



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

Remark:

The results for the quarter and nine months ended 30 September 2018 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 2017 and the accompanying explanatory notes attached to the interim financial statements.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Sep 2018 RM'000	Preceding Year Corresponding Quarter 30 Sep 2017 RM'000	Current Year To date 30 Sep 2018 RM'000	Preceding Year Corresponding Period 30 Sep 2017 RM'000
1 Revenue	25,238	28,156	80,253	69,616
2 Profit before taxation	3,463	5,013	15,299	18,544
3 Profit for the period	2,122	4,992	10,045	18,495
4 Profit attributable to owners of the Company	2,213	5,092	10,288	18,660
5 Basic earnings per share (sen)	0.39	1.08	1.94	3.98
6 Diluted earnings per share (sen)	0.39	1.02	1.94	3.74
7 Proposed/Declared dividend per share (sen)	-	-	3.00	-



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

	Note	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		Current Year Quarter 30 Sep 2018 RM'000	Preceding Year Corresponding Quarter 30 Sep 2017 RM'000	Changes %	Current Year To Date 30 Sep 2018 RM'000	Preceding Year Corresponding Period 30 Sep 2017 RM'000	Changes %
Revenue		25,238	28,156	-10%	80,253	69,616	15%
Cost of sales		(11,578)	(12,886)	-10%	(35,261)	(30,615)	15%
Gross profit		13,660	15,270	-11%	44,992	39,001	15%
Other operating income		504	2,480	-80%	3,659	8,799	-58%
Administrative expenses		(10,239)	(12,013)	-15%	(31,786)	(27,709)	15%
Finance costs		(391)	(724)	-46%	(1,431)	(1,547)	-7%
Share of results of associates		(71)	-		(135)	-	
Profit before taxation		3,463	5,013	-31%	15,299	18,544	-17%
Taxation	B6	(1,341)	(21)		(5,254)	(49)	
Profit for the period		2,122	4,992	-57%	10,045	18,495	-46%
Other comprehensive income: Items that may be reclassified subsequently to profit or loss							
- exchange differences arising from translation of foreign operations		2,482	(492)		1,615	(1,620)	
Total comprehensive income for the period		4,604	4,500		11,660	16,875	



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

	Note	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		Current Year Quarter 30 Sep 2018 RM'000	Preceding Year Corresponding Quarter 30 Sep 2017 RM'000	Changes %	Current Year To Date 30 Sep 2018 RM'000	Preceding Year Corresponding Period 30 Sep 2017 RM'000	Changes %
Profit for the period attributable to:							
Owners of the Company		2,213	5,092		10,288	18,660	
Non-controlling interests		(91)	(100)		(243)	(165)	
		<u>2,122</u>	<u>4,992</u>		<u>10,045</u>	<u>18,495</u>	
Total comprehensive income for the period:							
Owners of the Company		4,695	4,600		11,903	17,040	
Non-controlling interests		(91)	(100)		(243)	(165)	
		<u>4,604</u>	<u>4,500</u>		<u>11,660</u>	<u>16,875</u>	
Earnings per share ("EPS") attributable to the owners of the Company:							
Basic EPS (sen)	B12	<u>0.39</u>	<u>1.08</u>		<u>1.94</u>	<u>3.98</u>	
Diluted EPS (sen)	B12	<u>0.39</u>	<u>1.02</u>		<u>1.94</u>	<u>3.74</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 2017 and the accompanying explanatory notes attached to the interim financial statements.



N2N CONNECT BERHAD (523137-K)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	As at 30 Sep 2018 (UNAUDITED) RM'000	As at 31 Dec 2017 (AUDITED) RM'000
Note		
ASSETS		
Non-current assets		
Property, plant and equipment and Investment properties	44,755	47,385
Intangible assets	75,181	73,668
Investment in associates	8,257	61
	<u>128,193</u>	<u>121,114</u>
Current assets		
Trade receivables	16,334	12,008
Other receivables	14,440	6,459
Amount owing by a corporate shareholder	142	140
Amount owing by related companies	380	252
Amount owing by an associate	672	-
Tax recoverable	221	981
Marketable securities	62,813	43,943
Financial assets at fair value through profit or loss	199	316
Deposits with licensed bank	339	44,207
Cash and bank balances	92,582	53,158
	<u>188,122</u>	<u>161,464</u>
TOTAL ASSETS	<u>316,315</u>	<u>282,578</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	260,987	163,641
Exchange reserve	(6,618)	(8,233)
Warrants reserve	-	1,383
Treasury shares	(26,050)	(5,832)
Retained profits	33,075	38,563
Equity attributable to owners of the Company	<u>261,394</u>	<u>189,522</u>
Non-controlling interests	39	282
	<u>261,433</u>	<u>189,804</u>
Non-current liabilities		
Provision for retirement benefits	2,764	2,434
Bank borrowings	25,444	28,923
Deferred tax liabilities	2,561	2,540
	<u>30,769</u>	<u>33,897</u>



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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	Note	As at 30 Sep 2018 (UNAUDITED) RM'000	As at 31 Dec 2017 (AUDITED) RM'000
Current liabilities			
Trade payables		6,598	6,154
Other payables	A12	10,420	10,772
Amount owing to a corporate shareholder		-	1,229
Amount owing to related companies		-	18
Bank borrowings	B8	6,729	40,462
Provision for taxation		366	242
		<u>24,113</u>	<u>58,877</u>
Total liabilities		<u>54,882</u>	<u>92,774</u>
TOTAL EQUITY AND LIABILITIES		<u>316,315</u>	<u>282,578</u>
Net Assets ("NA") per share attributable to owners of the Company (sen) *		<u>46</u>	<u>40</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 2017 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

	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	Exchange Reserve RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Retained Profits RM'000			
At 1 January 2018		163,641	(8,233)	(5,832)	1,383	38,563	189,522	282	189,804
Profit for the period		-	-	-	-	10,288	10,288	(243)	10,045
Other comprehensive income		-	1,615	-	-	-	1,615	-	1,615
Total comprehensive income for the period		-	1,615	-	-	10,288	11,903	(243)	11,660
Dividends paid	(i)	-	-	-	-	(15,785)	(15,785)	-	(15,785)
Shares purchased during the period held as treasury shares		-	-	(20,218)	-	-	(20,218)	-	(20,218)
Issuance of shares pursuant to conversion of Warrants	(ii)	32,294	-	-	(1,374)	-	30,920	-	30,920
Issuance of shares pursuant to private placement	(iii)	65,052	-	-	-	-	65,052	-	65,052
Warrants expired		-	-	-	(9)	9	-	-	-
At 30 September 2018		260,987	(6,618)	(26,050)	-	33,075	261,394	39	261,433



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

Note	Attributable to owners of the Company					Total Equity RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Non-distributable				Distributable			
	Share Capital RM'000	Exchange Reserve RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Retained Profits RM'000			
At 1 January 2017	163,315	804	(5,409)	1,397	18,285	178,392	523	178,915
Profit for the period	-	-	-	-	18,660	18,660	(165)	18,495
Other comprehensive income	-	(1,620)	-	-	-	(1,620)	-	(1,620)
Total comprehensive income for the period	-	(1,620)	-	-	18,660	17,040	(165)	16,875
Shares purchased during the period held as treasury shares	-	-	(424)	-	-	(424)	-	(424)
Dividends paid	-	-	-	-	(4,698)	(4,698)	-	(4,698)
Foreign exchange impact on goodwill on consolidation	-	(3,719)	-	-	-	(3,719)	-	(3,719)
Issuance of shares pursuant to conversion of Warrants	326	-	-	(14)	-	312	-	312
At 30 September 2017	163,641	(4,535)	(5,833)	1,383	32,247	186,903	358	187,261



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Notes:

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

The Unaudited 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 2017 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

	9 months ended 30 Sep 2018 RM'000	9 months ended 30 Sep 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	15,299	18,544
Adjustments for:		
Amortisation of intangible assets	3,052	2,865
Depreciation of property, plant and equipment	4,497	4,615
Depreciation of investment properties	176	210
Fair value change on financial assets at fair value through profit or loss	117	(1,103)
Gain on disposal of property, plant and equipment	(30)	-
Property, plant and equipment written off	41	6
Provision for long service payments	266	-
Unrealised foreign exchange gain	403	(5,099)
Dividend income	(1,480)	(549)
Interest income	(586)	(1,805)
Interest expense	1,431	1,545
Share of results of associates	135	-
Operating profit before working capital changes	<u>23,321</u>	<u>19,229</u>
Changes in working capital		
Trade receivables	(4,308)	1,943
Other receivables	(7,981)	4,974
Trade payables	437	(14,097)
Other payables	(352)	7,129
Amount owing by/(to) related companies	(146)	(182)
Amount owing by/(to) a corporate shareholder	(1,231)	-
Amount owing by an associate	(672)	-
Cash generated from operations	<u>9,068</u>	<u>18,996</u>
Interest received	586	1,737
Interest paid	(1,431)	(1,491)
Dividend received	1,480	549
Net tax paid	(4,390)	(17)
Net cash generated from operating activities	<u>5,313</u>	<u>19,774</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Computer software development cost	(3,434)	(3,396)
Purchase of property, plant and equipment	(2,022)	(3,042)
Proceeds from disposal of property, plant and equipment	30	-
Proceeds from disposal of investment in quoted shares	-	3,674
Net changes in marketable securities	(18,870)	67,545
Acquisition of subsidiary, net of cash acquired	-	(66,537)
Investment in associate	(8,331)	-
Net cash used in investing activities	<u>(32,627)</u>	<u>(1,756)</u>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

	9 months ended 30 Sep 2018 RM'000	9 months ended 30 Sep 2017 RM'000
CASH FLOWS FROM/(USED IN) 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	312
Proceeds from resale of treasury shares	-	-
Repurchase of treasury shares	(20,218)	(424)
Dividend paid	(15,785)	(4,698)
(Repayment)/Drawdown of bank borrowings, net	(37,796)	76,558
Decrease/(Increase) in fixed deposits pledged	43,868	(89,205)
Repayment of finance lease	-	(13)
Net cash generated from/(used in) financing activities	<u>66,041</u>	<u>(17,470)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,727	548
EFFECT OF EXCHANGE RATE CHANGES	697	(1,280)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	53,158	36,527
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>92,582</u>	<u>35,795</u>
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	92,582	35,795
Deposits with licensed bank	339	89,205
	<u>92,921</u>	<u>125,000</u>
Less: Fixed deposits pledged to licensed bank	(339)	(89,205)
	<u>92,582</u>	<u>35,795</u>

The Unaudited 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 2017 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

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 2017.

A2 Significant accounting policies

The accounting policies and presentation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2017, except for changes arising from the adoption of following Malaysian Financial Reporting Standards ("MFRS"), Amendments to MFRSs and IC Interpretations that are effective for financial period beginning on or after 1 January 2018:

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS 2014-2016 Cycle)

Amendments to MFRS 2: Classification and Measurement of Share-Based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract

Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements to MFRS 2014-2016 Cycle)

Amendments to MFRS 140: Transfers of Investment Property

IC Interpretations 22: Foreign Currency Transactions and Advance Consideration

The adoption of the above pronouncements did not have any significant impact on the financial statements of the Group.

MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective

The following MFRSs, Amendments to MFRSs and IC Interpretations have been issued but are not yet effective, and have yet to be adopted by the Group:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16: Leases

Amendments to MFRS 3: Business Combinations (Annual Improvements to MFRS 2015-2017 Cycle)

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 11: Joint Arrangements (Annual Improvements to MFRS 2015-2017 Cycle)

Amendments to MFRS 112: Income Taxes (Annual Improvements to MFRS 2015-2017 Cycle)

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 123: Borrowings Costs (Annual Improvements to MFRS 2015-2017 Cycle)

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

IC Interpretations 23: Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2020

The Conceptual Framework for Financial Reporting (Revised 2018)



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Effective for annual periods beginning on or after 1 January 2021

MFRS 17: Insurance Contracts

Effective date yet to be determined by the Malaysian Accounting Standards Board

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 2017.

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.

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 buyback

During the current quarter under review, the Company repurchased 2,984,800 units of its issued ordinary shares from the open market at an average price of RM1.22 per share. Total consideration price paid for the repurchase including transaction cost was approximately RM3,650,000 and this was financed by internally generated funds. As at 30 September 2018, the cumulative total number of shares repurchased was 28,406,900 at its issued ordinary shares from the open market at an average price of RM0.92 per share. Total consideration paid for the repurchase including transaction cost was approximately RM26,050,000 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 nine months ended 30 September 2018, the Company declared First Interim Dividend of 3 sen per share (Single Tier Dividend) amounted to RM15,785,461 for the financial year ending 31 December 2018. The dividend was paid on 28 March 2018.



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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

A9 Segmental 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.

Management has determined the operating segments based on the reports reviewed by the Board of Directors (Chief Operating decision maker). The Board of Directors considers the business from a geographical perspective.

The Group's operations by key operating companies are segmented into these main geographic segments: Malaysia, Hong Kong and others comprise of investment holding companies and other operating companies in other countries that contributed less than 10% of consolidated revenue.

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial period ended 30 September 2018					
<u>Revenue</u>					
Sales to external customers	30,018	44,045	6,190	-	80,253
Inter-segment sales	50	-	-	(50)	-
Total	<u>30,068</u>	<u>44,045</u>	<u>6,190</u>	<u>(50)</u>	<u>80,253</u>
<u>Results</u>					
EBITDA *	12,494	10,140	811	(135)	23,310
Dividend income	51,520	-	-	(50,040)	1,480
Finance income	583	2	1	-	586
Finance costs	(1,431)	-	-	-	(1,431)
Depreciation of property, plant and equipment	(2,743)	(1,653)	(101)	-	(4,497)
Depreciation of investment properties	(176)	-	-	-	(176)
Amortisation of intangible assets	(2,977)	(75)	-	-	(3,052)
Unrealised foreign exchange gain/(loss)	330	8	(1)	(740)	(403)
Share of results of associates	(135)	-	-	-	(135)
Other non-cash items	(117)	(266)	-	-	(383)
Taxation	(5,254)	-	-	-	(5,254)
Segment profit/(loss) for the financial period	<u>52,094</u>	<u>8,156</u>	<u>710</u>	<u>(50,915)</u>	<u>10,045</u>

* 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 September 2017					
<u>Revenue</u>					
Sales to external customers	31,820	33,024	4,772	-	69,616
Inter-segment sales	1,460	-	-	(1,460)	-
Total	<u>33,280</u>	<u>33,024</u>	<u>4,772</u>	<u>(1,460)</u>	<u>69,616</u>
<u>Results</u>					
EBITDA *	13,585	5,444	194	-	19,223
Dividend income	11,549	-	-	(11,000)	549
Finance income	1,792	13	-	-	1,805
Finance costs	(1,545)	-	-	-	(1,545)
Depreciation of property, plant and equipment	(3,148)	(1,103)	(364)	-	(4,615)
Depreciation of investment properties	(210)	-	-	-	(210)
Amortisation of intangible assets	(2,742)	(123)	-	-	(2,865)
Unrealised foreign exchange gain/(loss)	5,366	-	-	(267)	5,099
Other non-cash items	1,103	-	-	-	1,103
Taxation	(48)	(1)	-	-	(49)
Segment profit/(loss) for the financial period	<u>25,702</u>	<u>4,230</u>	<u>(170)</u>	<u>(11,267)</u>	<u>18,495</u>

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

A10 Provision for doubtful debts

There was no provision for doubtful debts in the current quarter under review.

A11 Other receivables

	As At 30 Sep 2018 RM'000	As At 31 Dec 2017 RM'000
Other receivables	1,867	916
Deposits	10,311	3,823
Prepayments	2,262	1,720
	<u>14,440</u>	<u>6,459</u>



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A12 Other payables

	As At 30 Sep 2018 RM'000	As At 31 Dec 2017 RM'000
Other payables	3,831	1,828
Accruals	3,037	5,447
Deposit received	3,552	3,497
	<u>10,420</u>	<u>10,772</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 2018 Level 1 Fair Value RM'000	As At 31 Dec 2017 Level 1 Fair Value RM'000
Financial assets at fair value through profit or loss	<u>199</u>	<u>316</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. 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.



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A16 Material events subsequent to the end of the period

There was no material event subsequent to the current financial quarter ended 30 September 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

On 12 April 2018, the Company completed the acquisition of 47,326 Class A shares representing 28% of the issued and paid up share capital of OurMoneyMarket Holdings Pty Ltd ("OMM") for a total cash consideration of AUD2.8 million or equivalent to RM8,330,840. With the acquisition, OMM has become an associate to the Company.

The above acquisition does not have any material impact on the net assets and earning of the Group.

Other than the above, 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 21 November 2018 (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 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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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

	Current Year Quarter 30 Sep 2018 RM'000	Preceding Year Corresponding Quarter 30 Sep 2017 RM'000
Revenue	25,238	28,156
Profit attributable to owners of the Company	2,213	5,092
Core profit *	3,055	3,238

* Core profit represents earnings before extraordinary items.

The revenue of the Group in the current quarter totalling RM25.24 million was 10.37% lower than the revenue of RM26.16 million recorded in the corresponding quarter. This was mainly due to the weakening of the Hong Kong Dollar against the Malaysian Ringgit resulting in a lower revenue being recorded from its subsidiary in Hong Kong.

The profit attributable to the owners of the Company recorded in the current quarter amounted to RM2.21 million, representing a decrease of 56.6% compared to RM5.09 million recorded in the corresponding quarter.

This was attributed to combination of unrealised foreign exchange loss (as opposed to an unrealised foreign exchange gain in the corresponding quarter), lower revenues and higher taxes in the current quarter.

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

	Current Year To Date 30 Sep 2018 RM'000	Preceding Year Corresponding Period 30 Sep 2017 RM'000
Revenue	80,253	69,616
Profit attributable to owners of the Company	10,288	18,660
Core profit	14,315	10,453

* Core profit represents earnings before extraordinary items.

For the nine months ending 30 September 2018, the Group recorded a higher revenue of RM80.25 million compared to RM69.62 million in the preceding year's corresponding period. The increase of 15.28% in revenue was mainly due to the consolidation of nine months' financial results of N2N-AFE (Hong Kong) Limited ("AFE") in the current financial period compared to six months in the preceding year's corresponding period (the acquisition of AFE was completed on 31 March 2017).



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The Group recorded a 36.95% growth in its core profits (i.e. profits after excluding the effects of unrealised foreign exchange gains/losses, additional tax liability and tax penalty) for the nine months ending 30 September 2018 compared to the corresponding nine months in 2017. The core profits of the Group increased to RM14.32 million in the current period from RM10.45 million in the corresponding period.

The lower unrealised foreign exchange gains in the current financial period amounting to RM0.34 million (2017: RM5.10 million) and the additional tax liability and tax penalty totalling RM5.32 million recorded in the current financial period (the additional tax liability and tax penalty was disclosed in its announcement dated 9 July 2018 on Bursa Malaysia Securities Berhad) resulted in a lower profit attributable to the owners of the Company. As a result, the Group recorded a decrease of 44.87% in its profit attributable to the owners of the Company. Profit attributable to the owners of the Company amounted to RM10.29 million for the current financial period compared to RM18.66 million in the previous year's corresponding period.

B2 Material changes in the quarterly results as compared with the preceding quarter

The Group's profit before tax for the current quarter amounting to RM3.46 million was 30.9% lower than the profit before tax of RM5.01 million recorded in the preceding quarter mainly due to the higher margins contributed by a one time implementation fee that was recorded in the preceding quarter.

B3 Prospects

Following the successful acquisition of AFE, the enhanced coverage in Malaysia, Singapore, Indonesia, Philippines, the United States, Hong Kong, Macau, and Vietnam has positioned N2N to become one of the largest Asian-based platform providers. As Merger and Acquisition is one of the key expansion strategies, N2N is continuously seeking several other suitable acquisitions that are synergistic to its business.

Apart from this, the Group is in the process of finalising several new agreements and has a few qualified prospects that the Group is actively looking into in Malaysia, Singapore, Philippines and Vietnam. These involves the provision of web-based and mobile trading solutions and back office settlement systems for stock brokers.

Barring any unforeseen circumstances, the Board is confident that moving forward N2N Group financial outlook remains positive, taking into consideration its present client base and the prospects of new customers.



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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:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Sep 2018 RM'000	Preceding Year Corresponding Quarter 30 Sep 2017 RM'000	Current Year To Date 30 Sep 2018 RM'000	Preceding Year Corresponding Period 30 Sep 2017 RM'000
(a) Interest income	(82)	(1,000)	(586)	(1,805)
(b) Dividend Income	(740)	(41)	(1,480)	(549)
(c) Interest expense	391	753	1,431	1,545
(d) Depreciation and amortisation	2,520	2,863	7,725	7,690
(e) Net foreign exchange loss/(gain)	81	(3,922)	(963)	(3,787)
(f) Fair value change on financial assets at fair value through profit or loss	(10)	(792)	117	(1,103)

B6 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Sep 2018 RM'000	Preceding Year Corresponding Quarter 30 Sep 2017 RM'000	Current Year To Date 30 Sep 2018 RM'000	Preceding Year Corresponding Period 30 Sep 2017 RM'000
Taxation for the period comprises the following:				
Current tax expense				
- current period	(339)	(21)	(579)	(49)
- prior year	(1,002)	-	(4,675)	-
	<u>(1,341)</u>	<u>(21)</u>	<u>(5,254)</u>	<u>(49)</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.



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B7 Marketable securities

	As At 30 Sep 2018 RM'000	As At 31 Dec 2017 RM'000
At cost		
Quoted unit trusts *	62,813	43,943

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 Sep 2018 RM'000	As At 31 Dec 2017 RM'000
Secured		
Short-term borrowings		
United States Dollar		
Term loan	6,729	40,462
Long-term borrowings		
United States Dollar		
Term loan	25,444	28,923
	<u>32,173</u>	<u>69,385</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 7 November 2017, N2N received a writ of summons (“Writ”) from SAKK issued by High Court of Hong Kong. The Writ was later amended (“Amended Writ”) on 22 January 2018. SAKK alleged in the Amended Writ that N2N entered into an engagement letter (“Engagement Letter”) with SAKK on or before 1 December 2015 for the provision of merger and acquisition advisory services by SAKK to N2N. SAKK further alleged that, among others, N2N has failed to pay the success fee amounting to USD411,946, being the 2% of N2N’s purchase consideration of USD20,597,300 for the acquisition of AFE Solutions Limited (now known as N2N-AFE (Hong Kong) Limited), and accordingly, breached the Engagement Letter. SAKK’s claims against N2N amongst others (i) the sum of USD411,946 (ii) interest of 1% per month, or alternatively, pursuant to the applicable rule of the Hong Kong High Court. On 4 June 2018, N2N filed to the High Court of Hong Kong a defence and counterclaim against SAKK for amongst others, a sum of USD30,000 as agreed reimbursement against SAKK.

On 24 July 2018, N2N received a reply and defence of SAKK (the “Reply and Defence”) in reply and defence to N2N’s defence and counterclaim.

Subsequently, in September 2018, a meeting was held between SAKK and N2N on a without prejudice basis with an aim of allowing both parties to reach a settlement out of court. However, as at to-date, both parties have not been able to reach a settlement.

The solicitors acting for N2N are of the view that it would be premature and remote to comment on the ultimate outcome of the SAKK claim and/or N2N counterclaim since it depends on various unforeseen factors including the evidence to be discovered during the discovery stage, the outcome of interim mediation session, and the evidence to be provided by witnesses of SAKK and/or N2N during court hearings.

B11 Proposed dividends

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

B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Sep 2018	Preceding Year Corresponding Quarter 30 Sep 2017	Current Year To Date 30 Sep 2018	Preceding Year Corresponding Period 30 Sep 2017
(a) Basic earnings per share				
Net profit attributable to owners of the Company (RM'000)	2,213	5,092	10,288	18,660
Weighted average number of ordinary shares in issue ('000)	571,750	469,152	529,211	469,326
Basic earnings per share (sen)	0.39	1.08	1.94	3.98



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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Sep 2018	Preceding Year Corresponding Quarter 30 Sep 2017	Current Year To Date 30 Sep 2018	Preceding Year Corresponding Period 30 Sep 2017
(b) Diluted earnings per share				
Net profit attributable to owners of the Company (RM'000)	2,213	5,092	10,288	18,660
Weighted average number of ordinary shares in issue ('000)	571,750	469,152	529,211	469,326
Adjusted for:				
Assumed exercise of Warrants at no consideration ('000)	-	29,202	-	29,202
Adjusted number of ordinary shares ('000)	571,750	498,354	529,211	498,528
Diluted earnings per share (sen)	0.39	1.02	1.94	3.74

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

Save as disclosed below, there was no other corporate proposal announced but not completed as at the date of this report.

(a) Proposed ESOS

On 27 July 2018, the Company announced that it proposes to undertake the establishment of an employees' share option scheme of up to 15% of the total number of issued shares of the Company (excluding treasury shares, if any) for eligible executive Directors and employees of N2N and its subsidiary companies ("Proposed ESOS").

On 25 September 2018, the Company announced the Board had further discussed and considered various other employees' share schemes and have decided to revise the previous Proposed ESOS. The previous Proposed ESOS has thus been superseded by a Proposed Long Term Incentive Plan.

(b) Proposed long term incentive plan

On 25 September 2018, the Company announced that it proposes to establish a long term incentive plan of up to 15% of the total number of issued shares of the Company (excluding treasury shares, if any) for eligible executive Directors and employees of N2N and its subsidiary companies during the tenure of the Proposed Long Term Incentive Plan ("Proposed LTIP").

On 29 October 2018, Bursa Malaysia Securities Berhad ("Bursa Securities") had granted its approval for the listing of and quotation of such number of new ordinary shares in the Company to be issued pursuant to the Proposed LTIP.

The approval of shareholders for the Proposed LTIP will be sought in the extraordinary general meeting to be held on 12 December 2018.



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(c) Proposed bonus issue of warrants

On 2 November 2018, the Company announced that it proposes to undertake a bonus issue of up to 149,469,460 free warrants on the basis of 1 warrant for every 4 existing ordinary shares in the Company held on an entitlement date to be determined and announced later ("Proposed Bonus Issue of Warrants").

The listing application in relation to the Proposed Bonus Issue of Warrants had been submitted to Bursa Malaysia Securities Berhad on 5 November 2018.

(d) Proposed adoption of a new constitution of the company

On 12 November 2018, the Company announced that it intends to seek the approval of its shareholders to undertake the Proposed Adoption of a new Constitution of the Company at the forthcoming Extraordinary General Meeting to be convened.

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 November 2018.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 21 November 2018