



N2N CONNECT BHD (523137-K)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2019**

N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION**FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2019**

Remark:

The results for the quarter and six months ended 30 June 2019 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 2018 and the accompanying explanatory notes attached to the interim financial statements.

	Quarter Ended		Year-To-Date Ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	RM'000	RM'000	RM'000	RM'000
1 Revenue	26,168	29,332	53,416	55,015
2 Profit before taxation	3,776	5,096	9,550	11,836
3 Profit for the period	2,861	1,310	8,347	7,923
4 Profit attributable to owners of the Company	2,958	1,382	8,547	8,075
5 Basic earnings per share (sen)	0.53	0.26	1.59	1.59
6 Diluted earnings per share (sen)	0.42	0.26	1.26	1.59
7 Proposed/Declared dividend per share (sen)	1.00	-	1.00	3.00

N2N CONNECT BERHAD (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 JUNE 2019**

	Note	Quarter Ended			Year-To-Date Ended		
		30 June 2019	30 June 2018	Changes	30 June 2019	30 June 2018	Changes
		RM'000 (UNAUDITED)	RM'000 (UNAUDITED)	%	RM'000 (UNAUDITED)	RM'000 (UNAUDITED)	%
Revenue		26,168	29,332	-11%	53,416	55,015	-3%
Cost of sales		(11,112)	(11,712)	-5%	(23,155)	(23,683)	-2%
Gross profit		<u>15,056</u>	<u>17,620</u>	-15%	<u>30,261</u>	<u>31,332</u>	-3%
Other operating income		1,185	(187)	-734%	2,580	3,155	-18%
Administrative expenses		(12,130)	(11,881)	2%	(22,461)	(21,547)	4%
Finance costs		(335)	(392)	-15%	(705)	(1,040)	-32%
Share of results of associates		-	(64)	-100%	(125)	(64)	95%
Profit before taxation		<u>3,776</u>	<u>5,096</u>	-26%	<u>9,550</u>	<u>11,836</u>	-19%
Taxation	B6	(915)	(3,786)		(1,203)	(3,913)	
Profit for the period		<u>2,861</u>	<u>1,310</u>	118%	<u>8,347</u>	<u>7,923</u>	5%
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
- Exchange differences arising from translation of foreign operations		1,238	3,438		149	(867)	
Total comprehensive income for the period		<u>4,099</u>	<u>4,748</u>		<u>8,496</u>	<u>7,056</u>	
Profit for the period attributable to:							
- Owners of the Company		2,958	1,382		8,547	8,075	
- Non-controlling interests		(97)	(72)		(200)	(152)	
		<u>2,861</u>	<u>1,310</u>		<u>8,347</u>	<u>7,923</u>	
Total comprehensive income for the period:							
- Owners of the Company		4,196	4,820		8,696	7,208	
- Non-controlling interests		(97)	(72)		(200)	(152)	
		<u>4,099</u>	<u>4,748</u>		<u>8,496</u>	<u>7,056</u>	
Earnings per share ("EPS") attributable to owners of the Company:							
- Basic EPS (sen)	B12	0.53	0.26		1.59	1.59	
- Diluted EPS (sen)	B12	<u>0.42</u>	<u>0.26</u>		<u>1.26</u>	<u>1.59</u>	

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	As at 30 June 2019 RM'000 (UNAUDITED)	As at 31 Dec 2018 RM'000 (AUDITED)
ASSETS			
Non-current assets			
Property, plant and equipment		33,362	33,425
Investment properties		10,080	10,197
Intangible assets		76,047	75,105
Investment in associates		7,918	8,043
		<u>127,407</u>	<u>126,770</u>
Current assets			
Trade receivables		22,985	16,661
Other receivables	A11	8,935	7,165
Amount owing by related companies		535	409
Amount owing by an associate		1,056	681
Tax recoverable		253	432
Marketable securities	B7	83,867	52,045
Financial assets at fair value through profit or loss	A13	121	114
Deposits with licensed bank		346	341
Cash and bank balances		52,355	101,576
		<u>170,453</u>	<u>179,424</u>
TOTAL ASSETS		<u>297,860</u>	<u>306,194</u>
EQUITY AND LIABILITIES			
Total equity			
Share capital		260,987	260,987
Treasury shares		(37,198)	(35,542)
Exchange reserve		(7,414)	(7,563)
Retained profits		33,516	30,551
Equity attributable to owners of the Company		<u>249,891</u>	<u>248,433</u>
Non-controlling interests		(283)	(83)
		<u>249,608</u>	<u>248,350</u>
Non-current liabilities			
Bank borrowings	B8	16,075	20,680
Provision for retirement benefits	A14	2,417	2,234
Deferred tax liabilities		1,160	1,158
		<u>19,652</u>	<u>24,072</u>
Current liabilities			
Trade payables		7,023	5,497
Other payables	A12	9,443	16,404
Amount owing to related companies		82	24
Bank borrowings	B8	9,186	9,191
Provision for taxation		2,866	2,656
		<u>28,600</u>	<u>33,772</u>
Total liabilities		<u>48,252</u>	<u>57,844</u>
TOTAL EQUITY AND LIABILITIES		<u>297,860</u>	<u>306,194</u>
Net assets per share attributable to owners of the Company (sen) *		<u>45</u>	<u>44</u>

Note:

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

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

N2N CONNECT BERHAD (523137-K)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2019**

	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	Warrants Reserve RM'000	Retained Profits RM'000			
At 1 January 2019		260,987	(35,542)	(7,563)	-	30,551	248,433	(83)	248,350
Profit for the period		-	-	-	-	8,547	8,547	(200)	8,347
Other comprehensive income		-	-	149	-	-	149	-	149
Total comprehensive income for the period		-	-	149	-	8,547	8,696	(200)	8,496
Dividends paid	i	-	-	-	-	(5,582)	(5,582)	-	(5,582)
Share repurchased during the period held as treasury shares		-	(1,656)	-	-	-	(1,656)	-	(1,656)
At 30 June 2019		260,987	(37,198)	(7,414)	-	33,516	249,891	(283)	249,608
At 1 January 2018		163,641	(5,832)	(8,233)	1,383	38,563	189,522	282	189,804
Effects of MFRS 9 adoption		-	-	-	-	(259)	(259)	-	(259)
At 1 January 2018 (restated)		163,641	(5,832)	(8,233)	1,383	38,304	189,263	282	189,545
Profit for the period		-	-	-	-	8,075	8,075	(152)	7,923
Other comprehensive income		-	-	(867)	-	-	(867)	-	(867)
Total comprehensive income for the period		-	-	(867)	-	8,075	7,208	(152)	7,056
Dividends paid	ii	-	-	-	-	(15,785)	(15,785)	-	(15,785)
Shares repurchased during the year held as treasury shares		-	(16,567)	-	-	-	(16,567)	-	(16,567)
Issuance of shares pursuant to:									
- exercise of Warrants	iii	32,294	-	-	(1,374)	-	30,920	-	30,920
- private placement	iv	65,052	-	-	-	-	65,052	-	65,052
Transfer of unexercised warrants reserve upon expiry		-	-	-	(9)	9	-	-	-
At 30 June 2018		260,987	(22,399)	(9,100)	-	30,603	260,091	130	260,221

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2019**

Notes:

- (i) The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ending 31 December 2019, on 26 June 2019.
- (ii) The Company paid First Interim Dividend of 3 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2018, on 28 March 2018.
- (iii) 68,711,512 new ordinary shares for cash pursuant to the conversion of Warrants at exercise price of RM0.45 per ordinary share.
- (iv) Private placement of 52,041,431 new ordinary shares of RM1.25 per placement share on 14 June 2018.

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

N2N CONNECT BERHAD (523137-K)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR-TO-DATE ENDED 30 JUNE 2019**

	Year-To-Date Ended	
	30 June 2019 RM'000 (UNAUDITED)	30 June 2018 RM'000 (UNAUDITED)
Cash flows from operating activities		
Profit before taxation	9,550	11,836
Adjustments for:		
Amortisation of intangible assets	2,425	1,995
Allowance for impairment on trade receivables	361	-
Depreciation of property, plant and equipment	2,878	3,093
Depreciation of investment properties	124	117
Fair value change on financial assets at fair value through profit or loss	(7)	127
Provision for long service payments	-	176
Unrealised foreign exchange gain	(117)	(353)
Dividend income	(1,721)	(740)
Interest income	(230)	(504)
Interest expense	705	1,040
Share of results of associates	125	64
Operating profit before working capital changes	<u>14,093</u>	<u>16,851</u>
Changes in working capital		
Trade receivables	(6,685)	(5,559)
Other receivables	(1,770)	(5,157)
Trade payables	1,526	(255)
Other payables	(6,961)	143
Amount owing by/to related companies	(68)	(22)
Amount owing by/to a corporate shareholder	-	(1,229)
Amount owing by/to an associate	(375)	(102)
Cash (used in)/generated from operations	<u>(240)</u>	<u>4,670</u>
Net tax paid	<u>(451)</u>	<u>(4,007)</u>
Net cash (used in)/generated from operating activities	<u>(691)</u>	<u>663</u>
Cash flows from investing activities		
Computer software development cost	(3,200)	(2,280)
Purchase of property, plant and equipment	(2,850)	(1,262)
Investment in associate	-	(8,331)
Net changes in marketable securities	(31,822)	(33,577)
Interest received	230	504
Dividend received	1,721	740
Net cash used in investing activities	<u>(35,921)</u>	<u>(44,206)</u>
Cash flows from financing activities		
Proceeds from issuance of shares pursuant to exercise of warrants	-	30,920
Proceeds from issuance of shares pursuant to private placement	-	65,052
Repurchase of treasury shares	(1,656)	(16,567)
Repayment of bank borrowings	(4,493)	(35,553)
(Increase)/Decrease in fixed deposits pledged	(5)	43,871
Dividend paid	(5,582)	(15,785)
Interest paid	(705)	(1,040)
Net cash (used in)/generated from financing activities	<u>(12,441)</u>	<u>70,898</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR-TO-DATE ENDED 30 JUNE 2019**

	Year-To-Date Ended	
	30 June 2019	30 June 2018
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Net (decrease)/increase in cash and cash equivalents	(49,053)	27,355
Effect of exchange rate changes	(168)	(310)
Cash and cash equivalents at beginning of the period	101,576	53,158
Cash and cash equivalents at end of the period	52,355	80,203
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	52,355	80,203
Deposits with licensed bank	346	336
	52,701	80,539
Less: Fixed deposits pledged to licensed bank	(346)	(336)
	52,355	80,203

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2018 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 30 JUNE 2019

A NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A1 BASIS OF PREPARATION

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

The condensed consolidated financial statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2018.

A2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Condensed Report are consistent with those in the preparation of the Group's audited financial statements for the financial year ended 31 December 2018. As at the date of authorisation of this Condensed Report, the following standards and amendments to standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group:

Standards issued but not yet effective

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3: Business Combinations

Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to MFRS 101: Presentation of Financial Statements

Effective for annual periods beginning on or after 1 January 2021

MFRS 17: Insurance Contracts

Effective date of these Amendments to Standards has been deferred, and yet to be announced

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

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

A3 AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2018.

A4 SEASONAL OR CYCLICAL FACTORS

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

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

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

A6 MATERIAL CHANGES IN ESTIMATES

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

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A7 DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current quarter under review except for the following:

Share buy-back

During the current quarter under review, the Company repurchased 1,482,800 units of its issued ordinary shares from the open market at an average price of RM0.80 per share. Total consideration price paid for the repurchase including transaction cost was approximately RM1,180,000 and this was financed by internally generated funds. As at 30 June 2019, the cumulative total number of shares repurchased was 39,594,900 at its issued ordinary shares from the open market at an average price of RM0.94 per share. Total consideration paid for the repurchase including transaction cost was approximately RM37,198,000 and this was financed by internally generated funds. There was no resale or cancellation of treasury shares for the quarter under review. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act. 2016.

A8 DIVIDEND PAID

During the current period under review, the Company declared First Interim Dividend of 1 sen per share (Single Tier Dividend) amounted to RM5,582,829 for the financial year ending 31 December 2019. The dividend was paid on 26 June 2019.

A9 SEGMENT INFORMATION

The reportable segments of the Group derive their revenue primarily from the provision of design, programming, consultancy services and related services which are substantially within a single business segment.

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial period ended 30 June 2019					
<u>Revenue</u>					
Sales to external customers	19,010	28,902	5,504	-	53,416
Inter-segment sales	25	-	-	(25)	-
Total	19,035	28,902	5,504	(25)	53,416
<u>Results</u>					
EBITDA *	7,054	5,612	1,552	(125)	14,093
Dividend income	11,721	-	-	(10,000)	1,721
Finance income	218	12	-	-	230
Finance costs	(705)	-	-	-	(705)
Depreciation of property, plant and equipment	(1,572)	(1,235)	(71)	-	(2,878)
Depreciation of investment properties	(124)	-	-	-	(124)
Amortisation of intangible assets	(2,373)	(52)	-	-	(2,425)
Unrealised foreign exchange gain/(loss)	131	-	(50)	36	117
Share of results of associates	(125)	-	-	-	(125)
Provision for doubtful debts	-	(361)	-	-	(361)
Other non-cash items	7	-	-	-	7
Taxation	(915)	-	(288)	-	(1,203)
Segment profit for the period	13,317	3,976	1,143	(10,089)	8,347

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

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	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial period ended 30 June 2018					
Revenue					
Sales to external customers	20,630	30,161	4,224	-	55,015
Inter-segment sales	38	-	-	(38)	-
Total	20,668	30,161	4,224	(38)	55,015
Results					
EBITDA *	8,823	7,532	560	(64)	16,851
Dividend income	28,028	-	-	(27,288)	740
Finance income	503	1	-	-	504
Finance costs	(1,040)	-	-	-	(1,040)
Depreciation of property, plant and equipment	(1,902)	(1,123)	(68)	-	(3,093)
Depreciation of investment properties	(117)	-	-	-	(117)
Amortisation of intangible assets	(1,945)	(50)	-	-	(1,995)
Unrealised foreign exchange gain/(loss)	488	8	(6)	(137)	353
Share of results of associates	(64)	-	-	-	(64)
Other non-cash items	(127)	(176)	-	-	(303)
Taxation	(3,913)	-	-	-	(3,913)
Segment profit for the period	28,734	6,192	486	(27,489)	7,923

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

A10 PROVISION FOR DOUBTFUL DEBTS

During the quarter review, one of its subsidiary in Hong Kong ("AFE") has recognised a provision for doubtful debts amounting to RM361k.

The provision is not expected to have any material impact on the Company and the Group.

A11 OTHER RECEIVABLES

	As At 30 June 2019 RM'000	As At 31 Dec 2018 RM'000
Deposits	556	1,505
Other receivables	4,990	3,244
Prepayments	3,389	2,416
	8,935	7,165

A12 OTHER PAYABLES

	As At 30 June 2019 RM'000	As At 31 Dec 2018 RM'000
Accruals	2,346	4,726
Deposit received	3,671	3,421
Other payables	3,426	8,257
	9,443	16,404

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A13 FAIR VALUE HIERARCHY

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

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

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

	As At 30 June 2019 Level 1 Fair Value RM'000	As At 31 Dec 2018 Level 1 Fair Value RM'000
Financial assets at fair value through profit or loss	121	114

A14 PROVISION FOR RETIREMENT BENEFITS

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

A15 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

A16 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There was no material event subsequent to the current financial year ended 31 December 2018 up to the date of the announcement of this report which is likely to substantially affect the results of the operations of the Group for the current financial quarter under review.

A17 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current quarter 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 21 August 2019 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

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A19 CAPITAL COMMITMENTS

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

A20 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2019

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

B1 REVIEW OF PERFORMANCE

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

	Quarter Ended	
	30 June 2019	30 June 2018
	RM'000	RM'000
Revenue	26,168	29,332
Profit for the quarter	2,861	1,310
Core profit *	2,019	7,252

* Core profit represents earnings before extraordinary items.

The Group recorded a revenue of RM26.17 million for the quarter ended 30 June 2019 in comparison to revenue of RM29.33 million in the preceding year's corresponding quarter. Lower one-time implementation charges in the current quarter resulted in a comparatively lower revenue of 10.79%.

The profit after taxation for the current quarter increased by 118% to RM2.86 million compared to a profit after taxation of RM1.31 million recorded in the corresponding quarter. The improvement in profit after tax was mainly attributed to the increase in unrealised foreign exchange gain and improvement in interest income.

Core profits of the Group of RM2.02 million in the current quarter was lower compared to RM7.25 million in corresponding quarter owing to a combination of higher expenses and taxation together with absence of one-time implementation charges in the current quarter. The Group's expenses increased mainly due to the full settlement of the lawsuit with SAKK Consulting totalling RM0.6 million and a one-time incurrence of RM0.7 million in relation to the harmonization the Group's products from Malaysia and Hong Kong respectively. Tax provisions increased by RM0.8 million for the current quarter in line with the expiry of pioneer status of one of its subsidiaries.

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

	Year-To-Date Ended	
	30 June 2019	30 June 2018
	RM'000	RM'000
Revenue	53,416	55,015
Profit for the period	8,347	7,923
Core profit *	6,465	11,260

* Core profit represents earnings before extraordinary items.

The Group recorded a revenue of RM53.42 million for the period ended 30 June 2019 in comparison to RM55.02 million in the preceding year's corresponding period. The revenue for the current period is 2.91% lower compared to the corresponding period mainly due to the lower one-time implementation charges as disclosed in Note B1(a) above.

The profit after taxation for the current period totalling RM8.35 million was 5.34% higher than the profit after taxation of RM7.92 million recorded in the corresponding period. The increase was mainly attributed to the increase in unrealised foreign exchange gain and improvement in interest income in the current period as disclosed in Note B1(a).

Core profits of the Group recorded RM6.47 million in the current period compared to RM11.26 million in corresponding period. The comparative differences in core profits between the two periods were due to reasons as disclosed in Note B1(a) above.

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

	Quarter Ended	
	30 June 2019 RM'000	31 Mar 2019 RM'000
Revenue	26,168	27,248
Profit for the quarter	2,861	5,486
Core profit *	2,019	4,447

* Core profit represents earnings before extraordinary items.

The Group recorded a revenue of RM26.17 million in the current quarter compared to RM27.25 million in the immediate preceding quarter mainly due to lower implementation charges in the current quarter.

The Group recorded a profit after taxation of RM2.85 million in the current quarter in comparison to RM5.49 million in the immediate preceding quarter. This was mainly due to the increase in non-recurring expenses arising from the full settlement of the lawsuit with SAKK Consulting and the increase in tax provisions owing to the expiry of pioneer status of one of its subsidiaries.

The Group recorded a lower core profit of RM2.02 million in the current quarter compared to RM4.45 million in the immediate preceding quarter due to the increase in non-recurring expenses and the increase in tax provisions as mentioned above.

B3 PROSPECTS

The Malaysian stock market conditions have been challenging in the first half of the year, however the impact on the Group has been minimal. On the other hand, the Group's Hong Kong operations remains unaffected by the current protests over the extradition bill.

Barring unforeseen circumstances, the Group does not expect the protests in Hong Kong and the softened Malaysian market to have a significant impact on its business.

The Group continues to work towards increasing its overseas revenue, particularly from the collaboration with SBI Group which is expected to contribute positively to the Group's results.

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 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
(a) Interest income	(105)	(162)	(230)	(504)
(b) Dividend Income	(928)	(332)	(1,721)	(740)
(c) Interest expense	335	392	705	1,040
(d) Depreciation and amortisation	2,546	2,672	5,427	5,205
(e) Net foreign exchange loss/(gain)	84	1,345	(69)	(1,044)
(f) Fair value change on financial assets at fair value through profit or loss	8	38	(7)	127

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B6 TAXATION

	Quarter Ended		Year-To-Date Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Current tax:				
- Current year provision	(915)	(113)	(1,203)	(240)
- Under provision in prior years	-	(3,673)	-	(3,673)
	<u>(915)</u>	<u>(3,786)</u>	<u>(1,203)</u>	<u>(3,913)</u>

The effective tax rate of the Group for the current quarter under review was lower than the statutory tax rate of 24% mainly due to subsidiary companies have been granted 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 June 2019 RM'000	As At 31 Dec 2018 RM'000
Quoted unit trusts in Malaysia*	83,867	52,045

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

B8 GROUP'S BORROWINGS AND DEBT SECURITIES

	As At 30 June 2019 RM'000	As At 31 Dec 2018 RM'000
Secured		
Short-term borrowings		
<i>United States Dollar</i>		
Term loan	9,186	9,191
Long-term borrowings		
<i>United States Dollar</i>		
Term loan	16,075	20,680
	<u>25,261</u>	<u>29,871</u>

B9 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risk as at the date of this announcement applicable to the Group.

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B10 MATERIAL LITIGATION

On 23 May 2019, the Company entered into a Settlement Agreement with SAKK Consulting, Inc. ("SAKK") wherein the Company agreed to pay SAKK, on a without admission of liability basis, the sum of USD150,000 inclusive of interest and costs in full and final settlement of SAKK's claim against the Company for, inter alia, USD411,946 in unpaid success fee and the Company's counterclaim against SAKK, as well as any and all complaints, claims, arbitrations, actions and proceedings, in relation to all matters of the action by SAKK against the Company.

This had enabled the Company to settle all disputes and claims with SAKK in a most beneficial and cost effective manner. The Board is of the view that continuing the legal dispute is both costly and time consuming. The Company will focus its time and attention in bringing revenue and business to the Group.

The Settlement Agreement is not expected to have any material impact on the Company and the Group.

B11 PROPOSED DIVIDENDS

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

B12 EARNINGS PER SHARE ("EPS")

	Quarter Ended		Year-To-Date Ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
(a) Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	2,958	1,382	8,547	8,075
Weighted average number of ordinary shares in issue ('000)	558,283	533,879	537,824	507,589
Basic EPS (sen)	0.53	0.26	1.59	1.59
(b) Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	2,958	1,382	8,547	8,075
Weighted average number of ordinary shares in issue ('000)	558,283	533,879	537,824	507,589
Assumed exercise of Warrants at no consideration ('000)	140,090	-	140,090	-
Adjusted weighted average number of ordinary shares in issue and issueable ('000)	698,373	533,879	677,914	507,589
Diluted EPS (sen)	0.42	0.26	1.26	1.59

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**B13 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**

There were no corporate proposals announced but not completed as at 21 August 2019.

B14 AUTHORISATION FOR ISSUE

The unaudited condensed consolidated financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 21 August 2019.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 21 August 2019