns; and thirdly, further negative spill overs from the war in Ukraine.

The risks are still tilted to the downside. The war in Ukraine could lead to a sudden stop of European gas imports from Russia; inflation could remain stubbornly high and harder to bring down than expected if labor markets are tighter than anticipated; tighter global financial conditions could induce debt distress in emerging market and developing economies; renewed COVID-19 outbreaks and lockdowns as well as a further escalation of the property sector crisis might further suppress China’s growth; and geopolitical fragmentation could impede global trade and cooperation.

On a positive note, the existing tenant of Wisma JcbNext has extended the period of tenancy for another 12 months with an upward revised rate from September 2022 to August 2023.

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	
	30.6.2022 RM'000	30.6.2021 RM'000	30.6.2022 RM'000	30.6.2021 RM'000
Estimated current tax payable	1,546	1,227	1,623	1,232
Deferred taxation	95	26	92	17
	<u>1,641</u>	<u>1,253</u>	<u>1,715</u>	<u>1,249</u>

17. Investments

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

	Individual Quarter Ended 30.6.2022 RM'000	Cumulative Quarter Ended 30.6.2022
Associate companies		
Share of results and changes in equity in associates and exchange differences	(6,755)	(6,103)
Sales proceeds	(1,670)	(5,226)
Gain on disposal of shares	1,032	3,003
	<u> </u>	<u> </u>
Long term:		
Purchase consideration	22,571	34,562
Sale proceeds	-	(266)
Changes in fair value	(6,291)	(765)
	<u> </u>	<u> </u>
Short term:		
Purchase consideration	5	35,009
Sale proceeds	(6,017)	(7,521)
Changes in fair value	133	248
	<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 June 2022 are summarized below:

	RM'000
At cost	236,798
At carrying value/book value	292,319 [^]
At market value	<u>392,501</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. Borrowings

The Group’s borrowings as at 30 June 2022 are as follows:

	As at 30.6.2022 RM'000
Non-current	
Term loan - unsecured	161
Current	
Term loan - unsecured	-
Total	<u>161</u>

The borrowings are denominated in Japanese Yen.

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	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
Net profit attributable to owners of the Company (RM’000)	6,734	3,358	12,753	7,288
Weighted average number of shares in issue (‘000)	132,030	132,273	132,030	132,877
Basic earnings per share (sen)	5.10	2.54	9.66	5.48

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. Profit for the Period

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM’000	RM’000	RM’000	RM’000
Profit for the period is arrived at after (charging)/ crediting: -				
Interest income	132	214	295	400
Depreciation of property and equipment	(10)	(11)	(20)	(23)
Depreciation of right-of-use assets	(15)	(30)	(30)	(59)

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.

24. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 30 August 2022.