



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

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

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

Remark:

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

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
1 Revenue	24,585	28,521	103,010	115,755
2 Profit before taxation	8,542	7,266	21,666	21,050
3 Profit for the period	8,301	7,080	18,732	20,368
4 Profit attributable to owners of the Company	6,536	7,661	17,628	21,950
5 Basic earnings per share (sen)	1.17	1.37	3.16	3.93
6 Diluted earnings per share (sen)	1.17	1.37	3.16	3.93
7 Proposed/Declared dividend per share (sen)	1.00	1.00	2.00	4.00

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 2022**

	Note	Quarter Ended			Year-To-Date Ended		
		31 Dec 2022 RM'000 (UNAUDITED)	31 Dec 2021 RM'000 (AUDITED)	Changes %	31 Dec 2022 RM'000 (UNAUDITED)	31 Dec 2021 RM'000 (AUDITED)	Changes %
Revenue		24,585	28,521	-14%	103,010	115,755	-11%
Cost of sales		(11,784)	(11,755)	0%	(46,718)	(45,359)	3%
Gross profit		12,801	16,766	-24%	56,292	70,396	-20%
Other operating income		589	1,061	-44%	4,563	2,536	80%
Administrative expenses		(11,600)	(11,034)	5%	(44,064)	(48,887)	-10%
Finance costs		(6)	(56)	-89%	(65)	(322)	-80%
Share of results of an associate		6,758	529	1178%	4,940	(2,673)	285%
Profit before taxation		8,542	7,266	18%	21,666	21,050	3%
Taxation	B6	(241)	(186)	30%	(2,934)	(682)	330%
Profit for the period		8,301	7,080	17%	18,732	20,368	-8%
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
- Exchange differences arising from translation of foreign operations		(4,380)	(439)		3,489	2,672	
Items that may not be reclassified subsequently to profit or loss:							
- Remeasurement for long service payments, net of tax		962	403		962	403	
Total comprehensive income for the period		4,883	7,044		23,183	23,443	
Profit for the period attributable to:							
- Owners of the Company		6,536	7,661		17,628	21,950	
- Non-controlling interests		1,765	(581)		1,104	(1,582)	
		8,301	7,080		18,732	20,368	
Total comprehensive income for the period:							
- Owners of the Company		3,118	7,625		22,079	25,025	
- Non-controlling interests		1,765	(581)		1,104	(1,582)	
		4,883	7,044		23,183	23,443	
Earnings per share ("EPS") attributable to owners of the Company:							
- Basic EPS (sen)	B13	1.17	1.37		3.16	3.93	
- Diluted EPS (sen)	B13	1.17	1.37		3.16	3.93	

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

N2N CONNECT BERHAD 200001020530 (523137-K)

(Incorporated in Malaysia)

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

	Note	As at 31 Dec 2022 RM'000 (UNAUDITED)	As at 31 Dec 2021 RM'000 (AUDITED)
ASSETS			
Non-current assets			
Property, plant and equipment		31,400	31,994
Investment properties		9,260	9,494
Right-of-use assets		626	1,770
Intangible assets		80,846	79,593
Investment in an associate		10,826	6,659
		<u>132,958</u>	<u>129,510</u>
Current assets			
Trade receivables		11,108	18,301
Other receivables	A11	5,568	4,569
Amount owing by related companies		353	215
Tax recoverable		7,988	8,202
Marketable securities	B8	59,371	64,624
Financial assets at fair value through profit or loss	A13	145	168
Cash and bank balances		90,248	63,879
		<u>174,781</u>	<u>159,958</u>
TOTAL ASSETS		<u>307,739</u>	<u>289,468</u>
EQUITY AND LIABILITIES			
Total equity			
Share capital		243,669	260,987
Treasury shares		-	(37,237)
Exchange reserve		(2,888)	(6,377)
LTIP reserve		2,034	1,530
Retained profits		41,917	48,648
Equity attributable to owners of the Company		<u>284,732</u>	<u>267,551</u>
Non-controlling interests		(1,039)	(2,192)
		<u>283,693</u>	<u>265,359</u>

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

		As at 31 Dec 2022 RM'000 (UNAUDITED)	As at 31 Dec 2021 RM'000 (AUDITED)
Non-current liabilities			
Lease liabilities		-	660
Provision for retirement benefits	A14	1,556	2,245
Deferred tax liabilities		1,603	653
		<u>3,159</u>	<u>3,558</u>
Current liabilities			
Trade payables		3,305	3,927
Other payables	A12	15,793	12,200
Amount owing to related companies		60	328
Bank borrowings	B9	-	2,314
Lease liabilities		695	1,291
Provision for taxation		1,034	491
		<u>20,887</u>	<u>20,551</u>
Total liabilities		<u>24,046</u>	<u>24,109</u>
TOTAL EQUITY AND LIABILITIES		<u>307,739</u>	<u>289,468</u>
Net assets per share attributable to owners of the Company (sen) *		<u>51</u>	<u>48</u>

Note:

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

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

N2N CONNECT BERHAD 200001020530 (523137-K)

(Incorporated in Malaysia)

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

Note	Attributable to owners of the Company						Non-Controlling Interests RM'000	Total Equity RM'000
	Non-distributable			Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Exchange Reserve RM'000	LTIP Reserve RM'000	Retained Profits RM'000	Total RM'000		
At 1 January 2022	260,987	(37,237)	(6,377)	1,530	48,648	267,551	(2,192)	265,359
Profit for the year	-	-	-	-	17,628	17,628	1,104	18,732
Other comprehensive income	-	-	3,489	-	962	4,451	-	4,451
Total comprehensive income for the period	-	-	3,489	-	18,590	22,079	1,104	23,183
Dividend paid (i)	-	-	-	-	(5,582)	(5,582)	-	(5,582)
Long term incentive plan granted	-	-	-	684	-	684	-	684
Long term incentive plan lapsed	-	-	-	(180)	180	-	-	-
Derecognition of a subsidiary	-	-	-	-	-	-	49	49
Cancellation of treasury shares	(17,318)	37,237	-	-	(19,919)	-	-	-
At 31 December 2022	243,669	-	(2,888)	2,034	41,917	284,732	(1,039)	283,693
At 1 January 2021	260,987	(37,237)	(9,050)	-	48,624	263,324	(639)	262,685
Profit for the year	-	-	-	-	21,949	21,949	(1,581)	20,368
Other comprehensive income	-	-	2,673	-	403	3,076	-	3,076
Total comprehensive income for the period	-	-	2,673	-	22,352	25,025	(1,581)	23,444
Dividend paid (ii)	-	-	-	-	(22,328)	(22,328)	-	(22,328)
Investment in a subsidiary	-	-	-	-	-	-	28	28
Long term incentive plan granted	-	-	-	1,530	-	1,530	-	1,530
At 31 December 2021	260,987	(37,237)	(6,377)	1,530	48,648	267,551	(2,192)	265,359

Notes:

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

(ii) The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year 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 above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

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

	Year-To-Date Ended	
	31 Dec 2022 RM'000 (UNAUDITED)	31 Dec 2021 RM'000 (AUDITED)
Cash flows from operating activities		
Profit before taxation	21,666	21,050
Adjustments for:		
Amortisation of intangible assets	7,213	6,844
Bad debts written off	(102)	161
Depreciation of property, plant and equipment	3,983	4,230
Depreciation of investment properties	234	234
Depreciation of right-of-use assets	1,201	1,208
Fair value changes on financial assets at fair value through profit or loss	23	(41)
Derecognition of a subsidiary	49	-
Long term incentive plan expenses	684	1,530
Loss on disposal of property, plant and equipment	-	3
Provision for doubtful debts	1,757	10
Provision for long service payments	(789)	341
Reversal of impairment loss on trade receivables and contract assets	-	(207)
Share of results of an associate	(4,940)	2,673
Unrealised foreign exchange gain	(1,319)	35
Finance cost	65	322
Finance income	(368)	(209)
Dividend income	(1,237)	(1,187)
Operating profit before working capital changes	28,120	36,997
Changes in working capital		
Trade receivables	5,540	4,108
Other receivables	(999)	(396)
Trade payables	254	(328)
Other payables	3,706	(96)
Amount owing by/to related companies	(406)	325
Cash generated from operations	36,215	40,610
Dividend received	1,237	1,187
Interest paid	(65)	(322)
Interest received	368	209
Net tax paid	(1,626)	(1,877)
Net cash generated from operating activities	36,129	39,807

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

	Year-To-Date Ended	
	31 Dec 2022 RM'000 (UNAUDITED)	31 Dec 2021 RM'000 (AUDITED)
Cash flows from investing activities		
Computer software development cost	(5,557)	(7,028)
Purchase of property, plant and equipment	(3,422)	(6,418)
Proceeds from disposal of property, plant and equipment	-	1
Net cash inflow from investment in a subsidiary	-	(70)
Net changes in marketable securities	5,253	(6,197)
Net cash used in investing activities	(3,726)	(19,712)
Cash flows from financing activities		
Dividend paid	(5,582)	(22,328)
Increase in fixed deposit pledged	-	358
Repayment of bank borrowings	(2,314)	(9,168)
Repayment of lease liabilities	(1,361)	(1,342)
Net cash used in financing activities	(9,257)	(32,480)
Net increase/(decrease) in cash and cash equivalents	23,146	(12,385)
Effect of exchange rate changes	3,223	1,404
Cash and cash equivalents at beginning of the year	63,879	74,861
Cash and cash equivalents at end of the year	90,248	63,880
Cash and cash equivalents at end of the year comprises:		
Cash and bank balances	90,248	63,880

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

N2N CONNECT BERHAD 200001020530 (523137-K)
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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2022

A NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A1 BASIS OF PREPARATION

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

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

A2 SIGNIFICANT ACCOUNTING POLICIES

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

Standards issued but not yet effective

Effective for annual periods beginning on or after 1 January 2023

MFRS 17, "Insurance Contracts"

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

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

Amendments to MFRS 108, Definition of Accounting Estimates

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

Effective date of these amendments to Standards has been deferred

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

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

A3 AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

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

A4 SEASONAL OR CYCLICAL FACTORS

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

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

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

A6 MATERIAL CHANGES IN ESTIMATES

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

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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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A7 DEBT AND EQUITY SECURITIES

On 23 November 2022, the Board of Directors has approved the cancellation of 39,673,900 units of treasury shares retained in the Company's Share Buy-Back Account.

A8 DIVIDEND PAID

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

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 2022					
Revenue					
Sales to external customers	44,151	49,931	8,928	-	103,010
Inter-segment sales	-	-	22	(22)	-
Total	<u>44,151</u>	<u>49,931</u>	<u>8,950</u>	<u>(22)</u>	<u>103,010</u>
Results					
EBITDA *	20,689	9,389	(4,395)	2,445	28,128
Amortisation of intangible assets	(6,992)	-	(221)	-	(7,213)
Bad debt written off	(4,531)	217	4,415	-	101
Depreciation of property, plant and equipment	(2,625)	(955)	(403)	-	(3,983)
Depreciation of investment properties	(234)	-	-	-	(234)
Depreciation of right-of-use assets	-	(1,201)	-	-	(1,201)
Dividend income	1,237	-	-	-	1,237
Finance income	286	27	55	-	368
Finance costs	(29)	(36)	-	-	(65)
Long term incentive plan	(563)	(190)	69	-	(684)
Provision for doubtful debts	(1,282)	(475)	-	-	(1,757)
Share of results of associate	-	-	4,940	-	4,940
Unrealised foreign exchange gain	973	-	346	-	1,319
Other non-cash items	(23)	789	(57)	-	709
Taxation	(1,559)	(802)	(572)	-	(2,933)
Segment profit for the year	<u>5,347</u>	<u>6,763</u>	<u>4,177</u>	<u>2,445</u>	<u>18,732</u>

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

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A9 SEGMENT INFORMATION (CON'T)

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial year ended					
31 December 2021					
Revenue					
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
Results					
EBITDA *	27,452	7,104	2,442	-	36,998
Amortisation of intangible assets	(6,585)	(79)	(180)	-	(6,844)
Bad debt written off	(3)	(141)	(17)	-	(161)
Depreciation of property, plant and equipment	(2,446)	(1,295)	(489)	-	(4,230)
Depreciation of investment properties	(234)	-	-	-	(234)
Depreciation of right-of-use assets	-	(1,163)	(45)	-	(1,208)
Dividend income	1,187	-	-	-	1,187
Finance income	155	-	54	-	209
Finance costs	(254)	(68)	-	-	(322)
Impairment loss on goodwill	-	-	-	-	-
Long term incentive plan	(1,022)	(443)	(65)	-	(1,530)
Provision/(Reversal) for doubtful debts	(10)	207	-	-	197
Share of results of associate	-	-	(2,673)	-	(2,673)
Unrealised foreign exchange (loss)/gain	(130)	-	95	-	(35)
Other non-cash items	40	(341)	(3)	-	(304)
Taxation	(736)	(196)	250	-	(682)
Segment profit for the year	17,414	3,585	(631)	-	20,368

* 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.

A11 OTHER RECEIVABLES

	As At 31 Dec 2022 RM'000	As At 31 Dec 2021 RM'000
Prepayments	3,602	2,752
Deposits paid	1,945	1,717
Other receivables	21	100
	5,568	4,569

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A12 OTHER PAYABLES

	As At	As At
	31 Dec 2022	31 Dec 2021
	RM'000	RM'000
Accruals	5,195	3,271
Deposit received	3,536	3,290
Other payables	7,062	5,639
	<u>15,793</u>	<u>12,200</u>

A13 FAIR VALUE HIERARCHY

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

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

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

	As At	As At
	31 Dec 2022	31 Dec 2021
	Level 1	Level 1
	Fair Value	Fair Value
	RM'000	RM'000
Financial assets at fair value through profit or loss	<u>145</u>	<u>168</u>

A14 PROVISION FOR RETIREMENT BENEFITS

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

A15 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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

During the current quarter under review, a investment in subsidiary, N2N Global Solutions Limited has dissolved.

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 27 February 2023 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

A19 CAPITAL COMMITMENTS

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

A20 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

B1 REVIEW OF PERFORMANCE

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

	Quarter Ended	
	31 Dec 2022	31 Dec 2021
	RM'000	RM'000
Revenue	24,585	28,521
Profit after taxation	8,301	7,080
Core profit *	<u>7,365</u>	<u>5,929</u>

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

The Group recorded a revenue of RM24.59 million for the quarter ending 31 December 2022 in comparison to revenue of RM28.52 million in the preceding year's corresponding quarter. The lower revenue of 13.80% was mainly due to the lower transaction based revenue owing to normalised trading momentum in Bursa Malaysia for the quarter under review compared to the corresponding quarter.

The profit after tax for the current quarter totalling RM8.30 million was 17.25% higher than the profit after tax of RM7.08 million recorded in the preceding year's corresponding quarter. During the quarter under review, the Group recorded a gain arising from the effects of changes in ownership interest of an associate amounting to RM6.73million which had been recognised in the profit or loss in 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. This led to the Group recording a higher positive share of results of the associate which helped offset the effects of lower transaction based revenue.

For the quarter under review, core profit of the Group amounting to RM7.37 million was 24.21% higher than the corresponding quarter's core profit of RM5.93 million mainly due to the higher positive share of results of an associate that helped softened the effects of lower transaction based revenue.

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

	Year-To-Date Ended	
	31 Dec 2022	31 Dec 2021
	RM'000	RM'000
Revenue	103,010	115,755
Profit for the period	18,732	20,368
Core profit *	<u>15,297</u>	<u>21,251</u>

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

For the 12 months ending 31 December 2022, the Group recorded a revenue of RM103.01 million in comparison to revenue of RM115.76 million in the preceding year. The lower revenue of 11.01% was mainly due to the relatively lower transaction based revenue in the current year owing to normalised trading momentum in Bursa Malaysia.

For the 12 months ending 31 December 2022, the Group recorded a profit after tax amounting to RM18.73 million which was 8.03% lower compared to the profit after taxation of RM20.37 million recorded in the preceding year.

The lower profit after tax was mainly due to the combination of lower transaction based revenues and higher taxation for the current year. The impact was however softened by lower operating expenses, higher other income and higher positive share of results of an associate arising from the gain due to effects of changes in ownership interest of the associate amounting to RM6.73million which had been recognised in the profit or loss in 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.

Correspondingly, the Group recorded a lower core profit of RM15.30 million for the 12 months ending 31 December 2022 compared to a core profit of RM21.25 million in the preceding year. The core profit was 28.01% lower, mainly due to the relatively lower transaction based revenue in the current year owing to normalised trading momentum in Bursa Malaysia.

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

	Quarter Ended	
	31 Dec 2022	30 Sep 2022
	RM'000	RM'000
Revenue	24,585	25,505
Profit after taxation	8,301	2,950
Core profit *	<u>7,365</u>	<u>1,775</u>

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

The Group recorded a revenue of RM24.59 million for the quarter under review which was 3.61% lower compared to the revenue of RM25.51 million recorded in previous quarter. The lower revenue was mainly due to lower transactions based fee for the current quarter as the trading momentum in Bursa Malaysia continued to moderate further compared to previous quarter.

For the current quarter, the Group's profit after tax amounting to RM8.30 million was 181.4% higher than the profit after tax of RM2.95 million recorded in the previous quarter. This was mainly due to the higher positive share of results of an associate arising from the gain due to effects of changes in ownership interest of the associate amounting to RM6.73 million which had been recognised in the profit or loss in 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.

Correspondingly, the Group recorded a higher core profit of RM7.37 million in the current quarter compared to RM1.78 million in the previous quarter.

B3 PROSPECTS

In the World Bank's January 2023 Global Economic Prospects report, it reported that its latest forecasts indicate a sharp, long-lasting slowdown, with global growth declining to 1.7 percent in 2023 from 3.0 percent expected just six months ago. In the same report, the World Bank projected Malaysia's economy to grow by 4.0% as the growth of exports to major markets slows.

On 11 November 2022, Bank Negara Malaysia ("BNM") had projected Malaysia's economic growth to expand by 4.0% to 5.0% in 2023.

Taking into consideration both global and domestic factors such as movements of the US interest rates, the BNM's overnight policy rate and the finalisation of the Malaysian Budget 2023, the Group expects the market for 2023 to remain challenging.

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 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
(a) Interest income	(152)	(51)	(368)	(209)
(b) Dividend Income	(418)	(297)	(1,237)	(1,187)
(c) Interest expense	6	56	65	322
(d) Depreciation and amortisation	2,917	3,230	12,631	12,516
(e) Net foreign exchange (gain)/loss	318	(495)	(1,371)	(288)
(f) Fair value changes on financial assets at fair value through profit or loss	(1)	(13)	23	(41)

B6 TAXATION

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Current tax:				
- Current year provision	(11)	(304)	(2,663)	(1,149)
- Over provision in prior years	493	-	452	349
	482	(304)	(2,211)	(800)
Deferred tax:				
- Current year provision	(723)	118	(723)	118
	(723)	118	(723)	118
	(241)	(186)	(2,934)	(682)

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 one of the subsidiary company has been granted second five year 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 AN ASSOCIATE

OurMoneyMarket Holdings Pty Ltd (OMM), a company incorporated in Australia which N2N Connect Berhad has a 26.21% ownership interest, had on 1 April 2022 raised AUD5.38mil in a Series D round bringing the post money valuation of OMM to AUD\$135.50mil (equivalent to RM404.26mil).

Whilst this had reduced N2N Connect Berhad's ownership interest to 25.15%, it has resulted in a gain due to the effect of changes in ownership interest of an associate amounting to RM6.73mil 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	As At
	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Quoted unit trusts in Malaysia*	59,371	64,624

Note * : These relate to quoted Islamic unit trusts, which are exempted from corporate tax on the capital gain and tax on the income distribution. The unit trust have the flexibility of withdrawal.

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B9 GROUP'S BORROWINGS AND DEBT SECURITIES

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

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

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

On 22 October 2021, the Defendants filed their appeals in the Court of Appeal against the High Court's dismissal of their applications to set aside the APO. The hearing date for the Defendants' appeals is yet to be fixed, due in part to the Grounds of Judgment, which are not yet available.

During the case management in the Court of Appeal, the Court of Appeal set the hearing date for the Appeals on 18th April 2023. The Appellants have been directed to obtain the Grounds of Judgment and file all the necessary Court documents as soon as possible.

In the meantime, the High Court has fixed new dates for trial for the main suit for 19th to 23rd June 2023 and 12th to 14th July 2023. The Board believes that the Litigation is not expected to have any financial and operational impact on the Group.

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

B12 PROPOSED DIVIDENDS

The Company has declared a Second Interim Dividend of 1 sen per share (Single Tier Dividend) for the financial year ended 31 December 2022 which will be payable on 30 March 2023.

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B13 EARNINGS PER SHARE ("EPS")

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
(a) Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	6,536	7,661	17,628	21,950
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,204
Basic EPS (sen)	1.17	1.37	3.16	3.93
(b) Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	6,536	7,661	17,628	21,950
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,204
Assumed exercise of Warrants at no consideration ('000)	-	-	-	-
Assumed exercise of LTIP at no consideration ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	558,204	558,204	558,204	558,204
Diluted EPS (sen)	1.17	1.37	3.16	3.93

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

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 21 February 2023.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 27 February 2023