

11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

11.1.1 Income Statements

The following table summarises our income statements since our incorporation. The income statements are prepared for illustrative purpose only and you should read it together with the Accountants' Report set out in Section 12 of this Prospectus.

	-----Audited----->				
	10 August 2000 to 31 August 2001 RM 000	Financial year ended 31 August 2002 RM 000	1 September 2002 to 31 December 2003 RM 000	Financial year ended 31 December 2004 RM 000	6 months ended 30 June 2005 RM 000
Turnover	21	544	1,964	4,114	4,128
(Loss)/Earnings before interest, depreciation and taxation	(542)	189	771	1,725	2,198
Interest expense	-	-	-	(2)	(3)
Interest income	-	-	-	19	-
Depreciation	(17)	(130)	(257)	(405)	(322)
(Loss before taxation)/PBT	(559)	59	514	1,337	1,873
Taxation	-	-	(34)	6	-
(Loss after taxation)/PAT	(559)	59	480	1,343	1,873
No. of N2N Shares in issue (000)	*	*	10,000	67,500	67,500
Weighted average number of N2N Shares in issue (000)	*	*	2,010	66,661	67,500
Gross (loss per share)/EPS (RM)	(279,500.00)	29,500.00	0.26	0.02	0.03
Net (loss per share)/EPS (RM)	(279,500.00)	29,500.00	0.24	0.02	0.03

Note:

* Comprising 2 N2N Shares.

There were no extraordinary items or exceptional items reported during the financial periods/years under review.

Our financial statements for the financial period ended 31 August 2001, the financial year ended 31 August 2002, the 16 months financial period ended 31 December 2003, our consolidated financial statements for the financial year ended 31 December 2004 and the 6 months financial period ended 30 June 2005 have been reported by our auditors without any audit qualification.

11. FINANCIAL INFORMATION (CONT'D)

Commentary:

Financial period from 10 August 2000 to 31 August 2001 ("FP2001")

Our revenue in FP2001 stood at RM0.02 million as we were newly incorporated and only started to establish our presence in the industry. We started out with JF Apex who engaged us to provide eBrokerConnect™ services. The RM0.02 million revenue represents the installation fees charged for the operations of eBrokerConnect™ services.

For FP2001, we suffered a loss before taxation of RM0.56 million mainly due to start-up costs incurred in the incorporation of our company. No taxation is charged for FP2001 as our Company was in a tax loss position.

Financial year ended 31 August 2002 ("FY2002")

For FY2002, we recorded revenue of RM0.54 million and the customer base for our eBrokerConnect™ services began to expand. During FY2002, 3 new brokers signed on to our panel as our main customers namely, CIMBS, PM Sec and SJ Securities Sdn Bhd. eBrokerConnect™ services contributed 97.98% of our Group's total turnover for FY2002.

We also introduced a new product, SMSConnect™ to complement our online stock trading services. This product generated RM0.01 million or 2.02% of our Group's total turnover.

Our Company turned around from a loss before taxation of RM0.56 million in FP2001 to a PBT of RM0.06 million in FY2002 mainly due to an increase in revenue. The PBT margin in FY2002 was 10.85%. No taxation is charged for FY2002 as our Company has unabsorbed tax losses to offset the chargeable income.

16 months financial period from 1 September 2002 to 31 December 2003 ("FP2003")

For FP2003, our Company recorded 16 months revenue of RM1.96 million. If annualised to 12 months, revenue recorded will be RM1.47 million which signified an increase by RM0.93 million or 172.22% from RM0.54 million in FY2002. This was mainly due to the following:

- (i) increase in matched trade fees generated from eBrokerConnect™ as more transactions were being matched in the online stock trading; and
- (ii) increased advertising, promotion and marketing efforts to enter into alliances and partnerships with the major Telcos service providers and mobile phone manufacturers through our pre-packaged solutions and services in most mobile phones sold in Malaysia.

Our Company's PBT increased from RM0.06 million in FY2002 to RM0.51 million in FP2003. The PBT margin is higher at 26.17% in FP2003 as compared to a PBT margin of 10.85% in FY2002 mainly due to economies of scale achieved in tandem with the higher revenue in FP2003.

Our effective taxation rate is lower than the statutory mainly due to prior year tax losses and capital allowances being carried forward.

11. FINANCIAL INFORMATION (CONT'D)

Financial year ended 31 December 2004 ("FY2004")

For FY2004, the Group's revenue increased by 179.59% from RM1.47 million in annualised FP 2003 to RM4.11 million which comprises mainly of the following:

- (i) increase in matched trade fees generated from eBrokerConnect™ as more transactions were being matched in the online stock trading from the existing clients;
- (ii) additional monthly fee from a new stockbroking company namely, Kuala Lumpur City Securities Sdn Bhd from the month of March 2004 onwards;
- (iii) increase in MobileConnect™ subscribers as compared to none in 2003;
- (iv) increase in PDACoconnect™ subscribers and additional income from preload bundling exercise;
- (v) additional SMS subscription fee in line with the increase in MobileConnect™ subscribers; and
- (vi) increase in sales of mobile phones and PDA in line with the increase in MobileConnect™ and PDACoconnect™ subscriptions.

Our Group achieved a consolidated PBT of RM1.34 million, representing an increase of 243.59% as compared to the previous annualised FP2003's PBT of RM0.39 million. The PBT margin is higher at 32.50% in FY2004 as compared to a PBT margin of 26.17% in FP 2003 mainly due to lower administrative expenses as a result of economies of scale.

There is no taxation charge for FY2004 mainly due to the reversal of deferred taxation, utilisation of unutilised capital allowances brought forward to set-off against the taxable profits of sales of mobile phones and PDA and others, and tax exemption for MSC qualifying activities as mentioned above under pioneer status pursuant to the Promotion of Investments Act, 1986 in Malaysia.

Financial period ended 30 June 2005 ("FP2005")

The Group's revenue for FP2005 was RM4.13 million. This is as a result of the increase in revenue attributable to new clients namely, Kenanga and Citibank (M) Berhad as well as consistent increase in MobileConnect™ and PDACoconnect™ subscribers.

Our Group achieved a consolidated PBT of RM1.87 million in FP2005. The PBT margin is higher at 45.37% in FP2005 as compared to a PBT margin of 32.50% in FY2004 mainly due to lower administrative expenses as a result of economies of scale.

There is no taxation charge for FP2005 mainly due to the tax exemption for MSC qualifying activities as mentioned above under pioneer status pursuant to the Promotion of Investments Act, 1986 in Malaysia.

11. FINANCIAL INFORMATION (CONT'D)

11.1.2 Segmental Analysis

The segment revenue by products for the past 5 financial periods/years ended 30 June 2005 are set forth below:

Products:	←FP2001→		←FY2002→		←FP2003→		←FY2004→		←FP2005→	
	RM 000	%	RM 000	%	RM 000	%	RM 000	%	RM 000	%
eBrokerConnect™	21	100.00	533	97.98	1,702	86.66	1,693	41.15	1,430	34.64
PDACoconnect™	-	-	-	-	3	0.15	486	11.81	469	11.36
SMSCoconnect™	-	-	11	2.02	10	0.51	50	1.22	37	0.90
MobileCoconnect™	-	-	-	-	-	-	1,350	32.82	1,787	43.29
Sale of mobile devices	-	-	-	-	196	9.98	384	9.33	202	4.89
Others	-	-	-	-	53	2.70	151	3.67	203	4.92
Total revenue	21	100.00	544	100.00	1,964	100.00	4,114	100.00	4,128	100.00

A segmental analysis by geographical location for the past 5 financial periods/years is not shown as revenue and profits from the foreign market is not significant.

11.2 WORKING CAPITAL, MATERIAL COMMITMENTS, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL LITIGATION

11.2.1 Working Capital

Our Directors are of the opinion that, after taking into consideration the funds generated from our existing operations and the expected proceeds from the Public Issue, our Group will have sufficient working capital to meet our existing needs and foreseeable requirement for a period of 12 months from the date of this Prospectus.

11.2.2 Material Commitments

As at 14 October 2005, being the latest practicable date before the registration of this Prospectus, our Directors are not aware of any material commitments for capital expenditure contracted, which upon becoming enforceable may have a material impact on the financial position of our Group.

11.2.3 Borrowings

As at 14 October 2005, being the latest practicable date before the registration of this Prospectus, our Group has the following interest-bearing borrowing.

	Due within 12 months RM	Due after 12 months RM
Hire purchase payable	22,608	76,178

There has been no default on payments of either interest and/or principal sums in respect of any of our Group's borrowings throughout the past financial period ended 30 June 2005 and up to 14 October 2005, being the latest practicable date before the registration of the Prospectus.

11. FINANCIAL INFORMATION (CONT'D)

11.2.4 Contingent Liabilities

As at 14 October 2005, being the latest practicable date before the registration of this Prospectus, our Directors are not aware of any contingent liabilities which upon materialisation, may have a material impact on the financial position of our Group.

11.2.5 Material Litigation

As at 14 October 2005, being the latest practicable date before the registration of this Prospectus, our Group is not engaged in any litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of our Group, and our Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial position or business.

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11. FINANCIAL INFORMATION (CONT'D)

11.3 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)

24 OCT 2005

The Board of Directors
N2N Connect Berhad
3rd Floor
No 17 Jalan Ipoh Kecil
50350 Kuala Lumpur

Dear Sirs,

N2N CONNECT BERHAD ("N2N" OR "COMPANY")

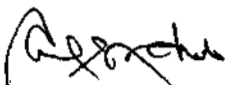
PROFORMA CONSOLIDATED BALANCE SHEETS


We have reviewed the presentation of the proforma consolidated balance sheets of N2N as at 30 June 2005, together with the notes thereon, for which the Directors of N2N are collectively and individually responsible. The proforma consolidated balance sheets have been prepared for the purpose of inclusion in the prospectus dated **08 NOV 2005**, in connection with the listing of and quotation for the entire issued and paid-up share capital of 135,150,000 ordinary shares of RM0.10 each in N2N ("N2N Shares") on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

In our opinion,

- (i) the proforma consolidated balance sheets has been properly compiled on the basis of preparation as stated in the notes to proforma consolidated balance sheets;
- (ii) such basis is consistent with the accounting policies of N2N; and
- (iii) the adjustments are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully,


ANUARUL AZIZAN CHEW & CO
Firm Number: AF 0791
Chartered Accountants


TEE GUAN PIAN
Approved Number: 1886/05/06 (J/PH)
Partner of Firm

 **AnuarulAzizanChew**

Anuarul Azizan Chew & Co. Chartered
Accountants

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Off Jalan Kolan, Bukit Jalil, Ipoh
51200 Kuala Lumpur
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11. FINANCIAL INFORMATION (CONT'D)

 AnuarulAzizanChew

N2N CONNECT BERHAD

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2005

	Audited as at 30.6.2005 RM'000	Prorforma I Public Issue RM'000	Proforma II Bonus Issue RM'000	Proforma III Utilisation RM'000	Proforma IV ESOS RM'000
ASSETS EMPLOYED					
PROPERTY, PLANT AND EQUIPMENT	4,558	4,558	4,558	6,558	6,558
CURRENT ASSETS					
Inventories	6	6	6	6	6
Trade receivables	3,691	3,691	3,691	3,691	3,691
Other receivables	825	825	825	825	825
Marketable securities	1,393	1,393	1,393	1,393	1,393
Cash and bank balances	75	8,475	8,475	4,975	10,516
	<u>5,990</u>	<u>14,390</u>	<u>14,390</u>	<u>10,890</u>	<u>16,431</u>
LESS: CURRENT LIABILITIES					
Trade payables	210	210	210	210	210
Other payables	168	168	168	168	168
Hire purchase payables	22	22	22	22	22
Amount owing to Directors	96	96	96	96	96
Taxation	5	5	5	5	5
	<u>501</u>	<u>501</u>	<u>501</u>	<u>501</u>	<u>501</u>
NET CURRENT ASSETS	<u>5,489</u>	<u>13,889</u>	<u>13,889</u>	<u>10,389</u>	<u>15,930</u>
	<u>10,047</u>	<u>18,447</u>	<u>18,447</u>	<u>16,947</u>	<u>22,488</u>
FINANCED BY					
SHARE CAPITAL	6,750	7,950	13,515	13,515	14,867
SHARE PREMIUM ACCOUNT	10	7,210	1,645	145	4,334
EXCHANGE RESERVE	9	9	9	9	9
RETAINED PROFITS	3,196	3,196	3,196	3,196	3,196
	<u>9,965</u>	<u>18,365</u>	<u>18,365</u>	<u>16,865</u>	<u>22,406</u>
LONG TERM LIABILITIES					
Hire purchase payables	82	82	82	82	82
	<u>10,047</u>	<u>18,447</u>	<u>18,447</u>	<u>16,947</u>	<u>22,488</u>
Number of ordinary shares in issue ('000)	67,500	79,500	135,150	135,150	148,665
Net tangible assets per ordinary share (RM)	0.15	0.23	0.14	0.12	0.15

11. FINANCIAL INFORMATION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**1. Basis of preparation**

The proforma consolidated balance sheets are provided for illustrative purposes only, based on the audited consolidated financial statements of N2N as at 30 June 2005, to show the effects of the transactions on the assumption that the transactions had been effected on 30 June 2005.

The proforma consolidated balance sheets have been prepared on bases and accounting principles consistent with those normally adopted by N2N in the preparation of audited financial statements.

1.1 Proforma I – Public Issue

Proforma I incorporates the effects of the Public Issue of 12,000,000 new N2N Shares at an issue price of RM0.70 per N2N Share to be allocated as follows:-

- (i) 1,590,000 new N2N Shares available for application by the Malaysian citizens, companies, co-operatives, societies and institutions;
- (ii) 2,385,000 new N2N Shares available for application by the eligible Directors, employees and business associates of the N2N Group; and
- (iii) 8,025,000 new N2N Shares available for application by way of private placement to identified investors.

1.2 Proforma II – Bonus Issue

Proforma II incorporates the effects of Proforma I and the Bonus Issue of 55,650,000 new N2N Shares, credited as fully paid-up, to be issued to all shareholders of N2N prior to the Listing.

The Bonus Issue is to be effected through the capitalisation of RM5,565,000 from the share premium account of N2N of RM7,200,000 arising from the Public Issue. The N2N Shares after the Bonus Issue will rank pari passu in all respects with the existing N2N Shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or other distributions the entitlement date of which is prior to the allotment of the Bonus Issue.

11. FINANCIAL INFORMATION (CONT'D)

1.3 Proforma III – Utilisation

Utilisation of proceeds from Public Issue will be utilised as follows:-

	RM
Software research and development	2,000,000
Regional expansion	2,000,000
Working capital	2,900,000
Estimated listing expenses	1,500,000
	<u>8,400,000</u>

The estimated listing expenses of RM1,500,000 are charged against the Share Premium Account.

1.4 Proforma IV –Employee Share Option Scheme (“ESOS”)

Proforma IV incorporates the effects of Proforma III and the ESOS for the eligible Directors and employees of the N2N Group. The total number of N2N Shares which may be made available under the Scheme shall not exceed ten per centum (10%) of the total issued and paid-up share capital comprising N2N Shares of the Company at any one time (and in any case shall not exceed such percentage as may be permitted by the relevant regulatory authorities, from time to time).

The Subscription Price shall be the higher of the following:-

- (i) the weighted average market price of the N2N Shares as shown in the daily official list of Bursa Securities for the five (5) Market Days immediately preceding the Offer Date with an allowance for a discount of not more than ten per centum (10%) therefrom at the Option Committee’s discretion; or
- (ii) the par value of the N2N Shares.

Notwithstanding the above, in the event the Offer is made to the Eligible Employees prior to the admission of N2N on the MESDAQ Market, the Subscription Price shall be the higher of the following:-

- (i) the public issue price of the N2N Shares as shown in the prospectus of the Company; or
- (ii) the par value of the N2N Shares.

The Subscription Price shall be subjected to any adjustments as stipulated under the ESOS By-Laws.

Proforma IV is prepared on the assumption that the number of N2N Shares which made available under this Scheme is ten per centum (10%) of the total issued and paid-up share capital of the Company at adjusted option price (after Bonus Issue) of approximately RM0.41 each being its Subscription Price and the option is fully exercised.

11. FINANCIAL INFORMATION (CONT'D)
 AnuarulAzizanChew
2. Share Capital

The movements in the issued and paid-up capital of N2N are as follows:-

	No. of shares	RM
As at 30 June 2005	67,500,000	6,750,000
Public Issue	12,000,000	1,200,000
As per Proforma I	<u>79,500,000</u>	<u>7,950,000</u>
Bonus Issue	55,650,000	5,565,000
As per Proforma II	135,150,000	13,515,000
ESOS	13,515,000	1,351,500
As per Proforma IV	<u>148,665,000</u>	<u>14,866,500</u>

3. Share Premium Account

The estimated listing expenses of RM1,500,000 have been charged against the share premium account. The movements in the share premium account are as follows:-

	RM
As at 30 June 2005	10,000
Public Issue	7,200,000
Bonus Issue	(5,565,000)
Estimated listing expenses	(1,500,000)
ESOS	4,189,650
Premium after charging listing expenses	<u>4,334,650</u>

4. Accounting Principles and Bases

The proforma consolidated balance sheets have been prepared on the accounting principle and bases consistent with those previously adopted in the preparation of the audited financial statements of N2N.

12. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

 **AnuarulAzizanChew**

Anuarul Azizan Chew & Co. Sdn Bhd
Chartered Accountants

18, Jalan 1/54
Off. Jalan Kosan Aman/Jalan Ipoh
51200 Kuala Lumpur
Malaysia

Tel: 603 40417200
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Email: anac@anac.com.my
Websites: www.anac.com.my
www.horizoninternational.com

24 OCT 2005

The Board of Directors
N2N Connect Berhad
3rd Floor
No 17 Jalan Ipoh Kecil
50350 Kuala Lumpur

Dear Sirs,

1. INTRODUCTION

This report has been prepared by Anuarul Azizan Chew & Co., an approved company auditors, for the inclusion in the Prospectus of N2N Connect Berhad ("N2N" or "Company") dated **08 NOV 2005**, in connection with the listing of and quotation for the entire issued and paid-up share capital of 135,150,000 ordinary shares of RM0.10 each in N2N ("N2N Shares") on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

2. GENERAL INFORMATION ON N2N

2.1 Background Information

N2N was incorporated in Malaysia under the Companies Act, 1965 on 10 August 2000 as a private limited company with the name of N2N Connect Sdn Bhd. On 29 September 2004, the Company was converted to a public listed company under the present name, N2N Connect Berhad. The Company commenced operations on 10 August 2000.

On 1 July 2004, N2N was granted MSC status by the Multimedia Development Corporation Sdn Bhd ("MDC").

2.2 Principal Activities

The Company is principally involved in the business of researching and developing ("R&D") of software packages, and provision of design, programming and consultancy services and related activities.

12. ACCOUNTANTS' REPORT (CONT'D)

2.3 Changes in Share Capital

The movement in N2N's authorised share capital since its incorporation is as follows:-

Date of creation	No. of shares	Par value	Cumulative total authorised share capital
		RM	RM
10 August 2000	1,000,000	0.10	100,000
9 June 2003	4,000,000	0.10	500,000
13 October 2003	45,000,000	0.10	5,000,000
6 April 2004	450,000,000	0.10	50,000,000

The movement in N2N's issued and paid-up share capital since its incorporation is as follows:-

Date of allotment	No. of shares	Par value	Consideration	Cumulative total paid-up share capital
		RM		RM
10 August 2000	2	0.10	Subscribers' shares	^
9 June 2003	1,499,998	0.10	Cash	150,000
13 October 2003	8,500,000	0.10	Cash	1,000,000
6 April 2004	3,200,000	0.10	Cash	1,320,000
26 October 2004	54,300,000	0.10	Bonus issue	6,750,000

^ RM0.20

2.4 Listing Scheme

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of N2N on the MESDAQ Market of Bursa Securities, N2N undertook the Listing Scheme which involved the transactions as set out below.

2.4.1 Public Issue

Pursuant to the Public Issue, N2N shall issue 12,000,000 new N2N Shares at an issue price of RM0.70 per N2N Share to be allocated as follows:-

- (i) 1,590,000 new N2N Shares available for application by the Malaysian citizens, companies, co-operatives, societies and institutions;
- (ii) 2,385,000 new N2N Shares available for application by the eligible Directors, employees and business associates of the N2N Group; and
- (iii) 8,025,000 new N2N Shares available for application by way of private placement to identified investors.

Upon completion of the Public Issue, the issued and paid-up share capital of N2N will increase to RM7,950,000 comprising 79,500,000 N2N Shares.

12. ACCOUNTANTS' REPORT (*CONT'D*)

2.4.2 Bonus Issue

As part of the Listing Scheme and an incentive to the shareholders of N2N subsequent to the Public Issue, N2N shall implement a Bonus Issue of 55,650,000 new N2N Shares to all shareholders of N2N prior to the Listing. The Bonus Issue is to be effected through the capitalisation of RM5,565,000 from the share premium account of N2N of RM7,200,000 arising from the Public Issue.

The Bonus Issue will result in an increase in the issued and paid-up share capital of N2N from RM7,950,000 comprising 79,500,000 N2N Shares to RM13,515,000 comprising 135,150,000 N2N Shares.

2.4.3 Listing on MESDAQ Market of Bursa Securities

In conjunction with the Public Issue and Bonus Issue, N2N shall seek the admission to the official list and the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company comprising 135,150,000 N2N Shares on the MESDAQ Market of Bursa Securities.

2.4.4 Employee Share Option Scheme ("ESOS")

N2N shall implement an employee share option scheme for the eligible Directors and employees of the N2N Group of up to 10% of the enlarged issued and paid-up share capital of the Company after the Public Issue and Bonus Issue.

The new N2N Shares to be allotted upon any exercise of the Options shall, upon issue and allotment, but subject to the Central Depository Act and the Rules of Bursa Depository, rank pari-passu in all respects with the existing ordinary shares of the Company save and except that the new N2N Shares will not be entitled to participate in any dividends, rights, allotments and/or other distributions that may be declared, where the Entitlement Date precedes the said date of allotment and issuance as stipulated therein.

The ESOS will result in the issued and paid-up share capital of N2N increasing from RM13,515,000 comprising 135,150,000 N2N Shares to RM14,866,500 comprising 148,665,000 N2N Shares on the assumption that all the options have been exercised.

2.5 Dividends

No dividend was declared by the Company in respect of the financial periods/years under review.

12. ACCOUNTANTS' REPORT (CONT'D)

 AnuarulAzizanChew

2.6 Subsidiary and Associate Company

The subsidiary company of N2N at the date of this report and its principal activities are as follows:-

Name of company	Date/Place of incorporation	Authorised share capital	Issued and fully paid-up share capital	Effective equity interest	Principal activities
N2N Connect Pte 1.td ("N2NS")	31 May 2004 Republic of Singapore	SGD1,000,000	SGD100,000*	100%	Provide consultancy services, sales, marketing and related activities

* On 24 June 2004, N2N acquired a 100% interest in N2NS, for a consideration of SGD1 from a director of N2N. Subsequently on 11 August 2004, the issued and paid-up capital of N2NS has increased from SGD1 to SGD100,000 by the allotment of additional 99,999 ordinary shares of SGD1 each, fully subscribed by N2N.

3. AUDITORS AND AUDITED FINANCIAL STATEMENTS

3.1 N2N

The financial statements of the Company for the financial period/year ended 31 August 2001 and 31 August 2002 were audited by another firm of chartered accountants. Thereafter, we have acted as auditors of the Company for the financial periods/year ended 31 December 2003, 31 December 2004 and 30 June 2005.

The financial statements of N2N have not been subjected to any audit qualification for the relevant financial periods/years ended 31 August 2001 to 30 June 2005 except for emphasis of matter on going concern as referred to in the auditors' report for the financial year ended 31 August 2002 in which the Company had a deficit in its shareholders' funds of RM1,349,219.59 and its current liabilities exceeded current assets by RM1,484,829.88 before the prior year adjustment was made in the financial statements for the financial period ended 31 December 2003. After the prior year adjustment, the Company had a deficit in its shareholders' funds of RM499,993.99 and its current liabilities exceeded current assets by RM1,484,829.88.

12. ACCOUNTANTS' REPORT (CONT'D)

3.2 N2NS

The financial statements of N2NS for the financial period ended 31 December 2004 were audited by another firm of chartered accountants. For the financial period ended 30 June 2005, we have performed an independent review on the financial statements for the period then ended in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company comprising 135,150,000 N2N Shares on the MESDAQ Market of Bursa Securities.

The financial statements of N2NS have not been subject to any audit qualification for the financial periods ended 31 December 2004 and 30 June 2005.

4. ACCOUNTING POLICIES AND STANDARDS

This report is prepared in accordance with applicable approved accounting standards in Malaysia and is consistent with the accounting policies normally adopted by N2N and its subsidiary, N2NS, a summary of which is set out in Section 8.2.

12. ACCOUNTANTS' REPORT (CONT'D)

 AnuarulAzizanChew

5. SUMMARISED INCOME STATEMENTS

5.1 N2N Group

The summarised income statements of the N2N Group for the past financial periods/year under review which are based on the audited financial statements of N2N for the financial periods/year ended 31 August 2001, 31 August 2002 and 31 December 2003, and the audited consolidated financial statements of N2N for the financial year/period ended 31 December 2004 and 30 June 2005 are set out below:-

	10.8.2000# to 31.8.2001 RM'000	1.9.2001** to 31.8.2002 RM'000	1.9.2002 to 31.12.2003 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2005 RM'000
Turnover	21	544	1,964	4,114	4,128
(Loss)/Profit before interest, depreciation and taxation	(542)	189	771	1,725	2,198
Interest expense	-	-	-	(2)	(3)
Interest income	-	-	-	19	-
Depreciation	(17)	(130)	(257)	(405)	(322)
(Loss)/Profit before taxation	(559)	59	514	1,337	1,873
Taxation	-	-	(34)	6	-
(Loss)/Profit after taxation	(559)	59	480	1,343	1,873
No. of ordinary shares in issue ('000)	*	*	10,000	67,500	67,500
Weighted average number of ordinary share capital in issue ('000)	*	*	2,010	66,661	67,500
Gross (loss)/earnings per share (RM)	(279,500.00)	29,500.00	0.26	0.02	0.03
Net (loss)/earnings pcr share (RM)	(279,500.00)	29,500.00	0.24	0.02	0.03

Date of incorporation.

* Represents 2 N2N Shares.

** The financial statements have been restated to account for the effect of the prior year adjustments. The prior year adjustments represent the effects of capitalisation of computer software costs and the recognition of depreciation thereon. Prior to the adoption of this change, the computer software costs incurred were expensed off.

12. ACCOUNTANTS' REPORT (*CONT'D*)

Notes to the income statements of N2N

- (a) The gross and net (loss)/earnings per share are calculated based on the (loss)/profit before taxation and (loss)/profit after taxation attributable to shareholders of N2N for the financial periods/years respectively divided by the weighted average number of ordinary shares in issue for each financial period/year under review.
- (b) There was no exceptional or extraordinary item in respect of the financial periods/years under review.
- (c) The increasing trend of turnover generated by N2N for the financial periods/years under review is due to the introduction of new products commencing from financial year ended 31 August 2002 and increase in customer base. The increasing trend of profit before tax is due to the lower average operating costs arising from economies of scale.
- (d) No provision for taxation was made for the financial period ended 31 August 2001 as N2N was in a tax loss position. No provision for taxation was made for the financial year ended 31 August 2002 due to the utilisation of capital allowances. The effective tax rate for financial period ended 31 December 2003 was lower than the statutory tax rate due to the utilisation of unutilised capital allowances in the financial period. For the financial year ended 31 December 2004 and financial period ended 30 June 2005, the reversal of timing differences in relation to deferred tax and under provision of deferred tax assets in prior periods have exceeded provision of taxation.

12. ACCOUNTANTS' REPORT (CONT'D)

 AnuarulAzizanChew

5.2 N2NS

The summarised income statement of N2NS based on the audited financial statements for the financial periods ended 31 December 2004 and 30 June 2005 are set out below:-

	31.5.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2005 RM'000
Turnover	3	13
Loss before interest, depreciation and taxation	(110)	(157)
Interest	-	-
Depreciation	*	*
Loss before taxation	(110)	(157)
Taxation	-	-
Loss after taxation	(110)	(157)
No. of ordinary shares in issue ('000)	100	100
Weighted average number of ordinary share capital in issue ('000)	67	100
Gross loss per share (RM)	(1.64)	(1.57)
Net loss per share (RM)	(1.64)	(1.57)

* Represents insignificant value.

Notes to the income statements of N2NS

- (a) The gross and net loss per share are calculated based on the loss before taxation and loss after taxation attributable to shareholders of N2NS for the financial periods divided by the weighted average number of ordinary shares in issue for the financial periods under review.
- (b) There was no exceptional or extraordinary item in respect of the financial periods under review.
- (c) N2NS has commenced business operations during the financial periods since its incorporation on 31 May 2004.

12. ACCOUNTANTS' REPORT (CONT'D)

 AnuarulAzizanChew

6. SUMMARISED BALANCE SHEETS

6.1 N2N Group


The summarised balance sheets of the N2N Group for the past financial periods/years under review which are based on the audited financial statements of N2N for the financial periods/year ended 31 August 2001, 31 August 2002 and 31 December 2003, and the audited consolidated financial statements of N2N for the financial year/period ended 31 December 2004 and 30 June 2005 are set out below:-

	-----As at----->				
	31.8.2001	31.8.2002**	31.12.2003	31.12.2004	30.6.2005
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS EMPLOYED					
Property, plant and equipment	77	985	1,720	3,593	4,558
Current assets					
Inventories	-	-	31	18	6
Trade receivables	21	92	176	1,875	3,691
Other receivables	4	3	31	728	825
Marketable securities	-	-	-	1,663	1,393
Fixed deposits with licensed bank	-	-	-	714	-
Cash and bank balances	*	82	12	215	75
	25	177	250	5,213	5,990
Current liabilities					
Trade payables	96	865	446	382	210
Other payables	7	26	23	151	168
Hire purchase payables	-	-	-	22	22
Amount owing to Directors	556	771	487	61	96
Bank overdraft (unsecured)	2	-	-	-	-
Taxation	-	-	-	5	5
	661	1,662	956	621	501
Net current (liabilities)/assets	(636)	(1,485)	(706)	4,592	5,489
	(559)	(500)	1,014	8,185	10,047
FINANCED BY					
Share capital	*	*	1,000	6,750	6,750
Share premium	-	-	-	10	10
Exchange reserve	-	-	-	9	9
(Accumulated losses)/Retained profits	(559)	(500)	(20)	1,323	3,196
Shareholders' funds	(559)	(500)	980	8,092	9,965
Deferred taxation	-	-	34	-	-
Hire purchase payables	-	-	-	93	82
	(559)	(500)	1,014	8,185	10,047
(NI.)NTA per share (RM)	(279,500.00)	(250,000.00)	0.10	0.12	0.15

* - Represents RM0.20.

** The financial statements have been restated to account for the effect of the prior year adjustments. The prior year adjustments represent the effects of capitalisation of computer software costs and the recognition of depreciation thereon. Prior to the adoption of this change, the computer software costs incurred were expensed off.

12. ACCOUNTANTS' REPORT (CONT'D)

 AnuarulAzizanChew

6.2 N2NS

	<-----As at----->	
	31.12.2004	30.6.2005
	RM'000	RM'000
ASSETS EMPLOYED		
Property, plant and equipment	3	2
Current assets		
Trade receivables	1	5
Amount owing by holding company	12	13
Cash and bank balances	137	5
	150	23
Current liabilities		
Other payables	32	20
Amount owing to Director	-	41
	32	61
Net current assets/(liabilities)	118	(38)
	121	(36)
FINANCED BY		
Share capital	222	222
Exchange reserve	9	9
Accumulated losses	(110)	(267)
Shareholders' funds	121	(36)

12. ACCOUNTANTS' REPORT (CONT'D)

 AnuarulAzizanChew

7. CONSOLIDATED CASH FLOW STATEMENT

Based on the latest audited consolidated financial statements of N2N as at 30 June 2005, the consolidated cash flow statement for the financial period ended 30 June 2005 is as follows:-

	N2N Group RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	1,873
Adjustments for:-	
Depreciation of property, plant and equipment	322
Allowance for diminution in value of marketable securities	270
Unrealised foreign exchange gain	(*)
Interest expense	3
Interest income	(*)
Operating profit before working capital changes	<u>2,468</u>
(Increase)/Decrease in working capital	
Inventories	12
Trade receivables	(1,816)
Other receivables	(97)
Trade payables	(172)
Other payables	20
Amount owing to Directors	35
	<u>(2,018)</u>
Cash used in operations	450
Interest received	*
Interest paid	(3)
	<u>(3)</u>
Net cash from operating activities	<u>447</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	<u>(1,287)</u>
Net cash used in investing activities	<u>(1,287)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of hire purchase payables	<u>(10)</u>
Net cash used in financing activities	<u>(10)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(850)
EFFECT OF EXCHANGE RATE CHANGES	(4)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	929
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	<u>75</u>
Cash and cash equivalents at end of the financial year comprises:-	
Cash and bank balances	<u>75</u>

* Represents insignificant value.

12. ACCOUNTANTS' REPORT (CONT'D)

 AnuarulAzizanChew

8. PROFORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

The proforma consolidated statements of assets and liabilities is provided for illustrative purposes only, based on the audited consolidated financial statements of N2N as at 30 June 2005, to show the effects of the listing scheme and assuming the full exercise of options pursuant to the ESOS on the assumption that the listing scheme and the ESOS had been effected on 30 June 2005. The proforma consolidated statements of assets and liabilities is to be read in conjunction with the notes thereto.

	Note	Audited as at 30.6.2005 RM'000	After Listing Scheme and before ESOS RM'000	Assuming full exercise of options pursuant to the ESOS RM'000
ASSETS EMPLOYED				
PROPERTY, PLANT AND EQUIPMENT	8.3	4,558	6,558	6,558
CURRENT ASSETS				
Inventories	8.4	6	6	6
Trade receivables	8.5	3,691	3,691	3,691
Other receivables	8.6	825	825	825
Marketable securities	8.7	1,393	1,393	1,393
Cash and bank balances		75	4,975	10,516
		<u>5,990</u>	<u>10,890</u>	<u>16,431</u>
LESS: CURRENT LIABILITIES				
Trade payables	8.8	210	210	210
Other payables	8.9	168	168	168
Hire purchase payables	8.10	22	22	22
Amount owing to Directors	8.11	96	96	96
Taxation		5	5	5
		<u>501</u>	<u>501</u>	<u>501</u>
NET CURRENT ASSETS		5,489	10,389	15,930
		<u>10,047</u>	<u>16,947</u>	<u>22,488</u>
FINANCED BY				
SHARE CAPITAL	8.12	6,750	13,515	14,867
SHARE PREMIUM	8.13	10	145	4,334
EXCHANGE RESERVE		9	9	9
RETAINED PROFITS		<u>3,196</u>	<u>3,196</u>	<u>3,196</u>
		9,965	16,865	22,406
NON-CURRENT LIABILITIES				
Hire purchase payables	8.10	82	82	82
		<u>10,047</u>	<u>16,947</u>	<u>22,488</u>

12. ACCOUNTANTS' REPORT (CONT'D)

NOTES TO THE CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

8.1 Financial Risk Management Policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risk. The Group operates within clearly defined guidelines that are approved by the Board of Directors of N2N and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk on sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily Singapore Dollar. The Group maintains a natural hedge that minimises the foreign exchange exposure by matching foreign currency income with foreign currency costs.

The net unhedged financial assets and financial liabilities of the Group and of the Company that are not denominated in their functional currencies are as follows:-

Functional currency	Financial Assets and Financial Liabilities Held in Non-Functional Currency		
	Singaporean Dollar RM	United States Dollar RM	Total RM
Investment in subsidiary Ringgit Malaysia	222,000	-	222,000
Trade payables Ringgit Malaysia	-	51,300	51,300

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits. The Group monitors the interest rates constantly although the prevailing interest rates are low.

12. ACCOUNTANTS' REPORT (CONT'D)

 AnuarulAzizanChew
(c) Credit risk

The Group's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via management reporting procedure and action is taken to recover debts when due.

At balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the balance sheet.

(d) Liquidity and cash flow risk

The Group maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

(e) Fair values

The carrying amounts of financial assets and liabilities of the Group at the balance sheet date approximated their fair values except for the followings:-

	N2N Group	
	Carrying amount RM'000	Fair value RM'000
Financial Liabilities		
As at 30.6.2005		
Hire purchase payables	104	105

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:-

(i) Cash and cash equivalents, trade and other receivables/payables

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Marketable securities

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Hire purchase payables

The fair value of hire purchase payables is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

12. ACCOUNTANTS' REPORT (*CONT'D*)

8.2 Significant Accounting Policies

(a) Basis of accounting

The financial statements of the Group have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary company made up to the end of the year. Subsidiary company is consolidated using the acquisition method of accounting. Companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or to the date of disposal, if any.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions with and between subsidiary company are eliminated.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

(c) Investment in subsidiary company

A subsidiary is a company in which the Group controls the composition of its board of directors or more than half of its voting power, or holds more than half of its issued ordinary share capital.

Investment in subsidiary company is stated at cost less impairment losses. The policy of the recognition and measurement of impairment losses is in accordance with Note 8.2 (e).

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is recognised in the income statement.

12. ACCOUNTANTS' REPORT (CONT'D)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated on a straight line method at rates calculated to write off the cost of each asset to its residual value over the estimated useful lives, at the following annual rates:-

Computer software	10%
Computer equipment	20%
Office equipment	10%
Furniture and fittings	10%
Renovation	10%
Motor vehicles	20%

Computer software comprises costs incurred in relation to programming and development activities.

Gain or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are included in profit/(loss) from operations.

(e) Impairment

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statements immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statements, a reversal of that impairment loss is recognised as income in the income statements.

12. ACCOUNTANTS' REPORT (CONT'D)

(f) Inventories

Inventories are valued at the lower of cost and net realisable value and are determined on the first-in-first-out method.

(g) Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. Doubtful debts are provided based on specific review of the receivables.

(h) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived using the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statements.

On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

(i) Cash and cash equivalents

Cash and cash equivalent consist of cash in hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalent are presented net of bank overdrafts and pledged deposits, if any.

(j) Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

12. ACCOUNTANTS' REPORT (CONT'D)

(k) Leases and hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheets as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statements over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment which are owned.

(l) Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates of exchange ruling at that date and exchange differences are taken to the income statements. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statements.

The closing exchange rates used for the main foreign currencies in the Group are SGD1 = RM2.2528 and USD1 = RM3.8000.

12. ACCOUNTANTS' REPORT (CONT'D)

(m) Revenue recognition

Sales are recognised upon performance of services, net of discounts.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income is recognised on an accrual basis.

(n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of assets or liabilities in the balance sheets and its tax base at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(o) Provision for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

12. ACCOUNTANTS' REPORT (CONT'D)

(p) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). The Group's foreign subsidiary company makes contributions to its respective country's statutory pension scheme. Such contributions are recognised as an expense in the income statements as incurred.

(q) Financial instruments

Financial instruments carried on the balance sheets include cash and bank balances, deposits, marketable securities, receivables and payables. Financial instruments are recognised in the balance sheets when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The particular recognition method adopted for financial instruments recognised on the balance sheets is disclosed in the individual accounting policy statements associated with each item.

12. ACCOUNTANTS' REPORT (CONT'D)

 AnuarulAzizanChew

8.3 Property, plant and equipment

	Computer software RM'000	Computer equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1.1.2005	2,892	996	83	90	90	250	4,401
Additions	561	725	1	-	-	-	1,287
Exchange differences	-	(*)	-	-	-	-	(*)
At 30.6.2005	3,453	1,721	84	90	90	250	5,688
Accumulated Depreciation							
At 1.1.2005	499	271	11	7	5	15	808
Charge for the period	161	123	4	5	4	25	322
Exchange differences	-	(*)	-	-	-	-	(*)
At 30.6.2005	660	394	15	12	9	40	1,130
Net book value							
At 30.6.2005	2,793	1,327	69	78	81	210	4,558
Acquisition pursuant to utilisation of proceeds from Public Issue	2,000	-	-	-	-	-	2,000
Balance after the utilisation of proceeds from Public Issue	4,793	1,327	69	78	81	210	6,558
At 31.12.2004	2,393	725	72	83	85	235	3,593
Depreciation charge for the period ended 31.12.2004	238	135	6	6	5	15	405

* Represents insignificant value.

8.4 Inventories

The inventories comprise mobile phones and PDA.

8.5 Trade receivables

The normal trade credit terms range from 30 to 90 days.

12. ACCOUNTANTS' REPORT (CONT'D)

 AnuarulAzizanChew
8.6 Other receivables

	Audited as at 30.6.2005 RM'000
Other receivables	7
Deposits	92
Prepayments	726
	<u>825</u>

8.7 Marketable securities

	Audited as at 30.6.2005 RM'000
Shares quoted in Malaysia	
At cost	1,753
Allowance for diminution in value	(360)
	<u>1,393</u>

8.8 Trade payables

The normal credit terms granted to the Company range from 30 to 90 days.

8.9 Other payables

	Audited as at 30.6.2005 RM'000
Other payables	61
Accruals	61
Refundable deposit	46
	<u>168</u>

8.10 Hire purchase payables

	Audited as at 30.6.2005 RM'000
Repayable within twelve months	22
Repayable after twelve months	82
	<u>104</u>

12. ACCOUNTANTS' REPORT (CONT'D)

 AnuarulAzizanChew

8.11 Amount owing to directors

These amounts represent unsecured interest free advances with no fixed term of payment.

8.12 Share capital

	Audited as at 30.6.2005 RM'000	After Listing Scheme and before ESOS RM'000	Assuming full exercise of options pursuant to the ESOS RM'000
Authorised:-			
500,000,000 ordinary shares of RM0.10 each At 30.6.2005	50,000	50,000	50,000
Issued and fully paid:-			
At 30.6.2005	6,750	6,750	6,750
Public Issue	-	1,200	1,200
Bonus Issue	-	5,565	5,565
ESOS	-	-	1,352
	<u>6,750</u>	<u>13,515</u>	<u>14,867</u>

8.13 Share Premium

	Audited as at 30.6.2005 RM'000	After Listing Scheme and before ESOS RM'000	Assuming full exercise of options pursuant to the ESOS RM'000
At 30.6.2005	10	10	10
Public Issue	-	7,200	7,200
Bonus Issue	-	(5,565)	(5,565)
Estimated listing expenses	-	(1,500)	(1,500)
ESOS	-	-	4,189
	<u>10</u>	<u>145</u>	<u>4,334</u>

12. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
9. NTA PER ORDINARY SHARE

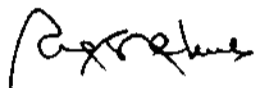
Based on the consolidated statement of assets and liabilities of the Company as at 30 June 2005, the NTA per share is calculated as follows:-

	Audited as at 30.6.2005 RM'000	After Listing Scheme and before ESOS RM'000	Assuming full exercise of options pursuant to the ESOS RM'000
NTA	9,965	16,865	22,406
Enlarged number of ordinary shares of RM0.10 each in issue ('000)	67,500	135,150	148,665
NTA per ordinary share of RM0.10 each (RM)	0.15	0.12	0.15

10. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2005.

Yours faithfully,



ANUARUL AZIZAN CHEW & CO
Firm Number: AF0791
Chartered Accountants



TEE GUAN PIAU
Approved Number: 1886/05/06 (J/PH)
Partner of Firm

13. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



N2N CONNECT BERHAD (523137-K)

Technology Park Malaysia, Unit L5-E-5, Level 5, Enterprise 4
Lebuhraya Puchong-Sg Besi, Bukit Jalil, 57000 Kuala Lumpur, West Malaysia
tel . (603) 8998 1000 fax . (603) 8996 1010 website . www.n2nconnect.com



Registered Office:

3rd Floor
17. Jalan Ipoh Kecil
50350 Kuala Lumpur

28 October 2005

The Shareholders
N2N Connect Berhad

Dear Sir/Madam,

On behalf of the Directors of N2N Connect Berhad ("N2N"), I wish to report after due enquiry that during the period from 30 June 2005 (being the date to which the last audited financial statements of N2N and its subsidiary have been made) to 28 October 2005 (being a date not earlier than 14 days before the issue of this Prospectus) that:

- (i) in the opinion of the Board of Directors of N2N, the businesses of N2N and its subsidiary ("Group") has been satisfactorily maintained;
- (ii) in the opinion of the Board of Directors of N2N, no circumstances have arisen subsequent to the last audited financial statements of the Group, which have adversely affected the trading or the value of the assets of the Group;
- (iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) no contingent liabilities have arisen by reason of any guarantees or indemnities given by N2N or its subsidiary;
- (v) the Board of Directors of N2N is not aware of any default or any known events that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of the Group since the last audited financial statements of the Group; and
- (vi) except as disclosed in the Accountants' Report set out in Section 12 and the Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets set out in Section 11.3 of this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited financial statements of the Group.

Yours faithfully
For and on behalf of the Board of Directors
of N2N Connect Berhad


Tiang Boon Hwa
Managing Director