



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2021**

N2N CONNECT BERHAD 200001020530 (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION**FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2021**

Remark:

The results for the quarter and year to date ended 31 December 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	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
1 Revenue	28,521	26,017	115,755	112,379
2 Profit before taxation	7,266	2,585	21,050	25,644
3 Profit for the period	7,080	6,560	20,368	26,661
4 Profit attributable to owners of the Company	7,661	6,672	21,950	27,096
5 Basic earnings per share (sen)	1.37	1.20	3.93	4.85
6 Diluted earnings per share (sen)	1.37	1.20	3.93	4.85
7 Proposed/Declared dividend per share (sen)	1.00	1.50	4.00	3.50

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2021**

	Note	Quarter Ended			Year-To-Date Ended		
		31 Dec 2021	31 Dec 2020	Changes	31 Dec 2021	31 Dec 2020	Changes
		RM'000 (UNAUDITED)	RM'000 (AUDITED)	%	RM'000 (UNAUDITED)	RM'000 (AUDITED)	%
Revenue		28,521	26,017	10%	115,755	112,379	3%
Cost of sales		(11,754)	(11,440)	3%	(45,358)	(45,123)	1%
Gross profit		16,767	14,577	15%	70,397	67,256	5%
Other operating income		3,639	5,303	-31%	5,114	8,743	-42%
Administrative expenses		(10,362)	(16,779)	-38%	(48,215)	(48,558)	-1%
Finance costs		(56)	(108)	-48%	(322)	(697)	-54%
Share of results of an associate		(2,722)	(408)	567%	(5,924)	(1,100)	439%
Profit before taxation		7,266	2,585	181%	21,050	25,644	-18%
Taxation	B6	(186)	3,975	-105%	(682)	1,017	-167%
Profit for the period		7,080	6,560	8%	20,368	26,661	-24%
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
- Exchange differences arising from translation of foreign operations		(438)	(1,931)		2,673	(1,025)	
Items that may not be reclassified subsequently to profit or loss:							
- Remeasurement for long service payments, net of tax		402	420		402	420	
Total comprehensive income for the period		7,044	5,049		23,443	26,056	
Profit for the period attributable to:							
- Owners of the Company		7,661	6,672		21,950	27,096	
- Non-controlling interests		(581)	(112)		(1,582)	(435)	
		7,080	6,560		20,368	26,661	
Total comprehensive income for the period:							
- Owners of the Company		7,625	5,161		25,025	26,491	
- Non-controlling interests		(581)	(112)		(1,582)	(435)	
		7,044	5,049		23,443	26,056	
Earnings per share ("EPS") attributable to owners of the Company:							
- Basic EPS (sen)	B13	1.37	1.20		3.93	4.85	
- Diluted EPS (sen)	B13	1.37	1.20		3.93	4.85	

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2021**

	As at 31 Dec 2021 RM'000 (UNAUDITED)	As at 31 Dec 2020 RM'000 (AUDITED)
ASSETS		
Non-current assets		
Property, plant and equipment	31,995	29,735
Investment properties	9,494	9,729
Right-of-use assets	1,770	2,902
Intangible assets	79,593	77,628
Investment in associates	6,659	9,429
	<u>129,511</u>	<u>129,423</u>
Current assets		
Trade receivables	18,301	22,305
Other receivables	4,494	4,171
Amount owing by related companies	418	343
Tax recoverable	9,503	7,399
Marketable securities	64,624	58,426
Financial assets at fair value through profit or loss	168	127
Deposits with licensed bank	-	358
Cash and bank balances	63,879	74,861
	<u>161,387</u>	<u>167,990</u>
TOTAL ASSETS	<u>290,898</u>	<u>297,413</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	260,987	260,987
Treasury shares	(37,237)	(37,237)
Exchange reserve	(6,377)	(9,050)
LTIP reserve	1,530	-
Retained profits	48,648	48,624
Equity attributable to owners of the Company	<u>267,551</u>	<u>263,324</u>
Non-controlling interests	(2,193)	(639)
	<u>265,358</u>	<u>262,685</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2021**

		As at 31 Dec 2021 RM'000 (UNAUDITED)	As at 31 Dec 2020 RM'000 (AUDITED)
	Note		
Non-current liabilities			
Bank borrowings	B9	-	2,232
Lease liabilities		660	1,892
Provision for retirement benefits	A14	2,358	2,312
Deferred tax liabilities		654	673
		<u>3,672</u>	<u>7,109</u>
Current liabilities			
Trade payables		4,157	4,275
Other payables	A12	11,783	12,294
Amount owing to related companies		531	131
Bank borrowings	B9	2,314	8,927
Lease liabilities		1,291	1,249
Provision for taxation		1,792	743
		<u>21,868</u>	<u>27,619</u>
Total liabilities		<u>25,540</u>	<u>34,728</u>
TOTAL EQUITY AND LIABILITIES		<u>290,898</u>	<u>297,413</u>
Net assets per share attributable to owners of the Company (sen) *		<u>48</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 31 DECEMBER 2021**

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	LTIP Reserve RM'000	Retained Profits RM'000			
At 1 January 2021	260,987	(37,237)	(9,050)	-	48,624	263,324	(639)	262,685
Profit for the period	-	-	-	-	21,950	21,950	(1,582)	20,368
Other comprehensive income	-	-	2,673	-	402	3,075	-	3,075
Total comprehensive income for the period	-	-	2,673	-	22,352	25,025	(1,582)	23,443
Dividends paid (i)	-	-	-	-	(22,328)	(22,328)	-	(22,328)
Long term incentive plan ("LTIP")	-	-	-	1,530	-	1,530	-	1,530
Investment in a subsidiary (ii)	-	-	-	-	-	-	28	28
At 31 December 2021	260,987	(37,237)	(6,377)	1,530	48,648	267,551	(2,193)	265,358
At 1 January 2020	260,987	(37,198)	(8,025)	-	40,645	256,409	(508)	255,901
Profit for the period	-	-	-	-	27,097	27,097	(435)	26,662
Other comprehensive income	-	-	(1,025)	-	420	(605)	-	(605)
Total comprehensive income for the period	-	-	(1,025)	-	27,517	26,492	(435)	26,057
Dividends paid (iii)	-	-	-	-	(19,538)	(19,538)	-	(19,538)
Additional contribution by non-controlling interest	-	-	-	-	-	-	885	885
Investment in a subsidiary	-	-	-	-	-	-	(581)	(581)
Shares repurchased during the year held as treasury shares	-	(39)	-	-	-	(39)	-	(39)
At 31 December 2020	260,987	(37,237)	(9,050)	-	48,624	263,324	(639)	262,685

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 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 Company paid Second Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2021, on 28 December 2021.

(ii) During the financial year ended 31 December 2021, the Company has acquired 70% stake in X8Net Sdn Bhd ("X8").

(iii) 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, 14 May 2020.

The Company paid Second Interim Dividend of 1.5 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2020, on 28 December 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 31 DECEMBER 2021**

	Year-To-Date Ended	
	31 Dec 2021	31 Dec 2020
	RM'000	RM'000
	(UNAUDITED)	(AUDITED)
Cash flows from operating activities		
Profit before taxation	21,050	25,644
Adjustments for:		
Amortisation of intangible assets	6,844	6,094
Bad debts written off	161	9
Depreciation of property, plant and equipment	4,428	4,405
Depreciation of investment properties	234	234
Depreciation of right-of-use assets	1,014	1,549
Effect of changes in ownership interest of an associate	(3,251)	(2,387)
Fair value change on financial assets at fair value through profit or loss	(41)	(11)
Gain on lease reassessment	-	(349)
Long term incentive plan expenses	1,526	-
Loss on disposal of property, plant and equipment	3	1
Impairment loss on goodwill	-	557
Provision for doubtful debts	(338)	6,075
Provision for long service payments	228	392
Reversal of impairment loss on trade receivables and contract assets	-	(21)
Share of results of an associate	5,924	1,100
Unrealised foreign exchange (gain)/loss	35	307
Finance cost	322	697
Finance income	(209)	(269)
Dividend income	(1,187)	(1,934)
Operating profit before working capital changes	<u>36,743</u>	<u>42,093</u>
Changes in working capital		
Trade receivables	4,238	(1,917)
Other receivables	(321)	2,498
Trade payables	(98)	(391)
Other payables	(281)	2,046
Amount owing by/to related companies	328	(540)
Amount owing by/to an associate	-	(601)
Cash generated from operations	<u>40,609</u>	<u>43,188</u>
Dividend received	1,187	1,934
Interest paid	(322)	(697)
Interest received	209	269
Retirement benefit paid	-	(116)
Net tax paid	(1,694)	(8,458)
Net cash generated from operating activities	<u>39,989</u>	<u>36,120</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR TO DATE ENDED 31 DECEMBER 2021**

	Year-To-Date Ended	
	31 Dec 2021	31 Dec 2020
	RM'000	RM'000
	(UNAUDITED)	(AUDITED)
Cash flows from investing activities		
Computer software development cost	(7,029)	(8,104)
Purchase of property, plant and equipment	(6,418)	(2,173)
Net cash inflow from investment in subsidiaries	33	470
Net changes in marketable securities	(6,198)	24,092
Net cash (used in)/generated from investing activities	(19,612)	14,285
Cash flows from financing activities		
Additional interest contibuted by non-controlling interest	-	885
Dividend paid	(22,328)	(19,537)
Decrease/(Increase) in fixed deposit pledged	358	(7)
Repayment of bank borrowings	(9,169)	(9,358)
Repayment of lease liabilities	(1,342)	(1,354)
Repurchase of treasury shares	-	(39)
Net cash used in financing activities	(32,481)	(29,410)
Net (decrease)/increase in cash and cash equivalents	(12,104)	20,995
Effect of exchange rate changes	1,122	(887)
Cash and cash equivalents at beginning of the period	74,861	54,753
Cash and cash equivalents at end of the period	63,879	74,861
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	63,879	74,861
Deposit with a licensed bank	-	358
	63,879	75,219
Less: Fixed deposit pledged to a licensed bank	-	(358)
	63,879	74,861

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.

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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2021**

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 Second Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2021, on 28 December 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 31 December 2021					
<u>Revenue</u>					
Sales to external customers	54,752	49,625	11,378	-	115,755
Inter-segment sales	-	-	742	(742)	-
Total	54,752	49,625	12,120	(742)	115,755
<u>Results</u>					
EBITDA *	24,017	6,963	8,440	(2,677)	36,743
Amortisation of intangible assets	(6,586)	(79)	(179)	-	(6,844)
Bad debt written off	(20)	(141)	-	-	(161)
Depreciation of property, plant and equipment	(2,451)	(1,488)	(489)	-	(4,428)
Depreciation of investment properties	(234)	-	-	-	(234)
Depreciation of right-of-use assets	-	(969)	(45)	-	(1,014)
Dividend income	1,187	-	-	-	1,187
Effect of changes in equity interest of an associate	3,251	-	-	-	3,251
Finance income	155	-	54	-	209
Finance costs	(254)	(68)	-	-	(322)
Long term incentive plan	(1,018)	(443)	(65)	-	(1,526)
Provision for doubtful debts	(10)	348	-	-	338
Share of results of associate	-	-	(5,924)	-	(5,924)
Unrealised foreign exchange gain/(loss)	148	-	(183)	-	(35)
Other non-cash items	41	(341)	110	-	(190)
Taxation	(737)	(195)	250	-	(682)
Segment profit for the period	17,489	3,587	1,969	(2,677)	20,368

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

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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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					
31 December 2020					
Revenue					
Sales to external customers	50,221	53,574	8,584	-	112,379
Inter-segment sales	-	-	744	(744)	-
Total	<u>50,221</u>	<u>53,574</u>	<u>9,328</u>	<u>(744)</u>	<u>112,379</u>
Results					
EBITDA *	27,434	10,972	3,038	649	42,093
Amortisation of intangible assets	(5,985)	(109)	-	-	(6,094)
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	-	(1,078)	(471)	-	(1,549)
Dividend income	1,934	-	-	-	1,934
Effect of changes in equity interest of an associate	-	-	2,387	-	2,387
Gain on lease reassessment	-	-	349	-	349
Finance income	243	-	26	-	269
Finance costs	(602)	(83)	(12)	-	(697)
Impairment loss on goodwill	-	-	(557)	-	(557)
Provision for doubtful debts	(397)	(3,321)	(2,357)	-	(6,075)
Reversal of impairment loss	-	21	-	-	21
Share of results of associate	-	-	(1,100)	-	(1,100)
Unrealised foreign exchange gain/(loss)	(177)	-	(130)	-	(307)
Other non-cash items	10	(401)	-	-	(391)
Taxation	2,064	(708)	(339)	-	1,017
Segment profit for the period	<u>21,894</u>	<u>3,466</u>	<u>652</u>	<u>649</u>	<u>26,661</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 31 Dec 2021 RM'000	As At 31 Dec 2020 RM'000
Prepayments	2,714	2,255
Deposits paid	1,717	1,722
Other receivables	63	194
	<u>4,494</u>	<u>4,171</u>

A12 OTHER PAYABLES

	As At 31 Dec 2021 RM'000	As At 31 Dec 2020 RM'000
Accruals	3,271	3,896
Deposit received	3,235	3,378
Other payables	5,277	5,020
	<u>11,783</u>	<u>12,294</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 31 Dec 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	<u>168</u>	<u>127</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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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2021**

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

On 30 November 2021, the wholly-owned subsidiary NGS Global Solutions Sdn Bhd ("NGS") has acquired 70% stake in X8Net Sdn Bhd ("X8") and consolidated X8 into the Group's results in accordance with MFRS 10. There will be no material effect on Group's earnings, net assets or gearing for the financial year ended 31 December 2021.

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 23 February 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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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 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	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Revenue	28,521	26,017
Profit after taxation	7,080	6,560
Core profit *	3,700	(31)

* 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).

Revenue of the Group for the quarter ended 31 December 2021 was 9.61% higher than the preceding year's corresponding quarter. The Group recorded a revenue of RM28.52 million for the quarter ended 31 December 2021 against RM26.02 million in the preceding year's corresponding quarter. Although softer trading momentum had resulted in lower transaction based revenues for the quarter in review, higher one time implementation revenue helped to improve the Group's revenue relative to the preceding year's corresponding quarter.

The Group recorded a profit after tax of RM7.08 million for the quarter ended 31 December 2021 which was RM0.52 million higher than the profit after tax of RM6.56 million recorded in the preceding year's corresponding quarter. The increase was due to absence of provision of doubtful debts offset by higher taxation.

Core profits of the Group was RM3.70 million for the quarter ended 31 December 2021 compared to loss of RM0.37 million in preceding year's corresponding quarter when the Group absorbed a provision for doubtful debts.

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

	Year-To-Date Ended	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Revenue	115,755	112,379
Profit for the period	20,368	26,661
Core profit	19,021	17,969

The Group recorded a revenue of RM115.76 million for the 12 months ended 31 December 2021 in comparison to a revenue of RM112.38 million in the preceding year. The higher revenue of 3% was mainly due mainly to the higher one time implementation revenue.

For the 12 months ended 31 December 2021, the Group recorded a profit after tax of RM20.37 million which was 23.60% lower than the preceding year's profit after tax of RM26.66 million. The lower profit after tax was mainly attributed to the combination of higher expenses stemming from cost provisions for employee share options and incurrence of legal expenses, higher share of associate's losses, higher taxation and lower other operating income.

The core profits of the Group however registered an improvement of 5.84% from RM17.97 million in the preceding year to RM19.02 million in the current financial. The improvement in core profits were mainly attributed to the net effects of lower expenses.

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

	Quarter Ended	
	31 Dec 2021 RM'000	30 Sept 2021 RM'000
Revenue	28,521	26,991
Profit after taxation	7,080	753
Core profit	3,700	2,955

The Group recorded a higher revenue of RM28.52 million for the quarter ended 31 December 2021 compared to RM26.99 million in the immediate preceding quarter. Although the Company recorded a lower transaction based revenue during the reporting quarter owing to softer trading activities in Bursa Malaysia, higher one time implementation revenues helped to improve revenues by 5.67% compared to the immediate preceding quarter.

During the quarter ended 31 December 2021, the combination of higher gross profit margins, a gain arising from the effects of changes in ownership interest of an associate and lower expenses resulted in the Group recording a higher profit after taxation of RM7.08 million for the current quarter compared to the previous quarter's profit after tax of RM0.75 million.

Correspondingly, core profits of the Group increased from RM3.0 million in the immediate preceding quarter to RM3.7 million for the current quarter.

B3 PROSPECTS

The World Bank in its January 2022 Global Economic Prospects report projected the global economy to grow by 4.1% in 2022, reflecting continued COVID-19 flare-ups, diminished fiscal support and lingering supply bottlenecks. The World Bank had also, in December 2021, projected Malaysia's economic recovery to likely rebound to 5.8 per cent growth in 2022, driven by healthy domestic demand and continued growth in exports. Bank Negara Malaysia projected that Malaysia's economic growth to improve by 5.5% to 6.5% in 2022, given the resumption of economic activities, higher private sector expenditure, continued policy support and expansion in global demand.

Nonetheless, the ongoing developments surrounding COVID-19, the direction of the interest rate policy and the developments in the global economy and markets will continue to have an influence on the stock market in the year ahead.

In Hong Kong, the economy is expected to expand further in 2022, but the growth pace is subject to various uncertainties, particularly those relating to the local epidemic development. The latest wave of epidemic and the tightened anti-epidemic measures have posed renewed pressures on economic activities and market sentiments.

The global economic recovery, which should render further support to Hong Kong's exports, is envisaged to slow in 2022. High inflation in some major economies may persist longer as a result of supply bottlenecks amid the evolving pandemic, possibly leading to a faster pace of monetary policy tightening by major central banks. Developments of China-US relations and geopolitical tensions would also add to the uncertainties.

In 2022, the developments in the global and domestic markets will continue to influence the performance of capital markets. The Company anticipates a more challenging and competitive environment in 2022, and its performance is expected to moderate compared to 2021.

B4 VARIATION OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable as no profit forecast was published.

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B5 ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

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

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
(a) Interest income	(51)	(57)	(209)	(269)
(b) Dividend Income	(297)	(347)	(1,187)	(1,934)
(c) Interest expense	56	108	322	697
(d) Depreciation and amortisation	3,234	3,300	12,520	12,282
(e) Net foreign exchange loss/(gain)	178	(405)	385	81
(f) Fair value change on financial assets at fair value through profit or loss	(13)	(22)	(41)	(11)

B6 TAXATION

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Current tax:				
- Current year provision	(304)	2,309	(1,149)	(672)
- Under provision in prior years	-	(2)	349	21
	(304)	2,307	(800)	(651)
Deferred tax:				
- Current year provision	118	256	118	256
- Under provision in prior years	-	1,412	-	1,412
	118	1,668	118	1,668
	(186)	3,975	(682)	1,017

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 INVESTMENT IN ASSOCIATES

Our Money Market (OMM), a company incorporated in Australia which N2N Connect Berhad has a 27.33% ownership interest, had on 13th July 2021 raised AUD4.1mil in the third round of fund raising which was completed at a premium. Whilst this had reduced N2N Connect Berhad's ownership interest to 26.21%, it has resulted in a gain due to the effect of changes in ownership interest of an associate amounting to RM3.25mil which has been recognized in the profit or loss of the Group.

B8 MARKETABLE SECURITIES

	As At 31 Dec 2021 RM'000	As At 31 Dec 2020 RM'000
Quoted unit trusts in Malaysia*	64,624	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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B9 GROUP'S BORROWINGS AND DEBT SECURITIES

	As At 31 Dec 2021 RM'000	As At 31 Dec 2020 RM'000
Secured		
Short-term borrowings		
<i>United States Dollar</i>		
Term loan	2,314	8,927
Long-term borrowings		
<i>United States Dollar</i>		
Term loan	-	2,232
	<u>2,314</u>	<u>11,159</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.

B11 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.

Subsequently on 24th September 2021, the High Court dismissed the Defendants' applications dated 20th April 2021 to set aside the Order.

Following the High Court's dismissal of the Defendants' applications to set aside the Order, the Defendants have decided to file an appeal to the Court of Civil Appeal.

A Case Management was held on 9th February 2022 during which no Hearing date had been fixed. The next case management is set for 29th March 2022.

B12 PROPOSED DIVIDENDS

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

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B13 EARNINGS PER SHARE ("EPS")

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
(a) Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	7,661	6,672	21,950	27,096
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,223
Basic EPS (sen)	1.37	1.20	3.93	4.85
(b) Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	7,661	6,672	21,950	27,096
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,223
Assumed exercise of Warrants at no consideration ('000)	-*	-*	-*	-*
Assumed exercise of LTIP at no consideration ('000)	579	-	579	-
Adjusted weighted average number of ordinary shares in issue and issueable ('000)	558,783	558,204	558,783	558,223
Diluted EPS (sen)	1.37	1.20	3.93	4.85

* 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.

B14 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.

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 23 February 2022.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 23 February 2022