



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019**

N2N CONNECT BERHAD (523137-K)
(Incorporated in Malaysia)
SUMMARY OF KEY FINANCIAL INFORMATION
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019

Remark:

The results for the quarter and three months ended 31 March 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 and Year-To-Date Ended	
		31 Mar 2019	31 Mar 2018
		RM'000	RM'000
1	Revenue	27,248	25,683
2	Profit before taxation	5,774	6,740
3	Profit for the period	5,486	6,613
4	Profit attributable to owners of the Company	5,589	6,693
5	Basic earnings per share (sen)	1.04	1.39
6	Diluted earnings per share (sen)	0.82	1.39
7	Proposed/Declared dividend per share (sen)	-	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 31 MARCH 2019**

	Note	Quarter and Year-To-Date Ended		
		31 Mar 2019	31 Mar 2018	Changes
		RM'000 (UNAUDITED)	RM'000 (UNAUDITED)	%
Revenue		27,248	25,683	6%
Cost of sales		(12,043)	(11,971)	1%
Gross profit		<u>15,205</u>	<u>13,712</u>	11%
Other operating income		1,395	3,342	-58%
Administrative expenses		(10,331)	(9,666)	7%
Finance costs		(370)	(648)	-43%
Share of results of associates		(125)	-	
Profit before taxation		<u>5,774</u>	<u>6,740</u>	-14%
Taxation	B6	(288)	(127)	
Profit for the period		<u>5,486</u>	<u>6,613</u>	-17%
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
- Exchange differences arising from translation of foreign operations		(1,089)	(4,305)	
Total comprehensive income for the period		<u>4,397</u>	<u>2,308</u>	
Profit for the period attributable to:				
- Owners of the Company		5,589	6,693	
- Non-controlling interests		(103)	(80)	
		<u>5,486</u>	<u>6,613</u>	
Total comprehensive income for the period:				
- Owners of the Company		4,500	2,388	
- Non-controlling interests		(103)	(80)	
		<u>4,397</u>	<u>2,308</u>	
Earnings per share ("EPS") attributable to the owners of the Company:				
- Basic EPS (sen)	B12	1.04	1.39	
- Diluted EPS (sen)	B12	<u>0.82</u>	<u>1.39</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)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	As at 31 Mar 2019 RM'000 (UNAUDITED)	As at 31 Dec 2018 RM'000 (AUDITED)
ASSETS			
Non-current assets			
Property, plant and equipment		34,057	33,425
Investment properties		10,139	10,197
Intangible assets		74,470	75,105
Investment in associates		7,918	8,043
		<u>126,584</u>	<u>126,770</u>
Current assets			
Trade receivables		20,194	16,661
Other receivables	A11	7,064	7,165
Amount owing by related companies		427	409
Amount owing by an associate		1,037	681
Tax recoverable		249	432
Marketable securities	B7	86,865	52,045
Financial assets at fair value through profit or loss	A13	129	114
Deposits with licensed bank		344	341
Cash and bank balances		57,984	101,576
		<u>174,293</u>	<u>179,424</u>
TOTAL ASSETS		<u>300,877</u>	<u>306,194</u>
EQUITY AND LIABILITIES			
Total equity			
Share capital		260,987	260,987
Treasury shares		(36,018)	(35,542)
Exchange reserve		(8,652)	(7,563)
Retained profits		36,140	30,551
Equity attributable to owners of the Company		<u>252,457</u>	<u>248,433</u>
Non-controlling interests		(186)	(83)
		<u>252,271</u>	<u>248,350</u>
Non-current liabilities			
Bank borrowings	B8	18,156	20,680
Provision for retirement benefits	A14	2,289	2,234
Deferred tax liabilities		1,145	1,158
		<u>21,590</u>	<u>24,072</u>
Current liabilities			
Trade payables		6,209	5,497
Other payables	A12	9,455	16,404
Amount owing to related companies		-	24
Bank borrowings	B8	9,078	9,191
Provision for taxation		2,274	2,656
		<u>27,016</u>	<u>33,772</u>
Total liabilities		<u>48,606</u>	<u>57,844</u>
TOTAL EQUITY AND LIABILITIES		<u>300,877</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)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 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	-	-	-	-	5,589	5,589	(103)	5,486
Other comprehensive income	-	-	(1,089)	-	-	(1,089)	-	(1,089)
Total comprehensive income for the period	-	-	(1,089)	-	5,589	4,500	(103)	4,397
Share repurchased during the period held as treasury shares	-	(476)	-	-	-	(476)	-	(476)
At 31 March 2019	260,987	(36,018)	(8,652)	-	36,140	252,457	(186)	252,271
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	-	-	-	-	6,693	6,693	(80)	6,613
Other comprehensive income	-	-	(4,305)	-	-	(4,305)	-	(4,305)
Total comprehensive income for the period	-	-	(4,305)	-	6,693	2,388	(80)	2,308
Dividends paid	(i)	-	-	-	(15,785)	(15,785)	-	(15,785)
Issuance of shares pursuant to exercise of Warrants	(ii)	30,518	-	-	(1,299)	29,219	-	29,219
At 31 March 2018	194,159	(5,832)	(12,538)	84	29,212	205,085	202	205,287

Notes:

(i) 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.

(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 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 THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019**

	Quarter and	
	Year-To-Date Ended	
	31 Mar 2019	31 Mar 2018
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Cash flows from operating activities		
Profit before taxation	5,774	6,740
Adjustments for:		
Amortisation of intangible assets	1,346	939
Allowance for impairment on trade receivables	(6)	-
Depreciation of property, plant and equipment	1,473	1,524
Depreciation of investment properties	62	70
Fair value change on financial assets at fair value through profit or loss	(15)	89
Provision for long service payments	-	88
Unrealised foreign exchange gain	(133)	(1,514)
Dividend income	(793)	(408)
Interest income	(125)	(342)
Interest expense	370	648
Share of results of associates	125	-
Operating profit before working capital changes	<u>8,078</u>	<u>7,834</u>
Changes in working capital		
Trade receivables	(3,539)	(2,291)
Other receivables	101	(860)
Trade payables	712	(88)
Other payables	(6,949)	(318)
Amount owing to/by related companies	(42)	(66)
Amount owing to/by a corporate shareholder	-	(1,228)
Amount owing by an associate	<u>(356)</u>	<u>(102)</u>
Cash (used in)/generated from operations	(1,995)	2,881
Net tax paid	<u>(451)</u>	<u>(221)</u>
Net cash (used in)/generated from operating activities	<u>(2,446)</u>	<u>2,660</u>
Cash flows from investing activities		
Computer software development cost	(1,488)	(1,078)
Purchase of property, plant and equipment	(2,220)	(857)
Net changes in marketable securities	(34,820)	8,251
Interest received	125	342
Dividend received	793	408
Net cash (used in)/generated from investing activities	<u>(37,610)</u>	<u>7,066</u>
Cash flows from financing activities		
Proceeds from issuance of shares pursuant to exercise of warrants	-	29,219
Repurchase of treasury shares	(476)	-
Repayment of bank borrowings	(2,504)	(33,408)
Decrease/(Increase) in fixed deposits pledged	(3)	43,873
Dividend paid	793	(15,785)
Interest paid	<u>(370)</u>	<u>(648)</u>
Net cash (used in)/generated from financing activities	<u>(2,560)</u>	<u>23,251</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019**

	Quarter and Year-To-Date Ended	
	31 Mar 2019	31 Mar 2018
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Net (decrease)/increase in cash and cash equivalents	(42,616)	32,977
Effect of exchange rate changes	(976)	(1,547)
Cash and cash equivalents at beginning of the period	101,576	53,158
Cash and cash equivalents at end of the period	57,984	84,588
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	57,984	84,588
Deposits with licensed bank	344	334
	58,328	84,922
Less: Fixed deposits pledged to licensed bank	(344)	(334)
	57,984	84,588

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.

N2N CONNECT BERHAD (523137-K)
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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 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 594,200 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 RM477,000 and this was financed by internally generated funds. As at 31 March 2019, the cumulative total number of shares repurchased was 38,112,100 at its issued ordinary shares from the open market at an average price of RM0.95 per share. Total consideration paid for the repurchase including transaction cost was approximately RM36,018,000 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

There is no dividend paid during the current period under review.

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 31 March 2019					
<u>Revenue</u>					
Sales to external customers	9,440	14,582	3,226	-	27,248
Inter-segment sales	13	-	-	(13)	-
Total	9,453	14,582	3,226	(13)	27,248
<u>Results</u>					
EBITDA *	3,817	2,943	1,442	(124)	8,078
Dividend income	10,793	-	-	(10,000)	793
Finance income	120	5	-	-	125
Finance costs	(370)	-	-	-	(370)
Depreciation of property, plant and equipment	(822)	(614)	(37)	-	(1,473)
Depreciation of investment properties	(62)	-	-	-	(62)
Amortisation of intangible assets	(1,320)	(26)	-	-	(1,346)
Unrealised foreign exchange gain/(loss)	219	-	(10)	(76)	133
Share of results of associates	(125)	-	-	-	(125)
Other non-cash items	15	6	-	-	21
Taxation	(288)	-	-	-	(288)
Segment profit for the period	11,977	2,314	1,395	(10,200)	5,486

* 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					
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 for the period	15,432	1,245	(40)	(10,024)	6,613

* 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 2019 RM'000	As At 31 Dec 2018 RM'000
Deposits	506	1,505
Other receivables	3,900	3,244
Prepayments	2,658	2,416
	7,064	7,165

A12 OTHER PAYABLES

	As At 31 Mar 2019 RM'000	As At 31 Dec 2018 RM'000
Accruals	1,460	4,726
Deposit received	3,528	3,421
Other payables	4,467	8,257
	9,455	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 31 Mar 2019 Level 1 RM'000	As At 31 Dec 2018 Level 1 RM'000
Financial assets at fair value through profit or loss	129	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

On 22 February 2019, the Company had acquired the entire equity interest in Asiannext Sdn. Bhd. ("Asiannext") comprising of 2 ordinary shares for a total cash consideration of RM2. Asiannext is principally engaged in providing, operate and maintain a digital asset exchange and alternative trading system. The Acquisition is not expected to have any material effect on the earnings and net assets of the Group.

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 17 May 2019 (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.

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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

Performance of current quarter against the preceding year corresponding quarter.

	Quarter and Year-To-Date Ended	
	31 Mar 2019 RM'000	31 Mar 2018 RM'000
Revenue	27,248	25,683
Profit after taxation	5,486	6,613
Core profit *	4,447	4,010

* Core profit represents earnings before extraordinary items.

For the quarter under review, revenue of the Group recorded a growth of 6.1% compared to the preceding year's corresponding period. The revenue of the Group was RM27.25 million in the current quarter compared to RM25.68 million in the corresponding quarter.

The profit after taxation for the current quarter totalling RM5.49 million was 17% lower than the profit after taxation of RM6.61 million recorded in the corresponding quarter. This was mainly attributed to the lower unrealised foreign exchange gain for the current quarter in comparison to the corresponding quarter.

Core profits of the Group recorded a 10.9% increase in the current quarter compared to the corresponding quarter. The combination of higher revenue and improved margins for the current quarter resulted in the Group recording a higher core profit of RM4.45 mil against RM4.01 million in the corresponding quarter.

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

	Quarter Ended	
	31 Mar 2019 RM'000	31 Dec 2018 RM'000
Revenue	27,248	27,865
Profit for the period	5,486	2,746
Core profit	4,447	2,893

The Group recorded a lower revenue of RM27.25 million compared to RM27.87 million in the immediate preceding quarter. One time implementation fees recorded in the previous quarter attributed to the 2.2% difference in revenues between the two quarters.

The Group recorded a higher profit after taxation for the current quarter in comparison to the immediate preceding quarter. In the current quarter, profit after taxation was RM5.49 million representing a 99.8% improvement compared to RM2.75 million in the previous quarter. In the current quarter, lower provisions for trade receivables, other non-recurring administration costs and taxation bolstered the profit after taxation at the back of a lower revenue.

Compared to the immediate preceding quarter, the Group's core profits improved by 53.72% to RM4.45 million (Q4 2018: RM2.89 million). The improvement was mainly due to lower provisions for trade receivables and other non-recurring administration costs.

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B3 PROSPECTS

The group foresees growth opportunities arising from the region and its strategic collaboration with SBI Holdings Inc. and SBI Japannext Co., Ltd. Also, the completion of the first stage of its Asia Trading Hub that is targeted for middle of the year is expected to pave the way for the Group to offer a platform that facilitates cross border trades.

Barring any unforeseen circumstances, the Group is optimistic about its performance for the current financial year.

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 and Year-To-Date Ended	
	31 Mar 2019 RM'000	31 Mar 2018 RM'000
(a) Interest income	(125)	(342)
(b) Dividend Income	(793)	(408)
(c) Interest expense	370	648
(d) Depreciation and amortisation	2,881	2,533
(e) Net foreign exchange loss/(gain)	(153)	(2,389)
(f) Fair value change on financial assets at fair value through profit or loss	(15)	89

B6 TAXATION

	Quarter and Year-To-Date Ended	
	31 Mar 2019 RM'000	31 Mar 2018 RM'000
Income tax	(288)	(127)

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 31 Mar 2019 RM'000	As At 31 Dec 2018 RM'000
Quoted unit trusts in Malaysia*	86,865	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.

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B8 GROUP'S BORROWINGS AND DEBT SECURITIES

	As At 31 Mar 2019 RM'000	As At 31 Dec 2018 RM'000
Secured		
Short-term borrowings		
<i>United States Dollar</i>		
Term loan	9,078	9,191
Long-term borrowings		
<i>United States Dollar</i>		
Term loan	18,156	20,680
	<u>27,234</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.

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, 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;
- (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.

On 8 August 2018, SAKK made a sanctioned offer to settle the whole of the SAKK Claim in Action, inclusive of interest, for the sum of USD220,000. The Sanctioned offer was not accepted by the Group within 28 days of the Sanctioned offer.

The Group and the Company is currently contesting the claim and the Directors is 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 the Company.

B11 PROPOSED DIVIDENDS

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

N2N CONNECT BERHAD (523137-K)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019

B12 EARNINGS PER SHARE ("EPS")

	Quarter and Year-To-Date Ended	
	31 Mar 2019	31 Mar 2018
(a) Basic earnings per share		
Profit attributable to owners of the Company (RM'000)	5,589	6,693
Weighted average number of ordinary shares in issue ('000)	538,288	481,006
Basic EPS (sen)	1.04	1.39
(b) Diluted earnings per share		
Profit attributable to owners of the Company (RM'000)	5,589	6,693
Weighted average number of ordinary shares in issue ('000)	538,288	481,006
Assumed exercise of Warrants at no consideration ('000)	140,090	2,080
Adjusted weighted average number of ordinary shares in issue and issueable ('000)	678,378	483,086
Diluted EPS (sen)	0.82	1.39

B13 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED AT THE LATEST PRACTICABLE DATE

There were no corporate proposals announced but not completed as at 17 May 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 17 May 2019.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 17 May 2019