THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold or transferred all your ordinary shares in N2N Connect Berhad ("N2N"), you should at once hand this Abridged Prospectus together with the Notice of Provisional Allotment ("NPA") and Rights Subscription Form ("RSF") to the agent through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning this Rights Issue of Warrants (as defined herein) should be addressed to the Share Registrar of N2N, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan.

A copy of this Abridged Prospectus has been registered with the Securities Commission Malaysia ("SC"). The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends this Rights Issue of Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus together with the accompanying NPA and RSF has also been lodged with the Registrar of Companies, who takes no responsibility for the contents.

This Rights Issue of Warrants is only for shareholders of N2N whose names appear in N2N's Record of Depositors maintained by Bursa Malaysia Depository Sdn Bhd at 5.00 p.m. on 19 March 2013 ("Entitled Shareholders") or their transferee(s)/renouncee(s) (if applicable). This Abridged Prospectus together with the NPA and the RSF, are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been taken to ensure that this Rights Issue of Warrants complies with the laws of any country or jurisdiction other than the laws of Malaysia. Entitled Shareholders or their transferee(s)/renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of their entitlement to this Rights Issue of Warrants would result in the contravention of any law of such countries or jurisdictions. N2N and HwangDBS Investment Bank Berhad ("HwangDBS") shall not accept any responsibility or liability, whatsoever, in the event that any acceptance or renunciation of provisional allotment by the Entitled Shareholders or their transferee(s)/renouncee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

Approval for the issuance of the Warrants (as defined herein) to non-resident shareholders pursuant to this Rights Issue of Warrants has been obtained from Bank Negara Malaysia on 1 November 2012. Approval has also been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") on 31 December 2012 for the admission of the Warrants to the Official List of Bursa Securities, the listing of and quotation for the Warrants and up to 108,110,000 new ordinary shares of RM0.10 each in N2N ("N2N Shares") to be issued pursuant to the exercise of the Warrants, if any, on the ACE Market of Bursa Securities. Approval for this Rights Issue of Warrants has been obtained from the shareholders of N2N at an Extraordinary General Meeting held on 31 January 2013. Admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for the Warrants and new N2N Shares to be issued pursuant to the exercise of the Warrants on the ACE Market of Bursa Securities are in no way reflective of the merits of this Rights Issue of Warrants.

The Board of Directors of N2N has seen and approved all the documentation pertaining to this Rights Issue of Warrants. They collectively and individually accept full responsibility for the accuracy of the information given herein. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there are no false or misleading statements or other facts which if omitted, would make any statement in these documents false or misleading.

HwangDBS, being the Principal Adviser for this Rights Issue of Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue of Warrants.

Investors are advised to note that recourse for false and misleading statements or acts made in connection with this Abridged Prospectus are directly available through Sections 248, 249 and 357 of the Capital Markets and Services Act, 2007 ("CMSA"). Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

N2N CONNECT BERHAD
(Company No.: 523137-K)
(Incorporated in Malaysia under the Companies Act 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 108,110,000 FIVE (5)-YEAR WARRANTS 2013/2018 ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY THREE (3) N2N SHARES HELD AT 5.00 P.M. ON 19 MARCH 2013 AT AN ISSUE PRICE OF RM0.02 PER WARRANT ("RIGHTS ISSUE OF WARRANTS")

PRINCIPAL ADVISER

HwangDBS INVESTMENT BANK

HWANGDBS INVESTMENT BANK BERHAD (14389-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES

Entitlement Date	: 19 March 2013 at 5.00 p.m
Last date and time for sale of provisional allotment	: 26 March 2013 at 5.00 p.m
Last date and time for transfer of provisional allotment	: 29 March 2013 at 4.00 p.m
Last date and time for acceptance and payment	: 3 April 2013 at 5.00 p.m *
Last date and time for excess application and payment	: 3 April 2013 at 5.00 p.m *

*or such later date and time as the Directors of N2N may decide and announce not less than two (2) market days before the closing date

This Abridged Prospectus is dated 19 March 2013

THE SC AND BURSA SECURITIES SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF N2N AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

SHAREHOLDERS/INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, SHAREHOLDERS/INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

THE DISTRIBUTION OF THIS ABRIDGED PROSPECTUS, TOGETHER WITH THE NPA AND THE RSF (COLLECTIVELY THE "DOCUMENTS") ARE SUBJECT TO MALAYSIAN LAWS. N2N AND HWANGDBS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE MALAYSIA. N2N AND HWANGDBS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY SECURITIES IN ANY JURISDICTION OTHER THAN MALAYSIA. N2N AND HWANGDBS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THIS RIGHTS ISSUE OF WARRANTS UNDER THE LAWS OF MALAYSIA. THE COMPANY AND PRINCIPAL ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE SHAREHOLDERS/INVESTORS WITH INFORMATION WHICH IS NOT CONTAINED IN THIS ABRIDGED PROSPECTUS.

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DEFINITIONS

Except where the context otherwise requires or where otherwise defined herein, the following definitions shall apply throughout this Abridged Prospectus, the NPA and the RSF.

"Abridged Prospectus"	:	This Abridged Prospectus dated 19 March 2013 in relation to the Rights Issue of Warrants
"Act"	:	Companies Act, 1965, including amendments from time to time and any re-enactment thereof
"Announcement"	:	Announcement in relation to this Rights Issue of Warrants dated 14 September 2012
"ANSB"	:	Amsec Nominees (Asing) Sdn. Bhd. (Exempt An for AmFraser Securities Pte Ltd (66580 A CL))
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of N2N
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (Company No.: 165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Company No.: 635998-W)
"CDS"	:	Central depository system
"CDS Accounts"	:	CDS securities accounts maintained by Bursa Depository
"Central Depositories Act"	:	Securities Industry (Central Depositories) Act, 1991, including amendments from time to time and any re-enactment thereof
"Circular"	:	Circular to shareholders of N2N in relation to this Rights Issue of Warrants dated 16 January 2013
"CMSA"	:	Capital Markets and Services Act, 2007, including amendments from time to time and any re-enactment thereof
"Deed Poll"	:	The deed poll executed by N2N dated 5 March 2013 to constitute the Warrants and to govern the rights of holders of the Warrants
"DMA"	:	Direct Market Access
"EGM"	:	Extraordinary General Meeting in relation to this Rights Issue of Warrants held on 31 January 2013
"Entitled Shareholders"	:	Shareholders of N2N whose names appear in the ROD on the Entitlement Date
"Entitlement Date"	:	The date as at the close of business on which shareholders of N2N must be registered in the ROD in order to be entitled to participate in this Rights Issue of Warrants, being 19 March 2013 at 5.00 p.m.
"EPS"	:	Earnings per share
"ESOS"	:	Employees' share option scheme
"First Grant"	:	Options issued pursuant to the grant on 23 November 2005

DEFINITIONS

"Foreign Shareholders"	:	Entitled Shareholders who do not have a registered address or an address for service in Malaysia
"FYE"	:	Financial year ended/ending 31 December
"GDP"	:	Gross Domestic Product
"HwangDBS" or "Principal Adviser"	:	HwangDBS Investment Bank Berhad (Company No.: 14389-U)
"ICT"	:	Information and Communication Technology
"IT"	:	Information technology
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities, as amended from time to time
"LPD"	:	20 February 2013, being the latest practicable date prior to printing of this Abridged Prospectus
"Market Day"	:	Any day between Monday to Friday (both days inclusive), excluding public holidays, and on a day which Bursa Securities is open for the trading of securities
"Maximum Scenario"	:	Assuming all the treasury shares are resold in the open market at cost and all the Outstanding ESOS Options are exercised
"MDC"	:	Multimedia Development Corporation Sdn Bhd (Company No.: 389346-D)
"Minimum Scenario"	:	Assuming none of the treasury shares are resold in the open market and none of the Outstanding ESOS Options are exercised
"MSC"	:	Multimedia Super Corridor
"N2N" or "Company"	:	N2N Connect Berhad (Company No.: 523137-K)
"N2N Group" or "Group"	:	N2N and its subsidiaries, collectively
"N2NSB"	:	N2N Connect Holdings Sdn. Bhd. (Company No.: 659264-X)
"N2N Shares" or "Shares"	:	Ordinary shares of RM0.10 each in N2N
"NA"	:	Net assets
"NPA"	:	Notice of provisional allotment
"NTA"	:	Net tangible assets
"Outstanding ESOS Options"	:	24,559,200 outstanding ESOS options which may be exercisable into 24,559,200 N2N Shares as at the LPD
"R&D"	:	Research and development

DEFINITIONS

"Rights Issue of Warrants"	:	Renounceable rights issue of up to 108,110,000 Warrants on the basis of one (1) Warrant for every three (3) N2N Shares held on the Entitlement Date
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"ROD"	:	Record of Depositors of N2N
"RSF"	:	Rights subscription form
"Rules of Bursa Depository"	:	Rules of Bursa Depository as defined in the Central Depositories Act, as amended from time to time
"Second Grant"	:	Options issued pursuant to the grant on 23 December 2005
"SC"	:	Securities Commission Malaysia
"SGD"	:	Singapore Dollar
"Substantial Shareholders"	:	ANSB, N2NSB, Tiang Boon Hwa and Lai Su Ping
"Undertaking"	:	Letters of irrevocable undertaking from the Substantial Shareholders dated 11 October 2012 to subscribe for their entitlements under this Rights Issue of Warrants and such number of the remaining "open portion" of the Warrants that are not subscribed by the other Entitled Shareholders for N2N
"USD"	:	United States Dollar
"VWAMP"	:	Volume weighted average market price
"Warrants"	:	Up to 108,110,000 five (5)-year warrants 2013/2018 to be issued pursuant to this Rights Issue of Warrants

In this Abridged Prospectus, unless there is something in the subject or context inconsistent herewith, words denoting the singular shall, where applicable, include the plural and vice versa and references to the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise stated.

Any reference to a time or date in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding.

Any references to "our Company" and "N2N" in this Abridged Prospectus are to N2N Connect Berhad, and references to "our Group" and "N2N Group" are to our Company and our subsidiaries.

Any references to "we", "us", "our", "ourselves" are to our Company, and where the context otherwise requires, our subsidiaries.

All references to "you" in this Abridged Prospectus are to the Entitled Shareholders.

Any reference in this Abridged Prospectus to any statute is a reference to that statute as for the time being amended or re-enacted.

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APPENDICES

CORPORATE INFORMATION

N2N CONNECT BERHAD
(Company No.: 523137-K)
(Incorporated in Malaysia under the Act)

DIRECTORS

Name/Designation	Age	Address	Nationality	Profession
Izlan bin Izhab *(Independent Non-Executive Chairman)*	67	No. 9 Jalan SS14/5C 47500 Subang Jaya Selangor Darul Ehsan	Malaysian	Director
Tiang Boon Hwa *(Managing Director)*	50	No. 26 Persiaran Nusantara Duta Nusantara Jalan Sri Hartamas 1 50480 Kuala Lumpur	Singaporean	Director
Lai Su Ping *(Non-Independent Executive Director)*	42	No. 26 Persiaran Nusantara Duta Nusantara Jalan Sri Hartamas 1 50480 Kuala Lumpur	Malaysian	Director
Chua Tiong Hoong *(Non-Independent Executive Director)*	42	No. 10 Jalan PJU 7/11 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan	Malaysian	Director
Cho Wai Loon *(Independent Non-Executive Director)*	48	No. 3 Jalan BSJ 1 Taman Bukit Segar Jaya 43200 Cheras Selangor Darul Ehsan	Malaysian	Chartered Accountant
Tan Boon Leng *(Independent Non-Executive Director)*	47	35, Jalan Jingga 5 Taman Pelangi 80400 Johor Bahru Johor Darul Takzim	Malaysian	Director

AUDIT COMMITTEE

Name	Directorship	Designation
Cho Wai Loon	Independent Non-Executive Director	Chairman
Izlan bin Izhab	Independent Non-Executive Chairman	Member
Tan Boon Leng	Independent Non-Executive Director	Member

CORPORATE INFORMATION

COMPANY SECRETARIES	:	Ho Mun Yee (MAICSA 0877877) Tam Fong Ying (MAICSA 7007857) 3rd Floor No. 17, Jalan Ipoh Kecil 50350 Kuala Lumpur Telephone no.: 603 4044 3235 Fax no.: 603 4041 3959 E-mail: esprit@espritms.com.my
REGISTERED OFFICE	:	3rd Floor No. 17, Jalan Ipoh Kecil 50350 Kuala Lumpur Telephone no.: 603 4044 3235 Fax no.: 603 4041 3959 E-mail: esprit@espritms.com.my
CORPORATE OFFICE	:	Wisma N2N Level 9, Tower 2 Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Telephone no.: 603 2241 1818 Fax no.: 603 2241 1616 E-mail: helpdesk@n2nconnect.com Website: www.n2nconnect.com
SOLICITORS FOR THIS RIGHTS ISSUE OF WARRANTS	:	Messrs Ben & Partners 7-2, Level 2, Block D2 Dataran Prima Jalan PJU 1/39 47301 Petaling Jaya Selangor Darul Ehsan Telephone no.: 603 7805 2922 Fax no.: 603 7805 3922 E-mail: general@benpartners.com Website: www.benpartners.com
AUDITORS/REPORTING ACCOUNTANTS	:	Morison Anuarul Azizan Chew (AF 001977) Chartered Accountants 18, Jalan 1/64 Off Jalan Kolam Air/Jalan Ipoh 51200 Kuala Lumpur Telephone no.: 603 4048 2888 Fax no.: 603 4048 2999 E-mail: general@morisonaac.com Website: www.morisonaac.com

CORPORATE INFORMATION

SHARE REGISTRAR	:	Symphony Share Registrars Sdn Bhd (378993-D) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya, Selangor Darul Ehsan Telephone no.: 603 7841 8000 Helpdesk Telephone no.: 603 7849 0777 Fax no.: 603 7841 8151 / 8152 E-mail: ask_us@symphony.com.my Website: www.symphony.com.my
PRINCIPAL BANKERS	:	Malayan Banking Berhad Suite 163-0-14, Ground Floor Wisma Mah Sing 163, Jalan Sungai Besi 57100 Kuala Lumpur Telephone no. : 603 9221 9841 Fax no.: 603 9221 9824 E-mail: mgcc@maybank.com.my Website: www.maybank.com AmBank (M) Berhad Level 18, Menara Dion Jalan Sultan Ismail 50250 Kuala Lumpur Telephone no. : 603 2026 3939 Fax no.: 603 2026 6855 E-mail: customercare@ambankgroup.com Website: www.ambankgroup.com
PRINCIPAL ADVISER	:	HwangDBS Investment Bank Berhad Suite 23-01, 23rd Floor Menara Keck Seng 203, Jalan Bukit Bintang 55100 Kuala Lumpur Telephone no.: 603 9195 6888 Fax no.: 603 9195 6900 Website: www.hdbsib.com
STOCK EXCHANGE LISTING	:	ACE Market of Bursa Securities

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N2N CONNECT BERHAD
(Company No.: 523137-K)
(Incorporated in Malaysia under the Act)

Registered Office:

3rd Floor
No. 17, Jalan Ipoh Kecil
50350 Kuala Lumpur

19 March 2013

Board of Directors:

Izlan bin Izhab *(Independent Non-Executive Chairman)*
Tiang Boon Hwa *(Managing Director)*
Lai Su Ping *(Non-Independent Executive Director)*
Chua Tiong Hoong *(Non-Independent Executive Director)*
Cho Wai Loon *(Independent Non-Executive Director)*
Tan Boon Leng *(Independent Non-Executive Director)*

To: The Entitled Shareholders of N2N Connect Berhad

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 108,110,000 WARRANTS ON THE BASIS OF ONE (1) WARRANT FOR EVERY THREE (3) EXISTING N2N SHARES HELD AT 5.00 P.M. ON 19 MARCH 2013 AT AN ISSUE PRICE OF RM0.02 PER WARRANT

1. INTRODUCTION

The Board is pleased to inform you that the shareholders of the Company have approved this Rights Issue of Warrants at the EGM.

The details of this Rights Issue of Warrants were set out in the Circular and a certified true extract of the ordinary resolution pertaining to this Rights Issue of Warrants passed at the EGM of the Company is set out in Appendix I of this Abridged Prospectus.

BNM via its letter dated 1 November 2012 approved the issuance of the Warrants to non-resident Entitled Shareholders of N2N. The approval by BNM is not subject to any condition.

Bursa Securities via its letter dated 31 December 2012 has also granted its approval-in-principle for the listing of and quotation for the Warrants and the new N2N Shares to be issued pursuant to the exercise of the Warrants on the ACE Market of Bursa Securities.

The approval-in-principle of Bursa Securities is subject to, amongst others, the following conditions:

Conditions Imposed	Status of Compliance
N2N and HwangDBS must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of this Rights Issue of Warrants	To be complied
N2N and HwangDBS to inform Bursa Securities upon the completion of this Rights Issue of Warrants	To be complied
N2N to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once this Rights Issue of Warrants is completed	To be complied
N2N to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the Warrants as at the end of each quarter together with a detailed computation of the listing fees payable	To be complied by N2N on a quarterly basis

Bursa Securities assumes no responsibility for the correctness of statements made or opinions expressed or reported in this Abridged Prospectus. The listing of and quotation for the Warrants on the Official List of Bursa Securities are in no way reflective of the merits of this Rights Issue of Warrants.

On 18 February 2013 ("**Price Fixing Date**"), HwangDBS, on behalf of the Board, announced that the issue price of the Warrants has been fixed at RM0.02 whilst the exercise price has been fixed as follows:

(i) upon issuance of the Warrants up to the date immediately preceding the first anniversary of the issuance of the Warrants – RM0.32 per Warrant, which represents a discount of approximately 30% to the five (5)-day VWAMP of N2N Shares up to and including the Market Day immediately preceding the Price Fixing Date of RM0.45 per N2N Share;

(ii) from the first anniversary of the issuance of the Warrants up to the date immediately preceding the third anniversary of the issuance of the Warrants – RM0.38 per Warrant, which represents a discount of approximately 15% to the five (5)-day VWAMP of N2N Shares up to and including the Market Day immediately preceding the Price Fixing Date of RM0.45 per N2N Share; and

(iii) from the third anniversary of the issuance of the Warrants up to and including the expiry date of the Warrants – RM0.45 per Warrant, which is on par with the five (5)-day VWAMP of N2N Shares up to and including the Market Day immediately preceding the Price Fixing Date of RM0.45 per N2N Share.

On 5 March 2013, HwangDBS, on behalf of the Board, announced the Entitlement Date has been fixed at 5.00 p.m. on 19 March 2013.

If you are in any doubt about this Abridged Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

2. DETAILS OF THIS RIGHTS ISSUE OF WARRANTS

2.1 Details of this Rights Issue of Warrants

This Rights Issue of Warrants entails a renounceable rights issue of up to 108,110,000 Warrants on the basis of one (1) Warrant for every three (3) existing N2N Shares held on the Entitlement Date at an issue price of RM0.02 per Warrant to the Entitled Shareholders.

In determining your entitlement to this Rights Issue of Warrants, fractional entitlements, if any, will be disregarded and will be dealt with in such manner as the Board shall think expedient or in the interest of the Company.

The Board reserves the right to allot any excess Warrants applied for in the RSF in such manner as it deems fit and expedient in the best interest of the Company. The Board also reserves the right to accept any excess Warrants application, in full or in part, without assigning any reason thereof. It is the intention of the Board to allot the excess Warrants, if any, on a fair and equitable basis such that the intention of the Board as set out below is achieved and in the following priority, where applicable:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to Entitled Shareholders who have applied for excess Warrants on a pro-rata basis and in board lot, calculated based on their respective shareholdings in N2N as at the Entitlement Date;

(iii) thirdly, for allocation to Entitled Shareholders who have applied for excess Warrants on a pro-rata basis and in board lot, calculated based on the quantum of their respective excess Warrants application; and

(iv) fourthly, for allocation to transferees and/or renouncees who have applied for excess Warrants on a pro-rata basis and in board lot, calculated based on the quantum of their respective excess Warrants application.

The Warrants that are not taken up or allotted for any reason shall be made available for excess applications by the Entitled Shareholders and/or their transferees and/or their renouncees (if applicable). The procedures are set out in Section 3 of this Abridged Prospectus.

As you are an Entitled Shareholder to this Rights Issue of Warrants, you will find enclosed with this Abridged Prospectus, the NPA in respect of the number of Warrants for which you are entitled to subscribe for under the terms of this Rights Issue of Warrants.

As the Warrants are prescribed securities under the CDS, they will be subject to the provisions of the Central Depositories Act and the Rules of Bursa Depository. No physical warrants certificate will be issued to the Entitled Shareholders and/or their renouncees (if applicable). Accordingly, the Warrants to be issued will be allotted and credited directly into the respective CDS Accounts of the Entitled Shareholders and/or their renouncees (if applicable) who have successfully subscribed for the Warrants.

Within eight (8) Market Days after the final applications closing date for this Rights Issue of Warrants, or such other period as may be prescribed or allowed by Bursa Securities, N2N must:

(i) issue and allot the Warrants;

(ii) despatch notices of allotment to the Entitled Shareholders and/or their renouncees (if applicable) who have successfully subscribed for the Warrants; and

(iii) apply for the listing of and quotation for the Warrants on the ACE Market of Bursa Securities.

In respect of any exercise of the Warrants, within eight (8) Market Days after the date of receipt of the exercise form together with the requisite payment or such other period as may be prescribed or allowed by Bursa Securities, N2N must:

(i) issue and/or allot the new N2N Shares arising from the exercise of the Warrants;

(ii) despatch a notice of allotment to the holder of the Warrants; and

(iii) apply for the listing of and quotation for such new N2N Shares to be issued arising from the exercise of the Warrants on the ACE Market of Bursa Securities.

As the new N2N Shares issued pursuant to the exercise of the Warrants are prescribed securities under the CDS, no physical share certificate will be issued to those holders of Warrants exercising their respective rights for the new N2N Shares to be issued upon exercise of the Warrants.

2.2 Basis and number of Warrants to be issued

The actual number of Warrants to be issued pursuant to this Rights Issue of Warrants will depend on the issued and paid-up share capital of the Company on the Entitlement Date, after taking into consideration the number of options exercised under the Company's existing ESOS and the number of N2N Shares held as treasury shares.

Up to 108,110,000 Warrants may be issued pursuant to this Rights Issue of Warrants after taking into consideration the following:

(i) the issued and paid-up share capital of N2N as at the LPD, of RM29,692,320 comprising 296,923,200 N2N Shares (excluding 2,847,600 N2N Shares held as treasury shares);

(ii) exercise of up to 24,559,200 outstanding options granted pursuant to the Company's ESOS as at the LPD, into 24,559,200 N2N Shares; and

(iii) all 2,847,600 N2N Shares held as treasury shares as at the LPD, are resold in the open market.

Accordingly, the Company could issue up to 108,110,000 new N2N Shares assuming full exercise of the Warrants.

Fractions of entitlements arising from this Rights Issue of Warrants, if any, shall be dealt with by the Board in such manner at their absolute discretion as they may deem fit and expedient and in the best interest of the Company. N2N will not issue fractions of the Warrants to the Entitled Shareholders. N2N shareholders' entitlement to the Warrants will be rounded down to the nearest whole Warrant.

2.3 Basis and justification of determining the issue price and exercise price of the Warrants

The issue price of RM0.02 per Warrant and the justification of the issue price were arrived at the discretion of the Board after taking into consideration the following:

(a) closing price of N2N Shares of RM0.51 on 15 February 2013, being the Market Day immediately preceding the Price Fixing Date;

(b) the five (5)-day VWAMP of N2N Shares of RM0.45 up to 15 February 2013, being the Market Day immediately preceding the Price Fixing Date; and

(c) gross proceeds between RM1.98 million to RM2.16 million to be raised for the Company.

For the first year from the date of issuance of the Warrants, the exercise price of RM0.32 per Warrant represents a discount of approximately 30% or RM0.13 to the five (5)-day VWAMP of N2N Shares up to and including the Market Day immediately preceding the Price Fixing Date of RM0.45 per N2N Share. Thereafter, the exercise price of the Warrants will be adjusted upwards on the first and third anniversary of the issuance of the Warrants under a step-up mechanism as described below after taking into consideration, amongst others, the following:

(a) historical price movement of N2N Shares; and

(b) the potential earnings of the Group.

The step-up mechanism for the exercise price of the Warrants is as follows:

(i) upon issuance of the Warrants up to the date immediately preceding the first anniversary of the issuance of the Warrants – RM0.32 per Warrant, which represents a discount of approximately 30% to the five (5)-day VWAMP of N2N Shares up to and including the Market Day immediately preceding the Price Fixing Date of RM0.45 per N2N Share;

(ii) from the first anniversary of the issuance of the Warrants up to the date immediately preceding the third anniversary of the issuance of the Warrants – RM0.38 per Warrant, which represents a discount of approximately 15% to the five (5)-day VWAMP of N2N Shares up to and including the Market Day immediately preceding the Price Fixing Date of RM0.45 per N2N Share; and

(iii) from the third anniversary of the issuance of the Warrants up to and including the expiry date of the Warrants – RM0.45 per Warrant, which is on par with the five (5)-day VWAMP of N2N Shares up to and including the Market Day immediately preceding the Price Fixing Date of RM0.45 per N2N Share.

The said Warrants are exercisable into new N2N Shares. Each Warrant will entitle its holder to subscribe for one (1) new N2N Share at the exercise price.

The Warrants will be issued in registered form and constituted by a Deed Poll.

2.4 Principal terms of the Warrants

Issuer	:	N2N
Number of Warrants	:	Up to 108,110,000 Warrants
Form and denomination	:	The Warrants will be issued in registered form and constituted by the Deed Poll
Issue price	:	The issue price of the Warrants is RM0.02 per Warrant
Exercise rights	:	Each Warrant entitles the registered holder to subscribe for one (1) new N2N Share at any time during the exercise period and at the exercise price subject to adjustments in accordance with the provisions of the Deed Poll
Exercise period	:	The Warrants may be exercised at any time within five (5) years commencing on and including the date of issue of the Warrants until 5.00 p.m. on the expiry date, but excluding the five (5) clear Market Days prior to a books closure date or entitlement date announced by the Company and those days during that period on which the ROD and/or the Warrants Register is or are closed. Any Warrant not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose

Mode of exercise	:	The registered holder of a Warrant is required to lodge a subscription form, as set out in the Deed Poll, with the Company's share registrar, duly completed, signed and stamped together with payment of the exercise price by banker's draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia
Exercise price	:	The exercise price of the Warrants is on a step-up basis as set out below: (a) upon issuance of the Warrants up to the date immediately preceding the first anniversary of the issuance of the Warrants – RM0.32 per Warrant, which represents a discount of approximately 30% to the five (5)-day VWAMP of N2N Shares up to and including the Market Day immediately preceding the Price Fixing Date of RM0.45 per N2N Share; (b) from the first anniversary of the issuance of the Warrants up to the date immediately preceding the third anniversary of the issuance of the Warrants – RM0.38 per Warrant, which represents a discount of approximately 15% to the five (5)-day VWAMP of N2N Shares up to and including the Market Day immediately preceding the Price Fixing Date of RM0.45 per N2N Share; and (c) from the third anniversary of the issuance of the Warrants up to and including the expiry date of the Warrants – RM0.45 per Warrant, which is on par with the five (5)-day VWAMP of N2N Shares up to and including the Market Day immediately preceding the Price Fixing Date of RM0.45 per N2N Share
Status of the new N2N Shares arising from the exercise of the Warrants	:	The new N2N Shares to be issued upon exercise of the Warrants shall, upon allotment and issuance, be of the same class and rank *pari passu* in all respects with the then existing N2N Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment of the new N2N Shares arising from the exercise of the Warrants
Adjustments to the exercise price and/or number of Warrants	:	The exercise price and/or number of unexercised Warrants shall be adjusted in the event of alteration to the share capital of the Company, capital distribution or issuance of shares in accordance with the provisions of the Deed Poll
Rights of Warrants	:	The holders of the Warrants are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such holder of the Warrants are issued with new N2N Shares arising from their exercise of the Warrants

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Rights of the holders of the Warrants in the event of winding-up, compromise and/or arrangement	:	Where a resolution has been passed by the Company for a members' voluntary winding-up or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one (1) or more companies: (a) for the purpose of such a winding-up, compromise or arrangement (other than consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrants or some persons designated by them for such purposes by special resolution, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants; and (b) in any other case, every holder of the Warrants shall be entitled at any time within six (6) weeks after the passing of such resolution or the granting of the court order, by irrevocable surrender of his Warrants together with payment of the relevant subscription monies to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the subscription rights represented by such Warrants and be entitled to receive out of the assets which would be available in liquidation if he had on such date been the holder of the new N2N Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly
Listing	:	The Company received the approval-in-principle from Bursa Securities via its letter dated 31 December 2012 for admission of the Warrants to the Official List of Bursa Securities as well as for the listing of and quotation for the Warrants and the new N2N Shares to be issued pursuant to the exercise of the Warrants on the ACE Market of Bursa Securities subject to the conditions as set out in Section 1 of this Abridged Prospectus
Board lot	:	For the purposes of trading on Bursa Securities, one (1) board lot of Warrants shall comprise of 100 Warrants carrying the rights to subscribe for 100 new N2N Shares at any time during the exercise period, or such denomination as determined by Bursa Securities
Transferability	:	The Warrants shall be transferable in the manner provided under the Central Depositories Act and the Rules of Bursa Depository
Deed Poll	:	The Warrants are constituted by the Deed Poll executed by N2N on 5 March 2013
Governing law	:	Laws and regulations of Malaysia

2.5 Last time and date for acceptance and payment

The last time and date for acceptance, application and payment for this Rights Issue of Warrants is at 5.00 p.m. on 3 April 2013 or such extended time and date as determined and announced by the Board not less than two (2) Market Days before the closing date.

2.6 Other corporate exercises

Save for this Rights Issue of Warrants which was approved by the shareholders at the EGM held on 31 January 2013, there is no other corporate exercise by the Company which has been announced but yet to be implemented prior to the printing of this Abridged Prospectus.

3. PROCEDURES FOR ACCEPTANCE, PAYMENT AND EXCESS APPLICATION

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisionally allotted Warrants for which you are entitled to subscribe for under the terms of this Rights Issue of Warrants. You will find enclosed together with this Abridged Prospectus, a NPA notifying you of the crediting of such provisionally allotted Warrants into your CDS Account and a RSF to enable you to subscribe for such provisionally allotted Warrants, as well as to apply for excess Warrants if you choose to do so.

The provisional allotments of the Warrants are prescribed securities pursuant to Section 14(5) of the Central Depositories Act and therefore, all dealings in the provisional allotments of the Warrants will be by book entry through CDS Accounts and will be governed by the Central Depositories Act and the Rules of Bursa Depository. Entitled Shareholders and/or their transferees and/or renouncees (if applicable) are required to have valid and subsisting CDS Accounts when making their applications.

Full instructions for the application, acceptance and payment for the Warrants provisionally allotted to you and the procedures to be followed should you wish to dispose of all or part of your rights entitlements are set out in the RSF. You are advised to read this Abridged Prospectus, the RSF and the notes and instructions therein carefully.

3.1 RSF

Acceptance and payment for the Warrants by the applicant (comprising the Entitled Shareholders and/or their transferees and/or their renouncees (if applicable)) must be made on the RSF issued together with this Abridged Prospectus, to be completed in accordance with the notes and instructions printed therein. Acceptances which do not strictly conform to the terms of this Abridged Prospectus or the RSF and the notes and instructions printed therein or which are illegible may not be accepted at the absolute discretion of the Company.

Applicants who lose, misplace or for any other reasons require another copy of the RSF, may obtain additional copies from their stockbrokers, or from Bursa Securities' website at (http://www.bursamalaysia.com), or at the office of the Company's Share Registrar at the following address:

Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor Darul Ehsan
Telephone number: 603 7841 8000
Helpdesk telephone number: 603 7849 0777
Facsimile number: 603 7841 8151/ 8152

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS ISSUE OF WARRANTS PROVISIONALLY ALLOTTED TO YOU, EXCESS APPLICATION FOR THE WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR PROVISIONAL ENTITLEMENTS ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

YOU ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, RSF AND NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

The minimum number of Warrants that can be accepted is one (1) Warrant. In determining the entitlement of an applicant, any fractional entitlement under this Rights Issue of Warrants shall be disregarded and the aggregate of such fractions and any Warrants not subscribed for by the shareholders and/or their transferees and/or their renouncees will be dealt with on such terms and time as the Board may at its discretion deem fit and expedient.

3.2 Procedures for full acceptance by the Entitled Shareholders

Acceptance of and payment for the Warrants provisionally allotted to the Entitled Shareholders must be made on the RSF and must be completed in accordance with the notes and instructions contained therein. Acceptances which do not strictly conform to the terms of this Abridged Prospectus or RSF and notes and instructions printed therein or which are illegible may be rejected at the absolute discretion of the Company.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE WARRANTS PROVISIONALLY ALLOTTED TO YOU AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR PROVISIONAL ENTITLEMENTS ARE SET OUT IN THE RSF. YOU ARE ADVISED TO READ THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

Entitled Shareholders who wish to accept their provisional allotment in full are required to fill and complete Part I of the RSF by specifying the number of Warrants which the Entitled Shareholders are accepting and Part III of the RSF, in accordance with the notes and instructions contained therein. Each completed RSF, together with the relevant payment, to be submitted in the official envelope provided at your own risk, to the office of the Company's Share Registrar at the address stated above (for acceptance and payment for the Rights Issue of Warrants by hand and/or courier) or Peti Surat 9150, Pejabat Pos Kelana Jaya, 46785 Petaling Jaya, Selangor Darul Ehsan (for acceptance and payment for the Rights Issue of Warrants by ordinary post), so as to arrive not later than the last date and time for acceptance and payment on 3 April 2013 at 5.00 p.m. or such extended date and time as may be determined and announced by the Board not less than two (2) Market Days before the closing date.

One (1) RSF can only be used for acceptance of the provisionally allotted Warrants standing to the credit of one (1) CDS Account belonging to an Entitled Shareholder. The provisionally allotted Warrants successfully accepted/applied for will be credited into the CDS Accounts as stated in the duly completed RSF.

The Board reserves the right not to accept any application or to accept any application in part only without assigning any reason thereof.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY THE APPROPRIATE REMITTANCES IN RM FOR THE FULL AMOUNT PAYABLE FOR THE WARRANTS ACCEPTED IN THE FORM OF BANKER'S DRAFTS, CASHIER'S ORDERS, MONEY ORDERS OR POSTAL ORDERS DRAWN ON A BANK OR POST OFFICE IN MALAYSIA AND MADE PAYABLE TO "N2N CONNECT BERHAD - WARRANTS ACCOUNT", CROSSED "ACCOUNT PAYEE ONLY" AND ENDORSED ON THE REVERSE SIDE WITH THE ENTITLED SHAREHOLDER'S NAME IN BLOCK LETTERS, ADDRESS AND THE ENTITLED SHAREHOLDER'S CDS ACCOUNT NUMBER, TO BE RECEIVED BY THE SHARE REGISTRAR, SYMPHONY SHARE REGISTRARS SDN BHD AT LEVEL 6, SYMPHONY HOUSE, PUSAT DAGANGAN DANA 1, JALAN PJU 1A/46, 47301 PETALING JAYA, SELANGOR DARUL EHSAN (FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF WARRANTS BY HAND AND/OR COURIER) OR PETI SURAT 9150, PEJABAT POS KELANA JAYA, 46785 PETALING JAYA, SELANGOR DARUL EHSAN (FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF WARRANTS BY ORDINARY POST) BY 5.00 P.M. ON 3 APRIL 2013 (OR SUCH LATER TIME AND DATE AS THE BOARD MAY DECIDE AND ANNOUNCE NOT LESS THAN TWO (2) MARKET DAYS BEFORE THE CLOSING DATE). CHEQUES OR ANY OTHER MODES OF PAYMENT ARE NOT ACCEPTABLE.

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THE PAYMENT MUST BE MADE FOR THE EXACT AMOUNT PAYABLE FOR THE WARRANTS ACCEPTED. ANY EXCESS OR INSUFFICIENT PAYMENT MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF THE BOARD. NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE RSF OR APPLICATION MONIES BY THE COMPANY OR SHARE REGISTRAR IN RESPECT OF THIS RIGHTS ISSUE OF WARRANTS. IF AN ENTITLED SHAREHOLDER IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO THE ENTITLED SHAREHOLDER BY ORDINARY POST TO THE ADDRESS SHOWN IN THE ROD PROVIDED BY BURSA DEPOSITORY AT THE ENTITLED SHAREHOLDER'S OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

ENTITLED SHAREHOLDERS AND/OR THEIR TRANSFEREES AND/OR THEIR RENOUNCEES SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH THE SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN IN THE ROD PROVIDED BY BURSA DEPOSITORY AT THE ENTITLED SHAREHOLDER'S OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE OF ACCEPTANCE AND PAYMENT FOR THE WARRANTS.

ALL WARRANTS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE OF WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING OF THE WARRANTS INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEES (IF APPLICABLE). NO PHYSICAL WARRANTS CERTIFICATE WILL BE ISSUED.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

If acceptance and payment for the Warrants provisionally allotted to any Entitled Shareholder are not received by the Share Registrar by the last time and date for acceptance and payment as set out herein, such provisional allotment of rights entitlement will be deemed to have been declined and will be cancelled. The Board will then have the right to allot such Warrants not taken up on a fair and equitable manner as stated in Section 3.6 of this Abridged Prospectus.

3.3 Procedures for part acceptance by the Entitled Shareholders

Entitled Shareholders are entitled to accept only part of their provisional allotments. The minimum number of Warrants that can be accepted is one (1) Warrant.

Entitled Shareholders have to complete Part I of the RSF by specifying the number of Warrants which the Entitled Shareholders are accepting and Part III of the RSF and deliver the completed RSF together with the relevant payment to the office of the Company's Share Registrar, in the same manner as set out in Section 3.2 of this Abridged Prospectus.

ENTITLED SHAREHOLDERS ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

The portion of the provisional allotment of Warrants that has not been accepted will be allotted to any other persons allowed under any law, regulations or rules to accept the transfer of the provisional allotment of Warrants and the balance, if any, will first be allotted to applicants applying for excess Warrants on a fair and equitable basis in such manner as our Board in its absolute discretion deems fit and expedient in the best interest of N2N, such that the incidence of odd lots will be minimised.

3.4 Procedures for sale/transfer of provisional allotment of Warrants

The provisional allotment of Warrants are renounceable and will be traded on Bursa Securities commencing 20 March 2013 up to and including 26 March 2013. As such, Entitled Shareholders may sell or transfer all or part of their entitlements to the provisional allotment of Warrants.

Entitled Shareholders and/or their renouncees (if applicable) who wish to sell or transfer all or part of their provisional allotment of Warrants to more than one (1) person, may do so immediately through their stockbrokers without first having to request for a split of the provisional allotment of Warrants standing to the credit of their CDS Accounts. To sell all or part of their provisional allotment of Warrants, they may sell such provisional allotment of Warrants on the open market of Bursa Securities for the period up to the last time and date for sale of the provisional allotment of Warrants (in accordance with the Rules of Bursa Depository) at 5.00 p.m. on 26 March 2013. Entitled Shareholders and/or their renouncees (if applicable) may also transfer such provisional allotment of Warrants to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last time and date for transfer of the provisional allotment of Warrants (in accordance with the Rules of Bursa Depository) at 4.00 p.m. on 29 March 2013.

In selling/transferring all or part of their provisional allotment of Warrants, the Entitled Shareholders and/or their transferees and/or their renouncees are not required to deliver any document to their stockbroker. However, the Entitled Shareholders and/or their transferees and/or their renouncees are advised to ensure that they have sufficient number of provisional allotment of Warrants standing to the credit of their CDS Accounts before the sale/transfer.

If the Entitled Shareholders and/or their transferees and/or renouncees have sold/transferred only part of the provisional allotment of Warrants, they may still accept the balance of the provisional allotment of Warrants by completing Part I and Part III of the RSF.

3.5 Procedures for acceptance by transferees and renouncees

Transferees and renouncees who wish to accept the provisional allotment of Warrants may obtain a copy of the RSF from their stockbroker, the Company's Share Registrar's office or Bursa Securities' website (http://www.bursamalaysia.com), complete the RSF and submit the same together with the remittance in accordance with the notes and instructions printed therein. The procedures and payment for the acceptance of the provisional allotment of Warrants by the transferee or renouncee is the same as that which is applicable to the Entitled Shareholders as described in Section 3.2 of this Abridged Prospectus.

TRANSFEREES AND RENOUNCEES ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

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3.6 Procedures for excess Warrants application

Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) who accept the provisionally allotted Warrants may apply for the excess Warrants by completing Part II of the RSF (in addition to Parts I and III) and forwarding it (together with **SEPARATE** remittances made in RM for the full amount payable in respect of the excess Warrants applied for) to the office of the Company's Share Registrar at the following addresses. Each completed and signed RSF together with the relevant payment must be delivered either by ordinary post, courier or delivery by hand in the official envelope provided (at your own risk) to our Share Registrar. Symphony Share Registrars Sdn Bhd (378993-D) at the following addresses:

FOR DELIVERY BY HAND AND/OR COURIER	FOR ORDINARY POST
Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan	Peti Surat 9150 Pejabat Pos Kelana Jaya 46785 Petaling Jaya Selangor Darul Ehsan Malaysia

Telephone number: 603 7841 8000
Helpdesk Telephone number: 603 7849 0777
Facsimile number: 603 7841 8151 / 8152

so as to arrive not later than the last time and date for acceptance and payment as set out in Section 2.5 of this Abridged Prospectus.

The basis of allocation for excess Warrants will be determined after the last day of application and payment for excess Warrants. Nevertheless, it is the intention of the Board to allot the excess Warrants, if any, on a fair and equitable basis and in the following priority, where applicable:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to Entitled Shareholders who have applied for excess Warrants on a pro-rata basis and in board lot, calculated based on their respective shareholdings in N2N as at the Entitlement Date;

(iii) thirdly, for allocation to Entitled Shareholders who have applied for excess Warrants on a pro-rata basis and in board lot, calculated based on the quantum of their respective excess Warrants application; and

(iv) fourthly, for allocation to transferees and/or renouncees who have applied for excess Warrants on a pro-rata basis and in board lot, calculated based on the quantum of their respective excess Warrants application.

Nevertheless, the Board reserves the right to allot any excess Warrants applied for under Part II of the RSF in such manner as the Board deems fit and expedient in the best interest of the Company subject always to such allocation being made on a fair and equitable basis, and that the intention of the Board set out above are achieved. The Board also reserves the right to accept any excess Warrants application, in full or in part, without assigning any reason.

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PAYMENT FOR THE EXCESS WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER DESCRIBED IN SECTION 3.2 OF THIS ABRIDGED PROSPECTUS, EXCEPT THAT THE BANKER'S DRAFTS OR CASHIER'S ORDERS OR MONEY ORDERS OR POSTAL ORDERS DRAWN ON A BANK OR POST OFFICE IN MALAYSIA SHOULD BE MADE PAYABLE TO "N2N CONNECT BERHAD - EXCESS WARRANTS ACCOUNT". THE BANKER'S DRAFTS OR CASHIER'S ORDERS OR MONEY ORDERS OR POSTAL ORDERS SHOULD BE CROSSED "ACCOUNT PAYEE ONLY" AND ENDORSED ON THE REVERSE SIDE WITH THE APPLICANT'S NAME IN BLOCK LETTERS, ADDRESS AND THE APPLICANT'S CDS ACCOUNT NUMBER, TO BE RECEIVED BY THE SHARE REGISTRAR, SYMPHONY SHARE REGISTRARS SDN BHD AT LEVEL 6, SYMPHONY HOUSE, PUSAT DAGANGAN DANA 1, JALAN PJU 1A/46, 47301 PETALING JAYA, SELANGOR DARUL EHSAN (FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF WARRANTS BY HAND AND/OR COURIER) OR PETI SURAT 9150, PEJABAT POS KELANA JAYA, 46785 PETALING JAYA, SELANGOR DARUL EHSAN (FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF WARRANTS BY ORDINARY POST) BY 5.00 P.M. ON 3 APRIL 2013 (OR SUCH LATER TIME AND DATE AS THE BOARD MAY DECIDE AND ANNOUNCE NOT LESS THAN TWO (2) MARKET DAYS BEFORE THE CLOSING DATE). CHEQUES OR ANY OTHER MODES OF PAYMENT ARE NOT ACCEPTABLE.

PAYMENT MUST BE MADE FOR THE EXACT AMOUNT PAYABLE FOR THE EXCESS WARRANTS APPLIED. ANY EXCESS OR INSUFFICIENT PAYMENT MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF THE BOARD. NO ACKNOWLEDGEMENT WILL BE ISSUED BY THE COMPANY OR SHARE REGISTRAR. IF AN APPLICANT IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS SHOWN IN THE ROD PROVIDED BY BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICANTS ARE NOT ALLOWED TO WITHDRAW THE RSF AND PAYMENT AFTER THEY HAVE BEEN LODGED WITH THE SHARE REGISTRAR.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS SHOWN IN THE ROD PROVIDED BY BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE OF APPLICATION AND PAYMENT OF THE EXCESS WARRANTS.

3.7 Form of issuance

Bursa Securities has prescribed the N2N Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Warrants to be issued pursuant to this Rights Issue of Warrants are prescribed securities and as such, the Central Depositories Act and the Rules of Bursa Depository shall apply in respect of the dealings in the Warrants.

Failure to comply with these specific instructions or inaccuracy in the CDS Account number may result in the application being rejected.

The Warrants will be credited into the CDS Accounts of the respective Entitled Shareholders or their transferees/renouncees (as the case may be) and notices of allotment will be despatched by ordinary post to the respective Entitled Shareholders at the address shown in the ROD or their transferees/renouncees at their own risk within eight (8) Market Days from the last date for acceptance and payment in respect of this Rights Issue of Warrants. No physical warrants certificate will be issued.

The excess Warrants, if allotted to the Entitled Shareholders or their transferees/renouncees (if applicable) who apply for excess Warrants, will be credited directly into their respective CDS Accounts.

3.8 Laws of foreign jurisdictions

This Abridged Prospectus, the NPA and the RSF have not been and will not be made to comply with the laws of any foreign jurisdiction, and have not been and will not be lodged, registered or approved pursuant to or under any legislation of or with or by any regulatory authorities or other relevant bodies of any foreign jurisdiction. This Rights Issue of Warrants will not be made or offered in any foreign jurisdiction.

Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of this Rights Issue of Warrants to the extent that it would be lawful to do so, and N2N, the Board and its officers, HwangDBS and other experts would not, in connection with this Rights Issue of Warrants, be in breach of the laws of any jurisdiction to which they are or may be subject to. N2N, the Board and its officers, HwangDBS and other experts shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any Entitled Shareholder and/or their transferees and/or their renouncees (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Accordingly, this Abridged Prospectus, the NPA and the RSF will NOT be sent to the Foreign Shareholders and/or their transferees and/or their renouncees (if applicable) who do not have a registered address in Malaysia. However, such Foreign Shareholders and/or their transferees and/or their renouncees (if applicable) may collect this Abridged Prospectus from the office of the Company's Share Registrar, in which event, the Share Registrar shall be entitled to request for such evidence as it may deem necessary to satisfy itself as to the identity and authority of the person collecting this Abridged Prospectus and the accompanying NPA and RSF.

The Foreign Shareholders and/or their transferees and/or their renouncees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and N2N shall be entitled to be fully indemnified and held harmless by such foreign applicant for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claim whatsoever against the Company, the Share Registrar and/or HwangDBS in respect of their rights or entitlements under this Rights Issue of Warrants. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of this Rights Issue of Warrants.

By signing the RSF, the Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) N2N, the Board and its officers, HwangDBS, the Share Registrar and other experts that:

(i) the Company would not, by acting on the acceptance or renunciation in connection with this Rights Issue of Warrants, be in breach of the laws of any jurisdiction to which the Entitled Shareholders and/or their transferees and/or their renouncees are or may be subject to;

(ii) the Entitled Shareholders and/or their transferees and/or their renouncees have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;

(iii) the Entitled Shareholders and/or their transferees and/or their renouncees are not a nominee or agent of a person in respect of whom the Company would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

(iv) the Entitled Shareholders and/or their transferees and/or their renouncees are aware that the Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) the Entitled Shareholders and/or their transferees and/or their renouncees have respectively received a copy of this Abridged Prospectus and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the representatives of the Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Warrants; and

(vi) the Entitled Shareholders and/or their transferees and/or their renouncees have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Warrants.

N2N reserves the right, in its absolute discretion, to treat any acceptance of the Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

4. RATIONALE AND UTILISATION OF PROCEEDS

4.1 Rationale

This Rights Issue of Warrants will enable the Company to raise immediate gross proceeds from the issuance of the Warrants for working capital requirements and defraying of expenses incidental to this Rights Issue of Warrants. Moreover, if and when the Warrants are exercised, such additional funds will be used to finance the Group's working capital such as the Group's operating and administrative expenses and further strengthen the capitalisation of the Company as well as improve the liquidity of the N2N Shares.

After due consideration, the Board is of the view that this Rights Issue of Warrants is the most appropriate avenue of rewarding the existing shareholders of the Company as this Rights Issue of Warrants would:

(i) provide shareholders of N2N with an option to further increase their equity participation in the Company at a pre-determined cost over the tenure of the Warrants; and

(ii) allow the shareholders of N2N to further participate in the future prospects and growth of the Company and any potential capital appreciation arising thereof to the extent if any of the Warrants are exercised.

Any exercise of Warrants would also strengthen the financial position and cash flow of the Company.

The Rights Issue of Warrants will provide an additional source of funds to the Group in addition to credit facilities from financial institutions. Upon the exercise of the Warrants, the capitalisation of the Company will be strengthened further and provide funding that may be required by the Group for its business strategies.

Based on the Minimum Scenario and assuming full exercise of the Warrants to be issued, the Company will receive a cash inflow of approximately RM31.67 million (based on the exercise price of RM0.32 per Warrant) while the NA of the Group will increase further to approximately RM71.44 million.

Based on the Maximum Scenario and assuming full exercise of the Warrants to be issued, the Company will receive a cash inflow of approximately RM34.60 million (based on an exercise price of RM0.32 per Warrant) while the NA of the Group will increase further to approximately RM81.41 million.

4.2 Utilisation of proceeds

Based on the Maximum Scenario and the issue price of RM0.02 per Warrant, this Rights Issue of Warrants will enable the Group to raise initial gross proceeds of up to RM2,162,200. The proceeds are expected to be utilised in the following manner.

	Minimum Scenario RM'000	Maximum Scenario RM'000	Expected timeframe for utilisation of proceeds from the date of listing of the Warrants
Working capital[(1)]	1,529	1,712	Within two (2) years
Estimated expenses for this Rights Issue of Warrants[(2)]	450	450	Within one (1) month
	1.979	2,162	

Notes:

(1) *These proceeds shall be utilised for the Group's existing and future working capital requirements which include payment to suppliers, payment of salaries and defraying operating expenses. The breakdown of proceeds to be utilised for each component has not been determined at this juncture. Moreover, the actual amount to be utilised for each component may differ subject to the operating requirement at the time of utilisation.*

(2) *The expenses relating to this Rights Issue of Warrants comprise, amongst others, the estimated professional fees, fees payable to the relevant authorities, expenses to convene the EGM, printing, advertisement expenses and other ancillary expenses. If the actual expenses incurred are higher than budgeted, the deficit will be funded from the portion allocated for the Group's working capital. Conversely, any surplus of funds following payment of expenses will be utilised as working capital for the Group.*

The exact quantum of proceeds that may be raised by the Company from the exercise of the Warrants would depend on the actual number of Warrants exercised and the final exercise price of the Warrants. The proceeds from the exercise of the Warrants will be received on an "as and when basis" over the tenure of the Warrants. Any proceeds arising from the exercise of the Warrants in the future shall be utilised for working capital of the Group, which may include payment to suppliers, payment of salaries and operating expenses.

5. RISK FACTORS

In running its business activities, the Group faces risks which may have potential impact on its performance unless proper anticipation and mitigation measures are exercised. The following are the risk factors (which may not be exhaustive) that have been identified to bear significant influence on the Group's business, operating results and financial condition. As such, shareholders should carefully consider, in addition to all other information contained in this Abridged Prospectus, these risk factors before subscribing for or investing in this Rights Issue of Warrants.

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5.1 Business risks

The Group is principally involved in, among others, providing software solutions, research and development of software packages, provision of design, programming and consultancy services and related activities for the capital and telecommunications markets. As such, the Group is subject to certain risks inherent in such markets and industries. The Group's business risks include changes in general economic conditions such as general downturn in the global, regional and Malaysian economy, government regulations, inflation, and changes in business conditions such as deterioration in prevailing market conditions, lack of skilled IT professionals, and increase in costs for skilled IT professionals, ability to protect its intellectual property and technological obsolescence. Although the Group seeks to mitigate these risks through, among others, continuous R&D in developing new and improving its existing products and services, maintaining good business relationships with its customers and suppliers, creating a large pool of highly skilled and qualified personnel, expanding the size and type of customer base, seeking longer term contracts, efficient cost control, integration or development of other synergistic businesses into or for the Group, there can be no assurance that any change to these factors will not have a material adverse effect on its business and financial performance.

5.2 Competition

The ICT industry is highly competitive and rapidly changing. The Group faces competition from various competitors, which include public listed and private companies. The Board believes that at present there are only a few competing businesses in Malaysia, Singapore, Indonesia and Philippines of which the Group is a player. It should be noted that some of the Group's competitors may have significantly greater resources or advantages than the Group in terms of market dominance, finance, technical knowledge and human resources. In addition, emerging companies may also enter the market and introduce new products and technologies. Increased competition could result in price and revenue erosion and loss of market share, any of which could materially and adversely affect the Group's business, operating results and financial condition.

Despite the competition, the Board believes that the Group is unique in its positioning, particularly the fact that it is one of the few solutions provider that has built a strong and highly integrated suite of products ranging from front office system to middle office as well as peripheral value added services.

In addition, the Group has also built its businesses in a manner that allows its end-users to use a full range of solutions and services which can be inter-linked within the broad range of its products and services. The Group is also able to manage the e-commerce infrastructure for its corporate customers. Furthermore, the Group is constantly improving its products and services, product functionality, ease of use, price, reliability, customer service and support as well as sales and marketing efforts to remain competitive.

The Board believes that among other factors, the Group's innovative products and services, maintaining good business relationships with customers, brand name and product quality, competitive pricing of its products and maintaining experienced and skilled team and management, would assist it in maintaining and/or expanding its market share and competitive advantage in its business. Although the Group seeks to continuously improve its market share and competitive advantage, there can be no assurance that it will be able to maintain and/or expand its market share.

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5.3 No protective law

There are no protectionism policies for the emerging trusted identity solution business in Malaysia. With the MSC project, foreign-owned companies are allowed to set up trusted identity business operations in Malaysia, which may pose a direct threat to the Group especially if established foreign competitors decide to participate in such projects. The absence of legislation to encourage the use of Malaysian-made trusted identity products or trusted identity solutions when there may be no disparity in product quality may curtail the growth of the Group. It is uncertain whether the Group will be able to overcome such competition in the future in the absence of direct government intervention to protect locally incorporated trusted identity solution companies. Notwithstanding the above, N2N's management is confident that the Group's technological know-how, R&D ability and cost advantage place it in a better position in view of the anticipated competition.

5.4 Product performance

The Group's R&D efforts are subject to all the risks inherent in the development of new products and technology (including unanticipated delays, expenses, difficulties). There can be no assurance that the Group's products will satisfactorily perform the functions for which they are designed, that they will meet applicable price or performance objectives or that unanticipated technical or other problems will not occur which would result in increased costs or material delays in the development thereof. Furthermore, software products as complex as those developed by the Group may contain errors or failure when installed, updated or enhanced. There can be no assurance that, despite testing by the Group and by current and potential end users, errors will not be found in new products after the delivery by the Group, resulting in loss of or delay in market acceptance. However, to minimise the exposure to such risk, the Group places emphasis on continuous R&D to develop new products and enhance existing products that are in line with current technology and market trends to meet the needs of its customers.

5.5 Long product development cycle

The time taken from development to the implementation of the Group's projects is long and typically involves significant technical evaluation and commitment of capital and other resources. This evaluation process, undertaken both internally by the Group and by its customers, invariably is a lengthy process of several months and involves risks, including customers' budgetary constraints and internal acceptance reviews. The length of time taken to implement a particular project will vary from customer to customer and is subject to delays associated with a long testing and approval process. The Group's business, operating results and financial condition could be materially and adversely affected if customers cancel or delay projects. There can be no assurance that the Group will not continue to experience these additional delays in the future, which may contribute to significant fluctuations of future operating results and cashflows and may adversely affect such results.

However, the Group minimises such delays by implementing stringent control of the product development life cycle of each product developed. In addition to the Group's R&D, extensive experience in the industry together with the regular training of its management and staff and regular milestone checkpoint reviews assist in ensuring the smooth implementation of its projects.

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5.6 Product liability

The Group's projects and supply agreements with its customers have no provisions designed to limit its exposure to potential product liability claims. The sale and support of the Group's products may involve the risk of such liability claims, any of which can be quite substantial. A product liability suit or action, whether or not meritorious, could result in substantial costs and diversion of management's attention and the Group's resources, which could have material adverse impact on its business, operating results and financial conditions. Additionally, a suit alleging a defect or a breach of an express or implied warranty, if successful, may also have adverse precedent effect on other or future actions.

The software programmes, which the Group develops and/or sells to its customers, are important to the undisrupted operations of its customers' business. Any defects or error in these softwares could result in lost of revenues, adverse customers' reaction towards the Group and its solutions and services, negative publicity, additional expenditures to remedy the problems and claims against the Group. The Group does not maintain any product liability insurance, nor take out any third party liability insurance. However, the Group has a limitation of liability clause in most of its agreements pertaining to eBrokerConnect™, which states that the Group or its subsidiary's cumulative liability for any losses or damages resulting from any claims, demands, or actions arising out of or relating to the agreement (including but not limited to damages for loss of profits, or any indirect, incidental, consequential, special, or exemplary damage) shall not exceed the monthly fee paid to the Group or its subsidiary for that month for the services rendered under the agreement. However, such limitation of liability clause is subject to the Group's customers agreeing to it, and its effectiveness and enforceability is to be determined by the courts of competent jurisdiction and/or subject to consumer protection statutes, which may differ from country to country. Even if the Group's customers agree to the limitation of liability clause, there can be no assurance that such a clause would be sufficient to protect the Group. Although the Group has not experienced any claims against it, any significant claim against the Group in the future may have a material adverse effect on its results and prospects.

5.7 Dependence on key management

The ICT industry is a growing and fast changing sector and the management and operation of the business requires the employment of highly skilled knowledge workers, whether in technology or non-technology related fields. The Board recognises and believes that the Group's continuing success depends upon the abilities and continuing efforts of its existing Executive Directors, key management and key technical personnel and on its ability to hire, train and retain qualified and competent IT personnel. While the Group has made efforts to nurture and maintain good relationships with its senior management team and key technical personnel, there can be no assurance that the loss of any of the key personnel can be avoided and would not affect its ability to operate its business competitively. The Group mitigates this by incorporating effective human resource management and development, continuing to hire personnel as and when necessary to accommodate any increase in the size of its operations. The Group also implements an effective succession plan by grooming the existing staff members to support the senior management and/or to shoulder further responsibilities in preparation for long term expansion and to provide suitable incentives such as employee share options, bonuses, training, competitive salary package and a conducive working environment. However, there can be no assurance that the above measures taken or to be taken will be successful and that any change in the Group's key personnel will not have a material effect on its business and operations.

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5.8 Rapid technological changes

The market for the Group's products and services is characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, mobile phones and tablets, operating systems, software and hardware applications and frequent new product introductions and enhancements. The Group's products and services may become obsolete due to advancement in technology as a result of extensive R&D available in the marketplace. If one or more of the Group's competitors introduce products and services that can better address customers' needs, it may adversely affect its competitiveness and therefore may affect its business, operating conditions and financial results.

The Group minimises its exposure to technological obsolescence through its ongoing R&D efforts to introduce innovative products and services using the latest technology which is able to adequately address the changing needs of the marketplace while keeping the cost to customers or end-users relatively low. The Group has an experienced and skilled team of R&D personnel, which constantly endeavours to keep abreast with contemporary leading-edge technologies and carry out the necessary research to capitalise on such technologies that are suitable for its future business. There can be no assurance that the Group will be able to keep abreast with the changes in technologies and that such changes would not affect its competitiveness in the ICT industry, which may have a material effect on its quality of service, business operations and financial performance.

5.9 Delays in R&D

The Group is involved in a rapidly changing industry and its success is largely dependent on its speed and ability to evolve and develop up-to-date products to remain competitive. The Group has set up its in-house R&D team to carry out research and to develop its products. The Group's R&D team is able to assist and support in implementing its business plan to meet the demands of its customers. However, completion and successful implementation of R&D efforts may require a long lead-time. Although the Group seeks to mitigate this risk by effectively allocating its resources and focusing on servicing customers and prospects with better return (in order not to exhaust its resources or sacrifice quality of product development), there can be no assurance that there will not be any delays in the completion of its R&D efforts and that any delays in its R&D efforts will not have any material adverse effect on its business and financial performance.

5.10 Reliance on major customers and continuing demand for the Group's solutions and services

The Group's revenue and its ability to achieve and sustain profitability will substantially depend on continued market acceptance of the solutions and services that the Group offers. A reduction/change in demand or an increase in competition in the market for these existing or new solutions and services, may have a material adverse effect on the Group's business conditions and financial results. Although the Board believes that the Group's continued marketing efforts and research in improving its solutions and services to cater to the requirements and demand of its current customers and potential customers would mitigate its risks, there can be no assurance that its existing and potential customers will commit to continue with the existing or new solutions and services from the Group.

To date, the Group's solutions and services have been well-received by its stockbroking and banking clients and the management expects that enhancements and improvements of features, timeliness in delivery of information to its customers and good technical support services should ensure continuous acceptance of its solutions and services.

A major part of the Group's revenue is derived from eBrokerConnect™. The Group has approximately twenty (20) stockbroking companies and a stock exchange which have signed up for eBrokerConnect™. There can be no assurance that these clients will continue to use the Group's solutions and/or services in the future or will continue their relationships with the Group. The failure of the Group to maintain its existing relationship with the aforesaid stockbroking companies for any reason could have a material adverse effect on its business, operating results and financial condition. To mitigate this risk, the Group endeavours to provide reliable quality products and good customer service and after sales services to them. The Group has been successful in maintaining its relationship with the aforesaid stockbroking companies.

5.11 Maintenance and reliability of the telecommunications network infrastructure

The success of the Group's products and services will depend on the maintenance of a reliable telecommunication network infrastructure comprising the network equipment and leased lines. Any disruption to the telecommunications network performance may adversely affect the services provided to customers which could directly affect the revenue of the Group. To mitigate such risk, the Group continuously monitors the quality of service of its network and the vendors' leased line services to ensure strict compliance to the quality standards predetermined by the Group. In addition, the Group minimises the risk of such dependency by securing leased line services from various telecommunication providers. The Group is also constantly evaluating and exploring other technological alternatives to leased lines to further reduce the risk of dependency on the telecommunication providers. However, there can be no assurance that the network available from the various telecommunication providers would not be disrupted and that any change to these telecommunication providers will not have a material effect on the Group's business and operations. There can be no assurance that the telecommunication providers will continue to provide existing and more capacity for the business.

5.12 Security risks

The ability to provide secure transmissions of confidential information over networks accessible to the public is a significant problem for electronic commerce and communications. There may be threats or actual security breaches, computer viruses and malicious attacks. These occurrences may cause systems failures, interruptions in service or reduced customer capacity, which could have an impact on the Group's ability to manage or provide services to its customers or partners and could materially and adversely affect its operation and financial performance. In order to mitigate the risks, the Group has implemented comprehensive security measures to protect its network, system and information. Despite such security protection, the rapid evolution of newer security threats and malicious attacks is beyond the control of the Group. As such there can be no assurance that threats of security breaches, computer viruses and malicious attacks, can be wholly eliminated or eliminated indefinitely.

5.13 Protection of intellectual property rights

The Group's success is dependent on its ability to create new software products and/or services for its customers and to be able to protect its intellectual property rights in those products. However, existing patent, copyright, trademark and trade secret laws afford only limited protection.

5.13.1 Trademarks

Specifically, the success of its business may be largely influenced by the popularity of its trademarks and as such its ability to protect the trademark in the countries in which the business is operated is important to the Group. As such, the Group has made applications to the Registrar of Trademarks in Malaysia and Singapore for the registration of "DecisionConnect™", "eBrokerConnect™", "MobileConnect™", "PDAConnect™", "ResearchConnect™", "SMSConnect™" "N2N Connect™", "TraderConnect™" and "GlobalConnect™". However, the present trademark laws in Malaysia and Singapore provide only limited protection and generally (with some exceptions) have no extraterritorial coverage. As a result, there can be no assurance that the Group will be able to protect its trademark against unauthorised third party use or exploitation which could have a material adverse effect on its reputation, business and performance.

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5.13.2 Copyrights

Part of the Group's revenue is derived from its own proprietary software which takes time and resources to develop. At present, the Group owns intellectual property rights in its software which protection is accorded by copyright law and at common law, including the Copyright Act, 1987. However, the software may not be accorded similar copyright protection laws elsewhere. Despite copyright laws in Malaysia and other countries in which the Group may operate, such laws may not be adequate or effectively enforced against third parties who violate its copyright by copying or pirating the software products. The Group may have to incur unexpected and additional expenses for enforcing its intellectual property rights should such piracy arise in future. This may have an adverse effect on the Group's financial performance in the future. This risk is however mitigated as the Group will be constantly enhancing its proprietary software, which will render it difficult for third parties to copy or pirate the software products.

The Group also licenses software from various third party vendors. There can be no assurance that these third party vendors will remain in business, or that they will continue to support their technology or that the technology will be available at commercially viable rates. The loss or inability to maintain the licences may result in delays or cancellations in contracts. Any such delay or cancellation may adversely affect the Group's business, financial and/or operating performance. However, the Group mitigates this risk by keeping abreast with alternative software technology available in the market which can be utilised in the same manner.

5.14 Adequate insurance coverage on assets

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could potentially jeopardise its business operations. In ensuring such risks are mitigated, the Group reviews and ensures adequate coverage for its assets on a continuous basis. For the Group's operations, all its major assets such as servers and network equipment and supplies for telecommunications equipment, other inventories, office equipment, and furniture and fittings are sufficiently insured under fire and all risks insurance. Although the Group has taken the necessary measures to ensure that all its major assets are covered by insurance, there can be no assurance that the insurance coverage would be adequate to compensate for the replacement cost of the assets or any consequential loss arising therefrom.

5.15 Brand awareness/loyalty

The Group's brand names such as "N2N Connect™", "eBrokerConnect™", "MobileConnect™", "SMSConnect™", "PDAConnect™", "TraderConnect™", "GlobalConnect™", "eIPOConnect", "eESOSConnect", "iMSL" and "PortfolioConnect" play an important role for the continued growth of the business. The success of a brand name is dependent on the awareness, loyalty and goodwill associated with the brand name. Consumers would inadvertently favour a particular brand name due to its reliability even though there are only marginal savings. The group seeks to mitigate this risk by advertisement and promotional activities to create brand awareness amongst the public both in and outside of Malaysia. The Board plans to further intensify marketing activities through advertisement and promotional activities. Although the Group seeks to mitigate these risk factors, there can be no assurance that there would be an increase in the awareness or loyalty by the consumers on its brand name and that any changes to these risks will not have a material effect on its business.

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5.16 Foreign currency fluctuations

As at the LPD, the Group has geographical market presence in Singapore, Indonesia and Philippines. Hence, the Group is exposed to foreign exchange risks as a significant portion of its business transactions are carried out in foreign currencies. The Group transacts business in various foreign currencies including the SGD and USD. Any adverse movements in the foreign currencies may result in translation differences in our Group's financial statements which are reported in RM.

To mitigate the risk of fluctuations in foreign currency, our Group practices prudent financial management and monitors fluctuations of foreign currency closely. In addition, we may use various hedging techniques to mitigate this risk.

Notwithstanding the above, there can be no assurance that any future significant fluctuations in exchange rates will not have an adverse impact on the revenue and earnings of the Group.

5.17 Political, economic and regulatory considerations

Like all business entities, changes in political, economic and regulatory conditions in countries where the Group has interests or intend to set up operations or become interested in the future may affect the performance of the Group. Any adverse developments or uncertainties in the political, economic and regulatory conditions in the said countries may adversely affect the performance of the Group.

These include, among others, the risk of war, riots, expropriation, nationalisation, renegotiation or nullification of existing contracts and arrangements, global economic downturn and unfavourable changes in governmental policy such as changes in interest rates, inflation rate and methods of taxation, changes in managed foreign exchange rate and regulations or other legal, administrative, political, economic or social developments. There can be no assurance that any changes to these factors will not have an adverse effect on the Group's business and financial performance.

Although the above factors are beyond our control, measures such as credit default swaps, risk analysis and monitoring, political risk insurance, scenario planning, engagement with government and non-governmental organisation are all possible steps which we can take to mitigate the aforementioned risks. However, there is no assurance that adverse political, economic and regulatory conditions will not materially affect the business activities of our Group.

5.18 Capital market risk

The performance of the local stock market is dependent on external factors such as, amongst others, the performance of world bourses, flow of foreign funds and prices of commodities. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country, foreign exchange policies as well as its growth potential. These factors invariably contribute to the volatility and the liquidity on Bursa Securities, thus adding risk to the market price of the Warrants.

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5.19 Market risk

The market price of N2N Shares will be influenced by, amongst others, prevailing market sentiments, volatility of the stock market, the operating results of the Group and the prospects of the ICT industry.

There can be no assurance that the market price of the Warrants, upon or subsequent to their listing, will remain at or above the issue price, or that the Warrants can be disposed of at or above the issue price.

On the other hand, the market price of the Warrants, like all listed securities traded on Bursa Securities, is subject to fluctuations and will be influenced by, amongst others, the volatility of the N2N Shares, the remaining exercise period of the Warrants and the potential payments of dividends.

Similarly, there can be no assurance that the exercise price of the Warrants will be in-the-money during the tenure of the Warrants.

Notwithstanding the above, it should be noted that the Group's financial performance is not dependent on the performance of N2N Shares and the Warrants.

5.20 Investment risk

The Group may from time to time invest in new ventures that are relatively new to it or to acquire businesses, products or technologies or enter into synergistic joint ventures that it believes will be in the interest of its shareholders. There is a potential risk that these investments may have longer than expected gestation period or may not be entirely successful. In this event, the Group may take time to recover or be unable to recover its initial investments. The Group plans to mitigate this risk, together with other possible venture risks in the future, by exercising due care in the evaluation of such ventures, business, products or technologies or joint ventures. Nevertheless, there can be no assurance that such ventures will yield positive returns to the Group.

5.21 Breakout of fire, energy crisis and other emergencies

All businesses face the risks of losses arising from emergencies such as breakout of fire and energy crisis. The Group has taken note of such risks and has taken various steps to reduce such risks by having proper fire-fighting systems, dispersing the storing of its network equipment and carrying out periodical review on its security and maintenance. The Group has also taken insurance coverage to mitigate financial losses from such happenings where possible. In addition, the Group has back-up servers located in different geographical locations to minimise risks relating to the breakout of fire, energy crisis and other emergencies.

5.22 Changes in MSC status

The Group was awarded with MSC status on 1 July 2004 by MDC. Presently, all MSC status companies are granted financial and non-financial incentives. The MSC status granted to us is subject to continuous fulfilment of certain criteria.

MDC, being the body responsible for monitoring all MSC designated companies, has the right to withdraw the MSC status of any company at any given time. Given the criteria to be complied, there can be no assurance that the Group will continue to retain its individual MSC status or that the Group will continue to enjoy or not experience any delays in enjoying the MSC incentives outlined, all of which may materially affect the Group's business, operating results and financial condition. Furthermore, there can be no assurance that the MSC incentives will not be changed or modified in any way in the future.

5.23 Uncertainty in the business development plan

The Group's future plans and prospects will depend on its ability to identify and develop new product ranges, enhancements or improvements on their existing product range; to enter into strategic marketing or other arrangements on timely basis and on favourable terms; hire and retain skilled management as well as financial, technical, marketing and other personnel; successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality and service controls); and obtain adequate financing as and when needed. Nevertheless, there can be no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or even deviation from its original plans. In addition, the actual results may deviate from the business plan due to rapid technological changes, market changes as well as competitive environment.

5.24 No prior market for the Warrants

There is no established trading market for the Warrants. There can be no assurance that an active market for the Warrants will develop upon the listing of the Warrants on Bursa Securities or, if developed, that such market can be sustained. The issue price of RM0.02 per Warrant was determined after taking into consideration:

(a) the closing price of N2N Shares of RM0.51 on 15 February 2013, being the Market Day immediately preceding the Price Fixing Date;

(b) the five (5)-day VWAMP of N2N Shares of RM0.45 up to 15 February 2013, being the Market Day immediately preceding the Price Fixing Date; and

(c) gross proceeds raised of between RM1.98 million to RM2.16 million to be raised for the Company.

The price at which N2N Shares would trade on the ACE Market after this Rights Issue of Warrants may be influenced by a number of factors, which include, among others, the liquidity of the market for N2N Shares, announcements of new and/or enhanced products and services by the Group and the difference between its actual financial performance and those expected by the investors and analysts and the perception of the investors of the Group. In recent years, the stock market in general, and the market for the securities of many companies in particular, has experienced volatile price movements which have often been unrelated to the operating performance of such companies. Such fluctuation may adversely affect the market price of N2N Shares. There can be no assurance that the price at which N2N Shares will trade on the ACE Market will correspond to the theoretical ex-rights price of N2N Shares either upon or subsequent to this Rights Issue of Warrants or that an active market for N2N Shares will develop and continue upon or subsequent to this Rights Issue of Warrants.

5.25 Failure/delay in implementation

The Substantial Shareholders have given their irrevocable undertakings to subscribe for their respective entitlement under this Rights Issue of Warrants and the "open-portion". Therefore, the successful implementation of this Rights Issue of Warrants is dependent on the fulfilment of the obligations by the Substantial Shareholders pursuant to their respective undertakings should the need arise.

In this respect, all reasonable steps will be taken to ensure the successful implementation of this Rights Issue of Warrants. However, there can be no assurance that other unforeseeable factors/events will not cause a delay in or abortion of this Rights Issue of Warrants. In the event that this Rights Issue of Warrants is aborted, the Company will repay without interest all monies received from the applicants in respect of the accepted application for the subscription of the Warrants and if such monies are not repaid within fourteen (14) days after the Company becomes liable, the Company will repay such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

5.26 Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical data, which may not be reflective of future results, and others are forward-looking in nature and are subject to uncertainties and contingencies. All forward-looking statements contained herein are based on estimates and assumptions made by the Group. Although the Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied in such statements. In light of these and other uncertainties, the inclusion of such forward-looking statements herein should not be regarded that the plans and objectives of the Group will be achieved.

6. INDUSTRY REVIEW AND FUTURE PROSPECTS

6.1 Overview and outlook of the global economy

The global economic recovery, which began in the second half of 2009, is expected to slow in 2012 largely due to the ongoing sovereign debt issues in the advanced economies. Growth in these economies would be largely constrained by fiscal consolidation and private sector deleveraging following impairment of balance sheet of financial institutions. The extent of the moderation in global growth is largely contingent on how the debt crisis evolves and the nature and timeliness of the policy actions in restoring market confidence. In particular, given Europe's integration with the rest of the world, the spillover from the sovereign debt crisis will affect growth in both the advanced and emerging economies to varying degrees, through both trade and financial channels. Reflecting the weaker growth outlook and sentiments, global trade activity is expected to moderate, with a larger impact on the more open economies. In addition, continued volatility in international financial markets will have implications for global credit conditions through cross-border exposures to European banks, particularly to the banks that have weak balance sheets. Following the large and unprecedented policy stimulus measures taken during the global financial crisis, fiscal and monetary authorities in the advanced economies now have less policy space to fully mitigate the impact of these adverse developments on growth, thus reinforcing the expectations of a slower growth this year.

(Source: Outlook and Policy 2012, Bank Negara Malaysia, Annual Report 2011)

Going forward, there are emerging signs of improvements in the global economy. Latest economic indicators also suggest further stabilisation in the growth performance in Asia. Notwithstanding these improvements, considerable structural challenges remain in the advanced economies, which would constrain the prospect for a stronger economic recovery. In particular, several advanced economies will continue to address the issues relating to fiscal sustainability and persistently weak labour market conditions. In the emerging markets, the highly accommodative monetary policy sustained in the major advanced economies requires close surveillance given the potential impact of excessive global liquidity on asset price inflation.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2012, Bank Negara Malaysia Quarterly Bulletin, Fourth Quarter 2012)

6.2 Overview and prospects of the Malaysian economy

The Malaysian economy recorded a higher growth of 6.4% in the fourth quarter of 2012 (3Q 12: 5.3%), supported by the continued strength in domestic demand. Total investment remained robust and was the main driver of growth during the quarter. The growth of private consumption continued to remain strong although the pace of increase moderated. Net exports of goods and services continued to contract in the fourth quarter, but by a smaller magnitude. This reflected the contraction in imports following the decline in imports of intermediate goods and lower imports of consumption goods. Given the smaller contraction in net exports and the sustained growth in domestic demand, overall GDP expanded at a higher rate during the quarter. On the supply side, most economic sectors recorded higher growth during the quarter.

Domestic demand continued to expand at the pace of 7.5% in the fourth quarter of 2012 (3Q 12: 11.4%). Gross fixed capital formation and total consumption remained strong, although the pace of increase moderated.

Private consumption registered a growth of 6.1% in the fourth quarter (3Q 12: 8.5%), supported by stable labour market conditions and favourable consumer sentiments. The stronger growth in the first half of the year reflected the effects of the various Government transfers to households disbursed during the period. Public consumption grew by 1.1% (3Q 12: 2.3%), attributable to continued Government spending on emoluments amidst lower spending on supplies and services.

Gross fixed capital formation remained strong, registering double-digit growth of 15% in the fourth quarter (3Q 12: 22.7%). Private investment advanced by 20.2% (3Q 12: 22.9%), supported by capital spending in the domestic-oriented manufacturing and consumer related services sub-sectors, namely, telecommunications, real estate and aviation. The on-going implementation of projects in the oil and gas sector also provided a considerable boost to investment activity. There was also investment in capacity expansion in the primary-related manufacturing cluster and in new growth areas such as medical and communications equipment. Public investment expanded by 11.1% (3Q 12: 22.4%), driven by capital spending by public enterprises in the transportation, utilities, oil and gas and communications sectors. Federal Government development expenditure was channelled mainly into the transportation, education and public utilities sector.

The headline inflation rate, as measured by the annual change in the Consumer Price Index (CPI) continued to moderate to 1.3% in the fourth quarter (3Q 12: 1.4%), reflecting lower inflation in the food and non-alcoholic beverages category.

For the Malaysian economy, the sustained expansion in domestic activity is expected to continue to drive growth, supported by the sustained private sector expansion. The stabilisation of external conditions is also expected to lend support to our economic growth prospects.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2012, Bank Negara Malaysia Quarterly Bulletin, Fourth Quarter 2012)

The Malaysian economy expanded at a faster pace of 5.1% during the first half of 2012 (January - June 2011: 4.7%) despite the increasingly challenging global economic conditions. Growth in the domestic economy was supported by strong private consumption and robust private investment. The vibrant domestic demand is expected to be sustained during the second half of 2012, supported by both public and private sectors amid conducive financial market conditions, stable prices and a favourable labour market. Taking into account the downside risks emanating from the external sector and a resilient domestic economy, the real GDP is estimated to expand 4.5% - 5% in 2012 (2011: 5.1%). Domestic demand will be the main driver of the Malaysian economy supported by private and public sector expenditure. Growth in private consumption is expected to be buoyed by stable employment and income coupled with lower inflation. The salary revision and bonus for civil servants, cash assistance under *Bantuan Rakyat 1 Malaysia* (BR1M), reward to the Federal Land Development Authority settlers and other cash payments to assist various groups supported private consumption. Private investment is envisaged to drive economic growth over the medium term, underpinned by the ongoing implementation of the Economic Transformation Programme (ETP) and vibrant construction activity. Growth in private investment will be broad-based in line with positive investors' confidence and strong domestic demand. On the supply side, growth in 2012 is expected to emanate from the services and manufacturing sectors with the construction sector playing a stronger role in supporting the economy. The strong growth in the services sector is largely due to buoyant wholesale and retail trade, communication, accommodation and restaurant as well as business services subsectors. Manufacturing output, especially domestic oriented industries, is expected to expand steadily in tandem with strong domestic activities. However, the export-oriented industries are anticipated to moderate during the second half of 2012 in line with the weak global Purchasing Managers Index (PMI).

(Source: Economic Report 2012/2013; Malaysian Economy, Chapter 3, Ministry of Finance)

Despite uncertainties in global growth, the Malaysian economy is expected to expand between 4.5% and 5% in 2012, mainly supported by domestic demand.

With prospects for global growth remaining modest at 3.9%, domestic demand will continue to drive the Malaysian economy boosted by the measures in the 2013 Budget. Against this backdrop, the GDP forecast for the Malaysian economy is between 4.5% and 5.5% in 2013. Private and public consumption, the largest component of real GDP, is anticipated to expand further by 4.2% in 2013 and remain the main driver of domestic demand.

(Source: Economic Report 2012/2013; Malaysian Economy, Chapter 1, Ministry of Finance)

6.3 Overview and prospects of the Malaysian services sector

The services sector expanded by 6.3% in the fourth quarter of 2012 (3Q 12: 7%), with both consumption and manufacturing related activities contributing to growth. The wholesale and retail trade sub-sector expanded at a slower pace of 2.2% (3Q 12: 4.4%), attributable mainly to the moderation in wholesale segment, due to slower wholesale trade of commodity products, while retail segment continued to grow in tandem with positive growth in consumption. Growth in the trade and manufacturing related sub-sectors was higher, attributed to stronger domestic production and gradual improvement in external environment. The transport and storage sub-sector grew by 4.4% (3Q 12: 3.6%) while growth in the utilities sub-sector also increased (4.1%; 3Q 12: 3.8%). The finance and insurance sub-sector advanced by 10.9% (3Q 12: 11.8%), driven by bank lending activity and an increase in insurance premiums' growth.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2012, Bank Negara Malaysia Quarterly Bulletin, Fourth Quarter 2012)

Under the National Transformation Policy, the services sector is envisaged to drive the economy towards a high-income and developed nation by 2020. In 2011, the sector accounted for 54.2% of GDP and 53.4% of total employment. To further strengthen the sector, the Government announced the liberalisation of 17 services subsectors for implementation in 2012. As at end-June 2012, 10 subsectors were opened to 100% foreign equity ownership. These subsectors are telecommunications for category of applications service provider licence; technical and vocational schools; technical and vocational schools for students with special needs; private hospitals; departmental and specialty stores; incineration services; accounting and taxation services; skills training centres; courier services; and international schools. The liberalisation of another seven subsectors will be implemented in stages in 2012. The liberalisation of all 17 subsectors is to be completed by end-2012 together with an additional subsector, that is, quantity surveying services. The liberalisation initiative is expected to further boost investments in the services sector.

Prospects for the services sector are expected to remain upbeat in 2013, with the accelerated implementation of major initiatives under the National Key Result Areas (NKRAs) and continued investment in the seven services subsectors under the National Key Economic Areas (NKEAs). These initiatives are expected to drive the wholesale and retail trade, finance and insurance, and communication subsectors, which are expected to grow 6.8%, 5.2% and 8.2% (2012: 5.7%; 4.2%; 9.3%), respectively. Overall, value-added of the sector is estimated to remain strong at 5.6% (2012: 5.5%) supported by domestic consumption, investment and travel-related activities.

(Source: Economic Report 2012/2013; Malaysian Economy, Chapter 1, Ministry of Finance)

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6.4 Overview and prospects of the Malaysian IT services sector

In IT services, 83 companies were granted the MSC status with total estimated investment of RM1,465.3 million and 7,891 employment opportunities during the first eight months of 2012 (January - August 2011: 119; RM975 million; 4,647). As at end-August 2012, the total number of MSC companies stood at 3,037 (end-August 2011: 2,857), of which 2,273 or 74.8% were Malaysian-owned, 677 (22.3%) foreign-owned, and the remaining 87 (2.9%) joint ventures. These companies are clustered into infotech (75.8%), creative multimedia (11.6%), global sourcing (8.8%), and institutions of higher learning and incubators (3.8%). In addition, there were 26 cybercities and cybercentres as at end-August 2012 (end-August 2011: 22) including three new cybercentres approved in 2012, namely Jaya 33 in Petaling Jaya, Puchong Financial and Corporate Centre, and Menara Worldwide in Bukit Bintang. Furthermore, three new premises are in the pipeline for consideration as cybercity and cybercentre status by end-2012.

(Source: Economic Report 2012/2013; Malaysian Economy, Chapter 3, Ministry of Finance)

To leverage digital technology, an important enabler for the country's transformation, the Digital Transformation Programme or Digital Malaysia was launched in 2011 with strong emphasis on productivity, innovation and creativity.

(Source: Economic Report 2012/2013; Malaysian Economy, Chapter 1, Ministry of Finance)

Digital Malaysia is aimed at creating an ecosystem which promotes the pervasive use of digital technology in all aspects of the economy to connect communities globally and interact in real time resulting in increased economic activity, productivity and standard of living. While Malaysia has built a strong ICT foundation, Digital Malaysia will focus on driving value-added services through digital technologies. The MDC was mandated in October 2011 during the 24th MSC Implementation Council Meeting to spearhead this initiative, which is anchored on three strategic thrusts, namely shifting from supply to demand, consumption to production and low-knowledge to high-knowledge activity. Digital Malaysia encompasses a strategic framework and a set of action plans which will be implemented as entry point projects.

Digital Malaysia aims to raise Malaysia's ICT contribution from 9.8% of GDP in 2010 to 17% by 2020. Digital Malaysia also aims to create 160,000 high-income job opportunities, particularly in areas such as cloud enterprise applications, gamification, embedded systems, microsourcing, social media, e-commerce and green technology.

The Tenth Malaysia Plan (10MP) shows that the bulk of Government investment in ICT is on supply-centric or infrastructure-based projects such as high-speed broadband, development of information technology centres, and purchase of computer hardware and software. Digital Malaysia aims to create demand-side activities such as the development of digital entrepreneurs to tap into the total domestic ICT spending of RM175 billion by 2020.

Although there is extensive use of the Internet for social networking, e-commerce, news and research, Malaysians have yet to fully capitalise on the Internet for income generation. The Internet World Statistics 2010 estimated that 30% of Malaysian Internet users are online shoppers, representing a better performance than several Organisation for Economic Co-operation and Development (OECD) countries. However, Malaysians remain largely consumers rather than producers, that is adopting and importing instead of creating and exporting. For instance, Malaysia lags behind Thailand and the Philippines in the number of sellers on eBay. According to eBay.com.my, the majority of the 500,000 Malaysians registered on the online auction and shopping site are primarily consumers.

There is a need to shift from spending money to income-generating activities. Digital Malaysia aims to create platforms and programmes to nurture and encourage users to generate revenue through digital business models. One example of this initiative is microsourcing, which involves outsourcing microtasks to a group of networked and skilled individuals through the Internet. These tasks can be completed under flexible circumstances and only require basic Internet-connected devices such as cellular phones, tablets, netbooks and computers.

The digital world is evolving rapidly with the number of global Internet users expected to increase from 2.3 billion in 2011 to 3 billion by end-2016. In this regard, accelerating the digital economy initiative will enhance interconnectivity and provide a wide range of opportunities that are essential towards transforming into a high-income economy.

(Source: Economic Report 2012/2013; Malaysian Economy, Chapter 3, Ministry of Finance)

6.5 Overview and prospects of the Malaysian financial sector

Portfolio investment continued to record net inflow of RM20.3 billion during the first six months of 2012 (January - June 2011: +RM56.5 billion) on account of rising inflows of capital into equity and debt securities, particularly in the first quarter of 2012. However, investors turned risk adverse as global economic activity moderated due to the protracted euro area debt crisis. Consequently, portfolio investment recorded a net outflow of RM5 billion in the second quarter (Q1 2012: +RM25.3 billion) following the liquidation of debt securities by foreign investors. Meanwhile, other investment registered a higher net outflow of RM20.2 billion with the private sector registering a higher net outflow of RM19.5 billion (January - June 2011: -RM14.1 billion; -RM13.4 billion). This was due to higher extension of trade credit by Malaysian exporters and placement of assets abroad by the banking sector. After adjusting for errors and omissions, net international reserves increased by RM5.5 billion to RM428.8 billion (USD134.2 billion) as at 29 June 2012.

The finance subsector is expected to expand 4.2% in 2012 (2011: 6.5%) mainly driven by steady bank lending activities. Total loans outstanding increased 13% to RM1,073.1 billion as at end-July 2012 (end-2011: 13.6%; RM1,003.5 billion) largely for the purchase of residential properties and working capital, accounting for 27% and 24.7% (end-2011: 26.8%; 25.2%), respectively. The growth in net interest income of the banking system is expected to be complemented by higher fee-based income. The subsector is also anticipated to benefit from the growing Islamic banking market. As at end-July 2012, Islamic financing grew 19.3% to RM294.2 billion and accounted for 26.6% (end-2011: 23.6%; RM268.3 billion; 25.9%) of total loans by the banking system. Meanwhile, stockbroking activity increased with a higher volume of share transactions at 18.4% to 222.2 billion units (January - July 2011: 40.2%; 187.7 billion units).

(Source: Economic Report 2012/2013; Malaysian Economy, Chapter 3, Ministry of Finance)

Portfolio investment recorded a smaller net inflow of RM11.3 billion during the quarter (3Q 12: RM 27.6 billion). While developments in the United States of America, Japan and Europe caused significant deterioration of risk appetites in the markets; the expanded global liquidity conditions arising from the continued accommodative monetary policy stance in the advanced economies contributed to steady inflows of capital into the developing economies, including Malaysia. Moreover, the brighter growth prospects in the developing economies continued to attract portfolio investment inflows from non-residents, particularly into the purchases of Government debt securities.

Financial stability was sustained throughout the quarter amidst continued challenges in the global environment. Stable financial conditions were underpinned by sound and well-capitalised financial institutions, orderly financial market conditions and sustained confidence in the financial system, which provided continued support for effective financial intermediation. With strong level of capitalisation as core capital ratio and risk-weighted capital ratio improved to 13.4% (3Q 12: 13.2%) and 15.2% (3Q 12: 14.9%) respectively, the banking sector is well poised to withstand economic and financial shocks. The insurance sector also maintained a sound capital adequacy ratio of 222.3% (3Q 12: 218.6%) with excess capital buffer of RM22.5 billion.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2012, Bank Negara Malaysia Quarterly Bulletin, Fourth Quarter 2012)

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6.6 Steps or action which have been taken/will be taken to improve the financial condition of the Group

The Board has instituted various measures to improve both the financial and business operations of the Group as follows:

- securing more contracts for its eBrokerConnect™ business and improving the efficiency of N2N's managed network services. These efforts have increased revenue generated by the Group during the FYE 2011 by approximately 39% to RM20.72 million as its eBrokerConnect™ business grew approximately 4% to RM10.35 million;

- increasing customer acceptance of N2N's one-stop service solutions resulting in increased revenue from the provision of managed network services which jumped approximately 113% to RM10.22 million during the FYE 2011;

- increasing N2N management's intensive efforts to improve internal efficiencies while growing revenue reflected in the sharp reduction of the loss after taxation of RM1.48 million in the FYE 2011 from a loss of RM6.45 million a year earlier;

- implementing the TraderConnect™ Pro application for various securities houses to enable DMA capability. Coupled with the increase in transactions of the online stock trading platform provided by the Group, the Group recorded revenue of RM7.47 million for the quarter ended 31 December 2012, approximately 28% higher than the preceding year corresponding quarter of RM5.82 million;

- continuing to complete the full implementation of its TraderConnect™ Pro platform (for DMA) for a few leading Malaysian stockbroking companies in the fourth quarter of FYE 2012 ("**Q4 2012**"), for which license fees for various applications will be recognised from Q4 2012;

- securing projects with various other stockbroking companies to implement the TraderConnect™ Pro platform ahead of an original 30 September 2012 deadline set by Bursa Securities which was extended to 31 December 2012 for all securities houses to complete migration to DMA. The Group has completed the full implementation of its TraderConnect™ Pro platform for its panel of Malaysian stockbroking companies in Q4 2012 in line with the 31 December 2012 deadline set by Bursa Securities; and

- discussing actively with securities houses or exchanges in the region to implement its IT solutions, such as eBrokerConnect™, TraderConnect™, GlobalConnect™ and MobileConnect™.

The results and effects derived from the abovementioned measures are further boosted by the current strong and fast-paced demands for continuing R&D of software as well as design, programming and consultancy services provided by the N2N Group.

These translated into substantial improvement in the financial performance of the N2N Group for the FYE 2012 and the FYE 2011 as follows:

	Audited FYE		(2)Unaudited FYE 2012 RM'000
	(1)2010 RM'000	(1)2011 RM'000	
Revenue	14,949	20,720	26,611
Profit/(Loss) before taxation	(6,446)	(1,154)	1,948
Net cash from/(used in) operating activities	3,880	(3)(6,749)	22,110

Notes:

(1) Based on audited financial statements of N2N Group for the FYE 2011 and comparative figures thereof

(2) Based on the unaudited interim financial report of N2N Group for the FYE 2012 and comparative figures thereof

(3) Negative cash flow due to increase in other receivables of RM12.60 million for payment of deposit for the purchase of office building

The Group will continue to focus on its R&D efforts as it believes R&D will remain a critical factor for N2N to maintain its competitive edge and remain a leader in the constantly evolving financial industry.

As the Group caters primarily to stockbroking companies' and banks' outsourcing e-business locally and regionally, factors such as data security, accuracy, capacity, dependability and speed are critical to the marketability of the Group's services. As such, the Group's R&D scope is to strengthen the performance of its existing e-commerce segment while developing and enhancing new applications and services, particularly its financial suite, GlobalConnect™ and TraderConnect™ which incorporates a powerful technical analysis toolkit and innovative trading capabilities to deliver a state-of-the-art desktop trading management system.

Besides investing about 10% to approximately 15% of its revenue on R&D, the Company will continue to invest in training and development skills for the employees in its R&D team and continue to encourage the development of fresh innovative concepts.

The Group will also continue its efforts to focus on building capabilities in DMA and Market Message Transfer Protocol with various exchanges globally to deliver value-added services while continuing to improve internal operational and financial efficiencies.

On the premise of the above and barring any unforeseen circumstances, the Directors of N2N believe that the Group's performance for the upcoming FYE 2013 will continue to remain favourable.

While the Group anticipates continuing recovery of its financials with better financial performance in the FYE 2013, N2N is looking at opportunities locally and regionally which aim to accomplish sustainable profitability growth in the future. To boost future revenue and profitability of the Group, N2N plans to continue to grow revenue locally by migrating existing clients in Malaysia who have yet to join the new trading platform and by winning new clients. N2N's effort to improve their value proposition have resulted in their distinction of being the only local provider in the industry currently to provide a complete replacement for the Broker Front End system, which will reach the end of its life cycle in 2012. In Singapore, the eBrokerConnect™ system has been certified and is in conformance with the Singapore Exchange's Reach, the world's fastest trading engine. As an ongoing conformance exercise, the Group has pledged to provide innovative services and is on the mark with world-class trading technologies.

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6.7 Prospects of the Group

As one of Malaysia's leading online trading service provider with DMA capabilities, the Group is in a unique position to capitalise on distinctive trends in the provision of technology solutions for the securities industry. A confluence of factors has opened up significant opportunities for N2N at a time when its technological capabilities and business model have matured.

Many of the current trading platforms used by stockbrokers in the region are due for replacement. These replacement programmes are coming at a time when brokers want to have more streamlined cross-border trades, both broker-assisted and pure internet trading, simplified risk management and access to fundamental data and tools to facilitate decision-making. Of equal significance is the growing trend for the stock exchanges themselves to reduce their role as the provider of technological platform so that they can focus on their core functions as regulator and promoter of capital markets.

Against this backdrop, the Group has refined its solutions and stepped up its marketing to securities houses and even to some exchanges. The larger securities houses headquartered in Malaysia are expanding in the region and require standardised front and back-end systems which the Group provides. The Group will continue to expand its operations in Malaysia, Singapore, Indonesia and Philippines.

Having turned the corner in financial performance, the Group's focus over the next two to three years is to take advantage of this changing landscape to offer its solutions as the standard-bearer for the securities industry. In so doing, the Group will enhance shareholder value. The Board remains confident that, with a proven global strategy, continued strong execution and further differentiation in products and services, the Group will deliver profitable growth in this financial year.

7. FINANCIAL EFFECTS

7.1 Share capital

The proforma effects of this Rights Issue of Warrants on the issued and paid-up share capital of N2N are set out below:

	Minimum Scenario		Maximum Scenario	
	No. of N2N Shares	RM	No. of N2N Shares	RM
Issued and paid-up share capital as at the LPD (less treasury shares)	296,923,200	29,692,320	296,923,200	29,692,320
Assuming all treasury shares are resold in the open market at cost	-	-	2,847,600	284,760
Assuming all Outstanding ESOS Options are exercised	-	-	24,559,200	2,455,920
	296,923,200	29,692,320	324,330,000	32,433,000
After the Rights Issue of Warrants	-	-	-	-
	296,923,200	29,692,320	324,330,000	32,433,000
Assuming full exercise of Warrants	98,974,400	9,897,440	108,110,000	10,811,000
Enlarged issued and paid-up share capital	395,897,600	39,589,760	432,440,000	43,244,000

7.2 NA and gearing

Based on the audited consolidated statement of financial position of N2N as at 31 December 2011 and on the assumption that this Rights Issue of Warrants had been effected on that date, the proforma effects of this Rights Issue of Warrants on the NA per N2N Share and gearing of the Group after taking into consideration the exercise of 831,800 ESOS options and purchase of 1,072,700 N2N Shares which are held as treasury shares after 31 December 2011 up to the LPD ("**Adjustment**") are as follows:

7.2.1 Minimum Scenario

		I	II	III
	Audited as at 31 December 2011	**After Adjustment**	**After I and after the Rights Issue of Warrants**	**After II and assuming full exercise of Warrants**
	RM	**RM**	**RM**	**RM**
Share capital	29,893,900	(2)29,977,080	29,977,080	(6)39,874,520
Share premium	5,229,405	(2)5,336,920	5,336,920	(6)29,090,776
Exchange reserve	220,801	220,801	220,801	220,801
Treasury shares	(433,668)	(3)(916,504)	(3)(916,504)	(3)(916,504)
Retained profits	3,620,926	3,620,926	(4)3,170,926	3,170,926
Warrants reserve	-	-	(5)1,979,488	-
Shareholders' funds/NA	38,531,364	38,239,223	39,768,711	71,440,519
No. of N2N Shares	(1)297,164,100	(1) 296,923,200	(1) 296,923,200	(1)395,897,600
NA per N2N Share (RM)	0.13	0.13	0.13	0.18
Interest-bearing borrowings (RM)	-	-	-	-
Gearing (Times)	-	-	-	-

Notes:

(1) Excluding treasury shares held by the Company

(2) Adjustment for 345,100 (First Grant) and 486,700 (Second Grant) ESOS options exercised after 31 December 2011 up to the LPD at an exercise price of RM0.20 (First Grant) and RM0.25 (Second Grant) per ESOS option

(3) 2,847,600 N2N Shares are held as treasury shares as at the LPD

(4) After deducting estimated expenses amounting to RM450,000 in relation to this Rights Issue of Warrants

(5) Calculated based on the issue price of the Warrants of RM0.02 per Warrant. The warrants reserve will be transferred to share premium upon the full exercise of the Warrants

(6) Assuming all holders of the Warrants exercise their respective Warrants before the first anniversary of the Warrants at the exercise price of RM0.32 per Warrant. Upon exercise of each Warrant, RM0.10 will be credited to share capital and the balance RM0.22 will be credited to share premium

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7.2.2 Maximum Scenario

		I	II	III	IV
	Audited as at 31 December 2011	After Adjustment	After I and assuming all treasury shares are resold in the open market at cost and all Outstanding ESOS Options are exercised	After II and after the Rights Issue of Warrants	After III and assuming full exercise of Warrants
	RM	RM	RM	RM	RM
Share capital	29,893,900	(2)29,977,080	(4)32,433,000	32,433,000	(7)43,244,000
Share premium	5,229,405	(2)5,336,920	(4)8,825,810	8,825,810	(7)34,772,210
Exchange reserve	220,801	220,801	220,801	220,801	220,801
Treasury shares	(433,668)	(3)(916,504)	-	-	-
Retained profits	3,620,926	3,620,926	3,620,926	(5)3,170,926	3,170,926
Warrants reserve	-	-	-	(6)2,162,200	-
Shareholders' funds/NA	38,531,364	38,239,223	45,100,537	46,812,737	81,407,937
No. of N2N Shares	(1)297,164,100	(1) 296,923,200	324,330,000	324,330,000	432,440,000
NA per N2N Share (RM)	0.13	0.13	0.14	0.14	0.19
Interest-bearing borrowings (RM)	-	-	-	-	-
Gearing (Times)	-	-	-	-	-

Notes:

(1) *Excluding treasury shares held by the Company*

(2) *Adjustment for 345,100 (First Grant) and 486,700 (Second Grant) ESOS options exercised after 31 December 2011 up to the LPD at an exercise price of RM0.20 (First Grant) and RM0.25 (Second Grant) per ESOS option*

(3) *2,847,600 N2N Shares are held as treasury shares as at the LPD*

(4) *Assuming all Outstanding ESOS Options are exercised at the exercise price of RM0.20 per share (First Grant) and RM0.25 per share (Second Grant) respectively. Upon exercise of each ESOS option RM0.10 will be credited to share capital and the balance of RM0.10 (First Grant) and RM0.15 (Second Grant) will be credited to share premium*

(5) *After deducting estimated expenses amounting to RM450,000 in relation to this Rights Issue of Warrants*

(6) *Calculated based on the issue price of the Warrants of RM0.02 per Warrant. The warrants reserve will be transferred to share premium upon the full exercise of the Warrants*

(7) *Assuming all holders of Warrants exercise their respective Warrants before the first anniversary of the Warrants at the exercise price of RM0.32 per Warrant. Upon exercise of each Warrant, RM0.10 will be credited to share capital and the balance RM0.22 will be credited to share premium*

The proforma consolidated statements of financial position of N2N as at 31 December 2011 together with the bases and assumptions and the Reporting Accountants' letter thereon are included herein as Appendix III of this Abridged Prospectus.

7.3 Earnings and EPS

This Rights Issue of Warrants is expected to be completed by the second quarter of 2013. Accordingly, this Rights Issue of Warrants is not expected to have any effect on the earnings and EPS for the FYE 2012.

The effect of this Rights Issue of Warrants on the future earnings and EPS of the Group cannot be ascertained at this juncture since it would depend upon, among others, the number of Warrants to be issued, the exercise price for the Warrants and the number of Warrants exercised.

EPS of the Group would ultimately be dependent on the number of Warrants exercised, the exercise price for the Warrants and the level of returns to be derived from the deployment of the proceeds from the exercised Warrants.

8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

8.1 Working capital

The Board is of the opinion that after taking into account the amount to be raised from this Rights Issue of Warrants and the funds generated from its operations, the working capital available to the Group will be sufficient for its current scale of operations for a period of twelve (12) months from the date of this Abridged Prospectus.

8.2 Borrowings

As at the LPD, the Group has bank borrowings amounting to approximately RM22.46 million, all of which are secured and interest-bearing, comprising the following:

	RM'000
Short-term borrowings	
Bank overdraft	4,405
Term loan	2,044
Sub total	6,449
Long-term borrowings	
Term loan	16,015
Grand total	22,464

There has been no default on payments of either interest and/ or principal sums for any borrowing throughout the past one financial year, and the subsequent financial period as at the LPD.

8.3 Contingent liabilities

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by N2N, which upon becoming enforceable may have a material effect on the business or financial position of the Group.

8.4 Material commitments

There is no material commitment incurred by the Group as at the LPD that has not been provided for, which upon becoming enforceable, may have a material impact on the financial results/position of the Group.

9. IRREVOCABLE UNDERTAKINGS AND UNDERWRITING ARRANGEMENT

The Rights Issue of Warrants will be undertaken on a full subscription level basis. The subscription level was determined after taking into consideration, amongst others, the level of funds the Group wishes to raise for working capital requirements.

We have procured Undertakings from the Substantial Shareholders, whereby they have irrevocably undertaken, on a joint and several basis, to fully subscribe for:

(i) their rights entitlement under the Rights Issue of Warrants as at the Entitlement Date; and

(ii) the remaining "open-portion" of Warrants to the extent they are not taken up or not validly taken up by other Entitled Shareholders and/or their renouncees under the Rights Issue of Warrants (including after excess application) on a pro-rata basis.

Our Substantial Shareholders have confirmed via their Undertakings, and HwangDBS has verified that they have sufficient financial resources to fulfill their Undertakings.

In view of the Undertakings, the Group is certain that the full subscription level will be met and the subscription level will not have any impact to the Rights Issue of Warrants. Accordingly, no underwriting arrangement will be made for the Rights Issue of Warrants.

As at the LPD, the following are the entitlements of our Substantial Shareholders who have given their Undertakings:

Minimum Scenario

	Direct shareholdings as at the LPD		**Entitlement Undertaking**		**Additional Undertaking**	
	No. of Shares	**%**	**No. of Warrants**	**%**	**No. of Warrants**	**%**
N2NSB	135,449,510	45.62	45,149,836	(3)45.62	27,635,944	(3)27.92
ANSB	28,000,000	9.43	9,333,333	(3)9.43	5,712,877	(3)5.77
Tiang Boon Hwa(1)	10,618,444	3.58	3,539,481	(3)3.58	2,166,495	(3)2.19
Lai Su Ping(2)	10,116,844	3.41	3,372,281	(3)3.41	2,064,153	(3)2.09
	184,184,798	62.04	61,394,931	(3)62.04	37,579,469	(3)37.96

Notes:

(1) Tiang Boon Hwa has indirect interest in N2N of 145,566,354 Shares (49.02%) by virtue of his interest in N2NSB and his spouse, Lai Su Ping's interest, pursuant to Sections 6A and 134 of the Act

(2) Lai Su Ping has indirect interest in N2N of 146,067,954 Shares (49.19%) by virtue of her interest in N2NSB and her spouse, Tiang Boon Hwa's interest, pursuant to Sections 6A and 134 of the Act

(3) Based on 98,974,400 Warrants issued pursuant to the Minimum Scenario

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Maximum Scenario

	Direct shareholdings as at the LPD		Entitlement Undertaking		Additional Undertaking	
	No. of Shares	%	No. of Warrants	%	No. of Warrants	%
N2NSB	135,449,510	45.62	45,149,836	(3)41.76	34,354,264	(3)31.78
ANSB	28,000,000	9.43	9,333,333	(3)8.63	7,101,682	(3)6.57
Tiang Boon Hwa(1)	10,618,444	3.58	3,539,481	(3)3.27	2,693,172	(3)2.49
Lai Su Ping(2)	10,116,844	3.41	3,372,281	(3)3.12	2,565,951	(3)2.37
	184,184,798	62.04	61,394,931	(3)56.79	46,715,069	(3)43.21

Notes:

(1) *Tiang Boon Hwa has indirect interest in N2N of 145,566,354 Shares (49.02%) by virtue of his interest in N2NSB and his spouse, Lai Su Ping's interest, pursuant to Sections 6A and 134 of the Act*

(2) *Lai Su Ping has indirect interest in N2N of 146,067,954 Shares (49.19%) by virtue of her interest in N2NSB and her spouse, Tiang Boon Hwa's interest, pursuant to Sections 6A and 134 of the Act*

(3) *Based on 108,110,000 Warrants issued pursuant to the Maximum Scenario*

10. TERMS AND CONDITIONS

The issue of the Warrants pursuant to this Rights Issue of Warrants is governed by the terms and conditions set out in this Abridged Prospectus, the accompanying RSF, NPA and the Deed Poll.

11. FURTHER INFORMATION

Shareholders are advised to refer to the accompanying appendices for further information.

Yours faithfully
for and on behalf of the Board
N2N CONNECT BERHAD

TIANG BOON HWA
Managing Director

APPENDIX I

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THIS RIGHTS ISSUE OF WARRANTS PASSED AT THE EGM OF N2N HELD ON 31 JANUARY 2013

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

An Excerpt of the Minutes of the Extraordinary General Meeting held on 31st January 2013

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 108,110,000 FIVE (5)-YEAR WARRANTS 2013/2018 ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY THREE (3) EXISTING ORDINARY SHARES OF RM0.10 EACH IN N2N ("N2N SHARES") HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE OF WARRANTS")

It was RESOLVED : -

"THAT, subject to the approvals of all relevant authorities, the Board of Directors of N2N ("Board") be and is hereby authorised to issue up to 108,110,000 Warrants in N2N to the shareholders of the Company whose names appear on the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later ("Entitlement Date") by the Board, on the basis of one (1) Warrant for every three (3) existing N2N Shares held on such date at an issue price to be determined and announced later;

THAT, approval be and is hereby given to the Board to create and issue the Warrants based on the indicative principal terms of the Warrants as set out in the Circular to Shareholders of the Company dated 16 January 2013 and the terms and conditions of a deed poll to be executed by the Company ("Deed Poll");

THAT, approval be and is hereby given to the Board to allot and issue such number of new N2N Shares credited as fully paid-up arising from the exercise of the Warrants during the exercise period of the Warrants in accordance with the terms of the Deed Poll;

THAT, such further new N2N Shares to be issued arising from the exercise of the Warrants shall upon allotment and issue, rank *pari passu* in all respects with the then existing issued and fully paid-up N2N Shares except that they shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid prior to the relevant allotment date of the said new N2N Shares;

THAT, the Board be and is hereby entitled to deal with all or any fractional entitlements of the Warrants that may arise from the Proposed Rights Issue of Warrants, in such manner as the Board deems fit and expedient in the best interest of the Company;

THAT, the Board be and is hereby authorised to do all acts and things as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, modifications, variations and/or amendments as may be required, or imposed by the relevant authorities, and to take all steps and to enter into all such agreement, undertaking, indemnity, transfer, assignment and guarantee with any party or persons and to carry out any other matters as may be required to implement, finalise and give full effect to and complete the Proposed Rights Issue of Warrants;

AND THAT, the Board be and is hereby authorised to enter into and execute the Deed Poll constituting the Warrants and to do all acts, deeds and things as it may deem fit or expedient in order to implement, finalise and give effect to the aforesaid Deed Poll.'"

Authenticated by:

Director	Director
TIANG BOON HWA	CHUA TIONG HOONG

INFORMATION ON N2N

1. HISTORY AND BUSINESS

N2N was incorporated on 10 August 2000 as a private limited company under the name of N2N Connect Sdn Bhd. N2N Connect Sdn Bhd was subsequently converted into a public company and changed its name to N2N Connect Berhad on 29 September 2004. N2N was listed on the MESDAQ Market of Bursa Securities (now known as the ACE Market of Bursa Securities) on 28 November 2005.

The principal activities of N2N are researching and developing software packages, providing design, programming, consultancy services and related activities. Details of the principal activities of the subsidiaries of N2N are set out in Section 6 of this appendix.

2. SHARE CAPITAL

The authorised and issued and fully paid-up share capital of N2N as at the LPD are as follows:

	No. of Shares	Par value RM	Total RM
Authorised	500,000,000	0.10	50,000,000
Issued and fully paid-up	299,770,800	0.10	29,977,080

3. CHANGES IN THE ISSUED AND PAID-UP SHARE CAPITAL

The changes in the issued and paid-up share capital of N2N since incorporation up to the LPD are as follows:

Date of allotment	No. of shares allotted	Par value RM	Consideration	Resultant issued and paid-up capital RM
10.08.2000	2	0.10	Subscriber shares	0.20
09.06.2003	1,499,998	0.10	Cash	150,000
13.10.2003	8,500,000	0.10	Cash	1,000,000
06.04.2004	3,200,000	0.10	Cash	1,320,000
26.10.2004	54,300,000	0.10	Bonus issue	6,750,000
22.11.2005	12,000,000	0.10	Cash	7,950,000
22.11.2005	55,650,000	0.10	Bonus issue	13,515,000
07.11.2006	58,800	0.10	Cash	13,520,880
15.11.2006	13,500,000	0.10	Cash	14,870,880
23.11.2006	11,000	0.10	Cash	14,871,980
04.12.2006	17,600	0.10	Cash	14,873,740
11.12.2006	28,500	0.10	Cash	14,876,590
20.12.2006	7,400	0.10	Cash	14,877,330
28.12.2006	9,000	0.10	Cash	14,878,230
10.01.2007	4,000	0.10	Cash	14,878,630
23.01.2007	17,200	0.10	Cash	14,880,350
31.01.2007	74,600	0.10	Cash	14,887,810
14.02.2007	148,878,100	0.10	Bonus issue	29,775,620
07.03.2007	14,800	0.10	Cash	29,777,100
27.03.2007	95,000	0.10	Cash	29,786,600
03.04.2007	19,000	0.10	Cash	29,788,500

INFORMATION ON N2N

Date of allotment	No. of shares allotted	Par value RM	Consideration	Resultant issued and paid-up capital RM
09.04.2007	55,000	0.10	Cash	29,794,000
13.04.2007	28,000	0.10	Cash	29,796,800
27.04.2007	7,400	0.10	Cash	29,797,540
09.05.2007	13,000	0.10	Cash	29,798,840
18.05.2007	5,000	0.10	Cash	29,799,340
29.05.2007	6,000	0.10	Cash	29,799,940
01.06.2007	7,500	0.10	Cash	29,800,690
29.06.2007	39,600	0.10	Cash	29,804,650
10.07.2007	17,000	0.10	Cash	29,806,350
26.07.2007	10,000	0.10	Cash	29,807,350
28.11.2007	5,000	0.10	Cash	29,807,850
07.12.2007	24,400	0.10	Cash	29,810,290
17.12.2007	5,000	0.10	Cash	29,810,790
11.01.2008	10,000	0.10	Cash	29,811,790
18.01.2008	16,000	0.10	Cash	29,813,390
28.02.2008	20,000	0.10	Cash	29,815,390
14.03.2008	16,000	0.10	Cash	29,816,990
17.04.2008	43,800	0.10	Cash	29,821,370
05.05.2008	38,600	0.10	Cash	29,825,230
29.05.2008	26,000	0.10	Cash	29,827,830
10.06.2008	12,800	0.10	Cash	29,829,110
20.06.2008	8,800	0.10	Cash	29,829,990
02.07.2008	115,100	0.10	Cash	29,841,500
25.09.2008	15,400	0.10	Cash	29,843,040
20.05.2009	18,400	0.10	Cash	29,844,880
19.06.2009	60,000	0.10	Cash	29,850,880
04.11.2009	54,600	0.10	Cash	29,856,340
13.11.2009	197,400	0.10	Cash	29,876,080
21.04.2010	1,000	0.10	Cash	29,876,180
04.05.2010	20,000	0.10	Cash	29,878,180
19.05.2010	97,600	0.10	Cash	29,887,940
06.10.2010	39,600	0.10	Cash	29,891,900
16.11.2010	20,000	0.10	Cash	29,893,900
02.03.2012	40,000	0.10	Cash	29,897,900
08.03.2012	153,000	0.10	Cash	29,913,200
15.03.2012	138,300	0.10	Cash	29,927,030
17.04.2012	15,000	0.10	Cash	29,928,530
10.05.2012	18,000	0.10	Cash	29,930,330
04.06.2012	43,000	0.10	Cash	29,934,630
18.07.2012	130,000	0.10	Cash	29,947,630
30.07.2012	63,000	0.10	Cash	29,953,930
02.08.2012	92,500	0.10	Cash	29,963,180
17.08.2012	76,000	0.10	Cash	29,970,780
25.09.2012	30,000	0.10	Cash	29,973,780
14.02.2013	33,000	0.10	Cash	29,977,080
			TOTAL	**29,977,080**

4. SUBSTANTIAL SHAREHOLDERS

The proforma effects of the Rights Issue of Warrants on the substantial shareholders' shareholdings as at the LPD are as follows:

4.1.1 Minimum Scenario and assuming all Entitled Shareholders subscribe for their respective entitlements under the Rights Issue of Warrants

Substantial shareholders	I As at the LPD				II After I and the Rights Issue of Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
N2NSB	135,449,510	45.62	-	-	135,449,510	45.62	-	-
ANSB	28,000,000	9.43	-	-	28,000,000	9.43	-	-
Tiang Boon Hwa	10,618,444	3.58	(1)145,566,354	(1)49.02	10,618,444	3.58	(1)145,566,354	(1)49.02
Lai Su Ping	10,116,844	3.41	(2)146,067,954	(2)49.19	10,116,844	3.41	(2)146,067,954	(2)49.19

Substantial shareholders	III After II and assuming full exercise of Warrants			
	Direct		Indirect	
	No. of Shares	(3)%	No. of Shares	(3)%
N2NSB	180,599,346	45.62	-	-
ANSB	37,333,333	9.43	-	-
Tiang Boon Hwa	14,157,925	3.58	(1)194,088,471	(1)49.02
Lai Su Ping	13,489,125	3.41	(2)194,757,271	(2)49.19

Notes:

(1) Deemed interested by virtue of his interest in N2NSB and his spouse, Lai Su Ping's interest, pursuant to Sections 6A and 134 of the Act

(2) Deemed interested by virtue of her interest in N2NSB and her spouse, Tiang Boon Hwa's interest, pursuant to Sections 6A and 134 of the Act

(3) Based on enlarged share capital of 395,897,600 N2N Shares assuming full exercise of Warrants under the Minimum Scenario

4.1.2 Maximum Scenario and assuming all Entitled Shareholders subscribe for their respective entitlements under the Rights Issue of Warrants

Substantial shareholders	I As at the LPD				II After I and assuming all treasury shares are resold in the open market at cost and all outstanding ESOS options are exercised			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%(3)	No. of Shares	%(3)
N2NSB	135,449,510	45.62	-	-	135,449,510	41.76	-	-
ANSB	28,000,000	9.43	-	-	28,000,000	8.63	-	-
Tiang Boon Hwa	10,618,444	3.58	(1)145,566,354	(1)49.02	10,618,444	3.27	(1)145,566,354	(1)44.88
Lai Su Ping	10,116,844	3.41	(2)146,067,954	(2)49.19	10,116,844	3.12	(2)146,067,954	(2)45.04

Substantial shareholders	III After II and the Rights Issue of Warrants				IV After III and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%(4)	No. of Shares	%(4)
N2NSB	135,449,510	41.76	-	-	180,599,346	41.76	-	-
ANSB	28,000,000	8.63	-	-	37,333,333	8.63	-	-
Tiang Boon Hwa	10,618,444	3.27	(1)145,566,354	(1)44.88	14,157,925	3.27	(1)194,088,471	(1)44.88
Lai Su Ping	10,116,844	3.12	(2)146,067,954	(2)45.04	13,489,125	3.12	(2)194,757,271	(2)45.04

Notes:

(1) *Deemed interested by virtue of his interest in N2NSB and his spouse, Lai Su Ping's interest, pursuant to Sections 6A and 134 of the Act*

(2) *Deemed interested by virtue of her interest in N2NSB and her spouse, Tiang Boon Hwa's interest, pursuant to Sections 6A and 134 of the Act*

(3) *Based on enlarged share capital of 324,330,000 N2N Shares assuming all treasury shares are resold in the open market at cost and all outstanding ESOS options are exercised*

(4) *Based on enlarged share capital of 432,440,000 N2N Shares assuming full exercise of Warrants under the Maximum Scenario*

4.2.1 Minimum Scenario and assuming the Substantial Shareholders are the only subscribers of the Rights Issue of Warrants

Substantial shareholders	Existing as at LPD				I After the Rights Issue of Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of N2N Shares	%	No. of N2N Shares	%	No. of N2N Shares	%	No. of N2N Shares	%
N2NSB	135,449,510	45.62	-	-	135,449,510	45.62	-	-
ANSB	28,000,000	9.43	-	-	28,000,000	9.43	-	-
Tiang Boon Hwa	10,618,444	3.58	(1)145,566,354	(1)49.02	10,618,444	3.58	(1)145,566,354	(1)49.02
Lai Su Ping	10,116,844	3.41	(2)146,067,954	(2)49.19	10,116,844	3.41	(2)146,067,954	(2)49.19

Substantial shareholders	After I and assuming full exercise of Warrants			
	Direct		Indirect	
	No. of N2N Shares	(3)%	No. of N2N Shares	(3)%
N2NSB	208,235,290	52.60	-	-
ANSB	43,046,210	10.87	-	-
Tiang Boon Hwa	16,324,420	4.12	(1)223,788,568	(1)56.53
Lai Su Ping	15,553,278	3.93	(2)224,559,710	(2)56.72

Notes:

(1) Deemed interested by virtue of his interest in N2NSB and his spouse, Lai Su Ping's interest, pursuant to Sections 6A and 134 of the Act

(2) Deemed interested by virtue of her interest in N2NSB and her spouse, Tiang Boon Hwa's interest, pursuant to Sections 6A and 134 of the Act

(3) Based on enlarged share capital of 395,897,600 N2N Shares assuming full exercise of Warrants under the Minimum Scenario

4.2.2 **Maximum Scenario and assuming the Substantial Shareholders are the only subscribers of the Rights Issue of Warrants**

Substantial shareholders	Existing as at LPD				I Assuming all treasury shares are resold in the open market at cost and all Outstanding ESOS Options are exercised			
	Direct		Indirect		Direct		Indirect	
	No. of N2N Shares	%	No. of N2N Shares	%	No. of N2N Shares	(3)%	No. of N2N Shares	(3)%
N2NSB	135,449,510	45.62	-	-	135,449,510	41.76	-	-
ANSB	28,000,000	9.43	-	-	28,000,000	8.63	-	-
Tiang Boon Hwa	10,618,444	3.58	(1)145,566,354	(1)49.02	10,618,444	3.27	(1)145,566,354	(1)44.88
Lai Su Ping	10,116,844	3.41	(2)146,067,954	(2)49.19	10,116,844	3.12	(2)146,067,954	(2)45.04

Substantial shareholders	II After I and the Rights Issue of Warrants				III After II and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of N2N Shares	%	No. of N2N Shares	%	No. of N2N Shares	(4)%	No. of N2N Shares	(4)%
N2NSB	135,449,510	41.76	-	-	214,953,610	49.71	-	-
ANSB	28,000,000	8.63	-	-	44,435,015	10.28	-	-
Tiang Boon Hwa	10,618,444	3.27	(1)145,566,354	(1)44.88	16,851,097	3.90	(1)231,008,686	(1)53.42
Lai Su Ping	10,116,844	3.12	(2)146,067,954	(2)45.04	16,055,076	3.71	(2)231,804,707	(2)53.60

Notes:

(1) *Deemed interested by virtue of his interest in N2NSB and his spouse, Lai Su Ping's interest, pursuant to Sections 6A and 134 of the Act*

(2) *Deemed interested by virtue of her interest in N2NSB and her spouse, Tiang Boon Hwa's interest, pursuant to Sections 6A and 134 of the Act*

(3) *Based on enlarged share capital of 324,330,000 N2N Shares assuming all treasury shares are resold in the open market at cost and all Outstanding ESOS Options are exercised*

(4) *Based on enlarged share capital of 432,440,000 N2N Shares assuming full exercise of Warrants under the Maximum Scenario*

5. BOARD OF DIRECTORS

The particulars of the Directors of N2N are set out in the Corporate Information section. The proforma effects of this Rights Issue of Warrants and the full exercise of the Warrants on the direct and indirect interests of the Directors based on the Register of Directors' Shareholdings as at the LPD are as follows:

5.1 Minimum Scenario

Minimum Scenario and assuming all Entitled Shareholders subscribe for their respective entitlements under the Rights Issue of Warrants

	I As at the LPD				II After I and the Rights Issue of Warrants			
	Direct		Indirect		Direct		Indirect	
Directors	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tiang Boon Hwa	10,618,444	3.58	145,566,354	[1]49.02	10,618,444	3.58	145,566,354	[1]49.02
Lai Su Ping	10,116,844	3.41	146,067,954	[2]49.19	10,116,844	3.41	146,067,954	[2]49.19
Chua Tiong Hoong	779,354	0.26	364,000	[3]0.12	779,354	0.26	364,000	[3]0.12
Tan Boon Leng	1,232,700	0.42	-	-	1,232,700	0.42	-	-
Cho Wai Loon	200,000	0.07	-	-	200,000	0.07	-	-
Izlan bin Izhab	-	-	-	-	-	-	-	-

	III After II and assuming full exercise of Warrants			
	Direct		Indirect	
Directors	No. of Shares	[4]%	No. of Shares	%
Tiang Boon Hwa	14,157,925	3.58	194,088,471	[1]49.02
Lai Su Ping	13,489,125	3.41	194,757,271	[2]49.19
Chua Tiong Hoong	1,039,138	0.26	485,333	[3]0.12
Tan Boon Leng	1,643,600	0.42	-	-
Cho Wai Loon	266,666	0.07	-	-
Izlan bin Izhab	-	-	-	-

Notes:

(1) Deemed interested by virtue of his interest in N2NSB and his spouse, Lai Su Ping's interest, pursuant to Sections 6A and 134 of the Act

(2) Deemed interested by virtue of her interest in N2NSB and her spouse, Tiang Boon Hwa's interest, pursuant to Sections 6A and 134 of the Act

(3) Deemed interested by virtue of his spouse, Yap Oi Peng's interest, pursuant to Section 134 of the Act.

(4) Based on enlarged share capital of 395,897,600 N2N Shares assuming full exercise of Warrants under the Minimum Scenario

5.2 Maximum Scenario

Maximum Scenario and assuming all Entitled Shareholders subscribe for their respective entitlements under the Rights Issue of Warrants

Directors	I As at the LPD				II After I and assuming all treasury shares are resold in the open market at cost and all outstanding ESOS options are exercised			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	(4)%	No. of Shares	(4)%
Tiang Boon Hwa	10,618,444	3.58	145,566,354	(1)49.02	10,618,444	3.27	145,566,354	(1)44.88
Lai Su Ping	10,116,844	3.41	146,067,954	(2)49.19	10,116,844	3.12	146,067,954	(2)45.04
Chua Tiong Hoong	779,354	0.26	364,000	(3)0.12	779,354	0.24	364,000	(3)0.11
Tan Boon Leng	1,232,700	0.42	-	-	1,232,700	0.38	-	-
Cho Wai Loon	200,000	0.07	-	-	200,000	0.06	-	-
Izlan bin Izhab	-	-	-	-	-	-	-	-

Directors	III After II and the Rights Issue of Warrants				IV After III and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	(5)%	No. of Shares	(5)%
Tiang Boon Hwa	10,618,444	3.27	145,566,354	(1)44.88	14,157,925	3.27	194,088,471	(1)44.88
Lai Su Ping	10,116,844	3.12	146,067,954	(2)45.04	13,489,125	3.12	194,757,271	(2)45.04
Chua Tiong Hoong	779,354	0.24	364,000	(3)0.11	1,039,138	0.24	485,333	(3)0.11
Tan Boon Leng	1,232,700	0.38	-	-	1,643,600	0.38	-	-
Cho Wai Loon	200,000	0.06	-	-	266,666	0.06	-	-
Izlan bin Izhab	-	-	-	-	-	-	-	-

Notes:

(1) *Deemed interested by virtue of his interest in N2NSB and his spouse, Lai Su Ping's interest, pursuant to Sections 6A and 134 of the Act*

(2) *Deemed interested by virtue of her interest in N2NSB and her spouse, Tiang Boon Hwa's interest, pursuant to Sections 6A and 134 of the Act*

(3) *Deemed interested by virtue of his spouse, Yap Oi Peng's interest, pursuant to Section 134 of the Act.*

(4) *Based on enlarged share capital of 324,330,000 N2N Shares assuming all treasury shares are resold in the open market at cost and all outstanding ESOS options are exercised*

(5) *Based on enlarged share capital of 432,440,000 N2N Shares assuming full exercise of Warrants under the Maximum Scenario*

6. SUBSIDIARIES AND ASSOCIATED COMPANIES

The subsidiaries of N2N as at the LPD are as follows:

Name	Date and country of incorporation	Issued and paid-up capital	Effective interest (%)	Principal activities
N2N Connect Pte. Ltd.	31 May 2004 Singapore	SGD600,000	100	Researcher and developer of software packages and software consultancy and solutions
N2N Global Solutions Sdn. Bhd.	17 July 2006 Malaysia	RM500,000	100	Researcher and developer of software packages and provider of design, programming, consultancy services and related activities
NGN Connection Sdn. Bhd.	25 July 2006 Malaysia	RM500,000	100	Provision of managed network services, consultancy services, sales, marketing and related activities

As of LPD, N2N has no associated company.

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7. PROFIT AND DIVIDEND RECORD

The summary of the audited consolidated financial results of N2N for the past three (3) FYE 2009 to 2011 and the unaudited consolidated financial results of N2N for the FYE 2012 are as follows:

	Audited FYE 2009 RM	Audited FYE 2010 RM	Audited FYE 2011 RM	Unaudited FYE 2012 RM'000
Revenue	12,270,730	14,949,301	20,719,540	26,611
Gross profit	7,303,239	10,571,205	12,354,639	16,647
Other income	306,908	769,254	645,651	450
(Loss) / Profit before interest, taxation, depreciation and amortisation	(13,062,117)	2,306,195	6,756,469	9,955
Finance costs	(435)	-	-	(1,478)
Interest income	273,051	282,784	218,019	8
Depreciation	(7,901,908)	(7,921,232)	(6,765,082)	(4,957)
Amortisation	(902,928)	(1,113,826)	(1,363,591)	(1,580)
(Loss) / Profit before taxation	(21,594,337)	(6,446,079)	(1,154,185)	1,948
Taxation	(38,697)	(778)	(322,480)	(159)
(LAT) / PAT	(21,633,034)	(6,446,857)	(1,476,665)	1,789
Minority interest	-	-	-	-
(LATMI) / PATMI	(21,633,034)	(6,446,857)	(1,476,665)	1,789
Weighted average no. of shares				
- Basic	298,509,188	298,849,299	298,939,000	299,416,000
- Diluted	298,509,188	298,849,299	298,939,000	324,008,000
Basic net (loss) / earnings per share (sen) [(1)]	(7.25)	(2.16)	(0.49)	0.60
Diluted net (loss) / earnings per share (sen)	(7.25)	(2.16)	(0.49)	0.55
Gross profit margin (%) [(2)]	59.5	70.7	59.6	62.6
(LATMI)/ PATMI margin (%) [(3)]	(176.30)	(43.12)	(7.13)	6.72

Notes:

(1) *Computed by dividing the (LATMI)/PATMI by the weighted average number of ordinary shares*

(2) *Gross profit margin is computed by dividing gross profit by revenue*

(3) *(LATMI)/PATMI margin is computed by dividing (LATMI)/PATMI by revenue*

FYE 2009

In the FYE 2009, the Group recorded a revenue of RM12.27 million, representing a decrease of approximately 45% compared to the revenue for the preceding financial year of RM22.38 million. The Group also recorded a loss of approximately RM21.63 million in the FYE 2009 as compared to the profit of RM0.76 million achieved in the preceding financial year. The decrease in the financial performance of the Group was mainly attributable to the following:

(a) additional provision for doubtful debts of RM16.03 million (RM5.56 million; FYE 2008), which was a main contributor to the loss of RM21.63 million;

(b) the decrease in matched trade fees generated from eBrokerConnect™ as a result of reduced transactions being matched in the online stock trading activities as evidenced by the decrease in trading volume and market value of equities traded on Bursa Securities;

(c) a decrease in the number of subscriptions for SMSConnect™, MobileConnect™ and PDAConnect™ applications; and

(d) an increase in depreciation expenses as a result of additional computer equipments purchased in the mid of 2008, particularly to cater for R&D for the Middle East and Vietnam projects, where a full year's depreciation charge was reflected in 2009.

Nevertheless, the Group reported a positive net cash flow from operating activities of RM1.74 million.

FYE 2010

In the FYE 2010, the Group recorded a revenue of RM14.95 million compared to RM12.27 million for the previous financial year, an increase of approximately 22%. There was a substantial decrease in loss before taxation of the N2N Group for the FYE 2010 by approximately 70% to RM6.45 million compared to the loss before taxation of approximately RM21.59 million for the FYE 2009. This is a result of continuous improvement in cost management and lower provision for doubtful debts of RM2.91 million compared to the provision for doubtful debts of RM16.03 million for the FYE 2009, a decrease of approximately 82%. The Group's improved financial performance was principally attributable to the following:

(a) improving market conditions;

(b) overall progress in the Group's transformational journey towards achieving its vision of becoming the number 1 one-stop Innovative Application Service Provider for the e-Commerce and m-Commerce segments of the financial industry, both locally and regionally; and

(c) increase in revenue for eBrokerConnect™ by approximately 68% to RM9.93 million for the FYE 2010 compared to the preceding year's revenue of RM5.92 million. The significant increase was mainly attributable to the additional income from the implementation of eBrokerConnect™ new applications as well as increased matched trade fees generated in Malaysia.

FYE 2011

In the FYE 2011, the N2N Group recorded a revenue of RM20.72 million compared to RM14.95 million for the previous FYE 2010, an increase of approximately 39%. This is due to the growth of its eBrokerConnectTM business which grew 4% to RM10.35 million while revenue from the provision of managed network services jumped 113% to RM10.22 million, reflecting increasing customer acceptance of the Group's one-stop service solutions. There was a substantial decrease in loss before taxation of the N2N Group for the FYE 2011 by approximately 82% to about RM1.15 million compared to the loss before taxation of approximately RM6.45 million for the FYE 2010, reflecting the intensive efforts to improve internal efficiencies while growing revenues. During the FYE 2011, the Group improved its financial performance significantly and gained momentum in its efforts to emerge as the leading local and regional Innovative Application Service Provider for the e-Commerce and m-Commerce segments of the financial industry.

FYE 2012

For the FYE 2012, the N2N Group recorded a revenue of RM26.61 million compared to RM20.72 million for the previous FYE 2011, an increase of approximately 28%. The increase is mainly due to the implementation of the TraderConnect™ Pro application with various securities houses to enable DMA capability, as well as increased transactions of the online stock trading platform provided by the Group. There was a favourable turnaround in performance as the N2N Group recorded a profit before taxation of RM1.94 million for the FYE 2012 compared to the loss before taxation of approximately RM1.15 million in the previous FYE 2011. This was mainly due to higher revenue generated as explained above and continuous efforts to improve internal efficiencies and achieving economies of scale.

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8. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of the N2N Shares traded on Bursa Securities for the past twelve (12) months preceding the date of this Abridged Prospectus are as follows:

2013	Low RM	High RM
February	0.44	0.52
January	0.44	0.50
2012		
December	0.43	0.51
November	0.45	0.50
October	0.47	0.52
September	0.49	0.57
August	0.52	0.61
July	0.44	0.57
June	0.43	0.49
May	0.44	0.49
April	0.45	0.51
March	0.41	0.54

Last transacted price of N2N Shares on 13 September 2012[(1)]	RM0.50
Last transacted price of the N2N Shares on the LPD	RM0.49
Last transacted price of the N2N Shares as at 14 March 2013[(2)]	RM0.47

(Source: Bloomberg Finance L.P.)

Notes:

(1) The Announcement was made on 14 September 2012. Accordingly, 13 September 2012 was used as the reference date to determine the illustrative price of the then ordinary shares of RM0.10 each in N2N which was the market day immediately prior to the Announcement.

(2) Being the date prior to the ex-date in respect of this Rights Issue of Warrants.

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF N2N AS AT 31 DECEMBER 2011 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON

Morison AnuarulAzizanChew

Morison Anuarul Azizan Chew (AF 001977)
Chartered Accountants

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www.morisoninternational.com

Date: 08 MAR 2013

The Board of Directors
N2N CONNECT BERHAD
Wisma N2N,
Level 9, Tower 2,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.

Dear Sirs,

N2N CONNECT BERHAD ("N2N" or the "Company")
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

We report on the Proforma Consolidated Statements of Financial Position of N2N and its subsidiaries (collectively referred to as the "Group") as at 31 December 2011 set out in the accompanying statements (which we have stamped for the purpose of identification) which have been prepared for illustrative purpose only, to provide information about how the consolidated statements of financial position of the Group as at 31 December 2011 that have been presented might have been affected by the following mentioned corporate exercise had that been completed on that date, i.e.:

Renounceable rights issue of up to 108,110,000 five (5)-year warrants 2013/2018 ("Warrants") on the basis of one (1) Warrant for every three (3) existing ordinary shares of RM0.10 each in N2N ("N2N Shares") held on the entitlement date ("Rights Issue of Warrants").

This letter is for inclusion in the abridged prospectus of N2N to be issued in relation to the Rights Issue of Warrants and for no other purpose.

RESPONSIBILITIES AND BASIS OF OPINION

It is solely the responsibility of the Directors of the Company to prepare the Proforma Consolidated Statements of Financial Position to reflect the effects of the Rights Issue of Warrants. It is our responsibility to form an opinion on the Proforma Consolidated Statements of Financial Position and to report our opinion to you.

In providing this opinion, we are not responsible for updating or refreshing any reports of opinions previously issued by us on any financial information used in the preparation of the Proforma Consolidated Statements of Financial Position, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issues.

Morison AAC

N2N CONNECT BERHAD
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Our work consisted primarily of comparing the unadjusted financial information presented in their original form, considering the adjustments and discussing the Proforma Consolidated Statements of Financial Position with the Directors of the Company. Our work involved no independent examination of any of the underlying financial information. We are 100% dependent on the audited financial statements of N2N for the financial year ended 31 December 2011, for which Morison Anuarul Azizan Chew (Auditor of the Company) has reported to the members of N2N as of the date of the audit report.

As the Proforma Consolidated Statements of Financial Position is prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Rights Issue of Warrants on the financial position of the Group. Furthermore, such information does not purport to predict the Group's future financial position.

Our work has not been carried out in accordance with the applicable Approved Standards on Auditing in Malaysia and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

OPINION

In our opinion:

(a) The Proforma Consolidated Statements of Financial Position have been properly compiled on the bases set out in the notes thereon using financial statements prepared in accordance with applicable Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of the Company;

(b) The adjustments made to the information set in the preparation of the Proforma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position; and

(c) The adjustments as explained in the Notes and Assumptions to the Proforma Consolidated Statements of Financial Position as at 31 December 2011 are appropriate for the purposes of the Proforma Consolidated Statements of Financial Position.

Without qualifying our opinion, we draw attention to the notes and assumptions to the Proforma Consolidated Statements of Financial Position on the key assumptions made by the Directors in arriving at the fair value of RM0.02 per Warrant as stated in the scenarios. Any change to the key assumptions will have a significant effect to the warrants reserve account.

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Morison AAC

N2N CONNECT BERHAD
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OTHER MATTERS

The accompanying Proforma Consolidated Statements of Financial Position and this letter have been prepared for purposes of inclusion in the Abridged Prospectus in connection with the Rights Issue of Warrants. This letter should not be reproduced, referred to in any other document or used for any other purpose without our prior written consent.

Yours faithfully,

MORISON ANUARUL AZIZAN CHEW
(AF001977)
CHARTERED ACCOUNTANTS

SATHIEA SEELEAN A/L MANICKAM
1729/05/14 (J/PH)
PARTNER

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N2N CONNECT BERHAD
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011
Minimum Scenario
(Page 1 of 2)

			Proforma (I)	Proforma (II)
	Audited statements of financial position of N2N Group as at 31.12.2011	Adjusted for Subsequent Events up to the LPD	After the Rights Issues of Warrants	Assuming full exercise of Warrants
	RM	RM	RM	RM
Assets				
Non-current assets				
Property, plant and equipment	7,885,003	7,885,003	7,885,003	7,885,003
Intangible assets	8,999,375	8,999,375	8,999,375	8,999,375
	16,884,378	16,884,378	16,884,378	16,884,378
Current assets				
Inventories	2,150	2,150	2,150	2,150
Trade receivables	4,739,330	4,739,330	4,739,330	4,739,330
Other receivables	15,026,293	15,026,293	15,026,293	15,026,293
Amount owing by holding company	29,483	29,483	29,483	29,483
Tax recoverable	35,631	35,631	35,631	35,631
Marketable securities	857,787	857,787	857,787	857,787
Deposit with licensed bank	166,525	166,525	166,525	166,525
Cash and bank balances	2,674,310	2,382,169	3,911,657	35,583,465
	23,531,509	23,239,368	24,768,856	56,440,664
Current liabilities				
Trade payables	461,974	461,974	461,974	461,974
Other payables	1,197,358	1,197,358	1,197,358	1,197,358
Amount owing to directors	86,212	86,212	86,212	86,212
	1,745,544	1,745,544	1,745,544	1,745,544
Net current assets	21,785,965	21,493,824	23,023,312	54,695,120
	38,670,343	38,378,202	39,907,690	71,579,498

N2N CONNECT BERHAD
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011
Minimum Scenario
(Page 2 of 2)

MORISON ANUARUL AZIZAN CHEW (AF 001977) STAMPED FOR IDENTIFICATION PURPOSES

			Proforma (I)	Proforma (II)
	Audited statements of financial position of N2N Group as at 31.12.2011	Adjusted for Subsequent Events up to the LPD	After the Rights Issues of Warrants	Assuming full exercise of Warrants
	RM	RM	RM	RM
Financed by:				
Share capital	29,893,900	(b)29,977,080	29,977,080	(f)39,874,520
Share premium	5,229,405	(b)5,336,920	5,336,920	(f)29,090,776
Treasury shares	(433,668)	(c)(916,504)	(916,504)	(916,504)
Exchange reserves	220,801	220,801	220,801	220,801
Warrant reserves	-	-	(e)1,979,488	-
Retained earnings	3,620,926	3,620,926	(d)3,170,926	3,170,926
Equity attributable to owners of the parent	38,531,364	38,239,223	39,768,711	71,440,519
Non-current liability				
Deferred taxation	138,979	138,979	138,979	138,979
	38,670,343	38,378,202	39,907,690	71,579,498
Number of N2N Share(s)	(a)297,164,100	(a)296,923,200	(a)296,923,200	(a)395,897,600
Net assets per N2N Share (RM)	0.13	0.13	0.13	0.18
Gearing (times)	0.00	0.00	0.00	0.00

Notes:

(a) Excluding treasury shares held by the Company.

(b) Adjustment for 345,100 (First Grant) and 486,700 (Second Grant) ESOS options exercised after 31 December 2011 up to the LPD at an exercise price of RM0.20 (First Grant) and RM0.25 (Second Grant) per ESOS option.

(c) 2,847,600 N2N Shares are held as treasury shares as at the LPD.

(d) After deducting estimated expenses amounting to RM450,000 in relation to the Rights Issue of Warrants.

(e) Calculated based on the issue price of the Warrants of RM0.02 per Warrant. The warrants reserve will be transferred to share premium upon the full exercise of the Warrants.

(f) Assuming all holders of the Warrants exercise their respective Warrants before the first anniversary of the Warrants at the exercise price of RM0.32 per Warrant. Upon exercise of each Warrant, RM0.10 will be credited to share capital and the balance RM0.22 will be credited to share premium.

N2N CONNECT BERHAD
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011
Maximum Scenario
(Page 1 of 2)

			Proforma (I)	Proforma (II)	Proforma (III)
	Audited statements of financial position of N2N Group as at 31.12.2011	Adjusted for Subsequent Events up to the LPD	Assuming all treasury shares are resold in the open market at cost and all outstanding ESOS options are exercised	After the Rights Issues of Warrants	Assuming full exercise of Warrants
	RM	RM	RM	RM	RM
Assets					
Non-current assets					
Property, plant and equipment	7,885,003	7,885,003	7,885,003	7,885,003	7,885,003
Intangible assets	8,999,375	8,999,375	8,999,375	8,999,375	8,999,375
	16,884,378	16,884,378	16,884,378	16,884,378	16,884,378
Current assets					
Inventories	2,150	2,150	2,150	2,150	2,150
Trade receivables	4,739,330	4,739,330	4,739,330	4,739,330	4,739,330
Other receivables	15,026,293	15,026,293	15,026,293	15,026,293	15,026,293
Amount owing by holding company	29,483	29,483	29,483	29,483	29,483
Tax recoverable	35,631	35,631	35,631	35,631	35,631
Marketable securities	857,787	857,787	857,787	857,787	857,787
Deposit with licensed bank	166,525	166,525	166,525	166,525	166,525
Cash and bank balances	2,674,310	2,382,169	9,243,483	10,955,683	45,550,883
	23,531,509	23,239,368	30,100,682	31,812,882	66,408,082
Current liabilities					
Trade payables	461,974	461,974	461,974	461,974	461,974
Other payables	1,197,358	1,197,358	1,197,358	1,197,358	1,197,358
Amount owing to directors	86,212	86,212	86,212	86,212	86,212
	1,745,544	1,745,544	1,745,544	1,745,544	1,745,544
Net current assets	21,785,965	21,493,824	28,355,138	30,067,338	64,662,538
	38,670,343	38,378,202	45,239,516	46,951,716	81,546,916

N2N CONNECT BERHAD
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011
Maximum Scenario
(Page 2 of 2)

			Proforma (I)	Proforma (II)	Proforma (III)
	Audited statements of financial position of N2N Group as at 31.12.2011	Adjusted for Subsequent Events up to the LPD	Assuming all treasury shares are resold in the open market at cost and all outstanding ESOS options are exercised	After the Rights Issues of Warrants	Assuming full exercise of Warrants
	RM	RM	RM	RM	RM
Financed by:					
Share capital	29,893,900	(b)29,977,080	(d)32,433,000	32,433,000	(g)43,244,000
Share premium	5,229,405	(b)5,336,920	(d)8,825,810	8,825,810	(g)34,772,210
Treasury shares	(433,668)	(c)(916,504)	-	-	-
Exchange reserves	220,801	220,801	220,801	220,801	220,801
Warrant Reserves	-	-	-	(f)2,162,200	-
Retained earnings	3,620,926	3,620,926	3,620,926	(e)3,170,926	3,170,926
Equity attributable to owners of the parent	38,531,364	38,239,223	45,100,537	46,812,737	81,407,937
Non-current liability					
Deferred taxation	138,979	138,979	138,979	138,979	138,979
	38,670,343	38,278,202	45,239,516	46,951,716	81,546,916
Number of N2N Share(s)	(a)297,164,100	(a)296,923,200	324,330,000	324,330,000	432,440,000
Net assets per N2N Share (RM)	0.13	0.13	0.14	0.14	0.19
Gearing (times)	0.00	0.00	0.00	0.00	0.00

Notes:

(a) Excluding treasury shares held by the Company.

(b) Adjustment for 345,100 (First Grant) and 486,700 (Second Grant) ESOS options exercised after 31 December 2011 up to the LPD at an exercise price of RM0.20 (First Grant) and RM0.25 (Second Grant) per ESOS option.

(c) 2,847,600 N2N Shares are held as treasury shares as at the LPD.

(d) Assuming all outstanding ESOS options are exercised at the exercise price of RM0.20 per share (First Grant) and RM0.25 per share (Second Grant) respectively. Upon exercise of each ESOS option RM0.10 will be credited to share capital and the balance of RM0.10 (First Grant) and RM0.15 (Second Grant) will be credited to share premium.

(e) After deducting estimated expenses amounting to RM450,000 in relation to the Rights Issue of Warrants.

(f) Calculated based on the issue price of the Warrants of RM0.02 per Warrant. The warrants reserve will be transferred to share premium upon the full exercise of the Warrants.

(g) Assuming all holders of Warrants exercise their respective Warrants before the first anniversary of the Warrants at the exercise price of RM0.32 per Warrant. Upon exercise of each Warrant, RM0.10 will be credited to share capital and the balance RM0.22 will be credited to share premium.

N2N CONNECT BERHAD
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

STAMPED FOR IDENTIFICATION PURPOSES ONLY
MORISON ANUARUL AZIZAN CHEW (AF 001977)

1. Basis of preparation

The Proforma Consolidated Statements of Financial Position, for which the Directors of N2N Connect Berhad ("N2N" or the "Company") are solely responsible, set out above have been prepared for illustrative purpose only to show the effects of the following events as set out in paragraph 2 below, on the assumption that they were effected on 31 December 2011 and based on the bases and accounting principles consistent with those adopted by the Company and its subsidiaries (the "Group") in the preparation of their respective audited financial statements.

The Proforma Consolidated Statements of Financial Position of the Group have been prepared based on the audited financial statements of the Group as at 31 December 2011 which have been prepared in accordance with the applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

2. Details of the Rights Issue of Warrants

The Company is undertaking a renounceable rights issue of up to 108,110,000 five (5)-year warrants 2013/2018 ("Warrants") on the basis of one (1) Warrant for every three (3) existing ordinary shares of RM0.10 each in N2N ("N2N Shares") held on the entitlement date ("Rights Issue of Warrants").

The actual number of Warrants to be issued pursuant to the Rights Issue of Warrants will depend on the issued and paid-up share capital of the Company on the entitlement date, after taking into consideration the number of options exercised under the Company's existing Employee Share Option Scheme ("ESOS") and the number of N2N Shares held as treasury shares.

Up to 108,110,000 Warrants may be issued pursuant to the Rights Issue of Warrants after taking into consideration the following:

(i) the issued and paid-up share capital of N2N as at the latest practicable date ("LPD"), which is referred to 20 February 2013, of RM29,692,320 comprising 296,923,200 N2N Shares (excluding 2,847,600 N2N Shares held as treasury shares);

(ii) exercise of up to 24,559,200 outstanding options granted pursuant to the Company's ESOS as at the LPD, into 24,559,200 N2N Shares; and

(iii) all 2,847,600 N2N Shares held as treasury shares as at the LPD are resold in the open market.

Accordingly, the Company will issue up to 108,110,000 new N2N Shares assuming full exercise of the Warrants.

The issue price of the Warrants was fixed at RM0.02 per Warrant on 18 February 2013 ("Price Fixing Date").

N2N CONNECT BERHAD
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

2. Details of the Rights Issue of Warrants – Cont'd

The exercise price of the Warrants is on a step-up basis as follows:

(i) upon issuance of the Warrants up to the date immediately preceding the first anniversary of the issuance of the Warrants – RM0.32 per Warrant, which represents a discount of approximately 30% to the five (5)-day volume weighted average market price ("VWAMP") of N2N Shares up to and including the market day immediately preceding the Price Fixing Date of RM0.45 per N2N Share;

(ii) from the first anniversary of the issuance of the Warrants up to the date immediately preceding the third anniversary of the issuance of the Warrants – RM0.38 per Warrant, which represents a discount of approximately 15% to the five (5)-day VWAMP of N2N Shares up to and including the market day immediately preceding the Price Fixing Date of RM0.45 per N2N Share; and

(iii) from the third anniversary of the issuance of the Warrants up to and including the expiry date of the Warrants – RM0.45 per Warrant, which is on par with the five (5)-day VWAMP of N2N Shares up to and including the market day immediately preceding the Price Fixing Date of RM0.45 per N2N Share.

3. Scenarios

The Proforma Consolidated Statements of Financial Position have been presented based on the following two scenarios:-

a) Minimum Scenario :-	The scenario that assumes none of the treasury shares are resold in the open market and none of the outstanding ESOS options are exercised.
b) Maximum Scenario :-	The scenario that assumes all the treasury shares are resold in the open market at cost and all the outstanding ESOS options are exercised.

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N2N CONNECT BERHAD
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

FOR IDENTIFICATION PURPOSES ONLY STAMPED MORISON ANUARUL AZIZAN CHEW (AF 001977)

4. The Proforma Consolidated Statements of Financial Position

Introduction

The Proforma Consolidated Statements of Financial Position as at 31 December 2011 are prepared for illustrative purposes only to show the effects of the Rights Issue of Warrants, as described above, with the assumption that these transactions were completed on 31 December 2011, after adjustment to subsequent events completed up to the LPD.

Subsequent completed events

(i) Repurchased of N2N Shares after 31 December 2011 up to the LPD

The Company had purchased a total of 1,072,700 N2N Shares from the open market at a total cost of RM482,836. The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of Section 67A of the Companies Act, 1965.

(ii) ESOS options exercised

After 31 December 2011 up to the LPD, a total of 831,800 ESOS options were exercised. This adjustment was made for 345,100 (First Grant) and 486,700 (Second Grant) ESOS options exercised at an exercise price of RM0.20 (First Grant) and RM0.25 (Second Grant) per ESOS option respectively.

The issued and paid-up share capital of the Company was subsequently increased from RM29,893,900 to RM29,977,080 by way of the issuance of 831,800 N2N Shares for cash pursuant to the Company's ESOS at a weighted exercise price of RM0.23 per N2N Share.

The audited consolidated statements of financial position as at 31 December 2011 have been adjusted for the effects of the above subsequent completed events for the purpose of illustration to show the effects of the aforementioned events on the Rights Issue of Warrants.

4.1 Adjusted for Subsequent Events up to the LPD

Adjusted to incorporate the effects of subsequent completed events.

This is applicable to all scenarios below.

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N2N CONNECT BERHAD
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

MORISON ANUARUL AZIZAN CHEW (AF 001977) STAMPED FOR IDENTIFICATION PURPOSES ONLY

4. The Proforma Consolidated Statements of Financial Position –Cont'd

4.2 Minimum Scenario

Representing the scenario where none of the treasury shares are resold in the open market and none of the outstanding ESOS options are exercised and thereafter all the Entitled Shareholders fully subscribe for their respective entitlements under the Rights Issue of Warrants.

4.2.1 Proforma I –Rights Issues of Warrants

Proforma I incorporates the effects of the subsequent completed events, and the effects of the Rights Issue of Warrants. The issue price for the Warrant is fixed at RM0.02 for each Warrant.

The total allocated issue price and fair value of the Warrants amounting to RM1,979,488 will be transferred to warrant reserves upon the issue of the Warrants. Correspondingly, the same amount will be received and debited to the bank account of the Company as proceeds. The fair value of the Warrants is recognised at the transaction price, which is the fair value of the consideration given or received.

The estimated expenses in relation to the Rights Issue of Warrants of RM450,000 will be debited to the retained earnings account of the Company.

The proceeds from the Rights Issue of Warrants (excluding any proceeds from any exercise of Warrants) are expected to be utilised over a period of **two (2) years**. For the full details of the utilisation of proceeds, please refer to Section 5 below.

4.2.2 Proforma II – Assuming full exercise of Warrants

Proforma II incorporates the effects of subsequent completed events, Proforma I and assuming full exercise of Warrants.

Based on the assumption of full exercise of Warrants, Proforma II incorporates the effects of the subsequent completed events, Proforma I and the effects of assuming full exercise of Warrants at an exercise price of RM0.32 per Warrant for one (1) new N2N Share.

The warrant reserves will be transferred to share premium upon the full exercise of the Warrants.

The quantum of proceeds to be received by the Company pursuant to the exercise of the Warrants would depend upon the actual number of Warrants exercised. Such proceeds will be utilised for working capital purposes.

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N2N CONNECT BERHAD
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

MORISON ANUARUL AZIZAN CHEW (AF 001977) STAMPED FOR IDENTIFICATION PURPOSES ONLY

4. The Proforma Consolidated Statements of Financial Position –Cont'd

4.3 Maximum Scenario

Representing the scenario where all the treasury shares are resold in the open market at cost, all the outstanding ESOS options are exercised and thereafter all the Entitled Shareholders fully subscribe for their respective entitlements under the Rights Issue of Warrants.

4.3.1 Proforma I– Assuming all treasury shares are resold in the open market at cost and all outstanding ESOS options are exercised.

Proforma I incorporates the effects of subsequent completed events and the effects of assuming all treasury shares are resold in the open market at cost and all outstanding ESOS options are exercised.

All the treasury shares held by the Company amounting to RM916,504 are assumed to be resold at cost in the open market prior to the Rights Issue of Warrants.

All the outstanding ESOS options are assumed to be exercised at the exercise price of RM0.20 per share (First Grant – 3,899,800 ESOS options) and RM0.25 per share (Second Grant – 20,659,400 ESOS options) respectively prior to the Rights Issue of Warrants. Upon exercise of each ESOS option, RM0.10 will be credited to share capital and the balance of RM0.10 (First Grant) and RM0.15 (Second Grant) will be credited to share premium.

4.3.2 Proforma II–Rights Issues of Warrants

Proforma II incorporates the effects of the subsequent completed events, Proforma I and the effects of the Rights Issue of Warrants. The issue price for the Warrant is fixed at RM0.02 for each Warrant.

The total allocated issue price and fair value of the Warrants amounting to RM2,162,200 will be transferred to warrant reserves upon the issue of the Warrants. Correspondingly, the same amount will be received and debited to the bank account of the Company as proceeds. The fair value of the Warrants is recognised at the transaction price, which is the fair value of the consideration given or received.

The estimated expenses in relation to the Rights Issue of Warrants of RM450,000 will be debited to the retained earnings account of the Company.

The proceeds from the Rights Issue of Warrants (excluding any proceeds from any exercise of Warrants) are expected to be utilised over a period of **two (2) years**. For the full details of the utilisation of proceeds, please refer to Section 5 below.

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N2N CONNECT BERHAD
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

STAMPED FOR IDENTIFICATION PURPOSES ONLY MORISON ANUARUL AZIZAN CHEW (AF 001977)

4. The Proforma Consolidated Statements of Financial Position –Cont'd

4.3 Maximum Scenario – Cont'd

4.3.3 Proforma III– Assuming full exercise of Warrants

Proforma III incorporates the effects of subsequent completed events, Proforma I, Proforma II and assuming full exercise of Warrants.

Based on the assumption of full exercise of Warrants, Proforma III incorporates the effects of the subsequent completed events, Proforma I, Proforma II and the effects of assuming full exercise of Warrants at an exercise price of RM0.32 per Warrant for one (1) new N2N Share.

The warrant reserves will be transferred to share premium upon the full exercise of the Warrants.

The quantum of proceeds to be received by the Company pursuant to the exercise of the Warrants would depend upon the actual number of Warrants exercised. Such proceeds will be utilised for working capital purposes.

5 Utilisation of Proceeds

Based on the Maximum Scenario and the issue price of RM0.02 per Warrants, the Rights Issue of Warrants will enable the N2N Group to raise initial gross proceeds of up to RM2,162,200. The proceeds are expected to be utilised in the following manner:-

	Note	Minimum Scenario RM'000	Maximum Scenario RM'000	Expected time frame for utilisation of proceeds from the date of listing of the Warrants
Working capital	*(1)*	1,529	1,712	Within two (2) years
Estimated expenses for the Rights Issue of Warrants	*(2)*	450	450	Within one (1) month
		1,979	2,162	

Notes:

(1) These proceeds shall be utilised for the N2N Group's existing and future working capital requirements which includes payment to suppliers, payment of salaries and operating expenses. The breakdown of proceeds to be utilised for each component has not yet been determined at this juncture. Moreover, the actual amount to be utilised by each component may differ subject to the operating requirement at the time of utilisation.

(2) The expenses relating to the Rights Issue of Warrants comprise, amongst others, the estimated professional fees, fees payable to the relevant authorities, expenses to convene the Extraordinary General Meeting, printing, advertisement expenses and other ancillary expenses. If the actual expenses incurred are higher than budgeted, the deficit will be funded from the portion allocated for the N2N Group's working capital. Conversely, any surplus of funds following payment of expenses will be utilised as working capital for the N2N Group.

N2N CONNECT BERHAD
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

6. Share capital

The movements in the issued and fully paid up share capital of the Company after the Rights Issue of Warrants are as follows:

	Par Value	Minimum Scenario		Maximum Scenario	
	RM	No. of N2N Shares	RM	No. of N2N Shares	RM
Authorised Share Capital	0.10	500,000,000	50,000,000	500,000,000	50,000,000
Issued and paid-up Share Capital					
As at 31 December 2011	0.10	298,939,000	29,893,900	298,939,000	29,893,900
Adjustment for subsequent events up to the LPD - ESOS exercised	0.10	831,800	83,180	831,800	83,180
Adjustment after subsequent events up to the LPD	0.10	299,770,800	29,977,080	299,770,800	29,977,080
Proforma - Assuming all outstanding ESOS Options are exercised	0.10	-	-	24,559,200	2,455,920
	0.10	299,770,800	29,977,080	324,330,000	32,433,000
Proforma - After the Rights Issue of Warrants	0.10	-	-	-	-
	0.10	299,770,800	29,977,080	324,330,000	32,433,000
Proforma - Assuming full exercise of Warrants	0.10	98,974,400	9,897,440	108,110,000	10,811,000
Enlarged issued and paid-up share capital	0.10	398,745,200	39,874,520	432,440,000	43,244,000

CERTIFIED TRUE COPY

SATHIEA SEELEAN MANICKAM
CA(M), B. ACC(Hons), AICA ATII

N2N CONNECT BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31 DECEMBER 2011

Registered office:
3rd Floor No.17
Jalan Ipoh Kecil
50350 Kuala Lumpur
Wilayah Persekutuan

Principal place of business:
Suite 4.03, 4th Floor
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur

N2N CONNECT BERHAD

(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31 DECEMBER 2011

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N2N CONNECT BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

Principal Activities

The principal activities of the Company are carrying on the business as researcher and developer of software packages, provider of design, programming, consultancy services and related activities.

The principal activities of its subsidiary companies are disclosed in Note 4 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM	Company RM
Net loss for the financial year - attributable to equity holders of the Company	1,476,665	1,519,062

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year.

Dividends

The Board of Directors does not recommend any dividend in respect of the financial year under review.

Reserves and Provisions

There were no material transfers to or from reserves and provisions during the financial year under review other than those disclosed in the financial statements.

Issue of Shares and Debentures

There were no issue of shares or debentures by the Company during the financial year under review.

Employee Share Option Scheme

The N2N Connect Berhad ("N2N") Employee Share Option Scheme ("ESOS") was approved by shareholders at the General Meetings on 13 October 2005 and 18 October 2005. The ESOS was implemented on 23 November 2005 and shall expire on 22 November 2010. Pursuant to the Board's approval on 24 August 2010, the tenure of the ESOS has been extended for a further 5 years, expiring on 22 December 2015.

The salient features and other terms of the ESOS are disclosed in Note 24 to the financial statements.

No other options were granted to any person to take up the unissued shares of the Company during the financial year.

Details of the options granted to Directors are disclosed in the section on Directors' Interests in this report.

Repurchase of Shares

At the Tenth Annual General Meeting held on 20 June 2011, the shareholders approved the share buy-back of up to 10% or up to 29,893,900 ordinary shares of the issued and paid-up share capital of the Company.

During the financial year, the Company purchased a total of 1,774,900 ordinary shares of its issued and paid-up share capital from the open market at a total cost of RM433,668 at an average price of RM0.24 per share.

The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of section 67A of the Companies Act, 1965. There has been no sale or cancellation of such shares to date.

At 31 December 2011, the total number of treasury shares held by the Company is 1,774,900 ordinary shares.

Directors

The Directors who served since the date of the last report are as follows:

Chua Tiong Hoong
Lai Su Ping
Tiang Boon Hwa
Cho Wai Loon
Izlan bin Izhab
Tan Boon Leng

Directors' Interests

Details of holdings and deemed interests in the share capital and options over the shares of the Company or its related corporations by the Directors in office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows:

	No. of ordinary shares of RM0.10 each			
	At 1.1.2011	**Acquired**	**Disposed**	**At 31.12.2011**
N2N Connect Holdings Sdn. Bhd.				
Direct interest				
Chua Tiong Hoong	20	-	-	20
Lai Su Ping	280	-	-	280
Tiang Boon Hwa	646	-	-	646

	No. of ordinary shares of RM0.10 each			
	At 1.1.2011	Acquired	Disposed	At 31.12.2011
N2N Connect Berhad				
Direct interest				
Chua Tiong Hoong	779,354	-	-	779,354
Lai Su Ping	10,096,844	-	-	10,096,844
Tiang Boon Hwa	10,099,444	485,000	-	10,584,444
Cho Wai Loon	200,000	-	-	200,000
Tan Boon Leng	1,232,700	-	-	1,232,700
Indirect interest				
Chua Tiong Hoong [1]	364,000	-	-	364,000
Lai Su Ping [2]	145,548,954	485,000	-	146,033,954
Tiang Boon Hwa [3]	145,546,354	-	-	145,546,354

	No. Of options over ordinary shares of RM0.10 each (ESOS)			
	At 1.1.2011	Exercised	Lapsed	At 31.12.2011
N2N Connect Berhad				
Chua Tiong Hoong	1,900,000	-	-	1,900,000
Lai Su Ping	1,860,000	-	-	1,860,000
Tiang Boon Hwa	2,180,000	-	-	2,180,000

Notes:

1 *Deemed interest through his spouse's direct interest in the Company pursuant to Section 134(12)(c) of the Companies Act, 1965 in compliance with Companies (Amendment) Act 2007.*

2 *Deemed interest through her spouse's direct interest in the Company pursuant to Section 134(12)(c) of the Companies Act, 1965 in compliance with Companies (Amendment) Act 2007 and her direct interest in the holding company, N2N Connect Holdings Sdn. Bhd. Pursuant to Section 6A of the Companies Act, 1965.*

3 *Deemed interest through his spouse's direct interest in the Company pursuant to Section 134(12)(c) of the Companies Act, 1965 in compliance with Companies (Amendment) Act 2007 and his direct interest in the holding company, N2N Connect Holdings Sdn. Bhd. Pursuant to Section 6A of the Companies Act, 1965.*

By virtue of their interests in the shares of the Company, Lai Su Ping and Tiang Boon Hwa are also deemed to have interests in the shares of all its subsidiary companies to the extent the Company has an interest.

En. Izlan bin Izhab who holds office at the end of the financial year does not have any interest in the ordinary shares and options of the Company or its related corporations during the financial year under review.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company or its subsidiary companies a party to any arrangement the object of which is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the N2N Connect Berhad ESOS.

Other Statutory Information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their value in the ordinary course of business were written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (a) the amount written off for bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading;

  (b) any amount stated in the financial statements of the Group and of the Company misleading; and

  (c) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) No contingent or other liabilities of the Group and of the Company have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(d) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

  (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

Holding Company

The Directors regard N2N Connect Holdings Sdn Bhd, a company incorporated in Malaysia, as the holding company.

Subsequent Events

The subsequent events are disclosed in Note 35 to the financial statements.

Auditors

The auditors, Morison Anuarul Azizan Chew, have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors.

CHUA TIONG HOONG

TIANG BOON HWA

KUALA LUMPUR
12 APR 2012

N2N CONNECT BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

We, CHUA TIONG HOONG and TIANG BOON HWA, being two of the Directors of N2N CONNECT BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 12 to 74 are drawn up in accordance with the Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and of the results of their operations and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors.

CHUA TIONG HOONG

TIANG BOON HWA

KUALA LUMPUR
12 APR 2012

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N2N CONNECT BERHAD

(Incorporated in Malaysia)

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, TIANG BOON HWA, being the Director primarily responsible for the financial management of N2N CONNECT BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 12 to 74 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed TIANG BOON HWA)
at KUALA LUMPUR in the Federal)
Territory this 12 APR 2012)

TIANG BOON HWA

Before me,

PESURUHJAYA SUMPAH
ARSHAD ABDULLAH
W 550
MALAYSIA

COMMISSIONER FOR OATHS

NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

Morison AAC

MORISON ANUARUL AZIZAN CHEW
CHARTERED ACCOUNTANTS
18 Jalan 1/64, Off Jalan Kolam Air/Jalan Ipoh, 51200 Kuala Lumpur.
Tel : 603-40482888 Fax : 603-40482999

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF N2N CONNECT BERHAD

(Company No.: 523137-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the accompanying financial statements of N2N Connect Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 74.

Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also involves evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the Financial Reporting Standards in Malaysia and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the independent auditors' reports of the subsidiary company which we have not acted as auditors, which are indicated in Note 4 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiary companies that are consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements of the Group and have received satisfactory information and explanations as required by us for those purposes.

(d) The independent auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

Other Matters

This report is solely made to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume any responsibility to any other person for the content of this report.

Other Reporting Responsibilities

The supplementary information set out in Note 36 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

MORISON ANUARUL AZIZAN CHEW	SATHIEA SEELEAN A/L MANICKAM
Firm Number: AF 001977	Approved Number: 1729/05/14 (J/PH)
Chartered Accountants	Partner of Firm

KUALA LUMPUR

12 APR 2012

N2N CONNECT BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Non-Current Assets					
Property, plant and equipment	3	7,885,003	12,917,844	4,518,648	9,902,194
Investment in subsidiary companies	4	-	-	2,095,000	2,095,000
Intangible asset	5	8,999,375	7,799,064	8,999,375	7,799,064
		16,884,378	20,716,908	15,613,023	19,796,258
Current Assets					
Inventories	6	2,150	2,150	2,150	2,150
Trade receivables	7	4,739,330	5,484,842	1,687,273	2,353,926
Other receivables	8	15,026,293	755,254	14,806,701	600,771
Amount owing by holding company	9	29,483	12,898	29,483	12,898
Amount owing by subsidiary companies	10	-	-	7,649,155	7,558,233
Tax recoverable		35,631	16,331	35,631	16,331
Marketable securities	11	857,787	12,301,172	857,787	12,301,172
Deposits with licensed bank	12	166,525	7,857	166,525	7,857
Cash and bank balances		2,674,310	2,723,159	475,260	402,560
		23,531,509	21,303,663	25,709,965	23,255,898
Current Liabilities					
Trade payables	13	461,974	372,723	449,579	279,030
Other payables	14	1,197,358	1,147,555	409,724	406,539
Amount owing to directors	15	86,212	36,384	86,212	36,384
		1,745,544	1,556,662	945,515	721,953
Net current assets		21,785,965	19,747,001	24,764,450	22,533,945
		38,670,343	40,463,909	40,377,473	42,330,203
Financed By:					
Share capital	16	29,893,900	29,893,900	29,893,900	29,893,900
Share premium		5,229,405	5,229,405	5,229,405	5,229,405
Treasury shares	17	(433,668)	-	(433,668)	-
Exchange reserve	18	220,801	213,885	-	-
Retained profits		3,620,926	5,097,591	5,687,836	7,206,898
Total equity - attributable to equity holders of the Company		38,531,364	40,434,781	40,377,473	42,330,203
Non-Current Liability					
Deferred tax liabilities	19	138,979	29,128	-	-
		38,670,343	40,463,909	40,377,473	42,330,203

The accompanying notes form an integral part of the financial statements.

N2N CONNECT BERHAD

(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Revenue	20	20,719,540	14,949,301	12,835,932	10,096,192
Cost of sales		(8,364,901)	(4,378,096)	(3,774,388)	(1,837,973)
Gross profit		12,354,639	10,571,205	9,061,544	8,258,219
Other operating income		645,651	769,254	929,734	2,991,464
Administration expenses		(14,154,475)	(17,786,538)	(11,297,711)	(16,277,939)
Loss before taxation	21	(1,154,185)	(6,446,079)	(1,306,433)	(5,028,256)
Taxation	22	(322,480)	(778)	(212,629)	(5,061)
Net loss for the financial year attributable to equity holders of the Company		(1,476,665)	(6,446,857)	(1,519,062)	(5,033,317)
Other comprehensive income/(loss):					
- Exchange differences arising from translation of foreign operations		6,916	(56,699)	-	-
Total comprehensive loss for the financial year attributable to equity holders of the Company		(1,469,749)	(6,503,556)	(1,519,062)	(5,033,317)
Loss per share attributable to equity holders of the Company (sen)					
Basic	23(a)	(0.49)	(2.16)		
Fully diluted	23(b)	(0.49)	(2.16)		

The accompanying notes form an integral part of the financial statements.

N2N CONNECT BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Attributable to Equity Holders of the Company				
			Non-distributable		Distributable	
	Note	Share Capital RM	Share Premium RM	Exchange Reserve RM	Retained Profits RM	Total RM
Group						
At 1 January 2010		29,876,080	5,205,775	270,584	11,544,448	46,896,887
Issue of shares pursuant to:						
- ESOS	16	17,820	23,630	-	-	41,450
Net loss for the financial year		-	-	-	(6,446,857)	(6,446,857)
Other comprehensive loss		-	-	(56,699)	-	(56,699)
Total comprehensive loss for the financial year		-	-	(56,699)	(6,446,857)	(6,503,556)
At 31 December 2010		29,893,900	5,229,405	213,885	5,097,591	40,434,781

The accompanying notes form an integral part of the financial statements.

N2N CONNECT BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Attributable to Equity Holders of the Company					
			Non-distributable			Distributable	
	Note	**Share Capital** RM	**Share Premium** RM	**Treasury Shares** RM	**Exchange Reserve** RM	**Retained Profits** RM	**Total** RM
Group							
At 1 January 2011		29,893,900	5,229,405	-	213,885	5,097,591	40,434,781
Shares purchased during the year held as treasury shares	17	-	-	(433,668)	-	-	(433,668)
Net loss for the financial year		-	-	-	-	(1,476,665)	(1,476,665)
Other comprehensive income		-	-	-	6,916	-	6,916
Total comprehensive loss for the financial year		-	-	-	6,916	(1,476,665)	(1,469,749)
At 31 December 2011		29,893,900	5,229,405	(433,668)	220,801	3,620,926	38,531,364

The accompanying notes form an integral part of the financial statements.

N2N CONNECT BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Non-distributable		Distributable	
	Share Capital RM	Share Premium RM	Treasury Shares RM	Retained Profits RM	Total RM
Company					
At 1 January 2010	29,876,080	5,205,775	-	12,240,215	47,322,070
Issue of shares pursuant to:					
- ESOS	17,820	23,630	-	-	41,450
Total comprehensive loss for the financial year	-	-	-	(5,033,317)	(5,033,317)
At 31 December 2010	29,893,900	5,229,405	-	7,206,898	42,330,203
At 1 January 2011	29,893,900	5,229,405	-	7,206,898	42,330,203
Shares purchased during the year held as treasury shares	-	-	(433,668)	-	(433,668)
Total comprehensive loss for the financial year	-	-	-	(1,519,062)	(1,519,062)
At 31 December 2011	29,893,900	5,229,405	(433,668)	5,687,836	40,377,473

The accompanying notes form an integral part of the financial statements.

N2N CONNECT BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM	2010 RM
Cash Flows From Operating Activities			
Loss before taxation		(1,154,185)	(6,446,079)
Adjustments for:			
Allowance for impairment on trade receivables		-	2,906,080
Amortisation of intangible asset		1,363,591	1,113,826
Depreciation of property, plant and equipment		6,765,082	7,921,232
Property, plant and equipment written-off		-	6,993
Inventories written off		-	1,880
Impairment loss on trade receivables		-	271,682
Impairment loss on trade receivables written off		1,094	-
Gain on disposal of marketable securities		(142,373)	-
Loss on strike-off of a subsidiary company		2,599	-
Fair value gain on marketable securities		-	(49,748)
Loss on disposal of property, plant and equipment		25	-
Interest income		(218,019)	(282,784)
Dividend income		-	(37,818)
Operating profit before working capital changes		6,617,814	5,405,264
(Increase)/Decrease in working capital			
Trade receivables		767,712	(2,063,177)
Other receivables		(14,272,481)	916,462
Trade payables		82,311	(461,732)
Other payables		35,893	(177,128)
Amount owing to directors		49,828	(22,205)
Amount owing by holding company		(16,585)	(515)
		(13,353,322)	(1,808,295)
Cash (used in)/generated from operations		(6,735,508)	3,596,969
Interest received		218,019	282,784
Tax paid		(231,929)	(38)
		(13,910)	282,746
Net cash (used in)/from operating activities		(6,749,418)	3,879,715
Cash Flows From Investing Activities			
Computer software development cost		(2,563,902)	(2,315,156)
Purchase of property, plant and equipment		(1,707,049)	(2,695,962)
Proceeds from disposal of property, plant and equipment		350	-
Shares buy back		(433,668)	-
Cash outflow on strike-off of a subsidiary company	4(c)	(2)	-
Net changes in marketable securities		10,876,658	(1,529,033)
Proceeds from disposal of marketable securities		709,100	-
Net cash from/(used in) investing activities		6,881,487	(6,540,151)

	2011 RM	2010 RM
Cash Flows From Financing Activity		
Proceeds from issue of shares	-	41,450
Net cash from financing activity	-	41,450
Net increase/(decrease) in cash and cash equivalents	132,069	(2,618,986)
Effect of exchange rate changes	(22,250)	(7,329)
Cash and cash equivalents at beginning of the financial year	2,731,016	5,357,331
Cash and cash equivalents at end of the financial year	2,840,835	2,731,016
Cash and cash equivalents at end of the financial year comprises:		
Deposits with licensed bank	166,525	7,857
Cash and bank balances	2,674,310	2,723,159
	2,840,835	2,731,016

The accompanying notes form an integral part of the financial statements.

N2N CONNECT BERHAD

(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	2011 RM	2010 RM
Cash Flows From Operating Activities		
Loss before taxation	(1,306,433)	(5,028,256)
Adjustments for:		
Allowance for impairment on trade receivables	-	2,906,080
Amortisation of intangible asset	1,363,591	1,113,826
Impairment loss on loan and receivables	-	296,621
Depreciation of property, plant and equipment	5,687,939	7,200,456
Impairment loss on investment in a subsidiary company	-	2
Property, plant and equipment written-off	-	6,993
Fair value gain on marketable securities	-	(49,748)
Inventories written off	-	1,880
Bad debts written off	1,094	-
Gain on disposal of marketable securities	(142,373)	-
Dividend income	-	(37,818)
Interest income	(218,019)	(282,784)
Unrealised foreign exchange (gain)/loss	(73,104)	31,052
Operating profit before working capital changes	5,312,695	6,158,304
(Increase)/Decrease in working capital		
Trade receivables	666,653	(555,354)
Other receivables	(14,205,930)	975,134
Trade payables	170,549	(472,170)
Other payables	3,185	(842,685)
Amount owing to directors	49,828	(22,205)
Amount owing by subsidiary companies	(18,912)	(762,004)
Amount owing by holding company	(16,585)	(515)
	(13,351,212)	(1,679,799)
Cash (used in)/from operations	(8,038,517)	4,478,505
Interest received	218,019	282,784
Tax paid	(231,929)	(38)
	(13,910)	282,746
Net cash (used in)/from operating activities	(8,052,427)	4,761,251
Cash Flows From Investing Activities		
Computer software development cost	(2,563,902)	(2,315,156)
Purchase of property, plant and equipment	(304,393)	(721,223)
Shares buy back	(433,668)	-
Net changes in marketable securities	10,876,658	(1,529,033)
Proceeds from disposal of marketable securities	709,100	-
Net cash from/(used in) investing activities	8,283,795	(4,565,412)

	2011 RM	2010 RM
Cash Flows From Financing Activity		
Proceeds from issue of shares	-	41,450
Net cash from financing activity	-	41,450
Net increase in cash and cash equivalents	231,368	237,289
Cash and cash equivalents at beginning of the financial year	410,417	173,128
Cash and cash equivalents at end of the financial year	641,785	410,417
Cash and cash equivalents at end of the financial year comprises:		
Deposits with licensed bank	166,525	7,857
Cash and bank balances	475,260	402,560
	641,785	410,417

The accompanying notes form an integral part of the financial statements.

N2N CONNECT BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. **Corporate Information**

The principal activities of the Company are carrying on the business as researcher and developer of software packages, provider of design, programming, consultancy services and related activities.

The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia, and is listed on the Access, Certainty and Efficiency ("ACE") Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 3rd Floor, No. 17, Jalan Ipoh Kecil, 50350 Kuala Lumpur.

The principal place of business of the Company is located at Suite 4.03, 4th Floor, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur.

2. **Basis of Preparation and Significant Accounting Policies**

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared on the historical cost convention unless otherwise indicated in the accounting policies below and in compliance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia.

During the financial year, the Group and the Company have adopted the following applicable amendments to Financial Reporting Standards ("FRSs") and revised FRSs issued by the Malaysian Accounting Standards Board ("MASB") which are mandatory and effective for financial periods as stated below:

		Effective date for financial periods beginning on or after
Amendments to FRS 132	Financial Instruments: Presentation - paragraphs 11,16 and 97E	1 March 2010
FRS 3	Business Combinations (revised)	1 July 2010
FRS 127	Consolidated and Separate Financial Statements (revised)	1 July 2010

		Effective date for financial periods beginning on or after
Amendments to FRS 2	Share-based Payment - paragraphs 5 and 61	1 July 2010
	Group Cash – settled Shares – based Payment Transactions	1 January 2011
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"		1 January 2011

The Directors of the Group and of the Company anticipate that the application of the above revised FRSs and amendments to FRSs do not have any significant impact on the financial statements of the Group and of the Company, except as disclosed in Note 30 to the financial statements.

On 19 November 2011, MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141, *Agriculture* and IC interpretation 15, *Agreement for Construction of Real Estate,* including its parent, significant investor and venturer ("Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS framework for an additional one year. The Group and the Company do not qualify as Transitioning Entities and therefore, the adoption of MFRS framework will be mandatory for annual financial period beginning on or after 1 January 2012.

The Directors of the Group and of the Company anticipate that the application of the following FRSs and Malaysian Financial Reporting Standards ("MFRSs") which are mandatory and will be effective for financial periods as stated below will have no material impact on the financial statements of the Group and of the Company, except as disclosed in Note 31 to the financial statements:

		Effective date for financial periods beginning on or after
FRSs		
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

		Effective date for financial periods beginning on or after
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
FRS 124	Related Party Disclosures (revised)	1 July 2012
Amendment to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendment to FRS 7	Disclosures – Transfers of Financial Assets	1 January 2012
Amendment to FRS 112	Deferred tax: Recovery of Underlying Assets	1 January 2012
Amendment to FRS 101	Presentation of items of Other Comprehensive Income	1 July 2012
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
FRS 119	Employee Benefits *(as amended in November 2011)*	1 January 2013
FRS 127	Consolidated and Separate Financial Statements *(as amended in November 2011)*	1 January 2013
FRS 128	Investments in Associates *(as amended in November 2011)*	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 9	Financial Instruments *(IFRS 9 issued by IASB in November 2009)* Financial Instruments *(IFRS 9 issued by IASB in October 2010)*	1 January 2015

		Effective date for financial periods beginning on or after
MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2012
MFRS 2	Share-based Payment	1 January 2012
MFRS 3	Business Combinations	1 January 2012
MFRS 4	Insurance Contracts	1 January 2012
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2012
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2012
MFRS 7	Financial Instruments: Disclosures	1 January 2012
MFRS 8	Operating Segments	1 January 2012
MFRS 101	Presentation of Financial Statements	1 January 2012
MFRS 102	Inventories	1 January 2012
MFRS 107	Statement of Cash Flows	1 January 2012
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2012
MFRS 110	Events After the Reporting Period	1 January 2012
MFRS 111	Construction Contracts	1 January 2012
MFRS 112	Income Taxes	1 January 2012
MFRS 116	Property, Plant and Equipment	1 January 2012
MFRS 117	Leases	1 January 2012
MFRS 118	Revenue	1 January 2012
MFRS 119	Employee Benefits	1 January 2012
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2012
MFRS 123	Borrowing Costs	1 January 2012
MFRS 124	Related Party Disclosures	1 January 2012
MFRS 126	Accounting and Reporting by Retirement Benefit Plans	1 January 2012
MFRS 127	Consolidated and Separate Financial Statements	1 January 2012
MFRS 128	Investments in Associates	1 January 2012

		Effective date for financial periods beginning on or after
MFRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2012
MFRS 131	Interests in Joint Ventures	1 January 2012
MFRS 132	Financial Instruments: Presentation	1 January 2012
MFRS 133	Earnings Per Share	1 January 2012
MFRS 134	Interim Financial Reporting	1 January 2012
MFRS 136	Impairment of Assets	1 January 2012
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2012
MFRS 138	Intangible Assets	1 January 2012
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2012
MFRS 140	Investment Property	1 January 2012
MFRS 141	Agriculture	1 January 2012
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2012
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 January 2012
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2012
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2012
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 January 2012
IC Interpretation 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies	1 January 2012
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2012
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2012
IC Interpretation 12	Service Concession Arrangements	1 January 2012
IC Interpretation 13	Customer Loyalty Programmes	1 January 2012
IC Interpretation 14	MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2012
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 January 2012

		Effective date for financial periods beginning on or after
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 January 2012
IC Interpretation 18	Transfers of Assets from Customers	1 January 2012
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2012
IC Interpretation 107	Introduction of the Euro	1 January 2012
IC Interpretation 110	Government Assistance – No Specific Relation to Operating Activities	1 January 2012
IC Interpretation 112	Consolidation – Special Purpose Entities	1 January 2012
IC Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	1 January 2012
IC Interpretation 115	Operating Leases – Incentives	1 January 2012
IC Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	1 January 2012
IC Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2012
IC Interpretation 129	Service Concession Arrangements: Disclosures	1 January 2012
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services	1 January 2012
IC Interpretation 132	Intangible Assets – Web Site Costs	1 January 2012
Amendments to MFRS 101	Presentation of items of Other Comprehensive Income	1 July 2012
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements *(IAS 27 as amended by IASB in June 2011)*	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures *(IAS 28 as amended by IASB in June 2011)*	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

		Effective date for financial periods beginning on or after
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9	Financial Instruments *(IFRS 9 issued by IASB in November 2009)*	1 January 2015
	Financial Instruments *(IFRS 9 issued by IASB in October 2010)*	

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(c) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(I) The key assumptions concerning the future and other key sources of estimation or uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group and of the Company are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment as stated in Note 2(e)(iii). These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's and of the Company's property, plant and equipment at 31 December 2011 are stated in Note 3 to the financial statements.

(ii) Amortisation of intangible asset

The costs of intangible asset of the Group and of the Company are depreciated on a straight-line basis over the useful life of the asset. Management estimates the useful life of the computer software as stated in Note 2(g). These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual value of this asset, therefore future depreciation charges could be revised. The carrying amount of the Group's and of the Company's intangible asset at 31 December 2011 is stated in Note 5 to the financial statements.

(iii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(II) The following are the judgements made by the management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements:

(i) Impairment of loans and receivables

The policy for impairment of loans and receivables of the Group and the Company is based on the evaluation of collectability and aged analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers with which the Group and the Company deals were to deteriorate, resulting in an impairment of the ability to make payments, additional impairment may be required.

(ii) Classification of financial assets

The Group classifies financial assets as held-to-maturity investments when it has a positive intention and ability to hold the investment to maturity. Management exercises judgement based on the Group's financial risk management policy to determine whether the financial assets are to be classified as held-to-maturity.

(d) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Investments in subsidiary companies are stated at cost less impairment losses. The policy of the recognition and measurement of impairment losses is in accordance with Note 2(f).

(i) Subsidiary companies

Subsidiary companies are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The acquisition method of accounting is used to account for the acquisition of subsidiary companies. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed attributable to the acquirer in a business combination are measured initially at their fair values on the date of acquisition.

Acquisition related costs incurred are expensed and included in the administration expenses. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Subsidiary companies are consolidated from the date on which control is transferred to the Group to the date on which that control ceases.

If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS139, it is measured in accordance with the appropriate FRS.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

(iii) Changes in Group composition

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained as an associate, joint venture or financial asset;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(f).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

Computer equipment	3 to 5 years
Office equipment	10 years
Furniture and fittings	10 years
Renovation	10 years
Motor vehicles	5 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each financial year end.

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

(f) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount is estimated at each reporting date or more frequently when indications of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income in the period in which it arises. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units (groups of units) and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in statement of comprehensive income, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Intangible asset

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use of the specific software. These costs are amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Cost that are directly associated with identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant of overheads.

Costs which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of software.

Computer software development costs recognised as assets are amortised using straight line method over their estimated useful lives, not exceeding a period of 10 years.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories. Cost is determined using the first in, first out method.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(i) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, deposits and other short term highly liquid investments that are readily convertible to cash and are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(j) Foreign currencies

(i) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using 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.

(ii) Foreign operations

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiary companies are treated as assets and liabilities and translated at the rates of exchange ruling at the transaction dates.

The closing exchange rates used for each unit of the main foreign currencies in the Group and in the Company are as follows:

	2011 RM	2010 RM
Singapore Dollar	2.4417	2.3859
Indonesia Rupiah	0.0349	0.0309
US Dollar	3.1770	3.0835

(k) Financial assets

Financial assets are recognised in the statement of financial position when the Group and the Company have become a party to the contractual provisions of the instruments.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date except for financial assets at fair value through profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are designated or held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. After initial recognition, financial assets at fair value through profit or loss are subsequently measured at fair value.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are unquoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables in the statements of financial position consist of trade and other receivables, marketable securities and inter-company loans and advances. These are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current assets.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to maturity investments are carried at amortised cost using the effective interest method. Gains and losses are recognised in statement of comprehensive income when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisitions. Investment in equity instruments whose fair value cannot be reliably measured are valued at cost less impairment loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains and losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in statement of comprehensive income.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statement of comprehensive income.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other operating income when the Group's right to receive payments is established.

(l) Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged declined in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised costs, the reversal is recognised in statement of comprehensive income.

(m) Financial liabilities

Short-term borrowings, trade and other payables are classified as financial liabilities in the statement of financial position as there is a contractual obligation to make cash payments to another entity and is contractually obliged to settle the liabilities in cash.

Financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method, except when the Group designates the liabilities at fair value through profit or loss. Financial liabilities are designated at fair value through profit or loss when:

(i) they are acquired or incurred for the purpose of selling or repurchasing in the near term;

(ii) the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities or recognising gains or losses on them; or

(iii) the financial liability contains an embedded derivative that would need to be separately recorded.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(n) Income taxes

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

Deferred tax is provided for, using the liability method, on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is recognised in the statement of comprehensive income, 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) Revenue recognition

(i) Goods sold and services rendered

Revenue from sales of goods and services is measured at the fair value of the consideration receivable and is recognised when significant risk and rewards have been transferred to the buyer, or upon performance of services, net of sales taxes and discounts.

(ii) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

(iii) Dividend income

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

(p) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company. 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 statement of financial position 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 statement of comprehensive income as incurred.

(iii) Employee Share Option Scheme ("ESOS")

The N2N ESOS, an equity-settled, share-based compensation plan, allows the Company and its subsidiary company's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognised the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

(q) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(r) Segment reporting

For management purposes, the Group is organised into operating segment based on their business activities. An operating segment's operating results are reviewed regularly by the chief operating decision maker, who will make decisions to allocate resources to the segments and assess the segment performance.

(s) Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in the statements of comprehensive income on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

3. **Property, Plant and Equipment**

Group	**Computer equipment** RM	**Office equipment** RM	**Furniture and fittings** RM	**Renovation** RM	**Motor vehicles** RM	**Total** RM
Cost						
At 1.1.2011	37,496,682	274,181	309,273	504,329	308,008	38,892,473
Additions	1,707,049	-	-	-	-	1,707,049
Written-off	-	-	(536)	-	-	(536)
Exchange differences	57,134	456	300	-	-	57,890
At 31.12.2011	39,260,865	274,637	309,037	504,329	308,008	40,656,876
Accumulated depreciation						
At 1.1.2011	25,269,964	103,164	124,552	181,208	295,741	25,974,629
Charge for the financial year	6,644,533	27,040	30,809	50,433	12,267	6,765,082
Written-off	-	-	(161)	-	-	(161)
Exchange differences	32,240	58	25	-	-	32,323
At 31.12.2011	31,946,737	130,262	155,225	231,641	308,008	32,771,873
Carrying amount						
At 31.12.2011	7,314,128	144,375	153,812	272,688	-	7,885,003

3. **Property, Plant and Equipment (cont'd)**

Group	Computer equipment RM	Office equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Total RM
Cost						
At 1.1.2010	35,033,903	239,765	266,036	476,280	308,008	36,323,992
Additions	2,589,685	34,570	43,658	28,049	-	2,695,962
Written-off	(80,909)	-	(420)	-	-	(81,329)
Exchange differences	(45,997)	(154)	(1)	-	-	(46,152)
At 31.12.2010	37,496,682	274,181	309,273	504,329	308,008	38,892,473
Accumulated depreciation						
At 1.1.2010	17,567,446	78,177	96,667	132,520	268,186	18,142,996
Charge for the financial year	7,791,857	24,992	28,140	48,688	27,555	7,921,232
Written-off	(74,073)	-	(263)	-	-	(74,336)
Exchange differences	(15,266)	(5)	8	-	-	(15,263)
At 31.12.2010	25,269,964	103,164	124,552	181,208	295,741	25,974,629
Carrying amount						
At 31.12.2010	12,226,718	171,017	184,721	323,121	12,267	12,917,844

3. **Property, Plant and Equipment (cont'd)**

Company	**Computer equipment** RM	**Office equipment** RM	**Furniture and fittings** RM	**Renovation** RM	**Motor Vehicles** RM	**Total** RM
Cost						
At 1.1.2011	32,822,299	254,710	289,670	504,329	308,008	34,179,016
Additions	304,393	-	-	-	-	304,393
At 31.12.2011	33,126,692	254,710	289,670	504,329	308,008	34,483,409
Accumulated depreciation						
At 1.1.2011	23,577,019	101,031	121,823	181,208	295,741	24,276,822
Charge for the financial year	5,571,310	25,056	28,873	50,433	12,267	5,687,939
At 31.12.2011	29,148,329	126,087	150,696	231,641	308,008	29,964,761
Carrying amount						
At 31.12.2011	3,978,363	128,623	138,974	272,688	-	4,518,648

3. **Property, Plant and Equipment (cont'd)**

Company	**Computer equipment** RM	**Office equipment** RM	**Furniture and fittings** RM	**Renovation** RM	**Motor Vehicles** RM	**Total** RM
Cost						
At 1.1.2010	32,260,021	232,870	259,216	476,280	308,008	33,536,395
Additions	640,460	21,840	30,874	28,049	-	721,223
Written-off	(78,182)	-	(420)	-	-	(78,602)
At 31.12.2010	32,822,299	254,710	289,670	504,329	308,008	34,179,016
Accumulated depreciation						
At 1.1.2010	16,574,528	77,315	95,428	132,519	268,185	17,147,975
Charge for the financial year	7,073,837	23,716	26,658	48,689	27,556	7,200,456
Written-off	(71,346)	-	(263)	-	-	(71,609)
At 31.12.2010	23,577,019	101,031	121,823	181,208	295,741	24,276,822
Carrying amount						
At 31.12.2010	9,245,280	153,679	167,847	323,121	12,267	9,902,194

4. **Investment in Subsidiary Companies**

(a) Investment in subsidiary companies

	Company 2011 RM	Company 2010 RM
Unquoted shares, at cost		
In Malaysia	1,000,002	1,000,002
Outside Malaysia	1,392,000	1,392,000
	2,392,002	2,392,002
Impairment loss	(297,002)	(297,002)
	2,095,000	2,095,000

(b) The subsidiary companies and shareholding therein are as follows:

Name of company	**Country of incorporation**	**Equity interest 2011 %**	**Equity interest 2010 %**	**Principal activities**
* N2N Connect Pte. Ltd.	Singapore	100	100	Provide consultancy services, sales, marketing and related activities
N2N Global Solutions Sdn. Bhd.	Malaysia	100	100	Research and development of software packages and provision of design, programming, consultancy services and related services
Getemo Sdn. Bhd.	Malaysia	-	100	Strike-off pursuant to Section 308 of the Companies Act 1965
NGN Connection Sdn. Bhd..	Malaysia	100	100	Provision of managed network services, consultancy services, sales, marketing and related activities

* Subsidiary company not audited by Morison Anuarul Azizan Chew.

(c) Strike-off of a subsidiary company

The strike-off of the subsidiary company does not have any effects on the financial results of the Group.

The effect of the strike off on the financial position of the Group during the financial year is as follows:

	Group 2011 RM	Group 2010 RM
Other receivables	3,397	-
Other payables	(800)	-
Cash in hand	2	-
Net assets	2,599	-

The fair value of the assets and liabilities of subsidiary company strike off is as follows:

	Group 2011 RM	Group 2010 RM
Other receivables	3,397	-
Other payables	(800)	-
Cash in hand	2	-
Group's share of net assets	2,599	-
Loss on strike-off of a subsidiary company	(2,599)	-
	-	-
Less: cash in hand	(2)	-
Net cash outflow on strike-off of a subsidiary company	(2)	-

5. Intangible Asset

		Group/Company	
		2011	2010
	Note	RM	RM
Computer software			
Cost			
At 1 January		12,233,591	9,918,435
Addition during the financial year	25	2,563,902	2,315,156
At 31 December		14,797,493	12,233,591
Accumulated amortisation			
At 1 January		4,434,527	3,320,701
Amortised during the financial year, included in cost of sales		1,363,591	1,113,826
At 31 December		5,798,118	4,434,527
Carrying amount		8,999,375	7,799,064

(a) Impairment test for intangible asset

Computer software is subject to impairment testing by allocation to the software service cash-generating unit ("CGU").

(b) Key assumptions used to determine recoverable amount

The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by the Directors covering a five-year period. A pre-tax discount rate of 7.8% per annum was applied to the cash flow projections, after taking into consideration the expected rate of return and various risk relating to the CGU.

6. Inventories

	Group/Company	
	2011	2010
	RM	RM
At cost		
Finished goods	2,150	2,150

7. **Trade Receivables**

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Trade receivables	29,225,292	29,978,804	26,173,235	26,839,888
Allowance for impairment	(24,485,962)	(24,493,962)	(24,485,962)	(24,485,962)
	4,739,330	5,484,842	1,687,273	2,353,926

The Group and the Company's normal trade credit terms range from 30 to 90 days (2010: 30 to 90 days).

The ageing analysis is as follows:

	Group	
	2011	2010
	RM	RM
Neither past due nor impaired	1,408,682	2,407,300
1 to 30 days past due but not impaired	674,318	534,982
31 to 60 days past due but not impaired	682,748	181,869
61 to 90 days past due but not impaired	364,961	102,064
91 to 120 days past due but not impaired	350,524	416,109
More than 121 days past due but not impaired	1,223,471	1,802,506
	3,296,022	3,037,530
Individually impaired	24,520,588	24,533,974
	29,225,292	29,978,804

	Company	
	2011	2010
	RM	RM
Neither past due nor impaired	300,212	372,672
1 to 30 days past due but not impaired	267,049	191,547
31 to 60 days past due but not impaired	226,620	32,872
61 to 90 days past due but not impaired	51,093	29,637
91 to 120 days past due but not impaired	190,991	34,709
More than 121 days past due but not impaired	616,682	1,652,477
	1,352,435	1,941,242
Individually impaired	24,520,588	24,525,974
	26,173,235	26,839,888

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. These debtors are mostly long term customers with no history of default in payments.

The Group's and the Company's trade receivables that are past due at the reporting date but not impaired relate mainly to customers who have never defaulted on payments but are slow paymasters, hence, periodically monitored.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors with significant delay in repayment.

Movements in allowance for impairment during the financial year are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
At beginning of the financial year	24,493,962	21,587,882	24,485,962	21,579,882
Allowance made during the year				
- Individually	-	2,906,080	-	2,906,080
Written-off	(8,000)	-	-	-
At end of the financial year	24,485,962	24,493,962	24,485,962	24,485,962

8. **Other Receivables**

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Other receivables	351,773	361,059	320,719	350,221
Deposits	347,939	313,249	240,196	233,252
Deposit for purchase of office building	12,600,000	-	12,600,000	-
Prepayments	1,726,581	80,946	1,645,786	17,298
	15,026,293	755,254	14,806,701	600,771

9. **Amount Owing by Holding Company**

(a) The Directors regard N2N Connect Holdings Sdn Bhd, a company incorporated in Malaysia, as the holding company.

(b) This represents unsecured interest free advances which are repayable on demand.

10. **Amount Owing by Subsidiary Companies**

This represents unsecured interest free advances which are repayable on demand.

11. Marketable Securities

	Group/Company	
	2011	2010
	RM	RM
Held for trading investment		
Quoted shares in Malaysia	-	566,727
Quoted unit trusts in Malaysia	857,787	11,734,445
	857,787	12,301,172

The market value of the quoted shares and quoted unit trusts are disclosed in Note 33 to the financial statements.

12. Deposits with Licensed Bank

Interest rates on deposits with licensed banks range from 2.19% to 2.92% (2010: 2.65%) per annum and have average maturity period of 1 to 4 days (2010: 1 to 4 days).

13. Trade Payables

The normal trade credit terms granted to the Group and the Company range from 30 to 90 days (2010: 30 to 90 days).

14. Other Payables

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Other payables	480,754	655,936	10,686	185,349
Accruals	716,604	491,619	399,038	221,190
	1,197,358	1,147,555	409,724	406,539

15. Amount Owing to Directors

This represents unsecured interest free advances which are repayable on demand.

16. Share Capital

	Group/Company			
	2011	2010	2011	2010
	Number of Ordinary Shares		RM	RM
Ordinary shares of RM0.10 each:				
Authorised	500,000,000	500,000,000	50,000,000	50,000,000
Issued and fully paid				
At 1 January	298,939,000	298,760,800	29,893,900	29,876,080
Issued during the financial year	-	178,200	-	17,820
At 31 December	298,939,000	298,939,000	29,893,900	29,893,900

17. Treasury Shares

	Group/Company	
	2011	2010
	RM	RM
At 1 January	-	-
Shares purchased during the financial year	433,668	-
At 31 December	433,668	-
No. of ordinary shares at RM0.10 each	1,774,900	-

During the financial year, the Company purchased a total of 1,774,900 ordinary shares of its issued share capital from the open market at a total cost of RM433,668. The average price paid for the shares purchased was RM0.24 per share. The repurchase transactions were financed by internally generated funds. The repurchased shares being held as treasury shares and carried at cost in accordance with the requirements of section 67A of the Companies Act, 1965. Treasury shares had no rights to voting, dividends and participation in other distribution.

18. Exchange Reserve

The exchange reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

19. Deferred Tax Liabilities

	Note	Group 2011 RM	Group 2010 RM
At 1 January		29,128	33,411
Recognised in statements of comprehensive income	22	95,137	21,299
Under/(Over) provision in prior year		14,714	(25,582)
At 31 December		138,979	29,128

Presented after appropriate offsetting are as follows:

	Group 2011 RM	Group 2010 RM
Deferred tax liabilities	647,929	240,809
Deferred tax assets	(508,950)	(211,681)
	138,979	29,128

The components and movements of deferred tax liabilities and assets prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM
At 1 January 2011	240,809
Recognised in statements of comprehensive income	407,120
At 31 December 2011	647,929
At 1 January 2010	33,411
Recognised in statements of comprehensive income	232,980
Over provision in prior year	(25,582)
At 31 December 2010	240,809

Deferred tax assets of the Group:

	Unutilised capital allowances RM
At 1 January 2011	(211,681)
Recognised in statements of comprehensive income	(297,269)
At 31 December 2011	(508,950)
At 1 January 2010	-
Recognised in statements of comprehensive income	(211,681)
At 31 December 2010	(211,681)

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Unutilised capital allowances	1,573,455	2,998,368	-	-
Unabsorbed tax losses	1,365,335	1,745,250	-	81,403
	2,938,790	4,743,618	-	81,403

The unabsorbed tax losses and unutilised capital allowances are available indefinitely for offset against future taxable profits of the Group and the Company in which those items arose.

20. **Revenue**

This represents billings for professional services rendered net of discounts.

21. Loss before Taxation

Loss before taxation is derived after charging/(crediting):

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Allowance for impairment	-	2,906,080	-	2,906,080
Amortisation of intangible asset	1,363,591	1,113,826	1,363,591	1,113,826
Auditors' remuneration				
- statutory	33,078	27,400	18,000	17,000
- other	22,700	22,500	21,700	22,500
Depreciation of property, plant and equipment	6,765,082	7,921,232	5,687,939	7,200,456
Directors' remuneration				
- Fees	161,316	141,600	161,316	141,600
- Salaries and other emoluments	806,003	637,852	305,548	245,634
- EPF	63,599	53,126	33,348	27,936
Impairment loss on trade receivables	-	271,682	-	296,621
Impairment loss on trade receivables written off	1,094	-	1,094	-
Impairment loss of investment in a subsidiary company	-	-	-	2
Rental of premises	549,415	512,894	546,615	479,294
Loss on strike-off of a subsidiary company	2,599	-	-	-
Loss on disposal of property, plant and equipment	25	-	-	-
Lease rental	162,313	126,178	-	-
Property, plant and equipment written-off	-	6,993	-	6,993
Foreign exchange (gain)/loss				
- Realised	63,006	191,184	594	181,510
- Unrealised	-	-	(73,104)	31,052
Interest income	(218,019)	(282,784)	(218,019)	(282,784)
Gain on disposal of marketable securities	(142,373)	-	(142,373)	-
Dividend income	-	(37,818)	-	(37,818)
Fair value gain on marketable securities	-	(49,748)	-	(49,748)
Management fee received/ receivable from subsidiary companies	-	-	(496,238)	(2,223,803)

22. Taxation

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Statutory tax:					
Current year provision		12,000	-	12,000	-
Under provision in prior year		200,629	5,061	200,629	5,061
		212,629	5,061	212,629	5,061
Deferred taxation:					
Relating to origination of temporary differences	19	95,137	21,299	-	-
Under/(Over) provision in prior year		14,714	(25,582)	-	-
		109,851	(4,283)	-	-
Tax expense for the financial year		322,480	778	212,629	5,061

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Loss before taxation	(1,154,185)	(6,466,079)	(1,306,433)	(5,028,256)
Taxation at statutory tax rate of 25% (2010: 25%)	(288,546)	(1,611,520)	(326,608)	(1,257,064)
Expenses not deductible for tax purposes	108,619	550,885	76,797	548,590
Tax incentive arising from pioneer status	(389,438)	-	(389,438)	-
Income not subject to tax	(53,907)	(70,696)	(53,907)	(70,696)
Utilisation of previously unrecognised capital allowance and unused tax losses	(877,525)	-	(663,705)	-
Reversal of deferred tax liabilities not recognised	1,368,861		1,368,861	-
Deferred tax assets not recognised	162,549	1,100,942	-	779,170
Effect of different tax rates in other country	76,524	51,688	-	-
Under provision of taxation in prior year	200,629	5,061	200,629	5,061
Under/(Over) provision of deferred tax in prior year	14,714	(25,582)	-	-
Tax expense for the financial year	322,480	778	212,629	5,061

The Group and the Company have unabsorbed tax losses amounting to approximately RM1,365,000 and Nil (2010: RM1,745,000 and Nil) respectively and unutilised capital allowances amounting to approximately RM1,573,000 and RM79,000 (2010: RM2,998,000 and RM81,000) respectively available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

The Company was granted Pioneer Status by the relevant authority for a period of five years effective from 1 July 2004 to 30 June 2009. The Company has applied for an extension of Pioneer Status for another five years in 2009. On 20 July 2011, the extension of Pioneer Status for another five years has been approved by authority concerned for another five years effective from 29 June 2009 to 30 June 2014.

23. **Loss Per Share**

(a) Basic loss per share

The loss per share has been calculated based on the consolidated loss after taxation for the financial year attributable to equity holders of the Company of RM1,476,665 (2010: RM6,446,857) for the Group and the adjusted weighted average number of ordinary shares in issue during the financial year of 298,939,000 (2010: 298,849,299).

	Group	
	2011	2010
	RM	RM
Net loss for the financial year attributable to the equity holders of the Company	1,476,665	6,446,857
Weighted number of ordinary shares in issue	298,939,000	298,849,299

(b) Fully diluted loss per share

Fully diluted loss per share has been calculated based on the consolidated loss after taxation for the financial year attributable to equity holders of the Company of RM1,476,665 (2010: RM6,446,857) for the Group and the adjusted weighted average number of ordinary shares issued and issuable of 298,939,000 (2010: 298,849,299).

	Group	
	2011	2010
	RM	RM
Net loss for the financial year attributable to the equity holders of the Company	1,476,665	6,446,857
Weighted number of ordinary shares in issue	298,939,000	298,849,299
Adjusted for:		
Assumed exercise of ESOS at no consideration	*	*
	298,939,000	298,849,299

* The number of shares under ESOS was not taken into account in the computation of diluted loss per share because the effect on the basic loss per share antidilutive.

24. Employee Share Option Scheme

The N2N Connect Berhad ("N2N") Employee Share Option Scheme ("ESOS") was approved by shareholders at the General Meetings on 13 October 2005 and 18 October 2005. The ESOS was implemented on 23 November 2005 and shall be in force for a period of 5 years from the date of implementation. Pursuant to the Board's approval on 24 August 2010, the tenure of the ESOS has been extended for a further 5 years, expiring on 22 December 2015.

The main features of the ESOS which is constituted under the by-laws are as follows:

(a) The total number of new ordinary shares which may be made available under the ESOS shall not exceed 10% of the total issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.

(b) All employees and Directors of the Group shall be eligible to participate in the ESOS, if, as at the offer date, the employee or Director:

  (i) has attained the age of eighteen (18) years; and

  (ii) is employed by and is on the payroll of a company within the Group or a Director of any of the companies within the Group;

  Any allocation of options under the ESOS to any person who is a Director of the Company shall require prior approval from the shareholders of the Company in a general meeting.

(c) The number of new shares that may be offered and allotted to any of the eligible employees of the Group who are entitled to participate in the ESOS shall be at the discretion of the Option Committee after taking into consideration the position, performance and contribution to the Group, seniority and length of service of the eligible employee in the Group subject to the following:

  (i) the number of new shares allocated, in aggregate, to the Directors and senior management of the Group shall not exceed 50% of the total new shares available under the ESOS;

  (ii) the number of shares allocated to an eligible employee who either singly or collectively through persons connected with the eligible employee holds 20% or more of the issued and paid up share capital of the Company, shall not exceed 10% of the total new shares available under the ESOS.

(d) The option price shall be determined at a discount of not more than 10% from the weighted average market price of the Company's ordinary shares of RM0.10 each for five (5) market days preceding the date of offer, or the par value of the shares, whichever is higher. In the event the ESOS is made to the eligible employees prior to the admission of the Company on the Malaysian Exchange of Securities Dealing & Automated Quotation ("MESDAQ") Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), subsequently transformed into the ACE Market, the option price shall be the higher of the theoretical ex-bonus price after the public issue and bonus issue of RM0.41 or the par value of the shares.

(e) The ESOS shall come into force for a duration of ten (10) years from the effective date 23 November 2005.

(f) The new shares to be allotted upon any exercise of the options shall upon issue and allotment rank pari passu in all respects with the existing ordinary shares of the Company save and except that the new 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.

(g) The option is personal to the grantee and is non-assignable.

(h) A Grantee shall exercise his options by notice in writing to the Company in the prescribed form stating the number of options exercised, the number of shares relating thereto and the Grantee's individual/nominee CDS account number. The options shall be exercised in multiples of and not less than one hundred (100) options. The exercise by a Grantee of some but not all of the options which have been offered to and accepted by him shall not preclude the Grantee from subsequently exercising any other options which have been or will be offered to and accepted by him, during the option period.

Movements in the number of share options outstanding and their related weighted average exercise prices ("WAEP") are as follows:

	Number of share options				
	At 1 January	Granted	Exercised	At 31 December	Exercisable at 31 December
2011					
First Grant	4,244,900	-	-	4,244,900	4,244,900
Second Grant	21,146,100	-	-	21,146,100	21,146,100
Total	25,391,000	-	-	25,391,000	25,391,000
WAEP	0.242	-	-	0.242	0.242

	Number of share options				
	At 1 January	Granted	Exercised	At 31 December	Exercisable at 31 December
2010					
First Grant	4,306,900	-	62,000	4,244,900	4,244,900
Second Grant	21,262,300	-	116,200	21,146,100	21,146,100
Total	25,569,200	-	178,200	25,391,000	25,391,000
WAEP	0.242	-	0.233	0.242	0.242

Details of share options outstanding at end of the financial year are as follows:

Share Options	**Exercise price RM**	**Exercise Period**
2011		
First Grant	* 0.200	23.11.2005 - 22.11.2015
Second Grant	* 0.250	23.12.2005 - 22.12.2015
2010		
First Grant	* 0.200	23.11.2005 - 22.11.2015
Second Grant	* 0.250	23.12.2005 - 22.12.2015

* *Fair value of share options granted during the financial year*

As allowed by the transitional provisions in FRS 2 "Share-based payment", the recognition and measurement principles have not been applied to these grants.

25. Staff Information

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Staff costs (excluding Directors) comprise:					
Charged to statements of comprehensive income		3,797,215	3,642,470	3,039,728	3,330,730
Capitalised in intangible asset	5	2,563,902	2,315,156	2,563,902	2,315,156
Total staff costs for the financial year		6,361,117	5,957,626	5,603,630	5,645,886

Included in the total staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group and for the Company amounting to RM656,547 and RM575,850 (2010: RM608,718 and RM578,445) respectively.

26. Section 108 Tax Credit and Tax Exempt Income

Under the single tier system which came into effect from year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends under this system are tax exempt in the hands of shareholder.

Companies with Section 108 balance as at 31 December 2007 may continue to pay franked dividends until such time the tax credit is fully utilised or upon expiry of the 6 year transitional period on 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits and switch over to the single tier system.

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of Income Tax Act, 1967 and tax exempt income under Promotion of Investments Act, 1986 to frank the payment of dividends out of all its distributable reserves as at 31 December 2011.

27. Non-Cancellable Operating Lease Commitments

	Group	
	2011	2010
	RM	RM
Future minimum rentals payables:		
Within one year	25,394	148,880
Between one and two years	-	24,813
	25,394	173,693

28. Capital Commitment

	Group	
	2011	2010
	RM	RM
Authorised and contracted for:		
Purchase of office building	23,400,000	-

29. Segmental Information - Group

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure. Management monitors the operating results of its business segment separately for the purposes of making decision about resource allocation and performance assessment.

(a) Business segment

The principal businesses of the Group are carrying on the business as researcher and developer of software packages, provider of design, programming, consultancy services and related activities which are substantially within a single business segment. As such, segmental reporting by business segment is deemed not necessary. Accordingly the information regarding its financial position and results is represented by the financial statements as a whole.

(b) Geographical segments

(i) Revenue by geographical location of customers

	Group	
	2011 RM	2010 RM
Malaysia	17,378,472	12,492,577
Singapore	2,482,735	1,858,709
Indonesia	842,333	489,434
Middle East	-	40,000
Hong Kong	16,000	10,000
Vietnam	-	58,581
	20,719,540	14,949,301

(ii) Non-current assets by geographical location of assets are as follows:

	Group	
	2011 RM	2010 RM
Malaysia	16,111,717	19,530,567
Singapore	772,661	1,186,341
	16,884,378	20,716,908

(c) Information about major customers

Revenue from 2 (2010: 2) major customers amount to RM7,436,828 (2010: RM7,154,630).

30. **Effects on Adoption of Revised FRSs and Amendments to FRSs**

The effects on adoption of the following revised FRSs and amendments to FRSs which are relevant to the operations of the Group and the Company during the current financial year are set out below:-

(a) FRS 3: Business Combinations (revised)

(i) This revised standard allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as "minority interests") either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;

(ii) It changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss;

(iii) It requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and

(iv) It requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the business combination.

The revised FRS 3 was adopted prospectively by the Group and the Company and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

(b) FRS 127: Consolidated and Separate Financial Statements (revised)

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Under FRS 127 (revised), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (revised) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

The revised FRS 127 was adopted prospectively by the Group and the Company and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

(c) Amendments to FRS 101: Presentation of Financial Statements

The Amendments clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

This is a disclosure standard and hence does not have any impact on the financial position and performance of the Group and the Company.

(d) Amendments to FRS 7: Financial Instruments-Disclosures

The Amendments requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendments require disclosure of fair value measurements by level of a fair value measurement hierarchy.

This is a disclosure standard and hence does not have any impact on the financial position and performance of the Group and the Company.

(e) Amendments to FRS 3: Business Combinations

The Amendments clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets applies only to components of non-controlling interests that constitute a present ownership interest that entitles their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at fair value, unless another measurement basis is required by FRS.

31. MFRSs Not Yet Adopted

Certain new accounting standards and interpretations have been issued and are mandatory for accounting periods as mentioned in Note 2(a) to the financial statements. Technical Release 3 *Guidance on Disclosures of Transition to IFRSs* ('TR 3') provides voluntary disclosure requirements on the potential impact of adoption of MFRSs. The quantified impact of the implementation of most of the MFRSs would only be observable in the subsequent financial years. The potential impact arising from the MFRS framework of the Group and the Company has been assessed as follows:

(a) MFRS 9: Financial Instruments

This Standard addresses the classification and measurement of financial assets and financial liabilities. All financial assets shall be classified on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Financial assets are subsequently measured at amortised cost or fair value. Financial liabilities are subsequently measured at amortised cost or fair value. However, changes due to own credit risk in relation to the fair value option for financial liabilities shall be recognised in other comprehensive income.

(b) MFRS 10: Consolidated Financial Statements

This Standard establishes a single control model that applies to all entities including "special purpose entities". The changes introduced by this standard will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent.

(c) MFRS 12: Disclosure of Interests in Other Entities

This Standard includes all disclosure relate to an entity's interest in subsidiary company, joint arrangements, associated company and structured entities. A number of new disclosures are required.

(d) MFRS 13: Fair Value Measurement

This Standard establishes a single source of guidance under MFRS for all fair value measurements. This Standard does not change when an entity is required to use fair value, but rather provides guidance of how to measure fair value under MFRS when fair value is required or permitted.

32. Capital Management

The primary objective of the Group's capital management is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors capital using gearing ratio, which is net capital plus net debt. The Group's policy is to keep the lower gearing ratio. The Group includes within net debt, trade and other payables, less cash and bank balances. Capital represents the equity attributable to the owners of the parent.

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Trade and other payables	1,659,332	1,520,278	859,303	685,569
Less: cash and cash equivalents	(2,840,835)	(2,731,016)	(641,785)	(410,417)
Net debt	(1,181,503)	(1,210,738)	217,518	275,152
Total capital	38,531,364	40,434,781	40,377,473	42,330,203
Capital and net debt	37,349,861	39,224,043	40,594,991	42,605,355
Gearing ratio	(3.16%)	(3.09%)	0.54%	0.65%

There were no changes to the Group's approach to capital management during the financial year.

33. Financial Instruments

(a) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and the Company'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 and the Company operates within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

(b) Foreign currency exchange risk

The Group and the Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily Singapore Dollar, US Dollar and Indonesia Rupiah. The Group and the Company monitors the foreign currency risks on an ongoing basis.

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

	Financial Assets/(Liabilities) Held in Non-Functional Currency			
Functional Currency	Singapore Dollar RM	US Dollar RM	Indonesia Rupiah RM	Total RM
Group				
2011				
Trade receivables				
Ringgit Malaysia	26,645	485,400	13,304	525,349
Trade payables				
Ringgit Malaysia	-	185,800	3,780	189,580
2010				
Trade receivables				
Ringgit Malaysia	-	34,005	-	34,005
Trade payables				
Ringgit Malaysia	-	188,396	-	188,396
Company				
2011				
Amount owing by subsidiary company				
Ringgit Malaysia	1,461,087	-	-	1,461,087
2010				
Amount owing by subsidiary company				
Ringgit Malaysia	2,565,118	-	-	2,565,118

Currency risk sensitivity analysis

The following table shows the sensitivity of the Group and the Company's equity and loss net of tax to a reasonably possible change in the SGD, USD and IDR exchange rates against the functional currency of the Company, with all other variables remain constant.

		Group Loss net of tax	
		2011 RM	2010 RM
SGD/RM	-strengthened 5%	2,169	(498)
	-weakened 5%	(2,169)	498
USD/RM	-strengthened 5%	28,791	26,453
	-weakened 5%	(28,791)	(26,453)
IDR/RM	-strengthened 10%	952	(2,519)
	-weakened 10%	(952)	2,519

		Company Loss net of tax	
		2011 RM	2010 RM
SGD/RM	-strengthened 5%	56,374	(310)
	-weakened 5%	(56,374)	310
USD/RM	-strengthened 5%	4,941	648
	-weakened 5%	(4,941)	(648)

(c) Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's and the Company's deposits.

(d) Credit risk

Exposure to credit risk

The Group's and the Company'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.

Credit risk concentration profile

At statement of financial position date, there was no significant concentration of credit risk. The maximum exposure to credit risk for the Group and the Company is the carrying amount of the financial assets shown in the statements of financial position.

The Group and the Company determines concentrations of credit risk by monitoring the country profiles of its trade receivables on an ongoing basis as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
By country:				
Malaysia	4,582,022	4,947,878	1,687,273	2,353,926
Singapore	157,308	536,964	-	-
	4,739,330	5,484,842	1,687,273	2,353,926

(e) Liquidity and cash flow risk

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

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	Total RM
Group		
2011		
Trade payables	461,974	461,974
Other payables	1,197,358	1,197,358
Amount owing to directors	86,212	86,212
Total undiscounted financial liabilities	1,745,544	1,745,544
2010		
Trade payables	372,723	372,723
Other payables	1,147,555	1,147,555
Amount owing to directors	36,384	36,384
Total undiscounted financial liabilities	1,556,662	1,556,662

	On demand or within one year RM	Total RM
Company		
2011		
Trade payables	449,579	449,579
Other payables	409,724	409,724
Amount owing to directors	86,212	86,212
Total undiscounted financial liabilities	945,515	945,515
2010		
Trade payables	279,030	279,030
Other payables	406,539	406,539
Amount owing to directors	36,384	36,384
Total undiscounted financial liabilities	721,953	721,953

(f) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest and exchange rates).

The Group and the Company is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments are listed on the Bursa Malaysia. These instruments are classified as held for trading.

The fair value of quoted shares and quoted unit trusts are determined by reference to stock exchange quoted market bid prices at the close of the business on the statement of financial position date.

(g) Fair values

(i) The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, amount owing by holding company, amount owing by subsidiary companies and amount owing to directors are approximated to their fair values at the statement of financial position date due to the relatively short term nature of these financial instruments.

(ii) The aggregate fair values of the other financial assets carried on the statement of financial position date are as follows:

	2011		2010	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Financial assets				
Marketable securities	857,787	857,787	12,301,172	12,301,172
Company				
Financial assets				
Marketable securities	857,787	857,787	12,301,172	12,301,172

34. Related Party Disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Company	
	2011 RM	2010 RM
Subsidiary Companies		
E-broker fees received/receivable	7,351,763	3,937,359
Management fees received/receivable	496,238	2,223,803
Settlement of liabilities by the Company on behalf of the subsidiary companies	-	5,592,555
Settlement of liabilities by the subsidiary companies on behalf of the Company	2,133,047	-

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(b) Information regarding outstanding balances arising from related party transactions as at 31 December 2011 are disclosed in Note 9 and Note 10 to the financial statements.

(c) Information regarding the compensation of key management personnel is as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Short-term employee benefits	2,310,401	1,403,079	1,220,628	985,668

Executive directors of the Group and the Company and other members of key management have been granted the following number of options under the ESOS:

	Number of share options				
	At 1 January	Granted	Exercised	At 31 December	Exercisable at 31 December
2011					
First Grant	2,397,600	-	-	2,397,600	2,397,600
Second Grant	10,100,000	-	-	10,100,000	10,100,000
Total	12,497,600	-	-	12,497,600	12,497,600
WAEP	0.240	-	-	0.240	0.240

	Number of share options				
	At 1 January	Granted	Exercised	At 31 December	Exercisable at 31 December
2010					
First Grant	2,397,600	-	-	2,397,600	2,397,600
Second Grant	10,100,000	-	-	10,100,000	10,100,000
Total	12,497,600	-	-	12,497,600	12,497,600
WAEP	0.240	-	-	0.240	0.240

The share options were granted on the same terms and conditions as those offered to other employees of the Group as disclosed in Note 24 to the financial statements.

35. Subsequent Events

Subsequent to the financial year, the following significant events took place:

(a) On 3 June 2011, the Company entered into conditional Sale and Purchase Agreement ("SPA") with Banga Istimewa Sdn. Bhd. to purchase 11 storey office building for a total cash consideration of RM36,000,000. The mode of payment are as follows::

(i) RM720,000 earnest deposit paid before signing of the SPA;
(ii) RM2,880,000 being the balance of 10% deposit paid upon execution of the SPA;
(iii) The balance of RM32,400,000 to be paid before 14 days of one month after the condition precedent as stipulated in the SPA are fulfilled .

The conditions precedent has been fulfilled on 26 August 2011 and the completion date has been extended from 26 September 2011 (one month from the unconditional date) to 26 December 2011. The mode of payment for the balance of RM32,400,000 has been revised as follows:

(i) RM9,000,000 to be paid before 14 days of one month before the completion date and will be held as stakeholders;
(ii) RM23,400,000 to be paid before completion date.

Subsequently, the completion date has been extended from 26 December 2011 to 31 January 2012. The acquisition has been completed on 19 January 2012 upon payment of the balance of purchase consideration.

(b) The Company had purchased a total of 759,800 ordinary shares of its issued and paid-up share capital from the open market at a total cost of RM334,849. The average price paid for the shares purchased was RM0.44 per share.

The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of Section 67A of the Companies Act, 1965.

(c) The issued and paid-up share capital of the Company was increased from RM29,893,900 to RM29,927,030 by way of the issuance of 331,300 ordinary shares of RM0.10 each for cash pursuant to the Company's Employee Share Options Scheme at weighted exercise price of RM0.25 per ordinary share.

36. Retained Profits

The breakdown of the retained earnings of the Group and of the Company as of 31 December into realised and unrealised amounts is as follows:

	Group	
	2011	2010
	RM	RM
Total retained profits		
Realised	3,462,905	4,804,778
Unrealised	36,034	145,885
	3,498,939	4,950,663
Add: Consolidation adjustments	121,987	146,928
Total retained profits as per consolidated statement of financial position	3,620,926	5,097,591

	Company	
	2011	2010
	RM	RM
Total retained profits		
Realised	5,645,784	7,237,950
Unrealised	42,052	(31,052)
	5,687,836	7,206,898
Add: Consolidation adjustments	-	-
Total retained profits as per consolidated statement of financial position	5,687,836	7,206,898

The above disclosure of realised and unrealised profits or losses is made solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

37. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 12 April 2012.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF N2N FOR THE FYE 2012

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Secretary
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N2N CONNECT BERHAD (523137-K)

SUMMARY OF KEY FINANCIAL INFORMATION
For The Quarter and Year-To-Date Ended 31 December 2012
(the figures have not been audited)

Remark:
The results for the current quarter ended 31 December 2012 should be read in conjunction with the Annual Audited Financial Statements of N2N and its subsidiaries ("Group") for the financial year ended 31 December 2011.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
		31 Dec 2012 RM'000	31 Dec 2011 RM'000	31 Dec 2012 RM'000	31 Dec 2011 RM'000
1	Revenue	7,472	5,815	26,611	20,719
2	Profit/(Loss) before tax	437	553	1,948	(1,155)
3	Profit/(Loss) for the period	296	439	1,789	(1,477)
4	Profit/(Loss) attributable to ordinary equity holders of the parent	296	439	1,789	(1,477)
5	Basic earnings/(loss) per share (sen)	0.10	0.15	0.60	(0.49)
6	Diluted earnings/(loss) per share (sen)	0.09	0.14	0.55	(0.49)
7	Proposed/Declared dividend per share (sen)	-	-	-	-

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N2N CONNECT BERHAD (523137-K)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Quarter and Year-To-Date Ended 31 December 2012
(the figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	31 Dec 2012 RM'000	31 Dec 2011 RM'000	31 Dec 2012 RM'000	31 Dec 2011 RM'000
Revenue	7,472	5,815	26,611	20,719
Direct costs	(2,792)	(1,746)	(9,964)	(8,365)
Gross profit	4,680	4,069	16,647	12,354
Other operating income	39	24	450	645
Administrative expenses	(3,903)	(3,540)	(13,671)	(14,154)
Finance costs	(379)	-	(1,478)	-
Profit/(Loss) before taxation	437	553	1,948	(1,155)
Taxation	(141)	(114)	(159)	(322)
Net profit/(loss) for the period attributable to the equity holders of the Company	296	439	1,789	(1,477)
Other comprehensive income/(loss)				
- Exchange differences arising from translation of foreign exchange operations	9	7	52	7
Total comprehensive profit/(loss)for the period attributable to equity holders of the Company	305	446	1,841	(1,470)
Earnings/(Loss) per share ("EPS"/"LPS") attributable to the equity holders of the Company (sen):				
Basic EPS/(LPS) (sen)	0.10	0.15	0.60	(0.49)
Diluted EPS/(LPS) (sen)	0.09	0.14	0.55	(0.49)

Note:
The above Condensed Consolidated Statement of Comprehensive Income were prepared based on the consolidated results of the Group for the financial period ended 31 December 2012 and should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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N2N CONNECT BERHAD (523137-K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2012
(the figures have not been audited)

	As at 31 Dec 2012 RM'000	As at 31 Dec 2011 RM'000 (Restated)	As at 01 Jan 2011 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	45,680	7,885	12,918
Intangible asset	10,025	8,999	7,799
	55,705	16,884	20,717
Current assets			
Inventories	-	2	2
Trade receivables	7,204	4,739	5,485
Other receivables	947	15,026	755
Amount owing by holding company	45	29	13
Marketable securities	56	858	12,301
Tax recoverable	-	36	16
Deposits with licensed bank	11	167	8
Cash and bank balances	3,395	2,674	2,723
	11,658	23,531	21,303
TOTAL ASSETS	67,363	40,415	42,020
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	29,974	29,894	29,894
Share premium	5,333	5,229	5,229
Exchange reserves	131	79	-
Treasury Shares	(917)	(434)	-
Retained profits	5,551	3,762	5,311
Total equity	40,072	38,530	40,434
Non-current liabilities			
Term loan	16,356	-	-
Deferred tax liabilities	244	139	29
	16,600	139	29
Current liabilities			
Trade payables	1,805	462	373
Other payables	1,848	1,198	1,148
Bank overdraft	4,914	-	-
Term loan	2,044	-	-
Amount owing to directors	79	86	36
Provision for taxation	1	-	-
	10,691	1,746	1,557
Total liabilities	27,291	1,885	1,586
TOTAL EQUITY AND LIABILITES	67,363	40,415	42,020
Net Assets ("NA") per share attributable to equity holders of the Company (sen)	13.37	12.89	13.53

Note:

NA per share is arrived at based on the Group's NA of RM40,072,000 (2011: RM38,531,000) over the number of ordinary shares of 299,737,800 (2011: 298,939,000) shares of RM0.10 each in N2N ("N2N Shares").

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 2011 and the accompanying explanatory notes attached to the interim financial statements.

APPENDIX V

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF N2N FOR THE FYE 2012

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N2N CONNECT BERHAD (523137-K)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Year-To-Date Ended 31 December 2012
(the figures have not been audited)

	Attributable to equity holders of the parent					
		Non-distributable			Distributable	
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 January 2012	29,894	5,229	79	(434)	3,762	38,530
Net profit for the period	-	-	-	-	1,789	1,789
Other comprehensive income	-	-	52	-	-	52
Total comprehensive profit for the period	-	-	52	-	1,789	1,841
Shares purchased during the period held as treasury shares	-	-	-	(483)	-	(483)
Transactions with owners in their capacity as owners:						
Issuance of shares pursuant to ESOS Exercise[i]	80	104	-	-	-	184
At 31 December 2012	29,974	5,333	131	(917)	5,551	40,072
At 1 January 2011 (Restated)	29,894	5,229	-	-	5,311	40,434
Net loss for the period	-	-	-	-	(1,477)	(1,477)
Other comprehensive income	-	-	79	-	(72)	7
Total comprehensive loss for the period	-	-	79	-	(1,549)	(1,470)
Shares purchased during the period held as treasury shares	-	-	-	(434)	-	(434)
At 31 December 2011 (Restated)	29,894	5,229	79	(434)	3,762	38,530

Notes:

i) 327,500 and 471,300 new N2N Shares issued between 2 March 2012 to 25 September 2012 pursuant to the Company's Employee Share Option Scheme ("ESOS") at exercise price of RM0.20 and RM0.25 per ordinary share respectively.

The 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 2011 and the accompanying explanatory notes attached to the interim financial statements.

Company No. 523137-K

APPENDIX V

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF N2N FOR THE FYE 2012

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N2N CONNECT BERHAD (523137-K)

CONSOLIDATED STATEMENT OF CASH FLOW
For The Year-To-Date Ended 31 December 2012
(the figures have not been audited)

	12 months ended 31 Dec 2012 RM'000	12 months ended 31 Dec 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	1,948	(1,155)
Adjustments for:		
Amortisation of intangible asset	1,580	1,364
Depreciation of property, plant and equipment	4,957	6,765
(Gain)/Loss on disposal of property, plant and equipment	(14)	*
Property, plant and equipment written off	21	-
Impairment loss on trade receivables written off	-	1
Allowance for diminution in value of marketable securities	-	(142)
Loss on strike-off of a subsidiary company	-	3
Unrealised foreign exchange loss	48	-
Interest income	(8)	(218)
Interest expense	1,478	-
Operating profit before working capital changes	10,010	6,618
(Increase)/Decrease in working capital		
Inventories	2	-
Trade receivables	(2,500)	768
Other receivables	14,114	(14,272)
Trade payables	1,343	82
Other payables	651	36
Amount owing to directors	(8)	50
Amount owing by holding company	(15)	(17)
Cash generated from/(used in) operations	23,597	(6,735)
Interest received	8	218
Interest paid	(1,478)	-
Income tax paid	(17)	(232)
Net cash from/(used in) operating activities	22,110	(6,749)
CASH FLOWS FROM INVESTING ACTIVITES		
Computer software development cost	(2,694)	(2,564)
Purchase of property, plant and equipment	(42,677)	(1,707)
Proceeds from disposal of property, plant and equipment	19	*
Proceeds on investment of marketable securities	-	709
Net changes in marketable securities	802	10,877
Net cash (used in)/from investing activities	(44,550)	7,315
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	183	-
Purchase of treasury shares	(482)	(434)
Drawdown from term loan	18,400	-
Net cash from/(used in) financing activities	18,101	(434)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,339)	132
EFFECT OF EXCHANGE RATE CHANGES	(10)	(22)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,841	2,731
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(1,508)	2,841
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	3,395	2,674
Deposits with licensed bank	11	167
Bank overdraft	(4,914)	-
	(1,508)	2,841

Note:
The above Consolidated Statement of Cash Flow was prepared based on the consolidated results of the Group for the financial period ended 31 December 2012 and should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

* *Less than RM1,000.*

APPENDIX V

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF N2N FOR THE FYE 2012

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N2N CONNECT BERHAD (523137-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Quarter and Year-To-Date Ended 31 December 2012

A NOTES TO THE INTERIM FINANCIAL REPORT

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 2011.

The condensed consolidated interim financial statements are the Group's first MFRS compliant condensed consolidated financial statements and hence MFRS1: First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS1") has been applied. The MFRS did not result in any financial impact to the Group except for the following:

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with Financial Reporting Standards ("FRS"). An explanation on how the transition from FRS to MFRS has effected the Group's financial position, financial performance and cash flows is set out in Note A2 below. This note include reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as below:

Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly at date of transition to MFRS, the cumulative foreign currency translation differences of RM213,885 were adjusted to retained profits

Reconciliation of equity:

	FRS as at 1 Jan 2011 RM'000	Adjustments RM'000	MFRS as at 1 Jan 2011 RM'000
Equity			
Exchange reserves	214	(214)	-
Retained profits	5,097	214	5,311
	5,311	-	5,311

	FRS as at 31 Dec 2011 RM'000	Adjustments RM'000	MFRS as at 31 Dec 2011 RM'000
Equity			
Exchange reserves	221	(142)	79
Retained profits	3,620	142	3,762
	3,841	-	3,841

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF N2N FOR THE FYE 2012

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N2N CONNECT BERHAD (523137-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Quarter and Year-To-Date Ended 31 December 2012

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd))

A3 Significant accounting policies

The accounting policies and methods of computation adopted by the Group in the preparation of this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2011. The Directors anticipate that the application of the following new/revised MFRSs, Issues Committee ("IC") Interpretations, amendments to MFRSs and IC Interpretations, issued by the Malaysian Accounting Standards Board ("MASB"), which are mandatory and will be effective for the financial periods as stated below, when adopted will have no material impact on the financial statements of the Group and of the Company, except as disclosed below:

		Effective date for financial periods <u>beginning on or after</u>
Amendments to MFRS 101	Presentation of items of Other Comprehensive Income	1 July 2012
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements *(IAS 27 as amended by IASB in June 2011)*	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures *(IAS 28 as amended by IASB in June 2011)*	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financing	1 January 2013
Amendment to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9	Financial Instruments *(IFRS 9 issued by IASB in November 2009)*	1 January 2015
	Financial Instruments *(IFRS 9 issued by IASB in October 2010)*	

(a) MFRS 10: Consolidated Financial Statements
This standard establishes a single control model that applies to all entities including "special purpose entities". The changes introduced by this standard will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent.

(b) MFRS 12: Disclosure of Interests in Other Entities
This standard includes all disclosure which relate to an entity's interest in subsidiary company, joint arrangements, associated company and structured entities. A number of new disclosures are required.

(c) MFRS 13: Fair Value Measurement
This standard establishes a single source of guidance under MFRS for all fair value measurements. This standard does not change when an entity is required to use fair value, but rather provides guidance of how to measure fair value under MFRS when fair value is required or permitted.

A4 Audit report of preceding annual financial statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2011

A5 Seasonal or cyclical factors

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

A6 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.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Quarter and Year-To-Date Ended 31 December 2012

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A7 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.

A8 Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter under review except for the following:-

Treasury Shares

During the current quarter under review, the Company repurchased 82,900 of its ordinary shares from the open market at an average price of RM0.46 per share.

As at 31 December 2012, the total number of shares repurchased and held as treasury shares were 2,847,600. There were no share cancellation and resale of treasury shares during the current quarter under review.

A9 Dividend paid or proposed

No dividend has been paid or proposed in the current quarter under review.

A10 Segmental information

Business segment

The principal businesses of the Group are carrying on the business as researcher and developer of software package and provision of design, programming, consultancy services and related services which are substantially within a single business segment, and therefore, segmental reporting by business segment is deemed not necessary. Accordingly, the information regarding its financial position and results is represented by the financial statements as a whole.

Geographical segment

In determining the geographical segments of the Group, segment revenue is based on the geographical location of customers

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	31 Dec 2012 RM'000	31 Dec 2011 RM'000	31 Dec 2012 RM'000	31 Dec 2011 RM'000
Malaysia	5,286	4,868	21,218	17,378
Singapore	1,710	778	4,324	2,483
Indonesia	175	168	768	842
Philippines	301	-	301	-
Hong Kong	-	1	-	16
	7,472	5,815	26,611	20,719

A11 Provision for doubtful debts

	Current Year 4th Quarter As At 31 Dec 2012 RM'000	As at 31 Dec 2011 RM'000
At beginning of the financial period	24,486	24,494
Written-off	(24,486)	(8)
At end of the financial period	-	24,486

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N2N CONNECT BERHAD (523137-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Quarter and Year-To-Date Ended 31 December 2012

A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A12 Other receivables

	Current Year 4th Quarter As At 31 Dec 2012 RM'000	As at 31 Dec 2011 RM'000
Other receivables	567	352
Deposits	283	12,948
Prepayments	97	1,726
	947	15,026

A13 Other payables

	Current Quarter 4th Quarter As At 31 Dec 2012 RM'000	As at 31 Dec 2011 RM'000
Other payables	568	482
Accruals	1,280	716
	1,848	1,198

A14 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.

A15 Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current quarter under review up to 26 February 2013

A16 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

A17 Contingent liabilities

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at 26 February 2013 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

A18 Capital commitments

As at 31 December 2012, save for the renovation works to be incurred for the office building, the Group has no material capital commitment in respect of property, plant and equipment.

A19 Significant related party transactions

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

A20 Cash and cash equivalents

	Current Year 4th Quarter As At 31 Dec 2012 RM'000	As at 31 Dec 2011 RM'000
Deposits with licensed bank	11	167
Cash and bank balances	3,395	2,674
Bank overdraft	(4,914)	-
	(1,508)	2,841

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF N2N FOR THE FYE 2012

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Secretary
HO MUN YEE
MAICSA 0877877

N2N CONNECT BERHAD (523137-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Quarter and Year-To-Date Ended 31 December 2012

B ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

B1 Review of performance

4th Quarter 2012 versus 4th Quarter 2011

For the current quarter under review, the Group recorded revenue of RM7.472 million, 28.50% higher compared to that achieved in the preceding year corresponding quarter of RM5.815 million. The increase is mainly due to implementation of TC Pro application with various securities houses to enable Direct Market Access ("DMA") capability, as well as increased transactions of the online stock trading platform provided by the Group.

The Group recorded a profit attributable to the equity holders of the Company of approximately RM0.296 million, 32.57% lower compared to that achieved in the preceding year corresponding quarter of RM0.439 million. This was mainly due to building acquisition expenses charged out as well as provision for taxation for the current year under review and higher deferred taxation expenses accounted for.

There are no other material factors which have affected the revenue and loss attributable to the equity holders of the Company for the current quarter/financial year-to-date.

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

The Group recorded a profit before taxation of RM0.437 million in the current quarter under review, lower by RM0.223 million or 33.79% compared to RM0.660 million in the immediate preceding quarter mainly due to additional building acquisition expenses charged out which were previously capitalised.

B3 Prospects

The Group has completed the full implementation of its TC Pro platform (for DMA) for its panel of Malaysian stockbroking companies in 4th Quarter of Financial Year 2012 in line with the 31 December 2012 deadline set by Bursa Malaysia Securities Bhd. The Group is also embarking and engage in active discussions to secure new projects with various other stockbroking companies which were not on its panel and exchanges in the region to implement its IT solutions. Barring any unforeseen circumstances, the Directors of N2N believe that the Group's performance for the upcoming financial year ending 31 December 2013 will continue to remain favourable.

B4 Variation of actual profit from forecast profit

Not applicable as no profit forecast was published.

B5 Items in the statement of comprehensive income

		Current Year Quarter 31 Dec 2012 RM'000	Current Year To date 31 Dec 2012 RM'000
(a)	Interest income	1	8
(b)	Interest expense	379	1,478
(c)	Depreciation and amortisation	1,657	6,537
(d)	Gain on disposal of property, plant and equipment	-	14
(e)	Net foreign exchange gain/(loss)	(227)	(153)

Other than the above, there were no other income including investment income, provision for and write off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items included in the results for the current quarter and financial period ended 31 December 2012.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF N2N FOR THE FYE 2012

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QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Quarter and Year-To-Date Ended 31 December 2012

B ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS (Cont'd)

B6 Taxation

	Current Year Quarter 31 Dec 2012 RM'000	Current Year To date 31 Dec 2012 RM'000
Income tax:		
Current year	44	62
Prior year	(8)	(8)
	36	54
Deferred tax:		
Current year	105	105
Total tax expense	141	159

The effective tax rate of the Group for the current quarter under review was lower than the statutory tax rate of 25% mainly due to no taxation charge for the current quarter under review due to the tax exemption for Multimedia Super Corridor ("MSC") qualifying activities under pioneer status pursuant to the Promotion of Investments Act, 1986 in Malaysia. The Company was granted the extension of pioneer status until 30 June 2014.

B7 Quoted securities

	Current Year 4th Quarter As At 31 Dec 2012 RM'000	As at 31 Dec 2011 RM'000
At cost		
Quoted unit trusts *	56	858
	56	858

Note * : This relates to previous withdrawal of the Company's fixed deposit with a licensed bank which was subsequently placed into money market funds, namely AmCash Management and AmIncome due to the flexibility of the accounts for withdrawal of money, fixed capital investments, as well as higher yields as the returns are exempted from corporate tax and management fees.

There were no acquisitions or disposals of quoted securities during the current quarter under review except for net redemption of some units of the quoted unit trusts.

B8 Group's borrowings and debt securities

	Current Year 4th Quarter As At 31 Dec 2012 RM'000
Secured	
Short-term borrowings	
Bank overdraft	4,914
Term loan	2,044
Sub total	6,958
Long-term borrowings	
Term loan	16,356
Grand total	23,314

All borrowings are denominated in Ringgit Malaysia.

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.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF N2N FOR THE FYE 2012

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N2N CONNECT BERHAD (523137-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Quarter and Year-To-Date Ended 31 December 2012

B ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS (Cont'd)

B10 Material litigation

Neither the Company nor its subsidiary is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiary and the Board of Directors does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiary.

B11 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2012	Preceding Year Corresponding Quarter 31 Dec 2011	Current Year To date 31 Dec 2012	Preceding Year Corresponding Period 31 Dec 2011
(a) Basic earnings per share				
Net profit/(loss) attributable to equity holders of the Company (RM'000)	296	439	1,789	(1,477)
Weighted average number of ordinary shares in issue ('000)	299,416	298,939	299,416	298,939
Basic earnings/(loss) per share (sen)	0.10	0.15	0.60	(0.49)
(b) Diluted earnings per share				
Profit/(Loss) after taxation (RM'000)	296	439	1,789	(1,477)
Weighted average number of ordinary shares	299,416	298,939	299,416	298,939
Adjusted for:				
Assumed exercise of ESOS at no consideration ('000)	24,592	25,391	24,592	*
Adjusted number of ordinary shares ('000)	324,008	324,330	324,008	298,939
Diluted earnings/(loss) per share (sen)	0.09	0.14	0.55	(0.49)

* The number of shares under ESOS was not taken into account in the computation of diluted loss per share because the effect on the basic loss per share is antidilutive.

B12 Status of corporate proposals

There were no corporate proposals/developments announced but not yet completed as at the date of this announcement except for the following:.

Renounceable rights issue of up to 108,110,000 five (5)-year warrants 2013/2018 ("Warrants") on the basis on one (1) Warrant for every three (3) existing ordinary shares of RM0.10 each in N2N ("N2N Shares") held on an entitlement date to be determined later ("Rights Issue of Warrants").

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Secretary
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MAICSA 0877877

N2N CONNECT BERHAD (523137-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Quarter and Year-To-Date Ended 31 December 2012

B ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS (Cont'd)

B Disclosure of realised and unrealised profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, was as follows:

	Current Year 4th Quarter As At 31 Dec 2012 RM'000	As at 31 Dec 2011 RM'000
Total retained profits		
Realised	5,239	3,462
Unrealised	48	36
	5,287	3,498
Add: Consolidation adjustments	264	264
Total retained profits as per consolidated statement of financial position	5,551	3,762

B14 Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 February 2013.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 26 February 2013

N2N CONNECT BERHAD (523137-K)
Wisma N2N, Level 9, Tower 2, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, West Malaysia
tel. (603) 2241 1818 *fax*. (603) 2241 1616 *website*. www.n2nconnect.com

MSC-Status Company

Date: 08 MAR 2013

Registered Office:
3rd Floor
No. 17, Jalan Ipoh Kecil
50350 Kuala Lumpur

To: The Shareholders of N2N Connect Berhad

Dear Sir/Madam

On behalf of the Board of Directors ("Board") of N2N Connect Berhad ("N2N"), and after making due enquiries, I report that save as disclosed in this Abridged Prospectus, during the period from 31 December 2011 (being the date to which the last audited financial statements of N2N and its subsidiaries ("N2N Group") have been made) to the date hereof (being a date not earlier than fourteen (14) days before the date of issue of this Abridged Prospectus):

(a) the business of the N2N Group has, in the opinion of the Board, been satisfactorily maintained;

(b) in the opinion of the Board, no circumstance has arisen since the last audited financial statements of the N2N Group which has adversely affected the trading or the value of the assets of the N2N Group;

(c) the current assets of the N2N Group appears in the books at values which are believed to be realisable in the ordinary course of business;

(d) save as disclosed in this Abridged Prospectus, there is no contingent liability by reason of any guarantee or indemnity given by the N2N Group;

(e) there has been no default or any known event since the last audited financial statements of the N2N Group, that could give rise to a default situation, on payments of either interest and/or principal sums in relation to any borrowing of which the Board is aware of; and

(f) save as disclosed in the latest unaudited financial results of the N2N Group for the twelve (12)-months financial period ended 31 December 2012, there has been no material change in the published reserves or any unusual factors affecting the profits of the N2N Group since the last audited financial statements of the N2N Group.

Yours faithfully
for and on behalf of the Board
N2N CONNECT BERHAD

CHUA TIONG HOONG
NON-INDEPENDENT EXECUTIVE DIRECTOR

1. SHARE CAPITAL

1.1 Save for the Warrants and the Shares to be issued upon the exercise of the Warrants, no securities will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of the issue of this Abridged Prospectus.

1.2 As at the LPD, no person has been or is entitled to be granted, an option to subscribe for any security, share or debenture in the Company or any of its subsidiaries, save for the provisional allotment of the Warrants under this Rights Issue of Warrants and the following:

Up to ten per centum (10%) of the issued and paid-up capital of the Company at any point in time may be issued to the eligible employees and directors of the Company and/or the subsidiaries of the Group under the ESOS. The eligible employees and directors may accept the ESOS options by giving a written notice to the ESOS option committee accompanied by a payment to the Company of a nominal non-refundable sum of RM1.00 as a consideration for the grant of the ESOS option.
As at the LPD, there are 24,559,200 outstanding ESOS options which may be exercisable into 24,559,200 N2N Shares.

The ESOS are exercisable up to 22 December 2015 at the following exercise price:

(a) RM0.20 per share for the 3,899,800 outstanding ESOS options issued pursuant to the First Grant; and

(b) RM0.25 per share for the 20,659,400 outstanding ESOS options issued pursuant to the Second Grant.

The exercise price shall be subject to adjustments in accordance with the ESOS by-laws.

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2. ARTICLES OF ASSOCIATION

2.1 There is no shareholding qualification for Directors.

2.2 The provisions in N2N's Articles of Association in relation to the remuneration of Directors of N2N are as follows:

Article 110

Subject to these Articles, the remuneration of the Directors shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine provided always that:

(1) fees payable to Directors not holding any executive office in the Company shall be a fixed sum and shall not be payable by a commission on or percentage of profits or turnover;

(2) salaries payable to Directors holding executive office in the Company may not include a commission on or a percentage of turnover;

(3) all remuneration payable to Directors shall be deemed to accrue from day to day;

(4) fees payable to Directors shall not be increased except pursuant to a resolution passed by the Company in general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

(5) any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.

Article 111

The Directors may be paid all travelling, hotel and other expenses, properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company.

Article 112

The Directors may grant special remuneration to any Director who (on request by the Directors) is willing to:

(1) render any special or extra services to the Company; or

(2) go or reside outside his country of domicile or residence in connection with the conduct of any of the Company's affairs.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of salary, or by a percentage of profits, or by all or any of such methods but shall not include (where such special remuneration is paid by way of salary) a commission on or a percentage of turnover.

3. MATERIAL CONTRACTS

As at LPD and save as disclosed below, there is no other material contract (not being a contract entered into in the ordinary course of business) entered into by the N2N Group within two (2) years immediately preceding the date of this Abridged Prospectus:

(a) Sale and purchase agreement dated 3 June 2011 entered into between Bangga Istimewa Sdn Bhd as the vendor and N2N as the purchaser to acquire a 11-storey office building known as Block 6 (Type G), The Horizon (Phase 1), Bangsar South with postal address Tower 2, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur erected on a piece of leasehold land held under part of the master title Pajakan Negeri 46338, Lot No. 58190, Mukim Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a cash consideration of RM36,000,000. The sale and purchase transaction was completed on 22 February 2012.

4. MATERIAL LITIGATION AND ARBITRATION

As at the LPD, neither N2N nor its subsidiaries are engaged in any material litigation or arbitration, either as plaintiff or defendant.

To the best of the knowledge of our Directors, there are no proceedings pending or threatened against the N2N Group or any fact likely to give rise to any proceeding which may materially affect the financial position or business of the N2N Group.

5. GENERAL

5.1 Save for the following, the Directors of the Company do not have any existing or proposed service contract with the Company or any of its subsidiaries other than contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus:

(i) Service Agreement dated 29 September 2004 ("Service Agreement") entered into between the Company and Tiang Boon Hwa in respect of his appointment to act as the Managing Director of the Company or in such other capacity as the Company may designate for a term commencing from 1 October 2004 and subject to termination by either party giving six (6) months notice in writing.

5.2 Save as disclosed in this Abridged Prospectus and to the best of the Directors' knowledge and belief, as at the LPD in connection with the financial condition and operations of the N2N Group, there are no:

(i) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of the N2N Group other than in the ordinary course of business;

(ii) material commitments for capital expenditure;

(iii) unusual, infrequent events or transactions or significant economic changes which materially affected the amount of reported income from operations of the N2N Group other than in the ordinary course of business;

(iv) known trends or uncertainties which have had or will have, a material favourable or unfavourable impact on revenues or operating income; and

(v) substantial increase in revenue.

5.3 Save as disclosed in this Abridged Prospectus, there is no material information including special trade factors or risks which are not mentioned elsewhere in this Abridged Prospectus and which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the N2N Group.

6. CONSENTS

The written consents of the Principal Adviser, Company Secretaries, Solicitors for this Rights Issue of Warrants, Principal Bankers, Share Registrar and Bloomberg to the inclusion in this Abridged Prospectus of their names in the form and context in which they appear, have been given and have not subsequently been withdrawn before the issuance of this Abridged Prospectus.

The written consent of the Auditors/Reporting Accountants to the inclusion in this Abridged Prospectus of its name, the Auditors' report accompanying the audited consolidated financial statements of N2N for the FYE 2011 and the Reporting Accountant's letter accompanying the proforma consolidated statements of financial position of N2N as at 31 December 2011 in the form and context in which they appear, has been given and has not subsequently been withdrawn before the issuance of this Abridged Prospectus.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 3rd Floor, 17, Jalan Ipoh Kecil, 50350 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) for a period of twelve (12) months from the date of issue of this Abridged Prospectus:

(i) Memorandum & Articles of Association of N2N;

(ii) audited consolidated financial statements of N2N for the FYE 2009, 2010 and 2011;

(iii) latest unaudited consolidated quarterly results for the FYE 2012;

(iv) proforma consolidated statements of financial position of N2N as at 31 December 2011 together with the notes and the reporting accountants' letter thereon;

(v) material contract referred to in Section 3 of this Appendix;

(vi) service agreement referred to in Section 5 of this Appendix;

(vii) letters of consent referred to in Section 6 of this Appendix;

(viii) Deed Poll governing the Warrants to be issued pursuant to this Rights Issue of Warrants;

(ix) ESOS By-laws governing the ESOS;

(x) irrevocable undertaking letters by the Substantial Shareholders in relation to the Undertakings;

(xi) certified true extract of the shareholders' resolution pertaining to this Rights Issue of Warrants as set out in Appendix I of this Abridged Prospectus; and

(xii) Directors' Report as set out in Appendix VI of this Abridged Prospectus.

8. RESPONSIBILITY STATEMENTS

This Abridged Prospectus together with the accompanying documents have been seen and approved by the Directors of N2N and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statements herein false or misleading.

HwangDBS, being the Principal Adviser of this Rights Issue of Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue of Warrants.

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