



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 30 JUNE 2022**

N2N CONNECT BERHAD 200001020530 (523137-K)
(Incorporated in Malaysia)
SUMMARY OF KEY FINANCIAL INFORMATION
FOR THE QUARTER AND YEAR TO DATE ENDED 30 JUNE 2022

Remark:

The results for the quarter ended 30 June 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	
	30 Jun 2022 RM'000	30 Jun 2021 RM'000	30 Jun 2022 RM'000	30 Jun 2021 RM'000
1 Revenue	26,163	29,809	52,920	60,243
2 Profit before taxation	4,515	4,800	9,072	12,712
3 Profit for the period	3,713	4,985	7,481	12,535
4 Profit attributable to owners of the Company	3,994	5,164	7,964	12,923
5 Basic earnings per share (sen)	0.72	0.93	1.43	2.32
6 Diluted earnings per share (sen)	0.72	0.92	1.43	2.30
7 Proposed/Declared dividend per share (sen)	1.00	3.00	1.00	3.00

N2N CONNECT BERHAD 200001020530 (523137-K)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR TO DATE ENDED 30 JUNE 2022**

	Note	Quarter Ended			Year-To-Date Ended		
		30 Jun 2022 RM'000 (UNAUDITED)	30 Jun 2021 RM'000 (UNAUDITED)	Changes %	30 Jun 2022 RM'000 (UNAUDITED)	30 Jun 2021 RM'000 (UNAUDITED)	Changes %
Revenue		26,163	29,809	-12%	52,920	60,243	-12%
Cost of sales		(11,595)	(11,047)	5%	(23,236)	(22,373)	4%
Gross profit		14,568	18,762	-22%	29,684	37,870	-22%
Other operating income		1,582	421	276%	2,180	993	120%
Administrative expenses		(10,653)	(13,055)	-18%	(21,095)	(23,897)	-12%
Finance costs		(11)	(89)	-88%	(51)	(192)	-73%
Share of results of an associate		(971)	(1,239)	-22%	(1,646)	(2,062)	-20%
Profit before taxation		4,515	4,800	-6%	9,072	12,712	-29%
Taxation	B6	(802)	185	-534%	(1,591)	(177)	799%
Profit for the period		3,713	4,985	-26%	7,481	12,535	-40%
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
- Exchange differences arising from translation of foreign operations		3,732	271		3,313	2,537	
Total comprehensive income for the period		7,445	5,256		10,794	15,072	
Profit for the period attributable to:							
- Owners of the Company		3,994	5,164		7,964	12,923	
- Non-controlling interests		(281)	(179)		(483)	(388)	
		3,713	4,985		7,481	12,535	
Total comprehensive income for the period:							
- Owners of the Company		7,726	5,435		11,277	15,460	
- Non-controlling interests		(281)	(179)		(483)	(388)	
		7,445	5,256		10,794	15,072	
Earnings per share ("EPS") attributable to owners of the Company:							
- Basic EPS (sen)	B12	0.72	0.93		1.43	2.32	
- Diluted EPS (sen)	B12	0.72	0.91		1.43	2.30	

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 30 JUNE 2022**

	Note	As at 30 Jun 2022 RM'000 (UNAUDITED)	As at 31 Dec 2021 RM'000 (AUDITED)
ASSETS			
Non-current assets			
Property, plant and equipment		30,932	31,994
Investment properties		9,377	9,494
Right-of-use assets		1,243	1,770
Intangible assets		81,770	79,593
Investment in an associate		4,239	6,659
		<u>127,561</u>	<u>129,510</u>
Current assets			
Trade receivables		22,834	18,301
Other receivables	A11	5,651	4,569
Amount owing by related companies		517	215
Tax recoverable		7,695	8,202
Marketable securities	B7	58,636	64,624
Financial assets at fair value through profit or loss	A13	153	168
Cash and bank balances		73,701	63,879
		<u>169,187</u>	<u>159,958</u>
TOTAL ASSETS		<u>296,748</u>	<u>289,468</u>
EQUITY AND LIABILITIES			
Total equity			
Share capital		260,987	260,987
Treasury shares		(37,237)	(37,237)
Exchange reserve		(3,064)	(6,377)
LTIP reserve		1,875	1,530
Retained profits		51,030	48,648
Equity attributable to owners of the Company		<u>273,591</u>	<u>267,551</u>
Non-controlling interests		(2,675)	(2,192)
		<u>270,916</u>	<u>265,359</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2022**

	As at 30 Jun 2022 RM'000 (UNAUDITED)	As at 31 Dec 2021 RM'000 (AUDITED)
Non-current liabilities		
Lease liabilities	19	660
Provision for retirement benefits	A14 2,631	2,245
Deferred tax liabilities	688	653
	<u>3,338</u>	<u>3,558</u>
Current liabilities		
Trade payables	3,030	3,927
Other payables	A12 15,940	12,200
Amount owing to related companies	723	328
Bank borrowings	B8 -	2,314
Lease liabilities	1,358	1,291
Provision for taxation	1,443	491
	<u>22,494</u>	<u>20,551</u>
Total liabilities	<u>25,832</u>	<u>24,109</u>
TOTAL EQUITY AND LIABILITIES	<u>296,748</u>	<u>289,468</u>
Net assets per share attributable to owners of the Company (sen) *	<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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER AND YEAR TO DATE ENDED 30 JUNE 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
At 1 January 2022		260,987	(37,237)	(6,377)	1,530	48,648	267,551	(2,192)	265,359
Profit for the period		-	-	-	-	7,964	7,964	(483)	7,481
Other comprehensive income		-	-	3,313	-	-	3,313	-	3,313
Total comprehensive income for the period		-	-	3,313	-	7,964	11,277	(483)	10,794
Dividend paid	(i)	-	-	-	-	(5,582)	(5,582)	-	(5,582)
Long term incentive plan ("LTIP")		-	-	-	345	-	345	-	345
At 30 June 2022		260,987	(37,237)	(3,064)	1,875	51,030	273,591	(2,675)	270,916
At 1 January 2021		260,987	(37,237)	(9,050)	-	48,624	263,324	(639)	262,685
Profit for the period		-	-	-	-	12,923	12,923	(388)	12,535
Other comprehensive income		-	-	2,537	-	-	2,537	-	2,537
Total comprehensive income for the period		-	-	2,537	-	12,923	15,460	(388)	15,072
Dividend paid	(ii)	-	-	-	-	(16,746)	(16,746)	-	(16,746)
Long term incentive plan ("LTIP")		-	-	-	876	-	876	-	876
At 30 June 2021		260,987	(37,237)	(6,513)	876	44,801	262,914	(1,027)	261,887

Notes:

(i) The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2022 on 30 June 2022.

(ii) The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ending 31 December 2021 and Special Dividend of 2 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2020, on 30 June 2021.

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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR TO DATE ENDED 30 JUNE 2022**

	Year-To-Date Ended	
	30 Jun 2022	30 Jun 2021
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Cash flows from operating activities		
Profit before taxation	9,072	12,712
Adjustments for:		
Amortisation of intangible assets	3,627	3,295
Bad debts written off	-	64
Depreciation of property, plant and equipment	2,162	2,103
Depreciation of investment properties	117	117
Depreciation of right-of-use assets	595	611
Fair value change on financial assets at fair value through profit or loss	15	(10)
Long term incentive plan expenses	345	876
Provision for doubtful debts	(31)	(125)
Provision for long service payments	150	189
Share of results of an associate	1,646	2,062
Unrealised foreign exchange gain	(917)	(11)
Finance cost	51	192
Finance income	(123)	(116)
Dividend income	(507)	(616)
Operating profit before working capital changes	16,202	21,343
Changes in working capital		
Trade receivables	(4,438)	646
Other receivables	(1,082)	(2,215)
Trade payables	(431)	298
Other payables	3,853	592
Amount owing by/to related companies	93	272
Cash generated from operations	14,197	20,936
Dividend received	507	616
Interest paid	(51)	(192)
Interest received	123	116
Net tax paid	(135)	(2,638)
Net cash generated from operating activities	14,641	18,838

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR TO DATE ENDED 30 JUNE 2022**

	Year-To-Date Ended	
	30 Jun 2022	30 Jun 2021
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Cash flows from investing activities		
Computer software development cost	(2,801)	(3,485)
Purchase of property, plant and equipment	(986)	(2,513)
Net changes in marketable securities	5,988	(622)
Net cash generated from/(used in) investing activities	2,201	(6,620)
Cash flows from financing activities		
Dividend paid	(5,582)	(16,746)
Increase in fixed deposit pledged	-	(2)
Repayment of bank borrowings	(2,314)	(4,536)
Repayment of lease liabilities	(672)	(681)
Net cash used in financing activities	(8,568)	(21,965)
Net increase/(decrease) in cash and cash equivalents	8,274	(9,747)
Effect of exchange rate changes	1,548	319
Cash and cash equivalents at beginning of the period	63,879	75,219
Cash and cash equivalents at end of the period	73,701	65,791
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	73,701	65,431
Deposit with a licensed bank	-	360
	73,701	65,791
Less: Fixed deposit pledged to a licensed bank	-	(360)
	73,701	65,431

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)
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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 30 JUNE 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

The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ending 31 December 2022 on 30 June 2022.

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
Financial period ended 30 June 2022					
<u>Revenue</u>					
Sales to external customers	23,207	24,831	4,882	-	52,920
Inter-segment sales	-	-	22	(22)	-
Total	<u>23,207</u>	<u>24,831</u>	<u>4,904</u>	<u>(22)</u>	<u>52,920</u>
<u>Results</u>					
EBITDA *	7,900	3,954	4,063	285	16,202
Amortisation of intangible assets	(3,517)	-	(110)	-	(3,627)
Bad debt written off	-	-	-	-	-
Depreciation of property, plant and equipment	(1,451)	(505)	(206)	-	(2,162)
Depreciation of investment properties	(117)	-	-	-	(117)
Depreciation of right-of-use assets	-	(595)	-	-	(595)
Dividend income	507	-	-	-	507
Finance income	95	-	28	-	123
Finance costs	(29)	(22)	-	-	(51)
Long term incentive plan	(137)	(184)	(24)	-	(345)
Reversal of provision for doubtful debts	-	31	-	-	31
Share of results of associate	-	-	(1,646)	-	(1,646)
Unrealised foreign exchange gain/(loss)	400	-	517	-	917
Other non-cash items	(15)	(150)	-	-	(165)
Taxation	(748)	(557)	(286)	-	(1,591)
Segment profit for the period	<u>2,888</u>	<u>1,972</u>	<u>2,336</u>	<u>285</u>	<u>7,481</u>

* 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
Financial period ended 30 June 2021					
<u>Revenue</u>					
Sales to external customers	29,311	24,331	6,601	-	60,243
Inter-segment sales	-	-	366	(366)	-
Total	<u>29,311</u>	<u>24,331</u>	<u>6,967</u>	<u>(366)</u>	<u>60,243</u>
<u>Results</u>					
EBITDA *	16,296	2,679	4,430	(2,938)	20,467
Amortisation of intangible assets	(3,242)	(53)	-	-	(3,295)
Bad debt written off	(20)	(44)	-	-	(64)
Depreciation of property, plant and equipment	(1,172)	(676)	(255)	-	(2,103)
Depreciation of investment properties	(117)	-	-	-	(117)
Depreciation of right-of-use assets	-	(566)	(45)	-	(611)
Dividend income	616	-	-	-	616
Finance income	90	-	26	-	116
Finance costs	(154)	(38)	-	-	(192)
Share of results of associate	-	-	(2,062)	-	(2,062)
Unrealised foreign exchange gain/(loss)	49	-	98	(136)	11
Other non-cash items	10	(189)	-	-	(179)
Reversal of provision for doubtful debts	-	125	-	-	125
Taxation	(65)	(277)	165	-	(177)
Segment profit for the period	<u>12,291</u>	<u>961</u>	<u>2,357</u>	<u>(3,074)</u>	<u>12,535</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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A11 OTHER RECEIVABLES

	As At 30 Jun 2022 RM'000	As At 31 Dec 2021 RM'000
Prepayments	3,788	2,752
Deposits paid	1,860	1,717
Other receivables	3	100
	<u>5,651</u>	<u>4,569</u>

A12 OTHER PAYABLES

	As At 30 Jun 2022 RM'000	As At 31 Dec 2021 RM'000
Accruals	4,792	3,271
Deposit received	3,365	3,290
Other payables	7,783	5,639
	<u>15,940</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:

	As At 30 Jun 2022 Level 1 Fair Value RM'000	As At 31 Dec 2021 Level 1 Fair Value RM'000
Financial assets at fair value through profit or loss	<u>153</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.

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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 25 August 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

	Quarter Ended	
	30 Jun 2022	30 Jun 2021
	RM'000	RM'000
Revenue	26,163	29,809
Profit after taxation	3,713	4,985
Core profit *	<u>2,562</u>	<u>5,582</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 RM26.16 million for the period ended 30 June 2022 in comparison to revenue of RM29.81 million in the preceding year's corresponding quarter. The lower revenue of 12.23% 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.

The profit after taxation for the current quarter totalling to RM3.71 million was 25.52% lower than the profit after taxation of RM4.99 million recorded in the preceding year's corresponding quarter. The lower profit after taxation was mainly attributed to the lower transaction based revenue that typically carries a higher margin.

Core profits of the Group recorded RM2.56 million in the current quarter compared to RM5.59 million in preceding year's corresponding quarter. The decrease of 54.10% was mainly due to lower of revenue for the quarter under review.

(b) Performance of the current financial period against the preceding year's corresponding period

	Year-To-Date Ended	
	30 Jun 2022	30 Jun 2021
	RM'000	RM'000
Revenue	52,920	60,243
Profit for the period	7,481	12,535
Core profit *	<u>6,366</u>	<u>12,713</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 RM52.92 million for the period ended 30 June 2022 in comparison to revenue of RM60.24 million in the preceding year's corresponding period. The lower revenue of 12.16% was due mainly to the lower transaction based revenue owing to normalised trading momentum in Bursa Malaysia.

The profit after taxation for the current period totalling to RM7.48 million was 40.32% lower than the profit after taxation of RM12.54 million recorded in the preceding corresponding period. The lower profit after taxation was mainly attributed to the lower transaction based revenue that typically carries a higher margin.

Core profits of the Group recorded RM6.36 million in the current period compared to RM12.71 million in corresponding period. The decrease of 49.92% was due to lower revenue.

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

	Quarter Ended	
	30 Jun 2022 RM'000	31 Mar 2022 RM'000
Revenue	26,163	26,757
Profit after taxation	3,713	3,768
Core profit *	2,562	3,805

* 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 RM26.16 million compared to RM26.76 million in the immediate preceding quarter. The lower revenue of 2.22% was due to decrease one time implementation revenue.

Higher other operating income (forex gains) recorded in the quarter under review helped to soften the effects of lower transaction based revenue, higher expenses and higher share of loss of associated company resulting in the Group recording a Profit After Tax that was similar to the immediate preceding quarter.

Setting aside the contribution of the other operating income, the core profit of the current quarter was thus lower than the immediate preceding quarter by RM1.24mil mainly due to the combination of lower transaction based revenue and higher expenses and higher share of losses of associated company.

B3 PROSPECTS

In its June 2022 Global Economic Prospects report, the World Bank lowered its 2022 global gross domestic product ("GDP") growth projection to 2.9% from an earlier projection of 4.1% in January 2022. The revision in projections was in light of the spillovers from the Russian Federation's invasion of Ukraine which are set to sharply hasten the deceleration of global economic activity. The war in Ukraine is leading to high commodity prices, adding to supply disruptions, increasing food insecurity and poverty, exacerbating inflation, contributing to tighter financial conditions, magnifying financial vulnerability, and heightening policy uncertainty.

However, the World Bank maintained Malaysia's economic growth projection for 2022 at 5.5%, driven mainly by a strong rebound in consumption. It also noted that Malaysia's labor market is improving, with the unemployment rate decreasing from 4.3 percent in Q4 2021 to 4.1 percent in Q1 2022.

The International Monetary Fund, in its July 2022 World Economic Outlook report, lowered its April 2022 global growth projections to 3.2% from 3.6% whilst Malaysia's growth projections for 2022 was lowered to 5.1% from 5.6%, previously.

In August 2022, Bank Negara Malaysia reported that the Malaysian economy registered a stronger growth of 8.9% in the second quarter of 2022 compared to 5.0% in the first quarter. With growth in the first half of 2022 at 6.9%, the Malaysian economy is projected to expand further for the remainder of the year supported by firm domestic demand. However, Malaysia's growth remains susceptible to a weaker-than-expected global growth, further escalation of geopolitical conflicts and worsening supply chain disruptions.

Over in Hong Kong, its government reported that the economy improved in overall terms in the second quarter of 2022, but the extent of improvement was weaker than expected. Real GDP decreased at a moderated pace of 1.3% from a year earlier, after contracting by 3.9% in the preceding quarter. Weakened global demand and continued cross-boundary transportation disruptions dragged heavily on export performance. Taking into account the worse-than-expected economic performance in the first half and the sharp deterioration of global economic prospects, the real GDP growth forecast for 2022 is revised downwards to -0.5% to 0.5%.

Trading momentum in the capital market continues to be influenced by the ongoing domestic and global developments and is expected to remain volatile. In Malaysia the trading volumes in the second quarter of 2022 continued to normalise towards the pre-pandemic levels as the economy reopens under the endemic phase of COVID-19.

Taking into consideration the challenging and competitive environment, the Company expects to register a moderate performance as compared to the preceding year.

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B4 VARIATION OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable as no profit forecast was published.

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	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	(63)	(45)	(123)	(116)
(b) Dividend Income	(281)	(327)	(507)	(616)
(c) Interest expense	11	89	51	192
(d) Depreciation and amortisation	3,198	3,079	6,501	6,126
(e) Net foreign exchange (gain)/loss	(740)	473	(867)	185
(f) Fair value change on financial assets at fair value through profit or loss	22	13	15	(10)

B6 TAXATION

	Quarter Ended		Year-To-Date Ended	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- Current year provision	(802)	(161)	(1,550)	(523)
- Over/(under) provision in prior years	-	346	(41)	346
	(802)	185	(1,591)	(177)

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 30 Jun 2022	As At 31 Dec 2021
	RM'000	RM'000
Quoted unit trusts in Malaysia*	58,636	64,624

Note * : These relate to quoted Islamic unit trusts, which income distribution is subject to withholding tax and any gains realised on the sale or redemption are treated as capital gains. The unit trust have the flexibility of withdrawal.

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B8 GROUP'S BORROWINGS AND DEBT SECURITIES

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

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 27 October 2022 for the Defendants to provide an update on the status of the Grounds of Judgment.

In the meantime, the High Court has fixed new dates for trial for the main suit for 12th to 13th January 2023 and 13th to 17th February 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

No dividend has been proposed during the current period under review

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B12 EARNINGS PER SHARE ("EPS")

	Quarter Ended		Year-To-Date Ended	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
(a) Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	3,994	5,164	7,964	12,923
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,204
Basic EPS (sen)	0.72	0.93	1.43	2.32
(b) Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	3,994	5,164	7,964	12,923
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)	-*	3,683	-*	3,683
Adjusted weighted average number of ordinary shares in issue and issueable ('000)	558,204	561,887	558,204	561,887
Diluted EPS (sen)	0.72	0.92	1.43	2.30

* 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 25 August 2022.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 25 August 2022