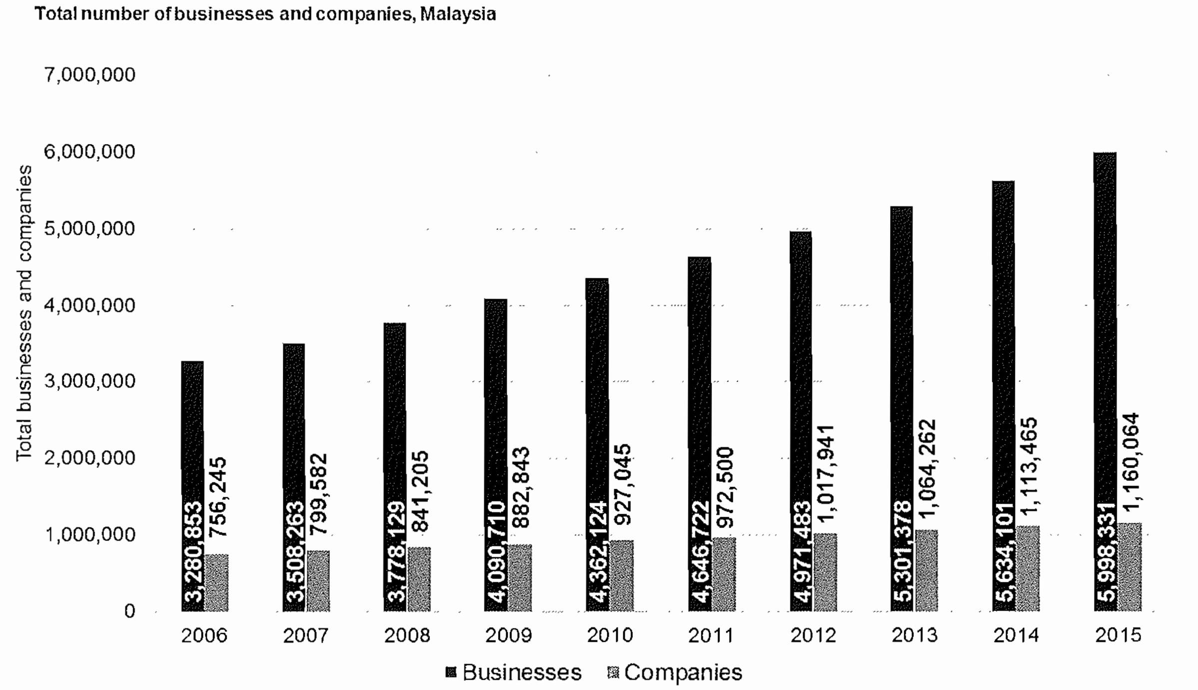
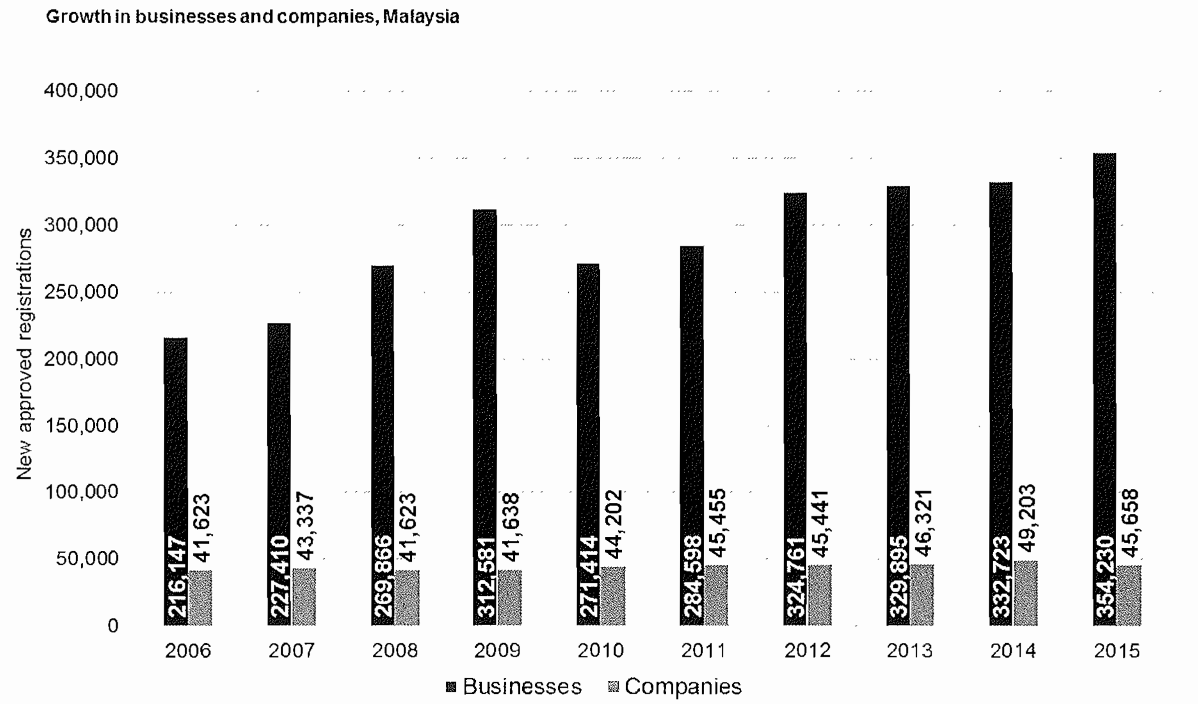
Growth in businesses and companies in Malaysia [a]





[a] *Latest available as at 14 April 2017*

Source: Companies Commission of Malaysia

Availability of investments drive growth in new companies and businesses

Malaysia witnessed two (2)-way capital flows, where foreign inflows were strong as a result of resilient growth prospects. In 2016, Malaysia attracted RM207.9 billion in approved direct investments in mostly high quality private investments, bearing testament to the resilience of Malaysia's economy amid external challenges, the plunge in demand and prices for hydrocarbons and other commodities, as well as the weakening Ringgit against the United States Dollar. Of the total investments approved in 2016, domestic investments accounted for RM148.9 billion or 71.6%, while FDI accounted for the remaining RM59.0 billion or 28.4%.

The ETP has a defined structure for the manufacturing and services sectors to contribute to Malaysia's continued growth through high impact projects and business opportunities across the economy. Malaysia's investment performance in 2015 supports the nation's goal in fulfilling the objectives of the ETP where it attracted a total of RM186.7 billion worth of investments, with RM113.8 billion under ETP projects (60.9% of total investments in 2015) and the remaining RM72.9 billion under non-ETP related projects.

The services sector received investments of RM141.2 billion or 67.9% of total investments in 2016 from 4,199 projects, of which domestic investments accounted for RM112.9 billion (80.0%) and foreign investments accounted for RM18.3 billion (20.0%). The real estate segment was the main contributor of approved investments worth RM64.1 billion, followed by the global establishment segment (RM14.1 billlion), financial services segment (RM13.7 billion), utilities (RM10.6 billion) and distributive trade segment (RM9.7 billion). The manufacturing sector attracted RM58.5 billion of investments in the same period from 733 projects, of which RM27.4 billion was foreign investments compared to RM31.1 billion worth of domestic investments. In 2016, the primary sector received RM8.2 billion of investments where foreign investments comprised RM3.3 billion and domestic investments comprised the remaining RM4.9 billion. The mining segment, plantation and commodities segment and agriculture segment received RM7.6 billion, RM0.5 billion and RM0.1 billion respectively in 2016.

As the nation strives to position itself as an ideal destination for investments into high value-added, high technology, knowledge-intensive and innovation-based industries, businesses and companies will need to transform in terms of current business practices and infrastructure in order to expand in scale and reach. This signifies positively for the ICT services industry in Malaysia, where investments in telecommunications, computer services and information services are expected to witness growth.

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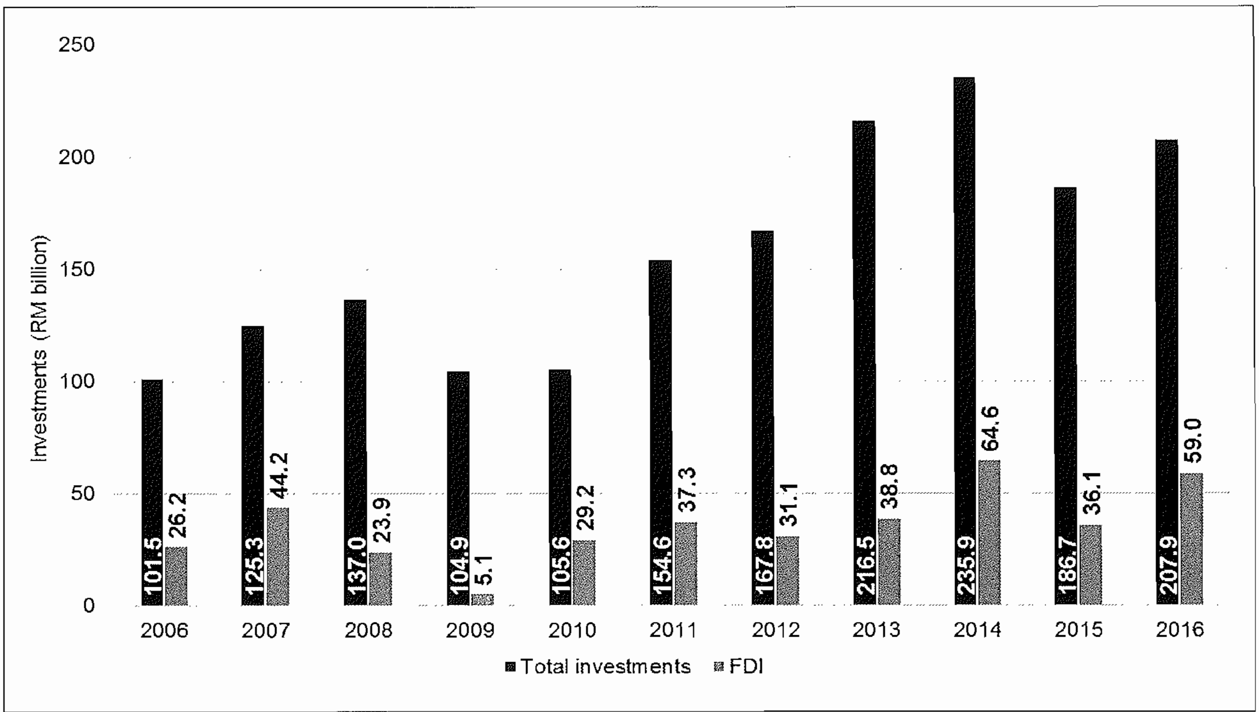
Total investments and FDI inflows into Malaysia



Source: Department of Statistics Malaysia

Supporting Government plans, policies and incentives drive overall economic growth

The ETP (2011 – 2020) was launched in 2010 with a goal to promote Malaysia into an inclusive and sustainable high-income country by the year 2020. Through the ETP, Malaysia will focus on developing a large and thriving services sector to supplement the nation's historical strengths in oil and gas, agriculture and manufacturing; a balanced economy with significant contributions from private consumption and investment as well as from Government spending and exports; and productivity levels similar to those of other leading Asian economies through developing an economy that is more heavily driven by skills, innovation and knowledge. The transformation of Malaysia's economy will require improvements in private investments and investments in human capital. The Government targets to achieve a 6.0% growth rate in private investments and enhance investments in human capital to support an economy based on high-skilled labour, knowledge and innovation.

The ETP further identifies 12 drivers of economic growth of focus, namely Greater Kuala Lumpur/Klang Valley; oil, gas and energy; financial services; wholesale and retail; palm oil; tourism; electronics and electrical; business services; communications content and infrastructure; education; agriculture; and healthcare, each with identified high impact projects that have potential to contribute to gross national income and employment. The ETP's transformation of Malaysia's economy will be led by the private sector, where 92.0% of over RM1.4 trillion investments will be funded by the private sector. FDI inflows are expected to account for RM358.0 billion, or 25.6% of private investments.

The ETP presents opportunities for companies and businesses in Malaysia as it targets to grow a number of new national and regional champions by 2020 that will drive long-term growth in areas including financial services, business services and healthcare services. SMEs are expected to play a more significant role across the economy, where in education, agriculture, electronics and electrical and palm oil sectors, SME participation will be actively encouraged through the provision of financial support and better access to research and technologies as well as from improvements to infrastructure.

The Government also introduced the Limited Liability Partnership Act to the public in 2011 as an alternative option for new businesses. The Limited Liability Partnership Act helps to promote entrepreneurship among the younger generation in Malaysia and protects the rights of entrepreneurs.

In May 2015, the Government tabled the 11MP (2016 – 2020) which outlined the nation's development expenditure until 2020. The development of the 11MP was guided by MyNDS which focuses on rapidly delivering high impact on both the capital and people economies at low cost to the Government. The capital economy focuses on GDP growth, big businesses, large investment projects, and financial markets, while the people economy focuses on with what matters most to the people, which includes jobs, small businesses, the cost of living, family wellbeing, and social inclusion. The ICT industry in Malaysia is expected to benefit from the ICT-specific strategies and initiatives outlined in the 11MP.

Initiatives announced under 11MP, specific to the ICT industry in Malaysia

Focus area	Description
Uplifting B40 households towards a middle-class society	▪ Enhancing adoption of ICT • The adoption of ICT will be accelerated to increase access to information on agriculture, business, education and health, and expand business and income earning opportunities to improve wellbeing. In this regard, the eRezeki programme for B40 households will be expanded to enable the use of ICT to generate additional income. Basic ICT training will be provided before matching participants of the eRezeki programme with relevant jobs such as data entry, price monitoring, and document translation. These micro-tasks can be accomplished from homes or telecentres. • Business support through digital platforms for micro-enterprises will be expanded to enhance outreach and market access. To further expand the e-payment platform for micro-enterprises, affordable terminals and readers that are integrated with e-commerce solutions will be provided. In addition, online business-matching services to local entrepreneurs will be introduced in telecentres.
Achieving universal access to quality healthcare	▪ Improving system delivery for better health outcomes • The Government will review and formulate health legislations and intensify enforcement through strengthened coordination between government agencies and the private sector. For example, the Government will consolidate health-related enforcement units in areas such as pharmaceutical, disease control, food safety, hygiene, and cleanliness, as well as medical practice and professionalism. • Healthcare services will adopt lean management practices to streamline work processes and procedures in order to enhance effectiveness and efficiency. This includes optimising efforts in bed management, robust operation theatre scheduling, and best practice treatment. Expected outcomes include the release of latent capacity or bed days, shortened patient waiting times, improved patient outcomes and satisfaction, and optimised use of healthcare resources. The Government will also implement the hospital cluster concept in selected locations, where hospitals within the same geographical location will work as one (1) unit, sharing resources such as assets, amenities, and human resource. • The Government will implement the eHealth strategy, which incorporates existing ICT systems into one (1) system-wide model to enhance health data management, and support research, development and commercialisation

Focus area	Description
	initiatives. The Government will also work with the private sector to increase information sharing and strengthen the role of the private sector in service delivery. To drive innovation through research, development and commercialisation activities, partnerships across the quadruple helix of government, industry, universities, and research institutions will be promoted. • Initiatives will also focus on improving pre-hospital care such as ambulance services, as well as accident and emergency services. Collaboration among agencies that provide ambulance services, private healthcare providers, and non-governmental organisations will be strengthened to improve response time and better utilise resources.
Transforming services	▪ Accelerating human capital development • Key structural challenges in human capital development will be addressed while developing soft skills needed by the services sector. Initiatives will focus on delivering the skills most critical to industries through existing graduate employability programmes. Greater collaboration between industries and higher education institutions will also be fostered, including the provision of more structured internship programmes. A co-funded scholarship programme between the Government and SMEs will be developed to enable the latter to tap on high-quality talent. Within the ICT industry, a professional body to govern professional competencies and ethics in ICT will be considered to ensure ICT professionals' competencies are on par with global standards. This professional body will enhance the value of the profession, raise professional standards, review qualifications, provide assurance of quality, and serve as the central repository database of registered ICT professionals. It will also enable Malaysia to be a signatory to the Seoul Accord, a multilateral agreement among agencies responsible for the accreditation of tertiary level computing and IT-related qualifications to ensure that Malaysian ICT qualifications are internationally recognised. • In addition, ICT will be offered as a compulsory subject at the lower secondary level and as an elective at the upper secondary level to ensure students have a sound ICT background prior to enrolling in higher education. The ICT subject will also be strengthened to integrate computational thinking into learning modules, in addition to programming languages, hardware and software design, databases and information retrieval. ▪ Enhancing access to technology and research and development • The utilisation of technology, particularly ICT, will be enhanced among services firms through the Embed ICT programme to reduce dependence on low-skilled foreign workers and to boost productivity. In addition, the funding mechanism for research, development and commercialisation that is mainly supply-driven today will be replaced with a mechanism that is demand-driven and private sector-led. • The Research Incentive Scheme for Enterprises will be expanded to enhance technology absorption and allow companies to hire experienced research and development researchers by partially funding the monthly wages of researchers for a specified period. This incentive is expected to attract technology leaders to set up research and development centres or centres of excellence in prioritised technology focus areas, such as big data analytics, cloud computing, and the Internet of Things. In addition, access to digital infrastructure, particularly in Sabah and Sarawak, will be further improved to spur the growth of knowledge-intensive services. ▪ ICT product and services • In the ICT industry, niche areas will be further promoted and export capabilities enhanced to ensure that Malaysia captures a bigger export market for ICT products and services. Within the identified niche areas – digital content, Internet of Things, data centres and cloud services, cyber security, software development and testing, and big data analytics – the ICT ecosystem will be strengthened, including the capacity of start-ups, talent, infrastructure, research, development

Focus area	Description
	and commercialisation, and governance. • The quality of local digital content will be improved to further strengthen the export potential of local digital content. The number of registered digital content IPs will be increased and exploited as collateral for loan financing, product line expansion, and licensing and merchandising. Emphasis will be given to animation, gaming, simulation, and virtual reality in the areas of education, entertainment, and healthcare. Three (3) main initiatives that will be implemented are attracting anchor companies to serve as industry drivers, building local capacity and capability, and raising global market access through a better understanding of global technology trends towards greater adoption of digital distribution and new business models.
Modernising agriculture	▪ Accelerating adoption of ICT and farming technology • The use of smart farming technologies and ICT in plantation, farming, livestock, and fishing activities will be intensified to improve production efficiency and reduce dependency on labour. ICT-based applications to support farm and plantation management, precision farming, and monitoring and surveillance will be expanded to increase productivity and reduce the cost of production. Mobile phone applications and portals will be used to disseminate real-time information on market demand and prices, early detection and warning alerts on disease outbreaks as well as provide interactive platforms for technical advice.
Transforming construction	▪ Driving productivity • The strategies to increase productivity in the construction sector will focus on increasing technology adoption and modernisation of construction methods as well as reducing dependency on low-skilled labour. The labour productivity of the sector is targeted to increase by about 1.6 times, from RM39,116 per worker in 2015 to RM61,939 per worker by 2020. A number of initiatives will be introduced to drive productivity, including expediting the adoption of the Industrialised Building System by the industry through the revision of the public procurement policy and Uniform Building By-Laws and improving existing regulations to ease construction-related business processes. This effort, which started with Kuala Lumpur City Hall, will be expanded to other local authorities. The use of ICT will be enhanced by providing a common platform to use building information modeling on a pay-per-use basis.
Growing dynamic SMEs	▪ Enhancing productivity through automation and innovation • SMEs will be encouraged to adopt greater automation in production processes and business services. Greater ICT utilisation will be promoted, mainly in business operations, supply chain management, and delivery systems. Two (2) existing high-impact programmes, namely Technology Commercialisation Platform and Inclusive Innovation will be continued. The Technology Commercialisation Platform links innovation initiatives under one (1) platform and aims to remove market and financing barriers to innovation. This end-to-end facilitation enables SMEs to use technology as well as acquire IPs and early stage financing. In this regard, PlaTCOM, established in 2014, will continue to implement the Technology Commercialisation Platform to assist SMEs to innovate and commercialise products and services. The Inclusive Innovation programme aims to empower microenterprises in rural areas and the B40 households to leverage innovation. The programme will provide technical, financial, and management support to the target groups and encourage grassroot innovation.

Source: Economic Planning Unit Malaysia

These supporting plans, policies and incentives by the Government of Malaysia bode well for the economic and entrepreneurial environment in Malaysia, leading to new and improved opportunities for new and existing business and companies. Such positive developments are expected to also positively impact the ICT services industry in Malaysia over the short to medium term. As businesses and companies expand in reach and scale, ICT services becomes a vital component of capital investment.

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4 OVERVIEW OF THE CONSTRUCTION SECTOR IN MALAYSIA

Performance, Outlook and Prospects

Economic Contribution

The construction sector in Malaysia is largely influenced by the nation's economic development as the construction of buildings and infrastructure are essential for national development and progress. With economic development comes an increase in demand for residential, commercial and industrial properties due to the increase in the average income of the population as well as the increase in business activities. As the construction of property sub-segments (i.e. residential, commercial and industrial) develops, the infrastructure and social amenities supporting these developments must be likewise built or improved.

The mark of a country's economic development is reflected by its GDP and employment rate achievements. From 2006 to 2016, the GDP for construction activities in Malaysia increased from about RM16.0 billion to about RM50.1 billion. Between 2006 and 2016, construction activities contributed to between 2.5% and 4.5% of Malaysia's total GDP, increasing from 2.8% in 2006 to 4.5% in 2016, signifying its importance to overall economic development.

Key economic statistics of the construction sector in Malaysia [a, b]

Year	National GDP (RM million)	Construction sector GDP (RM million)	Construction sector's contribution to national GDP (%)
2006	573,936	16,022	2.8
2007	610,087	17,391	2.9
2008	639,565	18,151	2.8
2009	629,885	19,270	3.1
2010	821,434	28,213	3.4
2011	864,920	29,524	3.4
2012	912,261	34,880	3.8
2013	955,080	38,590	4.0
2014	1,012,506	43,115	4.3
2015	1,062,805	46,634	4.4
2016*p*	1,107,855	50,091	4.5

[a] National GDP and construction sector GDP for the period of 2006 to 2009 are at constant 2005 prices, while national GDP and construction sector GDP for the period of 2010 onwards are at constant 2010 prices
[b] Latest available as at 14 April 2017
p Preliminary

Source: Department of Statistics Malaysia, Ministry of Finance Malaysia

Construction activities are a vital building block for the development of other economic activities in the country, including manufacturing, finance and business services as well as wholesale and retail trade, hotels and restaurants. In 2016, the manufacturing sector contributed approximately 23.0% to Malaysia's total GDP, while wholesale trade, retail trade, accommodation and restaurants collectively contributed approximately 17.7%, and finance, insurance, real estate and business services collectively contributed approximately 11.2%. In order for these economic activities to operate and thrive, properties and structures such as industrial parks, office buildings, retail malls, hotels and restaurants must be developed.

Employment

In addition, construction activities have also contributed to the socio-economic development of Malaysia in terms of employment. Latest available statistics indicate that employees in the construction sector increased from about 0.9 million persons in 2006 to an estimated 1.3 million persons in 2016, indicating a growing construction sector that is in line with a developing country's manpower requirements. The percentage of employment in the construction sector hovered between 8.5% and 9.5% of total employment in Malaysia over the period of 2006 to 2016.

Employment indicators of the construction sector in Malaysia [a]

Year	Total employment ('000)	Employment in the construction sector ('000)	Percentage employment of the construction sector (%)
2006	10,628.9	908.9	8.6
2007	10,889.5	922.5	8.5
2008	11,028.1	998.0	9.0
2009	11,315.3	1,015.9	9.0
2010	12,303.9	1,082.7	8.8
2011	12,284.4	1,133.6	9.2
2012	12,723.2	1,163.7	9.1
2013	13,210.0	1,244.1	9.4
2014	13,532.1	1,226.4	9.1
2015	14,067.7	1,309.9	9.3
2016*p*	14,180.0	1,262.0	8.9
CAGR	**2.9%**	**3.3%**	Not applicable

[a] Latest available as at 14 April 2017
p Preliminary

Source: Department of Statistics Malaysia

Value of Projects Awarded

The vibrancy of the construction sector and the property development segment reflect the growth of a country's economy. The growth of property development and construction are typically cyclical as it follows relatively closely to the GDP growth of a country. A common measure of the construction sector and the property development segment is based on value of projects awarded during a certain period.

From 2006 to 2016, property development and construction activities in Malaysia, as measured by the value of projects awarded, grew from RM60.9 billion to RM125.0 billion at a CAGR of 7.4%. Residential property development activities witnessed a CAGR of 5.8%, increasing from RM16.6 billion in 2006 to RM29.2 billion in 2016. Residential property development activities also registered a 35.0% year-on-year growth in 2012 arising from major developments in the Klang Valley such as Hampshire Place, The Troika, Brinsfield Embassy View, Gaya Bangsar, 11 Mont' Kiara, Twins @ Damansara Heights, Sunway Vivaldi and Damas Serviced Suites.

The construction sector experienced a slowdown in 2008 and 2009 as public and private expenditure on construction activities were tightened due to the global financial crisis which occurred during the period. However, the construction sector rebounded in 2010 in a show of resilience as the Government of Malaysia and the private sector resumed construction activities. In 2015, the construction sector in Malaysia experienced a year-on-year contraction of 21.9%, to an awarded project value of RM139.7 billion. Subsequently in 2016, the awarded construction project value was registered at RM125.0 billion. The fall in awarded project values in 2015 and 2016 was largely due to the slowdown in demand in the property market. **Nevertheless, the construction sector in Malaysia has proven to be resilient in the past, having recovered from troughs that occurred during the global financial crisis in 2008 and 2009, and thus the construction sector in Malaysia is expected to recover over the long term.** SMITH ZANDER expects the value of projects awarded to further grow from RM125.0 billion in 2016 to RM153.9 billion in 2019 at a CAGR of 7.2%.

Commercial and industrial construction registered a CAGR of 11.3%, increasing from RM22.1 billion in 2006 to RM38.2 billion in 2016 on the back of an increase in the supply of commercial office space with the completion and launch of office towers in the Klang Valley such as KL Pavilion Office Tower, G-Tower, The Icon, One Mont Kiara, Petaling Jaya Exchange, Empire Subang and Menara Worldwide. Several hotels were also completed, contributing to commercial construction growth, and this includes the completion of Aloft Kuala Lumpur Sentral Hotel, WOLO Bukit Bintang Hotel, One @ Bukit Ceylon Hotel Suites in Klang Valley; Renaissance Hotel, Traders Hotel and Legoland Hotel in Johor; and Victory Annexe of E&O Hotel and Four Points by Sheraton in Penang. Several prime commercial developments, most notably the Tun Razak Exchange and Warisan Merdeka, are currently being planned in the Klang Valley especially in areas close to the on-going Klang Valley MRT project route. Malaysia's industrial segment continues to grow at a healthy pace spurred by strong levels of foreign and domestic investments. This is likely to maintain a robust growth in demand for industrial development in the country.

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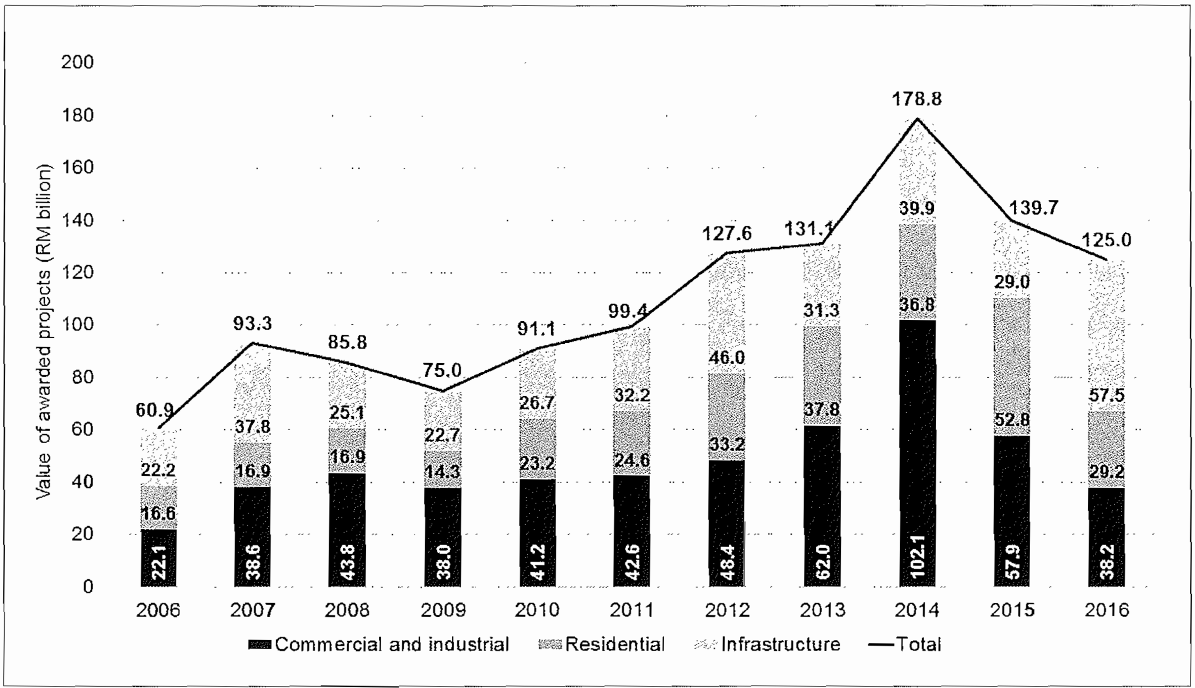
Value of construction projects awarded in Malaysia [a, b, c, 2]



[a] *Figures may not add up due to rounding*

[b] *In Malaysia, construction activities are measured based on value of projects awarded during a certain period where this data is collated from industry participants by the CIDB. Thus, the value of projects awarded is used as a benchmark to measure growth of the construction sector in Malaysia and competitive positioning of industry players. However, information on project completions and payment status of awarded projects are not publicly available from the CIDB*

[c] *Latest available as at 14 April 2017*

Source: CIDB

Selected on-going and upcoming major commercial and mixed-development projects in Malaysia

Location	Project	Type of property	Expected completion date
Klang Valley	Alila Bangsar at The Establishment	Hotel	2017
	Sheraton Petaling Jaya	Hotel	2017
	The Ruma Hotel and Residences	Hotel	2017
	Four Seasons Place Kuala Lumpur	Mixed-development	2017
	Harrods Hotel & Residences	Mixed-development	2018
	Project MX-1	Mixed-development	2018
	Three (3) KLCC towers for additional office, hotel and retail space	Commercial	2019
	Redevelopment of Angkasapuri Complex to Media City	Commercial	2020
	Warisan Merdeka	Commercial	2020
	Cyberjaya City Centre	Mixed development	2020 onwards (in phases)
	KLIA Aeropolis	Mixed development	2020 onwards (in phases)
	Bukit Bintang commercial centre	Commercial	2023
	Tun Razak Exchange	Commercial	2028
	Klang River Revitalisation	Commercial	2029
Penang	Angsana Teluk Bahang	Hotel	2017
	Quayside Resort Condominium Development	Mixed-development	2017

[2] *SMITH ZANDER's forecast based on historical performance of the construction sector and research on prevailing market drivers*

Location	Project	Type of property	Expected completion date
	The Light Water Front Project	Mixed-development	2017
	Courtyard by Marriot, Penang	Hotel	2018
	IKEA integrated shopping complexes and mixed development of offices and residences	Mixed-development	2018
Negeri Sembilan	Port Dickson Waterfront	Commercial	2019
Johor	Capri by Fraser Hotel	Hotel	2017
	Residential North Project	Mixed-development	2018
	Sheraton Nusajaya Medini	Hotel	2019
Pahang	Genting Integrated Tourism Plan	Commercial	2016 onwards (in phases)
Sabah	New World Kota Kinabalu Hotel	Commercial	2018
Sarawak	Tabung Haji Complex	Commercial	2017

Source: ETP, various sources

Growth of residential, commercial and industrial properties has been strongest in the Central region, comprising the states of Selangor and Negeri Sembilan as well as the Federal Territory of Kuala Lumpur ("Kuala Lumpur") and Federal Territory of Putrajaya ("Putrajaya"). Approximately 61.2% of the total value of residential construction projects awarded in 2016 was for the Central region while an additional 16.9% was for the Southern region, comprising the states of Malacca and Johor. Awarded commercial and industrial construction projects were strongest in the Central region (44.6% of total value of commercial and industrial construction), followed by the Southern region (22.7% of total value of commercial and industrial construction) and the East Coast comprising Kelantan, Pahang and Terengganu (13.1% of total value of commercial and industrial construction) during the same year.

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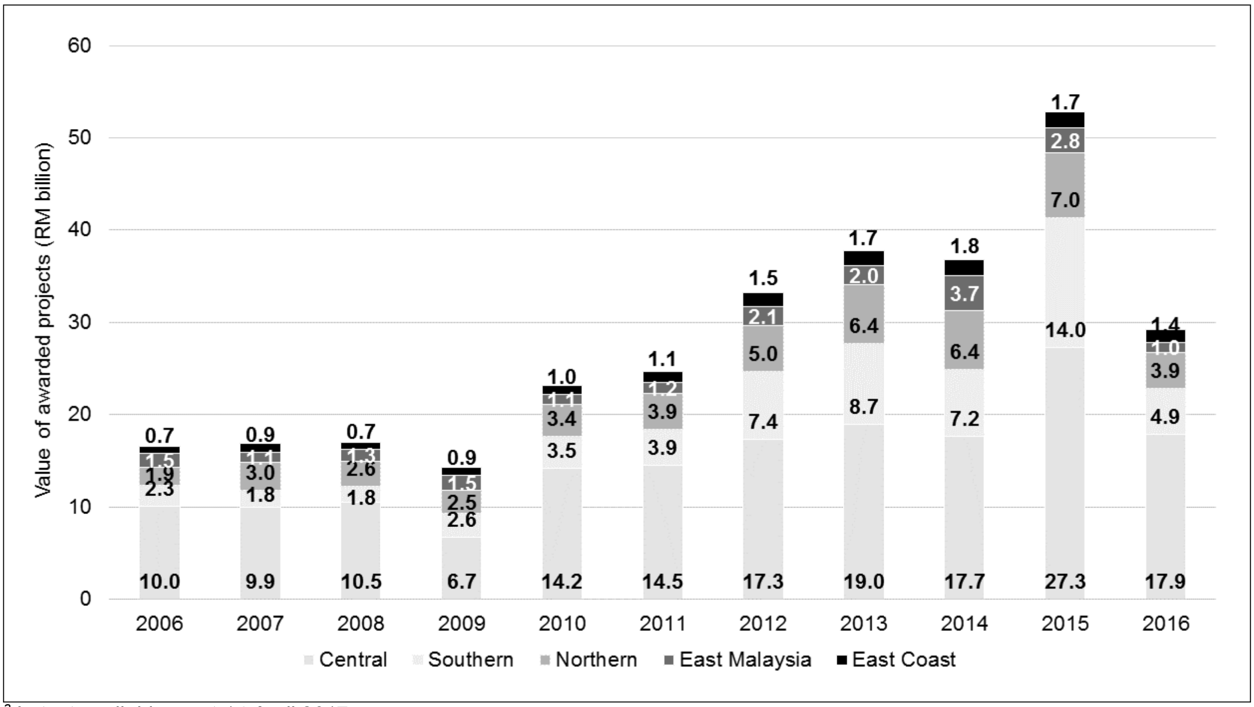
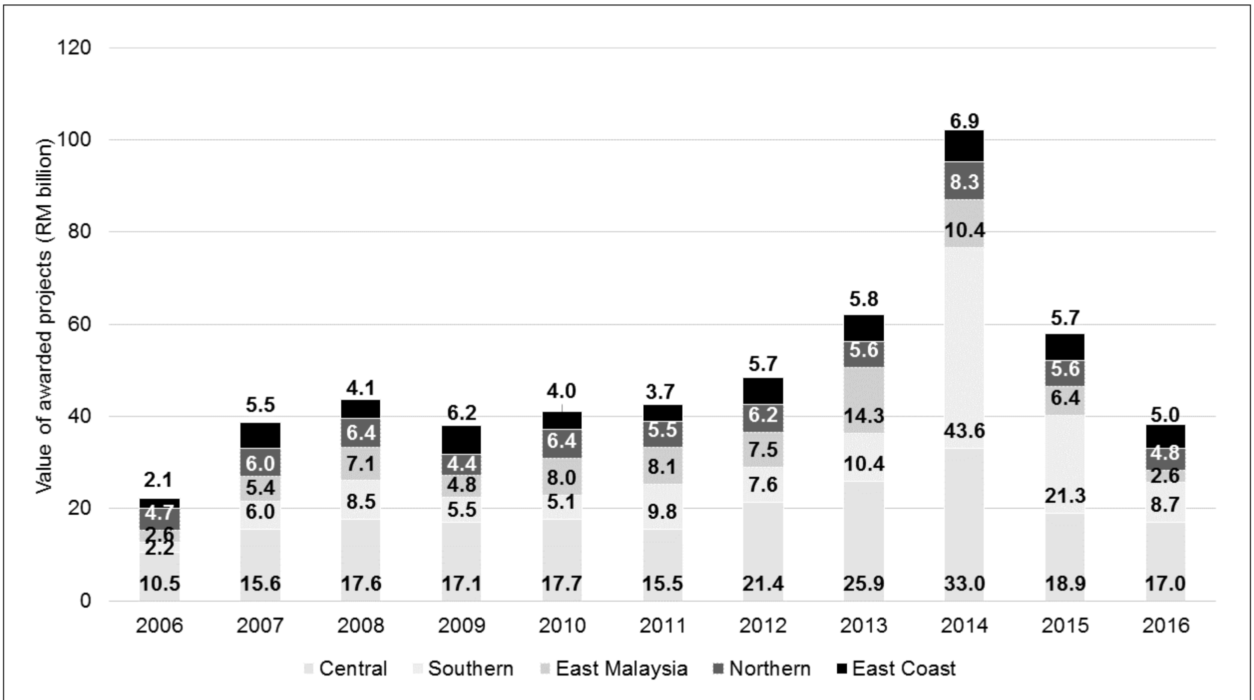
Value of awarded residential construction projects by region in Malaysia [a]



[a] *Latest available as at 14 April 2017*

Source: CIDB



Value of awarded commercial and industrial construction projects by region in Malaysia [a, b]

[a] *Includes development of social amenities*
[b] *Latest available as at 14 April 2017*

Source: CIDB

The infrastructure development segment of the construction sector is typically reliant on public funding from the Government of Malaysia. In terms of awarded project value, this segment increased at a CAGR of 1.6% from RM22.2 billion in 2006 to RM57.5 billion in 2016. The Government has approved five (5) toll highways for Selangor, namely EKVE, SUKE, Damansara – Shah Alam Highway, SKIP and LPB, which collectively will require an investment of RM18.1 billion. In East Malaysia, the Government has committed RM27.0 billion for the construction of the Pan – Borneo Expressway that will benefit residents in Sabah and Sarawak.

Selected on-going and upcoming major infrastructure development projects in Malaysia

Location	Project	Type of infrastructure development	Estimated project value (RM billion)
Selangor	EKVE	Transportation	1.6
	SUKE	Transportation	5.3
	Damansara – Shah Alam Highway	Transportation	4.2
	SKIP	Transportation	2.0
Selangor and Perak	LPB	Transportation	5.0
Klang Valley	LRT 3 Extension Project	Transportation	10.0
	Klang Valley Mass Rapid Transit 2 and remaining construction of the Klang Valley Mass Rapid Transit Line 1	Transportation	25.0
	Rapid Transit Bus project	Transportation	1.5
Kuala Lumpur	Duta-Ulu Klang Expressway Phase 2	Transportation	1.2
	Jalan Tun Razak Traffic Dispersal Project	Transportation	0.9
Kuala Lumpur, Selangor, Negeri Sembilan, Melaka and Johor	Kuala Lumpur – Singapore High Speed Rail project	Transportation	38.4
Negeri Sembilan and Kuala Lumpur	Paroi-Senawang-Kuala Lumpur International Airport Expressway	Transportation	2.2
Pahang	Ulu Jelai Hydropower Project	Utility	0.5
Perak	Manjung Extension Development	Utility	
Terengganu	Hulu Terengganu Hydroelectric Project	Utility	
Pahang and Selangor	Pahang – Selangor Raw Water Transfer Project	Utility	9.0
Pahang and Kelantan	Central Spine Road	Transportation	6.6
	Kota Bharu-Kuala Krai Expressway	Transportation	2.0
Pahang, Kelantan and Kuala Lumpur	East Cost Rail Line (Tumpat–Kuantan Port)	Transportation	30.0
Johor	Johor Bahru-Pasir Gudang Elevated Expressway	Transportation	0.5
Sabah	Kota Kinabalu Rapid Transit Bus	Transportation	1.0
Sarawak	Samalaju Port	Utility	1.8
Sabah and Sarawak	Pan-Borneo Expressway	Transportation	27.0

Source: 10MP, 11MP, ETP, Budget 2015, Budget 2016, various sources

Property Supply

Between 2006 and 2015, total supply of residential properties in Malaysia increased from 5.1 million units to 6.5 million units at a CAGR of 2.6%. In 2015, incoming supply comprised 18.1% of existing stock while planned supply comprised 13.0% of existing stock. This, in comparison to the market scenario in 2006 where incoming supply comprised 16.0% of existing stock while planned supply comprised 16.6% of existing stock, suggests that demand and supply of residential properties are moving towards a state of equilibrium despite pockets of mismatch within the residential property sub-segments. The supply of residential property was registered at 6.3 million units in the first half of 2016.

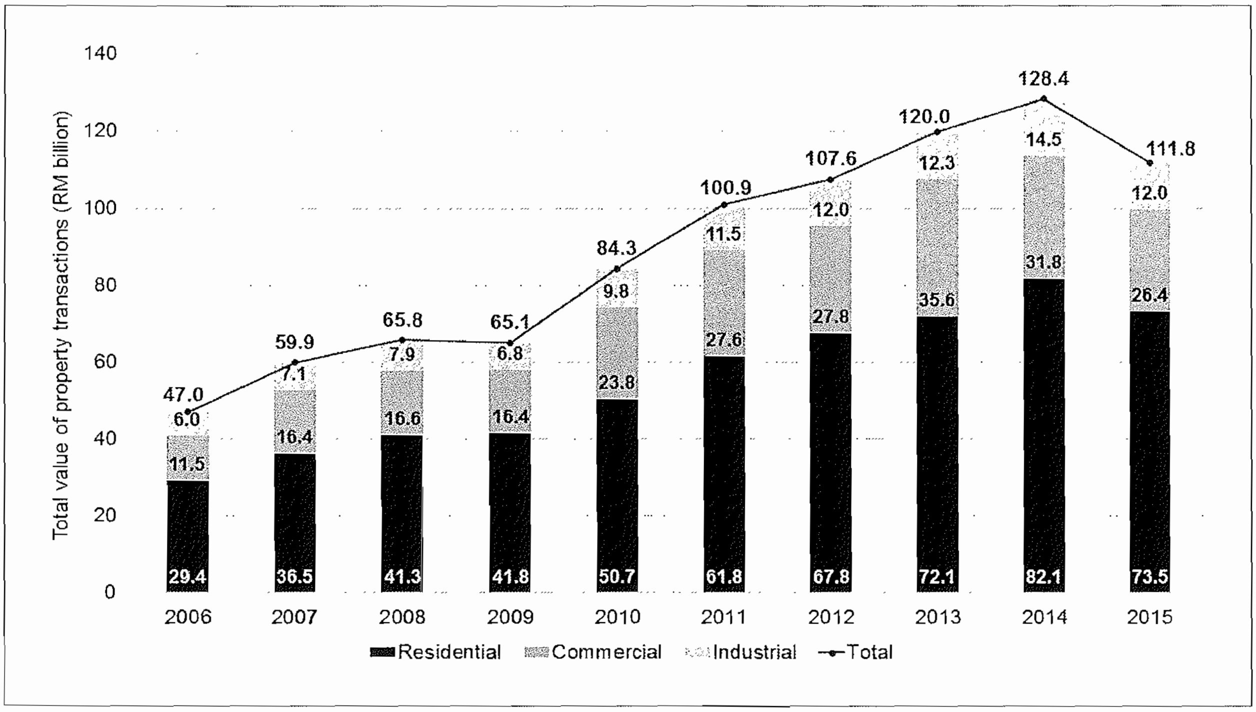
Commercial development in Malaysia, based on the supply of shops, shopping complexes, purpose-built offices and hotels, also registered positive growth between 2006 and 2015. During this period, total supply of shop units increased at a CAGR of 3.9% from 415,149 units to 585,672 units while shopping complexes registered a CAGR of 3.8% from 11.7 million square meters ("m^2") to 16.4 million m^2. Between 2006 and 2015, hotels and purpose-built offices registered a CAGR of 2.4% from 201,627 rooms to 249,157 rooms and a CAGR of 2.0% from 18.5 million m^2 to 22.2 million m^2 respectively. In the first half of 2016, the supply of shop units and shopping complexes were registered at 562,543 units and 16.9 million m^2 respectively. The saturation of business activities and land scarcity have led to the opening of newer areas away from the city centres. Growth in commercial property also intensified during this period as the Government launched several regional economic corridors including the ECER, NCER, Iskandar Malaysia and SCORE.

The industrial property segment registered a CAGR of 0.7% from 117,268 units in 2006 to 125,055 units in 2015. In the first half of 2016, the supply of industrial properties was registered at 123,238 units. In the past, industrial properties have largely been functional and served as manufacturing space. However, new developments in the industrial segment have led to the construction of properties that house the manufacturing, storage and office/showroom areas in one (1) building. Industrial property is also influenced by developments in the regional economic corridors including the ECER, NCER, Iskandar Malaysia and SCORE, albeit at a slower pace, as the Government's focus is to position Malaysia as an investment destination for high value-added, high technology, knowledge-intensive and innovation-based industries.

Property Demand

Demand for property in Malaysia, measured by value of property transactions, witnessed an increase from RM47.0 billion in 2006 to RM111.8 billion in 2015 at a CAGR of 10.1%. A significant 65.7% of total property transactions in 2015 was incurred for residential properties, while the remaining 23.6% and 10.7% were incurred for commercial and industrial properties respectively. The residential property segment witnessed the highest CAGR of 10.7% between 2006 and 2015, recording a rise from RM29.4 billion to RM73.5 billion. Total value of property transactions was registered at RM49.7 billion for the first half of 2016, of which residential, commercial and industrial property transactions comprised RM32.7 billion, RM11.3 billion and RM5.6 billion respectively.

Demand for residential, commercial and industrial properties in Malaysia [a, b]



[a] *Total value of property transactions was registered at RM49.7 billion for the period of January to June 2016, of which residential, commercial and industrial property transactions comprised RM32.7 billion, RM11.3 billion and RM5.6 billion respectively*
[b] *Latest available as at 14 April 2017*

Source: NAPIC

Regional growth is strongly driven by growth of property demand in key sub-markets, with the Klang Valley strongly driving growth in the Central region, Johor driving growth in the Southern region and Penang and Perak driving growth in the Northern region. The state of Johor is a key driver for the high commercial property transactions in the Southern region as the launch of the Iskandar Malaysia masterplan in 2006 has resulted in intensified business activities in the state, thus creating strong demand for commercial properties.

Apart from the initiatives driven by the Government to further develop infrastructure based on the nation's socio-economic needs, the Government, through CIDB, intends to further develop the construction sector in Malaysia to maintain its status as a healthy and self-sufficient sector. The CIDB implemented the Construction Industry Master Plan (2006 – 2015) in 2006, which includes seven (7) thrusts that aim to increase the sector's market size by expanding into new and unexplored foreign markets, and improve productivity, efficiency and cost-effectiveness of the domestic construction sector in order to provide comparative advantage to the economy.

5 OVERVIEW OF THE CONSTRUCTION SECTOR IN JOHOR

The state of Johor is located on the southern tip of Peninsular Malaysia, and has played a vital and strategic role in the history and development of Malaysia and the surrounding region. Johor Bahru, the capital city of Johor and its surrounding areas, has developed to become one (1) of the most important urban economic regions in the country. Johor has a diversified economy with several clusters emerging around the electronics, logistics, food and agriculture, tourism and oil and petrochemicals industries. Johor's strategic geographical location off the Straits of Malacca, one (1) of the world's busiest shipping routes, its proximity to international hubs as well as large markets such as Singapore, Indonesia, the People's Republic of China and India, coupled with its wealth of natural resources and human resources, have driven the state's past successes and will be key pillars for Johor's future potential.

The idea of developing a new economic corridor for Malaysia's southern region was first mooted in the Ninth Malaysia Plan ("9MP"), where the Federal Government conducted a feasibility study to design a vibrant economic region to propel growth in southern Malaysia in collaboration with Khazanah National Berhad. A special projects team was formed to prepare a CDP (2006 – 2025) for the Southern Johor Economic Region ("SJER"). The Iskandar Development Region was launched in November 2006, marking the beginning of South Johor's economic development based on strategies identified in the CDP. SJER eventually came to be known as Iskandar Development Region and subsequently Iskandar Malaysia. Metropolitan Johor Bahru, comprising the districts of Johor Bahru, Kulai (formerly known as Kulaijaya), Pontian and Kota Tinggi, is known as Iskandar Malaysia. Iskandar Malaysia spans across approximately 2,217 square kilometers ("km^2"), offering prospective investors large tracts of competitively priced land.

The development of Iskandar Malaysia was modeled after the People's Republic of China's Pearl River Delta Economic Zone (2008-2020), and Iskandar Malaysia targets to capitalise on its current synergy with Singapore to complement each other as an economic hub. The Iskandar Malaysia development plan is ambitious and comprehensive, extending beyond collaboration in the manufacturing sector to include tourism, healthcare, education and property sectors. The enhanced connectivity between Iskandar Malaysia and Singapore will allow Singapore service providers to tap into opportunities that arise from the former development, while Johor is expected to gain valuable experience and tap into more advanced expertise and talents from Singapore.

Five (5) key economic drivers or flagship development zones have been identified under Iskandar Malaysia:

- **Flagship A: Johor Bahru City Centre**
  Johor Bahru is the southern gateway to Malaysia and plays an integral role as host to several key economic activities, including financial, cultural and urban tourism for the state of Johor. Under Flagship A, Johor Bahru City Centre will be revitalised through the upgrading of its central business district and waterfront to reposition the city as a vibrant, modern and livable city centre. Development activities will be focused on a new financial district, Danga Bay Integrated Waterfront City, upgrading of the central business district, Tebrau Plentong mixed development and enhancement of causeway infrastructure connecting Johor Bahru and Singapore.

- **Flagship B: Nusajaya**
  Nusajaya is a key component of the Iskandar Malaysia masterplan and forms one (1) of the largest property developments in Southeast Asia. Key economic activities under Nusajaya include education and medical tourism, entertainment and recreation, state administration, finance and biotechnology. Development activities will be focused on the Johor New Administration Centre at Kota Iskandar, University Park in Edu-City, international destination resort comprising outdoor and indoor theme parks, and clean and green factories and warehouses at the Southern Industrial Logistics clusters area.

- **Flagship C: Western Gate Development**
  Tanjung Pelepas is one (1) of the world's major container ports and the Tanjung Pelepas economic cluster houses key economic activities such as logistics, free zone industrial area, regional distribution and international procurement, and oil storage terminals. The Western Gate will play an important role in Johor's industrial segment and provide major infrastructure facilities to Iskandar Malaysia. Development activities will be focused on the development of the free trade zone at the Port of Tanjung Pelepas, Petrochemical and Maritime Industrial hub at Tanjung Bin, and Tanjung Bin power plants.

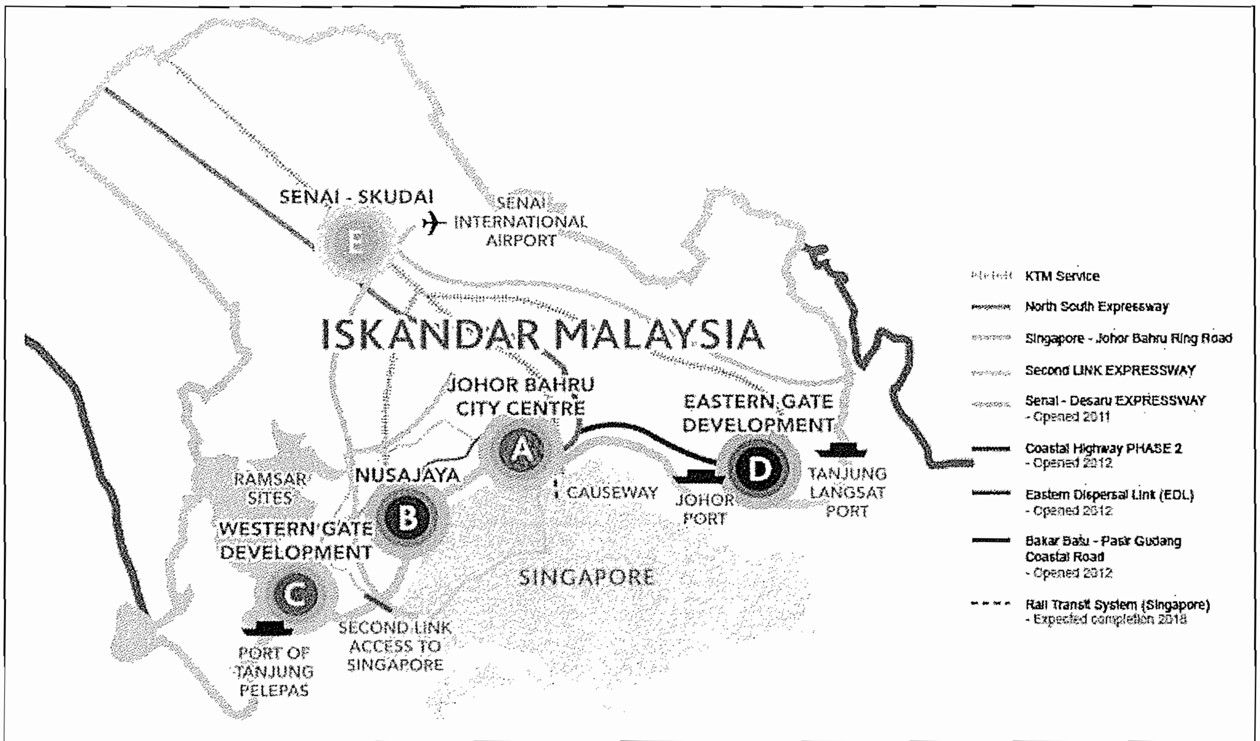
- **Flagship D: Eastern Gate Development**
  Pasir Gudang is a noted manufacturing hub in the southern region of Malaysia where economic activities such as manufacturing (including electronics, petrochemicals and oleochemicals) and oil storage terminals thrive. The Eastern Gate will play an important role in Johor's industrial segment and provide major infrastructure facilities to Iskandar Malaysia. Development activities will be focused on a mixed development with city of knowledge at Seri Alam, a regional distribution centre in Kim-Kim, Pasir Gudang Industrial Park, Tanjung Langsat Industrial Park, Pasir Gudang Port and Tanjung Langsat Port.

- **Flagship E: Senai – Skudai**
  Senai – Skudai is a major township that connects Iskandar Malaysia to the world. This township houses key economic activities such as logistics, manufacturing (especially in high technology and aerospace-related sectors), tourism (luxury shopping destination) and Cybercity. Senai – Skudai's potential is further strengthened by the RM70 billion investment to development Senai Airport City and the completion of Senai Hi-Tech Park and MSC Cyberport in 2013 and 2014 respectively.

The foundation and infrastructure for Iskandar Malaysia has been laid down between 2006 and 2010, allowing the second phase of the masterplan to focus on growth and expansion over the period of 2011 to 2015. Iskandar Malaysia's third phase of development will take place between 2016 and 2025, and shall focus on sustainability and innovation.

At the launch of Iskandar Malaysia, RM11 billion worth of investments were committed to the masterplan. Since its launch, Iskandar Malaysia's economic potential has gained increased awareness and as of December 2015, has attracted RM190.3 billion in cumulative committed investments with RM98.5 billion worth of investments (51.8% of cumulative committed investments) already realised. Iskandar Malaysia intends to achieve a total investment target of RM383 billion over the 20-year plan duration, and to grow Johor's GDP by 4.5 times and create up to 817,500 employment opportunities. Iskandar Malaysia has been identified as an exclusive project with access to financing under a Facilitation Fund provided under the 10MP.

Flagship development zones under Iskandar Malaysia



Source: Iskandar Development Regional Authority ("IRDA")

Performance, Outlook and Prospects of the Construction Sector

Value of Projects Awarded

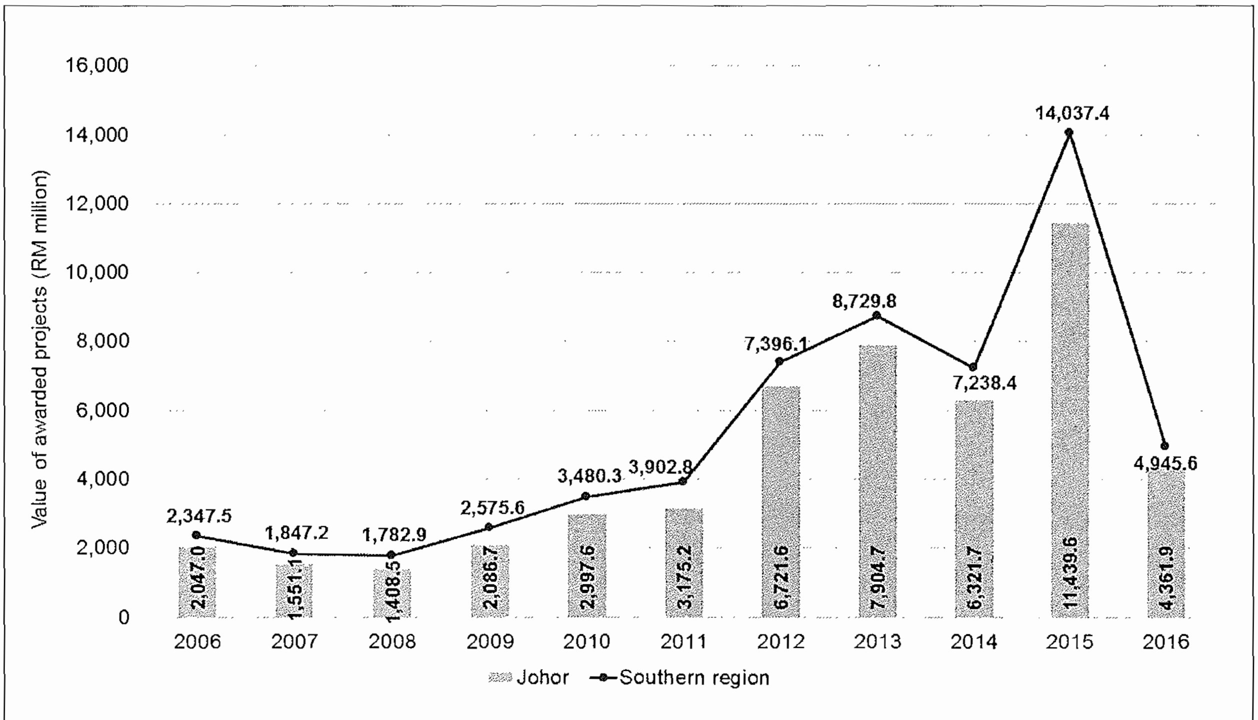
Construction activities in the Southern region of Malaysia have intensified following the launch of Iskandar Malaysia. Between 2006 and 2015, the construction sector in the Southern region of Malaysia, as measured by total project value, grew from RM4.6 billion to RM35.3 billion and recorded a CAGR of 25.5%. Between the period of 2006 and 2015, residential construction projects increased from RM2.3 billion to RM14.0 billion at a CAGR of 22.2%, while commercial and industrial construction, termed non-residential construction, increased from RM2.2 billion to RM21.3 billion at a CAGR of 28.7%. Construction of non-residential properties formed approximately 60.3% of the total construction value of RM35.5 billion in 2015 while residential properties comprised the remaining 39.7%. In 2016, the total project value of construction projects in the Southern region was registered at RM13.6 billion, of which residential construction projects comprised RM4.9 billion and non-residential construction projects comprised the remaining RM8.7 billion.

The fall in awarded project value in the Southern region in 2016 was largely due to economic slowdown in Malaysia as a result of the depreciating Ringgit against the United States Dollar and falling crude oil prices (USD50.75 per barrel and USD42.81 per barrel in 2015 and 2016 respectively compared to USD96.24 per barrel in 2014). These factors have adversely impacted the construction sector in the Southern region as there was a cutback in private and public expenditure on construction activities. Notwithstanding this, future growth in the construction sector in the Southern region will be positively impacted by:

- the increase in investments under Iskandar Malaysia that will drive future demand for property; and
- Government plans, policies and strategies to drive economic growth in the Southern region.

A significant portion of construction activities that took place in this region over the course of 2006 to 2015 occurred in the state of Johor which houses the Iskandar Malaysia development. Between 2006 and 2015, the construction sector in Johor increased almost six (6)-fold from RM3.4 billion to RM26.4 billion and recorded a CAGR of 25.6%. Between the period of 2006 and 2015, residential construction projects increased from RM2.0 billion to RM11.1 billion at a CAGR of 20.6%, while commercial and industrial construction, termed non-residential construction, increased from RM1.3 billion to RM15.3 billion at a CAGR of 31.1%. Construction of non-residential properties formed approximately 58.0% of the total construction value of RM18.0 billion in 2015 while residential properties comprised the remaining 42.0%. In 2006, construction activities in Johor formed 73.9% of total construction activities of RM4.6 billion in the Southern region and this figure increased to 92.5% of total construction activities of RM28.5 billion in 2015. In 2016, the total project value of construction projects in Johor was registered at RM11.3 billion, of which residential construction projects comprised RM4.4 billion and non-residential construction projects comprised the remaining RM6.9 billion.

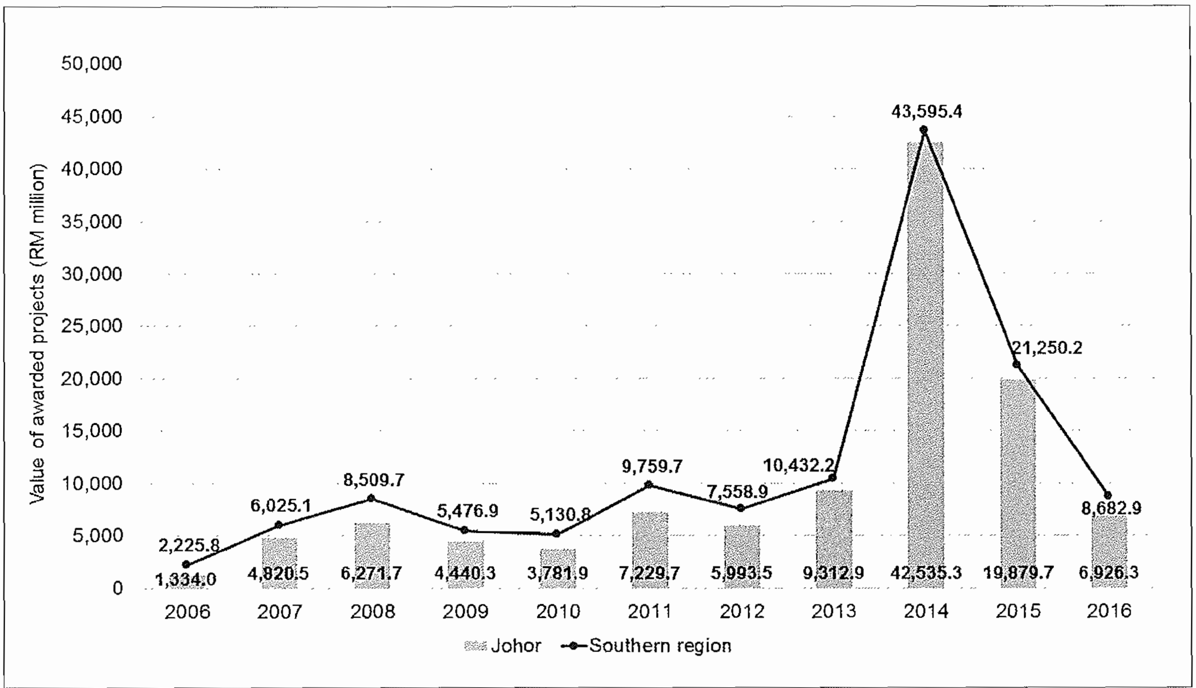
Value of residential construction projects awarded in Johor [a]



[a] *Latest available as at 14 April 2017*

Source: CIDB

Value of commercial and industrial construction projects awarded in Johor [a]



[a] *Latest available as at 14 April 2017*

Source: CIDB

Property Supply

The capital city of Johor Bahru is a significant property market in the state of Johor. Between 2006 and 2015, total supply of residential properties in Johor Bahru increased from 488,833 units to 622,761 units at a CAGR of 2.7%. Property development in Johor Bahru ramped up in 2013 in anticipation of the upcoming demand for residential properties as a result of growth and expansion of commercial and industrial activities in Johor Bahru and its surrounding areas. Within the residential property sub-segment, high-rise condominiums continue to remain popular and are targeted at Singaporeans and Malaysians who work across the Causeway in Singapore. New stock of residential properties will continue to grow in Iskandar Malaysia especially along new transportation lines, and concentration of landed properties will largely be centered in the Nusajaya area.

Commercial development in Johor Bahru, based on the supply of shops, shopping complexes, purpose-built offices witnessed mixed growth over the period of 2006 and 2015. Over the same period, commercial shops witnessed a CAGR of of 2.4%, increasing from 43,220 units to 53,436 units while shopping complexes and purpose-built offices witnessed declining CAGRs of 1.3% from 1.8 million m^2 to 1.6 million m^2, and 2.8% from 1.3 million m^2 to 1.0 million m^2. Purpose-built offices and shopping complexes witnessed softened year-on-year CAGRs in 2011 and 2012 respectively as construction projects were stalled or postponed arising from uncertainties following the fall of several stock markets globally due to fears of the impact of the European sovereign debt crisis as well as slow economic growth in United States and the downgrading of United States credit rating. Hotel property development witnessed positive historical development in 2010 following the upcoming supply of hotel rooms from the construction of Traders Hotel, Legoland Hotel and KSL Resort Hotel.

Nevertheless, shopping complexes and purpose-built offices are showing signs of recovery. Total supply of shopping complexes and purpose-built offices increased from 1.1 million m^2 in 2013 to 1.6 million m^2 in 2015, while purpose-built offices increased from 0.9 million m^2 to 1.0 million m^2 over the same period. Furthermore, overall commercial property supply is expected to witness positive overall development over the coming three (3) to five (5) years in anticipation of increasing demand for workspace following the progress of Iskandar Malaysia's CDP. In 2013, several integrated developments incorporating purpose-built office building space were announced including Medini Empire, Zikay @ Medini, D'Pristine@Medini, Southkey, Vantage Bay and 18@Medini. Property developers also announced the launch of Austin18 Versatile Business Suites in that year, where the development will comprise a 25-storey freehold commercial building with 319 units of self-contained offices, retail space and a six (6)-storey car park podium, and is anticipated to be completed in 2017. The Austin18 Versatile Business Suites is targeted at young professionals and entrepreneurs.

Retail and hotel property supply are forecast to increase under the Iskandar Malaysia CDP following the implementation of specific projects in Flagship A and Flagship B development zones. Several of the announced integrated developments in 2013 are also expected to carry a retail component, including Medini Empire, Zikay @ Medini, D'Pristine@Medini, Meridin@Senibong, 18@Medini, Vantage Bay, Sunway Medini, Medini Lakeside and The Suasana. Additionally, the redevelopment of Kompleks Tun Abdul Razak ("KOMTAR") comprising a new retail podium, purpose-built office space and hotel which was identified as a project under Iskandar Malaysia and ETP will add a gross floor area of 1.4 million ft^2 to the commercial space in Johor Bahru.

The property market in Johor Bahru is expected to remain positive in the short and medium term as more Malaysia and Singapore-based developers are anticipated to venture into the Iskandar Malaysia region. Development activities in Iskandar Malaysia will continue to be focused within the city centre, Danga Bay and the Nusajaya locality within Flagship A and Flagship B development zones. The growing demand for prime office space and retail space in the region is expected to fuel the construction of more retail malls and purpose-built offices in Metropolitan Johor Bahru.

Supply of residential and commercial properties in Johor Bahru

	Existing stock	Incoming supply [a]	Planned supply [b]	Total supply
Residential (units)				
2006	350,438	46,685	91,710	**488,833**
2007	367,188	39,180	98,974	**505,342**
2008	379,900	34,855	101,645	**516,400**
2009	329,552	38,621	105,177	**473,350**
2010	336,319	40,965	100,422	**477,706**
2011	340,034	55,049	99,244	**494,327**
2012	346,299	66,373	104,537	**517,209**
2013	353,723	82,615	116,929	**553,267**
2014	362,598	105,397	139,722	**607,717**
2015	370,753	136,988	115,020	**622,761**
			CAGR	**2.7%**
Commercial				
a) Shop (units)				
2006	32,007	3,999	7,214	**43,220**
2007	32,437	4,770	7,394	**44,601**
2008	33,415	4,886	7,180	**45,481**
2009	27,950	4,793	6,901	**39,644**
2010	28,525	4,923	6,671	**40,119**
2011	28,662	6,053	6,765	**41,480**
2012	29,015	7,685	6,731	**43,431**
2013	29,407	8,913	7,966	**46,286**
2014	30,411	10,211	10,784	**51,406**
2015	31,085	12,564	9,787	**53,436**
			CAGR	**2.4%**
b) Shopping complex (m^2)				
2006	777,128	157,374	818,297	**1,752,799**
2007	818,323	157,544	960,552	**1,936,419**

	Existing stock	Incoming supply [a]	Planned supply [b]	Total supply
2008	849,583	261,858	824,978	**1,936,419**
2009	976,990	196,649	842,290	**2,015,929**
2010	1,025,825	165,126	824,978	**2,015,929**
2011	1,121,703	101,010	824,978	**2,047,691**
2012	1,122,288	0	39,857	**1,162,145**
2013	1,036,952	13,213	96,466	**1,146,631**
2014	1,076,996	123,036	415,700	**1,615,732**
2015	1,094,528	304,657	165,999	**1,565,184**
			CAGR	**-1.3%**
c) Purpose-built office (m^2)				
2006	658,065	118,744	493,455	**1,270,264**
2007	658,065	195,639	596,746	**1,450,450**
2008	650,796	206,334	586,051	**1,443,181**
2009	747,642	163,688	600,525	**1,511,855**
2010	757,430	168,374	586,051	**1,511,855**
2011	800,901	54,867	0	**855,768**
2012	798,063	66,734	19,754	**884,551**
2013	789,384	71,548	0	**860,932**
2014	781,854	64,495	82,436	**928,785**
2015	823,944	82,127	78,996	**985,067**
			CAGR	**-2.8%**
d) Hotel (rooms)				
2006	12,565	3,038	379	**15,982**
2007	13,285	3,038	547	**16,870**
2008	14,061	3,296	413	**17,770**
2009	15,071	3,430	813	**19,314**
2010	16,821	6,098	1,329	**24,248**
2011	17,379	6,098	981	**24,458**
2012	20,085	5,522	981	**26,588**
2013	21,397	5,491	2,649	**29,537**
2014	Not available	Not available	Not available	Not available
2015	Not available	Not available	Not available	Not available
			CAGR	**-**

[a] Incoming supply is defined as properties under construction, where some units may have already been pre-sold
[b] Planned supply is defined as properties where their building plans have been approved by local authorities
Latest available as at 14 April 2017

Source: NAPIC

Property Demand

Residential, commercial and industrial development in Johor, based on property transaction value, witnessed positive growth between 2006 and 2015, increasing from RM4.8 billion to RM15.3 billion at a CAGR of 13.7%. Between 2006 and 2015, growth was witnessed in the transaction values for the residential and commercial property segments that increased from RM2.7 billion to RM9.3 billion and from RM1.4 billion to RM3.7 billion respectively. Between 2006 and 2015, the residential and commercial property segments recorded CAGRs of 14.7% and 11.4% respectively. In the first half of 2016, total property transactions in the state of Johor was registered at RM7.0 billion, of which residential, commercial and industrial property transactions comprised RM4.3 billion, RM1.8 billion and RM0.9 billion respectively.

In Johor, the greatest residential property transactions were witnessed in the district of Johor Bahru where transactions worth RM6.1 billion took place in 2014 compared to the state total of RM9.3 billion. Terraced properties in Johor and its capital city Johor Bahru continued to sustain strong demand as housing developers offered features such as gated and guarded security facilities to prospective homeowners. High-rise properties in Johor Bahru are especially targeted at Singaporeans and Malaysians working in Singapore.

The demand for residential property in Johor is greatly affected by the state's economic performance. During the period between 2006[3] and 2014[4], Johor's GDP increased by 78.5% (from RM52.5 billion to RM93.7 billion) while its manufacturing GDP increased by 43.3% (from RM20.1 billion to RM28.8 billion). This economic growth, coupled with the Government's plans to promote Iskandar Malaysia, has led to an increased workforce of 1.6 million persons in 2014 compared to the previous 1.3 million persons in 2006, and created increased demand for residential properties in the state of Johor. These economic developments which largely took place in the capital city of Johor Bahru had positive impact on residential property development in the area.

Demand for residential and commercial properties witnessed a dramatic increase of 135.6% in 2013 compared to the previous year demand of RM8.7 billion following the completion of the foundation and infrastructure for Iskandar Malaysia that prepared the way for increased commercial activities in this capital city of Johor. Johor Bahru City Centre is also being revitalised through the upgrading of its central business district and waterfront to reposition the city as a vibrant, modern and livable city centre, thus further drawing prospective homeowners and businesses to this city.

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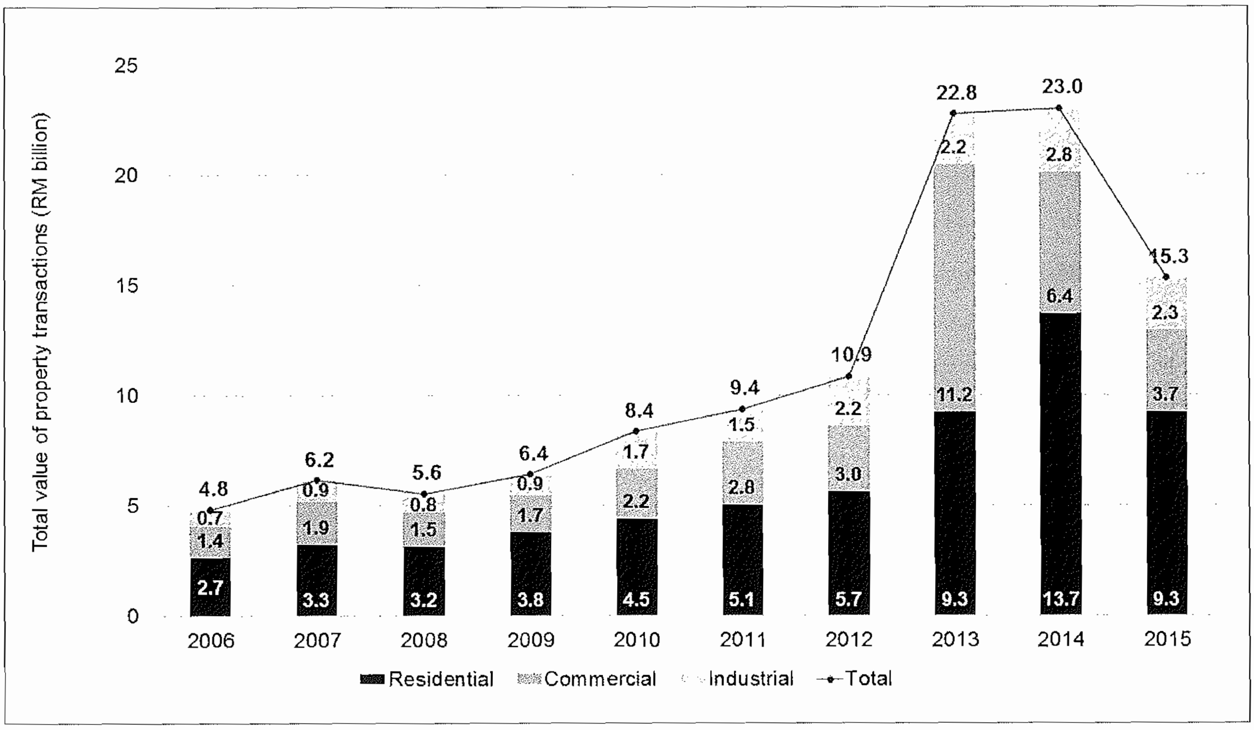
[3] *Johor's GDP for the year 2006 is taken at constant 2005 prices*
[4] *Johor's GDP for the year 2014 is taken at constant 2010 prices*

Demand for residential, commercial and industrial properties in Johor [a, b]

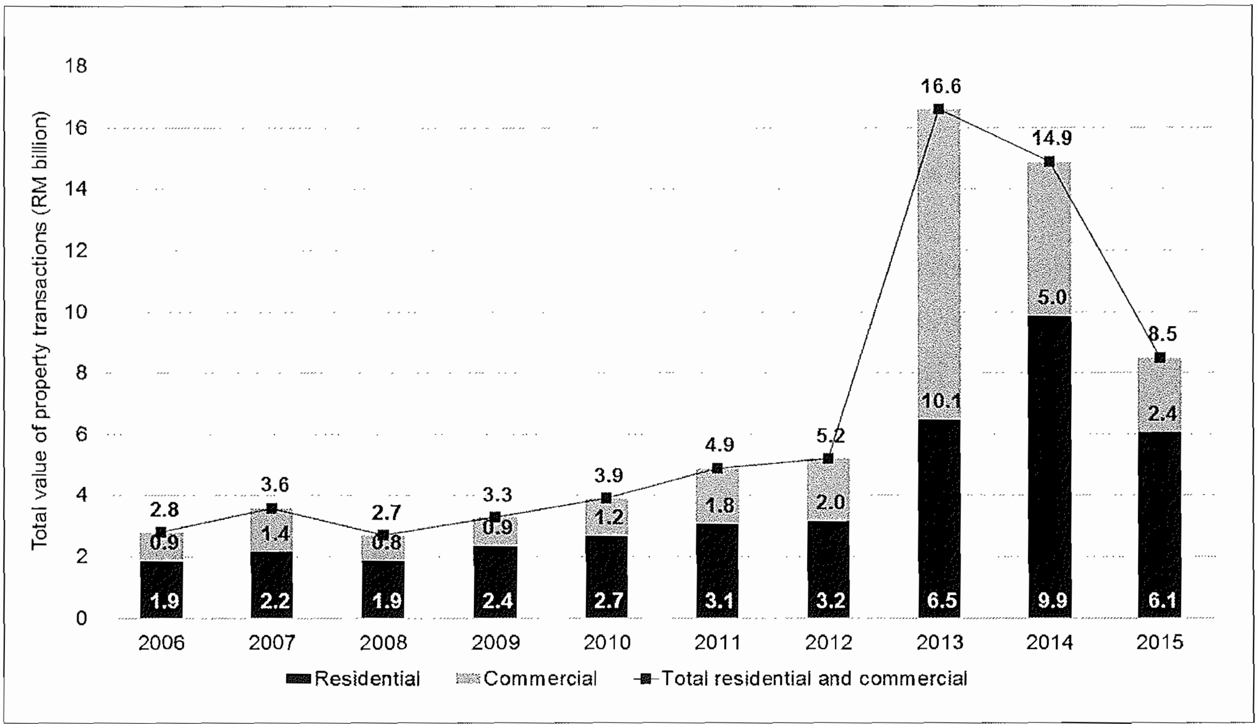


[a] Total value of property transactions was registered at RM7.0 billion for the period of January to June 2016, of which residential, commercial and industrial property transactions comprised RM4.3 billion, RM1.8 billion and RM0.9 billion respectively
[b] Latest available as at 14 April 2017

Source: NAPIC

The demand for residential and commercial properties in Johor Bahru, measured by property transaction values, have been growing on an upward trend between 2006 and 2015 as total transaction values increased from RM2.8 billion to RM8.5 billion at a CAGR of 13.1%. Demand for residential and commercial properties witnessed a dramatic increase of 219.2% in 2013 compared to the previous year demand of RM5.2 billion following the completion of the foundation and infrastructure for Iskandar Malaysia in 2010 that prepared the way for increased commercial activities in this capital city of Johor. Johor Bahru City Centre is also being revitalised through the upgrading of its central business district and waterfront to reposition the city as a vibrant, modern and livable city centre, thus further drawing prospective homeowners and businesses to this city.

In 2015, total residential and commercial transactions totaled approximately RM8.5 billion as residential and commercial properties transactions were registered at RM6.1 billion and RM2.4 billion respectively. Growth in 2013 was primarily fueled by the 405.0% year-on-year increase in transaction values in the commercial property segment.



Total value of residential and commercial property transactions in Johor Bahru [a]

[a] Latest available as at 14 April 2017

Source: NAPIC

Johor's CDP (2006 – 2025) was launched for Iskandar Malaysia and encompasses the districts of Johor Bahru, Kulai (formerly known as Kulaijaya), Pontian and Kota Tinggi. Over the period of 2011 and 2015, Iskandar Malaysia intends to achieve the creation of 55,730 employment opportunities. This target is in line with the commencement of several jet catalyst projects under various flagship development zones, including the Danga Bay Integrated Waterfront City, Johor New Administration Centre at Kota Iskandar, Pasir Gudang Industrial Park and the development of Senai Airport City that are anticipated to spur Johor's socio-economic development. Nine (9) major economic clusters have been identified to spearhead the growth of Iskandar Malaysia and these clusters are electrical and electronics, petrochemicals and oleochemicals, food and agro-processing, logistics and related services, tourism, health services, educational services, financial services and creative industries. The implementation of these economic plans and targeted strategies under the respective plans, including infrastructure and transportation improvement, have great impact on socio-economic developments in Johor, and the anticipated business opportunities arising from these economic plans will have positive impact on commercial property supply and demand in Johor.

Demand Conditions – Key Demand Drivers

Increase in investments under Iskandar Malaysia will drive future demand for commercial and industrial properties

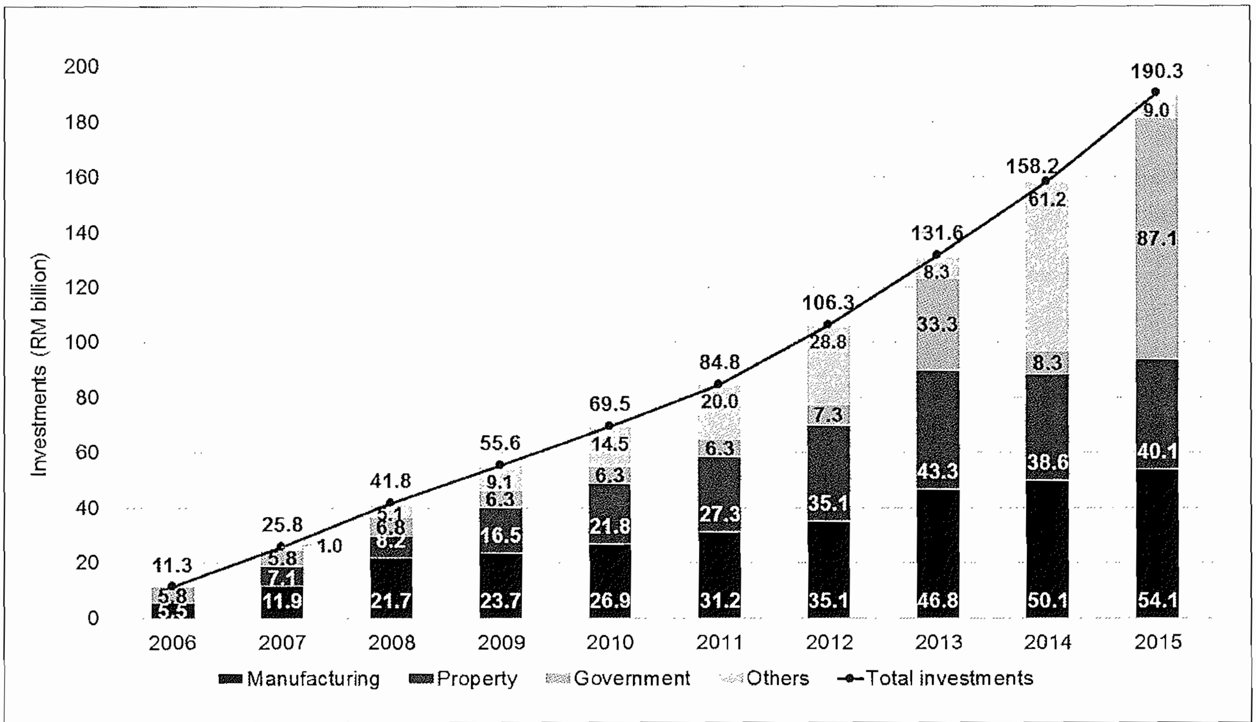
The investment climate in Iskandar Malaysia has been gaining momentum since the launch of the CDP in 2006. For Iskandar Malaysia's first phase of development (2006 – 2010), a total of RM69.5 billion cumulative investments were secured, approximately 47.9% above the RM47 billion target that was set for that period. This was an impressive achievement given that the global economy experienced financial distress during the 2008 and 2009 period. During the 2008 and 2009 period alone, Iskandar Malaysia secured committed investments amounting to RM16.0 billion and RM13.8 billion respectively. Committed investments during the first development phase went into various sectors including manufacturing, property development, utilities, leisure and tourism as well as Government spending. The Federal Government allocated a total of RM6.3 billion between 2006 and 2010 for key infrastructure projects in Iskandar Malaysia.

Between 2006 and 2015, cumulative investments committed under Iskandar Malaysia totaled RM190.3 billion, of which others, which includes utilities, emerging technologies, tourism, education, healthcare, creative, financial services, logistics, retail properties and industrial properties, comprised RM87.1 billion, followed by manufacturing (RM54.1 billion), property development (RM40.1 billion) and Government (RM9.0 billion). A significant portion of Iskandar Malaysia's investments were domestically sourced, amounting to approximately 59.7% of cumulative investments, while FDI inflows accounted for the remaining 40.3%.

Between 2006 and 2015, approximately RM98.5 billion worth of investments have been realised under Iskandar Malaysia. This has led to the launch of a number of important developments, with several projects completed or approaching completion across all five (5) flagship development zones, and include catalyst projects in the education and leisure and tourism sectors, key infrastructure such as upgrading works on existing roads and new highways, and other projects in sectors such as retail and healthcare. Between January and September 2016, Iskandar Malaysia secured RM28.6 billion in new investments, bringing the total cumulative committed investment secured to RM218.8 billion from 2006 until 30 September 2016.

Iskandar Malaysia intends to achieve a total investment target of RM383.0 billion over the 20-year plan duration. Further growth investments under Iskandar Malaysia bodes well for commercial and industrial development in the state as local businesses and companies grow and expand in terms of scale and reach. This signifies positively for the commercial and industrial property segments in Johor, where investments in larger business facilities are expected to witness growth resulting from increased total investments.

Cumulative committed investments under Iskandar Malaysia [a, b]



[a] *Between January and September 2016, Iskandar Malaysia secured RM10.9 billion in new investments, bringing the total cumulative committed investment secured to RM218.84 billion from 2006 until 30 September 2016*

[b] *Latest available as at 14 April 2017*

Source: IRDA

Boost in employment as a result of business growth and expansion leads to the need for larger commercial and industrial space

The increasing investments in Iskandar Malaysia have generated greater economic activity and hence, demand for human talent. More than 20,000 employment opportunities have been created over 2006 and 2010 in targeted economic sectors ranging from education and healthcare to electrical and electronics as well as leisure and tourism. Close to 10,000 employment opportunities were created in the electrical and electronics sector followed by leisure and tourism (6,094) and education (5,910). Significant opportunities have also been recorded in the oil and gas, retail and biotechnology sectors.

Over the period of 2011 and 2015, Iskandar Malaysia strove to achieve the creation of 55,730 employment opportunities. This target is in line with the commencement of several jet catalyst projects under various flagship development zones, including the Danga Bay Integrated Waterfront City, Johor New Administration Centre at Kota Iskandar, Pasir Gudang Industrial Park and the development of Senai Airport City that are anticipated to spur Johor's socio-economic development. The creative sector was expected to be a major employer during this period through the targeted creation of 18,000 jobs following the realisation of projects including MSC Cyberport and Pinewood Iskandar Malaysia Studios. Employment opportunities are also expected to remain strong in the electrical and electronics, leisure and tourism, and education sectors following the launch and commercialisation of several key developments in these respective sectors. Employment growth will positively impact property development, creating demand for larger commercial and industrial properties in Metropolitan Johor Bahru, in line with business growth.

Growth and enhancements in overall infrastructure and transportation sectors

In addition to business growth, demand for commercial office and retail space in Johor Bahru and the broader Metropolitan Johor Bahru will also be significantly determined by infrastructure and transportation enhancements. One (1) of the largest infrastructure projects that has improved connectivity for Johor Bahru is the construction of the 14.5 km six (6)-lane Coastal Highway in 2011. This highway connects Johor Bahru to Danga Bay and Nusajaya, reducing travel time between Johor Bahru and Nusajaya from the previous 45 minutes to the current 15 minutes. Several road improvement projects were also implemented under the 9MP to improve traffic flow and dispersal in and around Johor Bahru City Centre and these projects include the upgrading of Jalan Abu Bakar – Jalan Skudai, Jalan Tampoi and Jalan Kolam Ayer, as well as the addition of the new Abu Bakar Interchange and Yahya Awal Interchange. Malaysia and Singapore have also agreed to build the high-speed rail system that connects Kuala Lumpur and Singapore in just 90 minutes, which is slated for completion in 2020. The rapid transit system linking Johor Bahru to Singapore has also been approved and is expected to be completed in 2018.

Government plans, policies and strategies to drive economic growth creates growth opportunities for the commercial and industrial property segments

Property development in Johor and Iskandar Malaysia will continue to benefit from economic plans launched by the Government of Malaysia with the aim of achieving economic prosperity for the country.

- The ETP (2011 – 2020) was launched with a goal to promote Malaysia into an inclusive and sustainable high-income country by the year 2020. Through the ETP, Malaysia will focus on developing a large and thriving services sector to supplement the nation's historical strengths in oil and gas, agriculture and manufacturing; a balanced economy with significant contributions from private consumption and investment as well as from Government spending and exports; and productivity levels similar to those of other leading Asian economies through developing an economy that is more heavily driven by skills, innovation and knowledge. The Government targets to achieve a 6.0% growth rate in private investments and enhance investments in human capital to support an economy based on high-skilled labour, knowledge and innovation. The ETP identifies 12 drivers of economic growth focus, namely Greater Kuala Lumpur/Klang Valley; oil, gas and energy; financial services; wholesale and retail; palm oil; tourism; electronics and electrical; business services; communications content and infrastructure; education; agriculture; and healthcare, each with identified high impact projects that have potential to contribute to gross national income and employment. The ETP's transformation of Malaysia's economy will be led by the private sector, where 92.0% of over RM1.4 trillion investments will be funded by the private sector. FDI inflows are expected to account for RM358 billion, or 25.6% of private investments.
- The CDP of Iskandar Malaysia is a detailed and comprehensive masterplan for the development of South Johor that aims to address socio-economic development in a holistic and sustainable manner with a vision of creating a developed, sustainable and glorious Johor (*"Johor Maju, Lestari dan Gemilang"*) by 2020. Nine (9) major economic clusters have been identified to spearhead the growth of Iskandar Malaysia and these clusters are electrical and electronics, petrochemicals and oleochemicals, food and agro-processing, logistics and related services, tourism, health services, educational services, financial services and creative industries.

  Johor Bahru City Centre is the most urbanised district under the Iskandar Malaysia masterplan and houses high-density residential, commercial office towers and hotel properties. The state's Customs, Immigration and Quarantine Complex is also located here, making Johor Bahru City Centre a key gateway to Singapore from Malaysia. Under Iskandar Malaysia's CDP, the Johor Bahru City Centre Master Plan was launched in 2010 to provide a blueprint for the development of the city centre as a place that provides an enabling environment and infrastructure that enhances Johor Bahru's role as a capital city, thereby strengthening its value proposition as a major urban tourism and cultural centre for Iskandar Malaysia. This masterplan aims to develop a sustainable and vibrant city centre through commercial, retail and cultural growth while encouraging mixed-use outcomes as well as providing residential amenities and encouraging housing choice and affordability. The redevelopment of KOMTAR as Aria Shopping Mall and Plaza Kotaraya as Galleria@Kotaraya have been identified as tourism projects for Johor Bahru city rejuvenation and revitalisation.

The CDP intends to achieve several key socio-economic targets for Iskandar Malaysia:

Socio-economic targets under Iskandar Malaysia CDP

Indicator	Johor state	Iskandar Malaysia	Rest of Johor
GDP growth rate (%)	7.0	8.0	5.2
GDP per capita growth rate (%)	4.6	3.8	4.7
Productivity growth (%)	4.0	3.3	4.2
Employment growth (%)	2.8	4.3	0.9
Unemployment rate (%)	3.0	2.1	4.6
Population growth (%)	2.3	4.1	0.5

Source: IRDA

Projected impact of Iskandar Malaysia on selected socio-economic indicators in South Johor

Indicator	2005	2025
Population size (million persons)	1.4	3.0
GDP (purchasing power parity) (USD million)	20.0	93.3
GDP per capita (purchasing power parity) (USD)	14,790	31,100
Labour force (million persons)	0.6	1.5
Employment (million persons)	0.6	1.4
Unemployment (%)	3.0-4.0%	1.8%
Jobs created	Not applicable	817,500

Source: IRDA

- In May 2015, the Government tabled the 11MP (2016 – 2020) which outlined the nation's development expenditure until 2020. The development of the 11MP was guided by MyNDS which focuses on rapidly delivering high impact on both the capital and people economies at low cost to the Government. The capital economy focuses on GDP growth, big businesses, large investment projects, and financial markets, while the people economy focuses on with what matters most to the people, which includes jobs, small businesses, the cost of living, family wellbeing, and social inclusion. The construction sector is expected to benefit from the 11MP due to higher demand for modern and efficient infrastructure. Under the 11MP, the **construction sector** is estimated to expand by 10.3% per annum during the 11MP period. This is attributed to continued civil engineering works and a growing residential segment to fulfil the demand for housing, particularly from the middle-income group. Demand for affordable housing by the low-income group will also remain favourable, which will be supported by several Government initiatives, such as Program Perumahan Rakyat 1Malaysia, Rumah Idaman Rakyat and Rumah Mesra Rakyat. Other subsectors such as civil engineering and non-residential will remain robust in line with the development of major projects such as the Tun Razak Exchange, KL118 Tower, RAPID and the Pan-Borneo Highway.
  - In 2017, the state Government of Johor announced the expansion of the Johor Affordable Housing programme to rural areas to allow more citizens to own their own homes. Affordable homes were initially built within Johor Baru and its surrounding areas due to the high demand in these areas. Nonetheless, several other areas have since been identified including Lenga, Segamat, Tanjong Piai, Yong Peng and Labis.

- In 2017, the Sultan of Johor announced the launch of the "Rumah Impian Sultan Ibrahim" comprising an initial 1,840 homes, including bungalows and semi-detached houses that would be built in phases at three locations in Johor. Launched under the Sultan Ibrahim Foundation, the project will involve building houses priced under RM100,000 for Johor citizens who cannot afford to buy a house, those who do not own a house and those from the low – income population.

Electrical services specialised construction works are performed during the erection or reconstruction of buildings or structures, and entails the design, installation, commissioning and maintenance of electrical wiring and fittings and ELV systems. As such, growth in the construction sector would also result in the growth in electrical services and ELV and structured cabling as the demand for electrical services, particularly in new development projects, is dependent on construction activities undertaken to erect residential, commercial and industrial properties.

Initiatives announced under 11MP, specific to the construction sector in Malaysia

Focus area	Description
Uplifting B40 households towards a middle-class society	▪ Increasing the provision of affordable housing • The Government will continue to ensure that affordable homes are available to B40 households. Existing low-cost flats and houses will be refurbished as part of a holistic campaign to improve the living conditions of the community. For poor households in rural areas, especially Orang Asli in Peninsular Malaysia and those living in Sabah and Sarawak, the Government will continue to provide housing with basic amenities through the construction of integrated settlements under Program Bantuan Rumah. The Program Perumahan Rakyat will be continued for poor households in urban areas. ▪ Increasing access to healthcare services • In rural areas, more community clinics will be built to increase access to basic healthcare services.
Transforming rural areas to uplift wellbeing of rural communities	▪ Increasing the provision of road, water and electricity supply • New roads will be constructed and existing roads, including ex-logging roads, will be upgraded to improve connectivity, particularly in Sabah and Sarawak as well as Orang Asli settlements in Peninsular Malaysia. Priority will be given to the construction of roads connecting villages as well as linking villages with the nearest towns. During the 11MP, 3,000 km of paved roads will be constructed. • The Rural Water Supply programme, to supply clean and treated water directly to each household, will be expanded and this will involve connecting households to the meter stands of the reticulation systems. In addition, alternative systems such as gravity feed, tube wells and rain water harvesting will be used in remote and isolated areas. Under the 11MP, 99% coverage of access of clean and treated water will be provided to rural houses reaching 90,000 additional houses. • The Rural Electricity Supply programme will continue to focus on off-grid generation for remote and isolated areas. The alternative system of solar hybrid and mini hydro will be supported by micro and pico-grid to increase coverage. Under the 11MP, 99% coverage of access of electricity will be provided to rural houses reaching 36,800 additional houses.
Accelerating regional growth for better geographic balance	▪ Revisiting regional economic corridor priorities and industry-focus • The Border Economic Transformation Programme will enhance outcomes from regional economic development by bringing inclusive development and prosperity to the border regions of Malaysia. A range of large-scale economic growth projects and local income-generating opportunities will be developed, including the development of Lembah Chuping and Perlis Inland Port in Perlis, rubber-based downstream processing in Rubber City in Kedah, the construction of Plaza IMT-GT which is a retail plaza in Bukit Bunga, as well as the redevelopment of Kampung Laut in Tumpat, Kelantan. ▪ Improving connectivity and mobility

Focus area	Description
	• Transportation networks will be improved to enhance connectivity and mobility in regional economic corridors. This includes the construction and upgrading of roads and highways such as the Pan Borneo Highway to link SCORE and SDC; Central Spine Road and Kota Bharu-Kuala Krai Highway to increase connectivity in the ECER. The completion of Mukah Airport is expected to accelerate development in Mukah and the surrounding areas within SCORE, with Mukah to be developed as a smart city as well as one of the growth nodes in SCORE.
Enhancing Bumiputera Economic Community opportunities to increase wealth ownership	▪ Strengthening institutional-based programmes for assets ownership • Institutional-based programmes including Bumiputera real estate investment trust will continue to be strengthened to enhance Bumiputera ownership of large commercial and residential properties in strategic locations. Yayasan Wakaf Malaysia, state Islamic religious councils, and other Bumiputera-based institutions will collaborate to develop Malay reserve and *waqf* land to unlock value while retaining Bumiputera ownership.
Building an integrated need-based transport system	▪ Prioritising regional connectivity for new highways • To achieve a balanced economic development, highway development will be focused outside the Klang Valley and other urban areas. The 11MP will therefore focus on rural and rural-urban connectivity. The Pan Borneo Highway will promote better connectivity in Sabah and Sarawak. Further development of the Central Spine Road, Kota Bharu-Kuala Krai Highway, and the East Coast Expressway will improve connectivity in Peninsular Malaysia and catalyse growth in the East Coast region. The completion of the West Coast Expressway in 2019 will also provide better access to the west coast of Perak and Selangor. ▪ Increasing public transport modal share in cities • Improving urban public transport remains critical for Malaysia as 75% of its population will be living in cities by 2020. The Klang Valley MRT system will become operational during the 11MP. The Klang Valley MRT Line 1 will traverse 51 km between Sungai Buloh and Kajang, through 31 stations serving about 1.2 million people with a daily expected ridership of 400,000. Construction on the Klang Valley MRT Line 2 will also start in 2016 and is estimated to become operational by 2022. Additionally, construction on a LRT Line 3 connecting Bandar Utama to Klang, running over 36 km and serving 25 stations will start in 2016 with expected completion in 2020. ▪ Deploying roads and public transport to increase rural and rural-urban connectivity • Rural roads linking the main road networks will continue to be given focus. These roads provide access to basic social amenities such as health, education, and other public services. Rural roads will also create economic opportunities for the residents and further alleviate poverty among the rural households. • The Government will continue to enhance connectivity and safety of rural air services by improving STOL ports. The construction of a new airport in Mukah will be completed in 2018 and the relocation of the Lawas STOL port in Sarawak to a suitable site will be carried out. ▪ Upgrading air navigation system and airport infrastructure • A new Kuala Lumpur Air Traffic Control Centre will be built at KLIA to replace the National Control Centre at Subang, Selangor to improve aircraft movement capacity. In addition, the Communication, Navigation and Surveillance as well as the Air Traffic Management systems will be upgraded to improve efficiency of air navigation services. The Langkawi International Airport, Kedah, and the Sultan Ismail Petra Airport, Kelantan, will be upgraded to cater for the expected increase in passengers. ▪ Improving port accessibility and capacity • Accessibility to major ports will be improved to cater for bigger vessels through channel deepening works. In addition, port operators will undertake capacity expansion, which includes building additional berths and wharfs. These improvements will attract more international liners and mega vessels with capacity

Focus area	Description
	of 18,000 twenty-footer equivalent units to call at these ports.
Encouraging sustainable energy use to support growth	▪ Ensuring security of supply for gas • Gas supply security would be ensured through the construction of pipelines from the Malaysia-Thailand Joint Development Area to Kerteh, Terengganu; construction of the RGT-2 in Pengerang, Johor; and the commissioning of two (2) floating liquefied natural gas units offshore Sabah and Sarawak with a capacity of 2.7 metric tonnes per annum. • Reliability of gas supply in Sabah will be improved with additional pipeline connections from offshore fields to demand centres in Federal Territory Labuan, as well as Kota Kinabalu and Kimanis in Sabah. Platforms will be connected through multiple links to provide alternative bypass options and provide capacity to users in the event of platform shutdowns. Improved connectivity for Federal Territory Labuan will be realized through the establishment of a pipeline connection between the Sabah-Sarawak Gas Pipeline and Federal Territory Labuan. ▪ Supporting the development of PIPC • RAPID within PIPC is a major development that will add 300,000 barrels per day of oil refining capacity in Malaysia during the 11MP. The facility will be able to produce EURO 4M and EURO 5 grade petrol, in addition to 7.7 metric tonnes per annum of various grades of specialised products such as synthetic rubber and high grade polymer by 2020. In addition, the complex will have a 1,220 MW co-generation power plant of which 620 MW will be utilised by RAPID and the remaining 600 MW exported to the grid. The Government will provide support to construct essential infrastructure such as roads, drainage, and utilities for this development. Another investment in PIPC will be secured by the Johor Petroleum Development Corporation during the 11MP to complement existing investments by DIALOG-Vopak and PETRONAS. ▪ Improving efficiency and reliability of electricity supply • Construction of new power plants to produce 7,626 MW will be initiated to replace retiring plants and meet the growing peak demand. A number of 500 kilovolts and 275 kilovolts transmission projects to reinforce the grid systems will be completed to enhance the security of supply to major load demand centres. The additional generation capacity coupled with expanded transmission and distribution networks will improve the system average interruption duration index for Peninsular Malaysia, Sabah, and Sarawak.
Transforming construction	▪ Enhancing knowledge content • The strategies to enhance knowledge content in the construction industry include increasing the quality of human capital, accelerating capacity and capability building of SMEs and Bumiputera contractors, and reducing the mismatch between labour demand and supply. Key initiatives include fostering greater collaboration between CIDB, the respective professional boards, and training institutions to develop industry-relevant training modules. A structured skilled trade apprenticeship programme for specific courses such as safety supervisors, crane operators, and rotary drill operators will also be introduced to produce a highly skilled workforce. SME capabilities will be enhanced, particularly Bumiputera contractors, with the support of key partners and the establishment of productivity centres of excellence for sharing of best practices. Regular manpower planning will be undertaken to reduce the mismatch between labour demand and supply. The proportion of skilled foreign labour will be increased by streamlining entry requirements and introducing a new levy system. ▪ Driving productivity • The strategies to increase productivity in the construction sector will focus on increasing technology adoption and modernisation of construction methods as well as reducing dependency on low-skilled labour. The labour productivity of the sector is targeted to increase by about 1.6 times, from RM39,116 per worker in

Focus area	Description
	2015 to RM61,939 per worker by 2020. A number of initiatives will be introduced to drive productivity, including expediting the adoption of the Industrial Building System by the industry through the revision of the public procurement policy and Uniform Building By-Laws and improving existing regulations to ease construction-related business processes. This effort, which started with Kuala Lumpur City Hall, will be expanded to other local authorities. The use of ICT will be enhanced by providing a common platform to use BIM on a pay-per-use basis. ▪ Fostering sustainable practices • In line with the growing need for green construction practices, strategies will be geared towards increasing the sustainability of built infrastructure. This will include inculcating green practices in the construction value chain and developing legislation that supports sustainable construction activities. Three (3) initiatives to foster environmental sustainability in the sector are: mandating compliance to sustainable waste management practices through EMS ISO 14001 certification; enhancing the current rating systems for buildings and developing new standards for infrastructure to promote sustainability; and enhancing the awareness and accountability of health, safety and environment, where health, safety and environment good practices will be made obligatory. The minimum level of construction workers' amenities will be raised in the code of practice and further mandated within standard contracts. ▪ Increasing the internationalization of construction firms • The strategies to increase the internationalisation of firms will focus on building capability and scale of firms by encouraging highperforming SMEs to forge partnerships with larger corporations or form multidisciplinary consortia when bidding for international projects. The public procurement policy will be reviewed to facilitate the formation of such consortia. In addition, firms will be encouraged to leverage free trade agreements and mutual recognition agreements, and provide feedback to the Government on challenges faced when venturing abroad to enable issues to be addressed at government-to-government level. The SEF, which covers activities such as tendering, negotiating, and conducting feasibility studies for international projects as well as export promotion activities, will assist construction firms to secure opportunities abroad.
Investing in competitive cities and regional economic corridors	▪ Expanding Transit-oriented Development ("TOD") • TOD refers to urban development concepts involving the mixed use of residential and commercial development to be pedestrian-friendly, designed with maximum access to public transport. City authorities will adopt TOD as part of the city's competitiveness master plan to provide mobility options to residents, add vibrancy to city spaces, reduce pollution and energy consumption by reducing commute times and increasing the use of public transport or walking, and also revitalise brownfield areas within the city. Efficient land use through TOD will be given priority along established public transport routes. ▪ Strengthening knowledge-based clusters • Knowledge-based clusters will be developed to attract investment and talent. Knowledge-based clusters are physical hubs within the city that agglomerate industry-specific firms and talent, particularly for industries such as creative content, ICT, and professional services. Knowledge-intensive investments will be given priority in the selected cities. Institutions of higher learning and research institutes located in the cities will be the catalysts to create knowledge-based clusters. ▪ Enhancing livability • Cities need to be livable and should create a conducive environment that attracts talent to live, study, work, and play in. Better city planning mechanisms will be developed, including land use zoning that promotes residential, commercial, and basic social amenities in close proximity to increase walkability. Sports, arts, and cultural facilities will be promoted through greater collaboration between related associations, corporate bodies, and non-governmental organisations. Emphasis

Focus area	Description
	will also be given to the quality, capacity, and reliability of public transport, social amenities, and telecommunications networks. Healthcare facilities and high-quality schools will be planned for and developed accordingly to meet local demand. Vibrant cultural attractions, food and beverage and retail spaces will be developed to create cities that are attractive to global talent. ▪ Adopting green-based development and practices • All these cities will place high importance on continuous sustainable growth by enhancing green-based development and optimising low carbon resources. Environment-friendly practices, such as green buildings, green lifestyles, and sustainable consumption and production, will be embedded within the development plans of these cities.

Source: Economic Planning Unit Malaysia

The implementation of these economic plans and targeted strategies under the respective plans, including infrastructure and transportation improvement, have great impact on socio-economic developments in Johor, and the anticipated business opportunities arising from these economic plans will have positive impact on commercial property supply and demand in Johor Bahru.

Development of the oil and gas sector and ICT industry create demand for construction activities

The development of the oil and gas sector and ICT industry in Johor would result in a growth in the commercial and industrial property segments in the state. As part of an effort to develop the ICT sector, the Johor State Government announced its intention in 2016 to develop a 20,000 hectare area in the town of Sedenak into a data centre.

The Iskandar Malaysia Development Plan consists of five (5) flagship zones, and Iskandar Malaysia's initiatives includes the development of the oil and gas industry in Johor. The development of the oil and gas industry in Johor is primarily in Flagship C or the Western Gate Development and Flagship D or the Eastern Gate Development, and includes the development of oil and gas processing, support industries, manufacturing, storage and distribution terminals, and storage and bunkering activities. The development of the oil and gas sector in Johor would generate greater economic activity and result in a greater demand for human talent.

There is an established port and industrial park in Tanjung Langsat, with three (3) existing oil and gas storage facilities, namely the Tanjung Langsat Port Oil Terminal, Langsat Terminal One and Langsat Terminal Two. In order to increase total storage capacity to two (2) million cubic metres by 2020, an additional storage facility, Langsat Terminal Three, will be built. The location, land and port infrastructure availability will enable Tanjung Langsat to emerge as a petroleum support services hub in Johor.

Oil and gas development in the Pengerang area is primarily focused on the Pengerang Integrated Petroleum Complex, which is located on approximately 20,000 acres of land, and will house oil refineries, naphtha crackers, petrochemical plants, liquefied natural gas import terminals and a regasification plant. To date, there are two (2) major projects in the Pengerang Integrated Petroleum Complex area, namely the Pengerang Deepwater Petroleum Terminal and the Petronas Refinery and Petrochemical Integrated Development projects. The first phase of the Pengerang Deepwater Petroleum Terminal project was completed in December 2014, and involved the construction of a storage capacity of approximately 1.3 million cubic metres and six (6) deepwater berths, with the capability of handling the storage, blending and distribution of crude oil, petroleum, chemical and petrochemical feedstock products and by-products. The second phase is currently being carried out, and involves the development, construction and operation of the facilities required for the handling, storage and distribution of crude oil, petroleum, chemical and petrochemical feedstock products and by-products to and from the Petronas Refinery and Petrochemical Integrated Development complex. In addition, the second phase also involves the construction of a storage capacity of approximately 2.1 million cubic metres and a deepwater jetty with 12 berths. Further, the development of the Pengerang Liquefied Natural Gas Terminal located in the Pengerang Integrated Petroleum Complex area, which comprises liquefied natural gas storage, loading and regasification facilities will further boost the oil and gas industry in Johor. The expected completion date of the Pengerang Liquefied Natural Gas Terminal is in 2018.

Globally, crude oil prices began witnessing a drop below the USD100 per barrel mark in September 2014 after nearly five (5) years of stability, raising concerns on the impact of lower oil prices on the oil and gas industry in Malaysia. The combination of robust world crude oil supply growth and weak global demand has contributed to rising global inventories and falling crude oil prices. The decline in crude oil prices has impacted upstream oil and gas activities in Malaysia, resulting in lower capital expenditure on exploration and production activities. However, despite reduced exploration and production activity of crude oil, the oil and gas industry remains as a significant contributor to Malaysia's GDP. Activities in the downstream oil and gas sector remain robust as petrochemical companies that use oil and gas products to make the various derivatives and chemicals that are used in consumer goods such as plastics are benefitting from the lower crude oil prices.

Emergence of tourism as a key economic sector

Tourism is also a key economic cluster under the Iskandar Malaysia masterplan. Latest available figures indicate that tourist arrivals in Johor have increased from approximately 11 million in the first eight (8) months of 2011 to 14 million in the first eight (8) months of 2012. Johor is also now becoming a destination where tourists spend time at as opposed to stopping by en route to Singapore. Iskandar Malaysia has built in place infrastructure and facilities that provide family tourism, edu-tourism and health tourism in an effort to boost tourist arrivals and tourism receipts. The demand for hotel rooms is anticipated to increase, thus improving occupancy rates, as several projects with tourism components have been launched in the corridor.

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6 PROSPECTS AND OUTLOOK FOR CABNET HOLDINGS BERHAD

Economic growth is a catalyst for development and growth in residential, commercial, and industrial construction activities. Construction activities in Malaysia are largely influenced by the nation's economic development. Between 2006 and 2016, Malaysia's real GDP increased from RM573.9 billion to RM1,107.9 billion, while the nation's GDP for construction activities increased from RM16.0 billion to RM50.1 billion. Between 2006 and 2016, construction activities contributed to between 2.5% and 4.5% of Malaysia's total GDP, increasing from 2.8% in 2006 to 4.5% in 2016, signifying its importance to overall economic development.

Between 2006 and 2014, the construction sector in Malaysia, as measured by the value of projects awarded, grew from RM60.9 billion to RM178.8 billion and recorded a CAGR of 14.4%. The construction sector experienced a slowdown in 2008 and 2009 as public and private expenditure on construction activities were tightened due to the global financial crisis which occurred during the period. However, the construction sector rebounded in 2010 in a show of resilience as the Government of Malaysia and the private sector resumed construction activities. In 2015, the construction sector in Malaysia experienced a year-on-year dip of 21.9%, to an awarded project value of RM139.7 billion. Subsequently in 2016, the awarded construction project value was registered at RM125.0 billion. The fall in awarded project values in 2015 and 2016 was largely due to the slowdown in demand in the property market. **Nevertheless, the construction sector in Malaysia has proven to be resilient in the past, having recovered from troughs that occurred during the global financial crisis in 2008 and 2009, and thus the construction sector in Malaysia is expected to recover over the long term.** SMITH ZANDER expects the value of projects awarded to further grow from RM125.0 billion in 2016 to RM153.9 billion in 2019 at a CAGR of 7.2%.

The growth in electrical services and consequently ELV and structured cabling, correlate closely to the growth of residential, commercial, industrial and infrastructure construction activities, where these developments serve as end-user properties of electrical services. Demand for electrical services is also supported by increase in investments, government expenditure, greater adoption of intelligent building automation systems and integrated building automation solutions, as well as greater emphasis on safety and security.

Electrical services in Malaysia, measured in terms of value of awarded electrical wiring and fittings projects, ELV and structured cabling for residential, commercial, industrial and infrastructure development, increased from RM1.9 billion in 2006 to RM7.1 billion in 2014 at a compound annual growth rate of 17.9%. In 2015, electrical services dipped to RM4.6 billion in terms of value of projects awarded, mirroring the construction sector that was affected by the slowdown in demand in the property market. During the period between 2006 and 2015, electrical services for new development projects increased from RM1.7 billion to RM3.8 billion at a CAGR of 9.3%. New development projects formed approximately 90.8% of total electrical services in 2006 and gradually decreased to 81.6% in 2015. Nonetheless, new development projects continue to comprise a significant percentage of total electrical services. During the same period, other electrical services, comprising upgrading, expansion, maintenance, repairs and renovation projects, increased from RM173.6 million to RM854.9 million at a CAGR of 19.4%.

Based on SMITH ZANDER's research, the value of awarded ELV and structured cabling projects comprise approximately 20.0% of the value of awarded electrical services works. Based on this, ELV and structured cabling projects were valued at RM378.7 million in 2006 and increased to RM1.4 billion in 2014 at a CAGR of 18.0%. The value of awarded ELV and structured cabling projects subsequently dipped to RM926.8 million in 2015, in line with a decline in the construction sector in the same year. Nevertheless, SMITH ZANDER projects the ELV and structured cabling works industry to recover and grow from RM926.8 million in 2015 to RM1.1 billion in 2018, based on awarded project value, at a CAGR of 5.9%. Growth in ELV and structured cabling is anticipated to be driven by recovery in construction activities as a result of private investments and Government policies to spur growth in the construction sector and socio-economic development.

In Malaysia, the ICT industry is a high performing sector that contributes to enhancing overall national productivity, where it has evolved beyond technological tools to become a socio-economic enabler and key driver of business. The ICT industry is able to improve the efficiency and effectiveness of product and/or service delivery, and the extensive features and characteristics of ICT are continually impacting the way we work, play and learn. The development of ICT services in Malaysia has been promoted by MSC Malaysia, the country's national ICT initiative, under the banner of MDEC.

The ICT industry in Malaysia, comprising telecommunication services and computer services, has witnessed positive growth historically. The ICT industry in Malaysia, measured by value added services for telecommunication services and computer services, increased from RM22.4 billion in 2006 to RM60.2 billion in 2015 at a CAGR of 11.6%. Telecommunications services comprised 68.8% of ICT services in 2015, and registered a CAGR of 8.8% having increased from RM19.3 billion in 2006 to RM41.4 billion in 2015. Computer services comprised the remaining 31.2% of ICT services in 2015, and witnessed a CAGR of 22.2% between the period of 2006 and 2015.

Under the 11MP, the ICT industry in Malaysia is expected to achieve a contribution of 18.2% or approximately RM324.9 billion to the nation's GDP by 2020, thus reflecting the prospects and outlook of the ICT industry for industry stakeholders. The future of the ICT industry is promising on the back of on-going capital intensive economic transformation programmes and mega projects that have been stimulating domestic demand for ICT services, including the MRT project in the Klang Valley; Petronas RAPID project in Pengerang, Johor; Tun Razak Exchange in Kuala Lumpur, River of Life in the Greater Kuala Lumpur/Klang Valley, Bandar Malaysia at Sungai Besi as well as the regional economic corridors comprising Iskandar Malaysia, NCER, ECER, SDC and SCORE.

The demand for property in Malaysia, measured by value of property transactions, increased from RM47.0 billion in 2006 to RM111.8 billion in 2015 at a CAGR of 10.1%. The residential property segment witnessed the highest CAGR of 10.7% between 2006 and 2015, recording a rise from RM29.4 billion to RM73.5 billion. The total value of property transactions was registered at RM49.7 billion for the period of January to June 2016, of which residential, commercial and industrial property transactions comprised RM32.7 billion, RM11.3 billion and RM5.6 billion respectively.

Regional growth is strongly driven by growth of property demand in key sub-markets, with the Klang Valley strongly driving growth in the Central region, Johor driving growth in the Southern region and Penang and Perak driving growth in the Northern region. In 2015, the Central region was the most significant regional property market in Malaysia where RM60.2 billion worth of property transactions mainly for residential properties took place during that year, whereas the most significant growth in property transaction value over the period of 2006 and 2015 was witnessed in the East Coast that recorded at a CAGR of 14.5% from RM1.9 billion to RM6.6 billion compared to the national CAGR of 10.1% from RM47.0 billion to RM111.8 billion.

Construction activities in the Southern region of Malaysia have intensified following the launch of Iskandar Malaysia. Between 2006 and 2015, the construction sector in the Southern region of Malaysia, as measured by total project value, grew from RM4.6 billion to RM35.3 billion and recorded a CAGR of 25.5%. Between the period of 2006 and 2015, residential construction projects increased from RM2.3 billion to RM14.0 billion at a CAGR of 22.2%, while commercial and industrial construction, termed non-residential construction, increased from RM2.2 billion to RM21.3 billion at a CAGR of 28.7%. In 2016, the total project value of construction projects in the Southern region was registered at RM13.6 billion, of which residential construction projects comprised RM4.9 billion and non-residential construction projects comprised the remaining RM8.7 billion.

The fall in awarded project value in the Southern region in 2016 was largely due to economic slowdown in Malaysia as a result of the depreciating Ringgit against the United States Dollar and falling crude oil prices (USD50.75 per barrel and USD42.81 per barrel in 2015 and 2016 respectively compared to USD96.24 per barrel in 2014). These factors have adversely impacted the construction sector in the Southern region as there was a cutback in private and public expenditure on construction activities. Notwithstanding this, future growth in the construction sector in the Southern region will be positively impacted by:

- the increase in investments under Iskandar Malaysia that will drive future demand for property; and
- Government plans, policies and strategies to drive economic growth in the Southern region.

The state of Johor is a key driver for the high commercial property transactions in the Southern region as the launch of the Iskandar Malaysia masterplan in 2006 has resulted in intensified business activities in the state, thus creating strong demand for commercial properties. Residential, commercial and industrial development in Johor, based on property transaction value, witnessed positive growth between 2006 and 2014 from RM4.8 billion to RM23.0 billion at a CAGR of 21.6%. Transactions for residential, commercial and industrial properties in 2015 was RM15.3 billion, registering a CAGR of 13.7% between 2006 and 2015. Demand for properties in Johor are supported by increase in investments, growth in the number of companies and businesses, government plans, policies and strategies, and a rise in tourist arrivals. The construction sector in Johor is expected to witness growth, spurred by major projects which include the railway project between Gemas and Johor Bahru spanning 197 km, the Forest City project and the high speed rail project connecting Malaysia and Singapore.

The demand for residential and commercial properties in Johor Bahru, the capital city of Johor, measured by property transaction values, have been growing on an upward trend between 2006 and 2015 as total transaction values increased from RM2.8 billion to RM8.5 billion at a CAGR of 13.1%. Demand for residential and commercial properties witnessed a dramatic increase of 219.2% in 2013 compared to the previous year demand of RM5.2 billion following the completion of the foundation and infrastructure for Iskandar Malaysia in 2010 that prepared the way for increased commercial activities in Johor Bahru. Johor Bahru City Centre is also being revitalised through the upgrading of its central business district and waterfront to reposition the city as a vibrant, modern and livable city centre, thus further drawing prospective homeowners and businesses to this city. In addition, the terraced properties in Johor and Johor Bahru continue to sustain strong demand as housing developers offered features such as gated and guarded security facilities to prospective homeowners.

Johor's CDP (2006 – 2025) was launched for Iskandar Malaysia and encompasses the districts of Johor Bahru, Kulai (formerly known as Kulaijaya), Pontian and Kota Tinggi. Over the period of 2011 and 2015, Iskandar Malaysia intends to achieve the creation of 55,730 employment opportunities. This target is in line with the commencement of several jet catalyst projects under various flagship development zones, including the Danga Bay Integrated Waterfront City, Johor New Administration Centre at Kota Iskandar, Pasir Gudang Industrial Park and the development of Senai Airport City that are anticipated to spur Johor's socio-economic development. Nine (9) major economic clusters have been identified to spearhead the growth of Iskandar Malaysia and these clusters are electrical and electronics, petrochemicals and oleochemicals, food and agro-processing, logistics and related services, tourism, health services, educational services, financial services and creative industries. The implementation of these economic plans and targeted strategies under the respective plans, including infrastructure and transportation improvement, have great impact on socio-economic developments in Johor, and the anticipated business opportunities arising from these economic plans will have positive impact on commercial property supply and demand in Johor.

In 2015, electrical services in Malaysia, measured by the total value of projects awarded, was registered at RM4.6 billion, where ELV and structured cabling projects were valued at RM926.8 million. During this same period, Cabnet Holdings Berhad was awarded projects amounting to RM29.08 million and thereby garnered a market share of 3.1% in Malaysia based on the total value of ELV and structured cabling projects awarded. SMITH ZANDER believes that the prospects for Cabnet Holdings Berhad will be supported by the long term growth of the construction sector that is projected to grow from RM125.0 billion in 2016 to RM153.9 billion in 2019 at a CAGR of 7.2% and benefit the Central and Southern regions including the state of Johor, the prospects of the ICT industry under 11MP, as well as the positive outlook in the demand for electrical services.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

8.1 Promoters and substantial shareholders

8.1.1 Shareholdings

The direct and indirect interest of our Promoters and substantial shareholders in our Company before our IPO and after our IPO is set out below:-

		Before IPO				After IPO			
		Direct		Indirect		Direct		Indirect	
	Nationality / place of incorporation	No. of Shares ('000)	%(5)	No. of Shares ('000)	%(5)	No. of Shares ('000)	%(1)	No. of Shares ('000)	%(1)
Promoters and substantial shareholders									
Tay Hong Sing	Malaysian	32,600	29.91	-	-	32,600	25.08	-	-
Tan Boon Siang	Malaysian	32,600	29.91	-	-	32,600	25.08	-	-
Substantial shareholder / Pre-IPO Investor									
NetPosa	Hong Kong	26,000 (2)	23.85	-	-	26,000(2)	20.00	-	-
NetPosa China	PRC	-	-	26,000	23.85(3)	-	-	26,000	20.00(3)
Liu Guang	PRC nationals	-	-	26,000	23.85(4)	-	-	26,000	20.00(4)

Note:-

(1) *Based on the enlarged issued share capital of 130,000,000 Cabnet Shares.*

(2) *Pursuant to the Share Subscription and the Share Sale.*

(3) *Deemed interested by virtue of Section 8 of the Act, through its shareholding in NetPosa.*

(4) *Deemed interested by virtue of Section 8 of the Act, through his shareholding in NetPosa China.*

(5) *Based on the enlarged issued share capital of 109,000,000 Cabnet Shares after Restructuring exercises and NetPosa Investment but before our IPO.*

Save as disclosed above, our Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises control over our Company.

8.1.2 Profiles of Promoters and/or substantial shareholders

Tay Hong Sing, a Malaysian, aged 53, is a Promoter, Executive Director / Chief Executive Officer and substantial shareholder of our Group. He was appointed to the Board on 14 September 2015. In 1988, he graduated with a Diploma in Mechanical and Automotive Engineering from Tunku Abdul Rahman College, Malaysia.

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He began his career in 1988 with Dai Hwa Industries (M) Berhad as an Industrial Engineer to design the production flow process which entails the customisation of production process and design of the fixture and tools for the production until he left in 1991. Subsequently, he joined MCSB Systems (M) Berhad in 1991 as a technician and was later promoted to Technical Sales Engineer in 1992 to provide advice on the design of server based on customers' specified requirements. During his employment with MCSB Systems (M) Berhad, he gained exposure in structured cabling whereby he was involved in providing network solution to customers to integrate the server with structured cabling and switches. He left MCSB Systems (M) Berhad in 1995.

Subsequent to his departure from MCSB Systems (M) Berhad, he founded Cabnet Systems with Tan Boon Siang and Lee Kok Hui in 1995. As the Executive Director / Chief Executive Officer of our Group, he is responsible in running the day-to-day operations of the Group as well as involves in the business planning of our Group.

Tan Boon Siang, a Malaysian, aged 53, is a Promoter, Executive Director / Deputy Chief Executive Officer and a substantial shareholder of our Group. He was appointed to the Board on 14 September 2015. In 1989, he graduated with a Diploma in Electronic Engineering from Tunku Abdul Rahman College, Malaysia.

After graduation, he joined Sigma Technology Sdn Bhd in 1989 as a Maintenance Officer, where he was responsible for the maintenance of the electronic toll equipment of the PLUS highway from Gurun to Bukit Kayu Hitam until he left Sigma Technology Sdn Bhd in 1991. Subsequently, in the same year, he joined Advantage Systems Sdn Bhd as an Executive of the technical team, where he assisted the team in all technical matters such as repairing, servicing, installation of computer and communication devices that were related to the company's ICT projects, based in the southern region of Malaysia until he left Advantage Systems Sdn Bhd in 1994. He left Advantage Systems Sdn Bhd in June 1994 to explore new business ventures without any specific plans.

In August 1995, he founded Cabnet Systems together with Tay Hong Sing and Lee Kok Hui. As the Executive Director / Deputy Chief Executive Officer of Cabnet, he works together with the Chief Executive Officer in running the day-to-day operations of the Group.

NetPosa

(i) Background information

NetPosa (registration no.: 2109017) is a wholly-owned subsidiary of NetPosa China, and one of the substantial shareholders and sole pre-IPO investor of Cabnet. NetPosa was incorporated in Hong Kong on 16 June 2014 with a registered share capital of USD 200,000 under the Predecessor Companies Ordinance with limited liability. The registered share capital of NetPosa was subsequently increased to USD12.0 million on 24 August 2015 and to USD30.0 million on 23 November 2015. As at the LPD, the share capital of NetPosa is USD50.0 million represented by 50,000,000 shares.

NetPosa was principally incorporated as an investment holding company with the objective to carry out investment in companies outside the PRC, managing its investment portfolio and funding of projects. As at the LPD, apart from its investment in Cabnet, NetPosa has a wholly-owned subsidiary, NetPosa Inc.

NetPosa's first investment was, via NetPosa Inc., into Knightscope Inc. in October 2015. NetPosa Inc. was established by NetPosa in August 2014 in California of the United States of America with a registered capital of USD200. The principal activity of NetPosa Inc. is an investment holding company. As at the LPD, NetPosa Inc. holds 5.98% series B preferred stocks in Knightscope Inc., a private company based in the United States of America and is principally involved in developing and marketing autonomous data machine, which uses a combination of robotics and predictive analytics to prevent crime. Save for the above, NetPosa Inc. have no other investments.

Prior to the investment in Knightscope Inc., NetPosa had, in July 2015, approached Cabnet Systems via its regional representative based in Singapore to explore opportunities of collaboration with Cabnet Systems. In exploring the opportunity, site visits were made by both NetPosa and Cabnet Systems to their respective offices. Subsequently, NetPosa Investment was made at the request of Cabnet to demonstrate NetPosa's commitment under the Collaboration Agreement by being a shareholder of our Company. Pursuant thereto, the Share Subscription Agreement, the Share Sale Agreement and the Collaboration Agreement were entered into 14 March 2016 and 15 March 2016, respectively. As at the LPD, NetPosa holds 26,000,000 Cabnet Shares, representing 23.85% of the issued share capital of Cabnet. The investment in Cabnet is in line with NetPosa China's expansion into Southeast Asia region, after considering, amongst others, past projects undertaken by Cabnet, Cabnet's technical knowledge in the surveillance system and Cabnet management's ability to communicate in Mandarin and assist in translation of technical terms contained in NetPosa China's Products.

The financial highlights of NetPosa are as follows:-

	FYE 31 December 2014 RMB million	FYE 31 December 2015 RMB million
Revenue	-	-
Net profit	0.99	(3.35)
Total assets	19.54	106.67
Total liabilities	17.32	-[(1)]
Net assets	2.22	106.66

Note:-

(1) Negligible.

(Source: 2015 Annual Report, NetPosa China)

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(ii) Directors and shareholders

The directors of NetPosa are Gao Jun and Zhi Ming[(1)]. None of them has any shareholdings, whether direct or indirect, in NetPosa.

As at the LPD, the shareholding structure of NetPosa is as follows:-

Name	Country of Incorporation / Nationality	Direct		Indirect	
		Number of shares ('000)	%	Number of shares ('000)	%
Substantial shareholders of NetPosa					
NetPosa China[(2)]	PRC	30,000	100.0	-	-
Liu Guang [(4)]	PRC nationals	-	-	30,000[(3)]	100.0[(3)]

Notes:-

(1) *Change of Director on 27 June 2016, from Feng Cheng to Zhi Ming.*

(2) *NetPosa China is a public listed company which was listed on Shenzhen Stock Exchange in the PRC in January 2014 with the stock code of 300367. As at the LPD, NetPosa China has a market capitalisation of RMB17.14 billion (or RM11.00 billion based on the BNM exchange rate of RM1:RMB0.6418 as at the LPD). Please refer to item (iii) under this section for further details on NetPosa China, and the publicly available information published on Shenzhen Stock Exchange (www.szse.cn/main/en/).*

(3) *Deemed interested pursuant to Section 8 of the Act, through his shareholding in NetPosa China.*

(4) *Please refer to item (iv) under this section for details on Liu Guang.*

(iii) Background information on NetPosa China

NetPosa China was founded in the PRC on 5 September 2000 as a limited liability company under the name of Beijing NetPosa Technology Co., Ltd. with its headquarter in Beijing and subsequently assumed its present name in September 2010. NetPosa China is principally engaged in video processing technologies and provides video monitoring solutions and high-quality video storage products. To date it has set up offices across 16 provinces of the PRC. NetPosa China was listed on Shenzhen Stock Exchange in January 2014. As at the LPD, NetPosa China has a registered capital of RMB855.45 million.

Currently NetPosa has four (4) R&D centers in the PRC (i.e. Beijing, Shenzhen, Nanjing and Xi'an) which focus on R&D of video processing, video monitoring and video storage technology. NetPosa China's solutions, *i.e.* the PVG network video management system and NVR system were used at major events in the PRC, namely Beijing Olympics 2008, World Expo in Shanghai in 2010, Asia Games in Guangzhou in 2010 and Asia-Europe Expo in Xinjiang in 2011. For further details on NetPosa China, kindly refer to publicly available information published on Shenzhen Stock Exchange

(iv) Background information of Liu Guang

Liu Guang, aged 46, a PRC national, is the current Chairman of NetPosa China. In 1993, he obtained a Bachelor of Computer Science from Hohai University, Nanjing. He then obtained a Master of Business Administration from National School of Development at Peking University in 2005.

After graduating in 1993, he commenced his career as engineer in the Science and Technology Division of Industrial and Commercial Bank of China Jiangsu branch from August 1993 until May 1996. Subsequently, in June 1996, he founded 深圳市印象计算机系统有限公司 (Shenzhen Yin Xiang Computer Systems Co., Ltd.), of which the company was principally involved in developing computing applications. He was the General Manager of the company. He then voluntarily wound up the company in June 1999. Thereafter, he founded 深圳迪瑞计算机技术有限公司 (Shenzhen Datareach Computer Technology Co., Ltd.) in June 1999, of which the company is principally involved in the development, manufacturing and sales of the video on demand streaming systems. He held the position of General Manager in the company.

Subsequently, he founded NetPosa China on 5 September 2000, a limited liability company, which was then known as Beijing NetPosa Technology Co., Ltd. In addition, he is also an Executive Director in some of NetPosa China's subsidiaries, namely, 重庆网力视界科技有限公司 (Chongqing NetPosa Horizon Technology Co., Ltd) and 北京奇虎网力科技有限公司 (Beijing Qihoo NetPosa Technology Co., Ltd.). He is also the Executive Director of 深圳市前海恩幅特投资有限公司 (Shenzhen Qian Hai En Fu Te Investment Co., Ltd.) and 北京定观休闲健身有限公司 (Beijing Ding Guan Leisure Fitness Co., Ltd.).

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.1.3 Significant Changes in the Promoters' and Substantial Shareholders' Shareholdings in our Company

The table below sets forth our Promoters' and substantial shareholders' direct and indirect shareholding interests in our Company since our incorporation on 9 December 2014:-

Name	As at 9 December 2014				As at 9 December 2015				As at the LPD			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%[7]	No. of Shares	%[7]	No. of Shares	%[4]	No. of Shares	%[4]
<u>Subscriber shareholders</u>												
Pang Kim Pei	1[1]	50.0	-	-	-	-	-	-	-	-	-	-
Leow Chwee Nee	1[1]	50.0	-	-	-	-	-	-	-	-	-	-
<u>Promoters and substantial shareholders</u>												
Tay Hong Sing	-	-	-	-	36,450,000[2]	37.75	-	-	32,600,000[3]	29.91	-	-
Tan Boon Siang	-	-	-	-	36,585,000[2]	37.89	-	-	32,600,000[3]	29.91	-	-
<u>Substantial shareholder</u>												
Kong Tze Senn	-	-	-	-	5,400,000[2]	5.59	-	-	4,000,000[3]	3.67	-	-
Sim Yian Fei	-	-	-	-	5,400,000[2]	5.59	-	-	4,000,000[3]	3.67	-	-
NetPosa	-	-	-	-	-	-	-	-	26,000,000[3]	23.85	-	-
NetPosa China	-	-	-	-	-	-	-	-	-	-	26,000,000[5]	23.85
Liu Guang	-	-	-	-	-	-	-	-	-	-	26,000,000[6]	23.85

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Notes:-

(1) Subscriber shares based on our issued share capital of RM2.00 as at the date of our incorporation.

(2) Pursuant to the acquisition of Cabnet Shares arising from the Acquisition of Cabnet Systems.

(3) Pursuant to the Share Subscription and Share Sale.

(4) Based on our issued share capital of 109,000,000 Cabnet Shares as at the LPD.

(5) Deemed interested pursuant to Section 8 of the Act, through its shareholding in NetPosa.

(6) Deemed interested pursuant to Section 8 of the Act, through his shareholding in NetPosa China.

(7) Based on our issued share capital of 96,550,000 Cabnet Shares.

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8.2 Directors

8.2.1 Shareholdings

The following table sets forth the direct and indirect shareholdings of each of our Directors before and after the IPO:-

			No. of Shares held before IPO				No. of Shares held after IPO			
			Direct		Indirect		Direct		Indirect	
Name	Designation	Nationality	No. of Shares held '000	%(1)	No. of Shares held '000	%(1)	No. of Shares held '000	%(2)	No. of Shares held '000	%(2)
Datuk Tan Kok Hong @ Tan Yi	Independent Non-Executive Chairman	Malaysian	-	-	-	-	250(3)	0.19	-	-
Tay Hong Sing	Executive Director / Chief Executive Officer	Malaysian	32,600	29.91	-	-	32,600	25.08	-	-
Tan Boon Siang	Executive Director / Deputy Chief Executive Officer	Malaysian	32,600	29.91	-	-	32,600	25.08	-	-
Lim Ming Kee	Independent Non-Executive Director	Malaysian	-	-	-	-	150(3)	0.12	-	-
Loo Yong Peng	Independent Non-Executive Director	Malaysian	-	-	-	-	150(3)	0.12	-	-

<u>Notes:-</u>

(1) *Based on the enlarged issued share capital of 109,000,000 Cabnet Shares after Restructuring exercises and Netposa Investment but before our IPO.*

(2) *Based on the enlarged issue share capital of 130,000,000 Cabnet Shares after the Public Issue.*

(3) *Includes their entitlements for the Pink Form Allocations.*

8.2.2 Profiles of Directors

Save for the profiles of Tay Hong Sing and Tan Boon Siang which are set out in **Section 8.1.2** of this Prospectus, the profiles of our other Directors are as follows:-

Datuk Tan Kok Hong @ Tan Yi, a Malaysian, aged 65, is our Independent Non-Executive Chairman. He was appointed to our Board on 14 September 2015.

He started his career in 1976 with the Royal Malaysian Police as a probationary Inspector.

In 1981, whilst with the Royal Malaysian Police, he obtained a full scholarship from the Malaysian Government under Jabatan Perkhidmatan Awam to study a Bachelor of Law (Honours) degree at the University of Buckingham, United Kingdom, of which he completed in July 1983. In September 1983, he continued his Barrister-At-Law degree at the Inns of Court School of Law, Council for the Legal Education and subsequently was called to Lincoln's Inn in July 1984. He later left the Royal Malaysia Police in 1985. Subsequently, he commenced his legal practice in Lim & Hooi Advocates & Solicitors in 1985. He left Lim & Hooi Advocate & Solicitors in 2004.

In 2004, he was appointed as the Johor State Executive Councillor as well as the Chairman of the Johor State Committee for International Trade and Industry, Energy, Water and Communications. In 2008, he was again appointed as the Johor State Executive Councillor as well as the Chairman of the Johor State Committee for International Trade and Industry, Energy, Water, Communications and Environment, a post that he held until May 2013. He had been elected as a Johor State Assemblyman representing the Bekok constituency since 1995 until 2013. In March 2014, he ventured into his own property investment business via SG Dijaya Sdn Bhd. He was appointed as a Director in SG Dijaya Sdn Bhd in March 2014. In April 2014, he was also appointed as the Chairman of Matang Holdings Berhad, and subsequently resigned from Matang Holdings Berhad in September 2014. Presently, he is still the Director of SG Dijaya Sdn Bhd.

Lim Ming Kee, a Malaysian aged 58, is our Independent Non-Executive Director. He was appointed to our Board on 14 September 2015. He is also the Chairman of our Audit and Risk Management Committee. In 1983, he obtained his Bachelor of Management Studies majoring in Accounting and Finance from the University of Waikato, New Zealand. He is also a Chartered Accountant of the Malaysian Institute of Accountants since 1987.

After graduation in July 1983, he started his career with Chong Too Yen & Co., a public accounting firm based in Johor Bahru as Audit Senior until he left in July 1984.

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In 1984, he joined Perusahaan Sadur Timah Malaysia Berhad ("**Perstima**") as an Accountant responsible for financial functions. He left Perstima in 1991. Subsequently in 1991, he joined Courtaulds Coatings (Malaysia) Sdn Bhd as Finance Manager, assisting the General Manager to oversee all finance and accounting functions of the company until his resignation in 1993. In 1993, he joined SDF-Scan Dairy & Food Sdn Bhd as Financial Controller and left the company in 1995. Subsequently in 1995, he then joined Changhuat group of companies as group Assistant General Manager and was responsible for the finance and administration functions, while assisting the Group General Manager in the overall operations of the group including the production planning and the production control. He was later promoted as Group General Manager of Changhuat group of companies in 1997 and also served as Executive Director of Changhuat Corporation Berhad (now known as Petrol One Resources Berhad) from 1997 to 1998. As the Group General Manager of Changhuat group of companies, he was responsible of Changhuat group's marketing and sales functions as well as the day-to-day operations of the business. He left Changhuat group of companies in 1998.

In 1998, he assisted in setting up Intermaster Industries Sdn Bhd, a company producing plastic parts and components for the electrical and electronics industries. He was involved in applying for all the necessary approvals and licenses, negotiating equipment purchase and financing for the company. During the same year, he was appointed as the Executive Director of this company to head the finance and accounts, personnel and purchasing departments. He was also assigned to oversee the sales and marketing aspect and operational aspect in relation to the production planning and production control of the company. He left Intermaster Industries Sdn Bhd in 2008 but remain as a director of the company until it was dissolved in 2012.

He joined Multi-Code Electronics Industries (M) Berhad in 2008 as its Chief Executive Officer and was responsible in running the day-to-day operations of the company. During the same year, he was re-designated as the Managing Director and was appointed to the board of directors of Multi-Code Electronics Industries (M) Berhad. As a result of the restructuring exercise that Multi-Code Electronics Industries (M) Berhad undertook, MCE Holdings Berhad became the holding company of Multi-Code Electronics Industries (M) Berhad in July 2016, whereupon, Lim Ming Kee was appointed as the Non-Independent Executive Director of MCE Holdings Berhad in June 2016 and concurrently held the position of Managing Director of Multi-Code Electronics Industries (M) Berhad. He retired from MCE Holdings Berhad in December 2016 and resigned from Multi-Code Electronics Industries (M) Berhad in January 2017. Save for the directorship in Multi-Code Electronics Industries (India) Private Ltd and our Company, he does not hold any other directorship and is not appointed or employed in any other companies.

Loo Yong Peng, a Malaysian aged 55, is our Independent Non-Executive Director. He was appointed to our Board on 14 September 2015. In 1986, he obtained his Bachelor of Engineering (Honours) majoring in Civil Engineering from the University of Strathclyde, United Kingdom.

After graduation in 1986, he started his career with Sanitex (M) Sdn Bhd in August 1986 as Sales Executive where he was involved in promoting industrial lubricants. He later left Sanitex (M) Sdn Bhd in 1987 and joined Kin Hoe Hang Construction (Pte) Ltd as Project Manager in 1987 where he was responsible for overseeing the construction of a power substation to ensure the timely delivery and specifications are met. He left Kin Hoe Hang Construction (Pte) Ltd in 1988.

In 1988, he joined Hapcon Trading Sdn Bhd as General Manager where he was responsible in marketing as well as the day-to-day operations of the business of the company until his resignation in 2004. During his employment with Hapcon Trading Sdn Bhd, he undertook his Master of Business Administration from Universiti Kebangsaan Malaysia in 1991 and graduated in 1995. In 2003 he and his wife, Koay Geik Lean acquired 100% equity interest in Xinghi Trading Sdn Bhd of which they each hold 50% equity interest in the company. Xinghi Trading Sdn Bhd is involved in the trading of chemicals and synthetic lubricants for the industrial sector and he was appointed as the Managing Director of Xinghi Trading Sdn Bhd in 2004.

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8.2.3 Principal business performed outside our Group

The following table sets out the principal directorships of our Directors as at the LPD and that which were held within the past five (5) years up to the LPD, and the principal business activities performed by our Directors outside of our Group as at the LPD:-

Name	Companies	Principal activities	Nature of interest of involvement	Date of appointment	Date of resignation	% of shareholdings as at LPD
Datuk Tan Kok Hong @ Tan Yi	**Present**					
	SG Dijaya Sdn Bhd	Investments in properties	Executive Director and shareholder	18 March 2014	-	50.0% shareholding
	Past					
	Matang Holdings Berhad	Investment holding, management of plantation estate and sale of fresh fruit bunches harvested from the oil palm	Independent Non-Executive Director	3 April 2014	2 September 2014	-
Tay Hong Sing	**Present**					
	Angsana Moden Sdn Bhd	Property investment	Shareholder	-	-	10.0% shareholding
	Millenium Cove Sdn Bhd	General trading and investment property	Non-Executive Director and shareholder	22 May 2013	-	33.3% shareholding
	Origlo Marketing Sdn Bhd	Dormant (Initial principal activity was for marketing and distribution of beverages)	Executive Director and shareholder	31 July 2008	-	50.0% shareholding
	Paradigm Properties Sdn Bhd	Investment holdings (property)	Non-Executive Director and shareholder	30 March 2007	-	20.0% shareholding
	Ringgit Sejahtera Sdn Bhd	Property investment	Non-Executive Director and shareholder	22 April 2014	-	10.0% shareholding

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Name	Companies	Principal activities	Nature of interest of involvement	Date of appointment	Date of resignation	% of shareholdings as at LPD
Tay Hong Sing (cont'd)	**Past**					
	Advancenet Technology (Johor) Sdn Bhd	Trading in all types of computer related peripherals	Non-Executive Director	12 July 1999	Advancenet Technology (Johor) Sdn Bhd was dissolved on 16 May 2014	-
	Advancenet Technology (Melaka) Sdn Bhd	Trading in computer equipment	Non-Executive Director	14 December 2004	Advancenet Technology (Melaka) Sdn Bhd was dissolved on 18 November 2013	-
	CEE M&E	Electrical contractor	Non-Executive Director	9 September 1999	1 July 2015	-
	CEE M&E Penang	Electrical contractor	Non-Executive Director	6 April 2012	1 July 2015	-
	ICT Automation (M) Sdn Bhd	Computer networking	Non-Executive Director	19 April 2012	10 November 2014	-
	Oriental Global Resources Sdn Bhd	Manufacturing, packaging and trading in all kinds of coffee, tea, and cocoa powders	Executive Director	14 June 2007	28 February 2013	-
	Sambung Murni Sdn Bhd	Dormant (intended principal activity was property investment)	Non-Executive Director	29 February 2012	8 November 2012	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Name	Companies	Principal activities	Nature of interest of involvement	Date of appointment	Date of resignation	% of shareholdings as at LPD
Tan Boon Siang	**Present**					
	Origlo Marketing Sdn Bhd	Dormant (Initial principal activity was for marketing and distribution of beverages)	Executive Director and shareholder	12 September 2006	-	50.0% shareholding
	Past					
	Advancenet Technology (Johor) Sdn Bhd	Trading in all types of computer related peripherals	Non-Executive Director	12 July 1999	Advancenet Technology (Johor) Sdn Bhd was dissolved on 16 May 2014	-
	Advancenet Technology (Melaka) Sdn Bhd	Trading in computer equipment	Non-Executive Director	14 December 2004	Advancenet Technology (Melaka) Sdn Bhd was dissolved on 18 November 2013	-
	Brilliant Crest Sdn Bhd	General trading, importing and exporting, and general construction	Non-Executive Director	9 September 1992	Brilliant Crest Sdn Bhd was dissolved on 21 October 2011	-
	CEE M&E	Electrical contractor	Non-Executive Director	9 September 1999	1 July 2015	-
	CEE M&E Penang	Electrical contractor	Non-Executive Director	6 April 2012	1 July 2015	-
	Oriental Global Resources Sdn Bhd	Manufacturing, packaging and trading in all kinds of coffee, tea, and cocoa powders	Executive Director	14 June 2007	28 February 2013	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Name	Companies	Principal activities	Nature of interest of involvement	Date of appointment	Date of resignation	% of shareholdings as at LPD
Tan Boon Siang (cont'd)	Paradigm Properties Sdn Bhd	Investment holdings (property)	Non-Executive Director	30 March 2007	12 March 2015	-

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Name	Companies	Principal activities	Nature of interest of involvement	Date of appointment	Date of resignation / retirement	% of shareholdings as at LPD
Lim Ming Kee	<u>Present</u>					
	Multi-Code Electronics Industries (India) Private Ltd*	To carry on the business of manufacturers, importers, exporters, wholesalers, and retailers in remote control auto alarm central locks power window, reverse sensor switches and other accessory of motor vehicles and other electrical fittings	Executive Director	7 November 2013	-	-
	<u>Past</u>					
	Beaucar Accessories (M) Sdn Bhd#	Trading in auto parts and accessories	Executive Director	21 May 2008	31 January 2017	-
	MCE Holdings Berhad#	Investment holding(1)	Non-Independent Executive Director and shareholder	10 June 2016	20 December 2016	1.8% shareholding
	Multi-Code Electronics Industries (M) Berhad#	Manufacture and supply of automotive electronics and mechatronics parts	Managing Director	21 May 2008	31 January 2017	
	Multi-Code Technologies (M) Sdn Bhd#	Business of manufacture and assembly of automotive lightings	Executive Director	9 June 2010	31 January 2017	-
	Vantage Medical Centre Sdn Bhd (a subsidiary of Vantage Realm Sdn Bhd)#	Business of managing and operating medical facilities	Executive Director	23 September 2014	31 January 2017	-
	Vantage Realm Sdn Bhd#	Dormant (initial principal activity was provision of healthcare services)	Executive Director	22 May 2013	31 January 2017	-

Note:
** On 28 September 2016, the Board of Directors of Multi-Code Electronics Industries (M) Berhad resolved to apply and is in the midst to strike off the company.*

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Name	Companies	Principal activities	Nature of interest of involvement	Date of appointment	Date of resignation / retirement	% of shareholdings as at LPD
Lim Ming Kee (cont'd)	**Past (cont'd)**					
	Intermaster Industries Sdn Bhd	Business of plastic injection moulding and related services	Executive Director	18 September 1998	Intermaster Industries Sdn Bhd was dissolved on 5 May 2012	-
	Plasmet Industries (M) Sdn Bhd	Manufacture and supply of metal stamping	Executive Director	21 May 2008	27 May 2014	-
Loo Yong Peng	**Present**					
	Xinghi Trading Sdn Bhd	Maintenance chemicals and synthetic lubricants dealers	Executive Director and shareholder	15 January 2003	-	50.0% shareholding[(2)]

Notes:-

\# *In view that he was the Executive Director of MCE Holdings Berhad, he was also appointed as the directors for these companies which are within the group of companies of MCE Holdings Berhad. Upon his retirement as the Executive Director of MCE Holdings Berhad, he has also relinquished all his position in these companies.*

(1) *Being a company listed on the Main Market of Bursa Securities.*

(2) *The remaining 50% shares was held by his spouse.*

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8.2.4 Directors' remuneration, fees and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for their services rendered in all capacities within our Group for the FYE 31 December 2016 and FYE 31 December 2017 are as follows:-

	Remuneration band	
Directors	FYE 31 December 2016 RM	Proposed for FYE 31 December 2017 RM
Datuk Tan Kok Hong @ Tan Yi	-	0 – 50,000
Tay Hong Sing	200,001 – 250,000	250,001 – 300,000
Tan Boon Siang	200,001 – 250,000	250,001 – 300,000
Lim Ming Kee	-	0 – 50,000
Loo Yong Peng	-	0 – 50,000

The remuneration of our Directors which includes salaries, bonuses, fees and allowances as well as other benefits, is approved by our Board, following recommendations made by our Remuneration Committee and subject to our Constitution. Any change in Directors' fees as set out in our Constitution must be approved by shareholders of our Company pursuant to an ordinary resolution passed at a general meeting where appropriate notice of any proposed increase is given. Please refer to **Section 8.3.3** of this Prospectus for further details.

8.3 Board practice

8.3.1 Directorship

In accordance with our Constitution, the Directors shall have the power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director. However, the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with our Constitution which is nine (9) Directors. At the first annual general meeting of our Company, all our Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third (1/3) of our Directors must retire at each annual general meeting of shareholders but are eligible for re-election. Our Directors must submit themselves for re-election at least once every three (3) years.

Our Board acknowledges and takes cognisance of the Malaysian Code on Corporate Governance 2012 ("**MCCG**"), which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business activities and cultures of such companies.

The Board is cognisant of the gender diversity recommendation promoted by MCCG pertaining to the need to establish a policy formalising the approach to boardroom diversity and to set target and measures for the adoption of the said recommendation.

The Board does not have a specific policy on gender, ethnicity and age group for candidates to be appointed to the Board and does not have specific policy on setting target for female candidates in the workforce. The Company does not practice any form of gender, ethnicity and age group bias as all candidates shall be given fair and equal treatment.

Our Group endeavours to ensure that our Board constitutes of Independent Directors with a diverse mix of skills, knowledge, experience, gender, ethnicity and age as a step towards good corporate governance. In this regard, our Group will appoint one (1) female Director and one (1) Bumiputera Director on the Board within one (1) year from the date of Listing, subject to the assessment by our Nomination Committee and the approval of our Board.

As at the LPD, NetPosa has expressed that it does not have any intention to nominate any representative on Cabnet's Board. In addition, there is no provision under the Share Subscription Agreement for NetPosa to nominate any representative on our Board. However, should our Company receive any request from NetPosa to nominate any representative on our Board, the nominated candidate will be subject to the assessment by our Nomination Committee and the approval of our Board.

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As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in office are as follows:-

Name	Length of service in our Group	Length of service as Director of our Company as at the LPD	Date of expiration of the current term of office
Tay Hong Sing	22 years	< 2 year	Next annual general meeting in accordance with Article 104 of our Constitution
Tan Boon Siang	22 years	< 2 year	Next annual general meeting in accordance with Article 104 of our Constitution

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8.3.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee was formed by our Board on 12 April 2016. Our Audit and Risk Management Committee consists of three (3) Independent Non-Executive Directors. Its primary responsibility is to assist our Board in discharging its fiduciary duties and responsibilities, and fulfilling its corporate governance responsibilities in relation to our financial reporting, annual reporting, internal control structure, related party transactions and external and internal audit functions of the Company and its Group. Our Audit and Risk Management Committee may invite any of our key management or employees to participate in its meetings and to appoint any relevant consultants or professionals to assist our Audit and Risk Management Committee to discharge its functions. Our Audit and Risk Management Committee shall meet at least four (4) times a year and any additional meetings as the chairman of our Audit and Risk Management Committee shall decide.

The composition of our Audit and Risk Management Committee is set out below:-

Name	Designation	Directorship
Lim Ming Kee	Chairman	Independent Non-Executive Director
Datuk Tan Kok Hong @ Tan Yi	Member	Independent Non-Executive Director
Loo Yong Peng	Member	Independent Non-Executive Director

The following are, amongst others, the main duties and responsibilities of our Audit and Risk Management Committee:-

(i) External audit

(a) To consider and recommend to our Board any matter relating to the appointment of external auditors, the fees and any matter in relation to resignation or dismissal of the external auditors and inquire into the staffing and competencies of the external auditors in performing their work and assistance given by the Company's officers;

(b) to monitor the effectiveness of the external auditors' performance and their independence and objectivity;

(c) to review and discuss with the external auditors:-

(1) their audit plan, scope and nature of the audit of our Group;

(2) their evaluation and findings of the system of risk management and internal controls and the audit reports on the financial statement;

(3) the assistance given by the management and staff of our Group to the external auditors;

(4) problems and reservation arising from the internal audit, interim and final audits, and matters the internal and external auditors may wish to discuss (in the absence of our management where necessary) and our management's response with regard to the problems and reservations arising from their audits; and

(d) to provide a line of communication between our Board and external auditors.

(ii) Internal audit

(a) to mandate the internal audit function to report directly to the Audit and Risk Management Committee;

(b) to review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

(c) to review the audit reports and to ensure that appropriate and prompt remedial action is taken by our key management on lapses in controls or procedures that are identified by the internal audit; and

(d) to review any appraisal or assessment of the performance of the members of the internal audit if the internal audit function is performed in house.

(iii) Financial reporting review

to review the quarterly results and year-end financial statements, focusing particularly on:-

(a) any change in accounting policies and practices;

(b) significant adjustments arising from the audit;

(c) litigation that could affect the results materially;

(d) the going concern assumption; and

(e) compliance with accounting standards and other legal requirements.

(iv) Risk management

(a) to determine, review and recommend risk management strategies, policies and risk tolerance;

(b) to review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;

(c) to ensure adequate infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of our Company's risk originating activities;

(d) to review periodic reports on risk exposure, risk portfolio composition and risk management activities of our Company;

(e) to review and recommend new policies or changes to policies, and to consider their risk implications;

(f) to review the impact of risk on capital adequacy and profitability under normal and stress scenarios;

(g) to review and evaluate the various processes and systems engaged by our Company and to ensure that they are conducted within the standards and policies as set by our Board; and

(h) to assess the adequacy of the business recovery/ disaster recovery procedures.

(v) Other matters

(a) to review any related party transactions and conflict of interests situation that may arise in our Company including transactions, procedures or courses of conduct that may raise questions on our key management's integrity and to ensure that the Directors report such transactions on procedures annually to shareholders via the annual report;

(b) to review the recurrent related party transactions of a revenue or trading nature which are subject to shareholders' mandate, prescribe guidelines and review procedures to ascertain that such transactions are in compliance with the terms of the shareholders' mandate;

(c) to review our Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters (in compliance with provisions made in the Act); and

(d) to carry out any other matters as may be defined and directed by our Board from time to time.

8.3.3 Remuneration committee

The composition of our Remuneration Committee is set out below:-

Name	Designation	Directorship
Datuk Tan Kok Hong @ Tan Yi	Chairman	Independent Non-Executive Chairman
Lim Ming Kee	Member	Independent Non-Executive Director
Loo Yong Peng	Member	Independent Non-Executive Director

The terms of reference of our Remuneration Committee, amongst others, include the following:-

(i) to review and recommend to our Board the remuneration package of our Executive Directors and if applicable, senior management, which should be aligned with the business strategy and long-term objectives of our Company. Any member of the Committee who is an executive director must not participate in the deliberation and in any decision on his/her own remuneration;

(ii) to review annually the performance of our Directors and recommend to our Board specific adjustments in remuneration and/or reward payments to be passed at a general meeting;

(iii) to formulate policies, guidelines and set criteria for remuneration packages for our Directors and to ensure that our Directors are fairly and appropriately remunerated according to the general market sentiments or conditions;

(iv) to review and recommend to our Board the compensation payable to our Directors in connection with any loss or termination of their office or appointment or arrangements relating to dismissal or removal for misconduct and to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for our Company; and

(v) to ensure that all remuneration packages and benefits given to the Directors are in compliance with the laws, rules, requirements, regulations and guidelines set by the relevant authorities and our Board from time to time.

The determination of the remuneration package of our Non-Executive Directors is by our Board as a whole and the Director concerned should abstain from discussing or deliberating his/her own remuneration.

8.3.4 Nomination committee

The composition of our Nomination Committee is set out below:-

Name	Designation	Directorship
Datuk Tan Kok Hong @ Tan Yi	Chairman	Independent Non-Executive Chairman
Lim Ming Kee	Member	Independent Non-Executive Director
Loo Yong Peng	Member	Independent Non-Executive Director

The terms of reference of our Nomination Committee, amongst others, include the following:-

(i) to assess and recommend to our Board, nominees for directorships and committee members, having regard to their competencies, expertise, experience, potential conflict of interests, commitment, contribution and performance;

(ii) to assess and evaluate, on an annual basis, or as required, the desirability of the overall composition of our Board and the balance amongst executive, non-executive and independent directors,

(iii) to establish a mechanism for annual assessment on the performance and effectiveness of our Board as a whole and the contribution of each Director to the performance of our Company. Such annual assessment should be based on objective performance criteria, which is in line with established key performance indicators, as approved by our Board;

(iv) to recommend and ensure that our Board receives appropriate continuous training in order to maintain an adequate level of competency and to effectively discharge their roles as our Directors; and

(v) to oversee the appointment, management succession planning and performance evaluation of our Board and committees.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.4 Key management

8.4.1 Shareholdings

The following table sets forth the direct and indirect shareholdings of each of our key management before and after the IPO:-

			Before IPO				After IPO			
			Direct		Indirect		Direct		Indirect	
Name	Designation	Nationality	No. of Shares held ('000)	%(1)	No. of Shares held ('000)	%(1)	No. of Shares held ('000)	%(2)	No. of Shares held ('000)	%(2)
Tay Hong Sing	Executive Director / Chief Executive Officer	Malaysian	32,600	29.91	-	-	32,600	25.08	-	-
Tan Boon Siang	Executive Director / Deputy Chief Executive Officer	Malaysian	32,600	29.91	-	-	32,600	25.08	-	-
Pauline Loh Yen Ping	Chief Financial Officer	Malaysian	-	-	-	-	60	0.05	-	-
Yong Thiam Yuen	Chief Operating Officer	Malaysian	-	-	-	-	115	0.09	-	-
Tan Ying Meng	Chief Technology Officer/ Head of IT Services	Malaysian	2,000	1.83	-	-	2,150	1.65	-	-
Koh Thain Lin	Head of Business Development	Malaysian	1,000	0.92	-	-	1,150	0.88	-	-
Sim Yian Fei	Head of ELV Systems	Malaysian	4,000	3.67	-	-	4,150	3.19	-	-
Kong Tze Senn	Head of Structured Cabling Works	Malaysian	4,000	3.67	-	-	4,150	3.19	-	-

Notes:-

(1) Based on the issued share capital of 109,000,000 Cabnet Shares after the NetPosa Investment.

(2) Includes their entitlements for the Pink Form Allocations and based on the enlarged issued share capital of 130,000,000 Shares after the Public Issue.

8.4.2 Key management profiles

Save for the profiles of Tay Hong Sing and Tan Boon Siang which are set out in **Section 8.1.2** of this Prospectus, the profiles of the other key management of our Group are as follows:-

Pauline Loh Yen Ping, a Malaysian, aged 41, is the Chief Financial Officer of our Group. She graduated with a Bachelor of Accounting (Honours) from Universiti Kebangsaan Malaysia in 2000. She is a member and a Chartered Accountant of the Malaysian Institute of Accountants since 2003.

In April 2000, she began her career as an Audit Assistant in Syarikat C.H. Kam (Chartered Accountant), a public accounting, tax and advisory firm based in Johor Bahru, where she was involved in audit for various clients across different industries. In March 2004, she left Syarikat C.H. Kam (Chartered Accountant) and joined Minply Holdings (M) Berhad ("**Minply**"), a company then principally engaged in the manufacturing and trading of plywood, furniture parts and accessories, wood based panels, as an Accountant. Her duties involved reviewing financial statements and handling finance and tax related matters.

Subsequently in May 2008, she left Minply and joined Hantong Metal Component Sdn Bhd ("**Hantong**"), a subsidiary of CFM Holdings Ltd (public listed company on Catalist Board of Singapore Stock Exchange Ltd.), a company principally involved in providing metal stamping services, design, fabrication and the sale of tool-and-die used for the manufacturing of stamped metal components, as an Assistant Group Finance Manager. During her tenure in Hantong, she assisted the Regional Finance Manager to handle accounting related matters, including amongst others, reviewing the group's accounts.

Upon leaving Hantong in July 2008, she subsequently joined Multi-Code, in August 2008, as its Group Financial Controller. She was in charge of all finance and tax related matters of the group, including reviewing the financial statements of the group.

After her departure from Multi-Code in May 2015, she joined EIK Engineering Sdn Bhd ("**EIK**"), a company principally engaged in the design, fabrication and manufacturing of equipment, components and parts used for heavy applications machineries in the oil and gas, construction, mining, dredging, plantation and other industries, in June 2015, as its Group Financial Controller to oversee the accounting, finance and tax related matters. Her duties also involved identifying the areas for improvement in operations, reviewing the company's policies and procedures, in order to comply with ISO 9001 (Quality Management System) and ISO 14001 (Environment Management System) as most of EIK's products are sold to overseas customers, which most customers require EIK to possess these certifications. She left EIK in December 2015.

In March 2016, she joined JB Cocoa Sdn Bhd ("**JB Cocoa**"), a company principally engaged in the production and sale of cocoa ingredient products, namely cocoa butter, cocoa powder, cocoa liquor and cocoa cake, as a Finance Manager. During her tenure in JB Cocoa, she was mainly in charge of all accounting, finance and tax related matters. In July 2016, in addition to her main role in accounting, finance and tax related matters, her role was expanded to cover human resource related matter (such as overseeing payroll, recruitment and staff disciplinary matters) and administrative matters of the company. She left JB Cocoa in March 2017.

She joined our Group on 1 April 2017 as the Chief Financial Officer where she is responsible for all finance related matters of our Group including monitoring financial performance, treasury management and corporate finance related matters.

Yong Thiam Yuen, a Malaysian, aged 42, is the Chief Operating Officer of our Group. In 1997, he graduated from The Nottingham Trent University, United Kingdom with a Bachelor of Engineering (Honours) in Electrical and Electronic Engineering.

Upon graduation, he began his career with PK Electronics Sdn Bhd in 1997 as Project Engineer where he was responsible for installation, testing and commissioning of the Uninterrupted Power Supply ("**UPS**"). He later left PK Electronics Sdn Bhd in 1999. Subsequently, he joined Renstep Technologies (M) Sdn Bhd where the company is involved in UPS business, as a director responsible for the marketing functions of UPS business. Subsequently in 1999, the business of Renstep Technologies (M) Sdn Bhd was acquired by Amptek Sales & Services Sdn Bhd. He was then appointed as the Business Development Manager of Amptek Sales and Services Sdn Bhd with the same responsibilities, where his role was to market UPS until his resignation in December 2002. Subsequently in January 2003, he joined Johnson Controls Sdn Bhd as Service Sales Manager in the service division where he was responsible for the growth of the sales performance of the service business in building automation, fire detection and the security systems market until he left Johnson Controls Sdn Bhd in 2005.

He later joined Siemens Malaysia Sdn Bhd in 2005 as a Senior Sales Manager where he led a team of sales personnel in the fire, security and building management systems. In 2007, he became the Head of Security Solutions Division. He was subsequently promoted as the Vice President of ASEAN Security Solutions in 2009 where he assumes responsibility for managing the security solutions unit in Malaysia and the expansion of Siemens' security solutions business in other ASEAN countries. In 2012, he was transferred to Siemens Pte Ltd as the Head of Solution Sales where he was responsible to manage and to grow the security systems solutions that the company offered to the Singapore market. He left Siemens Pte Ltd in 2015.

He joined Cabnet Systems in 2015 as Chief Operating Officer. He later assumed his present role as Group Chief Operating Officer where he is responsible to drive the sales growth for our Group, especially outside Johor.

Tan Ying Meng, a Malaysian, aged 47, is the Chief Technology Officer of our Group who is responsible for all IT-related matters and overseeing our Group's R&D division. He is also the Head of IT Services where he is responsible for overseeing the operations of our IT Services department. In 1993, he graduated from National Taiwan University, Taiwan with a Bachelor of Science in Electrical Engineering.

Upon graduation, he began his career with King Computer System Pte Ltd in Taipei as a Software Engineer where he was responsible for database programming and Object Oriented Programming (modern programming methodology) R&D until his resignation in December 1994.

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Subsequently in January 1995, he joined Sentosa Computer Centre Sdn Bhd as a R&D Engineer where he was mainly responsible to study on issues including, amongst others, setting up of Internet email system, web server, web application and ways to connect them to Internet. Thereafter in 1997, he was redesignated as an Internet/ Intranet Engineer where he assumes the responsibility of researching, planning, designing and deploying Internet and Intranet for corporate clients. He left Sentosa Computer Centre Sdn Bhd in December 1997.

In 1998, he co-founded ITWin with Yeow Leong Swee, with equal shareholding in ITWin. He became the Managing Director of ITWin in 2006, where he led the team in ITWin to provide system integration, enterprise class network and system solutions to corporate clients. The areas of his specialisation include system virtualisation, enterprise storage, network security, LAN/ WAN connectivity and messaging systems. Subsequently, he assumed the position of Chief Technology Officer / Head of IT Services of our Group in September 2015.

Koh Thain Lin, a Malaysian, aged 43, is the Head of Business Development of our Group who is responsible for the sales and marketing activities of our Group. He obtained his diploma in computer studies from Cambridge College, United Kingdom and National Computing Center, United Kingdom in 1994. Upon graduation, he started his IT career with Poshmate Technology Sdn Bhd in 1994 as a software programmer, specialised in hotel management software until he left Poshmate Technology Sdn Bhd in 1995.

In 1995, he joined PDX Teknologi Sdn Bhd as System Engineer and he was responsible for network deployment and management of network infrastructure projects. He left PDX Teknologi Sdn Bhd in 1997. Pursuant to his departure from PDX Teknologi Sdn Bhd, he joined Computer System Advisers (M) Berhad as a Senior System Engineer, responsible for project management and pre-sale and after-sales service until 2001. In 2001, he joined Titan Petrochemical Sdn Bhd as Senior IT Executive, responsible for operation, support and network administration until December 2002. In January 2003, he joined IBM Malaysia Sdn Bhd as an IT specialist, responsible for the network and server security of IBM Malaysia Sdn Bhd regional call centre until 2004. In 2004 he joined Advancenet Technology Sdn Bhd as the Senior Product Manager, responsible for the sales and marketing of cabling, networks and internet solutions. During the same year, while he was working, he pursued Bachelor of Computer Science from the University of Portsmouth, United Kingdom via a distant learning programme and graduated in 2007. In 2006, he joined ZyXEL Malaysia Sdn Bhd, which specialises in the manufacturing of IT network equipment as a General Manager, responsible for the sales and marketing function as well as day-to-day operations of the business until his resignation in 2008.

In 2008, he joined ITWin, a subsidiary of Cabnet which specialises in IT system and network integration, where he was responsible for the business operations and sales management in system integrations, enterprise network, network security and turnkey infrastructure projects. In September 2015, he assumed the position of the Head of Business Development of our Group, a position that he held till now.

Sim Yian Fei, a Malaysian, aged 44, is the Head of ELV Systems of our Group. In 1995, he graduated with a Diploma in Computer Science from Southern College, Malaysia.

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Upon graduation, he joined Computer Systems Advisers (M) Bhd in 1996 as Senior System Engineer where he was responsible for the design, implementation, installation and troubleshooting of network and server. He left Computer Systems Advisers (M) Bhd in 2000. Subsequently in 2000, he joined IBM Malaysia Sdn Bhd as an IT Specialist seconded to client's premise to manage the server. He later rose to the rank of Advisory IT Specialist whereby he led a team of IT support personnel to provide support on computer, hardware and server related matters. He left IBM Malaysia Sdn Bhd in 2004.

He joined Cabnet Systems in 2004 as an Assistant Manager and rose through the ranks before being appointed as General Manager in 2014 heading the ELV solutions department (now known as ELV systems division) where he is responsible in ensuring all projects relating to ELV systems are properly managed by the respective project managers including amongst others, timely installation and completion. In addition, he also ensures that all tenders and quotations are accurately priced and quoted. In September 2015, he assumed the position of the Head of ELV Systems of our Group, a position that he held till now.

Kong Tze Senn, a Malaysian, aged 46, is the Head of Structured Cabling Works of our Group. In 1991, he obtained his certification for proficiency in Book Keeping and Account, Business Statistics and Advanced Business Calculations from the London Chamber of Commerce and Industry. He began his career in 1992 with Academic Book Distributor Sdn Bhd, a company that supplies academic books to libraries within Malaysia, as an Admin & Accounts Executive until December 1994.

In January 1995, he joined OBM Software Sdn Bhd as a Sales Executive, mainly specialising in accounting software until his resignation in December 1998. He later joined Cybron Technology Sdn Bhd in January 1999 and dealt with ICT hardware and software as a Sales Executive. He left Cybron Technology Sdn Bhd in 2003.

He joined Cabnet Systems in 2003 as Project Executive and rose through the ranks before being appointed as the Head of ICT Solutions (now known as structured cabling division) in 2014. His role is to ensure all projects relating to structured cabling works are properly managed by the respective project managers including amongst others, timely installation and completion. In addition, he also ensures that all tenders and quotations are accurately priced and quoted. In September 2015, he assumed the position of the Head of Structured Cabling Works of our Group, a position that he held until now.

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8.5 Involvement of key management in other businesses / corporations

As at the LPD, save as disclosed below and in **Section 8.2.3** of this Prospectus, none of our executive directors and/or key management is involved in other businesses or corporations in Malaysia, save and except for the operations of our Group:-

Name	Companies	Principal activities	Nature of interest of involvement	Date of appointment	Date of resignation	% of shareholdings as at LPD
Yong Thiam Yuen	**Past**					
	Renstep Technologies (M) Sdn Bhd	Selling and distributing of power protection equipment and related services	Executive Director	23 November 1999	Renstep Technologies (M) Sdn Bhd was dissolved on 21 October 2011	-
Tan Ying Meng	**Past**					
	ICT Automation (M) Sdn Bhd	Computer networking	Executive Director	19 April 2012	5 December 2014	-
Koh Thain Lin	**Past**					
	ICT Automation (M) Sdn Bhd	Computer networking	Non-Executive Director	10 November 2014	11 November 2014	-
Kong Tze Senn	**Past**					
	Immensus Systems Sdn Bhd	ICT solution provider	Non-Executive Director	9 February 2012	22 January 2015	-

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Our key management are of the view that their involvement in the businesses and corporations in **Section 8.2.3** of this Prospectus and above does not affect their contribution to our Group.

Their involvement in the above businesses does not require a significant amount of time and as such, our key management devote all their efforts to the executive functions in our Group. Their ability to act as our key management of our Group is not expected to change moving forward.

8.6 Declaration from our Promoters, substantial shareholders, Directors and key management

As at the LPD, none of our Promoters, substantial shareholders, Directors and/ or key managements has been involved in any of the following events (whether within or outside Malaysia):-

(i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against him or any partnership in which he was a partner or any corporation of which he was a director or key personnel;

(ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) charged and/ or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) any judgment was entered against him involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

8.7 Family relationships and/or associations

There is no family relationship and/or association between any of our Promoters, substantial shareholders, Directors and/ or key management as at the LPD.

8.8 Benefits paid or intended to be paid

Save for the remuneration and benefits paid to our Directors for services rendered in all capacities to our Group as set out in **Section 8.2.4** of this Prospectus there are no other amounts or benefits paid or intended to be paid or given to our Promoters, substantial shareholders and/ or Directors within the two (2) years preceding the date of this Prospectus.

8.9 Service agreements

As at the LPD, none of our Directors and key management has any existing or proposed service agreement with our Group.

8.10 Employees

8.10.1 Employees

As at the LPD, our Group has a total workforce of 73 employees, of which 72 are permanent employees while one (1) is a contractual employee. All of our employees are Malaysians.

The breakdown of our employees by categories as at the end of the past three (3) financial years up to the FYE 31 December 2016 and as at the LPD is set out below:-

	<--------------No. of employees------------>			
	As at 31 December			As at the LPD
	2014	2015	2016	
Management	7	8	8	8
Finance and administrative	10	12	12	12
Business Development	11	10	10	10
Project delivery:				
ELV systems	14	15	13	13
Structured cabling	27	24	21	21
IT Services	7	9	7	7
R&D	-	-	2	2
Total workforce	76	78	73	73

The increase in total number of employees of our Group for the FYE 31 December 2015 as compared to FYE 31 December 2014 was mainly contributed by the increase in the number of employees in project delivery of ELV systems. The decrease in total number of employees of our Group for the FYE 31 December 2016 as compared to the FYE 31 December 2015 was mainly due to employee attrition in the project delivery category. However, we will continue to recruit suitable candidates to fill these vacancies. As at the LPD, we have a total of 41 project delivery employees, comprising 8 engineers and 33 technicians that manage project delivery activities.

Our Group's employee breakdown by companies as at the LPD are set out below:-

	<--------------No. of employees------------>			
	As at 31 December			As at the LPD
	2014	2015	2016	
Cabnet Systems	48	53	53	53
Cabnet Technology	-	-	-	-
Cabnet Penang	9	3	-	-*
ITWin	19	22	20	20
Total workforce	76	78	73	73

Note:-

* *As at the LPD, Cabnet Penang has no more employee since March 2016 as the remaining two (2) employees in Cabnet Penang were transferred to Cabnet Systems.*

None of our employees, whether permanent or contractual, belong to any trade unions or have any labour relationship with any union, and there have been no industrial disputes since we commenced operations.

Based on the availability of our employees to undertake the work required, we may engage temporary workers and/or sub-contractors to undertake the general installation works for timely delivery of our projects (depending on the number of on-going projects undertaken at any point in time). Nevertheless, our Group is not dependent on sub-contractors and will consider employing more staff to undertake future projects, if the need arises.

8.10.2 Training and development programmes

We recognise the importance of human resource as a central element of any successful organisation and aim to build an experienced, capable and dynamic team. Hence, we emphasise the importance of providing training and development programmes for our employees as part of our human resource development. In line with this, we also conduct on-the-job training programmes for our employees aimed at improving their skills and technical knowledge.

Our Group has from time to time, arranged internal and external training and development courses for our employees. The key training and development programmes attended by our employees for the past three (3) years and up to the LPD include, amongst others, the following:-

Year	Training and development programmes undertaken
2014	NIOSH – Oil and Gas Safety Passport – OGSP Level 1 – for oil and gas safety training
	GST workshop training – overview and understanding of GST framework
2016	Fortinet training – firewall technology training

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8.10.3 Management succession plan

Our Board believes that the success of our Group depends on the ability to retain our key management personnel and upon our ability to attract and retain skilled personnel. Therefore, we have made efforts to train our staff and remunerate them accordingly.

Our Group has a management succession plan comprising:-

(i) recruitment and selection;

(ii) competitive remuneration and employee benefits;

(iii) structured career planning and development; and

(iv) continuous training and education.

We seek to ensure continuity in our management team, in order to ensure continuity and maintain our competitiveness. It is our policy to groom our employees for more job responsibilities and supervisory roles, and groom our middle-management staff to gradually assume the responsibilities of senior management. As part of the management succession plan, our Group has identified middle management personnel across all levels to assist the heads of various business divisions in order to facilitate skill transfer so as to ensure the smooth running and continuity of the operations of our Group. If the need arises, we will recruit qualified personnel with knowledge and expertise of the business to further enhance our operations.

We believe that our employees are valuable assets to our Group and we provide the necessary training for their future development.

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9. APPROVALS AND CONDITIONS

9.1 Approvals and conditions

9.1.1 Bursa Securities

Bursa Securities had, vide its letter dated 19 January 2017 approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued share capital of Cabnet on the ACE Market of Bursa Securities.

The conditions imposed by Bursa Securities and the status of our compliance with the conditions are as follows:-

No.	Conditions imposed	Status of compliance
1.	Any director of the Company that has not attended the Mandatory Accreditation Programme must do so prior to the listing of the Company	To be complied *
2.	With regard to the trade receivables, Cabnet is required to: (i) Make full provision for all overdue trade receivables (if any), which are in dispute or under legal action. The directors of Cabnet to confirm to Bursa Securities that this condition has been complied prior to the listing of Cabnet; and (ii) The directors of Cabnet to submit a declaration to Bursa Securities that debts exceeding the credit period which have not been provided for as doubtful debts, excluding those under paragraph (i) above, are recoverable.	Complied
3.	Submit the following information in respect of the moratorium on the shareholdings of promoters to Bursa Depository: (i) Name of shareholders; (ii) Number of Shares; and (iii) Date of expiry of the moratorium for each block of Shares.	To be complied
4.	Approvals from other relevant authorities have been obtained for implementation of the listing proposals	Complied
5.	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements	To be complied
6.	Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued share capital of Cabnet on the first day of listing	To be complied
7.	In relation to the public offering to be undertaken by Cabnet, please announce at least two (2) market days prior to the listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/ allocation; (iii) A table showing the distribution for placement tranche; and (iv) Disclosure of placees who become substantial shareholding of Cabnet arising from the public offering, if any.	To be complied
8.	Cabnet / TA Securities is to ensure that the overall distribution of Cabnet's securities is properly carried out to provide an orderly trading in the secondary market; and	Noted

No.	Conditions imposed	Status of compliance
9.	Cabnet / TA Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission to the Official List on the ACE Market is completed.	To be complied

Note:-

* *An extension of time from Bursa Securities was obtained by the Company to comply with this condition by July 2017 vide its letter dated 20 March 2017.*

9.1.2 SC

Our IPO is an exempt transaction under Section 212(8) of the CMSA and is therefore not subjected to the approval of the SC.

The SC had, via its letter dated 23 January 2017, taken note of the resultant equity structure of Cabnet pursuant to our Listing under the equity requirement for public listed companies ("**Equity Requirement**"). Cabnet Systems is an MSC-status company and more than 50% of Cabnet Group's profit for the FYE 31 December 2015 is derived from Cabnet Systems. Accordingly, Cabnet is exempted from the Equity Requirement.

9.2 Moratorium on our Shares

In compliance with Rule 3.19 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters as follows:-

(i) the moratorium applies to the entire shareholdings of our Promoters for a period of six (6) months from the date of admission to the ACE Market of Bursa Securities ("**6-Month Moratorium**");

(ii) upon the expiry of the 6-Month Moratorium, our Promoters' aggregate shareholdings amounting to at least 45% of the nominal issued ordinary share capital of our Company shall remain under moratorium, for another period of six (6) months; and

(iii) thereafter, our Promoters may sell, transfer or assign up to a maximum of one-third (1/3) per annum (on a straight-line basis) of the Shares held under moratorium.

The moratorium shall be imposed on our Promoters as set out below:-

Promoters	Held under moratorium for the first six (6) months upon Listing		Held under moratorium for the subsequent six (6) months	
	No. of Shares ('000)	%(1)	No. of Shares ('000)	%(1)
Tay Hong Sing	32,600	25.08	29,250	22.50
Tan Boon Siang	32,600	25.08	29,250	22.50

Note:-

(1) Based on our enlarged issued share capital of 130,000,000 Shares after our IPO.

Our Promoters have provided written undertaking that they will not sell, transfer or assign their shareholdings under moratorium during the moratorium period.

9. APPROVALS AND CONDITIONS (CONT'D)

The moratorium restriction, which is fully accepted by the above Promoters, are specifically endorsed on the share certificates representing the Shares held by our Promoters which are under moratorium to ensure that our share registrar does not register any transfer that contravenes such restriction.

In addition to our Promoters, our Pre-IPO Investor, NetPosa and NetPosa China, being the holding company of NetPosa, have voluntarily furnished an undertaking letter that they will not sell, transfer or assign their shareholdings in our Company for a twelve (12) months period from the date of admission to the ACE Market of Bursa Securities as set out below:-

	Held under moratorium for the first twelve (12) months upon Listing			
	Direct		Indirect	
Pre-IPO investor	No. of Shares ('000)	%[1]	No. of Shares ('000)	%[1]
NetPosa	26,000	20.00	-	-
NetPosa China[2]	-	-	26,000	20.00

Notes:-

(1) *Based on our enlarged issued share capital of 130,000,000 Shares after our IPO.*

(2) *Deemed interested by virtue of Section 8 of the Act, through its shareholding in NetPosa.*

NetPosa and NetPosa China may sell, transfer or assign our Shares after the twelve (12) months moratorium period.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

10.1 Related party transactions and conflict of interest

Under the Listing Requirements, a 'related party transaction' is a transaction entered into by a listed corporation or its subsidiaries which involves the interest, direct or indirect, of a related party. A 'related party' of a listed corporation is:-

(i) a director having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiary or holding company or a chief executive of the listed corporation, its subsidiary or holding company; or

(ii) a major shareholder meaning a person who has an interest or interests in one (1) or more voting shares in a corporation and the nominal amount of that share or the aggregate of the nominal amounts of those shares is:-

  (a) ten (10) per centum of the aggregate of the nominal amounts of all the voting shares in the corporation;

  (b) five (5) per centum or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation;

  and includes any person who is or was within the preceding six (6) months of the date on which terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding companies; or

(iii) a person connected with such director or major shareholder.

10.1.1 Recurrent related party transactions

Related party transactions can be deemed as recurrent if they are entered into at least once every three (3) years, in the ordinary course of business and are of a revenue nature necessary for the day-to-day operations of our Group.

After our Listing, we will be required to seek our shareholders' approval each time we enter into a material related party transaction in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

Under the Listing Requirements, related party transactions may be aggregated to determine their materiality if the terms of such transactions were agreed upon within a twelve (12)-month period, are entered into with the same party or with parties connected to one another or if the transactions involve the acquisition or disposal of securities or interests in one particular corporation/asset or of various parcels of land contiguous to each other.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Save as disclosed below, there are no other recurrent related party transactions, existing or proposed, entered or to be entered into by our Group which involves the interest, direct or indirect, of our Directors and substantial shareholder, and/or persons connected with them for the past three (3) FYE 31 December 2014 to FYE 31 December 2016:-

Transacting Parties	Related party / Nature Of relationship	Nature Of transaction	Actual Transaction Value <------FYE 31 December------>		
			2014 RM ('000)	2015 RM ('000)	2016 RM ('000)
(i) Tay Hong Sing and Tan Boon Siang; and (ii) Cabnet Systems	Tay Hong Sing and Tan Boon Siang are major shareholders and Directors of Cabnet Systems; Hence, Tay Hong Sing and Tan Boon Siang are a related party to Cabnet Systems.	Tay Hong Sing and Tan Boon Siang agreed to rent No. 102, 102-1, 102-2 (Ground, First Floor and Second Floor), Jalan Ros Merah 2/17, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim to Cabnet Systems for office and storage of related IT equipment, stock and materials. This tenancy agreement is valid until 31 December 2016 with an option to renew for another two (2) years.	52.8	57.6	57.6
(i) Cabnet Systems; and (ii) CEE M&E	Tay Hong Sing and Tan Boon Siang are both Directors and major shareholders of Cabnet Systems. Tay Hong Sing and Tan Boon Siang were previously directors and shareholders of CEE M&E during the past two (2) FYEs 31 December 2013 and 2014. On 1 July 2015, Tay Hong Sing and Tan Boon Siang had resigned as directors of CEE M&E and had on 11 August 2015 disposed of their shareholdings in CEE M&E.	Cabnet Systems supplied, installed, tested, configured, and commissioned ELV and telephone systems to CEE M&E.	1,297.0	596.0 [1]	-

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Transacting Parties	Related party / Nature Of relationship	Nature Of transaction	Actual Transaction Value <------FYE 31 December------> 2014 RM ('000)	2015 RM ('000)	2016 RM ('000)
(i) Cabnet Systems; and (ii) CEE M&E	Tay Hong Sing and Tan Boon Siang are both Directors and major shareholders of Cabnet Systems. Tay Hong Sing and Tan Boon Siang were previously directors and shareholders of CEE M&E during the past two (2) FYEs 31 December 2013 and 2014. On 1 July 2015, Tay Hong Sing and Tan Boon Siang had resigned as the directors of CEE M&E and had on 11 August 2015 disposed of their shareholdings in CEE M&E.	A fix management fee of RM4,900 per month paid to Cabnet Systems by CEE M&E for the secondment of a project supervisor of Cabnet Systems to CEE M&E.	49.0	-	-
(i) Cabnet Systems; and (ii) CEE M&E	Tay Hong Sing and Tan Boon Siang are both Directors and major shareholders of Cabnet Systems. Tay Hong Sing and Tan Boon Siang were previously directors and shareholders of CEE M&E during the past two (2) FYEs 31 December 2013 and 2014. On 1 July 2015, Tay Hong Sing and Tan Boon Siang had resigned as the directors of CEE M&E and had on 11 August 2015 disposed of their shareholdings in CEE M&E.	Cabnet Systems had engaged the services of CEE M&E for electrical services works.	39.3	666.5 [1][2]	-

Note:-

(1) Represents the transaction value up until Tay Hong Sing and Tan Boon Siang ceased to be the shareholders on 11 August 2015. Prior to the disposal, Tay Hong Sing and Tan Boon Siang held 26% of equity interest each in CEE M&E while the remaining shares in CEE M&E were held by Murugesu A/L Vindasamy. They had disposed of their shares held in CEE M&E to Tay Lai Eng, who is not related to the Promoters, to focus on the business of Cabnet Group.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

(2) In the FYE 31 December 2015, the significant increase in the transaction was mainly due to fees charged by CEE M&E for the electrical services work subcontracted to CEE M&E. The following projects awarded to Cabnet which required the electrical services from CEE M&E and the fees charged by CEE M&E are as follows:

- *Summerplace Apartment project (awarded by Clearwater Capital Development Sdn Bhd) amounted to RM0.32 million; and*
- *Teori Warisan Apartment project (awarded by Sin Sin Construction Sdn Bhd) amounted to RM0.34 million.*

As at the LPD, there are no other recurring related party transactions, save for the amount of RM14,400 (RM4,800 per month) that has been incurred by Cabnet Systems in relation to the rental of the property at No. 102, 102-1 and 102-2, Jalan Ros Merah 2/17, Taman Johor Jaya, 81100 Johor Bahru, Johor, owned by Tay Hong Sing and Tan Boon Siang.

Our Directors are of the opinion that all the above transactions were carried out on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment to our minority shareholders.

10.1.2 Non-recurrent related party transactions

There are no material related party transactions which are non-recurrent in nature and that have been entered into or proposed to be entered into by our Group with related parties for the past three (3) FYEs 31 December 2014 to 2016 and up to the LPD.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, review the terms of all related party transactions (if any), and report to our Board for further action. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us. In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related party transactions that he is aware or should reasonably be aware of, which is not in our best interest. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transactions.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, the Directors, substantial shareholders and/or persons connected with a Director or substantial shareholder, which have any interest, direct or indirect, in the proposed related party transactions will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Director and/or substantial shareholders will also undertake to ensure that the person connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

10.2 Transactions that are unusual in their nature or conditions

Our Directors have confirmed that there are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and/or our subsidiary companies was a party for the past three (3) FYEs 31 December 2014 to 2016 and up to the LPD.

10.3 Outstanding loans (including guarantees of any kind)

There are no outstanding loans, including guarantees of any kind, made by our Group to or for the benefits of the related parties for the past three (3) financial years up to the FYE 31 December 2014 to 2016 and up to the LPD.

All future transactions which involve the interests of our Directors, substantial shareholders and/or persons connected with them will be transacted at arm's length, on our normal commercial terms which are not more favourable to the related parties than those generally available to the public, and which are not detriment of the minority shareholders. The Audit and Risk Management Committee will supervise the terms of all related party transactions, and our Directors will report such transactions, if any, all in our annual reports.

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10.4 Interest in similar businesses / Conflict of interest

As at the LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses and corporations carrying on a similar trade as our Group which may give rise to a conflict of interest, save for the potential conflict of interest arising from NetPosa China's business in video processing technologies and the provision of video monitoring solutions and high-quality video storage products (Please refer to **Section 8.1.2** for details on NetPosa and NetPosa China).

Notwithstanding the potential conflict of interest from NetPosa China's business, our Board is of the view that the potential conflict of interest is mitigated by the following:-

(i) NetPosa China focuses on the development of application software that connects the security systems installed in multiple locations whilst our Group focuses on design, supply, build, testing and commissioning, as well as provision of project management, training, maintenance and aftersales services for structured cabling works, ELV systems and IT services;

(ii) Targeted customers of NetPosa China are township developers, Federal Governments, State Governments and local town councils whilst the targeted customers of our Group are building contractors, building owners and building operators;

(iii) Our Group's business is not dependent on NetPosa and NetPosa China, and NetPosa China's Products because we have a range of services and solutions that we currently offer under building management solutions and IT services. Our Group will continue to offer our current building management solutions and IT services in the future regardless of the successful marketing of NetPosa China's Products in Malaysia; and

(iv) As at LPD, neither NetPosa nor NetPosa China has any representative directors on our Board and they are not involved in the day to day operations of our Group.

Furthermore, our Audit Committee will supervise any conflict of interest or potential conflict of interest situations and our Board will disclose such conflict of interest situations, if any, for resolution as and when they arise.

Our Group expects to have business transactions with NetPosa and/or NetPosa China pursuant to the Collaboration Agreement, which may give rise to potential related party transactions. These business transactions include, amongst others, the sale and supply of NetPosa China's Products in Malaysia via Cabnet Group. As a measure to govern and supervise the abovementioned potential recurrent related party transactions, an internal framework and policy that has been adopted by the Board on 12 April 2016 to ensure that these potential recurrent related party transactions will be carried out on an arm's length basis. In line with its terms of reference as stated in **Section 8.3.2** of this Prospectus, the Audit Committee will review these potential recurrent related party transactions and conflict of interest situations that may arise therefrom.

As at the LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in any other businesses and corporations which are the customers or suppliers of our Group.

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10.5 Declaration by Advisers for our IPO

(i) Principal Adviser, Underwriter and Placement Agent

TA Securities confirms that there is no existing or potential conflict of interest in respect of its role as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO;

(ii) Due Diligence Solicitors

Messrs. Zul Rafique confirms that there is no existing and potential conflict of interest in respect of its role as the Due Diligence Solicitors for our IPO;

(iii) Auditors and Reporting Accountants

Messrs Crowe Horwath hereby confirms that there is no existing and potential conflict of interest in respect of its role as the Reporting Accountants and Auditors for our IPO; and

(iv) Independent Market Researcher

Smith Zander International Sdn Bhd confirms that there is no existing and potential conflict of interest in respect of its role as the Independent Market Researcher for our IPO.

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11.1 Reporting Accountants' letter on the compilation of pro forma consolidated statements of financial position as at 31 December 2016

Crowe Horwath™

Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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Date: 17 APR 2017

The Board of Directors
Cabnet Holdings Berhad
No. 100, Jalan Ros Merah 2/17
Taman Johor Jaya
81100 Johor Bahru

Dear Sirs

CABNET HOLDINGS BERHAD ("CABNET" OR "THE COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position as at 31 December 2016 of Cabnet and its subsidiaries ("the Group") by the Board of Directors for inclusion in the prospectus to be issued in connection with the listing of and quotation for the entire issued share capital of Cabnet on the ACE Market of Bursa Securities ("the Listing").

The applicable criteria on the basis of which the Board of Directors have compiled the Pro Forma Consolidated Statements of Financial Position are set out in Note 1 of Appendix A, and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors to illustrate the impact of the events or transactions set out in Appendix A of this letter on the Group's financial position as at 31 December 2016.

As part of this process, information about the Group's financial position has been extracted by the Board of Directors from the Group's consolidated financial statements for the financial year ended 31 December 2016 on which an audit report has been published.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Board of Directors is solely responsible for compiling the Pro Forma Consolidated Statements of Financial Position as at 31 December 2016 and the related notes on the basis set out in Note 1 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board of Directors on the basis set out in Note 1 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountant. This standard requires that we plan and perform procedures to obtain reasonable assurance that the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in Note 1 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of Pro Forma Consolidated Statements of Financial Position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted statements of financial position of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would be as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, on the basis set out in Note 1 of Appendix A and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria on the basis used by the Board of Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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Our Responsibilities (Cont'd)

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis set out in Note 1 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

We understand that this letter will be used solely for the purpose of inclusion in the prospectus in connection with the Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

17 APR 2017

Johor Bahru

Piong Yew Peng
Approval No: 3070/06/17 (J)
Chartered Accountant

Initialed For Identification Purposes Only
Crowe Horwath.
AF 1018

CABNET HOLDINGS BERHAD **APPENDIX A**

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

1. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position as at 31 December 2016 are compiled based on the audited consolidated financial statements for the financial year ended 31 December 2016.

The financial statements used in the preparation of this Pro Forma Consolidated Statements of Financial Position were not subject to any audit qualification or emphasis of matter.

The Pro Forma Consolidated Statements of Financial Position have been prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the accounting policies of the Group.

The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes thereto, have been prepared solely for illustrative purposes, to show the effects of Listing scheme as mentioned in Note 1.1 are completed and implemented on 31 December 2016.

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Crowe Horwath.
AF 1018

CABNET HOLDINGS BERHAD **APPENDIX A**

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

1. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

1.1 Listing scheme

Cabnet Group seeks a listing on the ACE Market of Bursa Securities. The details of the Listing scheme are as follows:-

(i) Public Issue

The Public Issue of 21,000,000 new Shares, representing approximately 16.15% of the enlarged issued share capital of Cabnet at an issue price of RM0.56 per Share to be allocated in the following manner:

- 7,000,000 new Shares available for application by the Malaysian public;
- 4,000,000 new Shares available for application by the eligible directors, key management personnel, employees and persons who have contributed to the success of the Group; and
- 10,000,000 new Shares available for application by way of private placement to selected investors.

(ii) Listing

The admission and the listing of and quotation for the entire enlarged issued share capital of RM22,660,000 comprising 130,000,000 Shares on the ACE Market of Bursa Securities will be sought.

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Crowe Horwath.
AF 1018

CABNET HOLDINGS BERHAD **APPENDIX A**

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

2 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

The Pro Forma Consolidated Statements of Financial Position of Cabnet as set out below have been prepared for illustrative purposes only and to show the effects of the events and transactions referred in the notes to the Pro Forma Consolidated Statements of Financial Position had they been effected on 31 December 2016.

	Note	Audited as at 31 December 2016 RM'000	Adjustment for Public Issue and Utilisation of Proceeds RM'000	Pro Forma I After Public Issue and Utilisation of Proceeds RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		4,956		4,956
Investment property		550		550
Goodwill		99		99
		5,605		5,605
CURRENT ASSETS				
Inventories		3,545		3,545
Amount due by customers on contract		9,359		9,359
Trade receivables		12,843		12,843
Other receivables, deposits and prepayment		1,337		1,337
Fixed deposits with licensed banks		2,400		2,400
Cash and bank balances	2.2	5,951	6,090	12,041
		35,435		41,525
TOTAL ASSETS		41,040		47,130

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NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

2 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

	Note	Audited as at 31 December 2016 RM'000	Adjustment for Public Issue and Utilisation of Proceeds RM'000	Pro Forma I After Public Issue and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES				
EQUITY				
Share capital	2.3	10,900	(11,760)	22,660
Share premium	2.4	5,603	668	4,935
Retained profits	2.5	11,090	2,332	8,758
TOTAL EQUITY		27,593		36,353
NON-CURRENT LIABILITIES				
Long-term borrowings		2,145		2,145
Deferred tax liabilities		11		11
		2,156		2,156
CURRENT LIABILITIES				
Amount due to customers on contract		309		309
Trade payables		7,192		7,192
Other payables and accruals		476		476
Short-term borrowings	2.6	2,489	2,000	489
Bank overdrafts	2.7	670	670	-
Tax payable		155		155
		11,291		8,621
TOTAL LIABILITIES		13,447		10,777
TOTAL EQUITY AND LIABILITIES		41,040		47,130
Number of ordinary shares in issue ('000)		109,000		130,000
Net assets (NA) (RM'000)		27,593		36,353
NA per ordinary share (RM)		0.25		0.28
Total bank borrowings (RM'000)		5,304		2,634
Gearing ratio (times)		0.19		0.07

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NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

2.1 Pro Forma I

Pro Forma I incorporates the effects of Pro Forma I and effect of the Public Issue as set out in Note 1 and the utilisation of proceeds from Public Issue.

The proceeds from the Public Issue will be utilised as follows:-

Details of the utilisation of proceeds	**Amount of proceeds**		**Estimated timeframe for utilisation from the date of Listing**
	RM'000	**%**	
Working capital - Purchase of equipment for projects	5,260	44.7	Within twenty-four (24) months
Research and development expenditure	500	4.3	Within twenty-four (24) months
Repayment of bank borrowings #	3,000	25.5	Within four (4) months
Estimated listing expenses * ^^	3,000	25.5	Within one (1) month
Total	11,760	100.0	

Notes:-

* - *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

^^ - *The total estimated listing expenses for the issue of new Shares is approximately RM3,000,000 of which RM668,000 will be written off against the share premium account under Section 618 of the Companies Act 2016. The balance of the estimated listing expenses of RM2,332,000 will be expensed off against the Statement of Profit or Loss and Other Comprehensive Income and this represents a one-off expenditure pursuant to the Public Issue.*

\# - *If the actual repayment of borrowings is lower than budgeted, the surplus will be utilised for working capital purposes.*

CABNET HOLDINGS BERHAD

APPENDIX A

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

2.2 Cash and Bank Balances

	RM'000
As at 31 December 2016	5,951
Add: Proceeds from Public Issue	11,760
Less: Utilisation of proceeds	
- Repayment of bank borrowings	(2,670)
- Estimated listing expenses	(3,000)
As per Pro Forma I	12,041

2.3 Share Capital

The movements in the issued share capital of Cabnet are as follow:-

	Number of Ordinary Shares ('000)	Amount of Share Capital RM'000
Ordinary shares		
As at 31 December 2016	109,000	10,900
Public issue	21,000	11,760
As per Pro Forma I	130,000	22,660

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2.4 Share Premium

The movements in the share premium account are as follows:-

	RM'000
As at 31 December 2016	5,603
Less: Estimated listing expenses *	(668)
As per Pro Forma I	4,935

Pursuant to Companies Act 2016, the Company may, within 24 months upon the commencement of Companies Act 2016, use the amount standing to the credit of its share premium account for specific purposes set out in the transitional provisions of Companies Act 2016. Thereafter, any unutilised credit balance in the share premium account shall be transferred and credited to share capital of Cabnet.

Note:-

* - *The total estimated listing expenses for the issue of new Shares is approximately RM3,000,000 of which RM668,000 will be written off against the share premium account under Section 618 of the Companies Act 2016. The balance of the estimated listing expenses of RM2,332,000 will be expensed off against the Statement of Profit or Loss and Other Comprehensive Income and this represents a one-off expenditure pursuant to the Public Issue.*

2.5 Retained Profits

	RM'000
As at 31 December 2016	11,090
Estimated listing expenses	(2,332)
As per Pro Forma I	8,758

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NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

2.6 Short-term borrowings

	RM'000
As at 31 December 2016	2,489
Utilisation of proceeds	(2,000)
As per Pro Forma I	489

2.7 Bank overdrafts

	RM'000
As at 31 December 2016	670
Utilisation of proceeds #	(670)
As per Pro Forma I	-

 # - The excess of RM330,000 will be allocated for working capital purpose.

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NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 17 APR 201

On behalf of the Board,

Tay Hong Sing **Tan Boon Siang**