



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2018**



**N2N CONNECT BERHAD (523137-K)**

(Incorporated in Malaysia)

**SUMMARY OF KEY FINANCIAL INFORMATION**

**FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2018**

Remark:

The results for the quarter and six months ended 30 June 2018 should be read in conjunction with the Annual Audited Financial Statements of N2N and its subsidiaries ("Group") for the financial year ended 31 December 2017.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 June 2018 RM'000	Preceding Year Corresponding Quarter 30 June 2017 RM'000	Current Year To date 30 June 2018 RM'000	Preceding Year Corresponding Period 30 June 2017 RM'000
1 Revenue	29,332	30,096	55,015	41,460
2 Profit before tax	5,096	9,909	11,836	13,531
3 Profit for the year	1,310	9,898	7,923	13,503
4 Profit attributable to owners of the Company	1,382	9,944	8,075	13,568
5 Basic earnings per share (sen)	0.26	2.12	1.59	2.89
6 Diluted earnings per share (sen)	0.26	2.00	1.59	2.73
7 Proposed/Declared dividend per share (sen)	-	-	3.00	-



**N2N CONNECT BERHAD (523137-K)**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2018**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 30 June 2018 RM'000	Preceding Year Corresponding Quarter 30 June 2017 RM'000	Current Year To Date 30 June 2018 RM'000	Preceding Year Corresponding Period 30 June 2017 RM'000
Revenue		29,332	30,096	55,015	41,460
Cost of sales		(11,712)	(12,744)	(23,683)	(17,729)
Gross profit		17,620	17,352	31,332	23,731
Other operating (expense)/income		(187)	5,253	3,155	6,319
Administrative expenses		(11,881)	(11,940)	(21,547)	(15,696)
Finance costs		(392)	(756)	(1,040)	(823)
Share of results of associates		(64)	-	(64)	-
Profit before taxation		5,096	9,909	11,836	13,531
Taxation	B6	(3,786)	(11)	(3,913)	(28)
Profit for the period		1,310	9,898	7,923	13,503
Other comprehensive income: Items that may be reclassified subsequently to profit or loss					
- exchange differences arising from translation of foreign operations		3,438	(3,858)	(867)	(3,808)
Total comprehensive income for the period		4,748	6,040	7,056	9,695



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FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2018**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 30 June 2018 RM'000	Preceding Year Corresponding Quarter 30 June 2017 RM'000	Current Year To Date 30 June 2018 RM'000	Preceding Year Corresponding Period 30 June 2017 RM'000
Profit for the period attributable to:					
Owners of the Company		1,382	9,944	8,075	13,568
Non-controlling interests		(72)	(46)	(152)	(65)
		<u>1,310</u>	<u>9,898</u>	<u>7,923</u>	<u>13,503</u>
Total comprehensive income for the period:					
Owners of the Company		4,820	6,086	7,208	9,760
Non-controlling interests		(72)	(46)	(152)	(65)
		<u>4,748</u>	<u>6,040</u>	<u>7,056</u>	<u>9,695</u>
Earnings per share ("EPS") attributable to the owners of the Company:					
Basic EPS (sen)	B12	<u>0.26</u>	<u>2.12</u>	<u>1.59</u>	<u>2.89</u>
Diluted EPS (sen)	B12	<u>0.26</u>	<u>2.00</u>	<u>1.59</u>	<u>2.73</u>

*The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*



**N2N CONNECT BERHAD (523137-K)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 30 June 2018 (UNAUDITED) RM'000	As at 31 Dec 2017 (AUDITED) RM'000
<b>Note</b>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment and Investment properties	45,372	47,385
Intangible assets	73,589	73,668
Investment in associates	8,328	61
	<u>127,289</u>	<u>121,114</u>
<b>Current assets</b>		
Trade receivables	17,597	12,008
Other receivables	11,616	6,459
Amount owing by a corporate shareholder	140	140
Amount owing by related companies	256	252
Amount owing by an associate	102	-
Tax recoverable	975	981
Marketable securities	77,520	43,943
Financial assets at fair value through profit or loss	189	316
Deposits with licensed bank	336	44,207
Cash and bank balances	80,203	53,158
	<u>188,934</u>	<u>161,464</u>
<b>TOTAL ASSETS</b>	<u>316,223</u>	<u>282,578</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b>		
Share capital	260,987	163,641
Exchange reserve	(9,100)	(8,233)
Warrants reserve	-	1,383
Treasury shares	(22,399)	(5,832)
Retained profits	30,862	38,563
<b>Equity attributable to owners of the Company</b>	<u>260,350</u>	<u>189,522</u>
Non-controlling interests	130	282
	<u>260,480</u>	<u>189,804</u>
<b>Non-current liabilities</b>		
Provision for retirement benefits	2,599	2,434
Bank borrowings	26,917	28,923
Deferred tax liabilities	2,533	2,540
	<u>32,049</u>	<u>33,897</u>



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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 30 June 2018 (UNAUDITED) RM'000	As at 31 Dec 2017 (AUDITED) RM'000
<b>Current liabilities</b>		
Trade payables	5,902	6,154
Other payables	10,915	10,772
Amount owing to a corporate shareholder	-	1,229
Amount owing to related companies	-	18
Bank borrowings	6,729	40,462
Provision for taxation	148	242
	<u>23,694</u>	<u>58,877</u>
<b>Total liabilities</b>	<u>55,743</u>	<u>92,774</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>316,223</u>	<u>282,578</u>
Net Assets ("NA") per share attributable to owners of the Company (sen) *	<u>45</u>	<u>40</u>

**Note:**

\* Based on number of shares net of treasury shares ('000)

*The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*



**N2N CONNECT BERHAD (523137-K)**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	Note	Attributable to owners of the Company					Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
		Non-distributable			Distributable				
		Share Capital RM'000	Exchange Reserve RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Retained Profits RM'000			
<b>At 1 January 2018</b>		163,641	(8,233)	(5,832)	1,383	38,563	189,522	282	189,804
Profit for the year		-	-	-	-	8,075	8,075	(152)	7,923
Other comprehensive income		-	(867)	-	-	-	(867)	-	(867)
Total comprehensive income for the year		-	(867)	-	-	8,075	7,208	(152)	7,056
Dividends paid	(i)	-	-	-	-	(15,785)	(15,785)	-	(15,785)
Shares purchased during the year held as treasury shares		-	-	(16,567)	-	-	(16,567)	-	(16,567)
Issuance of shares pursuant to conversion of Warrants	(ii)	32,294	-	-	(1,374)	-	30,920	-	30,920
Issuance of shares pursuant to private placement	(iii)	65,052	-	-	-	-	65,052	-	65,052
Warrants expired		-	-	-	(9)	9	-	-	-
<b>At 30 June 2018</b>		<b>260,987</b>	<b>(9,100)</b>	<b>(22,399)</b>	<b>-</b>	<b>30,862</b>	<b>260,350</b>	<b>130</b>	<b>260,480</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

Note	Attributable to owners of the Company				Distributable Retained Profits RM'000	Total Equity RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Non-distributable							
	Share Capital RM'000	Exchange Reserve RM'000	Treasury Shares RM'000	Warrants Reserve RM'000				
<b>At 1 January 2017</b>	163,315	804	(5,409)	1,397	18,285	178,392	523	178,915
Profit for the period	-	-	-	-	13,568	13,568	(65)	13,503
Other comprehensive income	-	(3,808)	-	-	-	(3,808)	-	(3,808)
Total comprehensive income for the year	-	(3,808)	-	-	13,568	9,760	(65)	9,695
Shares purchased during the year held as treasury shares	-	-	(424)	-	-	(424)	-	(424)
<b>At 30 June 2017</b>	163,315	(3,004)	(5,833)	1,397	31,853	187,728	458	188,186





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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

**Notes:**

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

*The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*



**N2N CONNECT BERHAD (523137-K)**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	<b>6 months ended 30 June 2018 RM'000</b>	<b>6 months ended 30 June 2017 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	11,836	13,531
Adjustments for:		
Amortisation of intangible assets	1,995	1,766
Depreciation of property, plant and equipment	3,093	3,005
Depreciation of investment properties	117	163
Fair value change on financial assets at fair value through profit or loss	127	(1,191)
Provision for long service payments	176	195
Unrealised foreign exchange gain	(353)	(3,854)
Dividend income	(740)	(540)
Interest income	(504)	(1,264)
Interest expense	1,040	823
Share of results of associates	64	-
Operating profit before working capital changes	<u>16,851</u>	<u>12,634</u>
Changes in working capital		
Trade receivables	(5,559)	1,739
Other receivables	(5,157)	5,219
Trade payables	(255)	(14,066)
Other payables	143	9,084
Amount owing by/(to) related companies	(22)	(145)
Amount owing by/(to) a corporate shareholder	(1,229)	-
Amount owing by an associate	(102)	-
Cash generated from operations	<u>4,670</u>	<u>14,465</u>
Interest received	504	1,264
Interest paid	(1,040)	(823)
Dividend received	740	540
Net tax paid	(4,007)	69
Net cash generated from operating activities	<u>867</u>	<u>15,515</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Computer software development cost	(2,280)	(2,296)
Purchase of property, plant and equipment	(1,262)	(755)
Proceeds from disposal of investment in quoted shares	-	3,674
Net changes in marketable securities	(33,577)	70,554
Acquisition of subsidiary, net of cash acquired	-	(66,851)
Investment in an associate	(8,331)	-
Net cash (used in)/generated from investing activities	<u>(45,450)</u>	<u>4,326</u>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	<b>6 months ended 30 June 2018 RM'000</b>	<b>6 months ended 30 June 2017 RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares pursuant to exercise of warrants	30,920	-
Proceeds from issuance of shares pursuant to private placement	65,052	-
Repurchase of treasury shares	(16,567)	(424)
Dividends paid	(15,785)	-
(Repayment)/Drawdown of bank borrowings, net	(35,553)	76,612
Decrease/(Increase) in fixed deposits pledged	43,871	(94,202)
Repayment of finance lease	-	(42)
Net cash generated from/(used in) financing activities	<u>71,938</u>	<u>(18,056)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>27,355</b>	<b>1,785</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>(310)</b>	<b>(112)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>53,158</b>	<b>36,527</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b><u>80,203</u></b>	<b><u>38,200</u></b>
<b>Cash and cash equivalents at end of the year comprises:</b>		
Cash and bank balances	80,203	38,200
Deposits with licensed bank	336	94,202
	<u>80,539</u>	<u>132,402</u>
Less: Fixed deposits pledged to licensed bank	(336)	(94,202)
	<u>80,203</u>	<u>38,200</u>

*The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*



## **N2N CONNECT BERHAD (523137-K)**

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### **UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2018**

#### **A NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

##### **A1 Basis of preparation**

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") No. 134: Interim Financial Reporting, and Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The condensed consolidated financial statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2017.

##### **A2 Significant accounting policies**

The accounting policies and presentation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2017, except for changes arising from the adoption of following Malaysian Financial Reporting Standards ("MFRS"), Amendments to MFRSs and IC Interpretations that are effective for financial period beginning on or after 1 January 2018:

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS 2014-2016 Cycle)

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

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract

Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements to MFRS 2014-2016 Cycle)

Amendments to MFRS 140: Transfers of Investment Property

IC Interpretations 22: Foreign Currency Transactions and Advance Consideration

The adoption of the above pronouncements did not have any significant impact on the financial statements of the Group.

##### **MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective**

The following MFRSs, Amendments to MFRSs have been issued but are not yet effective, and have yet to be adopted by the Group:

##### ***Effective for annual periods beginning on or after 1 January 2019***

MFRS 16: Leases

Amendments to MFRS 3: Business Combinations (Annual Improvements to MFRS 2015-2017 Cycle)

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 11: Joint Arrangements (Annual Improvements to MFRS 2015-2017 Cycle)

Amendments to MFRS 112: Income Taxes (Annual Improvements to MFRS 2015-2017 Cycle)

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 123: Borrowings Costs (Annual Improvements to MFRS 2015-2017 Cycle)

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

IC Interpretations 23: Uncertainty over Income Tax Treatments



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*Effective for annual periods beginning on or after 1 January 2021*

MFRS 17: Insurance Contracts

*Effective date yet to be determined by the Malaysian Accounting Standards Board*

Amendments to MFRS 10 and 128: Sale or Contribution of Assets between an investor and its Associate or Joint Venture

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have a material impact to the financial statements of the Group upon their initial recognition.

#### **A3 Audit report of preceding annual financial statements**

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2017.

#### **A4 Seasonal or cyclical factors**

The Group's operations were not materially affected by seasonal or cyclical changes during the current quarter under review.

#### **A5 Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

#### **A6 Material changes in estimates**

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current quarter under review.

#### **A7 Debt and equity securities**

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current quarter under review except for the following:

##### Share buyback

During the current quarter under review, the Company repurchased 18,082,200 units of its issued ordinary shares from the open market at an average price of RM0.92 per share. Total consideration price paid for the repurchase including transaction cost was approximately RM16,567,000 and this was financed by internally generated funds. As at 30 June 2018, the cumulative total number of shares repurchased was 25,422,100 at its issued ordinary shares from the open market at an average price of RM0.88 per share. Total consideration paid for the repurchase including transaction cost was approximately RM22,399,000 and this was financed by internally generated funds. There was no resale or cancellation of treasury shares for the quarter under review. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

#### **A8 Dividend paid**

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



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### UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2018

#### A9 Segmental information

The reportable segments of the Group derive their revenue primarily from the provision of design, programming, consultancy services and related services which are substantially within a single business segment.

Management has determined the operating segments based on the reports reviewed by the Board of Directors (Chief Operating decision maker). The Board of Directors considers the business from a geographical perspective.

The Group's operations by key operating companies are segmented into these main geographic segments: Malaysia, Hong Kong and others comprise of investment holding companies and other operating companies in other countries that contributed less than 10% of consolidated revenue.

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>Financial period ended</b>					
<b>30 June 2018</b>					
<u>Revenue</u>					
Sales to external customers	20,630	30,161	4,224	-	55,015
Inter-segment sales	38	-	-	(38)	-
<b>Total</b>	<b>20,668</b>	<b>30,161</b>	<b>4,224</b>	<b>(38)</b>	<b>55,015</b>
<u>Results</u>					
EBITDA *	8,823	7,532	560	(64)	16,851
Dividend income	28,028	-	-	(27,288)	740
Finance income	503	1	-	-	504
Finance costs	(1,040)	-	-	-	(1,040)
Depreciation of property, plant and equipment	(1,902)	(1,123)	(68)	-	(3,093)
Depreciation of investment properties	(117)	-	-	-	(117)
Amortisation of intangible assets	(1,945)	(50)	-	-	(1,995)
Unrealised foreign exchange gain/(loss)	488	8	(6)	(137)	353
Share of result of associates	(64)	-	-	-	(64)
Other non-cash items	(127)	(176)	-	-	(303)
Taxation	(3,913)	-	-	-	(3,913)
<b>Segment profit/(loss) for the financial period</b>	<b>28,734</b>	<b>6,192</b>	<b>486</b>	<b>(27,489)</b>	<b>7,923</b>

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



## N2N CONNECT BERHAD (523137-K)

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### UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2018

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>Financial period ended</b>					
<b>30 June 2017</b>					
<u>Revenue</u>					
Sales to external customers	20,580	17,705	3,175	-	41,460
Inter-segment sales	-	-	-	-	-
Total	<u>20,580</u>	<u>17,705</u>	<u>3,175</u>	<u>-</u>	<u>41,460</u>
<u>Results</u>					
EBITDA *	9,096	3,182	161	-	12,439
Dividend income	11,540	-	-	(11,000)	540
Finance income	1,251	13	-	-	1,264
Finance costs	(823)	-	-	-	(823)
Depreciation of property, plant and equipment	(2,099)	(469)	(437)	-	(3,005)
Depreciation of investment properties	(163)	-	-	-	(163)
Amortisation of intangible assets	(1,671)	(95)	-	-	(1,766)
Unrealised foreign exchange gain/(loss)	3,954	-	-	(100)	3,854
Other non-cash items	1,191	-	-	-	1,191
Taxation	(28)	-	-	-	(28)
Segment profit/(loss) for the financial year	<u>22,248</u>	<u>2,631</u>	<u>(276)</u>	<u>(11,100)</u>	<u>13,503</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 June 2018 RM'000	As At 31 Dec 2017 RM'000
Other receivables	1,404	916
Deposits	8,285	3,823
Prepayments	1,927	1,720
	<u>11,616</u>	<u>6,459</u>



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**A12 Other payables**

	<b>As At 30 June 2018 RM'000</b>	<b>As At 31 Dec 2017 RM'000</b>
Other payables	4,543	1,828
Accruals	2,879	5,447
Deposit received	3,493	3,497
	<u>10,915</u>	<u>10,772</u>

**A13 Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table analyses the fair value hierarchy for financial instruments carried at fair value in the statement of financial position:

	<b>As At 30 June 2018 Level 1 Fair Value RM'000</b>	<b>As At 31 Dec 2017 Level 1 Fair Value RM'000</b>
Financial assets at fair value through profit or loss	<u>189</u>	<u>316</u>

**A14 Provision for Retirement Benefits**

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

**A15 Valuation of property, plant and equipment**

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





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#### **A16 Material events subsequent to the end of the period**

There was no material event subsequent to the current financial quarter ended 30 June 2018 up to the date of the announcement of this report which is likely to substantially affect the results of the operations of the Group for the current financial quarter under review.

#### **A17 Changes in the composition of the Group**

On 12 April 2018, the Company completed the acquisition of 47,326 Class A shares representing 28% of the issued and paid up share capital of OurMoneyMarket Holdings Pty Ltd ("OMM") for a total cash consideration of AUD2.8 million or equivalent to RM8,330,840. With the acquisition, OMM has become an associate to the Company.

The above acquisition does not have any material impact on the net assets and earning 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 28 August 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

#### **A19 Capital commitments**

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

#### **A20 Significant related party transactions**

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



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

**B1 Review of performance**

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

	<b>Current Year Quarter 30 June 2018 RM'000</b>	<b>Preceding Year Corresponding Quarter 30 June 2017 RM'000</b>
Revenue	29,332	30,096
Profit attributable to owners of the Company	1,382	9,944
Core profit *	<u>7,252</u>	<u>4,610</u>

\* Core profit represents earnings before extraordinary items.

The Group recorded a revenue of RM29.33 million for the quarter ended 30 June 2018 in comparison to revenue of RM30.10 million in the preceding year's corresponding quarter. The lower revenue of 2.60% was due to the weaker Hong Kong Dollar against the Malaysian Ringgit in the current quarter in comparison to preceding year's corresponding quarter which resulted in a lower translated revenue recorded from its Hong Kong subsidiary.

The Group recorded a profit attributable to the owners of the Company of approximately RM1.38 million for the current quarter compared to RM9.94 million in the preceding year's corresponding quarter. The lower profits for the current quarter was mainly due to the additional tax liability and tax penalty amounting to RM5.32 million which was disclosed in its announcement dated 9 July 2018 on Bursa Malaysia Securities Berhad and the unrealised foreign exchange loss of RM1.16 million for the current quarter (Q2 2017: *Unrealised foreign exchange gain of RM3.85 million*).

However, if the interest, additional tax liability, tax penalty, and other significant non-cash items were being excluded, the Group registered a core profit of RM7.25 million in the current quarter under review, representing a growth of 57% as compared to the RM4.61 million in the previous year's corresponding quarter.



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

	<b>Current Year To Date 30 June 2018 RM'000</b>	<b>Preceding Year Corresponding Period 30 June 2017 RM'000</b>
Revenue	55,015	41,460
Profit attributable to owners of the Company	8,075	13,568
Core profit	<u>11,260</u>	<u>6,815</u>

\* Core profit represents earnings before extraordinary items.

The Group registered a revenue of RM55.02 million in the current financial period ended 30 June 2018, an increase of 33% as compared to the RM41.46 million reported in the previous year's corresponding period. The increase was mainly due to the consolidation of the six-month financial results of N2N-AFE (Hong Kong) Limited ("AFE"), as compared to the three-month consolidation in the preceding year's corresponding period as the acquisition of AFE was completed on 31 March 2017.

Consequently, the Group recorded a profit attributable to the owners of the Company of RM8.08 million in the current financial period ended 30 June 2018, a decrease of 40% as compared to RM13.57 million in the previous year's corresponding period. Notwithstanding the three-month additional profits contributed by the consolidation of AFE, the overall profits attributable to the owners of the Company were reduced mainly due to the additional tax liability and tax penalty, as well as the unrealised foreign exchange loss as disclosed in Note B1(a) above.

However, if the interest, additional tax liability, tax penalty, and other significant non-cash items were being excluded, the Group registered a core profit of RM11.26 million in the current financial period ended 30 June 2018, representing a growth of 65% as compared to the RM6.82 million in the previous year's corresponding period.

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

The Group recorded a profit before taxation of RM5.10 million in the current quarter under review which 24% lower than the profit before taxation of RM6.74 million reported in the immediate preceding quarter. The reduction was mainly due to the tax penalty imposed by the Inland Revenue Board and the unrealised foreign exchange loss as stated in Note B1 above.



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#### B3 Prospects

Following the successful acquisition of AFE, the enhanced coverage in Malaysia, Singapore, Indonesia, Philippines, the United States, Hong Kong, Macau, and Vietnam has positioned N2N to become one of the largest Asian-based platform providers. As Merger and Acquisition is one of the key expansion strategies, N2N is continuously seeking several other suitable acquisitions that are synergistic to its business.

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

#### B4 Variation of actual profit from forecast profit

Not applicable as no profit forecast was published.

#### 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 30 June 2018 RM'000	Preceding Year Corresponding Quarter 30 June 2017 RM'000	Current Year To Date 30 June 2018 RM'000	Preceding Year Corresponding Period 30 June 2017 RM'000
(a) Interest income	(162)	(1,000)	(504)	(1,264)
(b) Dividend Income	(332)	(41)	(740)	(540)
(c) Interest expense	392	756	1,040	823
(d) Depreciation and amortisation	2,672	2,863	5,205	4,934
(e) Net foreign exchange loss/(gain)	1,345	(3,922)	(1,044)	(3,787)
(f) Fair value change on financial assets at fair value through profit or loss	38	(792)	127	(1,191)



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#### B6 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 June 2018 RM'000	Preceding Year Corresponding Quarter 30 June 2017 RM'000	Current Year To Date 30 June 2018 RM'000	Preceding Year Corresponding Period 30 June 2017 RM'000
Taxation for the period comprises the following:				
Current tax expense				
- current period	(113)	(11)	(240)	(28)
- prior year	(3,673)	-	(3,673)	-
	<u>(3,786)</u>	<u>(11)</u>	<u>(3,913)</u>	<u>(28)</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 June 2018 RM'000	As At 31 Dec 2017 RM'000
At cost		
Quoted unit trusts *	<u>77,520</u>	<u>43,943</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 June 2018 RM'000	As At 31 Dec 2017 RM'000
<b>Secured</b>		
<b>Short-term borrowings</b>		
<i>United States Dollar</i>		
Term loan	6,729	40,462
<b>Long-term borrowings</b>		
<i>United States Dollar</i>		
Term loan	26,917	28,923
	<u>33,646</u>	<u>69,385</u>



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#### B9 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at the date of this announcement applicable to the Group.

#### B10 Material litigation

On 7 November 2017, the Company received a writ of summons (“Writ”) from SAKK Consulting, Inc (“SAKK”) issued by High Court of Hong Kong. The Writ was later amended (“Amended Writ”) on 22 January 2018. SAKK alleged in the Amended Writ that the Company entered into an engagement letter (“Engagement Letter”) with SAKK on or before 1 December 2015 for the provision of merger and acquisition advisory services by SAKK to the Company. SAKK further alleged that, among others, the Company has failed to pay the success fee amounting to USD411,946 (equivalent to RM1,667,351), being the 2% of the Company’s purchase consideration of USD20,597,300 of the acquisition of N2N-AFE (Hong Kong) Limited (formerly known as AFE Solutions Limited), and accordingly, breached the Engagement Letter.

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

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

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

#### B11 Proposed dividends

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

#### B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 June 2018	Preceding Year Corresponding Quarter 30 June 2017	Current Year To Date 30 June 2018	Preceding Year Corresponding Period 30 June 2017
<b>(a) Basic earnings per share</b>				
Net profit attributable to owners of the Company (RM'000)	1,382	9,944	8,075	13,568
Weighted average number of ordinary shares in issue ('000)	533,879	469,150	507,589	469,232
Basic earnings per share (sen)	0.26	2.12	1.59	2.89



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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 June 2018	Preceding Year Corresponding Quarter 30 June 2017	Current Year To Date 30 June 2018	Preceding Year Corresponding Period 30 June 2017
<b>(b) Diluted earnings per share</b>				
Net profit attributable to owners of the Company (RM'000)	1,382	9,944	8,075	13,568
Weighted average number of ordinary shares in issue ('000)	533,879	469,150	507,589	469,232
Adjusted for:				
Assumed exercise of Warrants at no consideration ('000)	-	27,564	-	27,564
Adjusted number of ordinary shares ('000)	533,879	496,714	507,589	496,796
Diluted earnings per share (sen)	0.26	2.00	1.59	2.73

**B13 Status of corporate proposals announced but not completed at the latest practicable date which must not be earlier than 7 days from the date of issue of the quarterly report**

Save as disclosed below, there was no other corporate proposal announced but not completed as at the date of this report.

On 27 July 2018, Affin Hwang Investment Bank had on behalf of the Board announced that the Company proposed to undertake the establishment of an employees' share option scheme of up to 15% of the total number of issued shares of the Company (excluding treasury shares, if any) for eligible executive Directors and employees of the Company and its subsidiary companies.

**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 28 August 2018.

By Order of the Board

Tiang Boon Hwa  
Managing Director

Date : 28 August 2018