



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017

Remark:

The results for the quarter and NINE months ended 30 September 2017 should be read in conjunction with the Annual Audited Financial Statements of N2N and its subsidiaries ("Group") for the financial year ended 31 December 2016.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Sep 2017 RM'000	Preceding Year Corresponding Quarter 30 Sep 2016 RM'000	Current Year To date 30 Sep 2017 RM'000	Preceding Year Corresponding Period 30 Sep 2016 RM'000
1 Revenue	28,156	10,512	69,616	31,288
2 Profit before tax	5,013	3,369	18,544	9,085
3 Profit for the period	4,992	3,359	18,495	9,075
4 Profit attributable to owners of the Company	5,092	3,394	18,660	9,164
5 Basic earnings per share (sen)	1.08	0.71	3.98	1.94
6 Diluted earnings per share (sen)	1.02	0.67	3.74	1.81
7 Proposed/Declared dividend per share (sen)	1.00	1.00	1.00	1.00



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 30 Sep 2017 RM'000	Preceding Year Corresponding Quarter 30 Sep 2016 RM'000	Current Year To Date 30 Sep 2017 RM'000	Preceding Year Corresponding Period 30 Sep 2016 RM'000
Revenue		28,156	10,512	69,616	31,288
Cost of sales		(12,443)	(4,669)	(29,866)	(13,977)
Gross profit		15,713	5,843	39,750	17,311
Other operating income		2,458	1,172	8,755	3,658
Administrative expenses		(12,433)	(3,576)	(28,416)	(11,673)
Finance costs		(725)	(70)	(1,545)	(211)
Profit before taxation		5,013	3,369	18,544	9,085
Taxation	B6	(21)	(10)	(49)	(10)
Profit for the period		4,992	3,359	18,495	9,075
Other comprehensive income: Items that may be reclassified subsequently to profit or loss					
- exchange differences arising from translation of foreign operations		(492)	69	(1,620)	4
Total comprehensive income for the period		4,500	3,428	16,875	9,079
Profit for the period attributable to:					
Owners of the Company		5,092	3,394	18,660	9,164
Non-controlling interests		(100)	(35)	(165)	(89)
		4,992	3,359	18,495	9,075
Total comprehensive income for the period :					
Owners of the Company		4,600	3,463	17,040	9,168
Non-controlling interests		(100)	(35)	(165)	(89)
		4,500	3,428	16,875	9,079



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
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	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 30 Sep 2017 RM'000	Preceding Year Corresponding Quarter 30 Sep 2016 RM'000	Current Year To Date 30 Sep 2017 RM'000	Preceding Year Corresponding Period 30 Sep 2016 RM'000
Earnings per share ("EPS") attributable to the owners of the Company:					
Basic EPS (sen)	B12	<u>1.08</u>	<u>0.71</u>	<u>3.98</u>	<u>1.94</u>
Diluted EPS (sen)	B12	<u>1.02</u>	<u>0.67</u>	<u>3.74</u>	<u>1.81</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 2016 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 30 Sep 2017 (UNAUDITED) RM'000	As at 31 Dec 2016 (AUDITED) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment and Investment properties	48,834	45,462
Intangible assets	20,303	18,133
Goodwill on consolidation	A18 57,914	-
	<u>127,051</u>	<u>63,595</u>
Current assets		
Trade receivables	13,621	7,620
Other receivables	A11 17,024	9,147
Amount owing by holding company	108	108
Amount owing by related companies	220	38
Tax recoverable	37	8
Marketable securities	B7 3,184	70,729
Financial assets at fair value through profit or loss	A13 352	2,923
Deposits with licensed bank	89,205	6,807
Cash and bank balances	35,795	29,720
	<u>159,546</u>	<u>127,100</u>
TOTAL ASSETS	<u>286,597</u>	<u>190,695</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	163,641	163,315
Exchange reserve	(4,535)	804
Warrants reserve	1,383	1,397
Treasury shares	(5,833)	(5,409)
Retained profits	32,247	18,285
Equity attributable to owners of the Company	<u>186,903</u>	<u>178,392</u>
Non-controlling interests	358	523
	<u>187,261</u>	<u>178,915</u>
Non-current liabilities		
Loss on defined benefit plan	A14 2,926	-
Provision for long service payment	A15 3,586	-
Term loan	B8 72,919	2,874
Deferred tax liabilities	1,252	1,252
	<u>80,683</u>	<u>4,126</u>



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 Sep 2017 (UNAUDITED) RM'000	As at 31 Dec 2016 (AUDITED) RM'000
Current liabilities		
Trade payables	5,883	3,930
Other payables	A12 10,537	2,889
Term loan	B8 2,233	822
Hire Purchase creditor	B8 -	13
Provision for taxation	-	-
	<u>18,653</u>	<u>7,654</u>
Total liabilities	<u>99,336</u>	<u>11,780</u>
TOTAL EQUITY AND LIABILITIES	<u>286,597</u>	<u>190,695</u>
Net Assets ("NA") per share attributable to owners of the Company (sen) *	<u>40</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 2016 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 NINE MONTHS ENDED 30 SEPTEMBER 2017**

	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			
At 1 January 2017		163,315	804	(5,409)	1,397	18,285	178,392	523	178,915
Profit for the period		-	-	-	-	18,660	18,660	(165)	18,495
Other comprehensive income		-	(1,620)	-	-	-	(1,620)	-	(1,620)
Total comprehensive income for the period		-	(1,620)	-	-	18,660	17,040	(165)	16,875
Dividends paid	(i)	-	-	-	-	(4,698)	(4,698)	-	(4,698)
Foreign exchange impact on goodwill on consolidation		-	(3,719)	-	-	-	(3,719)	-	(3,719)
Shares purchased during the period held as treasury shares		-	-	(424)	-	-	(424)	-	(424)
Issuance of shares pursuant to conversion of Warrants	(ii)	326	-	-	(14)	-	312	-	312
At 30 September 2017		163,641	(4,535)	(5,833)	1,383	32,247	186,903	358	187,261



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

	Note	Attributable to owners of the Company				Total Equity 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
At 1 January 2016		158,168	728	-	1,654	15,936	176,486	589	177,075
Net profit for the period		-	-	-	-	9,164	9,164	(89)	9,075
Other comprehensive income		-	4	-	-	-	4	-	4
Total comprehensive income for the period		-	4	-	-	9,164	9,168	(89)	9,079
Dividends paid	(iii)	-	-	-	-	(9,398)	(9,398)	-	(9,398)
Shares purchased during the period held as treasury shares		-	-	(5,408)	-	-	(5,408)	-	(5,408)
Issuance of shares pursuant to conversion of Warrants	(iv)	5,126	-	-	(256)	-	4,870	-	4,870
At 30 September 2016		163,294	732	(5,408)	1,398	15,702	175,718	500	176,218



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

Notes:

- i) The Company paid First Interim Dividend of 1 sen per ordinary share (Tax Exempt Dividend) in respect of the financial year ending 31 December 2017, on 25 August 2017.
- ii) 692,800 new ordinary shares for cash pursuant to the conversion of Warrants at exercise price of RM0.45 per ordinary share.
- iii) 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 ended 31 December 2016, on 31 March 2016 and 30 September 2016, respectively.
- iv) 12,704,533 and 93,400 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.

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 2016 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 NINE MONTHS ENDED 30 SEPTEMBER 2017**

	9 months ended 30 Sep 2017 RM'000	9 months ended 30 Sep 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,544	9,085
Adjustments for:		
Amortisation of intangible assets	2,865	2,156
Depreciation of property, plant and equipment	4,615	3,181
Depreciation of investment properties	210	210
Fair value change on financial assets at fair value through profit or loss	(1,103)	(554)
Property, plant and equipment written off	6	-
Unrealised foreign exchange (gain)/loss	(5,099)	2
Dividend income	(549)	(2,207)
Interest income	(1,805)	(160)
Interest expense	1,545	211
Operating profit before working capital changes	19,229	11,924
Changes in working capital		
Trade receivables	1,943	4,367
Other receivables	4,974	(8,744)
Trade payables	(14,097)	535
Other payables	7,129	(171)
Amount owing by related companies	(182)	38
Amount owing by holding company	-	15
Cash generated from operations	18,996	7,964
Interest received	1,737	160
Interest paid	(1,491)	(211)
Dividend received	549	2,207
Net tax paid	(17)	-
Net cash generated from operating activities	19,774	10,120
CASH FLOWS FROM INVESTING ACTIVITIES		
Computer software development cost	(3,396)	(3,594)
Purchase of property, plant and equipment	(3,042)	(3,235)
Proceeds from disposal of/(Purchase of) investments in quoted shares	3,674	(1,423)
Net changes in marketable securities	67,545	20,174
Acquisition of subsidiary, net of cash acquired	(66,537)	-
Net cash (used in)/generated from investing activities	(1,756)	11,922



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	9 months ended 30 Sep 2017 RM'000	9 months ended 30 Sep 2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	312	4,870
Shares buyback	(424)	(5,408)
Dividend paid	(4,698)	(9,398)
Drawdown of/(Repayment of) term loan, net	76,558	(410)
Increase in fixed deposits pledged	(89,205)	-
Net hire purchase financing	(13)	(19)
Net cash used in financing activities	<u>(17,470)</u>	<u>(10,365)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	548	11,677
EFFECT OF EXCHANGE RATE CHANGES	(1,280)	(11)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	36,527	24,871
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>35,795</u>	<u>36,537</u>
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	35,795	30,216
Deposits with licensed bank	89,205	6,321
	<u>125,000</u>	<u>36,537</u>
Less: Fixed deposits pledged to licensed bank	(89,205)	-
	<u>35,795</u>	<u>36,537</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 2016 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017

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 2016.

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 2016, 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 2017:

Amendments to MFRS 12: Disclosure of Interest in Other Entities (Annual Improvements 2014-2016 Cycle)

Amendments to MFRS 107: Disclosure Initiative

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

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 2018

Amendments to MFRS 1: First-time Adoption of Financial Malaysian Financial Reporting Standards

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

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

Clarifications to MFRS 15: Revenue from Contracts with Customers

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

Amendments to MFRS 140: Transfers of Investment Property

IC Interpretations 22: Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

MFRS 16: Leases

IC Interpretations 23: Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2021

MFRS 17: Insurance Contracts



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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 other than the adoption of MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers. The Group is currently assessing the impact of these standards and plans to adopt these standards on the respective effective dates.

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 2016.

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, there was no repurchase of shares by the Company. As at 30 September 2017, the cumulative total number of shares repurchased was 7,339,900 of its issued ordinary shares from the open market at an average price of RM0.79 per share. Total consideration paid for the repurchase including transaction cost was approximately RM5,833,000 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

During the current period under review, the Company declared First Interim Dividend of 1 sen per ordinary share (Tax Exempt Dividend) amounted to RM4,697,579 for the financial year ending 31 December 2017. The dividend was paid on 25 August 2017.

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 30 Sep 2017 RM'000	Preceding Year Corresponding Quarter 30 Sep 2016 RM'000	Current Year To Date 30 Sep 2017 RM'000	Preceding Year Corresponding Period 30 Sep 2016 RM'000
Malaysia	10,635	8,743	29,810	26,038
Singapore	1,597	1,536	4,772	4,375
Indonesia	10	4	42	18
Philippines	595	229	1,968	857
Hong Kong	14,408	-	28,888	-
Macau	279	-	544	-
Vietnam	632	-	3,592	-
	28,156	10,512	69,616	31,288

A10 Provision for doubtful debts

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

A11 Other receivables

	As At 30 Sep 2017 RM'000	As At 31 Dec 2016 RM'000
Other receivables	12,130	116
Deposits	2,106	8,646
Prepayments	2,788	385
	17,024	9,147

A12 Other payables

	As At 30 Sep 2017 RM'000	As At 31 Dec 2016 RM'000
Other payables	6,343	673
Accruals	3,984	1,837
Deposit received	210	379
	10,537	2,889



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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 30 Sep 2017 Level 1 Fair Value	As At 31 Dec 2016 Level 1 Fair Value
	RM'000	RM'000
Financial assets at fair value through profit or loss	352	2,923

A14 Loss on defined benefit plan

The Group has a defined benefit plan in Hong Kong, held under the newly acquired subsidiary, N2N-AFE (Hong Kong) Limited ("AFE") (formerly known as AFE Solutions Limited), which provides benefits to full-time permanent employees under age of 60 who have completed their probationary period and hired before 1 July 1988.

A15 Provision for long service payment

The long service payments ("LSP") provisions are prescribed under the Hong Kong Employment Ordinance. LSP is paid to employees, who are not the members of the defined benefit plan, upon the 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.

A16 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.

A17 Material events subsequent to the end of the period

There was no material event subsequent to the current financial quarter ended 30 September 2017 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.

A18 Changes in the composition of the Group

During current period under review, the Company had, on 31 March 2017, completed the acquisition of the entire equity interest in N2N-AFE (Hong Kong) Limited ("AFE") (formerly known as AFE Solutions Limited), a company incorporated in Hong Kong, for an initial purchase consideration of USD20,804,800 (equivalent to RM93.02 million). AFE is a wholly-owned subsidiary of the Company. As at the acquisition date, a provisional goodwill on consolidation amounting to RM57,914,000 was recognised in relation to the acquisition of AFE.



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A19 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 22 November 2017 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

A20 Capital commitments

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

A21 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 30 September 2017, the Group recorded revenue of RM28.16 million, more than 100% higher compared to that achieved in the preceding year corresponding quarter of RM10.51 million, as a result of full consolidation of AFE Solutions Ltd's ("AFE") profit after its acquisition. In addition, the increase was also due to higher one time implementation fees, monthly fixed fees, variable matched trade fees and monthly subscription fees.

The Group recorded a profit attributable to the owners of the Company of approximately RM5.09 million, 50.1% higher compared to that achieved in the preceding year corresponding quarter of RM3.39 million. Besides the full consolidation of AFE's results, higher revenue and the unrealised foreign exchange gain on USD loan of approximately RM1.30 million are the main factors for the higher profit.

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

The Group's revenue of RM69.62 million in the current financial period ended 30 September 2017 as compared to RM31.29 million reported in the previous year corresponding period, after full consolidation of AFE. In addition, the increase was also due to higher one time implementation fees, monthly fixed fees, variable matched trade fees and monthly subscription fees.

Consequently, the Group recorded a profit attributable to the owners of the Company of RM18.66 million in the current financial period ended 30 September 2017 as compared to RM9.16 million reported in the previous year corresponding period, in addition to the factors disclosed above.

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

The Group recorded a profit before taxation of RM5.01 million in the current quarter under review which was 49.4% lower than the profit before taxation of RM9.91 million reported in the immediate preceding quarter mainly due to reduced revenue as a result of the lower one time implementation fees and variable matched trade fees, and the lower unrealised foreign exchange gain on USD loan, as compared to the immediate preceding quarter.

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 remain 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.



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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 30 Sep 2017 RM'000	Preceding Year Corresponding Quarter 30 Sep 2016 RM'000	Current Year To Date 30 Sep 2017 RM'000	Preceding Year Corresponding Period 30 Sep 2016 RM'000
(a) Interest income	(768)	(117)	(1,805)	(160)
(b) Dividend Income	(9)	(560)	(549)	(2,207)
(c) Interest expense	725	70	1,545	211
(d) Depreciation and amortisation	2,756	1,923	7,690	5,547
(e) Net foreign exchange gain	(1,240)	(58)	(5,027)	(80)
(f) Bad debts written-off	-	82	-	93
(g) Fair value change on financial assets at fair value through profit or loss	88	(509)	(1,103)	(554)
(h) Property, plant and equipment written off	6	-	6	-

B6 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Sep 2017 RM'000	Preceding Year Corresponding Quarter 30 Sep 2016 RM'000	Current Year To Date 30 Sep 2017 RM'000	Preceding Year Corresponding Period 30 Sep 2016 RM'000
Income tax:				
Current year	(21)	(10)	(49)	(10)

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 30 Sep 2017 RM'000	As At 31 Dec 2016 RM'000
At cost		
Quoted unit trusts *	3,184	70,729

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

B8 Group's borrowings and debt securities

	As At 30 Sep 2017 RM'000	As At 31 Dec 2016 RM'000
Secured		
Short-term borrowings		
<i>United States Dollar</i>		
Term loan	2,233	-
<i>Ringgit Malaysia</i>		
Term loan	-	822
Hire purchase	-	13
	2,233	835
Long-term borrowings		
<i>United States Dollar</i>		
Term loan	72,919	-
<i>Ringgit Malaysia</i>		
Term loan	-	2,874
	75,152	3,709

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

During the current period under review, the Company declared First Interim Dividend of 1 sen per ordinary share (Tax Exempt Dividend) amounted to RM4,697,579 for the financial year ending 31 December 2017. The dividend was paid on 25 August 2017.



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B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
(a) Basic earnings per share				
Net profit attributable to owners of the Company (RM'000)	5,092	3,394	18,660	9,164
Weighted average number of ordinary shares in issue ('000)	469,512	474,944	469,326	471,854
Basic earnings per share (sen)	1.08	0.71	3.98	1.94

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
(b) Diluted earnings per share				
Net profit attributable to owners of the Company (RM'000)	5,092	3,394	18,660	9,164
Weighted average number of ordinary shares in issue ('000)	469,512	474,944	469,326	471,854
Adjusted for:				
Assumed exercise of Warrants at no consideration ('000)	29,202	33,696	29,202	33,696
Adjusted number of ordinary shares ('000)	498,714	508,640	498,528	505,550
Diluted earnings per share (sen)	1.02	0.67	3.74	1.81

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 22 November 2017.

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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 30 Sep 2017 RM'000	As At 31 Dec 2016 RM'000
Total retained profits		
Realised	53,379	20,221
Unrealised	(5,099)	(783)
	<hr/> 48,280	<hr/> 19,438
Add: Consolidation adjustments	(16,033)	(1,153)
Total retained profits as per consolidated statement of financial position	<hr/> <u>32,247</u>	<hr/> <u>18,285</u>

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 22 November 2017.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 22 November 2017