



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016**



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION

FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016

Remark:

The results for the quarter and TWELVE months ended 31 December 2016 should be read in conjunction with the Annual Audited Financial Statements of N2N and its subsidiaries ("Group") for the financial year ended 31 December 2015.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2016 RM'000	Preceding Year Corresponding Quarter 31 Dec 2015 RM'000	Current Year To date 31 Dec 2016 RM'000	Preceding Year Corresponding Period 31 Dec 2015 RM'000
1 Revenue	10,528	9,812	41,816	38,902
2 Profit before tax	2,205	3,247	11,290	10,402
3 Profit for the year	2,236	2,234	11,311	9,296
4 Profit attributable to owners of the Company	2,213	2,302	11,377	9,367
5 Basic earnings per share (sen)	0.47	0.52	2.41	2.13
6 Diluted earnings per share (sen)	0.44	0.47	2.26	1.93
7 Proposed/Declared dividend per share (sen)	-	1.00	1.00	2.00



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31 Dec 2016 RM'000	Preceding Year Corresponding Quarter 31 Dec 2015 RM'000	Current Year To Date 31 Dec 2016 RM'000	Preceding Year Corresponding Period 31 Dec 2015 RM'000
Revenue		10,528	9,812	41,816	38,902
Cost of sales		(4,341)	(4,349)	(18,318)	(17,024)
Gross profit		6,187	5,463	23,498	21,878
Other operating income		1,719	1,378	5,377	5,359
Administrative expenses		(5,638)	(3,515)	(17,311)	(16,515)
Finance costs		(63)	(79)	(274)	(320)
Profit before taxation		2,205	3,247	11,290	10,402
Taxation	B6	31	(1,013)	21	(1,106)
Profit for the year		2,236	2,234	11,311	9,296
Other comprehensive income: Items that may be reclassified subsequently to profit or loss					
- exchange differences arising from translation of foreign operations		57	148	61	419
Total comprehensive income for the year		2,293	2,382	11,372	9,715
Profit for the period attributable to:					
Owners of the Company		2,213	2,302	11,377	9,367
Non-controlling interests		23	(68)	(66)	(71)
		2,236	2,234	11,311	9,296
Total comprehensive income for the year :					
Owners of the Company		2,270	2,450	11,438	9,786
Non-controlling interests		23	(68)	(66)	(71)
		2,293	2,382	11,372	9,715



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31 Dec 2016 RM'000	Preceding Year Corresponding Quarter 31 Dec 2015 RM'000	Current Year To Date 31 Dec 2016 RM'000	Preceding Year Corresponding Period 31 Dec 2015 RM'000
Earnings per share ("EPS") attributable to the owners of the Company:					
Basic EPS (sen)	B12	<u>0.47</u>	<u>0.52</u>	<u>2.41</u>	<u>2.13</u>
Diluted EPS (sen)	B12	<u>0.44</u>	<u>0.47</u>	<u>2.26</u>	<u>1.93</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 2015 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 31 Dec 2016 (UNAUDITED)	As at 31 Dec 2015 (AUDITED)
Note	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment and Investment properties	45,441	45,134
Intangible assets	18,154	16,138
	<u>63,595</u>	<u>61,272</u>
Current assets		
Trade receivables	7,184	11,369
Other receivables	9,199	1,014
Amount owing by holding company	-	15
Amount owing by a related company	62	102
Tax recoverable	125	143
Marketable securities	70,729	85,752
Financial assets at fair value through profit or loss	2,923	4,467
Deposits with licensed bank	6,323	6,314
Cash and bank balances	29,720	18,557
	<u>126,265</u>	<u>127,733</u>
TOTAL ASSETS	<u>189,860</u>	<u>189,005</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	47,643	46,359
Share premium	115,672	111,809
Exchange reserve	789	728
Warrants reserve	1,397	1,654
Treasury shares	(5,409)	-
Retained profits	17,915	15,936
Equity attributable to owners of the Company	<u>178,007</u>	<u>176,486</u>
Non-controlling interests	523	589
	<u>178,530</u>	<u>177,075</u>
Non-current liabilities		
Term loan	2,991	3,578
Hire Purchase creditor	-	13
Deferred tax liabilities	1,252	1,319
	<u>4,243</u>	<u>4,910</u>



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 Dec 2016 (UNAUDITED)	As at 31 Dec 2015 (AUDITED)
Note	RM'000	RM'000
Current liabilities		
Trade payables	3,706	3,295
Other payables	A12 2,664	2,992
Term loan	B8 704	704
Hire Purchase creditor	B8 13	25
Provision for taxation	-	4
	<u>7,087</u>	<u>7,020</u>
Total liabilities	<u>11,330</u>	<u>11,930</u>
TOTAL EQUITY AND LIABILITIES	<u>189,860</u>	<u>189,005</u>
Net Assets ("NA") per share attributable to owners of the Company (sen) *	<u>38</u>	<u>38</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 2015 and the accompanying explanatory notes attached to the interim financial statements.



N2N CONNECT BERHAD (523137-K)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

Note	Attributable to owners of the Company							Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Non-distributable			Distributable		Total RM'000		
		Share Premium RM'000	Exchange Reserve RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Retained Profits RM'000			
At 1 January 2016	46,359	111,809	728	-	1,654	15,936	176,486	589	177,075
Profit for the year	-	-	-	-	-	11,377	11,377	(66)	11,311
Other comprehensive income	-	-	61	-	-	-	61	-	61
Total comprehensive income for the year	-	-	61	-	-	11,377	11,438	(66)	11,372
Dividends paid (i)	-	-	-	-	-	(9,398)	(9,398)	-	(9,398)
Shares purchased during the year held as treasury shares	-	-	-	(5,409)	-	-	(5,409)	-	(5,409)
Issuance of shares pursuant to conversion of Warrants (ii)	1,284	3,863	-	-	(257)	-	4,890	-	4,890
At 31 December 2016	47,643	115,672	789	(5,409)	1,397	17,915	178,007	523	178,530



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	Attributable to owners of the Company						Non-Controlling Interests RM'000	Total Equity RM'000	
		Share Capital RM'000	Non-distributable			Distributable				
			Share Premium RM'000	Exchange Reserve RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Retained Profits RM'000			Total RM'000
At 1 January 2015		43,969	106,225	309	(4,881)	1,678	10,883	158,183	-	158,183
Profit for the year		-	-	-	-	-	9,367	9,367	(71)	9,296
Other comprehensive income		-	-	419	-	-	-	419	-	419
Total comprehensive income for the year		-	-	419	-	-	9,367	9,786	(71)	9,715
Disposal of equity interest in a subsidiary	(iii)	-	-	-	-	-	-	-	660	660
Dividends paid	(iv)	-	-	-	-	-	(4,314)	(4,314)	-	(4,314)
Shares purchased during the year held as treasury shares		-	-	-	(1,024)	-	-	(1,024)	-	(1,024)
Resale of treasury shares during the year		-	2,649	-	5,905	-	-	8,554	-	8,554
Issuance of shares pursuant to ESOS Exercise	(v)	2,271	2,576	-	-	-	-	4,847	-	4,847
Issuance of shares pursuant to conversion of Warrants	(vi)	119	359	-	-	(24)	-	454	-	454
At 31 December 2015		46,359	111,809	728	-	1,654	15,936	176,486	589	177,075



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

Notes:

- i) The Company paid Second interim dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2015 and First interim dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ending 31 December 2016, on 31 March 2016 and 30 September 2016, respectively.
- ii) 12,704,533 and 138,400 new new ordinary shares of RM0.10 each for cash pursuant to the conversion of Warrants at exercise price of RM0.38 and RM0.45, respectively, per ordinary share.
- iii) A wholly-owned subsidiary of the Company, N2N Global Solutions Sdn Bhd, has disposed of 30% of its investment in Hermes Bos Sdn Bhd (formerly known as Influx Biotech Sdn. Bhd.).
- iv) The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2015 on 29 September 2015.
- v) 3,817,300 and 18,889,800 new ordinary shares of RM0.10 each for cash pursuant to the Company's Employee Share Option Scheme ("ESOS") at exercise price of RM0.18 per ordinary share and RM0.22 per ordinary share, respectively.
- vi) 1,195,400 new ordinary shares of RM0.10 each for cash pursuant to the conversion of Warrants at exercise price of RM0.38 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 2015 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 FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	12 months ended 31 Dec 2016 RM'000	12 months ended 31 Dec 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,290	10,402
Adjustments for:		
Amortisation of intangible asset	2,674	2,469
Bad debts written-off	92	302
Depreciation of property, plant and equipment	4,476	3,983
Depreciation of investment properties	280	280
Fair value change on financial assets at fair value through profit or loss	(288)	681
Unrealised foreign exchange gain	(44)	(211)
Dividend income	(2,876)	(2,967)
Interest income	(294)	(71)
Interest expense	274	320
Operating profit before working capital changes	<u>15,584</u>	<u>15,188</u>
Changes in working capital		
Trade receivables	4,137	(1,675)
Other receivables	(8,185)	1,282
Trade payables	411	1,757
Other payables	(328)	247
Amount owing to directors	-	(39)
Amount owing by related companies	40	(85)
Amount owing by holding company	15	(15)
Cash generated from operations	<u>11,674</u>	<u>16,660</u>
Interest received	294	71
Interest paid	(274)	(320)
Dividend received	2,876	2,967
Net tax paid	(31)	(35)
Net cash from operating activities	<u>14,539</u>	<u>19,343</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Computer software development cost	(4,691)	(6,394)
Purchase of property, plant and equipment	(5,038)	(3,255)
Net investments in quoted shares	1,832	(5,255)
Net changes in marketable securities	15,023	786
Changes in the interest of subsidiary company	-	660
Proceeds from disposal of financial assets at fair value through profit or loss	-	107
Net cash from/(used in) investing activities	<u>7,126</u>	<u>(13,351)</u>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	12 months ended 31 Dec 2016 RM'000	12 months ended 31 Dec 2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	4,890	5,301
Proceeds from resale of treasury shares	-	8,554
Shares buyback	(5,409)	(1,024)
Dividend paid	(9,398)	(4,314)
Repayment of term loan	(587)	(704)
Net hire purchase financing	(25)	(24)
Net cash (used in)/from financing activities	<u>(10,529)</u>	<u>7,789</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,136	13,781
EFFECT OF EXCHANGE RATE CHANGES	36	297
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	24,871	10,793
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>36,043</u>	<u>24,871</u>
Cash and cash equivalents at end of the year comprises:		
Cash and bank balances	29,720	18,557
Deposits with licensed bank	6,323	6,314
	<u>36,043</u>	<u>24,871</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 2015 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2015.

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 2015, 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 2016:

MFRS 14: Regulatory Deferral Accounts

Amendments to MFRS 11: Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 116: Property, Plant and Equipment and MFRS 138: Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 101: Disclosure initiative

Amendments to MFRS 116 and MFRS 141: Agriculture- Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Amendments to MFRS 10 and MFRS 12, and MFRS 128, investment Entities: Applying the Consolidation Exception

Annual Improvements to MFRSs 2012-2014 Cycle

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 2017

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

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2019

MFRS 16: Leases

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



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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 2015.

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 1,000 units of its issued ordinary shares from the open market at an average price of RM0.795 per share. Total consideration paid for the repurchase including transaction cost was approximately RM795 and this was financed by internally generated funds. As at 31 December 2016, the cumulative total number of shares repurchased was 6,701,000 of its issued ordinary shares from the open market at an average price of RM0.81 per share. Total consideration paid for the repurchase including transaction cost was approximately RM5,409,000 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 67A of the Companies Act, 1965.

A8 Dividend paid

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

A9 Segmental information

(a) Business segment

The principal businesses of the Group are researcher and developer of software package and provision of design, programming, consultancy services and related services which are substantially within a single business segment, and therefore, segmental reporting by business segment is deemed not necessary. Accordingly, the information regarding its financial position and results is represented by the financial statements as a whole.



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(b) Geographical segment

In determining the geographical segments of the Group, segment revenue is based on the geographical location of customers.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2016 RM'000	Preceding Year Corresponding Quarter 31 Dec 2015 RM'000	Current Year To Date 31 Dec 2016 RM'000	Preceding Year Corresponding Period 31 Dec 2015 RM'000
Malaysia	8,745	8,226	34,783	32,142
Singapore	1,421	1,163	5,796	5,400
Indonesia	7	13	25	40
Philippines	355	410	1,212	1,320
	10,528	9,812	41,816	38,902

A10 Provision for doubtful debts

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

A11 Other receivables

	As At 31 Dec 2016 RM'000	As at 31 Dec 2015 RM'000
Other receivables	156	60
Deposits	8,644	404
Prepayments	399	550
	9,199	1,014

A12 Other payables

	As At 31 Dec 2016 RM'000	As at 31 Dec 2015 RM'000
Other payables	271	417
Accruals	2,014	2,149
Deposit received	379	426
	2,664	2,992



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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 Dec 2016 Level 1 Fair Value	As at 31 Dec 2015 Level 1 Fair Value
	RM'000	RM'000
Financial assets at fair value through profit or loss	<u>2,923</u>	<u>4,467</u>

A14 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.

A15 Material events subsequent to the end of the period

There was no material event subsequent to the current financial quarter ended 31 December 2016 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, except that on 12 October 2016, the Company had entered into a conditional sale and purchase agreement with Reuters International Holding S.A.R.L. and Systex Capital Group Inc. to acquire the entire equity interest in AFE Solutions Limited, a company incorporated in Hong Kong, for an initial purchase consideration of USD20,597,300 (equivalent to RM85.28 million) to be fully satisfied in cash ("the Acquisition"). The Acquisition had been approved by the shareholders of N2N at an Extraordinary General Meeting held on 15 December 2016. The Acquisition is currently pending the satisfaction of the other conditions precedent stated on the conditional sale and purchase agreement.

A16 Changes in the composition of the Group

During current year under review, N2N Connect Pte. Ltd., a wholly-owned subsidiary of the Company, had on 18 March 2016 acquired a wholly-owned subsidiary, N2N Connect Australia Pty. Ltd., comprising one hundred (100) ordinary shares of AUD1.00 each, for a cash consideration of AUD100.00.

A17 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 24 February 2017 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

A18 Capital commitments

The outstanding capital commitments for back office system for the financial institution of approximately RM240,000.

A19 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 FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 December 2016, the Group recorded revenue of RM10.53 million, 7.3% higher compared to that achieved in the preceding year corresponding quarter of RM9.81 million. The increase was mainly due to monthly fixed charge for leased lines and managed services and higher monthly fixed charge subscription.

The Group recorded a profit attributable to the owners of the Company of approximately RM2.21 million, 3.9% lower compared to that achieved in the preceding year corresponding quarter of RM2.30 million. This is mainly due to acquisition cost expensed on the Acquisition as stated on Note A15.

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

The Group's revenue of RM41.82 million in the current financial year ended 31 December 2016 as compared to RM38.90 million reported in the previous year corresponding period. The Group's revenue increased by 7.5% was mainly due to the revenue from monthly fixed charge for leased lines and managed services and higher monthly fixed charge subscription.

The Group's recorded a profit attributable to the owners of the Company of RM11.38 million in the current financial year ended 31 December 2016 as compared to RM9.37 million reported in the previous year corresponding period. This is mainly due to higher revenue earned and fair value change on financial assets at fair value through profit or loss.

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

The Group recorded a profit before taxation of RM2.21 million in the current quarter under review which was 34.4% lower than the profit before taxation of RM3.37 million reported in the immediate preceding quarter mainly due to acquisition cost expensed on the Acquisition as stated on Note A15.

B3 Prospects

With the shareholders' approval on the Acquisition of AFE Solutions Ltd on 15 December 2016, the Acquisition is expected to complete by end of Quarter 1 2017. We expect to close in a few more acquisitions in the coming months and establish a Pan Asia presence and network of inter broking activities powered by our latest platform. Our coverage now include Malaysia, Singapore, Indonesia, Philippine, Hong Kong, Macau, Vietnam and the United States which make us one of the largest Asian base platform provider.

In addition, the Philippines business is expanding beyond the provision of platform to the Philippine Stock Exchange(PSE) as leading brokers are now coming directly to N2N to obtain a more advanced version of the trading system to complement the services currently obtained from N2N via PSE. There are new agreements in the pipeline and more demonstration to prospects, including the Back Office Settlement system, a new addition to our business offering which we have been working for last 3 over years in the making. N2N's subsidiary continuing effort in developing data centre and leased line business will contribute revenue to the group as well. Barring any unforeseen circumstances, the Directors are positive on the Group's performance for the financial year ending 2017.

B4 Variation of actual profit from forecast profit

Not applicable as no profit forecast was published.



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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 Dec 2016 RM'000	Preceding Year Corresponding Quarter 31 Dec 2015 RM'000	Current Year To Date 31 Dec 2016 RM'000	Preceding Year Corresponding Period 31 Dec 2015 RM'000
(a) Interest income	(134)	(21)	(294)	(71)
(b) Dividend Income	(669)	(689)	(2,876)	(2,967)
(c) Interest expense	63	79	274	320
(d) Depreciation and amortisation	1,883	1,730	7,430	6,732
(e) Net foreign exchange gain	(53)	(335)	(133)	(309)
(f) Bad debts written-off	(1)	302	92	302
(g) Fair value change on financial assets at fair value through profit or loss	266	(176)	(288)	681

B6 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2016 RM'000	Preceding Year Corresponding Quarter 31 Dec 2015 RM'000	Current Year To Date 31 Dec 2016 RM'000	Preceding Year Corresponding Period 31 Dec 2015 RM'000
Income tax:				
Current year	(36)	62	(46)	(31)
Deferred tax	67	(1,075)	67	(1,075)
	<u>31</u>	<u>(1,013)</u>	<u>21</u>	<u>(1,106)</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 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 Dec 2016 RM'000	As At 31 Dec 2015 RM'000
At cost		
Quoted unit trusts *	<u>70,729</u>	<u>85,752</u>

Note * : These relate to quoted unit trusts, which are exempted from corporate tax and management fees, and has the flexibility of withdrawal as well as higher yields.



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B8 Group's borrowings and debt securities

	As At 31 Dec 2016 RM'000	As At 31 Dec 2015 RM'000
Secured		
Short-term borrowings		
Term loan	704	704
Hire purchase creditor	13	25
	717	729
Long-term borrowings		
Term loan	2,991	3,578
Hire purchase creditor	-	13
	3,708	4,320

All borrowings are denominated in Ringgit Malaysia.

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

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 Dividend

No dividend declared or proposed by the Board of Directors for the current quarter under review.

B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2016	Preceding Year Corresponding Quarter 31 Dec 2015	Current Year To Date 31 Dec 2016	Preceding Year Corresponding Period 31 Dec 2015
(a) Basic earnings per share				
Net profit attributable to owners of the Company (RM'000)	2,213	2,302	11,377	9,367
Weighted average number of ordinary shares in issue ('000)	469,712	440,912	471,315	440,426
Basic earnings per share (sen)	0.47	0.52	2.41	2.13



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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2016	Preceding Year Corresponding Quarter 31 Dec 2015	Current Year To Date 31 Dec 2016	Preceding Year Corresponding Period 31 Dec 2015
(b) Diluted earnings per share				
Net profit attributable to owners of the Company (RM'000)	2,213	2,302	11,377	9,367
Weighted average number of ordinary shares in issue ('000)	469,712	440,912	471,315	440,426
Adjusted for:				
Assumed exercise of Warrants at no consideration ('000)	32,651	44,417	32,651	43,978
Adjusted number of ordinary shares ('000)	502,363	485,329	503,966	484,404
Diluted earnings per share (sen)	0.44	0.47	2.26	1.93

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 24 February 2017, except for the the Acquisition of the entire equity interest in AFE Solutions Limited , as disclosed in Note A15.

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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, was as follows:

	As At	As at
	31 Dec 2016	31 Dec 2015
	RM'000	RM'000
Total retained profits		
Realised	18,989	17,008
Unrealised	(37)	(37)
	<hr/> 18,952	<hr/> 16,971
Add: Consolidation adjustments	(1,037)	(1,035)
Total retained profits as per consolidated statement of financial position	<hr/> <hr/> 17,915	<hr/> <hr/> 15,936

B15 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 24 February 2017.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 24 February 2017