



**N2N CONNECT BERHAD 200001020530 (523137-K)**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR TO DATE ENDED 31 MARCH 2022**

**N2N CONNECT BERHAD 200001020530 (523137-K)**  
(Incorporated in Malaysia)  
**SUMMARY OF KEY FINANCIAL INFORMATION**  
**FOR THE QUARTER AND YEAR TO DATE ENDED 31 MARCH 2022**

Remark:

The results for the quarter and three months ended 31 March 2022 should be read in conjunction with the Annual Audited Financial Statements of N2N Connect Berhad and its subsidiaries ("Group") for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

	Quarter Ended		Year-To-Date Ended	
	31 Mar 2022 RM'000	31 Mar 2021 RM'000	31 Mar 2022 RM'000	31 Mar 2021 RM'000
1 Revenue	26,757	30,434	26,757	30,434
2 Profit before taxation	4,557	7,912	4,557	7,912
3 Profit for the period	3,768	7,550	3,768	7,550
4 Profit attributable to owners of the Company	3,970	7,759	3,970	7,759
5 Basic earnings per share (sen)	0.71	1.39	0.71	1.39
6 Diluted earnings per share (sen)	0.71	1.39	0.71	1.39

**N2N CONNECT BERHAD 200001020530 (523137-K)**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER AND YEAR TO DATE ENDED 31 MARCH 2022**

	Note	Quarter Ended			Year-To-Date Ended		
		31 Mar 2022 RM'000 (UNAUDITED)	31 Mar 2021 RM'000 (UNAUDITED)	Changes %	31 Mar 2022 RM'000 (UNAUDITED)	31 Mar 2021 RM'000 (UNAUDITED)	Changes %
Revenue		26,757	30,434	-12%	26,757	30,434	-12%
Cost of sales		(11,641)	(11,326)	3%	(11,641)	(11,326)	3%
Gross profit		15,116	19,108	-21%	15,116	19,108	-21%
Other operating income		598	572	5%	598	572	5%
Administrative expenses		(10,442)	(10,842)	-4%	(10,442)	(10,842)	-4%
Finance costs		(40)	(103)	-61%	(40)	(103)	-61%
Share of results of an associate		(675)	(823)	-18%	(675)	(823)	-18%
Profit before taxation		4,557	7,912	-42%	4,557	7,912	-42%
Taxation	B6	(789)	(362)	118%	(789)	(362)	118%
Profit for the period		3,768	7,550	-50%	3,768	7,550	-50%
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
- Exchange differences arising from translation of foreign operations		(419)	2,266		(419)	2,266	
Total comprehensive income for the period		3,349	9,816		3,349	9,816	
Profit for the period attributable to:							
- Owners of the Company		3,970	7,759		3,970	7,759	
- Non-controlling interests		(202)	(209)		(202)	(209)	
		3,768	7,550		3,768	7,550	
Total comprehensive income for the period:							
- Owners of the Company		3,551	10,025		3,551	10,025	
- Non-controlling interests		(202)	(209)		(202)	(209)	
		3,349	9,816		3,349	9,816	
Earnings per share ("EPS") attributable to owners of the Company:							
- Basic EPS (sen)	B12	0.71	1.39		0.71	1.39	
- Diluted EPS (sen)	B12	0.71	1.39		0.71	1.39	

*The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.*

**N2N CONNECT BERHAD 200001020530 (523137-K)**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2022**

	Note	As at 31 Mar 2022 RM'000 (UNAUDITED)	As at 31 Dec 2021 RM'000 (AUDITED)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		31,496	31,994
Investment properties		9,436	9,494
Right-of-use assets		1,484	1,770
Intangible assets		79,445	79,593
Investment in an associate		5,211	6,659
		<u>127,072</u>	<u>129,510</u>
<b>Current assets</b>			
Trade receivables		18,581	18,301
Other receivables	A11	4,447	4,569
Amount owing by related companies		468	215
Tax recoverable		9,305	8,202
Marketable securities	B7	67,852	64,624
Financial assets at fair value through profit or loss	A13	175	168
Deposits with licensed bank		-	-
Cash and bank balances		66,330	63,879
		<u>167,158</u>	<u>159,958</u>
<b>TOTAL ASSETS</b>		<u>294,230</u>	<u>289,468</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>			
Share capital		260,987	260,987
Treasury shares		(37,237)	(37,237)
Exchange reserve		(6,796)	(6,377)
LTIP reserve		1,920	1,530
Retained profits		52,618	48,648
<b>Equity attributable to owners of the Company</b>		<u>271,492</u>	<u>267,551</u>
Non-controlling interests		(2,395)	(2,192)
		<u>269,097</u>	<u>265,359</u>

**N2N CONNECT BERHAD 200001020530 (523137-K)**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2022**

	As at 31 Mar 2022 RM'000 (UNAUDITED)	As at 31 Dec 2021 RM'000 (AUDITED)
<b>Non-current liabilities</b>		
Lease liabilities	342	660
Provision for retirement benefits	A14 2,459	2,245
Deferred tax liabilities	657	653
	<u>3,458</u>	<u>3,558</u>
<b>Current liabilities</b>		
Trade payables	4,205	3,927
Other payables	A12 13,362	12,200
Amount owing to related companies	618	328
Bank borrowings	B8 -	2,314
Lease liabilities	1,298	1,291
Provision for taxation	2,192	491
	<u>21,675</u>	<u>20,551</u>
<b>Total liabilities</b>	<u>25,133</u>	<u>24,109</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>294,230</u>	<u>289,468</u>
<b>Net assets per share attributable to owners of the Company (sen) *</b>	<u>49</u>	<u>48</u>

**Note:**

\* Based on number of shares net of treasury shares ('000)

*The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.*

**N2N CONNECT BERHAD 200001020530 (523137-K)**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER AND YEAR TO DATE ENDED 31 MARCH 2022**

Note	Attributable to owners of the Company						Non-Controlling Interests RM'000	Total Equity RM'000
	Non-distributable				Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Exchange Reserve RM'000	LTIP Reserve RM'000	Retained Profits RM'000	Total RM'000		
<b>At 1 January 2022</b>	260,987	(37,237)	(6,377)	1,530	48,648	267,551	(2,192)	265,359
Profit for the period	-	-	-	-	3,970	3,970	(202)	3,768
Other comprehensive income	-	-	(419)	-	-	(419)	-	(419)
Total comprehensive income for the period	-	-	(419)	-	3,970	3,551	(202)	3,349
Long term incentive plan ("LTIP")	-	-	-	390	-	390	-	390
<b>At 31 March 2022</b>	<b>260,987</b>	<b>(37,237)</b>	<b>(6,796)</b>	<b>1,920</b>	<b>52,618</b>	<b>271,492</b>	<b>(2,394)</b>	<b>269,098</b>
<b>At 1 January 2021</b>	260,987	(37,237)	(9,050)	-	48,624	263,324	(639)	262,685
Profit for the period	-	-	-	-	7,759	7,759	(209)	7,550
Other comprehensive income	-	-	2,266	-	-	2,266	-	2,266
Total comprehensive income for the period	-	-	2,266	-	7,759	10,025	(209)	9,816
<b>At 31 March 2021</b>	<b>260,987</b>	<b>(37,237)</b>	<b>(6,784)</b>	<b>-</b>	<b>56,383</b>	<b>273,349</b>	<b>(848)</b>	<b>272,501</b>

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

**N2N CONNECT BERHAD 200001020530 (523137-K)**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR YEAR TO DATE ENDED 31 MARCH 2022**

	Year-To-Date Ended	
	31 Mar 2022 RM'000 (UNAUDITED)	31 Mar 2021 RM'000 (UNAUDITED)
<b>Cash flows from operating activities</b>		
Profit before taxation	4,557	7,912
Adjustments for:		
Amortisation of intangible assets	1,828	1,622
Depreciation of property, plant and equipment	1,122	1,045
Depreciation of investment properties	58	59
Depreciation of right-of-use assets	295	321
Fair value change on financial assets at fair value through profit or loss	(7)	(23)
Long term incentive plan expenses	390	-
Provision for doubtful debts	(31)	-
Provision for long service payments	87	94
Share of results of an associate	675	823
Unrealised foreign exchange gain	(178)	(29)
Finance cost	40	103
Finance income	(60)	(71)
Dividend income	(226)	(289)
Operating profit before working capital changes	8,550	11,567
Changes in working capital		
Trade receivables	(244)	1,844
Other receivables	122	(926)
Trade payables	379	1,421
Other payables	1,275	2,876
Amount owing by/to related companies	37	7
Cash generated from operations	10,119	16,789
Dividend received	226	289
Interest paid	(40)	(103)
Interest received	60	71
Net tax paid	(151)	(1,568)
<b>Net cash generated from operating activities</b>	<b>10,214</b>	<b>15,478</b>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR YEAR TO DATE ENDED 31 MARCH 2022**

	Year-To-Date Ended	
	31 Mar 2022	31 Mar 2021
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
<b>Cash flows from investing activities</b>		
Computer software development cost	(1,347)	(4,205)
Purchase of property, plant and equipment	(597)	(1,290)
Net changes in marketable securities	(3,228)	(9,292)
<b>Net cash used in investing activities</b>	<b>(5,172)</b>	<b>(14,787)</b>
<b>Cash flows from financing activities</b>		
Increase in fixed deposit pledged	-	(1)
Repayment of bank borrowings	(2,314)	(1,946)
Repayment of lease liabilities	(333)	(220)
<b>Net cash used in financing activities</b>	<b>(2,647)</b>	<b>(2,167)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,395</b>	<b>(1,476)</b>
Effect of exchange rate changes	56	2,138
Cash and cash equivalents at beginning of the period	63,879	75,219
<b>Cash and cash equivalents at end of the period</b>	<b>66,330</b>	<b>75,881</b>
<b>Cash and cash equivalents at end of the period comprises:</b>		
Cash and bank balances	66,330	75,522
Deposit with a licensed bank	-	359
	66,330	75,881
Less: Fixed deposit pledged to a licensed bank	-	(359)
	66,330	75,522

*The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.*



**N2N CONNECT BERHAD 200001020530 (523137-K)**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR TO DATE ENDED 31 MARCH 2022**

**A NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**A1 BASIS OF PREPARATION**

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") No. 134: Interim Financial Reporting, and Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The condensed consolidated interim financial statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2021.

**A2 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those in the preparation of the Group's audited financial statements for the financial year ended 31 December 2021. As at the date of authorisation of these financial statements, the following Standards and amendments to standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group:

**Standards issued but not yet effective**

**Effective for annual periods beginning on or after 1 January 2023**

MFRS 17, "Insurance Contracts"

Amendments to MFRS 101, "Presentation of Financial Statements" (Classification of Liabilities as Current or Non-current)

Amendments to MFRS 101, "Presentation of Financial Statements" (Disclosure of Accounting Policies)

Amendments to MFRS 108, Definition of Accounting Estimates

Amendments to MFRS 112, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

**Effective date of these amendments to Standards has been deferred**

Amendments to MFRS 10 and 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have a material impact to the financial statements of the Group upon their initial recognition.

**A3 AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

There were no audit qualifications on the audited financial statements for the financial year ended 31 December 2021.

**A4 SEASONAL OR CYCLICAL FACTORS**

The Group's operations were not materially affected by seasonal or cyclical changes during the current period under review.

**A5 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current period under review.

**A6 MATERIAL CHANGES IN ESTIMATES**

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current period under review.

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**A7 DEBT AND EQUITY SECURITIES**

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current period under review.

**A8 DIVIDEND PAID**

There is no dividend paid during the current period under review.

**A9 SEGMENT INFORMATION**

The reportable segments of the Group derive their revenue primarily from the provision of design, programming, consultancy services and related services which are substantially within a single business segment.

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>Financial period ended</b>					
<b>31 March 2022</b>					
<u>Revenue</u>					
Sales to external customers	12,068	12,451	2,238	-	26,757
Inter-segment sales	-	-	22	(22)	-
<b>Total</b>	<b>12,068</b>	<b>12,451</b>	<b>2,260</b>	<b>(22)</b>	<b>26,757</b>
<u>Results</u>					
EBITDA *	5,697	1,910	1,618	(675)	8,550
Amortisation of intangible assets	(1,773)	-	(55)	-	(1,828)
Bad debt written off	-	-	-	-	-
Depreciation of property, plant and equipment	(738)	(281)	(103)	-	(1,122)
Depreciation of investment properties	(58)	-	-	-	(58)
Depreciation of right-of-use assets	-	(295)	-	-	(295)
Dividend income	226	-	-	-	226
Finance income	46	-	14	-	60
Finance costs	(28)	(12)	-	-	(40)
Long term incentive plan	(263)	(113)	(14)	-	(390)
Provision for doubtful debts	-	31	-	-	31
Share of results of associate	-	-	(675)	-	(675)
Unrealised foreign exchange gain/(loss)	(144)	-	322	-	178
Other non-cash items	7	(87)	-	-	(80)
Taxation	(367)	(263)	(159)	-	(789)
<b>Segment profit for the period</b>	<b>2,605</b>	<b>890</b>	<b>948</b>	<b>(675)</b>	<b>3,768</b>

\* Earnings before interest, taxes, depreciation and amortisation (excluding other significant non-cash items).

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**A9 SEGMENT INFORMATION (CON'T)**

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>Financial period ended</b>					
<b>31 March 2021</b>					
<u>Revenue</u>					
Sales to external customers	14,881	12,212	3,341	-	30,434
Inter-segment sales	-	-	182	(182)	-
Total	<u>14,881</u>	<u>12,212</u>	<u>3,523</u>	<u>(182)</u>	<u>30,434</u>
<u>Results</u>					
EBITDA *	8,887	1,556	1,947	(823)	11,567
Amortisation of intangible assets	(1,596)	(26)	-	-	(1,622)
Depreciation of property, plant and equipment	(571)	(344)	(130)	-	(1,045)
Depreciation of investment properties	(59)	-	-	-	(59)
Depreciation of right-of-use assets	-	(276)	(45)	-	(321)
Dividend income	289	-	-	-	289
Finance income	57	-	14	-	71
Finance costs	(83)	(20)	-	-	(103)
Share of results of associate	-	-	(823)	-	(823)
Unrealised foreign exchange gain/(loss)	26	-	94	(91)	29
Other non-cash items	23	(94)	-	-	(71)
Taxation	(22)	(243)	(97)	-	(362)
Segment profit for the period	<u>6,951</u>	<u>553</u>	<u>960</u>	<u>(914)</u>	<u>7,550</u>

\* Earnings before interest, taxes, depreciation and amortisation (excluding other significant non-cash items).

**A10 PROVISION FOR DOUBTFUL DEBTS**

The Group applies a simplified approach in calculating ECL (Expected Credit Losses). The Group has established a provision matrix that is based on its client's historical payment trend, adjusted for forward-looking factors specific to the debtors and the economic environment.

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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**A11 OTHER RECEIVABLES**

	<b>As At</b>	<b>As At</b>
	<b>31 Mar 2022</b>	<b>31 Dec 2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Prepayments	2,717	2,752
Deposits paid	1,730	1,717
Other receivables	-	100
	<u>4,447</u>	<u>4,569</u>

**A12 OTHER PAYABLES**

	<b>As At</b>	<b>As At</b>
	<b>31 Mar 2022</b>	<b>31 Dec 2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Accruals	4,445	3,271
Deposit received	3,268	3,290
Other payables	5,649	5,639
	<u>13,362</u>	<u>12,200</u>

**A13 FAIR VALUE HIERARCHY**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table analyses the fair value hierarchy for financial instruments carried at fair value in the statement of financial position:

	<b>As At</b>	<b>As At</b>
	<b>31 Mar 2022</b>	<b>31 Dec 2021</b>
	<b>Level 1</b>	<b>Level 1</b>
	<b>Fair Value</b>	<b>Fair Value</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial assets at fair value through profit or loss	<u>175</u>	<u>168</u>

**A14 PROVISION FOR RETIREMENT BENEFITS**

Provision for retirement benefits of the Group relate to long service payments ("LSP") provisions as prescribed under the Hong Kong Employment Ordinance and Labour Protection Act of Thailand. LSP is paid to employees of a subsidiary company upon termination of their employment, subject to completion of number of continuous year of service and meeting certain qualifying conditions. The benefit is based on final wages and service at leaving employment.

**A15 VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

There were no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will have an effect in the current period under review.

**N2N CONNECT BERHAD 200001020530 (523137-K)**

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**A16 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD**

There was no material event subsequent to the current financial period ended up to the date of the announcement of this report which is likely to substantially affect the results of the operations of the Group.

**A17 CHANGES IN THE COMPOSITION OF THE GROUP**

There were no other changes in the composition of the Group for the current period under review.

**A18 CONTINGENT LIABILITIES**

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at 26 May 2022 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

**A19 CAPITAL COMMITMENTS**

There were no material capital commitments in the current period under review.

**A20 SIGNIFICANT RELATED PARTY TRANSACTIONS**

There were no significant related party transactions in the current period under review.

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**B ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 REVIEW OF PERFORMANCE**

(a) Performance of current quarter against the preceding year's corresponding quarter

	<b>Quarter Ended</b>	
	<b>31 Mar 2022</b>	<b>31 Mar 2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	26,757	30,434
Profit after taxation	3,768	7,550
Core profit *	<u>3,805</u>	<u>7,132</u>

\* Core profit represents the profits of N2N excluding unrealised gains/losses on foreign exchange and one-off taxes & penalties and non-recurring gains or losses (which are not expected to recur).

The Group recorded a revenue of RM26.76 million for the period ended 31 March 2022 in comparison to revenue of RM30.43 million in the preceding year's corresponding quarter. The lower revenue of 12.08% was due mainly to the lower transaction based revenue owing to normalised trading momentum in Bursa Malaysia for the quarter under review compared to the corresponding quarter.

On the back of a lower revenue, the Group recorded a lower profit after taxation of RM3.77 million for the quarter under review compared to a profit after taxation of RM7.55 million in the preceding year's corresponding quarter. The lower profit after taxation of 50.99% is mainly attributed to the lower transaction based revenue that typically carries a higher margin.

The Group recorded a core profit of RM3.80 million in the current quarter compared to RM7.13 million in preceding year's corresponding quarter. The lower core profits of 46.65% was mainly due to the lower revenue for the quarter under review.

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**B2 MATERIAL CHANGES IN THE CURRENT QUARTER RESULTS COMPARED WITH IMMEDIATE PRECEDING QUARTER**

	Quarter Ended	
	31 Mar 2022	31 Dec 2021
	RM'000	RM'000
Revenue	26,757	28,521
Profit after taxation	3,768	7,080
Core profit *	3,805	5,929

\* Core profit represents the profits of N2N excluding unrealised gains/losses on foreign exchange and one-off taxes & penalties and non-recurring gains or losses (which are not expected to recur).

The Group recorded a lower revenue of RM26.76 million compared to RM28.52 million in the immediate preceding quarter. The lower revenue of 6.19% was due to lower transaction based revenue and one time implementation revenue for the quarter under review.

Consequently, the Group recorded a lower profit after taxation of RM3.77 million for the quarter ended 31 March 2022 compared to a profit after taxation of RM7.08 million for the immediate preceding quarter. The lower profit after taxation of 46.8% was attributed to the combination of lower transaction based revenue and lower implementation revenue that carried higher margins and lower other operating income. In the immediate preceding quarter, the Group recognised a gain due arising from the effects of changes in the ownership interest in an associate amounting to RM3.25 million which resulted in a higher other operating income compared to the quarter under review.

The Group recorded a lower core profit of RM3.80 million for the quarter under review in comparison to a core profit of RM5.93 million in the immediate preceding quarter. This lower core profit of 35.9% was due mainly to the lower transaction based revenue, implementation revenue and other operating income.

**B3 PROSPECTS**

In March 2022, Bank Negara Malaysia reported that Malaysia's economic as measured by gross domestic product (GDP), grew 5% year-on-year in the first quarter of 2022, mainly supported by improving domestic demand as economic activity continued to normalise with the easing of Covid-19-driven containment measures.

Commenting on the outlook for 2022, Bank Negara Malaysia Governor Tan Sri Nor Shamsiah said that the domestic economy is expected to improve further this year, with growth projected at 5.3% to 6.3%. This is underpinned by stronger domestic demand, continued expansion in external demand, and further improvement in the labour market. Growth would also benefit from the easing of restrictions, reopening of international borders and implementation of investment projects.

Nevertheless, she cautioned that risks to Malaysia's growth momentum remain. These include a weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, adverse developments surrounding COVID-19 and heightened financial market volatility.

Further to that, underlying inflation, as measured by core inflation, is also expected to trend higher during the year, averaging between 2.0 to 3.0%. The inflation outlook remains subject to commodity price developments, arising mainly from the military conflict in Ukraine and prolonged supply-related disruptions and contingent on domestic policy measures on administered prices.

The trading activity in the Malaysian securities market will be influenced by the on-going local and global developments and is expected to remain volatile. As such, the Group anticipates a more challenging and competitive environment ahead, in light of tightening liquidity and normalisation of trading volumes in the Malaysian securities market. Taking these factors into consideration, the Group expects to record a moderate performance as compared to the preceding year.

**B4 VARIATION OF ACTUAL PROFIT FROM FORECAST PROFIT**

Not applicable as no profit forecast was published.

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**B5 ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME**

The following items have been charged/(credited) in arriving at the profit from operations:

	Quarter Ended		Year-To-Date Ended	
	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	(60)	(71)	(60)	(71)
(b) Dividend Income	(226)	(289)	(226)	(289)
(c) Interest expense	40	103	40	103
(d) Depreciation and amortisation	3,303	3,047	3,303	3,047
(e) Net foreign exchange gain	(127)	(288)	(127)	(288)
(f) Fair value change on financial assets at fair value through profit or loss	(7)	(23)	(7)	(23)

**B6 TAXATION**

	Quarter Ended		Year-To-Date Ended	
	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- Current year provision	(748)	(362)	(748)	(362)
- Under provision in prior years	(41)	-	(41)	-
	<u>(789)</u>	<u>(362)</u>	<u>(789)</u>	<u>(362)</u>

The effective tax rate of the Group for the current quarter under review was lower than the statutory tax rate of 24% mainly due to subsidiary companies have been granted tax exemption for Multimedia Super Corridor ("MSC") qualifying activities under pioneer status pursuant to the Promotion of Investments Act, 1986 in Malaysia.

**B7 MARKETABLE SECURITIES**

	As At 31 Mar 2022	As At 31 Dec 2021
	RM'000	RM'000
Quoted unit trusts in Malaysia*	<u>67,852</u>	<u>64,624</u>

Note \* : These relate to quoted Islamic unit trusts, which are exempted from corporate tax and have the flexibility of withdrawal.



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**B8 GROUP'S BORROWINGS AND DEBT SECURITIES**

	<b>As At</b>	<b>As At</b>
	<b>31 Mar 2022</b>	<b>31 Dec 2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Secured</b>		
<b>Short-term borrowings</b>		
<i>United States Dollar</i>		
Term loan	-	2,314
	<u>-</u>	<u>2,314</u>

**B9 OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no financial instruments with off balance sheet risk as at the date of this announcement applicable to the Group.

**B10 MATERIAL LITIGATION**

On 31 March 2021, N2N Connect Berhad and a few of its subsidiaries (collectively referred to as "Plaintiffs") filed a civil suit at the High Court of Malaya at Kuala Lumpur ("High Court") against Chua Tiong Hoong, Ahmad Ashraf bin Azman, Shyam Sundar Rayudu, Wong Voon Fui, Finevo Technology Sdn Bhd and AK Partner Hybrid Connect Sdn Bhd (collectively referred to as "Defendants") for breach of N2N's intellectual property rights, including but not limited to the copyright and trade secrets in the source codes and marketing materials; breach of fiduciary duties and breach of confidence.

On 2 April 2021, the Plaintiffs also obtained an Anton Piller Order ("Order" or "APO") from the High Court. The Order allows the Plaintiffs, subject to the terms and conditions of the Order, to enter the Defendants' premises to inspect, take possession of documents, records or other items, which may form evidence in an action against the Defendants.

On 22 October 2021, the Defendants filed their appeals in the Court of Appeal against the High Court's dismissal of their applications to set aside the APO. The hearing date for the Defendants' appeals is yet to be fixed, due in part to the Grounds of Judgment, which are not yet available. The next case management of the appeals is fixed on 25 May 2022 for the Defendants to provide an update on the status of the Grounds of Judgment.

In the meantime, the High Court has fixed dates for trial for the main suit from 11 to 22 September 2023.

The Board believes that the Litigation is not expected to have any financial and operational impact on the Group.

Save and except for the Litigation set out above, the Board of Directors does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiaries.

**B11 PROPOSED DIVIDENDS**

During the current period under review, the Company proposed and declared a First Interim Dividend of 1 sen per share (Single Tier Dividend) for the financial year ending 31 December 2022. The dividend will be paid on 30 June 2022.

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**B12 EARNINGS PER SHARE ("EPS")**

	<u>Quarter Ended</u>		<u>Year-To-Date Ended</u>	
	<u>31 Mar 2022</u>	<u>31 Mar 2021</u>	<u>31 Mar 2022</u>	<u>31 Mar 2021</u>
<b>(a) Basic earnings per share</b>				
Profit attributable to owners of the Company (RM'000)	3,970	7,759	3,970	7,759
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,204
Basic EPS (sen)	<u>0.71</u>	<u>1.39</u>	<u>0.71</u>	<u>1.39</u>
<b>(b) Diluted earnings per share</b>				
Profit attributable to owners of the Company (RM'000)	3,970	7,759	3,970	7,759
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,204
Assumed exercise of Warrants at no consideration ('000)	*	*	*	*
Assumed exercise of LTIP at no consideration ('000)	*	-	*	-
Adjusted weighted average number of ordinary shares in issue and issueable ('000)	558,204	558,204	558,204	558,204
Diluted EPS (sen)	<u>0.71</u>	<u>1.39</u>	<u>0.71</u>	<u>1.39</u>

\* No warrants and LTIP are assumed to be exercised at no consideration as the average fair value of the Company's quoted share price during the financial period is below the exercise price of the warrants.

**B13 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED AT THE LATEST PRACTICABLE DATE WHICH**

The Group had on 26 June 2020 announced the proposal in relation to the undertaking of the transfer of listing of and quotation for the entire issued share capital and the outstanding warrants 2019/2024 from ACE Market to the Main Market of Bursa Securities.

Please refer to our announcement dated 26 June 2020 for details.

**B14 AUTHORISATION FOR ISSUE**

The unaudited condensed consolidated financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 May 2022

By Order of the Board

Tiang Boon Hwa  
Managing Director

Date : 26 May 2022