



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION

FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018

Remark:

The results for the quarter and three months ended 31 March 2018 should be read in conjunction with the Annual Audited Financial Statements of N2N and its subsidiaries ("Group") for the financial year ended 31 December 2017.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Mar 2018 RM'000	Preceding Year Corresponding Quarter 31 Mar 2017 RM'000	Current Year To date 31 Mar 2018 RM'000	Preceding Year Corresponding Period 31 Mar 2017 RM'000
1 Revenue	25,683	11,364	25,683	11,364
2 Profit before tax	6,740	3,622	6,740	3,622
3 Profit for the year	6,613	3,605	6,613	3,605
4 Profit attributable to owners of the Company	6,693	3,624	6,693	3,624
5 Basic earnings per share (sen)	1.39	0.77	1.39	0.77
6 Diluted earnings per share (sen)	1.39	0.73	1.39	0.73
7 Proposed/Declared dividend per share (sen)	3.00	-	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 THREE MONTHS ENDED 31 MARCH 2018**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31 Mar 2018 RM'000	Preceding Year Corresponding Quarter 31 Mar 2017 RM'000	Current Year To Date 31 Mar 2018 RM'000	Preceding Year Corresponding Period 31 Mar 2017 RM'000
Revenue		25,683	11,364	25,683	11,364
Cost of sales		(11,971)	(4,985)	(11,971)	(4,985)
Gross profit		13,712	6,379	13,712	6,379
Other operating income		3,342	1,066	3,342	1,066
Administrative expenses		(9,666)	(3,756)	(9,666)	(3,756)
Finance costs		(648)	(67)	(648)	(67)
Profit before taxation		6,740	3,622	6,740	3,622
Taxation	B6	(127)	(17)	(127)	(17)
Profit for the period		6,613	3,605	6,613	3,605
Other comprehensive income: Items that may be reclassified subsequently to profit or loss					
- exchange differences arising from translation of foreign operations		(4,305)	50	(4,305)	50
Total comprehensive income for the period		2,308	3,655	2,308	3,655



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FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31 Mar 2018 RM'000	Preceding Year Corresponding Quarter 31 Mar 2017 RM'000	Current Year To Date 31 Mar 2018 RM'000	Preceding Year Corresponding Period 31 Mar 2017 RM'000
Profit for the period attributable to:					
Owners of the Company		6,693	3,624	6,693	3,624
Non-controlling interests		(80)	(19)	(80)	(19)
		<u>6,613</u>	<u>3,605</u>	<u>6,613</u>	<u>3,605</u>
Total comprehensive income for the period:					
Owners of the Company		2,388	3,674	2,388	3,674
Non-controlling interests		(80)	(19)	(80)	(19)
		<u>2,308</u>	<u>3,655</u>	<u>2,308</u>	<u>3,655</u>
Earnings per share ("EPS") attributable to the owners of the Company:					
Basic EPS (sen)	B12	<u>1.39</u>	<u>0.77</u>	<u>1.39</u>	<u>0.77</u>
Diluted EPS (sen)	B12	<u>1.39</u>	<u>0.73</u>	<u>1.39</u>	<u>0.73</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)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 Mar 2018 (UNAUDITED) RM'000	As at 31 Dec 2017 (AUDITED) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment and Investment properties	46,356	47,385
Intangible assets	71,081	73,668
Investment in an associate	61	61
	<u>117,498</u>	<u>121,114</u>
Current assets		
Trade receivables	14,302	12,008
Other receivables	7,319	6,459
Amount owing by a corporate shareholder	139	140
Amount owing by related companies	300	252
Amount owing by an associate	102	-
Tax recoverable	932	981
Marketable securities	35,692	43,943
Financial assets at fair value through profit or loss	227	316
Deposits with licensed bank	334	44,207
Cash and bank balances	84,588	53,158
	<u>143,935</u>	<u>161,464</u>
TOTAL ASSETS	<u>261,433</u>	<u>282,578</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	194,159	163,641
Exchange reserve	(12,538)	(8,233)
Warrants reserve	84	1,383
Treasury shares	(5,832)	(5,832)
Retained profits	29,471	38,563
Equity attributable to owners of the Company	<u>205,344</u>	<u>189,522</u>
Non-controlling interests	202	282
	<u>205,546</u>	<u>189,804</u>
Non-current liabilities		
Provision for retirement benefits	2,399	2,434
Bank borrowings	25,753	28,923
Deferred tax liabilities	2,490	2,540
	<u>30,642</u>	<u>33,897</u>



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 Mar 2018 (UNAUDITED) RM'000	As at 31 Dec 2017 (AUDITED) RM'000
Current liabilities			
Trade payables		6,059	6,154
Other payables	A12	10,454	10,772
Amount owing to a corporate shareholder		-	1,229
Amount owing to related companies		-	18
Bank borrowings	B8	8,584	40,462
Provision for taxation		148	242
		<u>25,245</u>	<u>58,877</u>
Total liabilities		<u>55,887</u>	<u>92,774</u>
TOTAL EQUITY AND LIABILITIES		<u>261,433</u>	<u>282,578</u>
Net Assets ("NA") per share attributable to owners of the Company (sen) *		<u>38</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.



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 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 year	-	-	-	-	6,693	6,693	(80)	6,613
Other comprehensive income	-	(4,305)	-	-	-	(4,305)	-	(4,305)
Total comprehensive income for the year	-	(4,305)	-	-	6,693	2,388	(80)	2,308
Dividends paid (i)	-	-	-	-	(15,785)	(15,785)	-	(15,785)
Issuance of shares pursuant to conversion of Warrants (ii)	30,518	-	-	(1,299)	-	29,219	-	29,219
At 31 March 2018	194,159	(12,538)	(5,832)	84	29,471	205,344	202	205,546



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018**

Note	Attributable to owners of the Company				Distributable Retained Profits RM'000	Total Equity RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Non-distributable							
	Share Capital RM'000	Exchange Reserve RM'000	Treasury Shares RM'000	Warrants Reserve RM'000				
At 1 January 2017	163,315	804	(5,409)	1,397	18,285	178,392	523	178,915
Profit for the period	-	-	-	-	3,624	3,624	(19)	3,605
Other comprehensive income	-	50	-	-	-	50	-	50
Total comprehensive income for the year	-	50	-	-	3,624	3,674	(19)	3,655
Shares purchased during the year held as treasury shares	-	-	(375)	-	-	(375)	-	(375)
At 31 March 2017	163,315	854	(5,784)	1,397	21,909	181,691	504	182,195



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018**

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) 64,931,969 new ordinary shares for cash pursuant to the conversion of Warrants at exercise price of RM0.45 per ordinary share.

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.



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	3 months ended 31 Mar 2018 RM'000	3 months ended 31 Mar 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,740	3,622
Adjustments for:		
Amortisation of intangible assets	939	772
Depreciation of property, plant and equipment	1,524	1,229
Depreciation of investment properties	70	70
Fair value change on financial assets at fair value through profit or loss	89	(399)
Provision for long service payments	88	-
Unrealised foreign exchange gain	(1,514)	(4)
Dividend income	(408)	(499)
Interest income	(342)	(264)
Interest expense	648	67
Operating profit before working capital changes	<u>7,834</u>	<u>4,594</u>
Changes in working capital		
Trade receivables	(2,291)	(1,726)
Other receivables	(860)	7,240
Trade payables	(88)	(873)
Other payables	(318)	70
Amount owing by/(to) related companies	(66)	(1)
Amount owing by/(to) a corporate shareholder	(1,228)	-
Amount owing by an associate	(102)	-
Cash generated from operations	<u>2,881</u>	<u>9,304</u>
Interest received	342	264
Interest paid	(648)	(67)
Dividend received	408	499
Net tax paid	(221)	(17)
Net cash generated from operating activities	<u>2,762</u>	<u>9,983</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Computer software development cost	(1,078)	(1,160)
Purchase of property, plant and equipment	(857)	(264)
Net changes in marketable securities	8,251	70,520
Acquisition of subsidiary, net of cash acquired	-	(65,736)
Net cash generated from investing activities	<u>6,316</u>	<u>3,360</u>



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(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	3 months ended 31 Mar 2018 RM'000	3 months ended 31 Mar 2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	29,219	-
Repurchase of treasury shares	-	(375)
Dividend paid	(15,785)	-
(Repayment)/Drawdown of bank borrowings, net	(33,408)	81,124
Decrease in fixed deposits pledged	43,873	-
Repayment of finance lease	-	(7)
Net cash generated from financing activities	<u>23,899</u>	<u>80,742</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	32,977	94,085
EFFECT OF EXCHANGE RATE CHANGES	(1,547)	69
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	53,158	36,527
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>84,588</u>	<u>130,681</u>
Cash and cash equivalents at end of the year comprises:		
Cash and bank balances	84,588	22,820
Deposits with licensed bank	334	107,861
	<u>84,922</u>	<u>130,681</u>
Less: Fixed deposits pledged to licensed bank	(334)	-
	<u>84,588</u>	<u>130,681</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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(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 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 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



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018

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, there was no repurchase of shares by the Company. As at 31 March 2018, the cumulative total number of shares repurchased was 7,339,900 at its issued ordinary shares from the open market at an average price of RM0.79 per share. Total consideration paid for the repurchase including transaction cost was approximately RM5,832,000 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 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 THREE MONTHS ENDED 31 MARCH 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					
31 March 2018					
<u>Revenue</u>					
Sales to external customers	10,332	13,791	1,560	-	25,683
Inter-segment sales	-	-	-	-	-
Total	10,332	13,791	1,560	-	25,683
<u>Results</u>					
EBITDA *	5,908	1,925	1	-	7,834
Dividend income	10,408	-	-	(10,000)	408
Finance income	341	1	-	-	342
Finance costs	(648)	-	-	-	(648)
Depreciation of property, plant and equipment	(929)	(561)	(34)	-	(1,524)
Depreciation of investment properties	(70)	-	-	-	(70)
Amortisation of intangible assets	(914)	(25)	-	-	(939)
Unrealised foreign exchange gain/(loss)	1,545	-	(7)	(24)	1,514
Other non-cash items	(89)	(88)	-	-	(177)
Taxation	(120)	(7)	-	-	(127)
Segment profit/(loss) for the financial period	15,432	1,245	(40)	(10,024)	6,613

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



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial period ended					
31 March 2017					
<u>Revenue</u>					
Sales to external customers	9,838	-	1,526	-	11,364
Inter-segment sales	-	-	-	-	-
Total	9,838	-	1,526	-	11,364
<u>Results</u>					
EBITDA *	4,368	-	226	-	4,594
Dividend income	11,499	-	-	(11,000)	499
Finance income	264	-	-	-	264
Finance costs	(67)	-	-	-	(67)
Depreciation of property, plant and equipment	(1,085)	-	(144)	-	(1,229)
Depreciation of investment properties	(70)	-	-	-	(70)
Amortisation of intangible assets	(772)	-	-	-	(772)
Unrealised foreign exchange gain/(loss)	177	-	-	(173)	4
Other non-cash items	399	-	-	-	399
Taxation	(17)	-	-	-	(17)
Segment profit/(loss) for the financial year	14,696	-	82	(11,173)	3,605

* 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 31 Mar 2018 RM'000	As At 31 Dec 2017 RM'000
Other receivables	1,001	916
Deposits	3,923	3,823
Prepayments	2,395	1,720
	7,319	6,459



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(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

A12 Other payables

	As At 31 Mar 2018 RM'000	As At 31 Dec 2017 RM'000
Other payables	3,467	1,828
Accruals	3,653	5,447
Deposit received	3,334	3,497
	<u>10,454</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 31 Mar 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>227</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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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018

A16 Material events subsequent to the end of the period

There was no material event subsequent to the current financial quarter ended 31 March 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 Investment in an associate

Investment in an associate relates to the Group's 48.99% equity interest investment in N2N Global Solutions Limited (the "Associate"). During the current period, the Group has not recognised share of result as the Associate was acquired on 6 December 2017 and remained dormant throughout the period. The Directors are of the opinion that the financial results of this Associate is not material to the Group. Hence, equity accounting has not been applied.

A19 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 25 May 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

A20 Capital commitments

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

A21 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 THREE MONTHS ENDED 31 MARCH 2018

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

For the current quarter ended 31 March 2018, the Group recorded a revenue of RM25.68 million, an increase of over two times in comparison to the preceding year's corresponding quarter of RM11.36 million. The increase was mainly due to the consolidation of the financial results of N2N-AFE (Hong Kong) Limited ("AFE") in the current quarter under review.

The Group recorded a profit attributable to the owners of the Company of approximately RM6.69 million which represented an increase of 85% in comparison to that which was recorded for the preceding year's corresponding quarter of RM3.62 million.

Apart from the effects of the full consolidation of AFE for the current quarter under review, the increase in unrealised gain in foreign exchange attributed to a USD loan also contributed to the improved profits.

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

The Group recorded a profit before taxation of RM6.74 million in the current quarter under review which was a 2% higher than the profit before taxation of RM6.61 million reported in the immediate preceding quarter mainly due to the reduced administrative expenses as a result of effective cost management.

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.

With several new agreements and qualified prospects in progress, barring any unforeseen circumstances, the Directors are confident that the financial outlook of the Group remains positive. These prospects include information service terminal, trading platform, data center hosting, network infrastructure and the acceptance of our latest back office settlement system by several brokers in Malaysia, Thailand and Philippines.

B4 Variation of actual profit from forecast profit

Not applicable as no profit forecast was published.



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

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 31 Mar 2018 RM'000	Preceding Year Corresponding Quarter 31 Mar 2017 RM'000	Current Year To Date 31 Mar 2018 RM'000	Preceding Year Corresponding Period 31 Mar 2017 RM'000
(a) Interest income	(342)	(264)	(342)	(264)
(b) Dividend Income	(408)	(499)	(408)	(499)
(c) Interest expense	648	67	648	67
(d) Depreciation and amortisation	2,533	2,071	2,533	2,071
(e) Net foreign exchange gain	(2,389)	135	(2,389)	135
(f) Fair value change on financial assets at fair value through profit or loss	89	(399)	89	(399)

B6 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Mar 2018 RM'000	Preceding Year Corresponding Quarter 31 Mar 2017 RM'000	Current Year To Date 31 Mar 2018 RM'000	Preceding Year Corresponding Period 31 Mar 2017 RM'000
Income tax: Current year	(127)	(17)	(127)	(17)

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.



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

B7 Marketable securities

	As At 31 Mar 2018 RM'000	As At 31 Dec 2017 RM'000
At cost		
Quoted unit trusts *	35,692	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 31 Mar 2018 RM'000	As At 31 Dec 2017 RM'000
Secured		
Short-term borrowings		
United States Dollar		
Term loan	8,584	40,462
Long-term borrowings		
United States Dollar		
Term loan	25,753	28,923
	<u>34,337</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.



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018

B10 Material litigation

On 7 November 2017, the Company received a writ of summons (“Writ”) from SAKK Consulting, Inc (“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 the Company 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 the Company. SAKK further alleged that, among others, the Company has failed to pay the success fee amounting to USD411,946 (equivalent to RM1,667,351), being the 2% of the Company’s purchase consideration of USD20,597,300 of the acquisition of N2N-AFE (Hong Kong) Limited (formerly known as AFE Solutions Limited), and accordingly, breached the Engagement Letter.

SAKK claimed in the Amended Writ against the Company for the following:

- (a) the sum of USD411,946 (equivalent to RM1,667,351);
- (b) interest of 1% per month, or alternatively, pursuant to the applicable rule of the Hong Kong High Court;
- (c) costs of the action on an indemnity basis; and
- (d) any other relief.

The Group and the Company are currently contesting the claim and the Directors are of the view that the Group and the Company has a good arguable case in respect of the claims and the said litigation would not have a material impact on the Group and of the Company.

B11 Dividend

During the current period under review, 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.

B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Mar 2018	Preceding Year Corresponding Quarter 31 Mar 2017	Current Year To Date 31 Mar 2018	Preceding Year Corresponding Period 31 Mar 2017
(a) Basic earnings per share				
Net profit attributable to owners of the Company (RM'000)	6,693	3,624	6,693	3,624
Weighted average number of ordinary shares in issue ('000)	481,006	469,316	481,006	469,316
Basic earnings per share (sen)	1.39	0.77	1.39	0.77



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Mar 2018	Preceding Year Corresponding Quarter 31 Mar 2017	Current Year To Date 31 Mar 2018	Preceding Year Corresponding Period 31 Mar 2017
(b) Diluted earnings per share				
Net profit attributable to owners of the Company (RM'000)	6,693	3,624	6,693	3,624
Weighted average number of ordinary shares in issue ('000)	481,006	469,316	481,006	469,316
Adjusted for:				
Assumed exercise of Warrants at no consideration ('000)	2,080	25,990	2,080	25,990
Adjusted number of ordinary shares ('000)	483,086	495,306	483,086	495,306
Diluted earnings per share (sen)	1.39	0.73	1.39	0.73

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 25 May 2018.

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 25 May 2018.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 25 May 2018