



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 30 SEPTEMBER 2023**

N2N CONNECT BERHAD 200001020530 (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION**FOR THE QUARTER AND YEAR TO DATE ENDED 30 SEPTEMBER 2023**

Remark:

The results for the quarter ended 30 September 2023 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 2022 and the accompanying explanatory notes attached to the interim financial statements.

	Quarter Ended		Year-To-Date Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
1 Revenue	27,117	25,505	77,533	78,425
2 Profit before taxation	5,722	4,052	13,381	13,124
3 Profit for the period	5,587	2,950	11,904	10,431
4 Profit attributable to owners of the Company	5,610	3,128	12,136	11,092
5 Basic earnings per share (sen)	1.01	0.56	2.17	1.99
6 Diluted earnings per share (sen)	1.01	0.56	2.17	1.99
7 Proposed/Declared dividend per share (sen)	1.00	-	2.00	1.00

N2N CONNECT BERHAD 200001020530 (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR TO DATE ENDED 30 SEPTEMBER 2023**

	Quarter Ended			Year-To-Date Ended			
	30 Sep 2023	30 Sep 2022	Changes	30 Sep 2023	30 Sep 2022	Changes	
	Note	RM'000 (UNAUDITED)	RM'000 (UNAUDITED)	%	RM'000 (UNAUDITED)	RM'000 (UNAUDITED)	%
Revenue		27,117	25,505	6%	77,533	78,425	-1%
Cost of sales		(11,728)	(11,698)	0%	(34,816)	(34,934)	0%
Gross profit		15,389	13,807	11%	42,717	43,491	-2%
Other operating income		1,221	1,794	-32%	4,857	3,974	22%
Administrative expenses		(11,043)	(11,369)	-3%	(33,808)	(32,464)	4%
Finance costs		(26)	(8)	225%	(42)	(59)	-29%
Share of results of an associate		181	(172)	-205%	(343)	(1,818)	-81%
Profit before taxation		5,722	4,052	41%	13,381	13,124	2%
Taxation	B6	(135)	(1,102)	-88%	(1,477)	(2,693)	-45%
Profit for the period		5,587	2,950	89%	11,904	10,431	14%
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
- Exchange differences arising from translation of foreign operations		735	4,556		6,274	7,869	
Items that may not be reclassified subsequently to profit or loss:							
- Remeasurement for long service payments, net of tax		-	-		-	-	
Total comprehensive income for the period		6,322	7,506		18,178	18,300	
Profit for the period attributable to:							
- Owners of the Company		5,610	3,128		12,136	11,092	
- Non-controlling interests		(23)	(178)		(232)	(661)	
		5,587	2,950		11,904	10,431	
Total comprehensive income for the period:							
- Owners of the Company		6,345	7,684		18,410	18,961	
- Non-controlling interests		(23)	(178)		(232)	(661)	
		6,322	7,506		18,178	18,300	
Earnings per share ("EPS") attributable to owners of the Company:							
- Basic EPS (sen)	B11	1.01	0.56		2.17	1.99	
- Diluted EPS (sen)	B11	1.01	0.56		2.17	1.99	

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 2022 and the accompanying explanatory notes attached to the interim financial statements.

N2N CONNECT BERHAD 200001020530 (523137-K)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 SEPTEMBER 2023**

	As at 30 Sep 2023	As at 31 Dec 2022
Note	RM'000 (UNAUDITED)	RM'000 (AUDITED)
ASSETS		
Non-current assets		
Property, plant and equipment	30,637	31,400
Investment properties	9,084	9,260
Right-of-use assets	2,843	626
Intangible assets	83,387	80,846
Investment in an associate	10,483	10,826
	<u>136,434</u>	<u>132,959</u>
Current assets		
Trade receivables	13,587	11,107
Other receivables	7,612	5,568
Amount owing by related companies	460	353
Tax recoverable	8,209	7,988
Marketable securities	60,866	59,371
Financial assets at fair value through profit or loss	118	145
Cash and bank balances	92,370	90,248
	<u>183,222</u>	<u>174,780</u>
TOTAL ASSETS	<u>319,656</u>	<u>307,739</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	243,669	243,669
Exchange reserve	3,386	(2,888)
LTIP reserve	2,486	2,034
Retained profits	42,889	41,917
Equity attributable to owners of the Company	<u>292,430</u>	<u>284,732</u>
Non-controlling interests	(1,271)	(1,039)
	<u>291,159</u>	<u>283,693</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 SEPTEMBER 2023**

		As at	As at
		30 Sep 2023	31 Dec 2022
	Note	RM'000	RM'000
		(UNAUDITED)	(AUDITED)
Non-current liabilities			
Lease liabilities		2,035	-
Provision for retirement benefits	A14	1,862	1,556
Deferred tax liabilities		1,664	1,603
		<u>5,561</u>	<u>3,159</u>
Current liabilities			
Trade payables		3,356	3,305
Other payables	A12	17,526	15,793
Amount owing to related companies		416	60
Lease liabilities		1,285	695
Provision for taxation		353	1,034
		<u>22,936</u>	<u>20,887</u>
Total liabilities		<u>28,497</u>	<u>24,046</u>
TOTAL EQUITY AND LIABILITIES		<u>319,656</u>	<u>307,739</u>
Net assets per share attributable to owners of the Company (sen) *		<u>52</u>	<u>51</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 2022 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 CHANGES IN EQUITY
FOR THE QUARTER AND YEAR TO DATE ENDED 30 SEPTEMBER 2023**

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 2023	243,669	-	(2,888)	2,034	41,917	284,732	(1,039)	283,693
Profit for the period	-	-	-	-	12,136	12,136	(232)	11,904
Other comprehensive income	-	-	6,274	-	-	6,274	-	6,274
Total comprehensive income for the period	-	-	6,274	-	12,136	18,410	(232)	18,178
Dividend paid	(i)	-	-	-	(11,164)	(11,164)	-	(11,164)
Long term incentive plan granted		-	-	452	-	452	-	452
Long term incentive plan lapsed		-	-	-	-	-	-	-
Derecognition of a subsidiary		-	-	-	-	-	-	-
Cancellation of treasury shares		-	-	-	-	-	-	-
At 30 September 2023	243,669	-	3,386	2,486	42,889	292,430	(1,271)	291,159
At 1 January 2022	260,987	(37,237)	(6,377)	1,530	48,648	267,551	(2,192)	265,359
Profit for the period	-	-	-	-	11,092	11,092	(661)	10,431
Other comprehensive income	-	-	7,869	-	-	7,869	-	7,869
Total comprehensive income for the period	-	-	7,869	-	11,092	18,961	(661)	18,300
Dividend paid	(ii)	-	-	-	(5,582)	(5,582)	-	(5,582)
Investment in a subsidiary		-	-	-	-	-	-	-
Long term incentive plan granted		-	-	601	-	601	-	601
At 30 September 2022	260,987	(37,237)	1,492	2,131	54,158	281,531	(2,853)	278,678

Notes:

- (i) The Company paid Second Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ending 31 December 2022 on 30 March 2023. The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ending 31 December 2023 on 29 September 2023.
- (ii) 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.

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 2022 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 SEPTEMBER 2023**

	Year-To-Date Ended	
	30 Sep 2023	30 Sep 2022
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Cash flows from operating activities		
Profit before taxation	13,381	13,124
Adjustments for:		
Amortisation of intangible assets	5,581	5,396
Bad debts written off	-	75
Depreciation of property, plant and equipment	3,036	3,243
Depreciation of investment properties	176	176
Depreciation of right-of-use assets	903	899
Fair value changes on financial assets at fair value through profit or loss	28	24
Long term incentive plan expenses	452	601
Loss on disposal of property, plant and equipment	(45)	-
Provision for doubtful debts	-	627
Provision for long service payments	194	264
Share of results of an associate	343	1,818
Unrealised foreign exchange gain	(1,133)	(1,731)
Finance cost	42	59
Finance income	(983)	(216)
Dividend income	(1,485)	(819)
Operating profit before working capital changes	20,490	23,540
Changes in working capital		
Trade receivables	(2,381)	1,975
Other receivables	(2,044)	(1,217)
Trade payables	1,052	1,094
Other payables	1,733	2,171
Amount owing by/to related companies	249	133
Cash generated from operations	19,099	27,696
Dividend received	1,485	819
Interest paid	(42)	(59)
Interest received	983	216
Net tax paid	(2,489)	(1,072)
Net cash generated from operating activities	19,036	27,600

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR TO DATE ENDED 30 SEPTEMBER 2023**

	Year-To-Date Ended	
	30 Sep 2023	30 Sep 2022
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Cash flows from investing activities		
Computer software development cost	(4,704)	(4,175)
Purchase of property, plant and equipment	(2,089)	(1,566)
Net changes in marketable securities	(1,495)	5,673
Net cash used in investing activities	(8,288)	(68)
Cash flows from financing activities		
Dividend paid	(11,164)	(5,582)
Repayment of bank borrowings	-	(2,314)
Repayment of lease liabilities	(536)	(1,015)
Net cash used in financing activities	(11,700)	(8,911)
Net increase/(decrease) in cash and cash equivalents	(952)	18,621
Effect of exchange rate changes	3,074	3,482
Cash and cash equivalents at beginning of the period	90,248	63,879
Cash and cash equivalents at end of the period	92,370	85,982
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	92,370	85,982

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 2022 and the accompanying explanatory notes attached to the interim financial statements.

N2N CONNECT BERHAD 200001020530 (523137-K)
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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 30 SEPTEMBER 2023

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 2022.

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 2022. 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 2022.

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 ending 31 December 2022 on 30 March 2023. The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ending 31 December 2023 on 29 September 2023.

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 September 2023					
<u>Revenue</u>					
Sales to external customers	33,073	38,332	6,128	-	77,533
Inter-segment sales	-	-	-	-	-
Total	<u>33,073</u>	<u>38,332</u>	<u>6,128</u>	<u>-</u>	<u>77,533</u>
<u>Results</u>					
EBITDA *	10,846	6,900	2,964	(220)	20,490
Amortisation of intangible assets	(5,415)	-	(166)	-	(5,581)
Bad debt written off	-	-	-	-	-
Depreciation of property, plant and equipment	(2,048)	(722)	(266)	-	(3,036)
Depreciation of investment properties	(176)	-	-	-	(176)
Depreciation of right-of-use assets	-	(903)	-	-	(903)
Dividend income	11,485	-	-	(10,000)	1,485
Finance income	397	547	39	-	983
Finance costs	(2)	(40)	-	-	(42)
Long term incentive plan	(322)	(130)	-	-	(452)
Reversal of provision for doubtful debts	-	-	-	-	-
Share of results of associate	-	-	(343)	-	(343)
Unrealised foreign exchange gain	555	-	492	86	1,133
Other non-cash items	17	(194)	-	-	(177)
Taxation	(394)	(873)	(210)	-	(1,477)
Segment profit for the period	<u>14,943</u>	<u>4,585</u>	<u>2,510</u>	<u>(10,134)</u>	<u>11,904</u>

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

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A9 SEGMENT INFORMATION (CON'T)

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial period ended					
30 September 2022					
Revenue					
Sales to external customers	34,003	37,394	7,028	-	78,425
Inter-segment sales	-	-	22	(22)	-
Total	<u>34,003</u>	<u>37,394</u>	<u>7,050</u>	<u>(22)</u>	<u>78,425</u>
Results					
EBITDA *	11,392	7,565	4,285	298	23,540
Amortisation of intangible assets	(5,230)	-	(166)	-	(5,396)
Bad debt written off	(75)	-	-	-	(75)
Depreciation of property, plant and equipment	(2,205)	(728)	(310)	-	(3,243)
Depreciation of investment properties	(176)	-	-	-	(176)
Depreciation of right-of-use assets	-	(899)	-	-	(899)
Dividend income	819	-	-	-	819
Finance income	173	1	42	-	216
Finance costs	(28)	(31)	-	-	(59)
Impairment loss on goodwill	-	-	-	-	-
Long term incentive plan	(383)	(233)	15	-	(601)
Provision/(Reversal) for doubtful debts	(658)	31	-	-	(627)
Share of results of associate	-	-	(1,818)	-	(1,818)
Unrealised foreign exchange gain/(loss)	1,006	-	725	-	1,731
Other non-cash items	(24)	(264)	-	-	(288)
Taxation	(1,185)	(1,093)	(415)	-	(2,693)
Segment profit for the period	<u>3,426</u>	<u>4,349</u>	<u>2,358</u>	<u>298</u>	<u>10,431</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 Sep 2023 RM'000	As At 31 Dec 2022 RM'000
Prepayments	5,415	3,602
Deposits paid	2,181	1,945
Other receivables	16	21
	<u>7,612</u>	<u>5,568</u>

A12 OTHER PAYABLES

	As At 30 Sep 2023 RM'000	As At 31 Dec 2022 RM'000
Accruals	3,617	5,195
Deposit received	3,599	3,536
Other payables	10,310	7,062
	<u>17,526</u>	<u>15,793</u>

A13 FAIR VALUE HIERARCHY

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

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

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

	As At 30 Sep 2023 Level 1 Fair Value RM'000	As At 31 Dec 2022 Level 1 Fair Value RM'000
Financial assets at fair value through profit or loss	<u>118</u>	<u>145</u>

A14 PROVISION FOR RETIREMENT BENEFITS

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

A15 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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A16 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There was no material event subsequent to the current financial period ended up to the date of the announcement of this report which is likely to substantially affect the results of the operations of the Group.

A17 CHANGES IN THE COMPOSITION OF THE GROUP

There were no other changes in the composition of the Group for the current period under review.

A18 CONTINGENT LIABILITIES

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at 23 November 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

Performance of current quarter against the preceding year's corresponding quarter

	<u>Quarter Ended</u>	
	<u>30 Sep 2023</u>	<u>30 Sep 2022</u>
	<u>RM'000</u>	<u>RM'000</u>
Revenue	27,117	25,505
Profit after taxation	5,587	2,950
Core profit *	<u>4,529</u>	<u>1,775</u>

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

The Group recorded a revenue of RM27.12 million for the quarter ended 30 September 2023 in comparison to the revenue of RM25.51 million in the preceding year's corresponding quarter. Higher one-time implementation revenue and transaction based revenue in the current quarter resulted in a comparatively higher revenue of 6.32%.

The Group posted a profit after taxation of RM5.59 million for the current quarter which was 89.39% higher compared to a profit after taxation of RM2.95 million in the preceding year's corresponding quarter. The higher profit after taxation was mainly due to the higher one-time implementation revenue and transaction based revenue which carries higher margins. Added on, taxation was reduced this quarter due to overprovision last year.

The Group's core profit was RM4.53 million for the current quarter compared to RM 1.78 million in the corresponding quarter. The higher core profits were 155.20% higher mainly due to higher one-time implementation revenue and transaction based revenue. Further more, a higher professional fees which is included in current quarter resulted in higher core profit.

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

	<u>Year-To-Date Ended</u>	
	<u>30 Sep 2023</u>	<u>30 Sep 2022</u>
	<u>RM'000</u>	<u>RM'000</u>
Revenue	77,533	78,425
Profit for the period	11,904	10,431
Core profit *	<u>7,867</u>	<u>7,933</u>

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

The Group recorded a revenue of RM77.53 million for the period ended 30 September 2023 in comparison to revenue of RM78.43 million in the preceding year's corresponding period. The revenue decrease by 1.14% was mainly due to the comparatively lower financial information terminal revenue and transaction based revenue.

The profit after taxation for the current period amounting to RM11.90 million was 14.12% higher than the profit after tax of RM10.43 million recorded in the corresponding period mainly due to lower taxation from overprovision in the prior year.

The Group recorded a core profit of RM7.87 million for the current period compared to RM7.93 million in the corresponding period. The core profits were 0.83% lower mainly due to lower financial information terminal revenue and transaction based revenue. The impact is softened by higher professional fees in the current period which is included in deriving the core profit.

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

	Quarter Ended	
	30 Sep 2023 RM'000	30 Jun 2023 RM'000
Revenue	27,117	25,525
Profit after taxation	5,587	3,507
Core profit *	<u>4,529</u>	<u>1,297</u>

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

The Group recorded a slightly higher revenue of RM27.12 million for the quarter ended 30 September 2023 compared the revenue of RM25.53 million in the immediate preceding quarter. The comparatively higher revenue of 6.24% was mainly due to the higher one-time implementation revenue for the current quarter.

The Group's profit after taxation of RM5.59 million for the current quarter was 59.29% higher compared to the profit after taxation of RM3.51 million in the immediate preceding quarter. This was mainly due to the higher one-time implementation revenue and lower operating expenses but softened by a lower other operating income in the current quarter.

The Group's core profit of RM4.53 million for the current quarter was 249.33% higher than the core profit of RM1.30 million in the immediate preceding quarter. The higher core profits were mainly due to the comparatively higher one-time implementation revenue and lower operating expenses. Further more, a higher professional fee which included in the current quarter resulted in a higher core profit.

B3 PROSPECTS

In the October 2023 Global Economic Prospects report issued by the World Bank, it had revised its projections of the gross domestic product growth from 1.7% in January 2023 to 2.1%. Nonetheless, it had reported that the global growth had slowed sharply compared to 3.1% in 2022. It further added that there was intensified risk of financial stress in emerging market and developing economies amidst tight global financial conditions.

Despite the challenges faced by the global economic front, Malaysia's economic growth continues to be projected to grow moderately between 4% to 5%. The World Bank maintained its forecast economic growth for Malaysia to 4.3% in 2023.

On the domestic front, the recent announcements on the National Energy Transition Roadmap and Ekonomi MADANI policy framework is expected to contribute a positive impact on the Malaysia securities market. Nonetheless, the Group recognizes that the trading activities in the Securities Market will be influenced by various ongoing local and global developments.

Taking these into consideration, the Group expects a moderate performance for the financial year.

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B4 VARIATION OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable as no profit forecast was published.

B5 ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

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

	Quarter Ended		Year-To-Date Ended	
	30 Sep 2023 RM'000	30 Sep 2022 RM'000	30 Sep 2023 RM'000	30 Sep 2022 RM'000
(a) Interest income	(321)	(93)	(983)	(216)
(b) Dividend Income	(499)	(312)	(1,485)	(819)
(c) Interest expense	26	8	42	59
(d) Depreciation and amortisation	3,193	3,213	9,696	9,714
(e) Net foreign exchange (gain)/loss	(15)	(822)	(1,268)	(867)
(f) Fair value changes on financial assets at fair value through profit or loss	15	9	28	24

B6 TAXATION

	Quarter Ended		Year-To-Date Ended	
	30 Sep 2023 RM'000	30 Sep 2022 RM'000	30 Sep 2023 RM'000	30 Sep 2022 RM'000
Current tax:				
- Current year provision	(997)	(1,102)	(2,318)	(2,652)
- Over provision in prior years	862	-	869	(41)
	(135)	(1,102)	(1,449)	(2,693)
Deferred tax:				
- Current year provision	-	-	(28)	-
	-	-	(28)	-
Total Taxation	(135)	(1,102)	(1,477)	(2,693)

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 MARKETABLE SECURITIES

	As At 30 Sep 2023 RM'000	As At 31 Dec 2022 RM'000
Quoted unit trusts in Malaysia*	60,866	59,371

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 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.

B9 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 on 24 September 2021. The Court of Appeal had on 6 July 2023 allowed the Defendants' appeals and set aside the APO.

Following the decision of the Court of Appeal, the Plaintiffs had on 14 July 2023 filed the Notices of Motion for Leave to Appeal to the Federal Court ("FC Leave Applications"). The hearing of the FC Leave Applications is on 7 December 2023.

The Plaintiffs also filed the Notices of Motion to Stay the Execution of the Court of Appeal decision ("Stay Motions") and the Court of Appeal had on 26 September 2023 granted the Plaintiffs' Stay Motions. As such, the decision of the Court of Appeal on 6 July 2023 setting aside the APO is stayed pending the disposal of the FC Leave Applications.

On 25 July 2023, the Plaintiffs have filed an application for discovery in the High Court against the Defendants to obtain documents from Defendants to be used as evidence during the Trial for this civil suit. The Plaintiffs' Discovery Application is fixed for decision on 8 December 2023.

The High Court has fixed new dates for trial for the civil suit from 2 May to 10 May 2024.

Based on its examination of the developments and discussions with its legal counsel, the Company is of the opinion that the ultimate outcome of legal proceedings is not expected to have a material adverse effect on the Company's financial position.

B10 PROPOSED DIVIDENDS

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

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B11 EARNINGS PER SHARE ("EPS")

	Quarter Ended		Year-To-Date Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
(a) Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	5,610	3,128	12,136	11,092
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,204
Basic EPS (sen)	1.01	0.56	2.17	1.99
(b) Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	5,610	3,128	12,136	11,092
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)	1.01	0.56	2.17	1.99

* 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.

B12 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.

On 3 March 2023, the Group has decided to withdraw its application in relation to the proposed transfer after taking into consideration the continuing market volatility amid the expectation of softening in global growth. Nonetheless, it is the intention of the Group to relook on the proposed transfer in the future.

B13 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 November 2023.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 23 November 2023