

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

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”)
(Company No: 641378-W)
Notes on the quarterly report – 30 June 2017

Cumulative Quarter Ended 30/6/2017
(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 | 892 | 484 | - | 1,376 |
| Inter-segment revenue | 139 | - | (139) | - |
| Dividends | 1,813 | - | - | 1,813 |
| Interest income | 189 | - | - | 189 |
| Investment distribution income | 1,543 | - | - | 1,543 |
| Revenue for the year | <u>4,576</u> | <u>484</u> | <u>(139)</u> | <u>4,921</u> |
| Segment profit/(loss) | | | | |
| Operating loss for reportable segments | (244) | (60) | - | (304) |
| Interest income | - | 5 | - | 5 |
| Gain on financial assets classified as fair value through profit or loss | 5 | - | - | 5 |
| Gain on accretion in associate | 26 | - | - | 26 |
| Share of profit of equity-accounted associates | 4,717 | - | - | 4,717 |
| Profit before tax | <u>4,504</u> | <u>(55)</u> | <u>-</u> | <u>4,449</u> |
| Income tax expense | (1,598) | (4) | - | (1,602) |
| Profit for the year | <u>2,906</u> | <u>(59)</u> | <u>-</u> | <u>2,847</u> |
| Segment assets | <u>347,770</u> | <u>635</u> | <u>(1,242)</u> | <u>347,163</u> |
| <i>Included in the measure of segment assets are:</i> | | | | |
| Investment in associates | 119,940 | - | - | 119,940 |
| Non-current assets other than financial instruments and deferred tax assets | 20,525 | 2 | - | 20,527 |
| Additions to non-current assets other than financial instruments and deferred tax assets | 19 | - | - | 19 |
| Other segment information | | | | |
| Depreciation of property and equipment | 55 | 1 | - | 56 |

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

Cumulative Quarter Ended 30/6/2016

| | Investment holding RM’000 | Others RM’000 | Eliminations RM’000 | Consolidated RM’000 |
|--|--|--------------------------|--------------------------------|--------------------------------|
| Segment revenue | | | | |
| Revenue from external customers | 1,159 | 853 | - | 2,012 |
| Inter-segment revenue | 11 | - | (11) | - |
| Dividends | 9,020 | - | (7,759) | 1,261 |
| Investment distribution income | 437 | - | - | 437 |
| Revenue for the year | <u>10,627</u> | <u>853</u> | <u>(7,770)</u> | <u>3,710</u> |
| Segment profit/(loss) | | | | |
| Operating profit/(loss) for reportable segments | 6,717 | (78) | (7,759) | (1,119) |
| Interest income | 1,335 | 1 | - | 1,336 |
| Loss on financial assets classified as fair value through profit or loss | (390) | - | - | (390) |
| Share of profit of equity-accounted associates | 7,766 | - | - | 7,766 |
| Profit before tax | <u>15,428</u> | <u>(77)</u> | <u>(7,759)</u> | <u>7,593</u> |
| Income tax expense | (1,307) | (32) | - | (1,139) |
| Profit for the year | <u>14,122</u> | <u>(109)</u> | <u>(7,759)</u> | <u>6,254</u> |
| Segment assets | <u>309,805</u> | <u>707</u> | <u>(1,551)</u> | <u>308,961</u> |
| <i>Included in the measure of segment assets are:</i> | | | | |
| Investment in associates | 109,284 | - | - | 109,284 |
| Non-current assets other than financial instruments and deferred tax assets | 20,598 | 5 | - | 20,603 |
| Additions to non-current assets other than financial instruments and deferred tax assets | <u>55</u> | <u>-</u> | <u>-</u> | <u>55</u> |
| Other segment information | | | | |
| Depreciation of property and equipment | <u>72</u> | <u>2</u> | <u>-</u> | <u>74</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 9 August 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 30.6.2017 RM’000 |
|--------------------------------------|---------------------------------------|
| Investment in unquoted shares | |
| Contracted but not provided for: | 1,771 ===== |

12. Review of Performance for the Quarter

For the quarter ended 30 June 2017, consolidated revenue amounted to RM3.37 million, which is 41.6% higher than the revenue in the corresponding quarter in the preceding year of RM2.38 million. The increase was mainly due to higher dividend income following the receipt of a special dividend of HK\$0.015 per share from Lion Rock Group Limited (formerly known as 1010 Printing Group Limited) amounting to RM0.45 million. The higher revenue in the current quarter was also due to higher investment distribution income following additional placements of funds into short term money market funds amounting to RM59.90 million towards the end of Q2 2016 and RM12.00 million at the beginning of Q3 2016. Revenue during the current quarter included interest income of RM0.10 million (Q1 2016 – nil) following the classification of interest income as Revenue with effect from 1 January 2017.

Other operating expenses of RM1.04 million during the current quarter was predominantly unrealised foreign exchange losses on the Group’s US dollar denominated bank deposits as the Ringgit strengthened from USD1:RM4.424 at the end of March 2017 to USD1:RM4.295 at the end of June 2017.

On a pre-tax basis, the Group’s profit before tax (“PBT”) decreased by 14.2% to RM3.63 million compared with RM4.23 million in the corresponding quarter in the previous year mainly due to the unrealised foreign exchange losses of RM1.04 million as explained above. Our share of profit from equity accounted associates decreased marginally by 3.8% to RM3.11 million compared with RM3.23 million in Q2 2016. 104 Corporation reported a 14.9% decrease in net profit attributable to shareholders for the current quarter under review to NT\$86.34 million compared with NT\$101.46 million reported in Q2 2016. The decrease was mainly due to new business development and marketing expenses. Innity Corporation Berhad reported a 11.7% decrease in net profit attributable to shareholders for the current quarter under review to RM1.32 million compared with RM1.50 million in the corresponding quarter in the previous year.

13. Comparison with previous quarter's results

| | <u>Q2 2017</u> <u>Current Quarter</u> RM'000 | <u>Q1 2017</u> <u>Preceding Quarter</u> RM'000 |
|-------------------|--|--|
| Revenue | 3,365 | 1,556 |
| Profit before tax | 3,631 | 818 |

For the current quarter under review, the Group recorded a higher revenue of RM3.37 million compared with RM1.56 million recorded in the preceding quarter mainly due to dividends received from Lion Rock Group Limited amounting to RM1.81 million.

Despite higher unrealised foreign exchange losses of RM1.04 million in the current quarter compared with RM0.45 million in the preceding quarter, the Group recorded a higher PBT of RM3.63 million during the current quarter compared with RM0.82 million recorded in the preceding quarter. Apart from the receipt of dividends from Lion Rock Group Limited amounting to RM1.81 million, PBT in the current quarter was also positively impacted by higher share of profits from 104 Corporation and Innity Corporation Berhad amounting to RM3.11 million compared with RM1.61 million in Q1.

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. Subsequent to the disposal of the online job portal business, 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 existing businesses, associated companies and investments. Additionally, the acquisition of suitable new businesses and/or assets will take time. After taking the abovementioned factors into consideration, the Group is cautious with respect to the coming quarters.

15. Profit Forecast

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

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

| | |
|------------------------------|----------------------|
| | RM’000 |
| At cost | 206,294 |
| At carrying value/book value | 278,317 [^] |
| At market value | 355,002 |

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 |
| | 30.6.2017 |
| | RM’000 |
| Current | 83* |
| Non-current | - |
| Total | <u>83</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 | |
|---|---------------------------------|------------------|---------------------------------|------------------|
| | 30.6.2017 | 30.6.2016 | 30.6.2017 | 30.6.2016 |
| Net profit attributable to owners of the Company (RM’000) | 2,054 | 3,015 | 2,821 | 6,240 |
| Weighted average number of shares in issue (‘000) | 139,857 | 139,858 | 139,857 | 139,858 |
| Basic earnings per share (sen) | 1.47 | 2.16 | 2.02 | 4.46 |

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 30.6.2017 | Group As at 31.12.2016 |
|--|--------------------------------------|---------------------------------------|
| Total retained earnings of the Company and its subsidiaries: | | |
| - Realised | 33,264,168 | 32,272,376 |
| - Unrealised | 1,027,278 | 2,606,240 |
| Total share of retained earnings of associated companies: | | |
| - Realised | 7,334,662 | 14,319,364 |
| - Unrealised | 28,855 | (47,550) |
| Total share of accumulated losses of joint venture: | | |
| - Realised | (3,155,674) | (3,155,674) |
| | <hr/> | <hr/> |
| | 38,499,289 | 45,994,756 |
| Add: Consolidation adjustments | 38,991,465 | 28,675,008 |
| | <hr/> | <hr/> |
| Total retained profits | 77,490,754 | 74,669,764 |
| | <hr/> <hr/> | <hr/> <hr/> |

24. Profit for the Period

| | Individual Quarter Ended | | Cumulative Quarter Ended | |
|---|---------------------------------|------------------|---------------------------------|------------------|
| | 30.6.2017 | 30.6.2016 | 30.6.2017 | 30.6.2016 |
| | RM’000 | RM’000 | RM’000 | RM’000 |
| Profit for the period is arrived at after (charging)/ crediting:- | | | | |
| Interest income | 107 | 663 | 194 | 1,336 |
| Depreciation | (28) | (33) | (56) | (74) |
| Foreign exchange gain/(loss) | (1,046) | 165 | (1,439) | (278) |
| Reversal/ impairment (loss) on trade receivables | - | 41 | 4 | 19 |

* 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 in accordance with a resolution of the Directors.