

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

PROPOSED TRANSFER OF THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED SHARE CAPITAL AND THE OUTSTANDING WARRANTS 2019/2024 OF N2N FROM THE ACE MARKET TO THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) (“PROPOSED TRANSFER”)

1. INTRODUCTION

On behalf of the Board of Directors of N2N (“**Board**”), Public Investment Bank Berhad (“**PIVB**”) wishes to announce that N2N proposes to undertake the Proposed Transfer.

Further details on the Proposed Transfer are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED TRANSFER

The Proposed Transfer entails the transfer of the listing of and quotation for the entire issued share capital and the outstanding warrants 2019/2024 as constituted by the deed poll dated 19 December 2018 and expiring on 8 January 2024 (“**Warrants**”) of N2N from the ACE Market to the Main Market of Bursa Securities. As at 4 June 2020, being the latest practicable date prior to the date of this announcement (“**LPD**”), the issued share capital of N2N is RM260,987,118.50 comprising 597,878,101 ordinary shares in N2N (“**N2N Shares**”) (including 39,673,900 N2N Shares held as treasury shares). In addition, the outstanding Warrants of N2N as at the LPD is 140,089,694 Warrants.

N2N and its subsidiaries (“**N2N Group**” or “**Group**”) have met the requirements for the Proposed Transfer as set out in the Equity Guidelines issued by the Securities Commission Malaysia (“**SC**”) (“**Equity Guidelines**”) and the Main Market Listing Requirements of Bursa Securities (“**Listing Requirements**”), which include, amongst others, the following:

(i) Profit requirements

N2N is seeking the transfer of its listing from the ACE Market to the Main Market of Bursa Securities based on the profit test pursuant to Paragraph 5.02(a) of the Equity Guidelines.

N2N has recorded an adjusted audited consolidated profit after tax (“**PAT**”) attributable to owners of the Company of RM15.50 million for the most recent financial year ended (“**FYE**”) 31 December 2019 and an aggregate adjusted consolidated PAT attributable to owners of the Company of RM43.31 million for the past three (3) FYEs 31 December 2017 to 2019, as set out below:

	FYE 31 December			Total
	(a)2017	(a)2018	(a)2019	
	RM'000	RM'000	RM'000	
PAT attributable to owners of the Company	23,978	13,156	15,687	52,821
Less: Adjustments				
• Unrealised gain on foreign exchange arising from non-trade transactions ^(b)	(8,209)	-	(181)	(8,390)
• Fair value gain on financial assets at fair value through profit and loss ^(b)	(1,068)	-	(2)	(1,070)
• Gain on disposal of property, plant and equipment ^(b)	(14)	(29)	(4)	(47)
Adjusted consolidated PAT attributable to owners of the Company	14,687	13,127	15,500	43,314

Notes:

- (a) Based on the audited consolidated financial statements of N2N.
- (b) These other operating income are non-recurring in nature and not in the ordinary course of the business of the Group.

Accordingly, N2N has met the profit requirements of the Equity Guidelines based on its audited consolidated financial statements with an aggregate PAT of at least RM20 million for the past three (3) full financial years, and a PAT for the most recent financial year of at least RM6 million.

(ii) Financial position and liquidity

N2N's financial position based on the audited consolidated statement of financial position as at 31 December 2019 is set out as follows:

	Audited
	As at 31 December 2019
	RM'000
Retained profits	40,645
Net assets ("NA") / Total equity	255,901
Total borrowings	20,465
Gearing (times) ^(a)	0.08
Working capital ^(b)	145,972
Current ratio (times) ^(c)	6.12
Cash and bank balances (excluding deposits with licensed banks of RM0.35 million and marketable securities of RM82.52 million)	54,753

Notes:

- (a) Computed based on total borrowings over total equity as at 31 December 2019.
- (b) Computed based on current assets less current liabilities as at 31 December 2019.
- (c) Computed based on current assets over current liabilities as at 31 December 2019.

Further, the Group has recorded positive net cash flow from operating activities in the past three (3) FYEs 31 December 2017 to 2019, as set out below:

	FYE 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Net cash flow from operating activities	39,219	17,390	11,752

Accordingly, the Group is in a healthy financial position with sufficient level of working capital for at least 12 months from the date of this announcement, positive cash flow from operating activities and no accumulated losses based on its latest audited statement of financial position as at 31 December 2019.

(iii) Public shareholding spread

Pursuant to the Listing Requirements, the Company is required to meet a public shareholding spread of at least 25% of the total number of listed shares (excluding treasury shares) to be in the hands of a minimum number of 1,000 public shareholders holding not less than 100 shares each.

Based on the Record of Depositors of N2N as at the LPD, 32.29% of the total number of issued N2N Shares were held by 2,788 public shareholders holding not less than 100 N2N Shares each.

3. RATIONALE FOR THE PROPOSED TRANSFER

The Proposed Transfer will represent another landmark for N2N subsequent to its listing on the MESDAQ Market (now known as the ACE Market) of Bursa Securities on 28 November 2005. The Proposed Transfer signifies the financial strength of the Group as it has met the profit track record requirements for a transfer to the Main Market of Bursa Securities.

The Board is of the view that the Proposed Transfer will enhance the Company's credibility, prestige and reputation, and accord the Company with greater recognition and acceptance amongst investors, including institutional investors, while reflecting the Group's current scale of operations. Therefore, this will in turn enhance the attractiveness and marketability of N2N Shares and Warrants.

Additionally, the Proposed Transfer is also expected to enhance the confidence of the Group's customers, suppliers, business associates, employees and shareholders, through N2N's profile as a company listed on the Main Market of Bursa Securities.

4. EFFECTS OF THE PROPOSED TRANSFER

The Proposed Transfer will not have any effect on the issued share capital and substantial shareholders' shareholdings of the Company as well as the NA, gearing, earnings, earnings per share and convertible securities the Group.

5. APPROVALS REQUIRED

The Proposed Transfer is subject to the following approvals being obtained:

- (i) SC for the Proposed Transfer;
- (ii) Equity Compliance Unit of the SC for the Proposed Transfer;
- (iii) Bursa Securities for the Proposed Transfer; and
- (iv) any other relevant authorities, if required.

For information purposes, the shareholders of N2N had on 12 December 2018, approved the resolution in relation to the proposed amendments to the Constitution of the Company to facilitate the implementation of the Proposed Transfer.

The Proposed Transfer is not conditional upon any other proposals undertaken or to be undertaken by the Company.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSON CONNECTED WITH THEM

None of the Directors and/or major shareholders of the Company and/or persons connected with them has any interest, either direct or indirect, in the Proposed Transfer.

7. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Transfer, is of the opinion that the Proposed Transfer is in the best interest of the Company.

8. ADVISER

The Board has appointed PIVB as the Principal Adviser for the Proposed Transfer.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Transfer is expected to be completed in the 4th quarter of 2020.

10. APPLICATION TO THE AUTHORITIES

The applications to the SC in relation to the Proposed Transfer are expected to be made within two (2) months from the date of this announcement.

This announcement is dated 26 June 2020.