



N2N CONNECT BERHAD (523137-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS For The Quarter and Year-To-Date Ended 30 September 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.

A2 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 (<i>IAS 27 as amended by IASB in June 2011</i>)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (<i>IAS 28 as amended by IASB in June 2011</i>)	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 (<i>IFRS 9 issued by IASB in November 2009</i>)	1 January 2015
	Financial Instruments (<i>IFRS 9 issued by IASB in October 2010</i>)	

(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.



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A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A3 Audit report of preceding annual financial statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2011.

A4 Seasonal or cyclical factors

The Group's operations are not materially affected by seasonal or cyclical changes during the current quarter under review.

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

A6 Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current quarter under review.

A7 Debt and equity securities

There were no 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 70,000 of its ordinary shares from the open market at an average price of RM0.51 per share.

As at 30 September 2012, the total number of shares repurchased and held as treasury shares were 2,764,700. There were no share cancellation and resale of treasury shares during the current quarter under review.

A8 Dividend paid or proposed

No dividend has been paid or proposed in the current quarter under review.

A9 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
	30 Sep 2012 RM'000	30 Sep 2011 RM'000	30 Sep 2012 RM'000	30 Sep 2011 RM'000
Malaysia	5,046	5,561	15,932	12,510
Singapore	1,613	642	2,614	1,705
Indonesia	180	154	593	674
Hong Kong	-	4	-	15
	<u>6,839</u>	<u>6,361</u>	<u>19,139</u>	<u>14,904</u>



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A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A10 Other receivables

	Current Year 3rd Quarter As At 30 Sep 2012 RM'000	Audited as at 31 Dec 2011 RM'000
Other receivables	390	352
Deposits	468	12,948
Prepayments	157	1,726
	<u>1,015</u>	<u>15,026</u>

A11 Other payables

	Current Quarter 3rd Quarter As At 30 Sep 2012 RM'000	Audited as at 31 Dec 2011 RM'000
Other payables	252	481
Accruals	1,073	716
	<u>1,325</u>	<u>1,197</u>

A12 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.

A13 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 27 November 2012.

A14 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

A15 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 27 November 2012 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).



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A NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

A16 Capital commitments

As at 30 September 2012, save for the relocation costs and renovation works to be incurred for the office building, the Group has no material capital commitment in respect of property, plant and equipment.

A17 Significant related party transactions

There were no related party transactions in the current quarter under review.

A18 Cash and cash equivalents

	Current Year 3rd Quarter As At 30 Sep 2012 RM'000	Audited as at 31 Dec 2011 RM'000
Deposits with licensed bank	11	167
Cash and bank balances	2,321	2,674
Bank overdraft	(3,899)	-
	<u>(1,567)</u>	<u>2,841</u>

B ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

B1 Review of performance

3rd Quarter 2012 versus 3rd Quarter 2011

For the current quarter under review, the Group recorded revenue of RM6.839 million, 7.51% higher compared to that achieved in the preceding year corresponding quarter of RM6.361 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 also recorded a profit attributable to the equity holders of the Company of approximately RM0.642 million reversing from a loss of RM0.589 million in the preceding year corresponding quarter. This was mainly due to the increase in revenue and economies of scale.

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 RM0.642 million in the current quarter under review, higher by RM0.211 million or 48.96% compared to RM0.431 million in the immediate preceding quarter mainly due to higher revenue but offset by higher cost of sales.

B3 Prospects

The Group is continuing with completing the full implementation of its TC Pro platform (for DMA) for a few leading Malaysian stockbroking companies in 4th Quarter of Financial Year 2012 ("Q4 FY2012"). The Group has secured projects with various other stockbroking companies to implement the TC Pro platform ahead of an original 30 September 2012 deadline set by Bursa Malaysia Securities Bhd which has now been extended to 31 December 2012 for all Malaysia securities houses to complete migration to DMA. The Group is also still active discussions with securities houses or 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 2012 will improve favourably.

B4 Variation of actual profit from forecast profit

Not applicable as no profit forecast was published.



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B ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS (Cont'd)

B5 Items in the statement of comprehensive income

	Current Year Quarter 30 Sep 2012 RM'000	Current Year To date 30 Sep 2012 RM'000
(a) Interest income	2	7
(b) Interest expense	384	1,099
(c) Depreciation and amortisation	1,616	4,880
(d) Gain on disposal of property, plant and equipment	-	14
(e) Net foreign exchange loss	<u>23</u>	<u>74</u>

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 30 September 2012.

B6 Taxation

	Current Year Quarter 30 Sep 2012 RM'000	Current Year To date 30 Sep 2012 RM'000
Income tax:		
Current year	<u>18</u>	<u>18</u>

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 3rd Quarter As At 30 Sep 2012 RM'000	Audited as at 31 Dec 2011 RM'000
At cost		
Quoted unit trusts *	<u>185</u>	<u>858</u>
	<u>185</u>	<u>858</u>

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.



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B ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS (Cont'd)

B8 Group's borrowings and debt securities

	Current Year 3rd Quarter As At 30 Sep 2012 RM'000
Secured	
Short-term borrowings	
Bank overdraft	3,899
Term loan	1,840
Sub total	<u>5,739</u>
Long-term borrowings	
Term loan	16,560
Grand total	<u><u>22,299</u></u>

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.

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 30 Sep 2012	Preceding Year Corresponding Quarter 30 Sep 2011	Current Year To date 30 Sep 2012	Preceding Year Corresponding Period 30 Sep 2011
(a) Basic earnings per share				
Profit/(Loss) after taxation (RM'000)	642	(589)	1,493	(1,915)
Weighted average number of ordinary shares in issue ('000)	299,304	298,939	299,304	298,939
Basic earnings/(loss) per share (sen)	<u>0.21</u>	<u>(0.20)</u>	<u>0.50</u>	<u>(0.64)</u>
(b) Diluted earnings per share				
Profit/(Loss) after taxation (RM'000)	642	(589)	1,493	(1,915)
Weighted average number of ordinary shares in issue ('000)	299,304	298,939	299,304	298,939
Adjusted for:				
Assumed exercise of ESOS at no consideration ('000)	24,592	25,391	24,592	25,391
Adjusted number of ordinary shares ('000)	<u>323,896</u>	<u>324,330</u>	<u>323,896</u>	<u>324,330</u>
Diluted earnings/(loss) per share (sen)	<u>0.20</u>	<u>(0.18)</u>	<u>0.46</u>	<u>(0.59)</u>

B12 Status of corporate proposals

There were no corporate proposals/developments announced but not yet completed as at the date of this announcement.



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B ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS (Cont'd)

B13 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 3rd Quarter As At 30 Sep 2012 RM'000	Audited as at 31 Dec 2011 RM'000
Total retained profits		
Realised	4,992	3,463
Unrealised	-	36
	<hr/> 4,992	<hr/> 3,499
Add: Consolidation adjustments	122	122
Total retained profits as per consolidated statement of financial position	<hr/> <hr/> 5,114	<hr/> <hr/> 3,621

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 27 November 2012.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 27 November 2012