



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018**



N2N CONNECT BERHAD (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION

FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018

Remark:

The results for the quarter and twelve months ended 31 December 2018 should be read in conjunction with the Annual Audited Financial Statements of N2N Connect Berhad and its subsidiaries ("Group") for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter 31 Dec 2017 RM'000	Current Year To date 31 Dec 2018 RM'000	Preceding Year Corresponding Period 31 Dec 2017 RM'000
1 Revenue	27,802	27,669	108,055	97,285
2 Profit before taxation	3,930	6,607	19,229	25,151
3 Profit for the year	2,684	5,242	12,729	23,737
4 Profit attributable to owners of the Company	2,807	5,318	13,095	23,978
5 Basic earnings per share (sen)	0.49	1.13	2.42	5.11
6 Diluted earnings per share (sen)	0.39	1.07	1.90	4.73
7 Proposed/Declared dividend per share (sen)	1.00	-	4.00	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 2018**

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year Quarter 31 Dec 2018 (UNAUDITED) RM'000	Preceding Year Corresponding Quarter 31 Dec 2017 (AUDITED) RM'000	Changes %	Current Year To Date 31 Dec 2018 (UNAUDITED) RM'000	Preceding Year Corresponding Period 31 Dec 2017 (AUDITED) RM'000	Changes %
Revenue	27,802	27,669	0%	108,055	97,285	11%
Cost of sales	(11,715)	(13,788)	-15%	(46,976)	(43,654)	8%
Gross profit	16,087	13,881	16%	61,079	53,631	14%
Other operating income	269	4,712	-94%	3,928	13,467	-71%
Administrative expenses	(11,944)	(11,255)	6%	(43,730)	(39,671)	10%
Finance costs	(409)	(731)	-44%	(1,840)	(2,276)	-19%
Share of results of associates	(73)	-		(208)	-	
Profit before taxation	3,930	6,607	-41%	19,229	25,151	-24%
Taxation	B6 (1,246)	(1,365)		(6,500)	(1,414)	
Profit for the year	2,684	5,242	-49%	12,729	23,737	-46%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
- Exchange differences arising from translation of foreign operations	(987)	(7,417)		628	(9,037)	
Items that will not be reclassified subsequently to profit or loss:						
- Remeasurement for long service payments, net of tax	690	998		690	998	
Total comprehensive income for the year	2,387	(1,177)		14,047	15,698	



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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 2018**

	Note	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		Current Year Quarter 31 Dec 2018 (UNAUDITED) RM'000	Preceding Year Corresponding Quarter 31 Dec 2017 (AUDITED) RM'000	Changes %	Current Year To Date 31 Dec 2018 (UNAUDITED) RM'000	Preceding Year Corresponding Period 31 Dec 2017 (AUDITED) RM'000	Changes %
Profit for the year attributable to:							
- Owners of the Company		2,807	5,318		13,095	23,978	
- Non-controlling interests		(123)	(76)		(366)	(241)	
		<u>2,684</u>	<u>5,242</u>		<u>12,729</u>	<u>23,737</u>	
Total comprehensive income for the year:							
- Owners of the Company		2,510	(1,101)		14,413	15,939	
- Non-controlling interests		(123)	(76)		(366)	(241)	
		<u>2,387</u>	<u>(1,177)</u>		<u>14,047</u>	<u>15,698</u>	
Earnings per share ("EPS") attributable to the owners of the Company:							
- Basic EPS (sen)	B12	<u>0.49</u>	<u>1.13</u>		<u>2.42</u>	<u>5.11</u>	
- Diluted EPS (sen)	B12	<u>0.39</u>	<u>1.07</u>		<u>1.90</u>	<u>4.73</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.



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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	As at 31 Dec 2018 (UNAUDITED) RM'000	As at 31 Dec 2017 (AUDITED) RM'000
Note		
ASSETS		
Non-current assets		
Property, plant and equipment and investment properties	43,573	47,385
Intangible assets	75,105	73,668
Investment in associates	8,043	61
	<u>126,721</u>	<u>121,114</u>
Current assets		
Trade receivables	19,232	12,008
Other receivables	5,245	6,459
Amount owing by a corporate shareholder	-	140
Amount owing by related companies	385	252
Amount owing by an associate	681	-
Tax recoverable	252	981
Marketable securities	51,395	43,943
Financial assets at fair value through profit or loss	114	316
Deposits with licensed bank	341	44,207
Cash and bank balances	102,226	53,158
	<u>179,871</u>	<u>161,464</u>
TOTAL ASSETS	<u>306,592</u>	<u>282,578</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	260,987	163,641
Exchange reserve	(7,605)	(8,233)
Warrants reserve	-	1,383
Treasury shares	(35,542)	(5,832)
Retained profits	30,639	38,563
Equity attributable to owners of the Company	<u>248,479</u>	<u>189,522</u>
Non-controlling interests	(84)	282
	<u>248,395</u>	<u>189,804</u>
Non-current liabilities		
Provision for retirement benefits	2,235	2,434
Bank borrowings	20,680	28,923
Deferred tax liabilities	954	2,540
	<u>23,869</u>	<u>33,897</u>



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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	As at 31 Dec 2018 (UNAUDITED) RM'000	As at 31 Dec 2017 (AUDITED) RM'000
Note		
Current liabilities		
Trade payables	5,929	6,154
Other payables	10,997	10,772
Contract liabilities	108	-
Amount owing to a corporate shareholder	-	1,229
Amount owing to related companies	-	18
Bank borrowings	9,191	40,462
Provision for taxation	2,476	242
Dividend payable	5,627	-
	<u>34,328</u>	<u>58,877</u>
Total liabilities	<u>58,197</u>	<u>92,774</u>
TOTAL EQUITY AND LIABILITIES	<u>306,592</u>	<u>282,578</u>
Net Assets ("NA") per share attributable to owners of the Company (sen) *	<u>44</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 FINANCIAL YEAR ENDED 31 DECEMBER 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			
At 1 January 2018		163,641	(8,233)	(5,832)	1,383	38,563	189,522	282	189,804
Effects of MFRS 9 adoption		-	-	-	-	(261)	(261)	-	(261)
Effects of MFRS 15 adoption		-	-	-	-	(45)	(45)	-	(45)
At 1 January 2018 (restated)		163,641	(8,233)	(5,832)	1,383	38,257	189,216	282	189,498
Profit for the year		-	-	-	-	13,095	13,095	(366)	12,729
Other comprehensive income		-	628	-	-	690	1,318	-	1,318
Total comprehensive income for the year		-	628	-	-	13,785	14,413	(366)	14,047
Dividends	(i)	-	-	-	-	(21,412)	(21,412)	-	(21,412)
Shares purchased during the year held as treasury shares		-	-	(29,710)	-	-	(29,710)	-	(29,710)
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	-	-	-
At 31 December 2018		260,987	(7,605)	(35,542)	-	30,639	248,479	(84)	248,395



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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 2017	163,315	804	(5,409)	1,397	18,285	178,392	523	178,915
Profit for the year	-	-	-	-	23,978	23,978	(241)	23,737
Other comprehensive income	-	(9,037)	-	-	998	(8,039)	-	(8,039)
Total comprehensive income for the year	-	(9,037)	-	-	24,976	15,939	(241)	15,698
Shares purchased during the year held as treasury shares	-	-	(423)	-	-	(423)	-	(423)
Dividends paid	-	-	-	-	(4,698)	(4,698)	-	(4,698)
Issuance of shares pursuant to conversion of Warrants	326	-	-	(14)	-	312	-	312
At 31 December 2017	163,641	(8,233)	(5,832)	1,383	38,563	189,522	282	189,804



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

Notes:

- (i) During the financial year ended 31 December 2018, the Company paid:
 - a first interim single-tier dividend of 3 sen per share amounting to RM15,785,461 in respect of the financial year ended 31 December 2018 on 28 March 2018; and
 - a second interim single-tier dividend of 1 sen per share amounting to RM5,626,880 in respect of the financial year ended 31 December 2018 on 7 January 2019.
- (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 FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	12 months ended 31 Dec 2018 (UNAUDITED) RM'000	12 months ended 31 Dec 2017 (AUDITED) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,229	25,151
Adjustments for:		
Amortisation of intangible assets	4,064	3,834
Allowance for impairment on trade receivables	755	-
Bad debts written off	2	10
Depreciation of property, plant and equipment	5,897	6,254
Depreciation of investment properties	234	246
Fair value change on financial assets at fair value through profit or loss	202	(1,068)
Gain on disposal of property, plant and equipment	(30)	(14)
Property, plant and equipment written off	17	6
Provision for long service payments	(236)	329
Unrealised foreign exchange gain	5,392	(7,834)
Dividend income	(1,944)	(565)
Interest income	(704)	(2,592)
Interest expense	1,840	2,276
Share of results of associates	208	-
Operating profit before working capital changes	<u>34,926</u>	<u>26,033</u>
Changes in working capital		
Trade receivables	(7,981)	8,229
Other receivables	1,214	10,657
Contract liabilities	(108)	-
Trade payables	(226)	(11,133)
Other payables	225	5,193
Amount owing to related companies	(151)	(196)
Amount owing (to)/by a corporate shareholder	(1,088)	1,195
Amount owing by an associate	(681)	-
Cash generated from operations	<u>26,130</u>	<u>39,978</u>
Interest received	704	2,592
Interest paid	(1,840)	(2,276)
Dividend received	1,944	565
Net tax paid	<u>(5,162)</u>	<u>(1,640)</u>
Net cash generated from operating activities	<u>21,776</u>	<u>39,219</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Computer software development cost	(4,527)	(4,472)
Purchase of property, plant and equipment	(2,362)	(3,508)
Acquisition of a subsidiary, net of cash acquired	-	(66,849)
Proceeds from disposal of property, plant and equipment	30	14
Proceeds from disposal of financial assets at fair value through profit or loss	-	3,675
Net changes in marketable securities	(7,452)	26,786
Investment in associate	<u>(8,331)</u>	<u>(61)</u>
Net cash used in investing activities	<u>(22,642)</u>	<u>(44,415)</u>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	12 months ended 31 Dec 2018 (UNAUDITED) RM'000	12 months ended 31 Dec 2017 (AUDITED) RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to exercise of warrants	30,920	-
Proceeds from issuance of shares	65,052	312
Repurchase of treasury shares	(35,542)	(423)
Dividend paid	(15,785)	(4,698)
(Repayment)/Drawdown of bank borrowings, net	(39,514)	73,695
Decrease/(Increase) in fixed deposits pledged	43,865	(44,207)
Repayment of finance lease	-	(42)
Net cash generated from financing activities	<u>48,996</u>	<u>24,637</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,130	19,441
EFFECT OF EXCHANGE RATE CHANGES	938	(2,810)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	53,158	36,527
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>102,226</u>	<u>53,158</u>
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	102,226	53,158
Deposits with licensed bank	341	44,207
	<u>102,567</u>	<u>97,365</u>
Less: Fixed deposits pledged to licensed bank	(341)	(44,207)
	<u>102,226</u>	<u>53,158</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.



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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 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 and IC Interpretations 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

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

Effective for annual periods beginning on or after 1 January 2020

The Conceptual Framework for Financial Reporting (Revised 2018)

Amendments to MFRS 3: Business Combinations

Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to MFRS 101: Presentation of Financial Statements



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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 9,111,000 units of its issued ordinary shares from the open market at an average price of RM0.96 per share. Total consideration price paid for the repurchase including transaction cost was approximately RM9,492,000 and this was financed by internally generated funds. As at 31 December 2018, the cumulative total number of shares repurchased was 37,517,900 at its issued ordinary shares from the open market at an average price of RM0.95 per share. Total consideration paid for the repurchase including transaction cost was approximately RM35,542,000 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 twelve months ended 31 December 2018, the Company declared First Interim Dividend of 3 sen per share (Single Tier Dividend) amounted to RM15,785,461 for the financial year ended 31 December 2018. The dividend was paid on 28 March 2018.



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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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
Financial year ended 31 December 2018					
<u>Revenue</u>					
Sales to external customers	39,522	60,426	8,170	-	108,118
Inter-segment sales	-	-	-	(63)	(63)
Total	39,522	60,426	8,170	(63)	108,055
<u>Results</u>					
EBITDA *	20,452	10,885	3,107	(273)	34,171
Dividend income	51,985	-	-	(50,041)	1,944
Finance income	690	7	7	-	704
Finance costs	(1,840)	-	-	-	(1,840)
Depreciation of property, plant and equipment	(3,570)	(2,194)	(133)	-	(5,897)
Depreciation of investment properties	(234)	-	-	-	(234)
Amortisation of intangible assets	(4,064)	-	-	-	(4,064)
Unrealised foreign exchange gain/(loss)	(5,381)	-	1	(12)	(5,392)
Share of results of associates	(208)	-	-	-	(208)
Other non-cash items	(173)	218	-	-	45
Taxation	(4,023)	(2,049)	(428)	-	(6,500)
Segment profit/(loss) for the financial year	53,634	6,867	2,554	(50,326)	12,729

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



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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 2017					
<u>Revenue</u>					
Sales to external customers	42,506	48,438	6,341	-	97,285
Inter-segment sales	7,194	-	-	(7,194)	-
Total	<u>49,700</u>	<u>48,438</u>	<u>6,341</u>	<u>(7,194)</u>	<u>97,285</u>
<u>Results</u>					
EBITDA *	18,602	8,040	176	(785)	26,033
Dividend income	11,565	-	-	(11,000)	565
Finance income	2,579	13	-	-	2,592
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)
Unrealised foreign exchange gain/(loss)	8,110	-	(14)	(262)	7,834
Other non-cash items	1,075	(328)	(10)	-	737
Taxation	(944)	(470)	-	-	(1,414)
Segment profit/(loss) for the financial year	<u>30,588</u>	<u>5,437</u>	<u>(241)</u>	<u>(12,047)</u>	<u>23,737</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 31 Dec 2018 RM'000	As At 31 Dec 2017 RM'000
Other receivables	3,452	916
Deposits	499	3,823
Prepayments	1,294	1,720
	<u>5,245</u>	<u>6,459</u>



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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018**

A12 Other payables

	As At 31 Dec 2018 RM'000	As At 31 Dec 2017 RM'000
Other payables	9,849	1,828
Accruals	936	5,447
Deposit received	212	3,497
	<u>10,997</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:

	As At 31 Dec 2018 Level 1 Fair Value RM'000	As At 31 Dec 2017 Level 1 Fair Value RM'000
Financial assets at fair value through profit or loss	<u>114</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 year ended 31 December 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 25 February 2019 (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

	Current Year Quarter 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter 31 Dec 2017 RM'000
Revenue	27,802	27,669
Profit attributable to owners of the Company	2,807	5,318
Core profit *	<u>2,909</u>	<u>1,985</u>

* Core profit represents earnings before extraordinary items.

For the quarter under review, the core profit of the Group increased by 46.6% to RM2.91 million in comparison to the preceding year's corresponding quarter core profit of RM1.99 million. The increase is mainly due to the combination of lower operating cost and improved margins.

The Group recorded a profit attributable to owners of company amounting to RM2.81 million in the current quarter which was 47.2% lower compared to RM5.32 million in the preceding quarter mainly due to lower unrealised forex gain in the current quarter.

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

	Current Year To Date 31 Dec 2018 RM'000	Preceding Year Corresponding Period 31 Dec 2017 RM'000
Revenue	108,055	97,285
Profit attributable to owners of the Company	13,095	23,978
Core profit	<u>17,224</u>	<u>12,127</u>

* Core profit represents earnings before extraordinary items.

For the 12 months ended 31 December 2018, the Group recorded an increase of 42% in core profit compared to the preceding year's corresponding period. Core profit rose from RM12.13 million to RM17.22 million.

The combination of improved margins of the Group and the consolidation of 12 months' financial results of N2N-AFE (Hong Kong) Limited ("AFE") contributed to the improvement in core profits.

In the corresponding period, only 9 months' financial results of AFE was consolidated in view of the acquisition of AFE being completed on 31 March 2017.



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The profit attributable to owners of the Company for the 12 months ended 31 December 2018 was 45.4% lower compared to the corresponding period. The Group recorded a profit attributable to owners of the Company of RM13.10 million for the current period against RM23.98 million in the corresponding period.

This was mainly due to lower unrealised foreign exchange gains and the additional tax liability and tax penalty of RM5.33 million recorded in the current period (the additional tax liability and tax penalty was disclosed in its announcement dated 9 July 2018 on Bursa Malaysia Securities Berhad).

The revenue of the Group grew 11.1% from RM97.29 million in the corresponding period to RM108.06 million for the 12 months ended 31 December 2018 mainly due to the consolidation of 12 months' financial results of AFE compared to only nine months in the corresponding period.

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

Core profit of the Group was 4.8% lower in the current quarter ended 31 December 2018 in comparison to the preceding quarter ended 30 September 2018. The Group recorded a core profit of RM2.91 million in the current quarter compared to RM3.06 million in the preceding quarter.

The lower core profit in comparison to preceding quarter was mainly due to provisions for trade receivables.

The Group however recorded a higher profit after tax for the current quarter in comparison to the preceding quarter. Profit after tax for the current quarter amounted to RM2.68 million which was 26.5% higher than the profit after tax of RM2.12 million recorded in the preceding quarter.

The increase was mainly attributed to the higher revenue and better margins for the current quarter in comparison to the preceding quarter. Revenue increased by 10.2% from RM25.24 million in the preceding quarter to RM27.80 million in the current 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.

Apart from this, the Group is in the process of finalising several new agreements and has a few qualified prospects that the Group is actively looking into in Malaysia, Singapore, Philippines and Vietnam. These involves the provision of web-based and mobile trading solutions and back office settlement systems for stock brokers.

Apart from this, the Group is optimistic that its collaboration with SBI Holdings Inc and SBI Japannext Co., Ltd (collectively "SBI") will result in synergies that will contribute to the business growth of the Group. SBI is an established player in the financial services industry and is one of the most active investors in fintech and other disruptive technologies whilst the Group is one of the largest Asian-based trading platform providers that has presence spanning across Singapore, Hong Kong, Thailand, Indonesia, Philippines and Vietnam. The collaboration with SBI would thus help the Group realise its plans to expand into the digital asset trading space within the Asian region.

Barring any unforeseen circumstances, the Board is confident that moving forward N2N Group financial outlook remains positive, taking into consideration its present client base, the prospects of new customers and the synergies with SBI.



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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 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter 31 Dec 2017 RM'000	Current Year To Date 31 Dec 2018 RM'000	Preceding Year Corresponding Period 31 Dec 2017 RM'000
(a) Interest income	(118)	(767)	(704)	(2,592)
(b) Dividend Income	(464)	(16)	(1,944)	(565)
(c) Interest expense	409	731	1,840	2,276
(d) Depreciation and amortisation	2,470	2,644	10,195	10,334
(e) Net foreign exchange loss/(gain)	1,217	(2,962)	254	(7,989)
(f) Fair value change on financial assets at fair value through profit or loss	85	36	202	(1,068)

B6 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter 31 Dec 2017 RM'000	Current Year To Date 31 Dec 2018 RM'000	Preceding Year Corresponding Period 31 Dec 2017 RM'000
Taxation for the period comprises the following:				
Current tax expense				
- Current year provision	(2,815)	(842)	(3,394)	(1,026)
- (Over)/Under provision in prior year	77	-	(4,598)	135
Deferred taxation				
- Original and reversal of temporary differences	1,523	(523)	1,523	(440)
- Under provision in prior year	(31)	-	(31)	(83)
	<u>(1,246)</u>	<u>(1,365)</u>	<u>(6,500)</u>	<u>(1,414)</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 2018 RM'000	As At 31 Dec 2017 RM'000
At cost		
Quoted unit trusts *	51,395	43,943

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 2018 RM'000	As At 31 Dec 2017 RM'000
Secured		
Short-term borrowings		
United States Dollar		
Term loan	9,191	40,462
Long-term borrowings		
United States Dollar		
Term loan	20,680	28,923
	<u>29,871</u>	<u>69,385</u>

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.



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B10 Material litigation

On 7 November 2017, N2N received a writ of summons (“Writ”) from 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 N2N 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 N2N. SAKK further alleged that, among others, N2N has failed to pay the success fee amounting to USD411,946, being the 2% of N2N’s purchase consideration of USD20,597,300 for the acquisition of AFE Solutions Limited (now known as N2N-AFE (Hong Kong) Limited), and accordingly, breached the Engagement Letter. SAKK’s claims against N2N amongst others (i) the sum of USD411,946 (ii) interest of 1% per month, or alternatively, pursuant to the applicable rule of the Hong Kong High Court. On 4 June 2018, N2N filed to the High Court of Hong Kong a defence and counterclaim against SAKK for amongst others, a sum of USD30,000 as agreed reimbursement against SAKK.

On 24 July 2018, N2N received a reply and defence of SAKK (the “Reply and Defence”) in reply and defence to N2N’s defence and counterclaim.

Subsequently, in September 2018, a meeting was held between SAKK and N2N on a without prejudice basis with an aim of allowing both parties to reach a settlement out of court. However, as at to-date, both parties have not been able to reach a settlement.

The solicitors acting for N2N are of the view that it would be premature and remote to comment on the ultimate outcome of the SAKK claim and/or N2N counterclaim since it depends on various unforeseen factors including the evidence to be discovered during the discovery stage, the outcome of interim mediation session, and the evidence to be provided by witnesses of SAKK and/or N2N during court hearings.

B11 Proposed dividends

On 21 November 2018, the Board of Directors approved and declared a Second Interim Dividend of 1 sen per share under the single-tier system in respect of the financial year ended 31 December 2018, amounting to RM5,626,880. The dividend was paid on 7 January 2019.

B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2018	Preceding Year Corresponding Quarter 31 Dec 2017	Current Year To Date 31 Dec 2018	Preceding Year Corresponding Period 31 Dec 2017
(a) Basic earnings per share				
Net profit attributable to owners of the Company (RM'000)	2,807	5,318	13,095	23,978
Weighted average number of ordinary shares in issue ('000)	573,687	469,152	540,422	469,478
Basic earnings per share (sen)	0.49	1.13	2.42	5.11



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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2018	Preceding Year Corresponding Quarter 31 Dec 2017	Current Year To Date 31 Dec 2018	Preceding Year Corresponding Period 31 Dec 2017
(b) Diluted earnings per share				
Net profit attributable to owners of the Company (RM'000)	2,807	5,318	13,095	23,978
Weighted average number of ordinary shares in issue ('000)	573,687	469,152	540,422	469,478
Adjusted for:				
Assumed exercise of Warrants at no consideration ('000)	149,469	29,202	149,469	37,457
Adjusted number of ordinary shares ('000)	723,156	498,354	689,891	506,935
Diluted earnings per share (sen)	0.39	1.07	1.90	4.73

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

There were no corporate proposals announced but not completed as at 25 February 2019.

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 25 February 2019.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 25 February 2019