

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

Saved as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

During the quarter under review, the Company had bought back from the open market 301,000 of its issued ordinary shares (“JcbNext Shares”) at an average buy-back price of approximately RM1.30 per ordinary share. The total consideration paid for the share buy-back of JcbNext Shares by the Company during the quarter under review was RM391,590. The JcbNext Shares bought back are held as treasury shares in accordance with Section 127 Subsection 4(b) of the Companies Act 2016. At 30 June 2021, the Company held 2,001,900 of its own shares as treasury shares.

6. Dividends Paid

The shareholders of the Company had on 16 June 2021 approved the payment of a final single tier dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2020 amounting to RM3.965 million. The dividend was subsequently paid on 21 July 2021.

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 2021

Cumulative Quarter Ended 30/06/2021
(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	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
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Other segment information				
Depreciation of property and equipment	23	-	-	23
Depreciation of right-of-use assets	28	31	-	59
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Cumulative Quarter Ended 30/06/2020

	Investment holding RM’000	Others RM’000	Eliminations RM’000	Consolidated RM’000
Segment revenue				
Revenue from external customers	507	258	-	765
Inter segment revenue	2	-	(2)	-
Dividends	1,958	-	-	1,958
Interest income	1,051	-	-	1,051
Investment distribution income	565	-	-	565
Revenue for the year	<u>4,083</u>	<u>258</u>	<u>(2)</u>	<u>4,339</u>
Segment profit/(loss)				
Operating profit/(loss) for reportable segments	2,994	(134)	(147)	2,713
Interest expense	(4)	(1)	-	(5)
Gain on financial assets classified as fair value through profit or loss	2	-	-	2
Share of profit of equity-accounted associates	2,443	-	-	2,443
Profit before tax	<u>5,435</u>	<u>(135)</u>	<u>(147)</u>	<u>5,153</u>
Income tax expense	(1,377)	(4)	-	(1,381)
Profit for the year	<u>4,058</u>	<u>(139)</u>	<u>(147)</u>	<u>3,772</u>
Segment assets	<u>348,754</u>	<u>794</u>	<u>(24,420)</u>	<u>325,128</u>
<i>Included in the measure of segment assets are:</i>				
Investment in associates	121,219	-	-	121,219
Non-current assets other than financial instruments and deferred tax assets	19,157	96	-	19,253
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	32	-	-	32
Depreciation of right-of-use assets	28	32	-	60

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 August 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 30.6.2021 RM'000
Investment in unquoted shares	
Contracted but not provided for:	419
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12. Review of Performance for the Quarter

For the quarter ended 30 June 2021, consolidated revenue amounted to RM2.43 million, which is 17.1% lower than the revenue in the corresponding quarter in the preceding year of RM2.94 million. The decrease was mainly due to lower dividend income from Lion Rock Group Limited and lower interest income from bank deposits.

The Group registered a 56.8% decrease in foreign exchange gains in the current quarter compared with Q2 2020. The foreign exchange gains amounting to RM0.18 million consist mainly of unrealised foreign exchange gains on the Group’s Singapore dollar denominated bank deposits as the Ringgit weakened slightly against the Singapore Dollar from SGD1:RM3.0815 at the end of March 2021 to SGD1:RM3.0855 at the end of June 2021.

The decrease in operating expenses by 22.5% year-over-year to RM1.02 million in Q2 2021 from RM1.31 million in the corresponding quarter in the previous year was mainly due to lower staff costs and reversal of provision for bonuses in the current quarter.

The Group’s profit before tax (“PBT”) increased by 36.4% from RM3.37 million in Q2 2020 to RM4.60 million in Q2 2021 mainly attributable to the higher share of profit from associates in the current quarter. Our share of profit from equity accounted associates increased by 141.7% year-over-year to RM3.00 million from RM1.24 million in Q2 2020. Our associate, 104 Corporation, a leading provider of integrated human resource services in Taiwan, reported a higher net profit attributable to shareholders of NT\$88.41 million in the current quarter compared with NT\$46.87 million in Q2 2020 mainly due to its strong revenue growth of 17.2% to NT\$456.93 million from NT\$390.02 million in the corresponding quarter in the preceding year. Our other associate, Innity Corporation Berhad posted a lower net loss of RM0.01 million in the current quarter under review compared with RM1.54 million in Q2 2020 on the back of an increase in revenue from RM22.58 million in Q2 2020 to RM27.33 million in Q2 2021 .

13. Comparison with previous quarter's results

	Q2 2021 <u>Current Quarter</u> RM'000	Q1 2021 <u>Preceding Quarter</u> RM'000
Revenue	2,434	779
Profit before tax	4,596	3,907

For the current quarter under review, the Group recorded a higher revenue of RM2.43 million compared with RM0.80 million reported in the preceding quarter mainly due to the receipt of the dividend amounting to RM1.40 million from Lion Rock Group Limited as well as RM0.29 million from other quoted investments in Q2 2021. Despite the much larger increase in revenue, profit before tax increased by only 17.6% to RM4.60 million in Q2 2021 compared with RM3.91 million in the previous quarter due to lower share of profit from associates and foreign exchange gains in the current quarter.

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. Economic prospects have diverged further across countries in 2021. Vaccine access has emerged as a key factor along which the world can be split into two blocs: those that can look forward to further normalisation of activity later this year (almost all advanced economies) and those that still face resurgent infections and rising death tolls. The recovery, however, is not assured even in countries where infections are currently very low so long as the virus circulates elsewhere. The International Monetary Fund's global economic growth forecast of 6% for 2021 in July 2021 is unchanged from the previous forecast in April 2021, but with offsetting revisions. Prospects for emerging market and developing economies have been revised down for 2021. By contrast, the forecast for advanced economies has been revised up. These revisions reflect pandemic developments and changes in policy support.

Uncertainty surrounding global growth remains high, primarily related to the prospects of emerging market and developing economies. Slower-than-anticipated vaccine rollout may allow the virus to mutate further and cause more havoc. Financial conditions could tighten rapidly. A double hit to emerging market and developing economies from worsening pandemic dynamics and tighter external financial conditions could severely set back their recovery and drag global growth.

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	
	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000
Estimated current tax payable	1,227	1,347	1,232	1,369
Deferred taxation	26	24	17	12
	<u>1,253</u>	<u>1,371</u>	<u>1,249</u>	<u>1,381</u>

17. Investments

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

	Individual Quarter Ended 30.6.2021	Cumulative Quarter Ended 30.6.2021
	RM'000	RM'000
Associate companies		
Share of results and changes in equity in associates and exchange differences	(3,383)	2,342
	<u> </u>	<u> </u>
Long term:		
Purchase consideration	7,190	13,490
Sale proceeds	-	-
Changes in fair value	(3,112)	2,184
	<u> </u>	<u> </u>
Short term:		
Purchase consideration	38,139	38,327
Sale proceeds	(40,688)	(44,538)
Changes in fair value	1	(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 June 2021 are summarized below:

	RM'000
At cost	177,529
At carrying value/book value	231,352 [^]
At market value	312,335
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There were no disposals 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	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Net profit attributable to owners of the Company (RM’000)	3,358	2,040	7,288	3,806
Weighted average number of shares in issue (‘000)	132,273	134,532	132,877	134,731
Basic earnings per share (sen)	2.54	1.52	5.48	2.83

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	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RM’000	RM’000	RM’000	RM’000
Profit for the period is arrived at after (charging)/ crediting: -				
Interest income	214	527	400	1,045
Depreciation of property and equipment	(11)	(15)	(23)	(32)
Depreciation of right-of-use assets	(30)	(30)	(59)	(60)

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 August 2021.