



N2N CONNECT BERHAD 20001020530 (523137-K)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 30 JUNE 2021**

N2N CONNECT BERHAD 200001020530 (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION**FOR THE QUARTER AND YEAR TO DATE ENDED 30 JUNE 2021**

Remark:

The results for the quarter and year to date ended 30 June 2021 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 2020 and the accompanying explanatory notes attached to the interim financial statements.

	Quarter Ended		Year-To-Date Ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	RM'000	RM'000	RM'000	RM'000
1 Revenue	29,809	28,548	60,243	54,809
2 Profit before taxation	4,800	8,107	12,712	12,826
3 Profit for the period	4,985	6,860	12,535	10,516
4 Profit attributable to owners of the Company	5,164	6,968	12,923	10,730
5 Basic earnings per share (sen)	0.93	1.25	2.32	1.92
6 Diluted earnings per share (sen)	0.92	1.25	2.30	1.92
7 Proposed/Declared dividend per share (sen)	3.00	-	3.00	2.00

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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 2021**

	Quarter Ended			Year-To-Date Ended			
		30 June 2021	30 June 2020	Changes	30 June 2021	30 June 2020	Changes
	Note	RM'000 (UNAUDITED)	RM'000 (UNAUDITED)	%	RM'000 (UNAUDITED)	RM'000 (UNAUDITED)	%
Revenue		29,809	28,548	4%	60,243	54,809	10%
Cost of sales		(11,047)	(11,074)	0%	(22,373)	(22,068)	1%
Gross profit		18,762	17,474	7%	37,870	32,741	16%
Other operating income		421	1,221	-66%	993	1,566	-37%
Administrative expenses		(13,055)	(9,800)	33%	(23,897)	(20,467)	17%
Finance costs		(89)	(223)	-60%	(192)	(449)	-57%
Share of results of an associate		(1,239)	(565)	119%	(2,062)	(565)	265%
Profit before taxation		4,800	8,107	-41%	12,712	12,826	-1%
Taxation	B6	185	(1,247)	-115%	(177)	(2,310)	-92%
Profit for the period		4,985	6,860	-27%	12,535	10,516	19%
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
- Exchange differences arising from translation of foreign operations		271	(687)		2,537	3,530	
Total comprehensive income for the period		5,256	6,173		15,072	14,046	
Profit for the period attributable to:							
- Owners of the Company		5,164	6,968		12,923	10,730	
- Non-controlling interests		(179)	(108)		(388)	(214)	
		4,985	6,860		12,535	10,516	
Total comprehensive income for the period:							
- Owners of the Company		5,435	6,281		15,460	14,260	
- Non-controlling interests		(179)	(108)		(388)	(214)	
		5,256	6,173		15,072	14,046	
Earnings per share ("EPS") attributable to owners of the Company:							
- Basic EPS (sen)	B12	0.93	1.25		2.32	1.92	
- Diluted EPS (sen)	B12	0.92	1.25		2.30	1.92	

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 2020 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 FINANCIAL POSITION**AS AT 30 JUNE 2021**

	As at 30 June 2021 RM'000 (UNAUDITED)	As at 31 Dec 2020 RM'000 (AUDITED)
ASSETS		
Non-current assets		
Property, plant and equipment	30,125	29,735
Investment properties	9,611	9,729
Right-of-use assets	2,360	2,902
Intangible assets	79,597	77,628
Investment in associates	7,367	9,429
	<u>129,060</u>	<u>129,423</u>
Current assets		
Trade receivables	21,759	22,305
Other receivables	6,386	4,171
Amount owing by related companies	303	343
Tax recoverable	11,760	7,399
Marketable securities	59,048	58,426
Financial assets at fair value through profit or loss	137	127
Deposits with licensed bank	360	358
Cash and bank balances	65,431	74,861
	<u>165,184</u>	<u>167,990</u>
TOTAL ASSETS	<u>294,244</u>	<u>297,413</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	260,987	260,987
Treasury shares	(37,237)	(37,237)
Exchange reserve	(6,513)	(9,050)
LTIP reserve	876	-
Retained profits	44,801	48,624
Equity attributable to owners of the Company	<u>262,914</u>	<u>263,324</u>
Non-controlling interests	(1,027)	(639)
	<u>261,887</u>	<u>262,685</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2021**

		As at 30 June 2021 RM'000 (UNAUDITED)	As at 31 Dec 2020 RM'000 (AUDITED)
Non-current liabilities			
Bank borrowings	B8	-	2,232
Lease liabilities		1,311	1,892
Provision for retirement benefits	A14	2,578	2,312
Deferred tax liabilities		694	673
		<u>4,583</u>	<u>7,109</u>
Current liabilities			
Trade payables		4,482	4,275
Other payables	A12	12,886	12,294
Amount owing to related companies		363	131
Bank borrowings	B8	6,920	8,927
Lease liabilities		1,275	1,249
Provision for taxation		1,848	743
		<u>27,774</u>	<u>27,619</u>
Total liabilities		<u>32,357</u>	<u>34,728</u>
TOTAL EQUITY AND LIABILITIES		<u>294,244</u>	<u>297,413</u>
Net assets per share attributable to owners of the Company (sen) *		<u>47</u>	<u>47</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 2020 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 2021**

	Attributable to owners of the Company						Non-Controlling Interests RM'000	Total Equity RM'000	
	Note	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 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
Dividends paid	(i)	-	-	-	-	(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
At 1 January 2020		260,987	(37,198)	(8,025)	-	40,645	256,409	(508)	255,901
Profit for the period		-	-	-	-	10,730	10,730	(214)	10,516
Other comprehensive income		-	-	3,530	-	-	3,530	-	3,530
Total comprehensive income for the period		-	-	3,530	-	10,730	14,260	(214)	14,046
Dividends paid	(ii)	-	-	-	-	(11,164)	(11,164)	-	(11,164)
Shares repurchased during the year held as treasury shares		-	(39)	-	-	-	(39)	-	(39)
At 30 June 2020		260,987	(37,237)	(4,495)	-	40,211	259,466	(722)	258,744

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 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.
- (ii) The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 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 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 2020 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 2021**

	Year-To-Date Ended	
	30 June 2021	30 June 2020
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Cash flows from operating activities		
Profit before taxation	12,712	12,826
Adjustments for:		
Amortisation of intangible assets	3,295	2,975
Bad debts written off	64	-
Depreciation of property, plant and equipment	2,103	2,302
Depreciation of investment properties	117	117
Depreciation of right-of-use assets	611	600
Fair value change on financial assets at fair value through profit or loss	(10)	7
Provision for doubtful debts	(125)	-
Provision for long service payments	189	181
Share of results of an associate	2,062	565
Long term incentive plan expenses	876	-
Unrealised foreign exchange (gain)/loss	(11)	378
Finance cost	192	449
Finance income	(116)	(151)
Dividend income	(616)	(1,215)
Operating profit before working capital changes	21,343	19,034
Changes in working capital		
Trade receivables	646	(5,926)
Other receivables	(2,215)	(970)
Trade payables	298	1,185
Other payables	592	4,124
Amount owing by/to related companies	272	16
Amount owing by/to an associate	-	(801)
Cash generated from operations	20,936	16,662
Dividend received	616	1,215
Interest paid	(192)	(449)
Interest received	116	151
Net tax paid	(2,638)	(4,139)
Net cash generated from operating activities	18,838	13,440
Cash flows from investing activities		
Computer software development cost	(3,485)	(3,140)
Purchase of property, plant and equipment	(2,513)	(925)
Net changes in marketable securities	(622)	10,815
Net cash (used in)/generated from investing activities	(6,620)	6,750

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR TO DATE ENDED 30 JUNE 2021**

	Year-To-Date Ended	
	30 June 2021	30 June 2020
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Cash flows from financing activities		
Dividend paid	(16,746)	(11,164)
Increase in fixed deposit pledged	(2)	4
Repayment of bank borrowings	(4,536)	(4,670)
Repayment of lease liabilities	(681)	(604)
Repurchase of treasury shares	-	(39)
Net cash used in financing activities	(21,965)	(16,473)
Net (decrease)/increase in cash and cash equivalents	(9,747)	3,717
Effect of exchange rate changes	319	1,306
Cash and cash equivalents at beginning of the period	75,219	55,104
Cash and cash equivalents at end of the period	65,791	60,127
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	65,431	59,772
Deposit with a licensed bank	360	355
	65,791	60,127
Less: Fixed deposit pledged to a licensed bank	(360)	(355)
	65,431	59,772

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 2020 and the accompanying explanatory notes attached to the interim financial statements.

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 2020.

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 2020. 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 2022

Amendments to MFRS 3, "Business Combinations" (Reference to the Conceptual Framework)

Amendments to MFRS 116, "Property, Plant and Equipment" (Proceeds before Intended Use)

Amendments to MFRS 137, "Provision, Contingent Liabilities and Contingent Assets" (Onerous Contracts - Cost of Fulfilling a Contract)

Amendments to MFRS 101, "First-time Adoption of Malaysian Financial Reporting Standards"

Amendments to MFRS 9, "Financial Instruments"

Amendments to Illustrative Examples accompanying MFRS 16, "Leases"

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)

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 2020.

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 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.

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 2021					
<u>Revenue</u>					
Sales to external customers	29,311	24,331	6,601	-	60,243
Inter-segment sales	-	-	366	(366)	-
Total	29,311	24,331	6,967	(366)	60,243
<u>Results</u>					
EBITDA *	16,296	2,679	4,430	(2,938)	20,467
Dividend income	616	-	-	-	616
Finance income	90	-	26	-	116
Finance costs	(154)	(38)	-	-	(192)
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)
Amortisation of intangible assets	(3,242)	(53)	-	-	(3,295)
Unrealised foreign exchange gain/(loss)	49	-	98	(136)	11
Share of results of associate	-	-	(2,062)	-	(2,062)
Provision for doubtful debts	-	125	-	-	125
Bad debt written off	(20)	(44)	-	-	(64)
Other non-cash items	10	(189)	-	-	(179)
Taxation	(65)	(277)	165	-	(177)
Segment profit for the period	12,291	961	2,357	(3,074)	12,535

* 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 2020					
Revenue					
Sales to external customers	21,323	28,387	5,099	-	54,809
Inter-segment sales	25	-	370	(395)	-
Total	<u>21,348</u>	<u>28,387</u>	<u>5,469</u>	<u>(395)</u>	<u>54,809</u>
Results					
EBITDA *	10,435	6,884	2,650	(935)	19,034
Dividend income	1,215	-	-	-	1,215
Finance income	151	-	-	-	151
Finance costs	(392)	(51)	(6)	-	(449)
Depreciation of property, plant and equipment	(1,187)	(1,046)	(69)	-	(2,302)
Depreciation of investment properties	(117)	-	-	-	(117)
Depreciation of right of use	-	(520)	(80)	-	(600)
Amortisation of intangible assets	(2,921)	(54)	-	-	(2,975)
Unrealised foreign exchange gain/(loss)	(536)	-	167	(9)	(378)
Share of results of associate	(565)	-	-	-	(565)
Provision for doubtful debts	-	-	-	-	-
Bad debt written off	-	-	-	-	-
Other non-cash items	(7)	(181)	-	-	(188)
Taxation	(1,281)	(811)	(218)	-	(2,310)
Segment profit for the period	<u>4,795</u>	<u>4,221</u>	<u>2,444</u>	<u>(944)</u>	<u>10,516</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 2021 RM'000	As At 31 Dec 2020 RM'000
Prepayments	4,685	2,255
Deposits paid	1,634	1,722
Other receivables	67	194
	6,386	4,171

A12 OTHER PAYABLES

	As At 30 Jun 2021 RM'000	As At 31 Dec 2020 RM'000
Accruals	3,922	3,896
Deposit received	3,302	3,378
Other payables	5,662	5,020
	12,886	12,294

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 2021 Level 1 Fair Value RM'000	As At 31 Dec 2020 Level 1 Fair Value RM'000
Financial assets at fair value through profit or loss	137	127

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.

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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 August 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
FOR THE QUARTER AND YEAR TO DATE ENDED 30 JUNE 2021****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 2021 RM'000	30 Jun 2020 RM'000
Revenue	29,809	28,548
Profit after taxation	4,985	6,860
Core profit *	4,320	5,991

* 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 RM29.81 million for the quarter ended 30 June 2021 in comparison to RM28.55 million in the preceding year's corresponding quarter. The higher revenue by 4.41% was mainly due to increase in transaction based revenue.

The profit after taxation for the current quarter totalling to RM4.97 million was 27.55% lower than the profit after taxation of RM6.86 million recorded in the preceding year's corresponding quarter. This was mainly due to higher operating expenses (provision of LTIP and timing differences in recognition of salaries adjustments), higher share of associate's losses and lower other operating income softened by lower taxation.

Core profits of the Group recorded RM4.32 million in the current quarter compared to RM5.99 million in preceding year's corresponding quarter. The decrease by 27.88% was attributed by the items stated above.

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

	Year-To-Date Ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000
Revenue	60,243	54,809
Profit for the period	12,535	10,516
Core profit *	11,491	9,589

* 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 RM60.24 million for the period ended 30 June 2021 in comparison to revenue of RM54.81 million in the preceding year's corresponding period. The higher revenue of 9.91% was due mainly to the increase of transaction based revenue offset by the decrease in one time implementation revenue.

The profit after taxation for the current period totalling to RM12.54 million was 19.20% higher than the profit after taxation of RM10.52 million recorded in the corresponding period. The improvement was contributed mainly by the combination of higher revenues, increase in gross margins and lower taxation offset by higher operating expenses (provision of LTIP and timing differences in recognition of salaries adjustments), higher share of associate's losses and lower operating income.

Core profits of the Group recorded RM11.49 million in the current period compared to RM9.59 million in corresponding period. The increase of 19.81% was contributed by the items stated above.

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

	Quarter Ended	
	30 Jun 2021 RM'000	31 Mar 2021 RM'000
Revenue	29,809	30,434
Profit after taxation	4,985	7,550
Core profit *	4,320	7,171

* 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 RM29.81 million compared to RM30.43 million in the immediate preceding quarter. The lower revenue of 2.04% was due to decrease in transaction based and subscription revenue.

The Group recorded a lower profit after taxation for the current quarter in comparison to the immediate preceding quarter by RM2.57 million. This was due mainly to the combination of lower profits margin, higher operating expenses (provision of LTIP and salaries adjustments), higher share of associate's losses and lower operating income which were softened by lower taxation.

The Group recorded a lower core profit for the current quarter in comparison to the immediate preceding quarter by RM2.85 million. This decrease was attributed by the items stated above.

B3 PROSPECTS

In June 2021, The World Bank has revised Malaysia's Gross Domestic Product ("GDP") growth to 4.5% from an earlier projection of 6.0% in March 2021, reflecting the slower pathway towards suppression of the COVID-19 pandemic and the slower-than-expected domestic COVID-19 vaccine rollout.

With the implementation of a nationwide Full MCO in June 2021 due to the high transmission rate of the COVID-19 virus and the recent change of the leadership of the Malaysian government which is uncertain at the moment, the recovery is nevertheless expected to be challenging depending on the local and global developments and its economic recovery.

COVID-19 developments shall remain a key influencing factor in the growth trajectory for the Malaysian and global economy including the trading momentum seen on Bursa Malaysia which will determine the extent to which the Group will be able to continue benefiting from the increased transaction based revenues in Malaysia. Barring any unforeseen circumstances, the Group expects its business to remain resilient despite the ongoing pandemic.

B4 VARIATION OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable as no profit forecast was published.

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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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The following items have been charged/(credited) in arriving at the profit from operations:

	Quarter Ended		Year-To-Date Ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000
(a) Interest income	(45)	(78)	(116)	(151)
(b) Dividend Income	(327)	(516)	(616)	(1,215)
(c) Interest expense	89	223	192	449
(d) Depreciation and amortisation	3,079	3,332	6,126	5,994
(e) Net foreign exchange loss	68	4	185	597
(f) Fair value change on financial assets at fair value through profit or loss	13	(44)	(10)	7

B6 TAXATION

	Quarter Ended		Year-To-Date Ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000
Current tax:				
- Current year provision	(161)	(1,247)	(523)	(2,310)
- Under provision in prior years	346	-	346	-
	185	(1,247)	(177)	(2,310)

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 2021 RM'000	As At 31 Dec 2020 RM'000
Quoted unit trusts in Malaysia*	59,048	58,426

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

	As At 30 Jun 2021 RM'000	As At 31 Dec 2020 RM'000
Secured		
Short-term borrowings		
<i>United States Dollar</i>		
Term loan	6,920	8,927
Long-term borrowings		
<i>United States Dollar</i>		
Term loan	-	2,232
	<u>6,920</u>	<u>11,159</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 31st March 2021, N2N Connect Berhad and a few of its subsidiaries (collectively referred to as "Plaintiffs") filed a civil suit at the Kuala Lumpur High Court ("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. The aforementioned civil suit is referred to as "Litigation". On 2nd April 2021, the Plaintiffs also obtained an Anton Piller Order ("Order") 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.

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 declared or recommended during the current period under review.

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B12 EARNINGS PER SHARE ("EPS")

	Quarter Ended		Year-To-Date Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
(a) Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	5,164	6,968	12,923	10,730
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,243
Basic EPS (sen)	0.93	1.25	2.32	1.92
(b) Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	5,164	6,968	12,923	10,730
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,243
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)	561,887	558,204	561,887	558,243
Diluted EPS (sen)	0.92	1.25	2.30	1.92

* No warrants 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 August 2021.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 26 August 2021