

N2N CONNECT BERHAD (“N2N” OR THE “COMPANY”)

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On behalf of the Board of Directors of N2N (“**Board**”), Affin Hwang Investment Bank Berhad (“**Affin Hwang IB**”) wishes to announce that the Company proposes to undertake a proposed private placement of 52,041,431 new ordinary shares in N2N (“**N2N Share(s)**” or “**Share(s)**”) (“**Placement Share(s)**”), representing 10% of the total number of issued shares in N2N (excluding treasury shares), to SBI Holdings, Inc. (“**SBI**” or “**Investor**”) at an issue price of RM1.25 per Placement Share (“**Issue Price**”) (“**Proposed Private Placement**”).

Further details of the Proposed Private Placement are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

As at 4 June 2018, being the latest practicable date prior to the date of this announcement (“**LPD**”), the issued share capital of N2N is RM195,935,115 comprising 545,836,410 N2N Shares, of which 25,422,100 N2N Shares are held as treasury shares by the Company. Further, the Board confirms that they have no intention to sell the treasury shares held by the Company prior to the completion of the Proposed Private Placement.

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 (“**Act**”) obtained from the shareholders of the Company at its 17th Annual General Meeting (“**AGM**”) held on 25 May 2018, whereby the Board has been authorised to allot and issue new N2N Shares not exceeding 10% of the total number of issued shares in the Company (excluding treasury shares) (“**General Mandate**”). The authority shall continue to be in force until the conclusion of the next AGM of the Company.

The Proposed Private Placement is expected to be implemented in a single tranche, subject to the General Mandate or a new mandate being obtained from the shareholders of the Company under Sections 75 & 76 of the Act, if the General Mandate expires before the Proposed Private Placement is fully implemented.

2.1 Basis of determining the issue price of the Placement Shares

The Issue Price of the Placement Share has been fixed by the Board at RM1.25 per Placement Share on 6 June 2018 (“**Price-fixing Date**”).

The Issue Price was arrived at after taking into consideration the prevailing market price of N2N Shares and the negotiations between the Company and SBI. The Issue Price represents a premium of approximately 12.61% or RM0.14 to the five (5)-day volume weighted average market price (“**VWAP**”) of N2N Shares up to and including 5 June 2018, being the last market day prior to the Price-Fixing Date of RM1.11.

2.2 Ranking of the Placement Shares

The Placement Shares will, upon issuance and allotment, rank *pari passu* in all respects with the existing N2N Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid by the Company for which the entitlement date precedes the date of issuance and allotment of the Placement Shares.

2.3 Listing of and quotation for the Placement Shares

An application will be made to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

3. INFORMATION ON SBI

SBI was incorporated in Japan on 8 July 1999 under the name Softbank Investment Corporation. Subsequently, on July 2005, it had changed its name to SBI Holdings, Inc. In February 2002, it was listed on the First Section of Tokyo Stock Exchange.

SBI, together with its subsidiaries, operate in the financial services business, asset management business and biotechnology-related business segments. The financial services business segment consists of a wide range of finance-related business, including securities brokerage business, banking services business, and life, property and casualty insurance business. The asset management business segment primarily consists of fund management and investment in internet technology, biotechnology, and finance-related venture companies in Japan and abroad and asset management related services. The biotechnology-related business segment involves development and distribution of pharmaceutical products, health foods, cosmetics, and research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology.

As of 31 March 2018, the issued and paid-up share capital of SBI is approximately JPY81,681 million (equivalent to approximately RM2,972 million based on the exchange rate of JPY100: RM3.6380 (middle rate, for session 1700) as at 30 March 2018 as extracted from Bank Negara Malaysia's website) comprising 224,561,761 shares.

As of 31 March 2018, the Directors of SBI are as follows:

Name	Designation
Yoshitaka Kitao	Representative Director, President & Chief Executive Officer
Katsuya Kawashima	Representative Director, Senior Executive Vice President & Co- Chief Operating Officer
Takashi Nakagawa	Representative Director, Senior Executive Vice President & Co-Chief Operating Officer
Tomoya Asakura	Director & Senior Managing Executive Officer
Shumpei Morita	Director & Senior Managing Executive Officer
Masato Takamura	Director & Senior Managing Executive Officer
Kazuhiro Nakatsuka	Director & Managing Executive Officer
Tatsuo Shigemitsu	Director & Managing Executive Officer
Masayuki Yamada	Director & Executive Officer
Masaki Yoshida	Director
Teruhide Sato	Director
Ayako Hirota Weissman	Director
Heizo Takenaka	Director
Hirofumi Gomi	Director
Yoshitaka Asaeda	Director
Yasuhiro Suzuki	Director

As of 31 March 2018, the substantial shareholder of SBI and its shareholdings are as follows:

Name	< ----- Direct ----- >	
	No. of shares	%
Japan Trustee Services Bank, Ltd. (Trust account)	20,094,100	9.10 ⁽ⁱ⁾

Note:

- (i) The treasury stocks have been excluded in calculating the percentage of the shares held by the shareholder.

4. UTILISATION OF PROCEEDS

Based on the Issue Price of RM1.25 for each Placement Share, the Proposed Private Placement is expected to raise gross proceeds of approximately RM65.05 million. The proceeds to be raised from the Proposed Private Placement are expected to be utilised by N2N and its subsidiaries ("**N2N Group**" or "**Group**") in the following manner:

Details of utilisation	RM'000	Estimated timeframe for the utilisation of proceeds from the date of completion of the Proposed Private Placement
Business expansion ⁽ⁱ⁾	64,902	Within 24 months
Estimated expenses for the Proposed Private Placement ⁽ⁱⁱ⁾	150	Within 1 month
Total	65,052	

Notes:

- (i) N2N intends to utilise approximately RM64.90 million to enter into business alliances with SBI and its group of companies ("**SBI Group**") which may include acquisitions of strategic investments and/or entering into strategic collaborations, joint ventures or alliances with SBI Group ("**Proposed Business Alliances**"). The Proposed Business Alliances will largely be complementary to the existing business of N2N. N2N is in the midst of discussions with SBI Group on the Proposed Business Alliances. At this juncture, the terms and conditions to the Proposed Business Alliances have yet to be finalised or agreed upon. The relevant announcements will be made upon finalisation of the terms of the Proposed Business Alliances or N2N having entered into any agreements in respect of the Proposed Business Alliances. In the event the approval of the shareholders of N2N is required pursuant to the ACE Market Listing Requirements of Bursa Securities ("**Listing Requirements**") for the Proposed Business Alliances, such approval will be sought in accordance with the provisions of the Listing Requirements.
- (ii) The estimated expenses consist of professional fees, fees payable to authorities as well as other miscellaneous expenses to be incurred in relation to the Proposed Private Placement. Any variation to the estimated expenses for the Proposed Private Placement will be adjusted to or from the business expansion above.

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds would be placed in deposits with financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or instruments will be used as working capital for the Group.

5. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will provide N2N with an avenue to raise capital in a cost effective manner.

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising as:

- (i) it enables the Group to raise additional funds without having to incur interest expense or service principal repayment as compared to conventional bank borrowings or the issuance of debt securities. This would allow the Company to preserve cash flow for reinvestment and/or operational purposes for further growth;
- (ii) it is an expeditious way of raising funds from the capital market as opposed to a pro-rata issuance of securities (such as a rights issue) which is comparatively more time consuming and costly; and
- (iii) it enables the Company to strengthen its equity base and balance sheet as its shareholders' funds is expected to increase to approximately RM252.99 million.

The Company is in the midst of discussions with SBI Group on the Proposed Business Alliances which involve leveraging on the financial technology ("FinTech") and brokerage networks of the parties. The Proposed Business Alliances are expected to contribute and expedite N2N's plans to build an 'Asia Trading Hub' that would connect all their panel brokers across 8 to 12 countries. The Proposed Business Alliances will largely be complementary to the existing business of N2N. At this juncture, the terms and conditions of the Proposed Business Alliances have yet to be finalised or agreed upon. Any developments on the Proposed Business Alliances will be announced in due course and to the extent any approval of the shareholders of N2N is required for the Proposed Business Alliances, such approval will be sought accordingly.

The Proposed Private Placement is aligned with the intention of N2N and SBI Group to collaborate on the Proposed Business Alliances.

Based on the Issue Price, the Proposed Private Placement will enable N2N to raise gross proceeds of approximately RM65.05 million for utilisation as set out in Section 4 of this announcement.

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

6.1 Issued Share Capital

For illustrative purposes, the proforma effects of the Proposed Private Placement on the issued share capital of the Company are as follows:

	No. of Shares	RM
Issued share capital as at the LPD	545,836,410	195,935,115
Less: Treasury shares	(25,422,100)	(22,399,423)
	520,414,310	173,535,692
Shares to be issued pursuant to the Proposed Private Placement	52,041,431	⁽ⁱ⁾ 65,051,789
Enlarged issued share capital	572,455,741	238,587,481

Note:

- (i) Assuming the Placement Shares are issued at the Issue Price of RM1.25 per Placement Share and the amount is fully credited to the share capital account in accordance with the Act.

6.2 Net assets (“NA”), NA per Share and gearing

Based on the audited consolidated financial statements of N2N as at 31 December 2017, the proforma effects of the Proposed Private Placement on the NA, NA per Share and gearing of N2N Group are as follows:

Group Level	Audited as at 31 December 2017 RM	Adjusted for subsequent events RM	After the Proposed Private Placement RM
Share capital	163,640,704	⁽ⁱ⁾⁽ⁱⁱ⁾ 195,935,115	^(v) 260,986,904
Exchange reserve	(8,233,328)	(8,233,328)	(8,233,328)
Warrants reserve	1,383,126	-	-
Treasury shares	(5,831,986)	⁽ⁱⁱⁱ⁾ (22,399,423)	(22,399,423)
Retained profits	38,562,649	^{(ii)(iv)} 22,786,084	^(vi) 22,636,084
Equity attributable to owners of the Company	189,521,165	188,088,448	252,990,237
No. of Shares in issue (excluding treasury shares)	469,784,998	520,414,310	572,455,741
NA per Share (RM)	0.40	0.36	0.44
Total borrowings (RM)	69,385,556	69,385,556	69,385,556
Gearing ratio (times)	0.37	0.37	0.27

Notes:

- (i) After adjusting for 68,711,512 warrants which were exercised at an exercise price of RM0.45 per warrant from 1 January 2018 up to the expiry of warrants on 6 April 2018.
- (ii) After adjusting for the reversal of warrants reserve of RM1,374,230 to share capital due to the exercise of 68,711,512 warrants and RM8,896 to retained earnings due to expiry of 444,790 warrants on 6 April 2018.
- (iii) After adjusting for a total of 18,082,200 N2N Shares which were repurchased by the Company for a total cash consideration of RM16,567,437.
- (iv) After adjusting for the first interim dividend of RM0.03 per N2N Share in respect of financial year ended 2017 amounting to RM15,785,461, which was declared on 1 March 2018 and paid on 28 March 2018.
- (v) Assuming 52,041,431 Placement Shares are placed out at the issue price of RM1.25 per Placement Share.
- (vi) After deducting estimated expenses in relation to the Proposed Private Placement of approximately RM150,000.

6.3 Earnings and earnings per Share (“EPS”)

The Proposed Private Placement is not expected to have any material effect on the earnings of the N2N Group for the financial year ending 31 December 2018, except for the potential dilution in the EPS of N2N Group as a result of the increase in the number of N2N Shares in issue arising from the Proposed Private Placement. Nevertheless, the utilisation of the proceeds from the Proposed Private Placement is expected to contribute positively to the future earnings of N2N Group.

6.4 Substantial shareholders' shareholdings

The proforma effects of the Proposed Private Placement on the shareholdings of the substantial shareholders of N2N are as follows:

Substantial shareholders	As at the LPD				After the Proposed Private Placement			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
N2N Connect Holdings Sdn Bhd	156,898,416	30.15	-	-	156,898,416	27.41	-	-
CIMSEC Nominees (Asing) Sdn Bhd Pledged Securities Account for Nikkei Inc	61,013,800	11.72	-	-	61,013,800	10.66	-	-
CIMSEC Nominees (Asing) Sdn Bhd Pledged Securities Account for Quick Corp	61,013,800	11.72	-	-	61,013,800	10.66	-	-
Tiang Boon Hwa	17,421,033	3.35	⁽ⁱ⁾ 174,939,273	33.62	17,421,033	3.04	⁽ⁱ⁾ 174,939,273	30.56
Lai Su Ping	18,040,857	3.47	⁽ⁱⁱ⁾ 174,319,449	33.50	18,040,857	3.15	⁽ⁱⁱ⁾ 174,319,449	30.45
SBI	-	-	-	-	52,041,431	9.09	-	-

Notes:

- (i) Deemed interested by virtue of his interest in N2N Connect Holdings Sdn Bhd and his spouse, Lai Su Ping's interest, pursuant to Sections 8 and 59 of the Act.
- (ii) Deemed interested by virtue of her interest in N2N Connect Holdings Sdn Bhd and her spouse, Tiang Boon Hwa's interest, pursuant to Sections 8 and 59 of the Act.

6.5 Convertible securities

As at the LPD, the Company does not have any convertible securities.

7 APPROVALS REQUIRED

The Proposed Private Placement is subject to the approvals being obtained from the following:

- (i) Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities; and
- (ii) any other relevant authorities/parties, if required.

8 INTER-CONDITIONALITY

The Proposed Private Placement is not conditional or inter-conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

9 INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of N2N and/or persons connected with them have any interest, either direct and/or indirect in the Proposed Private Placement.

10 DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Private Placement (including, but not limited to the rationale and the effects as set out in Sections 5 and 6 of this announcement, respectively), is of the opinion that the Proposed Private Placement is in the best interest of the Group and its shareholders.

11 ADVISER

Affin Hwang IB has been appointed to act as the Principal Adviser and the Placement Agent for the Proposed Private Placement.

12 APPLICATION TO THE RELEVANT AUTHORITIES

The listing application to Bursa Securities for the Proposed Private Placement is expected to be made within 1 month from the date of this announcement.

13 ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed by the second quarter of 2018.

This announcement is dated 6 June 2018.