



N2N CONNECT BHD (523137-K)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2015**



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION

FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2015

Remark:

The results for the quarter and financial year ended 31 December 2015 should be read in conjunction with the Annual Audited Financial Statements of N2N and its subsidiaries ("Group") for the financial year ended 31 December 2014.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2015 RM'000	Preceding Year Corresponding Quarter 31 Dec 2014 RM'000	Current Year To date 31 Dec 2015 RM'000	Preceding Year Corresponding Period 31 Dec 2014 RM'000
1 Revenue	9,812	8,369	38,902	34,239
2 Profit before tax	3,247	1,867	10,402	7,091
3 Profit for the period	2,233	1,947	9,295	7,041
4 Profit attributable to owners of the Company	2,301	1,947	9,366	7,041
5 Basic earnings per share (sen)	0.52	0.52	2.13	1.63
6 Diluted earnings per share (sen)	0.47	0.49	1.93	1.40
7 Proposed/Declared dividend per share (sen)	1.00	-	2.00	2.20



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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 2015

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31 Dec 2015 RM'000	Preceding Year Corresponding Quarter 31 Dec 2014 RM'000	Current Year To Date 31 Dec 2015 RM'000	Preceding Year Corresponding Period 31 Dec 2014 RM'000
Revenue		9,812	8,369	38,902	34,239
Cost of sales		(4,349)	(3,606)	(17,024)	(14,382)
Gross profit		5,463	4,763	21,878	19,857
Other operating income		1,378	1,023	5,359	2,719
Administrative expenses		(3,515)	(3,818)	(16,515)	(14,488)
Finance costs		(79)	(101)	(320)	(997)
Profit before taxation		3,247	1,867	10,402	7,091
Taxation	B6	(1,014)	80	(1,107)	(50)
Profit for the year		2,233	1,947	9,295	7,041
Other comprehensive income: Items that may be reclassified subsequently to profit or loss					
- exchange differences arising from translation of foreign operations		148	115	419	62
Total comprehensive income for the year		2,381	2,062	9,714	7,103
Profit for the year attributable to:					
Owners of the Company		2,301	1,947	9,366	7,041
Non-controlling interests		(68)	-	(71)	-
		2,233	1,947	9,295	7,041
Total comprehensive income for the year :					
Owners of the Company		2,449	2,062	9,785	7,103
Non-controlling interests		(68)	-	(71)	-
		2,381	2,062	9,714	7,103



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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 2015**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31 Dec 2015 RM'000	Preceding Year Corresponding Quarter 31 Dec 2014 RM'000	Current Year To Date 31 Dec 2015 RM'000	Preceding Year Corresponding Period 31 Dec 2014 RM'000
Earnings per share ("EPS") attributable to the owners of the Company:					
Basic EPS (sen)	B12	<u>0.52</u>	<u>0.52</u>	<u>2.13</u>	<u>1.63</u>
Diluted EPS (sen)	B12	<u>0.47</u>	<u>0.49</u>	<u>1.93</u>	<u>1.40</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 2014 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 2015 (UNAUDITED) RM'000	As at 31 Dec 2014 (AUDITED) RM'000
Note		
ASSETS		
Non-current assets		
Property, plant and equipment and Investment properties	45,129	46,020
Intangible assets	16,138	12,212
	<u>61,267</u>	<u>58,232</u>
Current assets		
Trade receivables	10,957	9,784
Other receivables	1,523	2,297
Amount owing by a related company	-	16
Tax recoverable	139	136
Marketable securities	85,232	86,538
Financial assets at fair value through profit or loss	4,467	-
Deposits with licensed bank	6,314	6,287
Cash and bank balances	18,557	4,506
	<u>127,189</u>	<u>109,564</u>
TOTAL ASSETS	<u>188,456</u>	<u>167,796</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	46,359	43,969
Share premium	111,809	106,225
Exchange reserve	728	309
Warrants reserve	1,654	1,678
Treasury shares	-	(4,881)
Retained profits	15,935	10,883
Equity attributable to owners of the Company	<u>176,485</u>	<u>158,183</u>
Non-controlling interests	589	-
	<u>177,074</u>	<u>158,183</u>
Non-current liabilities		
Term loan	3,578	4,282
Hire Purchase creditor	12	38
Deferred tax liabilities	1,319	244
	<u>4,909</u>	<u>4,564</u>



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 Dec 2015 (UNAUDITED) RM'000	As at 31 Dec 2014 (AUDITED) RM'000
Current liabilities			
Trade payables		2,856	1,538
Other payables	A12	2,889	2,744
Term loan	B8	704	704
Hire Purchase creditor	B8	24	24
Amount owing to directors		-	39
		<u>6,473</u>	<u>5,049</u>
Total liabilities		<u>11,382</u>	<u>9,613</u>
TOTAL EQUITY AND LIABILITIES		<u>188,456</u>	<u>167,796</u>
Net Assets ("NA") per share attributable to owners of the Company (sen) *		<u>38</u>	<u>37</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 2014 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

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 2015	43,969	106,225	309	(4,881)	1,678	10,883	158,183	-	158,183
Profit for the year	-	-	-	-	-	9,366	9,366	(71)	9,295
Other comprehensive income	-	-	419	-	-	-	419	-	419
Total comprehensive income for the year	-	-	419	-	-	9,366	9,785	(71)	9,714
Disposal of equity interest in a subsidiary (i)	-	-	-	-	-	-	-	660	660
Dividends paid (ii)	-	-	-	-	-	(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 (iii)	2,271	2,576	-	-	-	-	4,847	-	4,847
Issuance of shares pursuant to conversion of Warrants (iv)	119	359	-	-	(24)	-	454	-	454
At 31 December 2015	46,359	111,809	728	-	1,654	15,935	176,485	589	177,074



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	Attributable to owners of the Company					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
At 1 January 2014		30,407	6,634	247	(1,657)	1,938	11,594	49,163
Net profit for the year		-	-	-	-	-	7,041	7,041
Other comprehensive income		-	-	62	-	-	-	62
Total comprehensive income for the year		-	-	62	-	-	7,041	7,103
Shares purchased during the year held as treasury shares		-	-	-	(3,226)	-	-	(3,226)
Resale of treasury shares during the year		-	-	-	2	-	-	2
Dividends paid	v)	-	-	-	-	-	(7,752)	(7,752)
Issuance of shares pursuant to ESOS Exercise	vi)	58	68	-	-	-	-	126
Issuance of shares pursuant to conversion of Warrants	vii)	1,301	3,121	-	-	(260)	-	4,162
Issuance of shares pursuant to private placement	viii)	12,203	96,402	-	-	-	-	108,605
At 31 December 2014		43,969	106,225	309	(4,881)	1,678	10,883	158,183



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

Notes:

- i) A wholly-owned subsidiary of the Company, N2N Global Solutions Sdn Bhd, has disposed of 30% of its investment in Influx Biotech Sdn. Bhd.
- ii) The Company paid First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2015.
- iii) 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.
- iv) 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.
- v) The Company paid the Second Interim Dividend of RM0.70 per share (Tax Exempt Dividend) in respect of the financial year ended 31 December 2014.
- vi) 550,600 and 33,000 new ordinary shares issued from 21 January 2014 to 30 September 2014 pursuant to the Company's Employee Share Option Scheme ("ESOS") at exercise price of RM0.22 and RM0.18 per ordinary share, respectively.
- vii) 13,000,665 new ordinary shares issued from 12 March 2014 to 7 April 2014 pursuant to the conversion of Warrants at exercise price of RM0.32 per ordinary share.
- viii) Private placement of a total of 122,027,600 new ordinary shares of RM0.10 each at RM0.89 per placement share on 2 July 2014.

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 2014 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 2015**

	12 months ended 31 Dec 2015 RM'000	12 months ended 31 Dec 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	10,402	7,091
Adjustments for:		
Amortisation of intangible asset	2,469	2,174
Depreciation of property, plant and equipment	4,011	3,511
Depreciation of investment properties	257	280
Fair value change on financial assets at fair value through profit or loss	706	-
Impairment loss on other receivables	-	222
Unrealised foreign exchange gain	(211)	-
Dividend income	(2,967)	(1,446)
Interest income	(71)	(76)
Interest expense	320	997
Operating profit before working capital changes	<u>14,916</u>	<u>12,753</u>
Changes in working capital		
Trade receivables	(1,173)	(1,383)
Other receivables	774	(1,651)
Trade payables	1,318	743
Other payables	145	216
Amount owing to directors	(39)	(106)
Amount owing by a related company	16	283
Amount owing by holding company	-	224
Cash generated from operations	<u>15,957</u>	<u>11,079</u>
Interest received	71	76
Interest paid	(320)	(997)
Dividend received	2,967	1,446
Net tax paid	(35)	(188)
Net cash from operating activities	<u>18,640</u>	<u>11,416</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Computer software development cost	(6,395)	(3,354)
Purchase of property, plant and equipment	(3,267)	(3,684)
Purchase of investments in quoted shares	(5,173)	-
Net changes in marketable securities	1,306	(86,480)
Proceeds from partial disposal of a subsidiary	660	-
Net cash used in investing activities	<u>(12,869)</u>	<u>(93,518)</u>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	12 months ended 31 Dec 2015 RM'000	12 months ended 31 Dec 2014 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	5,301	112,893
Proceeds from issue of warrants	-	-
Proceeds from resale of treasury shares	8,554	2
Shares buyback	(1,024)	(3,226)
Dividend paid	(4,314)	(7,752)
Repayment of term loan	(704)	(11,369)
Net hire purchase financing	(26)	60
Net cash used in financing activities	<u>7,787</u>	<u>90,608</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,558	8,506
EFFECT OF EXCHANGE RATE CHANGES	520	43
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	10,793	2,244
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>24,871</u>	<u>10,793</u>
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	18,557	4,506
Deposits with licensed bank	6,314	6,287
	<u>24,871</u>	<u>10,793</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 2014 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 2015

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 2014.

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 2014, 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 2015:

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards
(Annual Improvements 2011 - 2013 Cycle)

Amendments to MFRS 2: Share-based Payment (Annual Improvements 2010 - 2012 Cycle)

Amendments to MFRS 3: Business Combinations (Annual Improvements 2010 - 2012 Cycle and 2011 - 2013 Cycle)

Amendments to MFRS 8: Operating Segments (Annual Improvements 2010 - 2012 Cycle)

Amendments to MFRS 13: Fair Value Measurement (Annual Improvements 2010 - 2012 Cycle and 2011 - 2013 Cycle)

Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2010 - 2012 Cycle)

Amendments to MFRS 119: Employee Benefits - Defined Benefit Plans: Employee Contributions

Amendments to MFRS 124: Related Party Disclosures (Annual Improvements 2010 - 2012 Cycle)

Amendments to MFRS 138: Intangible Assets (Annual Improvements 2010 - 2012 Cycle)

Amendments to MFRS 140: Investment Property (Annual Improvements 2011 - 2013 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 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 - 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 138: Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation

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



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Effective for annual periods beginning on or after 1 January 2018

MFRS 9: Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15: Revenue from Contracts with Customers

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

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 2014.

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 financial year ended 31 December 2015, the Company had purchased a total of 1,260,900 units 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 RM1,023,521 and this was financed by internally generated funds. As at 31 December 2015, the cumulative total number of shares repurchased was NIL, after the Company resold 8,641,400 units of all its treasury shares at an average price of RM0.99 per share during the current quarter under review. Total consideration received for the resale including transaction cost was approximately RM8,554,000.

A8 Dividend paid

There is no dividend paid during the current period under review. The Board of Directors declared the Second interim dividend of 1 sen per share (single-tier dividend), amounting to approximately RM4,636,000 for the financial year ended 31 December 2015, to be payable on 31 March 2016.

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 2015 RM'000	Preceding Year Corresponding Quarter 31 Dec 2014 RM'000	Current Year To Date 31 Dec 2015 RM'000	Preceding Year Corresponding Period 31 Dec 2014 RM'000
Malaysia	7,192	6,922	31,108	27,818
Singapore	2,197	1,440	6,434	6,192
Indonesia	13	7	40	170
Philippines	410	-	1,320	59
	<u>9,812</u>	<u>8,369</u>	<u>38,902</u>	<u>34,239</u>

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 2015 RM'000	As at 31 Dec 2014 RM'000
Other receivables	568	1,350
Deposits	404	399
Prepayments	551	770
	<u>1,523</u>	<u>2,519</u>
Less: Allowance for impairment losses	-	(222)
	<u>1,523</u>	<u>2,297</u>

A12 Other payables

	As At 31 Dec 2015 RM'000	As at 31 Dec 2014 RM'000
Other payables	516	1,207
Accruals	1,932	1,223
Deposit received	441	314
	<u>2,889</u>	<u>2,744</u>

A13 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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A14 Material events subsequent to the end of the period

There was no material event subsequent to the current financial quarter ended 31 December 2015 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.

A15 Changes in the composition of the Group

During current year ended 31 December 2015, N2N Connect Bhd ("N2N") had on 9 September 2015 acquired a wholly-owned subsidiary, N2N Advanced Learning Sdn. Bhd. ("N2N Advanced Learning"), comprising twenty (20) ordinary shares of RM0.10 each, for a cash consideration of RM2.00.

During current year ended 31 December 2015, N2N Global Solutions Sdn Bhd ("NGS"), the wholly-owned subsidiary of the Company had on 11 September 2015, disposed of 30% of its investment in Influx Biotech Sdn. Bhd. ("Influx") comprising 660,000 ordinary shares of RM1.00 each for a cash consideration of RM660,000.00.

A16 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 26 February 2016 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

A17 Capital commitments

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

A18 Significant related party transactions

There were no significant related party transactions in the current quarter under review.

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

B1 Review of performance

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

For the current quarter ended 31 December 2015, the Group recorded revenue of RM9.81 million, 17.2% higher compared to that achieved in the preceding year corresponding quarter of RM8.37 million. The increase was mainly due to monthly fixed charge for lease line installation, as well as increase of monthly fixed charge subscription, monthly variable matched trades fees of the online stock trading.

The Group recorded a profit for the year of approximately RM2.23 million, 14.4% higher compared to that achieved in the preceding year corresponding quarter of RM1.95 million. This was mainly due to the higher operating income, mentioned above, and dividend income and saving in the finance cost in relation to repayment of term loan in 2014.

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

The Group's revenue of RM38.90 million in the current financial year ended 31 December 2015 as compared to RM34.24 million reported in the previous year corresponding period. The Group's revenue increased by 13.6% was mainly due to the revenue generated from monthly fixed charge for lease line installation, and monthly fixed charge subscription, variable matched trades fees of the online stock trading.

The Group's recorded a profit for the year of RM9.30 million in the current financial year ended 31 December 2015 as compared to RM7.04 million reported in the previous year corresponding period. The increase was mainly due to one time implementation charges and monthly fixed charge for lease line installation, as well as increase of monthly fixed charge subscription, and variable matched trades fees of the online stock trading. Besides, the dividend income, rental income and saving in the finance cost in relation to repayment of term loan in 2014 are the major factors to the group profit.

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

The Group recorded a profit before taxation of RM2.23 million in the current quarter under review which was 11.5% higher than the profit before taxation of RM2.0 million reported in the immediate preceding quarter mainly due to the fair value change on financial assets at fair value through profit or loss recognised in immediate preceding quarter.

B3 Prospects

As part of N2N group's strategic plan in 2016, N2N group will continue to attract new businesses from other equities and derivatives solution users to adopt its new and enhanced flagship products and services. N2N and London-headquartered Ancoa have signed an OEM (original equipment manufacturer) agreement to offer Ancoa's full breadth of market surveillance capabilities to N2N's banking and brokerage clients. Regulators in the region are beginning to take a more conscious look at risk surveillance and has advised their respective investment banks and brokerages to implement an appropriate risk surveillance system to mitigate the risk. N2N believes that this is timely to introduce the N2N-Ancoa Risk Surveillance System which is deemed to be one of the most comprehensive system currently available in the global market. On other hand, N2N's subsidiary continues to develop data center and lease line business which will contribute revenue to the group. The Group is also actively pursuing a few merger and acquisition targets it has identified that will be complementary to the Group's business activities. Barring any unforeseen circumstances, the Directors of N2N believe that the Group's performance for the year ending 2016 will remain favourable.

B4 Variation of actual profit from forecast profit

Not applicable as no profit forecast was published.



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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 2015 RM'000	Preceding Year Corresponding Quarter 31 Dec 2014 RM'000	Current Year To Date 31 Dec 2015 RM'000	Preceding Year Corresponding Period 31 Dec 2014 RM'000
(a) Interest income	(21)	-	(71)	(76)
(b) Dividend Income	(689)	(740)	(2,967)	(1,446)
(c) Interest expense	79	101	320	997
(d) Depreciation and amortisation	1,735	1,586	6,737	5,965
(e) Net foreign exchange (gain)/loss	(139)	2	(113)	8
(f) Provision for doubtful debts	-	222	-	222
(g) Bad debts written-off	302	-	302	-
(h) Fair value change on financial assets at fair value through profit or loss	(151)	-	706	-

B6 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2015 RM'000	Preceding Year Corresponding Quarter 31 Dec 2014 RM'000	Current Year To Date 31 Dec 2015 RM'000	Preceding Year Corresponding Period 31 Dec 2014 RM'000
Income tax:				
Current year	(61)	(80)	16	33
Under provision in prior year	-	-	16	17
	(61)	(80)	32	50
Deferred tax	1,075	-	1,075	-
	1,014	(80)	1,107	50

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.



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B7 Marketable securities

	As At	As At
	31 Dec 2015	31 Dec 2014
	RM'000	RM'000
At cost		
Quoted unit trusts *	<u>85,232</u>	<u>86,538</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.

B8 Group's borrowings and debt securities

	As At	As At
	31 Dec 2015	31 Dec 2014
	RM'000	RM'000
Secured		
Short-term borrowings		
Term loan	704	704
Hire purchase creditor	24	24
	<u>728</u>	<u>728</u>
Long-term borrowings		
Term loan	3,578	4,282
Hire purchase creditor	12	38
	<u>4,318</u>	<u>5,048</u>

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.



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B11 Dividend

The Board of Directors declared the Second interim dividend of 1 sen per share (single tier dividend), for the financial year ended 31 December 2015. The entitlement to the Second interim dividend will be determined on the basis of the record of depositors as at 14 March 2016, and it is to be payable on 31 March 2016. A total dividend of 2 sen per share (single tier dividend) had been paid/declared for the financial year ended 31 December 2015.

B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2015	Preceding Year Corresponding Quarter 31 Dec 2014	Current Year To Date 31 Dec 2015	Preceding Year Corresponding Period 31 Dec 2014
(a) Basic earnings per share				
Net profit attributable to owners of the Company (RM'000)	2,301	1,947	9,366	7,041
Weighted average number of ordinary shares in issue ('000)	440,912	372,029	440,426	432,306
Basic earnings per share (sen)	0.52	0.52	2.13	1.63

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter 31 Dec 2015	Preceding Year Corresponding Quarter 31 Dec 2014	Current Year Year To Date 31 Dec 2015	Preceding Year Corresponding Period 31 Dec 2014
(b) Diluted earnings per share				
Net profit attributable to owners of the Company (RM'000)	2,301	1,947	9,366	7,041
Weighted average number of ordinary shares in issue ('000)	440,912	372,029	440,426	432,306
Adjusted for:				
Assumed exercise of ESOS at no consideration ('000)	-	5,541	-	17,143
Assumed exercise of Warrants at no consideration ('000)	44,417	16,777	44,417	53,047
Adjusted number of ordinary shares ('000)	485,329	394,347	484,843	502,496
Diluted earnings per share (sen)	0.47	0.49	1.93	1.40



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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 26 February 2016.

B14 Utilisation of proceeds from rights issue of warrants

The status of utilisation of the gross proceeds raised from the Rights Issue of Warrants of RM1.998 million as at 31 December 2015 is as follows:-

<u>Purpose</u>	<u>Proposed to be utilised</u>	<u>Actual utilisation as at 31 December 2015</u>	<u>Intended timeframe for utilisation from date of listing of the Warrants</u>	<u>Unutilised as at 31 December 2015</u>
	<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>
Working capital	1,548	1,548	Within two (2) years	-
Estimated expenses for the Rights Issue of Warrants	450	450	Within one (1) month	-
	<u>1,998</u>	<u>1,998</u>		<u>-</u>

B15 Disclosure of realised and unrealised profits

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:

	<u>As At 31 Dec 2015 RM'000</u>	<u>As at 31 Dec 2014 RM'000</u>
Total retained profits		
Realised	16,069	10,921
Unrealised	(204)	(204)
	<u>15,865</u>	<u>10,717</u>
Add: Consolidation adjustments	70	167
Total retained profits as per consolidated statement of financial position	<u>15,935</u>	<u>10,884</u>

B16 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 26 February 2016.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 26 February 2016