

THIS STATEMENT 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.

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N2N CONNECT BERHAD

(523137-K)

(Incorporated in Malaysia)

SHARE BUY-BACK STATEMENT

In relation to the

**PROPOSED RENEWAL OF THE AUTHORITY FOR THE COMPANY
TO PURCHASE UP TO TEN PERCENT (10%) OF ITS
ISSUED AND PAID-UP CAPITAL
("PROPOSED SHARE BUY-BACK")**

The resolution in respect of the above proposal will be tabled as Special Business at the Twelfth Annual General Meeting ("AGM") of N2N Connect Berhad to be held at Wisma N2N, Level 9, Tower 2, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Tuesday, 28 May 2013 at 10:00 a.m.. The Notice of the Twelfth AGM together with the Form of Proxy is set out in the 2012 Annual Report of our Company, which is despatched together with this Statement.

The Form of Proxy should be completed and deposited at the Registered Office of the Company at 3rd Floor, No. 17 Jalan Ipoh Kecil, 50350 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting, should you be unable to attend the AGM or vote in person at the AGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last day and time for lodging the Form of Proxy : Sunday, 26 May 2013 at 10:00 a.m.

Date and time for the AGM : Tuesday, 28 May 2013 at 10:00 a.m.

This Statement is dated 6 May 2013

DEFINITIONS

Except where the context otherwise requires, the following terms shall apply throughout this Statement:-

“Act”	: Companies Act, 1965, as amended from time to time and any re-enactment thereof
“AGM”	: Annual General Meeting
“Articles”	: Articles of Association of N2N
“Board” or “Directors”	: Board of Directors of N2N
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (165570-W)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (635998-W)
“Code”	: Malaysian Code on Take-Overs and Mergers, 2010, as amended 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
“EPS”	: Earnings per share
“ESOS”	: Employees’ Share Option Scheme
“Existing ESOS Options”	: The outstanding 24,559,200 unexercised options under the Company’s ESOS as at 12 April 2013 that were previously granted to the employees and Directors of N2N Group
“Market Day(s)”	: Any day between Monday to Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is opened for the trading of securities
“ACE LR”	: Listing Requirements of Bursa Securities for the ACE Market
“NA”	: Net assets
“N2N” or “Company”	: N2N Connect Berhad (523137-K)
“N2N Group” or “Group”	: N2N and its subsidiaries
“N2N Share(s)” or “Share(s)”	: Ordinary share(s) of RM0.10 each in N2N
“Proposed Share Buy-Back”	: Proposed Renewal of the authority for the Company to purchase up to ten percent (10%) of its issued and paid-up share capital
“Purchased Shares”	: N2N Share(s) to be purchased by the Company pursuant to the Proposed Share Buy-Back
“Record of Depositors”	: A record provided by Bursa Depository under Chapter 24 of the Rules of Bursa Depository
“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 19 March 2013, which was approved by the shareholders of the Company at the Extraordinary General Meeting held on 31 January 2013
“RM” and “sen”	: Ringgit Malaysia and sen respectively
“SC”	: Securities Commission of Malaysia
“Substantial Shareholder(s)”	: Has the meaning given in Section 69D of the Companies Act, 1965
“Treasury Shares”	: Purchased Shares which are or will be retained as treasury shares by the Company (as defined in Section 67A of the Act)
“WAMP”	: Weighted average market price
“Warrants”	: 99,923,600 five (5)-year warrants 2013/2018 issued pursuant to the Rights Issue of Warrants. 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

Words importing the singular shall, where applicable, include the plural and vice versa, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include companies or corporations.

Any enactment referred to in this Statement is a reference to that enactment as for the time being amended or re-enacted.

All references to dates and time in this Statement are references to dates and time in Malaysia, unless otherwise stated.

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PART A

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N2N CONNECT BERHAD

(523137-K)

(Incorporated in Malaysia)

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

6 May 2013

Directors:

Encik 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 Shareholders of N2N Connect Berhad

Dear Sir/Madam

PROPOSED RENEWAL OF THE AUTHORITY FOR THE COMPANY TO PURCHASE UP TO TEN PERCENT (10%) OF ITS ISSUED AND PAID-UP SHARE CAPITAL

1. INTRODUCTION

At the Eleventh Annual General Meeting held on 15 June 2012, the Company had obtained a mandate from its shareholders for the Directors to purchase and/or hold its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company. The said mandate shall in accordance with the ACE LR expire at the conclusion of the forthcoming Twelfth AGM of the Company.

On 9 April 2013, the Board announced the Company's intention to seek a renewal of its shareholders' authorisation for the Proposed Share Buy-Back at the forthcoming Twelfth AGM of the Company.

In view of the existing authority expiring at the conclusion of the forthcoming AGM, the Company proposes to seek new shareholders' mandate on the Proposed Share Buy-Back at the forthcoming Twelfth AGM.

The purpose of this Statement is to provide you with details of the Proposed Share Buy-Back and to seek your approval on the ordinary resolution pertaining to the Proposed Share Buy-Back under Special Business as set out in the 2012 Annual Report to be tabled at the forthcoming AGM and any adjournment thereof. The Notice of the AGM together with the Form of Proxy are enclosed together with the 2012 Annual Report of the Company.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS STATEMENT BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED SHARE BUY-BACK AT THE FORTHCOMING AGM.

2. DETAILS

N2N proposes to seek a renewal of the authority and mandate from the shareholders of the Company to purchase and/or hold up to a maximum of ten percent (10%) of the issued and paid-up ordinary share capital of the Company subject to compliance with Section 67A of the Act, the ACE LR and any prevailing laws, rules, regulations, orders, guidelines and other requirements issued by the relevant authorities.

The Proposed Share Buy-Back shall only be effected on the market of Bursa Securities via its Automated Trading System and shall exclude any direct business transactions as defined in accordance with the Rules of Bursa Securities. The Proposed Share Buy-Back shall be transacted through its appointed stockbroker(s) as approved by Bursa Securities.

2.1 DURATION

The Proposed Share Buy-Back, once approved by the shareholders, shall be effective from the date of the passing of the ordinary resolution pertaining to the Proposed Share Buy-Back at the AGM to be convened and shall remain in force until:-

- (a) the conclusion of the next AGM of N2N following the forthcoming AGM at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

2.2 QUANTUM

The actual number of N2N Shares to be purchased and the timing of the purchases will depend on *inter-alia*, market conditions and sentiments of Bursa Securities as well as the availability of retained profits and/or share premium and financial resources available to the Company. In addition, N2N is required to maintain the necessary public shareholding spread as prescribed in the ACE LR which will limit the number of shares to be purchased.

The maximum aggregate number of Shares which may be purchased by the Company shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company. As at 12 April 2013, the issued and paid-up ordinary share capital of the Company is RM29,977,080 comprising 299,770,800 N2N Shares. The maximum number of N2N Shares which may be purchased by the Company will be up to 29,977,080 N2N Shares.

N2N has an outstanding 24,559,200 unexercised option under the Company's ESOS as at 12 April 2013 that were previously granted to the employees and Directors of N2N Group. In addition, N2N has 99,923,600 Warrants as at 12 April 2013 which remain unexercised and entitle the warrant holders to subscribe for 99,923,600 new N2N Shares.

Assuming that none of the Existing ESOS Options and Warrants are exercised into new N2N Shares, N2N can purchase up to 29,977,080 Shares representing ten percent (10%) of the issued and paid-up share capital of N2N of RM29,977,080 comprising 299,770,800 N2N Shares as at 12 April 2013.

In the event that all the Existing ESOS Options and Warrants are exercised into N2N Shares, the issued and paid-up share capital of N2N will increase to RM42,425,360 comprising 424,253,600 N2N Shares. Consequently, the maximum number of N2N Shares which the Company may purchase is 42,425,360 N2N Shares.

2.3 FUNDING

The Proposed Share Buy-Back will allow the Board to exercise the power of the Company to purchase and hold its shares at any time within the period of validity of the approval of the shareholders for the Proposed Share Buy-Back by using the internal generated funds of the Company and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on the availability of internally generated funds, actual number of N2N Shares to be purchased and/or held and other relevant cost factors. In the event that the Proposed Share Buy-Back is to be financed by bank borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings and that the repayment will not have a material effect on the Company's cashflow. The actual number of N2N Shares to be purchased and/or held will depend on amongst others, the market conditions and sentiments of Bursa Securities as well as the availability of the retained profits, share premium and financial resources available to the Company.

The retained profits and share premium account of the Company based on the audited financial statements for the financial year ended 31 December 2012 and the latest unaudited management accounts as at 31 March 2013, are as follows:

	As at 31 December 2012	As at 31 March 2013
	RM	RM
Retained profits	8,621,830	9,598,224
Share premium	5,332,850	5,336,920

2.4 TREATMENT OF SHARES PURCHASED

In accordance with Section 67A of the Act, the Board may deal with the Purchased Shares in the following manner:-

- (a) to cancel all or part of the Purchased Shares; and/or
- (b) to retain all or part of the Purchased Shares as Treasury Shares; and/or
- (c) to distribute the Treasury Shares as share dividends to the Company's shareholders; and/or
- (d) to resell the Treasury Shares on Bursa Securities.

In the event that the Purchased Shares are held as Treasury Shares, the rights attached to them as to voting, dividends and participation in other distribution and otherwise are suspended and the Treasury Shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including, without limiting the generality of Section 67A of the Act, the provisions of any law or requirements of the Articles or the ACE LR on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

As at the date of this Statement, the Board has yet to make any decision with regard to the treatment of the Purchased Shares and will take into consideration the effects of such treatment to the Group in arriving at its decision. An immediate announcement will be made to Bursa Securities upon each purchase, cancellation and/or resale of shares pursuant to the Proposed Share Buy-Back.

2.5 PUBLIC SHAREHOLDING SPREAD

As at 12 April 2013, the public shareholding spread of the Company based on the issued and paid-up share capital of 299,770,800 Shares was 36.1913%.

The Board is mindful of the requirement that any purchase of N2N Shares by the Company must not result in the public shareholding spread of the Company falling below 25% of its total listed shares.

3. RATIONALE

The authority to purchase the Company's own Shares is sought to enable N2N to have an additional option of utilising its financial resources more efficiently. All things being equal, any purchase of the Company's own Shares, regardless whether the Shares so purchased are retained as Treasury Shares or cancelled, would result in a lower number of Shares being used for the purpose of computing EPS.

The Company may be able to stabilise the supply and demand of N2N's Shares in the open market of Bursa Securities thereby supporting its fundamental values. The Company may retain the Shares so purchased as Treasury Shares with the intention of realising potential gains from the resale of Treasury Shares and/or to reward the shareholders through the distribution of the Treasury Shares as dividends.

4. POTENTIAL ADVANTAGES AND DISADVANTAGES

The financial resources of N2N Group may increase if the Purchased Shares held as Treasury Shares are resold at prices higher than the purchase price. Other advantages of the Proposed Share Buy-Back are outlined in Section 3 above.

The Proposed Share Buy-Back, if implemented, will reduce the financial resources of N2N Group and may result in N2N Group foregoing better investment opportunities that may emerge in the future or, at the least, deprive the Company and the Group of interest income that can be derived from the funds utilised for the Proposed Share Buy-Back. It may also result in a lower amount of cash reserves available for dividends to be declared to shareholders as funds are utilised to purchase Shares. In the event that the Proposed Share Buy-Back is funded by bank borrowings, the Company's net cashflow may decline to the extent of the interest costs associated with such borrowings.

Nevertheless, the Proposed Share Buy-Back is not expected to cause any potential material disadvantage to the Company or its shareholders as any share buy-back exercise will be undertaken only after in-depth consideration of the financial resources of N2N Group and of the resultant impact on its shareholders. The Directors, in exercising any decision on the Proposed Share Buy-Back, will be mindful of the interests of the Company and its shareholders.

5. EFFECTS

For illustrative purposes, assuming the Proposed Share Buy-Back is implemented in full, the effects of the Proposed Share Buy-Back on the share capital, earnings, NA, working capital, gearing and shareholding structure of the Directors and Substantial Shareholders shall be based on two (2) scenarios:

Minimum Scenario : Representing the scenario where none of the Existing ESOS Options and Warrants are exercised

Maximum Scenario : Representing the scenario where all of the Existing ESOS Options and Warrants are exercised

5.1 ISSUED AND PAID-UP SHARE CAPITAL

Assuming the Proposed Share Buy-Back is implemented in full and all the Purchased Shares are cancelled, the effect of the minimum and maximum number of Shares to be bought back as permitted under the Proposed Share Buy-Back on the issued and paid-up share capital of the Company are illustrated below:-

	← Minimum Scenario →		← Maximum Scenario →	
	No. of N2N Shares	Total RM	No. of N2N Shares	Total RM
Issued and paid-up share capital as at 12 April 2013	299,770,800	29,977,080	299,770,800	29,977,080
Assuming full exercise of :				
(i) Existing ESOS Options	-	-	24,559,200	2,455,920
(ii) Warrants	-	-	99,923,600	9,992,360
Enlarged issued and paid-up share capital after the exercise of Existing ESOS Options and Warrants	299,770,800	29,977,080	424,253,600	42,425,360
Less : Maximum number of Shares which may be purchased and cancelled pursuant to the Proposed Share Buy-Back	29,977,080	2,997,708	42,425,360	4,242,536
Resultant issued and paid-up share capital upon completion of the Proposed Share Buy-Back	269,793,720	26,979,372	381,828,240	38,182,824

However, the Proposed Share Buy-Back is not expected to have any effect on the issued and paid-up share capital if the Purchased Shares are retained as Treasury Shares but the rights attached to them in relation to voting, dividends and participation in other distribution or otherwise will be suspended.

5.2 EARNINGS

The effect of the Proposed Share Buy-Back on the earnings and EPS of the Group will depend on, *inter alia*, the number of Purchased Shares, the purchase price of such Shares, the effective funding cost to the Group to finance the Purchased Shares or any loss in interest income to the Group and the proposed treatment of the Purchased Shares.

If the Purchased Shares are retained as Treasury Shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced, and accordingly all other things being equal, the Proposed Share Buy-Back will have a positive impact on the EPS of the Group.

In the event the Purchased Shares are resold subsequently depending on the price at which the said Shares are resold, the Proposed Share Buy-Back may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice-versa.

5.3 NA

The Proposed Share Buy-Back is likely to reduce the NA per Share of the Group if the purchase price exceeds the NA per share of the Group at the time of purchase and vice versa.

In the event the Treasury Shares are resold on Bursa Securities, the NA per share will increase assuming that a gain has been realised and vice versa. Again, the quantum of the increase in NA will depend on *inter alia*, the number of Purchased Shares, the purchase price of such Shares, the effective funding cost to the Group to finance the Purchased Shares or any loss in interest income to the Group and the proposed treatment of the Purchased Shares.

5.4 WORKING CAPITAL

The Proposed Share Buy-Back will reduce the working capital and cash flow of the Group, the quantum of which depends on the purchase price of the Shares and the number of Shares eventually purchased.

For Purchased Shares which are kept as Treasury Shares, upon their resale, the working capital and cash flow of the Group will increase upon receipt of the proceeds of the resale. The quantum of such increase will depend on the actual selling price(s) of the Treasury Shares and the number of Treasury Shares resold.

5.5 GEARING

The effect of the Proposed Share Buy-Back on the gearing of the Company will depend on the proportion of borrowings utilised to fund any purchase of Shares. The utilisation of any borrowings to fund the purchase of any Shares will serve to increase the gearing of the Company.

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5.6 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Assuming the Proposed Share Buy-Back is implemented in full and all the Purchased Shares are cancelled, the proforma effects of the Proposed Share Buy-Back on the shareholdings of the Directors and Substantial Shareholders of N2N, based on the Record of Depositors, Register of Substantial Shareholders and Register of Directors' Shareholdings of N2N as at 12 April 2013, (assuming the Shares are purchased from shareholders other than the Directors and/or Substantial Shareholders of N2N), are as set out below:-

Minimum Scenario

Substantial Shareholders	As at 12 April 2013				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾
N2N Connect Holdings Sdn Bhd	135,449,510	45.62	-	-	135,449,510	50.20	-	-
AmSec Nominees (Asing) Sdn Bhd [Exempt An for AmFraser Securities Pte Ltd (66580 A CL)]	28,000,000	9.43	-	-	28,000,000	10.38	-	-
Tiang Boon Hwa	10,738,944	3.62	145,566,354 ⁽¹⁾	49.02	10,738,944	3.98	145,566,354 ⁽¹⁾	53.95
Lai Su Ping	10,116,844	3.41	146,188,454 ⁽²⁾	49.23	10,116,844	3.75	146,188,454 ⁽²⁾	54.19

Directors	As at 12 April 2013				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾
Tiang Boon Hwa	10,738,944	3.62	145,566,354 ⁽¹⁾	49.02	10,738,944	3.98	145,566,354 ⁽¹⁾	53.95
Lai Su Ping	10,116,844	3.41	146,188,454 ⁽²⁾	49.23	10,116,844	3.75	146,188,454 ⁽²⁾	54.19
Chua Tiong Hoong	779,354	0.26	364,000 ⁽³⁾	0.12	779,354	0.29	364,000 ⁽³⁾	0.13
Cho Wai Loon	200,000	0.07	-	-	200,000	0.07	-	-
Tan Boon Leng	1,232,700	0.42	-	-	1,232,700	0.46	-	-

Notes:-

- ⁽¹⁾ Deemed interested by virtue of his interest in N2N Connect Holdings Sdn Bhd 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 N2N Connect Holdings Sdn Bhd 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⁾ Calculated based on 296,939,600 N2N Shares as at 12 April 2013 (which excludes 2,831,200 N2N Shares that have been purchased and retained as treasury shares).
- ⁽⁵⁾ Calculated based on 269,793,720 N2N Shares (resultant issued shares upon completion of the Proposed Share Buy-Back).

As at 12 April 2013, Mr Tiang Boon Hwa, Madam Lai Su Ping and Mr Chua Tiong Hoong, the Executive Directors of N2N, were granted options pursuant to the ESOS and Rights Issue of Warrants.

Maximum Scenario

Substantial Shareholders	As at 12 April 2013				(I) After Exercise of ESOS / Warrants				(II) After (I) and the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁶⁾	No. of Shares	% ⁽⁶⁾
N2N Connect Holdings Sdn Bhd	135,449,510	45.62	-	-	182,011,979	43.19	-	-	182,011,979	47.67	-	-
AmSec Nominees (Asing) Sdn Bhd [Exempt An for AmFraser Securities Pte Ltd]	28,000,000	9.43	-	-	37,833,333	8.98	-	-	37,833,333	9.91	-	-
Tiang Boon Hwa	10,738,944	3.62	145,566,354 ⁽¹⁾	49.02	17,411,033	4.13	197,361,103	46.83	17,411,033	4.56	197,361,103	51.69
Lai Su Ping	10,116,844	3.41	146,188,454 ⁽²⁾	49.23	15,349,124	3.64	199,423,012	47.32	15,349,124	4.02	199,423,012	52.23
Directors	As at 12 April 2013				(I) After Exercise of ESOS / Warrants				(II) After (I) and the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁶⁾	No. of Shares	% ⁽⁶⁾
Tiang Boon Hwa	10,738,944	3.62	145,566,354 ⁽¹⁾	49.02	17,411,033	4.13	197,361,103	46.83	17,411,033	4.56	197,361,103	51.69
Lai Su Ping	10,116,844	3.41	146,188,454 ⁽²⁾	49.23	15,349,124	3.64	199,423,012	47.32	15,349,124	4.02	199,423,012	52.23
Chua Tiong Hoong	779,354	0.26	364,000 ⁽³⁾	0.12	883,354	0.21	489,200	0.12	883,354	0.23	489,200	0.13
Cho Wai Loon	200,000	0.07	-	-	200,000	0.05	-	-	200,000	0.05	-	-
Tan Boon Leng	1,232,700	0.42	-	-	1,643,866	0.39	-	-	1,643,866	0.43	-	-

Notes:-

- ⁽¹⁾ Deemed interested by virtue of his interest in N2N Connect Holdings Sdn Bhd 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 N2N Connect Holdings Sdn Bhd 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⁾ Calculated based on 296,939,600 N2N Shares as at 12 April 2013 (which excludes 2,831,200 N2N Shares that have been purchased and retained as treasury shares).
- ⁽⁵⁾ Calculated based on 421,422,400 N2N Shares as at 12 April 2013 (which excludes 2,831,200 N2N Shares that have been purchased and retained as treasury shares).
- ⁽⁶⁾ Calculated based on 381,828,240 N2N Shares (resultant issued shares upon completion of the Proposed Share Buy-Back).

6. PURCHASE OF TREASURY SHARES

Details of the purchases made by N2N of its own shares are set out on page 26 of the 2012 Annual Report.

7. IMPLICATIONS RELATING TO THE CODE

Under the Code, if a person, together with persons acting in concert with him (if any), holding more than thirty three percent (33%) but less than fifty percent (50%) of the voting shares of a company, who as a result of a purchase by the company of its own voting shares, increases his holding in any period of six (6) months by an additional two percent (2%) or more of the voting shares of the company, there is an obligation to extend a mandatory take-over offer to acquire the remaining shares not already held by the said person and persons acting in concert with him (“Mandatory Offer”).

The Board does not intend to undertake the Proposed Share Buy-Back such that it will trigger any obligation to undertake a Mandatory Offer pursuant to the Code. However, in the event an obligation to undertake a Mandatory Offer is expected to arise with respect to any parties resulting from the Proposed Share Buy-Back, which is an action outside its direct participation, the relevant parties shall make the necessary application to the SC for an exemption from undertaking the Mandatory Offer under Paragraph 24.1 of Practice Note 9 of the Code prior to any buy-back of the Shares.

Based on the Register of Substantial Shareholders as at 12 April 2013, N2N Connect Holdings Sdn Bhd holds 45.62% of the voting shares of N2N. Assuming the Proposed Share Buy-Back is implemented in full, N2N Connect Holdings Sdn Bhd and the persons acting in concert with it, namely Tiang Boon Hwa and Lai Su Ping, will trigger the obligation to undertake a Mandatory Offer.

8. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save for the consequential increase in the percentage shareholdings and/or voting rights of the Directors (if any) and Substantial Shareholders of the Company as a result of the Proposed Share Buy-Back, none of the Directors and/or Substantial Shareholders of the Company and/or persons connected to them, has any interest, direct or indirect, in the Proposed Share Buy-Back or the resale of the Treasury Shares (if any).

9. BOARD’S RECOMMENDATION

The Board, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is fair, reasonable and in the best interest of the Company and its shareholders. Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

10. ANNUAL GENERAL MEETING

The Twelfth AGM, the notice of which is enclosed in the 2012 Annual Report of N2N, will be held at at Wisma N2N, Level 9, Tower 2, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Tuesday, 28 May 2013 at 10:00 a.m. for the purpose of considering and if thought fit, passing, *inter alia*, the Ordinary Resolution on the Proposed Share Buy-Back under the agenda of Special Business as set out in the 2012 Annual Report of the Company.

You will also find in the 2012 Annual Report of N2N, a copy of the Form of Proxy. If you are unable to attend and vote in person at the Twelfth AGM, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed therein as soon as possible and in any event, so as to arrive at the Company’ Registered Office at 3rd Floor, No. 17 Jalan Ipoh Kecil, 50350 Kuala Lumpur at least forty-eight (48) hours before the time set for the Twelfth AGM. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the Twelfth AGM should you subsequently wish to do so.

11. FURTHER INFORMATION

Shareholders are requested to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board of Directors of
N2N CONNECT BERHAD

IZLAN BIN IZHAB
Independent Non-Executive Chairman

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ADDITIONAL INFORMATION

1. Directors' Responsibility Statement

This Statement has been seen and approved by the Board who, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statement or other facts, which if omitted, would make any statement herein false or misleading.

2. Material Litigation, Claims or Arbitration

As at the date of this Statement, N2N Group has not engaged in any material litigations, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of N2N Group and the Directors of N2N are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the N2N Group.

3. Material Contracts

Save as disclosed below, there are no other material contract (not being a contract entered into in the ordinary course of business) entered into by N2N and its subsidiaries within two (2) years immediately preceding the date of this Statement:

- (a) Sale and purchase agreement dated 3 June 2011 entered into between Bangsa 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.
- (b) Deed Poll executed by N2N dated 5 March 2013 to constitute the Warrants and to govern the rights of holders of the Warrants

4. Documents for Inspection

Copies of the following documents may be inspected at the Company's Registered Office at 3rd Floor, No. 17 Jalan Ipoh Kecil, 50350 Kuala Lumpur, between 9.00 a.m. and 5.00 p.m. from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the forthcoming AGM:

- (i) Memorandum and Articles of Association of N2N; and
- (ii) Audited consolidated financial statements of N2N for the past two (2) financial years ended 31 December 2011 and 31 December 2012.

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RESOLUTION TO APPROVE THE PROPOSED SHARE BUY-BACK

ORDINARY RESOLUTION**❖ PROPOSED RENEWAL OF THE AUTHORITY FOR N2N CONNECT BERHAD TO PURCHASE UP TO TEN PERCENT (10%) OF ITS ISSUED AND PAID-UP SHARE CAPITAL (“PROPOSED SHARE BUY-BACK”)**

“THAT, subject to the Companies Act, 1965, the Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market (“ACE LR”) and the approval of such relevant government and/or regulatory authorities where necessary, the Company be and is hereby authorised to purchase its own ordinary shares of RM0.10 each (“Shares”) on the ACE Market of Bursa Securities (“Proposed Share Buy-Back”) at any time, upon such terms and conditions as the Directors shall in their discretion deem fit and expedient in the best interest of the Company provided that:-

- (a) The aggregate number of Shares in the Company which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the prevailing issued and paid-up share capital of the Company at the time of purchase and the compliance with the public shareholding spread requirements as stipulated in Rule 8.02(1) of the ACE LR or such other requirements as may be determined by Bursa Securities from time to time;
- (b) The maximum funds to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the audited retained profits and/or share premium account of the Company of RM8,621,830 and RM5,332,850 respectively as at 31 December 2012;
- (c) The authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-
 - (i) the conclusion of the next Annual General Meeting (“AGM”) at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
 - (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;
 whichever occurs first; and
- (d) Upon the purchase by the Company of its own Shares, the Board of Directors of the Company (“Board”) be and is hereby authorised to:-
 - (i) cancel all or part of the Shares purchased pursuant to the Proposed Share Buy-Back (“Purchased Shares”); and/or
 - (ii) retain all or part of the Purchased Shares as treasury shares; and/or
 - (iii) distribute the treasury shares as share dividends to the Company’s shareholders for the time being; and/or
 - (iv) resell the treasury shares on Bursa Securities.

AND THAT authority be and is hereby given to the Board to take all such steps as are necessary or expedient to implement, finalise and give full effect to and to implement the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be required or imposed by the relevant authorities from time to time and to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company.”

Note:

The above resolution is for information purposes only. Please refer to the Notice of the Twelfth AGM set out in the Company’s 2012 Annual Report despatched together with this Statement.