



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2017**



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION

FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2017

Remark:

The results for the quarter and TWELVE months ended 31 December 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 31 Dec 2017 RM'000	Preceding Year Corresponding Quarter 31 Dec 2016 RM'000	Current Year To date 31 Dec 2017 RM'000	Preceding Year Corresponding Period 31 Dec 2016 RM'000
1 Revenue	27,669	10,528	97,285	41,816
2 Profit before tax	7,758	2,691	26,302	11,776
3 Profit for the year	6,393	2,606	24,888	11,681
4 Profit attributable to owners of the Company	6,469	2,583	25,129	11,747
5 Basic earnings per share (sen)	1.38	0.55	5.35	2.48
6 Diluted earnings per share (sen)	1.29	0.51	5.01	2.32
7 Proposed/Declared dividend per share (sen)	-	-	1.00	1.00



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31 Dec 2017 RM'000	Preceding Year Corresponding Quarter 31 Dec 2016 RM'000	Current Year To Date 31 Dec 2017 RM'000	Preceding Year Corresponding Period 31 Dec 2016 RM'000
Revenue		27,669	10,528	97,285	41,816
Cost of sales		(13,035)	(4,341)	(43,650)	(18,318)
Gross profit		14,634	6,187	53,635	23,498
Other operating income		3,916	2,204	12,715	5,862
Administrative expenses		(10,064)	(5,637)	(37,772)	(17,310)
Finance costs		(728)	(63)	(2,276)	(274)
Share of result of associate	A19	-	-	-	-
Profit before taxation		7,758	2,691	26,302	11,776
Taxation	B6	(1,365)	(85)	(1,414)	(95)
Profit for the year		6,393	2,606	24,888	11,681
Other comprehensive income: Items that may be reclassified subsequently to profit or loss					
- exchange differences arising from translation of foreign operations		(1,482)	72	(3,102)	76
Other comprehensive income: Items that will not be reclassified subsequently to profit or loss					
- remeasurement for defined benefit plan, net of tax		(1,199)	-	(1,199)	-
- remeasurement for long service payments, net of tax		1,196	-	1,196	-
Total comprehensive income for the year		4,908	2,678	21,783	11,757



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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 2017**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31 Dec 2017 RM'000	Preceding Year Corresponding Quarter 31 Dec 2016 RM'000	Current Year To Date 31 Dec 2017 RM'000	Preceding Year Corresponding Period 31 Dec 2016 RM'000
Profit for the year attributable to:					
Owners of the Company		6,469	2,583	25,129	11,747
Non-controlling interests		(76)	23	(241)	(66)
		<u>6,393</u>	<u>2,606</u>	<u>24,888</u>	<u>11,681</u>
Total comprehensive income for the year:					
Owners of the Company		4,984	2,655	22,024	11,823
Non-controlling interests		(76)	23	(241)	(66)
		<u>4,908</u>	<u>2,678</u>	<u>21,783</u>	<u>11,757</u>
Earnings per share ("EPS") attributable to the owners of the Company:					
Basic EPS (sen)	B12	<u>1.38</u>	<u>0.55</u>	<u>5.35</u>	<u>2.48</u>
Diluted EPS (sen)	B12	<u>1.29</u>	<u>0.51</u>	<u>5.01</u>	<u>2.32</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 31 Dec 2017 (UNAUDITED) RM'000	As at 31 Dec 2016 (AUDITED) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment and Investment properties	47,385	45,462
Intangible assets	20,282	18,133
Investment in associate	A19 61	-
Goodwill on consolidation	A18 52,836	-
	<u>120,564</u>	<u>63,595</u>
Current assets		
Trade receivables	12,953	7,620
Other receivables	A11 6,657	9,147
Amount owing by holding company	-	108
Amount owing by related companies	234	38
Tax recoverable	739	8
Marketable securities	B7 43,784	70,729
Financial assets at fair value through profit or loss	A13 316	2,923
Deposits with licensed bank	44,207	6,807
Cash and bank balances	53,158	29,720
	<u>162,048</u>	<u>127,100</u>
TOTAL ASSETS	<u>282,612</u>	<u>190,695</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	163,641	163,315
Exchange reserve	(8,152)	804
Warrants reserve	1,383	1,397
Treasury shares	(5,832)	(5,409)
Retained profits	38,713	18,285
Equity attributable to owners of the Company	<u>189,753</u>	<u>178,392</u>
Non-controlling interests	282	523
	<u>190,035</u>	<u>178,915</u>
Non-current liabilities		
Loss on defined benefit plan	A14 -	-
Provision for long service payment	A15 2,434	-
Term loan	B8 28,923	2,874
Deferred tax liabilities	1,877	1,252
	<u>33,234</u>	<u>4,126</u>



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 Dec 2017 (UNAUDITED) RM'000	As at 31 Dec 2016 (AUDITED) RM'000
Current liabilities			
Trade payables		6,507	3,930
Other payables	A12	11,353	2,889
Amount owing to holding company		1,088	-
Term loan	B8	40,395	822
Hire Purchase creditor	B8	-	13
		<u>59,343</u>	<u>7,654</u>
Total liabilities		<u>92,577</u>	<u>11,780</u>
TOTAL EQUITY AND LIABILITIES		<u>282,612</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 FINANCIAL YEAR ENDED 31 DECEMBER 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 year		-	-	-	-	25,129	25,129	(241)	24,888
Other comprehensive income		-	(3,102)	-	-	(3)	(3,105)	-	(3,105)
Total comprehensive income for the year		-	(3,102)	-	-	25,126	22,024	(241)	21,783
Dividends paid	(i)	-	-	-	-	(4,698)	(4,698)	-	(4,698)
Foreign exchange impact on goodwill on consolidation		-	(5,854)	-	-	-	(5,854)	-	(5,854)
Shares purchased during the year held as treasury shares		-	-	(423)	-	-	(423)	-	(423)
Issuance of shares pursuant to conversion of Warrants	(ii)	326	-	-	(14)	-	312	-	312
At 31 December 2017		163,641	(8,152)	(5,832)	1,383	38,713	189,753	282	190,035



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	Attributable to owners of the Company						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	Total Equity RM'000		
At 1 January 2016		158,168	728	-	1,654	15,936	176,486	589	177,075
Net profit for the year		-	-	-	-	11,747	11,747	(66)	11,681
Other comprehensive income		-	76	-	-	-	76	-	76
Total comprehensive income for the year		-	76	-	-	11,747	11,823	(66)	11,757
Dividends paid	(iii)	-	-	-	-	(9,398)	(9,398)	-	(9,398)
Shares purchased during the year held as treasury shares		-	-	(5,409)	-	-	(5,409)	-	(5,409)
Issuance of shares pursuant to conversion of Warrants	(iv)	5,147	-	-	(257)	-	4,890	-	4,890
At 31 December 2016		163,315	804	(5,409)	1,397	18,285	178,392	523	178,915



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 138,400 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.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	12 months ended 31 Dec 2017 RM'000	12 months ended 31 Dec 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	26,302	11,776
Adjustments for:		
Amortisation of intangible assets	3,834	2,720
Bad debts written off	10	92
Depreciation of property, plant and equipment	6,254	4,431
Depreciation of investment properties	246	280
Fair value change on financial assets at fair value through profit or loss	(419)	(475)
Gain on disposal of property, plant and equipment	(14)	-
Property, plant and equipment written off	7	-
Unrealised foreign exchange (gain)/loss	(7,834)	8
Dividend income	(565)	(2,876)
Interest income	(2,572)	(778)
Interest expense	2,276	274
Operating profit before working capital changes	<u>27,525</u>	<u>15,452</u>
Changes in working capital		
Trade receivables	2,562	3,657
Other receivables	15,314	(8,132)
Financial assets at fair value through profit or loss	(649)	(1,423)
Trade payables	(13,466)	626
Other payables	7,339	(103)
Amount owing by related companies	(196)	64
Amount owing to holding company	1,196	(92)
Cash generated from operations	<u>39,625</u>	<u>10,049</u>
Interest received	2,572	778
Interest paid	(2,276)	(274)
Dividend received	565	2,876
Net tax paid	(1,640)	(30)
Net cash generated from operating activities	<u>38,846</u>	<u>13,399</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Computer software development cost	(4,472)	(4,715)
Purchase of property, plant and equipment	(3,508)	(5,038)
Proceeds from disposal of property, plant and equipment	14	1
Proceeds from disposal of financial assets at fair value through profit or loss	3,675	3,442
Net changes in marketable securities	26,945	15,022
Acquisition of subsidiary, net of cash acquired	(66,849)	-
Investment in associate	(61)	-
Net cash (used in)/generated from investing activities	<u>(44,256)</u>	<u>8,712</u>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	12 months ended 31 Dec 2017 RM'000	12 months ended 31 Dec 2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	312	4,890
Shares buyback	(423)	(5,409)
Dividend paid	(4,698)	(9,398)
Drawdown of/(Repayment of) term loan, net	73,627	(587)
Increase in fixed deposits pledged	(44,207)	-
Repayment of finance lease	(42)	(25)
Net cash generated from/(used in) financing activities	<u>24,569</u>	<u>(10,529)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,159	11,582
EFFECT OF EXCHANGE RATE CHANGES	(2,528)	74
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	36,527	24,871
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>53,158</u>	<u>36,527</u>
Cash and cash equivalents at end of the year comprises:		
Cash and bank balances	53,158	29,720
Deposits with licensed bank	44,207	6,807
	<u>97,365</u>	<u>36,527</u>
Less: Fixed deposits pledged to licensed bank	(44,207)	-
	<u>53,158</u>	<u>36,527</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 FINANCIAL YEAR ENDED 31 DECEMBER 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

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

Effective for annual periods beginning on or after 1 January 2019

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

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

MFRS 16: Leases

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

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 (Annual Improvements to MFRS 2015-2017 Cycle)

IC Interpretations 23: Uncertainty over Income Tax Treatments



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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 31 December 2017, the cumulative total number of shares repurchased was 7,339,900 at 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 RM5,832,000 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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A9 Segmental information

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. As such, segmental information is only presented by geographical segments. The geographical segments are based on the location of assets and these are:

- (i) Malaysia
- (ii) Hong Kong
- (iii) Others: These consist of segments which are outside Malaysia but which individual fall below the 10% threshold of a reportable segment.

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial year ended					
31 December 2017					
<u>Revenue</u>					
Sales to external customers	42,506	48,438	6,341	-	97,285
Inter-segment sales	7,194	-	-	(7,194)	-
Total	49,700	48,438	6,341	(7,194)	97,285
<u>Results</u>					
EBITDA *	39,372	8,079	152	(11,263)	36,340
Finance income	2,559	13	-	-	2,572
Finance costs	(2,273)	(3)	-	-	(2,276)
Depreciation of property, plant and equipment	(4,130)	(1,731)	(393)	-	(6,254)
Depreciation of investment properties	(246)	-	-	-	(246)
Amortisation of intangible assets	(3,750)	(84)	-	-	(3,834)
Taxation	(944)	(470)	-	-	(1,414)
Segment profit/(loss) for the financial year	30,588	5,804	(241)	(11,263)	24,888

* Earnings before interest, taxes, depreciation and amortisation



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	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial year ended					
31 December 2016					
<u>Revenue</u>					
Sales to external customers	36,020	-	5,796	-	41,816
Inter-segment sales	3,468	-	-	(3,468)	-
Total	<u>39,488</u>	<u>-</u>	<u>5,796</u>	<u>(3,468)</u>	<u>41,816</u>
<u>Results</u>					
EBITDA *	19,007	-	(121)	(183)	18,703
Finance income	778	-	-	-	778
Finance costs	(274)	-	-	-	(274)
Depreciation of property, plant and equipment	(3,944)	-	(487)	-	(4,431)
Depreciation of investment properties	(280)	-	-	-	(280)
Amortisation of intangible assets	(2,720)	-	-	-	(2,720)
Taxation	(95)	-	-	-	(95)
Segment profit/(loss) for the financial year	<u>12,472</u>	<u>-</u>	<u>(608)</u>	<u>(183)</u>	<u>11,681</u>

* Earnings before interest, taxes, depreciation and amortisation

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 2017 RM'000	As At 31 Dec 2016 RM'000
Other receivables	955	116
Deposits	3,982	8,646
Prepayments	1,720	385
	<u>6,657</u>	<u>9,147</u>



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A12 Other payables

	As At 31 Dec 2017 RM'000	As At 31 Dec 2016 RM'000
Other payables	3,921	673
Accruals	3,935	1,837
Deposit received	3,497	379
	11,353	2,889

A13 Fair value hierarchy

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

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

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

	As At 31 Dec 2017 Level 1 Fair Value RM'000	As At 31 Dec 2016 Level 1 Fair Value RM'000
Financial assets at fair value through profit or loss	316	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. As at 30 June 2017, AFE ceased participation from the defined benefit plan following a curtailment and settlement event.

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.



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A17 Material events subsequent to the end of the period

There was no material event subsequent to the current financial quarter ended 31 December 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 financial year 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 USD20,879,800 (equivalent to RM93.33 million). AFE is a wholly-owned subsidiary of the Company. As at the acquisition date, a provisional goodwill on consolidation amounting to RM52,836,000 was recognised in relation to the acquisition of AFE.

A19 Investment in associate

Investment in associate relates to the Group's 48.99% equity interest investment in N2N Global Solutions Limited (the "Associate"). During the current period, the Group has not recognised share of result as the Associate was acquired on 6 December 2017 and remained inactive throughout the period.

A20 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 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

A21 Capital commitments

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

A22 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 2017, the Group recorded revenue of RM27.67 million, more than 100% higher compared to that achieved in the preceding year corresponding quarter of RM10.53 million, as a result of full consolidation of AFE's 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 RM6.47 million, more than 100% higher compared to that achieved in the preceding year corresponding quarter of RM2.58 million. Besides the full consolidation of AFE's results, higher revenue and the unrealised foreign exchange gain on USD loan of approximately RM2.85 million are the main factors for the higher profit.

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

The Group recorded revenue of RM97.29 million in the current financial period ended 31 December 2017, as compared to RM41.82 million reported in the previous year corresponding period, as a result of full consolidation of AFE's 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.

Consequently, the Group recorded a profit attributable to the owners of the Company of RM25.13 million in the current financial period ended 31 December 2017 as compared to RM11.75 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 RM7.76 million in the current quarter under review which was 54.9% higher than the profit before taxation of RM5.01 million reported in the immediate preceding quarter mainly due to the higher 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 31 Dec 2017 RM'000	Preceding Year Corresponding Quarter 31 Dec 2016 RM'000	Current Year To Date 31 Dec 2017 RM'000	Preceding Year Corresponding Period 31 Dec 2016 RM'000
(a) Interest income	(767)	(618)	(2,572)	(778)
(b) Dividend Income	(16)	(669)	(565)	(2,876)
(c) Interest expense	731	63	2,276	274
(d) Depreciation and amortisation	2,644	1,883	10,334	7,431
(e) Net foreign exchange gain	(2,962)	(2)	(7,989)	(82)
(f) Bad debts written-off	10	(1)	10	92
(g) Fair value change on financial assets at fair value through profit or loss	36	266	(419)	(475)
(h) Gain on disposal of property, plant and equipment	-	-	14	-
(h) Property, plant and equipment written off	1	-	7	-

B6 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2017 RM'000	Preceding Year Corresponding Quarter 31 Dec 2016 RM'000	Current Year To Date 31 Dec 2017 RM'000	Preceding Year Corresponding Period 31 Dec 2016 RM'000
Income tax:				
Current	(842)	(152)	(891)	(162)
Deferred tax	(523)	67	(523)	67
	<u>(1,365)</u>	<u>(85)</u>	<u>(1,414)</u>	<u>(95)</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.



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B7 Marketable securities

	As At 31 Dec 2017 RM'000	As At 31 Dec 2016 RM'000
At cost		
Quoted unit trusts *	43,784	70,729

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 31 Dec 2017 RM'000	As At 31 Dec 2016 RM'000
Secured		
Short-term borrowings		
<i>United States Dollar</i>		
Term loan	40,395	-
<i>Ringgit Malaysia</i>		
Term loan	-	822
Hire purchase	-	13
	40,395	835
Long-term borrowings		
<i>United States Dollar</i>		
Term loan	28,923	-
<i>Ringgit Malaysia</i>		
Term loan	-	2,874
	69,318	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

The Company had on 12 February 2018 received an amended writ of summons with an amended statement of claim issued in the Court of First Instance of the High Court of Hong Kong from SAKK Consulting, Inc claiming for success fee, interest, costs and any other relief, in relation to the acquisition of AFE Solutions Limited (currently known as N2N-AFE (Hong Kong) Limited) by the Company. The Board of Directors of the Company considers that the said litigation would not have material impact on the position of the Company.



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B11 Dividend

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

B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2017	Preceding Year Corresponding Quarter 31 Dec 2016	Current Year To Date 31 Dec 2017	Preceding Year Corresponding Period 31 Dec 2016
(a) Basic earnings per share				
Net profit attributable to owners of the Company (RM'000)	6,469	2,583	25,129	11,747
Weighted average number of ordinary shares in issue ('000)	469,785	469,712	469,442	472,918
Basic earnings per share (sen)	1.38	0.55	5.35	2.48

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2017	Preceding Year Corresponding Quarter 31 Dec 2016	Current Year To Date 31 Dec 2017	Preceding Year Corresponding Period 31 Dec 2016
(b) Diluted earnings per share				
Net profit attributable to owners of the Company (RM'000)	6,469	2,583	25,129	11,747
Weighted average number of ordinary shares in issue ('000)	469,785	469,712	469,442	472,918
Adjusted for:				
Assumed exercise of Warrants at no consideration ('000)	31,700	32,651	31,700	32,651
Adjusted number of ordinary shares ('000)	501,485	502,363	501,142	505,569
Diluted earnings per share (sen)	1.29	0.51	5.01	2.32

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 2018.

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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 31 Dec 2017 RM'000	As At 31 Dec 2016 RM'000
Total retained profits		
Realised	63,255	20,221
Unrealised	(8,509)	(783)
	<u>54,746</u>	<u>19,438</u>
Add: Consolidation adjustments	(16,033)	(1,153)
Total retained profits as per consolidated statement of financial position	<u><u>38,713</u></u>	<u><u>18,285</u></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 26 February 2018.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 26 February 2018