



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

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

N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

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

Remark:

The results for the quarter and nine months ended 30 September 2019 should be read in conjunction with the Annual Audited Financial Statements of N2N Connect Berhad and its subsidiaries ("Group") for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

	Quarter Ended		Year-To-Date Ended	
	30 Sept 2019	30 Sept 2018	30 Sept 2019	30 Sept 2018
	RM'000	RM'000	RM'000	RM'000
1 Revenue	25,450	25,238	78,866	80,253
2 Profit before taxation	5,729	3,463	15,280	15,299
3 Profit for the period	5,457	2,122	13,804	10,045
4 Profit attributable to owners of the Company	5,559	2,213	14,106	10,288
5 Basic earnings per share (sen)	1.00	0.39	2.62	1.94
6 Diluted earnings per share (sen)	0.80	0.39	2.08	1.94
7 Proposed/Declared dividend per share (sen)	-	-	1.00	3.00

N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019**

Note	Quarter Ended			Year-To-Date Ended		
	30 Sept 2019 RM'000 (UNAUDITED)	30 Sept 2018 RM'000 (UNAUDITED)	Changes %	30 Sept 2019 RM'000 (UNAUDITED)	30 Sept 2018 RM'000 (UNAUDITED)	Changes %
Revenue	25,450	25,238	1%	78,866	80,253	-2%
Cost of sales	(10,326)	(11,578)	-11%	(33,481)	(35,261)	-5%
Gross profit	15,124	13,660	11%	45,385	44,992	1%
Other operating income	1,118	504	122%	3,699	3,659	1%
Administrative expenses	(10,217)	(10,239)	0%	(32,678)	(31,786)	3%
Finance costs	(296)	(391)	-24%	(1,001)	(1,431)	-30%
Share of results of associates	-	(71)	-100%	(125)	(135)	-7%
Profit before taxation	5,729	3,463	65%	15,280	15,299	0%
Taxation	B6 (272)	(1,341)	-80%	(1,476)	(5,254)	-72%
Profit for the period	5,457	2,122	157%	13,804	10,045	37%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
- Exchange differences arising from translation of foreign operations	734	2,482		883	1,615	
Total comprehensive income for the period	6,191	4,604		14,687	11,660	
Profit for the period attributable to:						
- Owners of the Company	5,559	2,213		14,106	10,288	
- Non-controlling interests	(102)	(91)		(302)	(243)	
	5,457	2,122		13,804	10,045	
Total comprehensive income for the period:						
- Owners of the Company	6,293	4,695		14,989	11,903	
- Non-controlling interests	(102)	(91)		(302)	(243)	
	6,191	4,604		14,687	11,660	
Earnings per share ("EPS") attributable to owners of the Company:						
- Basic EPS (sen)	B12 1.00	0.39		2.62	1.94	
- Diluted EPS (sen)	B12 0.80	0.39		2.08	1.94	

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

N2N CONNECT BERHAD (523137-K)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Note	As at 30 Sept 2019 RM'000 (UNAUDITED)	As at 31 Dec 2018 RM'000 (AUDITED)
ASSETS			
Non-current assets			
Property, plant and equipment		32,533	33,425
Investment properties		10,021	10,197
Intangible assets		76,985	75,105
Investment in associates		7,918	8,043
		<u>127,457</u>	<u>126,770</u>
Current assets			
Trade receivables		26,208	16,661
Other receivables	A11	9,425	7,165
Amount owing by related companies		283	409
Amount owing by an associate		1,229	681
Tax recoverable		255	432
Marketable securities	B7	81,792	52,045
Financial assets at fair value through profit or loss	A13	121	114
Deposits with licensed bank		349	341
Cash and bank balances		54,656	101,576
		<u>174,318</u>	<u>179,424</u>
TOTAL ASSETS		<u>301,775</u>	<u>306,194</u>
EQUITY AND LIABILITIES			
Total equity			
Share capital		260,987	260,987
Treasury shares		(37,198)	(35,542)
Exchange reserve		(6,680)	(7,563)
Retained profits		39,075	30,551
Equity attributable to owners of the Company		<u>256,184</u>	<u>248,433</u>
Non-controlling interests		(385)	(83)
		<u>255,799</u>	<u>248,350</u>
Non-current liabilities			
Bank borrowings	B8	13,967	20,680
Provision for retirement benefits	A14	2,530	2,234
Deferred tax liabilities		1,168	1,158
		<u>17,665</u>	<u>24,072</u>
Current liabilities			
Trade payables		6,571	5,497
Other payables	A12	9,484	16,404
Amount owing to related companies		108	24
Bank borrowings	B8	9,311	9,191
Provision for taxation		2,837	2,656
		<u>28,311</u>	<u>33,772</u>
Total liabilities		<u>45,976</u>	<u>57,844</u>
TOTAL EQUITY AND LIABILITIES		<u>301,775</u>	<u>306,194</u>
Net assets per share attributable to owners of the Company (sen) *		<u>46</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 30 SEPTEMBER 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		-	-	-	-	14,106	14,106	(302)	13,804
Other comprehensive income		-	-	883	-	-	883	-	883
Total comprehensive income for the period		-	-	883	-	14,106	14,989	(302)	14,687
Dividends paid	i	-	-	-	-	(5,582)	(5,582)	-	(5,582)
Share repurchased during the period held as treasury shares		-	(1,656)	-	-	-	(1,656)	-	(1,656)
At 30 September 2019		260,987	(37,198)	(6,680)	-	39,075	256,184	(385)	255,799
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		-	-	-	-	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	ii	-	-	-	-	(15,785)	(15,785)	-	(15,785)
Shares repurchased during the year held as treasury shares		-	(20,218)	-	-	-	(20,218)	-	(20,218)
Issuance of shares pursuant to:									
- exercise of Warrants	iii	32,294	-	-	(1,374)	-	30,920	-	30,920
- private placement	iv	65,052	-	-	-	-	65,052	-	65,052
Transfer of unexercised warrants reserve upon expiry		-	-	-	(9)	9	-	-	-
At 30 September 2018		260,987	(26,050)	(6,618)	-	32,816	261,135	39	261,174

N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

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

Notes:

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

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

N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

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

	Year-To-Date Ended	
	30 Sept 2019	30 Sept 2018
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Cash flows from operating activities		
Profit before taxation	15,280	15,299
Adjustments for:		
Amortisation of intangible assets	3,760	3,052
Bad debts written off	18	-
Depreciation of property, plant and equipment	4,197	4,497
Depreciation of investment properties	176	176
Fair value change on financial assets at fair value through profit or loss	(7)	117
Gain on disposal of property, plant and equipment	(4)	(30)
Allowance for impairment on trade receivables	67	-
Property, plant and equipment written off	-	41
Provision for long service payments	263	266
Share of results of associates	125	135
Unrealised foreign exchange gain	184	403
Interest expense	1,001	1,431
Interest income	(321)	(586)
Dividend income	(2,643)	(1,480)
Operating profit before working capital changes	<u>22,096</u>	<u>23,321</u>
Changes in working capital		
Trade receivables	(9,561)	(4,308)
Other receivables	(2,260)	(7,981)
Trade payables	1,008	437
Other payables	(6,920)	(352)
Amount owing by/to related companies	210	(146)
Amount owing by/to an associate	(548)	(672)
Amount owing by/to a corporate shareholder	-	(1,231)
Cash generated from operations	<u>4,025</u>	<u>9,068</u>
Dividend received	2,643	1,480
Interest paid	(1,001)	(1,431)
Interest received	321	586
Net tax paid	<u>(1,144)</u>	<u>(4,390)</u>
Net cash generated from operating activities	<u>4,844</u>	<u>5,313</u>
Cash flows from investing activities		
Computer software development cost	(4,982)	(3,434)
Purchase of property, plant and equipment	(3,306)	(2,022)
Proceeds from disposal of property, plant and equipment	4	30
Net changes in marketable securities	(29,747)	(18,870)
Investment in associate	-	(8,331)
Net cash used in investing activities	<u>(38,031)</u>	<u>(32,627)</u>
Cash flows from financing activities		
Dividend paid	(5,582)	(15,785)
Decrease in fixed deposits pledged	-	43,868
Proceeds from issuance of shares pursuant to exercise of warrants	-	30,920
Proceeds from issuance of shares pursuant to private placement	-	65,052
Repayment of bank borrowings	(6,593)	(37,796)
Repurchase of treasury shares	(1,656)	(20,218)
Net cash (used in)/generated from financing activities	<u>(13,831)</u>	<u>66,041</u>

N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

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

	Year-To-Date Ended	
	30 Sept 2019	30 Sept 2018
	RM'000	RM'000
	(UNAUDITED)	(UNAUDITED)
Net (decrease)/increase in cash and cash equivalents	(47,018)	38,727
Effect of exchange rate changes	106	697
Cash and cash equivalents at beginning of the period	101,917	53,158
Cash and cash equivalents at end of the period	55,005	92,582
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	54,656	92,582
Deposits with licensed bank	349	339
	55,005	92,921
Less: Fixed deposits pledged to licensed bank	(349)	(339)
	54,656	92,582

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)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 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.

N2N CONNECT BERHAD (523137-K)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019

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.

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 30 September 2019					
<u>Revenue</u>					
Sales to external customers	28,818	42,946	7,102	-	78,866
Inter-segment sales	38	-	557	(595)	-
Total	28,856	42,946	7,659	(595)	78,866
<u>Results</u>					
EBITDA *	11,531	8,897	1,793	(125)	22,096
Dividend income	12,643	-	-	(10,000)	2,643
Finance income	302	19	-	-	321
Finance costs	(1,001)	-	-	-	(1,001)
Depreciation of property, plant and equipment	(2,266)	(1,827)	(104)	-	(4,197)
Depreciation of investment properties	(176)	-	-	-	(176)
Amortisation of intangible assets	(3,681)	(79)	-	-	(3,760)
Unrealised foreign exchange gain/(loss)	(206)	-	28	(6)	(184)
Share of results of associates	(125)	-	-	-	(125)
Provision for doubtful debts	-	(67)	-	-	(67)
Other non-cash items	11	(281)	-	-	(270)
Taxation	(1,189)	-	(287)	-	(1,476)
Segment profit for the period	15,843	6,662	1,430	(10,131)	13,804

* 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 YEAR-TO-DATE ENDED 30 SEPTEMBER 2019

	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 *	12,499	10,146	811	(135)	23,321
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	(112)	(282)	-	-	(394)
Taxation	(5,254)	-	-	-	(5,254)
Segment profit for the period	<u>52,104</u>	<u>8,146</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).

A10 PROVISION FOR DOUBTFUL DEBTS

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

A11 OTHER RECEIVABLES

	As At 30 Sept 2019 RM'000	As At 31 Dec 2018 RM'000
Prepayments	4,528	2,416
Deposits paid	1,675	1,505
Other receivables	3,222	3,244
	<u>9,425</u>	<u>7,165</u>

A12 OTHER PAYABLES

	As At 30 Sept 2019 RM'000	As At 31 Dec 2018 RM'000
Accruals	2,574	4,726
Deposit received	3,661	3,421
Other payables	3,249	8,257
	<u>9,484</u>	<u>16,404</u>

N2N CONNECT BERHAD (523137-K)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019

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

A14 PROVISION FOR RETIREMENT BENEFITS

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

A15 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

A16 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There was no material event subsequent to the current financial quarter 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 Asianext Sdn. Bhd. ("Asianext") comprising of 2 ordinary shares for a total cash consideration of RM2. Asianext 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.

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 20 November 2019 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

N2N CONNECT BERHAD (523137-K)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019

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.

N2N CONNECT BERHAD (523137-K)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019

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

B1 REVIEW OF PERFORMANCE

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

	Quarter Ended	
	30 Sept 2019	30 Sept 2018
	RM'000	RM'000
Revenue	25,450	25,238
Profit for the quarter	5,457	2,122
Core profit *	4,656	3,055

* Core profit represents earnings before extraordinary items.

The Group recorded a revenue of RM25.45 million for the quarter ended 30 September 2019 in comparison to RM25.24 million in the preceding year's corresponding quarter. The higher revenue of 0.83% was mainly due to higher subscription fees and managed services fees in the current quarter.

The profit after taxation for the current quarter totalling RM5.46 million was 157.55% higher than the profit after taxation of RM2.12 million recorded in the corresponding quarter. This was mainly attributed to the combination of an increase in other income for the current quarter and the absence of a one-time additional taxes that was borne by the Group in the corresponding quarter.

The Group's core profits improved by 52.3% to RM4.66 million in the current quarter compared to RM3.06 million in the corresponding quarter. The improvement was contributed by higher margins and lower operating expenses in the current quarter.

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

	Year-To-Date Ended	
	30 Sept 2019	30 Sept 2018
	RM'000	RM'000
Revenue	78,866	80,253
Profit for the period	13,804	10,045
Core profit *	11,122	14,315

* Core profit represents earnings before extraordinary items.

The Group recorded a revenue of RM78.87 million for the period ended 30 September 2019 in comparison to revenue of RM80.25 million in the preceding year's corresponding period. The lower revenue of 1.72% was mainly due to lower one time implementation charges.

The profit after taxation for the current period totalling RM13.80 million was 37.3% higher than the profit after taxation of RM10.05 million recorded in the corresponding period. The improvement was mainly contributed by the net effects of higher other income and the absence of one-time additional taxes and tax penalties that was borne by the Group in the corresponding period.

The Group recorded a lower core profit of RM11.12 million in the current period compared to RM14.32 million in corresponding period resulting from lower one-time implementation charges in the current period.

N2N CONNECT BERHAD (523137-K)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019

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

	Quarter Ended	
	30 Sept 2019 RM'000	30 Jun 2019 RM'000
Revenue	25,450	26,168
Profit for the quarter	5,457	2,861
Core profit *	4,656	2,019

* Core profit represents earnings before extraordinary items.

The Group recorded a lower revenue of RM25.45 million or 2.75% in comparison to RM26.17 million in the immediate preceding quarter mainly due to lower transaction based fees.

The Group recorded a higher profit after taxation of RM5.46 million for the current quarter in comparison to RM2.86 million for the preceding quarter. The 90.91% improvement in profit after taxation was mainly due to the combination of higher margins and lower operation costs.

The core profits of the Group improved 130.69% to RM4.66 million in the current quarter compared to RM2.02 million in the preceding quarter mainly due to the combination of higher margins and lower operation costs.

B3 PROSPECTS

The Group launched its Asia e-Broker and Asia Trading Hub to its Malaysian based clients on 7th November 2019. Asia e-Broker is a platform that makes it easy for investors to trade globally whilst Asia Trading Hub is a global connective platform that connects over 100 brokers across the region. The launch marks the initial phase of the endeavour, covering the capital markets of Malaysia, Singapore, Hong Kong and US. Exchanges that are encompassed includes Bursa Malaysia, Singapore Exchange (SGX), Hong Kong Exchange (HKEX), Shenzhen Stock Exchange (SZSE), Shanghai Stock Exchange (SSE), New York Stock Exchange (NYSE), NASDAQ and NYSE American. The Group is optimistic that the launch of Asia e-Broker and Asia Trading Hub will help securities companies and investment banks promote greater uptake of cross border trades from the retail sector. Following the launch in Malaysia, the Group will soon be introducing both platforms to brokers in Singapore and Hong Kong.

On the regional front, the Group continues to closely monitor the developments in Hong Kong. Barring unforeseen circumstance, the Group does not expect a material impact to its operations in Hong Kong in the near term.

B4 VARIATION OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable as no profit forecast was published.

B5 ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

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

	Quarter Ended		Year-To-Date Ended	
	30 Sept 2019 RM'000	30 Sept 2018 RM'000	30 Sept 2019 RM'000	30 Sept 2018 RM'000
(a) Interest income	(91)	(82)	(321)	(586)
(b) Dividend Income	(922)	(740)	(2,643)	(1,480)
(c) Interest expense	296	391	1,001	1,431
(d) Depreciation and amortisation	2,706	2,520	8,133	7,725
(e) Net foreign exchange loss/(gain)	325	81	256	(963)
(f) Fair value change on financial assets at fair value through profit or loss	-	(10)	(7)	117

N2N CONNECT BERHAD (523137-K)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019

B6 TAXATION

	Quarter Ended		Year-To-Date Ended	
	30 Sept 2019 RM'000	30 Sept 2018 RM'000	30 Sept 2019 RM'000	30 Sept 2018 RM'000
Current tax:				
- Current year provision	(253)	(339)	(1,457)	(579)
- Under provision in prior years	(19)	(1,002)	(19)	(4,675)
	<u>(272)</u>	<u>(1,341)</u>	<u>(1,476)</u>	<u>(5,254)</u>

The effective tax rate of the Group for the current quarter under review was lower than the statutory tax rate of 24% mainly due to subsidiary companies have been granted tax exemption for Multimedia Super Corridor ("MSC") qualifying activities under pioneer status pursuant to the Promotion of Investments Act, 1986 in Malaysia.

B7 MARKETABLE SECURITIES

	As At 30 Sept 2019 RM'000	As At 31 Dec 2018 RM'000
Quoted unit trusts in Malaysia*	<u>81,792</u>	<u>52,045</u>

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 Sept 2019 RM'000	As At 31 Dec 2018 RM'000
Secured		
Short-term borrowings		
<i>United States Dollar</i>		
Term loan	9,311	9,191
Long-term borrowings		
<i>United States Dollar</i>		
Term loan	13,967	20,680
	<u>23,278</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.

N2N CONNECT BERHAD (523137-K)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019

B10 MATERIAL LITIGATION

Neither the Company nor its subsidiary is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiary and the Board of Directors does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiary.

B11 PROPOSED DIVIDENDS

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

B12 EARNINGS PER SHARE ("EPS")

	Quarter Ended		Year-To-Date Ended	
	30 Sept 2019	30 Sept 2018	30 Sept 2019	30 Sept 2018
(a) Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	5,559	2,213	14,106	10,288
Weighted average number of ordinary shares in issue ('000)	558,283	571,750	537,824	529,211
Basic EPS (sen)	1.00	0.39	2.62	1.94
(b) Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	5,559	2,213	14,106	10,288
Weighted average number of ordinary shares in issue ('000)	558,283	571,750	537,824	529,211
Assumed exercise of Warrants at no consideration ('000)	140,090	-	140,090	-
Adjusted weighted average number of ordinary shares in issue and issueable ('000)	698,373	571,750	677,914	529,211
Diluted EPS (sen)	0.80	0.39	2.08	1.94

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

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

**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 20 November 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 20 November 2019.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 20 November 2019