



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2020**

N2N CONNECT BERHAD 200001020530 (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION**FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2020**

Remark:

The results for the quarter and twelve months ended 31 December 2020 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 2019 and the accompanying explanatory notes attached to the interim financial statements.

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
1 Revenue	26,017	26,229	112,379	105,095
2 Profit before taxation	2,585	2,287	25,644	17,567
3 Profit for the period	6,560	1,457	26,661	15,261
4 Profit attributable to owners of the Company	6,672	1,581	27,096	15,687
5 Basic earnings per share (sen)	1.20	1.00	4.85	2.81
6 Diluted earnings per share (sen)	1.20	1.00	4.85	2.81
7 Proposed/Declared dividend per share (sen)	1.50	-	3.50	1.00

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 DECEMBER 2020**

	Note	Quarter Ended			Year-To-Date Ended		
		31 Dec 2020	31 Dec 2019	Changes %	31 Dec 2020	31 Dec 2019	Changes %
		RM'000 (UNAUDITED)	RM'000 (UNAUDITED)		RM'000 (UNAUDITED)	RM'000 (UNAUDITED)	
Revenue		26,017	26,229	-1%	112,379	105,095	7%
Cost of sales		(11,440)	(12,646)	-10%	(45,123)	(46,127)	-2%
Gross profit		<u>14,577</u>	<u>13,583</u>	7%	<u>67,256</u>	<u>58,968</u>	14%
Other operating income		4,899	1,903	157%	8,339	5,602	49%
Administrative expenses		(16,375)	(12,449)	32%	(48,154)	(45,127)	7%
Finance costs		(108)	(375)	-71%	(697)	(1,376)	-49%
Share of results of associates		(408)	(375)	9%	(1,100)	(500)	120%
Profit before taxation		<u>2,585</u>	<u>2,287</u>	13%	<u>25,644</u>	<u>17,567</u>	46%
Taxation	B6	3,975	(830)	-579%	1,017	(2,306)	-144%
Profit for the period		<u>6,560</u>	<u>1,457</u>	350%	<u>26,661</u>	<u>15,261</u>	75%
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
- Exchange differences arising from translation of foreign operations		(1,937)	(1,344)		(1,031)	(461)	
Items that may not be reclassified subsequently to profit or loss:							
- Remeasurement for long service payments, net of tax		420	(10)		420	(10)	
Total comprehensive income for the period		<u>5,043</u>	<u>103</u>		<u>26,050</u>	<u>14,790</u>	
Profit for the period attributable to:							
- Owners of the Company		6,672	1,581		27,096	15,687	
- Non-controlling interests		(112)	(124)		(435)	(426)	
		<u>6,560</u>	<u>1,457</u>		<u>26,661</u>	<u>15,261</u>	
Total comprehensive income for the period:							
- Owners of the Company		5,155	227		26,485	15,216	
- Non-controlling interests		(112)	(124)		(435)	(426)	
		<u>5,043</u>	<u>103</u>		<u>26,050</u>	<u>14,790</u>	
Earnings per share ("EPS") attributable to owners of the Company:							
- Basic EPS (sen)	B13	1.20	1.00		4.85	2.81	
- Diluted EPS (sen)	B13	1.20	1.00		4.85	2.81	

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2019 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 DECEMBER 2020

	As at 31 Dec 2020 RM'000 (UNAUDITED)	As at 31 Dec 2019 RM'000 (AUDITED)
ASSETS		
Non-current assets		
Property, plant and equipment	29,728	31,525
Investment properties	9,729	9,963
Right-of-use assets	2,902	4,178
Intangible assets	77,628	76,387
Investment in associates	9,429	7,369
	<u>129,416</u>	<u>129,422</u>
Current assets		
Trade receivables	20,187	22,983
Other receivables	4,005	9,776
Amount owing by related companies	421	263
Amount owing by an associate	-	1,235
Tax recoverable	6,781	2,481
Marketable securities	58,426	82,518
Financial assets at fair value through profit or loss	127	116
Deposits with licensed bank	358	351
Cash and bank balances	74,861	54,753
	<u>165,166</u>	<u>174,476</u>
TOTAL ASSETS	<u>294,582</u>	<u>303,898</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	260,987	260,987
Treasury shares	(37,237)	(37,198)
Exchange reserve	(9,056)	(8,025)
Retained profits	48,624	40,645
Equity attributable to owners of the Company	<u>263,318</u>	<u>256,409</u>
Non-controlling interests	(639)	(508)
	<u>262,679</u>	<u>255,901</u>
Non-current liabilities		
Bank borrowings	2,103	11,369
Lease liabilities	1,926	3,278
Provision for retirement benefits	2,312	2,692
Deferred tax liabilities	673	2,154
	<u>7,014</u>	<u>19,493</u>
Current liabilities		
Trade payables	3,693	4,534
Other payables	10,716	10,068
Amount owing to related companies	209	76
Bank borrowings	9,056	9,096
Lease liabilities	1,215	1,187
Provision for taxation	-	3,543
	<u>24,889</u>	<u>28,504</u>
Total liabilities	<u>31,903</u>	<u>47,997</u>
TOTAL EQUITY AND LIABILITIES	<u>294,582</u>	<u>303,898</u>
Net assets per share attributable to owners of the Company (sen) *	<u>47</u>	<u>46</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 Annual Audited Financial Statements of the Group for the financial year ended 31 December 2019 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 DECEMBER 2020**

Note	Attributable to owners of the Company				Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Non-distributable		Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Exchange Reserve RM'000	Retained Profits RM'000			
At 1 January 2020	260,987	(37,198)	(8,025)	40,645	256,409	(508)	255,901
Profit for the period	-	-	-	27,096	27,096	(435)	26,661
Other comprehensive income	-	-	(1,031)	420	(611)	-	(611)
Total comprehensive income for the period	-	-	(1,031)	27,516	26,485	(435)	26,050
Dividends paid	i	-	-	(19,537)	(19,537)	-	(19,537)
Addition interest contributed by non-controlling interest	ii	-	-	-	-	885	885
Non-controlling interest arising from business combination	iii	-	-	-	-	(581)	(581)
Share repurchased during the period held as treasury shares		-	(39)	-	(39)	-	(39)
At 31 December 2020	260,987	(37,237)	(9,056)	48,624	263,318	(639)	262,679
At 1 January 2019	260,987	(35,542)	(7,563)	30,551	248,433	(83)	248,350
Profit for the period	-	-	-	15,687	15,687	(425)	15,262
Other comprehensive income	-	-	(462)	(10)	(472)	-	(472)
Total comprehensive income for the period	-	-	(462)	15,677	15,215	(425)	14,790
Dividends paid	iv	-	-	(5,583)	(5,583)	-	(5,583)
Shares repurchased during the year held as treasury shares		-	(1,656)	-	(1,656)	-	(1,656)
Issuance of shares pursuant to exercise of Warrants		-	-	-	-	-	-
At 31 December 2019	260,987	(37,198)	(8,025)	40,645	256,409	(508)	255,901

Notes:

(i) The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ending 31 December 2020 and Special Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2019, on 14 May 2020.

The Company paid Second Interim Dividend of 1.5 sen per share (Single Tier Dividend) in respect of the financial year ending 31 December 2020 on 28 December 2020.

(ii) Addition interest contributed by non-controlling interest of the subsidiary, N2N Connect Pte Ltd ("NCPL") in the form of computer software.

(iii) During the financial year ended 31 December 2020, the Company has consolidated NGS Global Solutions Limited ("NGSL") as its subsidiary which previously was recognised as an associate.

(iv) The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2019, on 26 June 2019.

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2019 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 DECEMBER 2020**

	Year-To-Date Ended	
	31 Dec 2020 RM'000 (UNAUDITED)	31 Dec 2019 RM'000 (UNAUDITED)
Cash flows from operating activities		
Profit before taxation	25,644	17,567
Adjustments for:		
Amortisation of intangible assets	6,094	5,142
Bad debts written off	9	402
Depreciation of property, plant and equipment	4,405	5,455
Depreciation of investment properties	234	234
Depreciation of right-of-use assets	1,547	1,454
Fair value change on financial assets at fair value through profit or loss	(11)	(2)
Loss on disposal of property, plant and equipment	1	(4)
Provision for doubtful debts	5,905	1,235
Goodwill impairment	557	-
Provision for long service payments	(358)	352
Share of results of associates	1,100	499
Effect of changes in ownership interest of an associate	(2,387)	-
Unrealised foreign exchange gain	307	(149)
Gain on lease modification	(332)	-
Finance cost	697	1,376
Finance income	(269)	(335)
Dividend income	(1,934)	(3,371)
Operating profit before working capital changes	<u>41,209</u>	<u>29,855</u>
Changes in working capital		
Trade receivables	(3,242)	(8,021)
Other receivables	3,375	(2,611)
Trade payables	(963)	(952)
Other payables	648	(6,335)
Amount owing by/to related companies	(25)	171
Amount owing by/to an associate	1,235	(554)
Cash generated from operations	<u>42,237</u>	<u>11,553</u>
Dividend received	1,934	3,371
Interest paid	(697)	(1,258)
Interest received	269	335
Net tax paid	(8,884)	(2,249)
Net cash generated from operating activities	<u>34,859</u>	<u>11,752</u>
Cash flows from investing activities		
Computer software development cost	(5,712)	(6,692)
Purchase of property, plant and equipment	(2,173)	(3,576)
Proceeds from disposal of property, plant and equipment	-	4
Addition interest contributed by non-controlling interest (PT NGS)	885	-
Non-controlling interest arising from business combination (NGSL)	(581)	-
Net changes in marketable securities	24,092	(30,473)
Net cash generated from/(used in) investing activities	<u>16,511</u>	<u>(40,737)</u>
Cash flows from financing activities		
Dividend paid	(19,537)	(5,583)
Increase in fixed deposits pledged	7	(10)
Repayment of bank borrowings	(9,306)	(9,163)
Repayment of lease liabilities	(1,343)	(1,284)
Repurchase of treasury shares	(39)	(1,656)
Net cash used in financing activities	<u>(30,218)</u>	<u>(17,696)</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR-TO-DATE ENDED 31 DECEMBER 2020**

	Year-To-Date Ended	
	31 Dec 2020	31 Dec 2019
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Net increase/(decrease) in cash and cash equivalents	21,152	(46,681)
Effect of exchange rate changes	(1,037)	(142)
Cash and cash equivalents at beginning of the period	55,104	101,576
Cash and cash equivalents at end of the period	75,219	54,753
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	74,861	54,753
Deposits with licensed bank	358	351
	75,219	55,104
Less: Fixed deposits pledged to licensed bank	(358)	(351)
	74,861	54,753

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2020

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 financial statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2019.

A2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Condensed Report are consistent with those in the preparation of the Group's audited financial statements for the financial year ended 31 December 2019. As at the date of authorisation of this Condensed Report, 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 2021

MFRS 17: Insurance Contracts

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 annual audited financial statements for the year ended 31 December 2019.

A4 SEASONAL OR CYCLICAL FACTORS

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

A8 DIVIDEND PAID

The Company declared a First Interim Dividend of 1 sen per share (Single Tier Dividend) amounting to RM5,582,021 for the financial year ending 31 December 2020 and Special Dividend of 1 sen per share (Single Tier Dividend) amounting to RM5,582.021 for the financial year ended 31 December 2019. The dividends were paid on 14 May 2020.

The Company further declared a Second Interim Dividend of 1.5 sen per share (Single Tier Dividend) amounting to RM8,373,032 for the financial year ended 31 December 2020 and were paid on 28 December 2020.

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 year ended 31 December 2020					
<u>Revenue</u>					
Sales to external customers	50,221	53,574	8,584	-	112,379
Inter-segment sales	-	-	744	(744)	-
Total	50,221	53,574	9,328	(744)	112,379
<u>Results</u>					
EBITDA *	29,688	13,238	3,788	(5,505)	41,209
Dividend income	1,934	-	-	-	1,934
Finance income	243	-	26	-	269
Finance costs	(602)	(83)	(12)	-	(697)
Depreciation of property, plant and equipment	(2,396)	(1,827)	(182)	-	(4,405)
Depreciation of investment properties	(234)	-	-	-	(234)
Depreciation of right-of-use assets	-	(1,076)	(471)	-	(1,547)
Amortisation of intangible assets	(5,985)	(109)	-	-	(6,094)
Unrealised foreign exchange gain/(loss)	(96)	-	(130)	(81)	(307)
Share of results of associates	-	-	(1,100)	-	(1,100)
Provision for doubtful debts	(2,732)	(3,149)	(24)	-	(5,905)
Impairment of goodwill	-	-	(557)	-	(557)
Effect of changes in ownership interest of an associate	-	-	2,387	-	2,387
Gain on lease modification	-	-	332	-	332
Other non-cash items	10	349	-	-	359
Taxation	2,064	(708)	(339)	-	1,017
Segment profit for the period	21,894	6,635	3,718	(5,586)	26,661

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

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	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial year ended					
31 December 2019					
<u>Revenue</u>					
Sales to external customers	38,163	57,672	9,260	-	105,095
Inter-segment sales	-	-	746	(746)	-
Total	38,163	57,672	10,006	(746)	105,095
<u>Results</u>					
EBITDA *	14,641	12,366	3,608	(760)	29,855
Dividend income	3,371	-	-	-	3,371
Finance income	315	20	-	-	335
Finance costs	(1,258)	(118)	-	-	(1,376)
Depreciation of property, plant and equipment	(2,942)	(2,376)	(137)	-	(5,455)
Depreciation of investment properties	(234)	-	-	-	(234)
Depreciation of right of use	-	(1,293)	(161)	-	(1,454)
Amortisation of intangible assets	(5,037)	(105)	-	-	(5,142)
Unrealised foreign exchange gain/(loss)	236	(18)	(69)	-	149
Share of results of associates	-	-	(499)	-	(499)
Provision for doubtful debts	(522)	(713)	-	-	(1,235)
Bad debt written off	-	(402)	-	-	(402)
Other non-cash items	6	(352)	-	-	(346)
Taxation	(1,298)	(1,053)	45	-	(2,306)
Segment profit for the period	7,278	5,956	2,787	(760)	15,261

* 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 (Estimated 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. As a prudence approach, the Group has provided RM5.9mil in doubtful debt despite there are collections from the customers during the year under review.

A11 OTHER RECEIVABLES

	As At 31 Dec 2020 RM'000	As At 31 Dec 2019 RM'000
Prepayments	2,255	3,783
Deposits paid	1,722	1,595
Other receivables	26	4,398
	4,003	9,776

A12 OTHER PAYABLES

	As At 31 Dec 2020 RM'000	As At 31 Dec 2019 RM'000
Accruals	3,891	3,552
Deposit received	3,378	3,598
Other payables	3,447	2,918
	10,716	10,068

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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 31 Dec 2020 Level 1 Fair Value RM'000	As At 31 Dec 2019 Level 1 Fair Value RM'000
Financial assets at fair value through profit or loss	<u>127</u>	<u>116</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. LSP is paid to employees of a subsidiary company upon termination of their employment, subject to completion of five years of continuous 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.

A16 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There was no material event subsequent to the current financial year ended 31 December 2019 up to the date of the announcement of this report which is likely to substantially affect the results of the operations of the Group for the current financial period under review.

A17 CHANGES IN THE COMPOSITION OF THE GROUP

On 31 December 2020, the wholly-owned subsidiary NGS Global Solutions Sdn Bhd ("NGS") has acquired control over NGS Global Solutions Limited ("NGSL") and consolidated NGSL into the Group's results in accordance with MFRS 10. NGS owns 48.99% of the NGSL's shareholdings. There will be no material effect on Group's earnings, net assets or gearing for the financial year ended 31 December 2020.

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 1 March 2021 (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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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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B ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1 REVIEW OF PERFORMANCE

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

	Quarter Ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Revenue	26,017	26,229
Profit for the quarter	6,560	1,457
Core profit *	373	2,919

* Core profit represents earnings before extraordinary items.

The Group recorded a slightly lower revenue of RM26.02 million for the quarter ended 31 December 2020 in comparison the revenue of preceding year's corresponding quarter of RM26.23 million. During the quarter under review, the trading momentum on Bursa Malaysia continued to be higher than preceding year's corresponding quarter. As a result, the transaction based revenues for the Malaysian market were higher compared to preceding year's quarter and this helped to soften the impact of the lower revenues from Hong Kong market.

The higher transaction based revenues for the Malaysian market helped to improve gross margins of the Group for the quarter under review compared to preceding quarter.

The Group recorded a gain of RM2.4million arising from the effects of changes in ownership interest of an associate (refer Note B7) and a provision for doubtful debts amounting to RM5.5 million during the quarter under review.

During the quarter under review, the Group received approval from the relevant authorities for the renewal of the MSC pioneer status incentives for two of its subsidiaries. The renewed MSC pioneer status incentives accord the two subsidiaries with tax exemptions on qualifying activities for a further 5 years and is effective in retrospect (i.e. effective from the respective subsidiary's expiry of first 5 years of MSC pioneer status). This resulted in the reversal of part of the tax provisions made in previous quarters for the two subsidiaries and the exemption of tax provisions (on qualifying activities) for these subsidiaries in the current quarter.

The combined effects from higher gross margins recorded for the Malaysian market, gain arising from effects of changes in ownership interest of an associate and the renewed MSC pioneer status for two of the Group's subsidiaries softened the impact of the provisions made for doubtful debts resulting in an improvement in the profit after tax for the current quarter amounting to RM6.56 million compared to RM1.46 million in preceding year's quarter or an increase of more than 4 times.

The core profits of the Group decreased to RM0.37 million in the current quarter compared to RM2.92 million in preceding year's quarter mainly due to higher provision of doubtful debts.

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

	Year-To-Date Ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Revenue	112,379	105,095
Profit for the period	26,661	15,261
Core profit *	18,373	14,022

* Core profit represents earnings before extraordinary items.

For the 12 months ending 31 December 2020, higher transaction based revenues arising from Malaysia market helped to offset the lower revenues from Hong Kong market, resulting in the Group recording a 6.9% improvement in revenues. The Group's revenue for the 12 months ending 31 December 2020 was RM112.38 million against RM105.10 million for preceding year.

For the 12 months ending 31 December 2020, the Group recorded a profit after tax amounting to RM26.66 million compared to RM15.26 million in the preceding year which represented an improvement of 74.71%.

This improvement was mainly attributed to the combination of higher gross margins due to higher transaction based revenues arising from the active trading momentum in Bursa Malaysia, the gain due to the effect of changes in ownership interest of an associate and the reversal of tax provision of previous periods including tax savings for the 4th quarter of 2020 owing to the renewed MSC pioneer status incentives as mentioned B1 (a).

Correspondingly, the Group recorded a 31.23% increase in its core profits. The core profits for 12 months ending 31 December 2020 was RM18.37 million compared to RM14.02 million in preceding year.

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

	Quarter Ended	
	31 Dec 2020 RM'000	30 Sept 2020 RM'000
Revenue	26,017	31,553
Profit for the quarter	6,560	9,585
Core profit *	373	8,412

* Core profit represents earnings before extraordinary items.

The Group recorded a 17.5% lower revenue of RM26.02 million for the quarter under review compared to the revenue of RM31.55 for the previous quarter mainly due to the comparatively lower transaction based fee. The lower transaction based fee for the 4th quarter of 2020 was the result of relatively lower trading momentum in Bursa Malaysia in contrast to that of the previous quarter.

The Group's profit after tax of RM6.56 million was 31.5% lower than the profit after tax of RM9.58 million recorded in the previous quarter. This was mainly due to the impact of the lower revenues and higher provision of doubtful debts which were softened by the gain arising from effects of changes in ownership interest of an associate and reversals of tax provisions of previous periods including tax savings for the 4th quarter of 2020 owing to the renewed MSC pioneer status incentives as mentioned B1 (a) on profit after tax.

Correspondingly, the Group recorded a lower core profit of RM0.37 million in the current quarter compared to RM8.41 million in the immediate preceding quarter.

B3 PROSPECTS

The World Bank's January 2021 Global Economic Prospects report projected that global economic activity would recover to 4% in 2021 on the assumption that vaccination campaigns in advanced economies and major emerging market and developing economies would achieve widespread coverage in the second half of 2021.

In November 2020, Bank Negara Malaysia has forecasted that Malaysia's gross domestic product (GDP) would recover in 2021 and grow in the range of 6.5%-7.5% subject to downside risk of resurgence of Covid-19 cases.

The implementation by the Government of MCO 2.0 may dampen initial recovery projections for gross domestic product (GDP) growth. It would appear that economic recovery to pre-Covid level will be dependent on the speed with which systematic vaccination of the population takes place.

Moving forward, the Group foresees that the outlook of global and domestic economic recovery to be largely influenced by the successful containment of Covid-19 cases with the reintroduction of containment measures owing to resurgence of Covid-19 being a key determining factor.

In Malaysia, although the trading activities in Bursa Malaysia are expected to remain strong supported by the announcements of ongoing roll outs of vaccinations and the government's economic stimulus initiatives, it is anticipated to ease in 2021 in contrast to previous year. This is anticipated to have an influence over the transaction based revenues of the Group.

Barring any unforeseen circumstances, the Group expects its business to remain resilient despite the uncertainties surrounding the containment of the pandemic.

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	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
(a) Interest income	(57)	(91)	(269)	(335)
(b) Dividend Income	(347)	(922)	(1,934)	(3,371)
(c) Interest expense	108	296	697	1,376
(d) Depreciation and amortisation	2,654	2,706	10,733	10,831
(e) Net foreign exchange loss/(gain)	(2)	325	484	256
(f) Fair value change on financial assets at fair value through profit or loss	(22)	-	(11)	(2)

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B6 TAXATION

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Current tax:				
- Current year provision	2,309	(253)	(672)	(1,456)
- Over/(Under) provision in prior years	1,666	(19)	1,689	(19)
	<u>3,975</u>	<u>(272)</u>	<u>1,017</u>	<u>(1,475)</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 the extension tax exemption for Multimedia Super Corridor ("MSC") qualifying activities under pioneer status pursuant to the Promotion of Investments Act, 1986 in Malaysia.

B7 INVESTMENT IN ASSOCIATES

Our Money Market (OMM), a company incorporated in Australia which N2N Connect Berhad has a 28.99% ownership interest, had on 9th June 2020 raised AUD3.5mill in a Series B round bringing the valuation of OMM to AUD\$71.5mil (equivalent to RM220.9mil) post money. Whilst this had reduced N2N Connect Berhad's ownership interest to 27.33%, it has resulted in a gain due to the effect of changes in ownership interest of an associate amounting to RM2.38mil which has been recognized in the profit or loss of the Group. The gain is the result of the increase in the net assets of OMM attributed by its fund raise that was completed at a premium.

B8 MARKETABLE SECURITIES

	As At 31 Dec 2020 RM'000	As At 31 Dec 2019 RM'000
Quoted unit trusts in Malaysia*	58,426	82,518

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

B9 GROUP'S BORROWINGS AND DEBT SECURITIES

	As At 31 Dec 2020 RM'000	As At 31 Dec 2019 RM'000
Secured		
Short-term borrowings		
<i>United States Dollar</i>		
Term loan	9,056	9,096
Long-term borrowings		
<i>United States Dollar</i>		
Term loan	2,103	11,369
	<u>11,159</u>	<u>20,465</u>

B10 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.

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B11 MATERIAL LITIGATION

Neither the Company nor its subsidiary is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiary and 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 subsidiary.

B12 PROPOSED DIVIDENDS

No dividend has been declared or recommended during the current quarter under review.

B13 EARNINGS PER SHARE ("EPS")

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
(a) Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	6,672	5,559	27,096	15,687
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,926
Basic EPS (sen)	1.20	1.00	4.85	2.81
(b) Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	6,672	5,559	27,096	15,687
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,926
Assumed exercise of Warrants at no consideration ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issueable ('000)	558,204	558,204	558,204	558,926
Diluted EPS (sen)	1.20	1.00	4.85	2.81

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**B14 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED AT THE LATEST PRACTICABLE DATE WHICH
MUST NOT BE EARLIER THAN 7 DAYS FROM THE DATE OF ISSUE OF THE QUARTERLY REPORT**

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.

B15 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 1 March 2021.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 1 March 2021