



**N2N CONNECT BERHAD (523137-K)**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Quarter and Year-To-Date Ended 30 June 2014**  
 (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
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Revenue	8,968	8,072	16,558	14,759
Direct costs	(3,600)	(3,012)	(6,799)	(5,391)
Gross profit	5,368	5,060	9,759	9,368
Other operating income	707	317	997	506
Administrative expenses	(4,194)	(3,620)	(7,032)	(6,710)
Finance costs	(264)	(383)	(534)	(768)
<b>Profit before taxation</b>	1,617	1,374	3,190	2,396
Taxation	-	(11)	(19)	(26)
<b>Net profit for the period attributable to the equity holders of the Company</b>	1,617	1,363	3,171	2,370
<b>Other comprehensive income</b>				
- Exchange differences arising from translation of foreign exchange operations	(30)	8	(30)	5
<b>Total comprehensive profit for the period attributable to equity holders of the Company</b>	1,587	1,371	3,141	2,375
<b>Earnings per share ("EPS") attributable to the equity holders of the Company (sen):</b>				
Basic EPS (sen)	0.52	0.45	1.01	0.79
Diluted EPS (sen)	0.48	0.42	0.94	0.73

**Note:**

*The above Condensed Consolidated Statement of Comprehensive Income were prepared based on the consolidated results of the Group for the financial period ended 30 June 2014 and should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.*



**N2N CONNECT BERHAD (523137-K)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As At 30 June 2014**

(the figures have not been audited)

	<b>As at 30 June 2014 RM'000</b>	<b>As at 31 Dec 2013 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	45,644	46,107
Intangible asset	11,586	11,032
	<u>57,230</u>	<u>57,139</u>
<b>Current assets</b>		
Trade receivables	10,883	8,401
Other receivables	766	1,177
Amount owing by holding company	-	224
Marketable securities	58	58
Deposits with licensed bank	24	36
Cash and bank balances	3,910	3,927
	<u>15,641</u>	<u>13,823</u>
<b>TOTAL ASSETS</b>	<u>72,871</u>	<u>70,962</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	31,754	30,407
Share premium	9,809	6,634
Exchange reserve	216	246
Warrants reserve	1,678	1,938
Treasury Shares	(1,777)	(1,657)
Retained profits	10,059	11,594
<b>Total equity</b>	<u>51,739</u>	<u>49,162</u>
<b>Non-current liabilities</b>		
Term loan	13,289	14,311
Deferred tax liabilities	244	244
	<u>13,533</u>	<u>14,555</u>
<b>Current liabilities</b>		
Trade payables	802	795
Other payables	4,322	2,542
Bank overdraft	287	1,718
Term loan	2,044	2,044
Amount owing to directors	143	145
Provision for taxation	1	1
	<u>7,599</u>	<u>7,245</u>
<b>Total liabilities</b>	<u>21,132</u>	<u>21,800</u>
<b>TOTAL EQUITY AND LIABILITES</b>	<u>72,871</u>	<u>70,962</u>
Net Assets ("NA") per share attributable to equity holders of the Company (sen)	<u>16.29</u>	<u>16.17</u>

**Note:**

NA per share is arrived at based on the Group's NA of RM51,739,000 (2013: RM49,165,000) over the number of ordinary share 317,540,065 (2013: 304,074,800) 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 Aud Financial Statements of the Group for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.



N2N CONNECT BERHAD (523137-K)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For The Year-To-Date Ended 30 June 2014**  
(the figures have not been audited)

	Attributable to equity holders of the parent						Total Equity RM'000
	Share Capital RM'000	Non-distributable			Distributable		
		Share Premium RM'000	Exchange Reserve RM'000	Treasury Shares RM'000	Warrants Reserve	Retained Profits RM'000	
<b>At 1 January 2014</b>	30,407	6,634	246	(1,657)	1,938	11,594	49,162
Net profit for the period	-	-	-	-	-	3,171	3,171
Other comprehensive income	-	-	(30)	-	-	-	(30)
Total comprehensive income for the period	-	-	(30)	-	-	3,171	3,141
Shares purchased during the period held as treasury shares	-	-	-	(122)	-	-	(122)
Resale of treasury shares during the period	-	0	-	2	-	-	2
Dividend paid	-	-	-	-	-	(4,706)	(4,706)
Issuance of shares pursuant to ESOS Exercise <sup>i)</sup>	46.6	54	-	-	-	-	101
Issuance of shares pursuant to conversion of Warrants <sup>ii)</sup>	1,300	3,121	-	-	(260)	-	4,161
<b>At 30 June 2014</b>	<b>31,754</b>	<b>9,809</b>	<b>216</b>	<b>(1,777)</b>	<b>1,678</b>	<b>10,059</b>	<b>51,739</b>
<b>At 1 January 2013</b>	29,974	5,333	131	(917)	-	5,551	40,072
Net profit for the period	-	-	-	-	-	2,370	2,370
Other comprehensive income	-	-	5	-	-	-	5
Total comprehensive income for the period	-	-	5	-	-	2,370	2,375
Shares purchased during the period held as treasury shares	-	-	-	(1,364)	-	-	(1,364)
Resale of treasury shares during the period	-	419	-	921	-	-	1,340
Adjustment for fair value of warrants	-	-	-	-	1,998.00	-	1,998
<b>Transactions with owners in their capacity as owners:</b>							
Issuance of shares pursuant to ESOS Exercise <sup>iii)</sup>	7	9	-	-	-	-	16
<b>At 31 June 2013</b>	<b>29,981</b>	<b>5,761</b>	<b>136</b>	<b>(1,360)</b>	<b>1,998</b>	<b>7,921</b>	<b>44,437</b>

**Notes:**

- i) 431,600; and 33,000 new N2N Shares issued on 20 January 2014 to 30 June 2014 pursuant to the Company's Employee Share Option Scheme ("ESOS") at exercise price of RM0.22 and RM0.18 per ordinary share respectively.
- ii) 13,000,665 new N2N Shares issued on 08 March 2014 to 15 March 2014 pursuant to the conversion of Warrants at exercise price of RM0.32 per ordinary share.
- iii) 17,600; 15,400 and 44,000 new N2N Shares issued on 14 February 2013 to 20 May 2013 pursuant to the Company's Employee Share Option Scheme ("ESOS") at exercise price of RM0.20 and RM0.25, RM 0.22 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 2013 and the accompanying explanatory notes attached to the interim financial statements.*



**N2N CONNECT BERHAD (523137-K)**

**CONSOLIDATED STATEMENT OF CASH FLOW**

**For The Year-To-Date Ended 30 June 2014**

(the figures have not been audited)

	<b>6 months ended 30 June 2014 RM'000</b>	<b>6 months ended 30 Jun 2013 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,190	2,396
Adjustments for:		
Amortisation of intangible asset	1,048	943
Depreciation of property, plant and equipment	1,813	1,920
Gain on disposal of property, plant and equipment	-	-
Property, plant and equipment written off	-	185
Unrealised foreign exchange gain	-	-
Interest income	(9)	(6)
Interest expense	535	768
Operating profit before working capital changes	<u>6,577</u>	<u>6,206</u>
(Increase)/Decrease in working capital		
Trade receivables	(2,356)	391
Other receivables	517	(1,688)
Trade payables	(276)	(395)
Other payables	1,835	(306)
Amount owing to directors	(2)	(72)
Amount owing by holding company	224	3
Cash generated from operations	<u>6,519</u>	<u>4,139</u>
Interest received	9	6
Interest paid	(535)	(768)
Income tax paid	(19)	(26)
Net cash from operating activities	<u>5,974</u>	<u>3,351</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Computer software development cost	(1,603)	(1,466)
Purchase of property, plant and equipment	(1,363)	(1,154)
Proceeds from disposal of property, plant and equipment	-	-
Shares buyback	(122)	(1,360)
Proceeds from resale of treasury shares	2	1,340
Net changes in marketable securities	(*)	(*)
Net cash used in investing activities	<u>(3,086)</u>	<u>(2,640)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	4,521	17
Proceeds from issue of warrants	(260)	1,998
Dividend payment	(4,706)	-
Repayment of term loan	(1,022)	(1,022)
Net cash (used in)/from financing activities	<u>(1,467)</u>	<u>993</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,421</b>	<b>1,704</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>(18)</b>	<b>(6)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>2,244</b>	<b>(1,508)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b><u>3,647</u></b>	<b><u>190</u></b>
<b>Cash and cash equivalents at end of the period comprises:</b>		
Cash and bank balances	3,910	4,783
Deposits with licensed bank	24	10
Bank overdraft	(287)	(4,603)
	<u>3,647</u>	<u>190</u>

**Note:**

The above Consolidated Statement of Cash Flow was prepared based on the consolidated results of the Group for the financial period ended 30 June 2014 and should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

\* Less than RM1,000.



**N2N CONNECT BERHAD (523137-K)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
For The Quarter and Year-To-Date Ended 30 June 2014**

**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 2013.

**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 2013. The Directors anticipate that the application of the following MFRSs 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:

		<u>Effective date for financial periods 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	
Amendments to MFRS 1	Government Loans	1 January 2013
Amendment to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009-2011 Cycle		
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities		1 January 2014
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle		1 July 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> )	



**N2N CONNECT BERHAD (523137-K)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**For The Quarter and Year-To-Date Ended 30 June 2014**

- (a) **Amendment to MFRS 101: Presentation of Other Comprehensive Income**  
This Amendment change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance.
- (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 which 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.
- (e) **MFRS 127: Separate Financial Statements**  
This revised Standard contains accounting requirements for investments in subsidiaries, joint ventures and associates when separate financial statements are prepared. The Company is required to account for those investments either at cost or in accordance with MFRS 9 in the separate financial statements.
- (f) **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 and 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.
- (g) **Amendments to MFRS 136: Impairment of assets**  
These amendments remove the unintended consequences of MFRS 13 on the disclosures required under MFRS 136. In addition, these amendments require disclosure of the recoverable amounts for the assets of CGUs for which impairment loss has been recognised or reversed during the period.

**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 2013.

**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.



**N2N CONNECT BERHAD (523137-K)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
For The Quarter and Year-To-Date Ended 30 June 2014**

**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.

**Ordinary Shares**

During the current quarter under review, the Company issued 36,000 ordinary shares of RM0.10 each pursuant to the ESOS.

**A8 Dividend paid or proposed**

On 28 February 2014, the Board of Directors had declared a first interim tax exempt dividend of 1.5 cents per ordinary share of RM 0.10 each, amounting to approximately RM 4.70 million in respect of financial year ending 31 December 2014. The dividend was paid to the shareholders of N2N Connect Berhad on 17 April 2014.

**A9 Segmental information**

Business segment

The principal businesses of the Group are researcher and developer of software package and provision of design, programming, consultancy services and related services which are substantially within a single business segment, 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 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Malaysia	7,706	6,310	14,260	12,004
Singapore	1,194	1,682	2,077	2,518
Indonesia	9	80	157	237
Philippine	59	-	64	-
	<u>8,968</u>	<u>8,072</u>	<u>16,558</u>	<u>14,759</u>

**A10 Provision for doubtful debts**

There were no provision for doubtful debts in the current quarter under review.

**A11 Other receivables**

	Current Year 2nd Quarter As At 30 June 2014 RM'000	As at 31 Dec 2013 RM'000
Other receivables	141	619
Deposits	381	328
Prepayments	244	230
	<u>766</u>	<u>1,177</u>



**N2N CONNECT BERHAD (523137-K)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
For The Quarter and Year-To-Date Ended 30 June 2014**

**A12 Other payables**

	<b>Current Quarter 2nd Quarter As At 30 June 2014 RM'000</b>	<b>As at 31 Dec 2013 RM'000</b>
Other payables	2,554	1,271
Accruals	<u>1,768</u>	<u>1,271</u>
	<u><u>4,322</u></u>	<u><u>2,542</u></u>

**A13 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.

**A14 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 21 August 2014.

**A15 Changes in the composition of the Group**

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

**A16 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 21 August 2014 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

**A17 Capital commitments**

As at 30 June 2014, the Group has no material capital commitment in respect of property, plant and equipment.

**A18 Significant related party transactions**

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

**A19 Cash and cash equivalents**

	<b>Current Year 2nd Quarter As At 30 June 2014 RM'000</b>	<b>As at 31 Dec 2013 RM'000</b>
Deposits with licensed bank	24	36
Cash and bank balances	3,910	3,927
Bank overdraft	<u>(287)</u>	<u>(1,718)</u>
	<u><u>3,647</u></u>	<u><u>2,245</u></u>





**N2N CONNECT BERHAD (523137-K)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
For The Quarter and Year-To-Date Ended 30 June 2014**

**B ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS**

**B1 Review of performance**

**2nd Quarter 2014 versus 2nd Quarter 2013**

For the current quarter under review, the Group recorded revenue of RM 8.968 million, 11.11% higher compared to that achieved in the preceding year corresponding quarter of RM 8.072 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 in the subscription of leased lines provided by the Group.

The Group recorded a profit attributable to the equity holders of the Company of approximately RM1.617 million, 18.63% higher compared to that achieved in the preceding year corresponding quarter of RM1.363 million. This was mainly due to the increase in revenue and other operating income.

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 RM1.617 million in the current quarter under review, higher by RM0.063 million or 4.05% compared to RM 1.554 million in the immediate preceding quarter mainly due higher one-time implementation sales and leased lines subscription sales generated and other operating income earned.

**B3 Prospects**

The Group is looking at the opportunities locally and regionally to accomplish sustainable profitability grow through increase in transactional income as well as subscription of more advance features of its trading platform by existing clients. Currently 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. The Group will also actively pursue the opportunity of merger and acquisition to speed up its regional penetration plan. Barring any unforeseen circumstances, the Directors of N2N believe that the Group's performance for the upcoming financial year ending 31 December 2014 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**

	<b>Current Year Quarter 30 June 2014 RM'000</b>	<b>Current Year To date 30 June 2014 RM'000</b>
(a) Interest income	5	9
(b) Interest expense	264	534
(c) Depreciation and amortisation	1,463	2,856
(d) Net foreign exchange loss	<u>2</u>	<u>5</u>

Other than the above, there were no other income including investment income, gain or loss on disposal of property, plant and equipment, 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 June 2014.



**N2N CONNECT BERHAD (523137-K)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
For The Quarter and Year-To-Date Ended 30 June 2014**

**B6 Taxation**

	<b>Current Year Quarter 30 June 2014 RM'000</b>	<b>Current Year To date 30 June 2014 RM'000</b>
Income tax:		
Current year	<u>-</u>	<u>19</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**

	<b>Current Year 2nd Quarter As At 30 June 2014 RM'000</b>	<b>As At 31 Dec 2013 RM'000</b>
At cost		
Quoted unit trusts *	<u>58</u>	<u>58</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.

**B8 Group's borrowings and debt securities**

	<b>Current Year 2nd Quarter As At 30 June 2014 RM'000</b>	<b>As At 31 Dec 2013 RM'000</b>
<b>Secured</b>		
<b><i>Short-term borrowings</i></b>		
Bank overdraft	287	1,718
Term loan	<u>2,044</u>	<u>2,044</u>
Sub total	2,331	3,762
<b><i>Long-term borrowings</i></b>		
Term loan	<u>13,289</u>	<u>14,311</u>
Grand total	<u>15,620</u>	<u>18,073</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.



**N2N CONNECT BERHAD (523137-K)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
For The Quarter and Year-To-Date Ended 30 June 2014**

**B11 Earnings per share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 June 2014	Preceding Year Corresponding Quarter 30 June 2013	Current Year Quarter 30 June 2014	Preceding Year Corresponding Quarter 30 June 2013
<b>(a) Basic earnings per share</b>				
Net profit attributable to equity holders of the Company (RM'000)	1,617	1,363	3,171	2,370
Weighted average number of ordinary shares in issue ('000)	312,725	299,773	312,725	299,773
Basic earnings/(loss) per share (sen)	0.52	0.45	1.01	0.79
<b>(b) Diluted earnings per share</b>				
Net profit attributable to equity holders of the Company (RM'000)	1,617	1,363	3,171	2,370
Weighted average number of ordinary shares	312,725	299,773	312,725	299,773
Adjusted for:				
Assumed exercise of ESOS at no consideration ('000)	22,826	24,515	22,862	24,515
Adjusted number of ordinary shares ('000)	335,551	324,288	335,587	324,288
Diluted earnings/(loss) per share (sen)	0.48	0.42	0.94	0.73

**B12 Status of corporate proposals announced and completed**

There were no corporate proposals/developments announced at the date of this announcement except for the following:

- i) On 24 April 2014, the Company entered into Subscription Agreements with Nikkei Inc. and QUICK Corp. respectively, both companies incorporated in Japan to undertake a proposed private placement of a total of 122,027,600 new ordinary shares of RM 0.10 each in the Company representing up to approximately 28% of the enlarged issued and paid-up capital of the Company at an issue price of RM 0.89 per Placement Shares.;
- ii) The Company proposed to undertake an increase in authorised share capital of N2N from RM 50,000,000 comprising 500,000,000 N2N Shares to RM 100,000,000 comprising 1,000,000,000 N2N Shares.;
- iii) The Company proposed to undertake an amendment to the Memorandum and Articles of Association of N2N as a consequences to the Proposed Increase in Authorised Share Capital.
- iv) Subsequently on 02 July 2014, item i, ii, iii as mentioned was completed.
- v) On 7 July 2014, the Company entered into a Business License Agreement with QUICK Corp. whereby QUICK Corp. agrees to license to the Company the rights to develop new functions for the TCPro application based on QUICK Corp.'s intellectual properties and also the rights to incorporate the new functions to developed into the TCPro application.
- vi) On 7 July 2014, the Company entered into a Business Alliance Agreement with its major shareholders, QUICK Corp. and Nikkei Inc.. QUICK Corp. and Nikkei Inc. would like the Company to use the said software, technologies, etc. as mentioned in item v) to develop the new terminal services and subsequently for the Company to distribute the news of Nikkei through the said new terminal services in Southeast Asia.



**N2N CONNECT BERHAD (523137-K)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**For The Quarter and Year-To-Date Ended 30 June 2014**

**B13 Utilisation of proceeds from Rights Issue of Warrants**

The status of utilisation of the gross proceeds raised from the Rights Issue of Warrants of RM1.998 million as at 30 June 2014 is as follow:-

<u>Purpose</u>	Proposed to be utilised	Actual utilisation as at 30 June 2014	Intended timeframe for utilisation from date of listing of the Warrants	Unutilised
	RM'000	RM'000		RM'000
Working capital	1,548	1,047	Within to (2) years	501
Estimated expenses for the Rights Issue of Warrants	450	450	Within one (1) month	-
	<u>1,998</u>	<u>1,497</u>		<u>501</u>

**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 2nd Quarter As At 30 June 2014 RM'000	As at 31 Dec 2013 RM'000
Total retained profits		
Realised	10,126	11,835
Unrealised	<u>(30)</u>	<u>(204)</u>
	10,096	11,631
Add: Consolidation adjustments	<u>(37)</u>	<u>(37)</u>
Total retained profits as per consolidated statement of financial position	<u>10,059</u>	<u>11,594</u>

**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 21 August 2014.

By Order of the Board

Tiang Boon Hwa  
 Managing Director

Date : 21 August 2014