

5. INFORMATION OF OUR GROUP (CONT'D)

5.7 Material capital expenditures and divestitures

Save as disclosed below, there are no other material capital expenditures and divestitures made by us for the financial years under review:-

	FYE 31 December		
	2014 RM'000	2015 RM'000	2016 RM'000
Expenditures			
<u>Property, plant and equipment</u>			
- Freehold land	-	-	-
- Buildings	-	-	-
- Motor vehicles	-	508 ⁽⁴⁾	560 ⁽⁵⁾
<u>Investment property</u>			
- Freehold land	-	-	-
- Buildings	229 ⁽¹⁾	-	-
- Apartment	-	-	550 ⁽⁶⁾
Proceeds from divestitures			
Disposal of leasehold land and buildings	-	1,275 ⁽²⁾	-
Disposal of interests in subsidiary	244 ⁽³⁾	-	-
Disposal of motor vehicles	33 ⁽⁷⁾	47 ⁽⁷⁾	140 ⁽⁷⁾

Notes:-

- (1) ITWin entered into a sale and purchase agreement to purchase a shop office in Nusa Sentral, Nusajaya, Johor on 6 February 2013 for investment purposes with a total purchase consideration of RM1.16 million (inclusive of the incidental costs such as legal fees and stamp duty). In FYE 31 December 2013, RM0.93 million was paid for the investment property. Subsequently during FYE 31 December 2014, a further RM0.23 million was paid for the balance of the investment property. On 5 May 2015, our Group disposed the shop office to a non-related party, Greenchain Marketing Sdn Bhd (details of which has been disclosed in **Section 14.4 (v)** of the Prospectus) to realise the investment for a consideration of approximately RM1.28 million with a net gain of disposal of approximately RM0.10 million which was arrived at based on the following computation:-

	RM million
Selling price	1.28
<u>Less:-</u>	
Cost of purchase	1.16
Real property gain tax	0.04
<u>Add:-</u>	
Accumulated depreciation	0.02
Net gain on disposal	0.10

- (2) Gross proceeds arising from the disposal of an investment property by ITWin as per Note (1) above.
- (3) ITWin disposed its 70% equity interest in ICT Automation (M) Sdn Bhd on 27 October 2014 to Tay Lai Eng, a non-related party, to focus on our Group's existing business. ICT Automation (M) Sdn Bhd is principally involved in computer networking. At the time of ITWin's disposal, the remaining 30% was held by Lim Yit Choy.
- (4) Purchased three (3) motor vehicles for use by our marketing and project management teams.
- (5) Purchased five (5) motor vehicles for use by our marketing and project management teams.
- (6) Purchased one (1) apartment located in Subang as an investment property. The purchase of this investment property in FYE 31 December 2016 was acquired from one of Cabnet System's customers who has no other relationship with Cabnet Group. There was no cash outflow involved for the acquisition of investment property and both parties agreed to offset the purchase price of the investment property against the total amount owing by the customer of RM1.29 million as at 27 December 2016, being the date of the sale and purchase agreement. The acquisition of investment property was a one-off transaction and based on property asking prices (i.e. selling price per square foot) for property within the same building as shown on public domain, www.propertyguru.com.my.

5. INFORMATION OF OUR GROUP (CONT'D)

As at the LPD, save as disclosed above, our Board is not aware of any other material capital commitments incurred or known to be incurred by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on our financial results or position.

5.8 Key milestones, awards and recognition

The key milestones in our Group's history are as detailed below:-

Year	Milestone
1995	<ul style="list-style-type: none"> • Incorporation of Cabnet Systems • Commenced operations in Johor Bahru, Johor, to undertake structured cabling works • Secured first structured cabling project for Kiswire Sdn Bhd
1997	<ul style="list-style-type: none"> • Incorporation of subsidiary Cabnet Technology • Commenced operations in Selangor to source for businesses in the central region of Peninsular Malaysia
2000	<ul style="list-style-type: none"> • Further expanded into digital-based surveillance systems • Secured a contract to install a digital-based surveillance system for B.M. Nagano Industries Sdn Bhd in Johor • Secured first overseas contract for structured cabling works for a satellite broadcasting system at Brunei International Convention Centre in conjunction with the 12th APEC Ministerial Meeting from 12 November 2000 to 13 November 2000
2003	<ul style="list-style-type: none"> • Secured a contract for the design, build, installation, testing, commissioning and maintenance of ELV systems from Pernec Technologies Sdn Bhd for CIQ Complex in Johor Bahru, Johor • Cabnet Technology became our wholly-owned subsidiary
2007	<ul style="list-style-type: none"> • Cabnet Systems was awarded MSC Malaysia status by MDEC and pioneer status by MITI • Incorporation of Cabnet Penang • Commenced operations in Penang to target companies based Penang and Kedah
2008	<ul style="list-style-type: none"> • Acquired 51% equity interest in ITWin
2009	<ul style="list-style-type: none"> • Secured a contract for structured cabling works and ELV systems for P.T. Toyoplas Manufacturing Indonesia's production facility in Indonesia
2010	<ul style="list-style-type: none"> • Certified compliant to ISO 9001:2008 and BS EN ISO 9001:2008 for the provision of structured cabling works and ELV systems by Intertek Certification Ltd
2011	<ul style="list-style-type: none"> • Cabnet Penang became our wholly-owned subsidiary
2012	<ul style="list-style-type: none"> • Penetrated the residential property and commercial property segments high-rise buildings which include condominiums, office towers and hotels to diversify and increase our Group's revenue
2013	<ul style="list-style-type: none"> • Completed ELV project for Industronics Berhad for Kulai District, Johor
2014	<ul style="list-style-type: none"> • ITWin secured first IT services project in the oil and gas industry with Pengerang Independent Terminals Sdn Bhd in Pengerang, Johor
2015	<ul style="list-style-type: none"> • Completed the Restructuring Exercise
2016	<ul style="list-style-type: none"> • Entered into a Share Subscription Agreement with NetPosa • Entered into a collaboration agreement with NetPosa (as supplemented, added and varied by Supplemental Agreement)

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6. BUSINESS OVERVIEW

6.1 Principal activities

Our Group operates in the ELV and structured cabling industry and ICT industry. We are principally involved in the provision of building management solutions which comprise structured cabling works and ELV systems for buildings and other facilities such as seaports and public roads. We also provide IT services which can be offered as complementary to our building management solutions or offered separately on a standalone basis.

ELV in electricity supply refers to systems that operate on voltages that do not exceed 50 alternating current (AC) voltages. ELV can comprise multiple systems either operating at a standalone or integrated level, and ELV is used in security and surveillance, public address and video intercom applications.

Structured cabling is a system of cabling and associated hardware that provide telecommunications infrastructure for the purposes of data transfer and voice transmission. Structured cabling integrates building automation systems, IT systems and communication systems within one (1) cabling infrastructure.

Building management solutions refers to technologies that provide access to information utilising ICT. ICT is thus an extended form of IT that focuses on unified communications and the integration of telecommunications (i.e. telephones lines and wireless signals), computers, enterprise software, middleware, storage as well as audio-visual systems that allow users to access, store, transmit and share information. Structured cabling is a part of building management solutions, and is used as a conduit to connect telecommunication devices to computers and associated peripherals for the purposes of data transfer and voice transmission. When integrated with a building or facility's IT system, ELV forms a part of building management solutions.

An integrated ELV systems operates on a common platform or software (e.g. CISS, a software that integrates various brands of CCTVs and ACS onto a single platform) for the purposes of collecting, exchanging and archiving data. The integrated ELV systems may include public address, ACS, intrusion detection, CCTV, audio-visual monitoring, fire detection and alarm, as well as other security systems.

Our Group's customers comprise mainly building contractors who have been engaged to carry out building or construction work and to a lesser extent building owners and building operators who perform daily building operation tasks such as ensuring the functionality of mechanical and electrical systems (including air-conditioning, escalators, lifts, lightings and etc.) and maintenance of buildings.

6.1.1 Provision of building management solutions comprising structured cabling works and ELV systems for buildings and other facilities

6.1.1.1 Structured cabling works

Our structured cabling works involve design, supply, build, testing and commissioning, as well as provision of project management, training, maintenance and aftersales service. Structured cabling integrates building automation systems, IT systems and communication systems within one (1) cabling infrastructure.

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6. BUSINESS OVERVIEW (CONT'D)

"Design, supply and build" is a standard industry terminology for construction-related activities, including structured cabling works where:-

- (i) "design" is defined as the process of providing the design of the structured cabling layout;
- (ii) "supply" is defined as the provision of equipment, components and parts that are required for structured cabling works;
- (iii) "build" is defined as the physical act of installing the structured cables; and
- (iv) "structured cabling works" is a term used to define activities related to the installation of structured cable, comprising the design, supply, build, testing and commissioning, as well as provision of project management, training, maintenance and aftersales service.

Structured cabling help eliminate the costly process of installing and operating multiple cabling and wiring networks to separately accommodate the aforementioned systems. The integrated cabling infrastructure includes copper and fibre optics cabling used for LAN, WAN, and various equipment such as ACS and CCTV cameras.

The structured cabling works, which can be offered in a package or separately, are as set out below:-

Structured cabling works	Description
Design of structured cabling	<ul style="list-style-type: none"> ▪ Design and configure (selection of cable types) the structured cabling to support voice, data and multimedia applications based on customer's requirement
Cable installation	<ul style="list-style-type: none"> ▪ Laying of copper and fibre optic cables based on the proposed layout
Testing and commissioning	<ul style="list-style-type: none"> ▪ Verification test to see if the cable is properly connected ▪ Qualification test to confirm the cable installed support technology requirements ▪ Certification test to ensure new cabling fully meets requirement of cabling standards and manufacturer's warranty

Our wholly-owned subsidiary, Cabnet Systems, is registered with the CIDB as a Grade "7" contractor which allows us to bid for contracts of unlimited value, while our another subsidiary, Cabnet Penang is registered as a Grade "3" contractor with the CIDB thereby allowing us to bid for contracts of up to RM1.0 million.

Our structured cabling works conform to the following industry codes and standards:-

- (i) Generic Cabling for Customer Premises in conformance to International Organisation for Standardisation/International Electrotechnical Commission (ISO/IEC) 11801;
- (ii) Generic Telecommunications Cabling for Customer Premises in conformance to American National Standards Institute/Telecommunications Industry Association (ANSI/TIA-568-C);
- (iii) Telecommunications Pathways and Spaces in conformance to American National Standards Institute/Telecommunications Industry Association (ANSI/TIA-569-B);
- (iv) Telecommunications Infrastructure Standard for Data Centres in conformance to American National Standards Institute/Telecommunications Industry Association (ANSI/TIA-942);

6. BUSINESS OVERVIEW (CONT'D)

- (v) Administration Standard for Telecommunications in conformance to American National Standards Institute/Telecommunications Industry Association (ANSI/TIA-606-A);
- (vi) Optical Fibre Cabling Components Standard in conformance to American National Standards Institute/Telecommunications Industry Association (ANSI/TIA-568-C.3); and
- (vii) Balanced Twisted Pair Telecommunications Cabling and Components Standard in conformance to American National Standards Institute/Telecommunications Industry Association (ANSI/TIA-568-C.2).

We have completed, amongst others, the following major structured cabling projects with contract values exceeding RM500,000 for the past three (3) FYE 31 December 2014 to FYE 31 December 2016:-

Project	Client	Contract duration	Contract value (RM million)
Platino Apartments, Johor	Sin Sin Construction Sdn Bhd	June 2013 to May 2015 ⁽¹⁾	0.58
DoubleTree Hotel by Hilton Johor Bahru, Johor	Fook Yu Electrical and Building Contractor Sdn Bhd	December 2013 to September 2014	1.52
All premises including the buildings erected in Johor Port, Johor	Dimension Data (Malaysia) Sdn Bhd	September 2014 to April 2015	1.05
A factory block of Infineon Technologies (Malaysia) Sdn Bhd in Melaka	Infineon Technologies (Malaysia) Sdn Bhd	April 2015 to June 2015	0.95
Holiday Villa Hotel Johor Bahru, Johor	Malpakat Construction Sdn Bhd	August 2014 to December 2015	0.85
D'Summit Apartments Phase 1, Johor	Kimlun Sdn Bhd	October 2013 to May 2016 ⁽²⁾	4.03
Forest City Hotel and Hotel Apartment	Country Garden Pacificview Sdn Bhd	June 2016 to September 2016 ⁽³⁾	1.60

Note:-

- (1) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, completion date was mutually and verbally extended to March 2016. The project was completed in March 2016. There was no financial or legal impact from this extension of time.*
- (2) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, completion date was mutually and verbally extended to August 2016. The project was completed in December 2016. There was no financial or legal impact from this extension of time.*
- (3) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, completion date was mutually and verbally extended to December 2016. The project was completed in December 2016. There was no financial or legal impact from this extension of time.*

6. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we are involved in the following major on-going structured cabling projects with contract values exceeding RM500,000:-

Project	Client	Contract duration	Contract value (RM million)	Outstanding contract value as at the LPD (RM million)
D'Summit Apartments Phase 2, Johor	Yicai Construction Sdn Bhd	May 2014 to January 2018	2.21	1.61
Pinetree Marina Resort, a resort located in Johor	JIT Premier Construction Sdn Bhd	September 2015 to November 2016 ⁽¹⁾	1.19	0.53
Raffles American School, a private school in Johor	Bond M&E Sdn Bhd	September 2015 to July 2016 ⁽²⁾	1.26	0.60

Notes:-

- (1) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, the completion date was first mutually and verbally extended to December 2016. Subsequently the completion date for this project was further mutually and verbally extended to June 2017 as the client requested for an extension of time to complete the site, thus causing delay in the overall progress of construction. There will be no financial or legal impact from this extension of time.*
- (2) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, the completion date was first mutually and verbally extended to December 2016. Subsequently the completion date for this project was further mutually and verbally extended to June 2017 as there were changes in the specification and designs of the project. There will be no financial or legal impact from this extension of time. Any variation in the cost of this project as a result of changes in the specification and designs of the project will be billed to the client.*

6.1.1.2 ELV systems

Our Group undertakes the design, supply, build, testing and commissioning, as well as provision of project management, training, maintenance and aftersales service for standalone and integrated ELV systems. These ELV systems help our customers to improve security and communications in a building.

These ELV systems can be deployed in the residential property segment, commercial property segment and industrial property segment, as well as for public buildings (e.g. educational and healthcare institutions).

"Design, supply and build" is a standard industry terminology for construction-related activities, including ELV systems where:-

- (i) "design" is defined as the process of providing the design of the ELV systems based on customers' requirement and building layout;
- (ii) "supply" is defined as the procurement and delivery of ELV systems equipment that required for setting up of ELV systems; and
- (iii) "build" is defined as the physical act of installing and setting up of the ELV systems into the building/ facilities.

6. BUSINESS OVERVIEW (CONT'D)

ELV systems operate on less than 50 AC (alternating current) voltage and are used in buildings. The following are ELV systems that we offer:-

ELV systems	Description
CCTV	<ul style="list-style-type: none"> ▪ Digital video surveillance system utilising digital compression technologies to bring high quality picture and video performance and simplify video storage on hard disks or optical storage devices ▪ CCTV systems range from fixed, pan-tilt-zoom to infrared cameras for different types of application based on customer requirements in the commercial, industrial, residential and infrastructure segment
ACS	<ul style="list-style-type: none"> ▪ System that provides entry / exit to a building / room or facility through the authorisation of valid personnel ▪ ACS ranges from standard proximity card to biometrics (e.g. finger print and retina scanning)
HD SMATV system	<ul style="list-style-type: none"> ▪ HD SMATV systems are typically used in buildings and facilities to provide centralised television reception ▪ HD SMATV systems consist of one (1) or more satellite receiving dish antennas, which are usually installed at rooftops of buildings. HD SMATV programmes received by these antennas are distributed by cable to either individual rooms / units or televisions within a building or facility
PA system	<ul style="list-style-type: none"> ▪ Electronic sound amplification and distribution system with a microphone, amplifier and loudspeakers used for general announcement and emergency control ▪ PA systems can be employed in standard building applications and high-rise buildings, where the latter could include an interface with the fire alarm system for safety enhancement
Intercommunication ("intercom") system	<ul style="list-style-type: none"> ▪ Video and voice or voice only communication system between two (2) or multiple points in a building ▪ Intercom systems can also be integrated with PA systems and fire alarm systems
ISS (ACS and CCTV system only)	<ul style="list-style-type: none"> ▪ Integration of single-branded / various brands of ACS and CCTV system into a single platform, typically at buildings or facilities that require higher security levels

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6. BUSINESS OVERVIEW (CONT'D)

We have completed, amongst others, the following major ELV systems projects with contract values exceeding RM1.0 million for the past three (3) FYE 31 December 2014 to FYE 31 December 2016 :-

Project	Client	Contract duration	Contract value (RM million)
DoubleTree Hotel by Hilton Johor Bahru, Johor	Fook Yu Electrical and Building Contractor Sdn Bhd	April 2013 to September 2014	1.22
Platino Apartments, Johor	Sin Sin Construction Sdn Bhd	June 2013 to March 2016	2.02
Golden Sands Apartment, Johor	Grand Action Sdn Bhd	August 2013 to September 2014	1.10
Austin Regency Apartment, Johor	Kimlun Sdn Bhd	August 2013 to May 2015	1.02
DoubleTree Hotel by Hilton Johor Bahru, Johor	Daiman Landmark Hotel Sdn Bhd	December 2013 to September 2014	3.63
Summerscape Condominium, Johor	Connoisseur Construction Sdn Bhd	March 2013 to September 2015	1.32
All premises including the buildings erected in Johor Port, Johor	Dimension Data (Malaysia) Sdn Bhd	March 2015 to November 2015	2.22
Holiday Villa Hotel Johor Bahru, Johor	Malpakat Construction Sdn Bhd	August 2014 to December 2015	2.80
Aeon Mall located at Ipoh, Perak	Takenaka (M) Sdn Bhd	January 2015 to December 2015	2.80
D'Summit Apartments Phase 1, Johor	Kimlun Sdn Bhd	October 2013 to May 2016 ⁽¹⁾	5.47
One Sentral Serviced Apartments, Johor	Kimlun Sdn Bhd	May 2014 to December 2015 ⁽²⁾	1.95
Aeon Mall located at Tebrau City, Johor	MHPT Engineering Sdn Bhd	December 2014 to September 2016	3.07
Forest City Hotel and Hotel Apartment	Country Garden Pacificview Sdn Bhd	June 2016 to September 2016 ⁽³⁾	3.02

Notes:-

- (1) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, completion date was first mutually and verbally extended to August 2016. Subsequently the completion date for this project was further mutually and verbally extended to December 2016 as the client requested for an extension of time to complete the site, thus causing delay in the overall progress of construction. There was no financial or legal impact from this extension of time. We have completed our part in December 2016.*
- (2) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, completion date was mutually and verbally extended to June 2016. There was no financial or legal impact from this extension of time. We have completed our part in June 2016.*
- (3) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, completion date was mutually and verbally extended to December 2016. There was no financial or legal impact from this extension of time. We have completed our part in December 2016.*

6. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we are involved in the following major on-going ELV system projects with contract values exceeding RM1.0 million:-

Project	Client	Contract duration	Contract value (RM)	Outstanding contract value as at the LPD (RM million)
The Meridin @ Medini, a mixed development which comprised commercial shoptop and residential properties in Johor	China State Construction Engineering (M) Sdn Bhd	January 2014 to November 2016 ⁽¹⁾	4.88	2.01
D'Summit Apartments Phase 2, Johor	Yicai Construction Sdn Bhd	May 2014 to January 2018	3.14	0.46
Pinetree Marina Resort, a resort located in Johor	JIT Premier Construction Sdn Bhd	December 2014 to July 2016 ⁽²⁾	4.29	2.70
Raffles American School, a private school in Johor	Bond M&E Sdn Bhd	September 2015 to July 2016 ⁽³⁾	3.46	0.29
Emerald Bay's landed residential properties, Johor	Haute Property Sdn Bhd	March 2016 to September 2016 ⁽⁴⁾	4.40	0.55
Factory buildings located in Tanjung Langsat, Johor	Eternal Materials (Malaysia) Sdn Bhd	December 2016 to May 2017	1.20	1.20

Notes:-

- (1) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, completion date was mutually and verbally extended to June 2017. There will be no financial or legal impact from this extension of time.*
- (2) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, the completion date was first mutually and verbally extended to December 2016. Subsequently the completion date for this project was further mutually and verbally extended to June 2017 as the client requested for an extension of time to complete the site, thus causing delay in the overall progress of construction. There will be no financial or legal impact from this extension of time.*
- (3) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, the completion date was first mutually and verbally extended to December 2016. Subsequently the completion date for this project was further mutually and verbally extended to June 2017 as there were changes in the specification and designs of the project. There will be no financial or legal impact from this extension of time.*
- (4) *The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, completion date was mutually and verbally extended to December 2017. There will be no financial or legal impact from this extension of time.*

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6. BUSINESS OVERVIEW (CONT'D)

6.1.2 Provision of IT services

Our IT services comprise design, supply, build, testing and commissioning, as well as provision of project management, training, maintenance and aftersales service of IT solutions. Our IT services, while being complementary to our building management solutions, can be offered separately on a standalone basis.

"Design, supply and build" is a standard industry terminology for construction-related activities, including IT services where:-

- (i) "design" is defined as the process of studying customers' existing IT operation and requirement and propose suitable new system deployment or upgrade or enhancement;
- (ii) "supply" is defined as the procurement and delivery of IT equipment that required for setting up of IT system;
- (iii) "build" is defined as the physical act of installing and setting up of the IT system into the building/ facilities; and
- (iv) "IT services" is a term used to define activities related to the installation of IT system, comprising the design, supply, build, testing and commissioning, as well as provision of project management, training, maintenance and aftersales service.

Our IT services include:-

IT services	Description
Server virtualisation	<ul style="list-style-type: none"> ▪ A process where server administrator uses a software application to divide one physical server into multiple isolated virtual environments in order to, amongst others, fully utilise server resources (e.g. processors, memory, storage and network) and backup, migrate and recover from disastrous incidents
Data centre solutions	<ul style="list-style-type: none"> ▪ Design and deployment of data centre facilities, racking systems (i.e. storage solutions for a large number of servers), cable management, power management and network equipment
Network design and deployment	<ul style="list-style-type: none"> ▪ Design and deployment of enterprise network covering WAN and LAN with traffic optimisation (i.e. techniques used to maximise the efficiency of data flow across WAN and LAN), manageability and security features
Network management and network security	<ul style="list-style-type: none"> ▪ Design and deployment of network traffic monitoring, endpoint network security solutions (i.e. solutions to protect corporate network when accessed via remote devices such as laptops or other wireless and mobile devices), content, troubleshooting and optimisation
Enterprise messaging solution	<ul style="list-style-type: none"> ▪ Provision of enterprise email, calendar and collaboration solutions
Wireless networking solution	<ul style="list-style-type: none"> ▪ Design and deployment of wireless networking solutions for indoor wireless networking or outdoor long point-to-point wireless link connecting two (2) different locations

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6. BUSINESS OVERVIEW (CONT'D)

We have completed, amongst others, the following major IT services projects with contract values exceeding RM100,000 for the past three (3) FYE 31 December 2014 to FYE 31 December 2016:-

Project	Client	Contract duration	Contract value (RM million)
Pengerang Independent Terminals Sdn Bhd's data centre and office building in Pengerang, Johor	Pengerang Independent Terminals Sdn Bhd	February 2014 to March 2014	0.92
Clay Industries Sdn Bhd's factory block in Ayer Hitam, Johor	Clay Industries Sdn Bhd	April 2014 to June 2014	0.40
Biocon Sdn Bhd's data centre in Nusajaya, Johor	Biocon Sdn Bhd	July 2014 to November 2014	0.80
PGEO Edible Oils Sdn Bhd's factory block in Johor Bahru, Johor	PGEO Edible Oils Sdn Bhd	May 2015 to July 2015	0.11
Arrow Electronics Asia (S) Pte Ltd's project for the factory block located at the port of Tanjung Pelepas Plant, Johor	Arrow Electronics Asia (S) Pte Ltd	May 2015 to July 2015	0.70
Johor Corporation's office building in Johor Bahru, Johor	Sovereign Multimedia Resources Sdn Bhd	June 2015 to September 2015	0.23
Flour Daniel (M) Sdn Bhd's data centre in Pengerang, Johor	Flour Daniel (M) Sdn Bhd	July 2015 to September 2015	0.13
Recreation centre in Gelang Patah, Johor	Mu Yu (Malaysia) Sdn Bhd	April 2016 to June 2016	0.16
Site office located at RAPID Raw Water Treatment Plant in Pengerang, Johor	Loh & Loh Constructions Sdn Bhd	April 2016 to May 2016	0.12
Johor Corporation's office building in Ulu Tiram, Johor	Extreme Edge Sdn Bhd	April 2016 to July 2016	0.63
Factory buildings located in Gelang Patah, Johor	J.S.T. Connectors (Malaysia) Sdn Bhd	June 2016 to October 2016	1.04
Factory buildings located in Senai, Johor.	Medical-Latex (DUA) Sdn Bhd	January 2016 to April 2016	0.42

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6. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we are involved in the following on-going major IT services projects with contract values exceeding RM100,000:-

Project	Client	Contract duration	Contract value (RM million)	Outstanding contract value as at the LPD (RM million)
Factory buildings located in Tanjung Langsat, Johor	Eternal Materials (Malaysia) Sdn Bhd	December 2016 to May 2017	0.48	0.48
School campus located in Plentong, Johor	Calms Technologies Sdn Bhd	November 2016 to April 2017	0.50	0.25
Office building located at Kota Tinggi, Johor	Sovereign Multimedia Resources Sdn Bhd	November 2016 to March 2017 ⁽¹⁾	0.81	0.81

Note:-

(1) The overall progress of construction for this project was delayed due to reasons not attributable to our Group. At the request of the client, completion date was mutually and verbally extended to April 2017. There was no financial or legal impact from this extension of time.

6.2 Principal markets

The breakdown of our sales revenue by business segment and geographical markets in the FYE 31 December 2014, FYE 31 December 2015 and FYE 31 December 2016 are as follows:-

6.2.1 Sales revenue by business segments

Business segment	FYE 31 December 2014		FYE 31 December 2015		FYE 31 December 2016	
	RM '000	%	RM '000	%	RM '000	%
Building management solutions comprising:-						
(i) Structured cabling works	6,363	18.68	11,229	28.36	10,139	19.94
(ii) ELV systems	18,216	53.47	19,505	49.27	30,218	59.43
	24,579	72.15	30,734	77.63	40,357	79.37
IT services	12,288	36.07	10,841	27.38	12,447	24.48
Less: Consolidation Adjustment *	(2,802)	(8.22)	(1,984)	(5.01)	(1,960)	(3.85)
Total sales revenue	34,065	100.0	39,591	100.0	50,844	100.0

Note:-

* The consolidation adjustment represents the elimination of inter-company transactions within our Group.

6. BUSINESS OVERVIEW (CONT'D)

6.2.2 Sales revenue by geographical markets

Geography	FYE 31 December 2014		FYE 31 December 2015		FYE 31 December 2016	
	RM '000	%	RM '000	%	RM '000	%
Malaysia	36,753		41,442		52,797	
Less: Consolidation adjustment *	(2,802)		(1,984)		(1,960)	
	33,951	99.66	39,458	99.66	50,837	99.99
Singapore ^	95	0.28	126	0.32	-	-
Indonesia	19	0.06	7	0.02	7	0.01
Total sales revenue	34,065	100.0	39,591	100.0	50,844	100.0

Notes:-

* The consolidation adjustment represents the elimination of inter-company transactions within our Group.

^ This is in reference to the projects with Apro Technology Pte Ltd, a Singapore-based company, for work done in Malaysia as disclosed under **Section 5.1** of the Prospectus. The billing for the work done was issued to Apro Technology Pte Ltd.

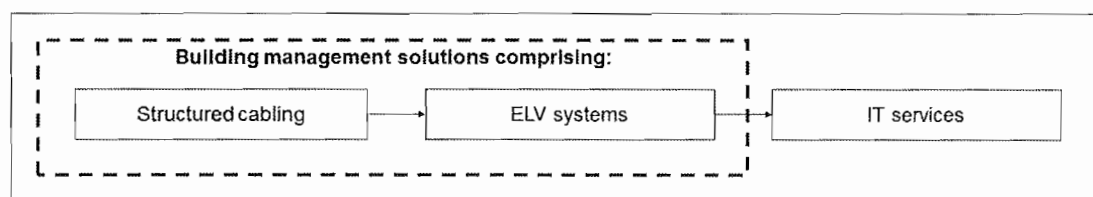
6.3 Process flow and delivery

6.3.1 Overview

Our Group is principally involved in the the provision of building management solutions which comprise structured cabling works and ELV systems for buildings and other facilities such as seaports and public roads. We also provide IT services which can be offered as complementary to our building management solutions or offered separately on a standalone basis.

For each segment of our business, i.e. structured cabling works, ELV systems and IT services, we are awarded contracts by building contractors, building owners and/or building operators.

Typically, structure cabling works takes place prior to ELV systems and lastly followed by IT services (as illustrated below).



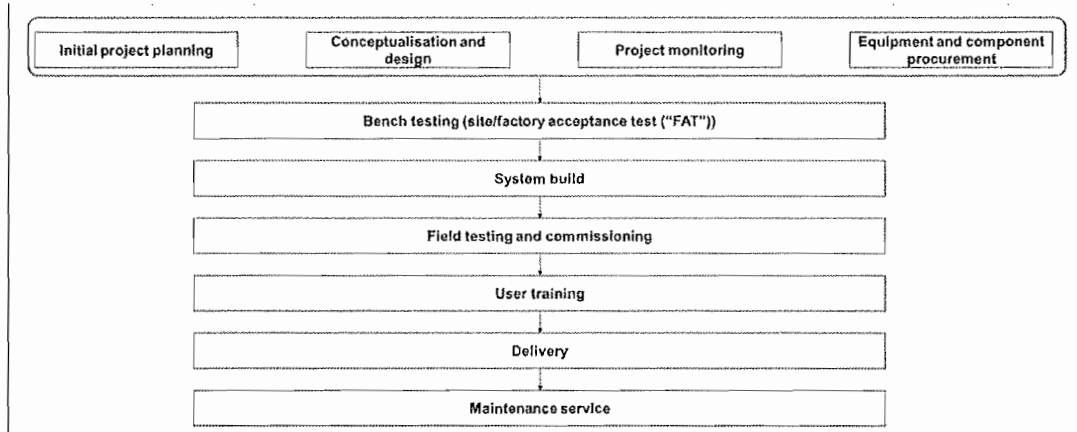
However, the provision of these solutions and services may also take place simultaneously and not necessarily in the order as shown above, subject to our client's requirements.

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6. BUSINESS OVERVIEW (CONT'D)

6.3.1.1 Our Group's process flow and delivery

Following a successful tender bid and/or project award, our project implementation process for the delivery of building management solutions that comprise structured cabling works and ELV systems, as well as IT services is as follows:-



Initial project planning

The initial project planning phase forms the foundation of the entire project. It involves the preparation of a detailed master project development plan which covers considerations such as project resources, responsibilities, work schedules, project deliverables, control and monitoring mechanisms, quality requirements as well as various administrative procedures. A project team will be formed and both in-house and client kick-off meetings will be held to establish a common understanding of project requirements amongst all parties comprising representatives of the building owner, building contractor, project consultant and our Group. The Initial project planning phase may take approximately one (1) to three (3) months, depending on the size and complexity of the project.

Conceptualisation and design

Prior to the commencement of a project, our designated project team will embark on a series of discussions with the client to conceptualise and design the project. These discussions serve to ascertain the specific requirements for the system, namely the functionalities, features, quality and performance. The requirements conveyed by the client will be further reviewed and analysed, following which a finalised version of the requirements will be documented as the Engineering Submittal ("ES") form and submitted for the client's approval. Once approved, the ES will become the base document for the design and development process. The conceptualisation and design phase may take between two (2) weeks to three (3) months, depending on the size and complexity of the project.

Project monitoring

Project monitoring is an ongoing activity that is managed by the project manager. We have a control and monitoring system in place in which the project manager will regularly monitor the progress of our projects to ensure conformance with our master plan.

The key elements of our project control planning, which fall under the ambit of our project manager, involve the following parameters:-

- (i) progress against time;
- (ii) cost against budget; and
- (iii) quality against specification

6. BUSINESS OVERVIEW (CONT'D)

Equipment and component procurement

During the planning and design stage, our project managers will have cost control budgets which provide an estimate of final costs of the entire project. These budgets are important considerations in determining the type of hardware and software to be deployed. In accordance with the system requirements and the budget allocated for the project, our engineering team will recommend a suite of cost-effective solutions and engage our procurement team to procure the required equipment, components and instrumentation.

Bench testing (site / Factory Acceptance Testing ("FAT"))

Our design and application engineers will perform bench testing (site / FAT) of the various control units of the standalone sub-systems and equipment prior to installation at the request of our customers. Typically, this testing involves the setup of the entire system comprising all hardware and software components, based on simulation under different application scenarios. Our engineers will load the software and power up the equipment to check for any potential problems and malfunctions under the simulated environment. This process allows us to isolate problems in each individual equipment prior to a full-scale installation at the project site, thereby minimising the occurrence of spending resources to detect and rectify malfunctions after the installation.

System build

System build refers to the system-wide installation of structured cabling, ELV and IT equipment such as trunking, conduits, wirings, field devices, cameras, NVRs, door access controllers and servers, as well as various components such as sensors, patch panels, converters and other control devices. The scope of the installation process includes the supply of the abovementioned equipment, and the setting-up of equipment in the centralised control room in accordance with the system design.

Prior to the installation, we will perform a comprehensive check to ensure that the installation materials and shop drawings (which detail how conduits, wirings and trunkings are to be routed) approved by the client's project consultant meets the required specifications. During this phase, our project technicians and engineers will perform regular and frequent technical checks to ensure conformance of installation standards to the project consultant's specifications as well as to the local codes of practice. The local codes of practice include, amongst others, colour coding, specification of trunking / trays / brackets, and fire rating for selected equipment. In particular, our project technicians will focus on the neatness of conduit and trunking installation, the accuracy of cable termination and the proper labelling of all cables.

Field testing and commissioning

Upon the completion of the system-wide installation, our testing and commissioning engineers will conduct a pre-commissioning exercise to ensure that all devices / equipment are properly installed.

The testing and commissioning tests consist of an initial field test in which testing is carried out between the field devices and followed by on-load tests which involve the actual live testing of the standalone sub-systems. Finally, an integrated system test is performed to test the entire system that has been installed to ensure each standalone sub-system can operate independently as well as collectively with each other. Once a system has been field tested and commissioned, this signifies the fulfilment of our Group's obligation to handover project within the contractual period.

6. BUSINESS OVERVIEW (CONT'D)

User training

Comprehensive classroom and field operation trainings will be provided by our project team upon completion of the project to ensure that the clients or end-users are proficient in the operation of the system. The training sessions are typically conducted by our technical team and trainees will be provided with the relevant training materials.

Delivery

The delivery process involves a verification process where complete checks of every specifications of the project are conducted by our customers. The verification process will be witnessed by the client and/or the project consultant appointed by the client, following which an acceptance report (certificate of completion and compliance or consultant's certification) will be signed-off.

Maintenance service

Once a system is commissioned and handed over to our client, the system warranty phase commences. The duration of the system warranty may cover a period of one (1) year or more, depending on the contractual agreement.

During the system warranty phase, we will provide on-site and/or remote support. As part of our quality control procedures, all the support requests are logged, tracked and compiled according to the customer service procedures of our Group.

After the system warranty period is over, we may continue to provide our clients with operational, maintenance, upgrading and repair services with applicable charges, if they engage us to do so. We may also provide aftersales training to the personnel of those customers who have subscribed to our maintenance services, if required.

We typically offer our clients the following types of maintenance contracts:-

(i) Comprehensive maintenance contract

The comprehensive maintenance contract covers all parts replacements, repairs and labour to upkeep the entire system; and

(ii) Preventive maintenance contract

The preventive maintenance contract covers labour costs for regular maintenance services only. Parts replacements are charged separately.

6.4 Quality control, certifications and recognition

As part of our Group's continuous efforts to achieve customer satisfaction, we place strong focus on quality assurance throughout the entire process of our project lifecycle. Our quality assurance department is responsible for the design of our quality management system, aside from being assigned to ensure that all quality objectives are met with strict adherence to the standards prescribed under our quality management system, as well as field quality testing.

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6. BUSINESS OVERVIEW (CONT'D)

6.4.1 Quality certifications

As at the LPD, our quality certifications are as follows:-

Year first achieved	Current validity period	Certification	Scope	Awarding body
2010	20 February 2017 to 14 September 2018	ISO 9001:2008, BS EN ISO 9001:2008	Provision of ICT infrastructure works, ELV services and systems integration	Intertek Certification Ltd*

Note:-

* *Intertek Certification Ltd, an independent testing, inspection and certification body credited by United Kingdom Accreditation Services (UKAS) to assess organisations that provide certification, testing, inspection and calibration services. Besides testing, inspecting and certifying products, Intertek Certification Ltd is also a total quality assurance provider to industries worldwide. Intertek Certification Ltd is located in over 100 countries, including Malaysia, where they operate through ITS Testing Services (M) Sdn Bhd and Intertek Certification International Sdn Bhd.*

6.4.2 Quality control procedures

Our quality management systems and specific quality control plans are structured to meet the ISO 9001:2008 and BS EN ISO 9001:2008 standards. These standards specify the requirements for quality management system where an organisation:-

- (i) needs to demonstrate its ability to consistently provide product that meets customer and applicable regulatory requirements; and
- (ii) aims to enhance customer satisfaction through the effective application of the system, which includes processes for continual improvement of the system and the assurance of conformity and applicable regulatory requirements.

As part of our quality control procedures, we will establish a specific quality control plan for each project that we undertake. We keep a record of all inspection and test records, drawing lists, schematics, forms and checklists for each project that we undertake as part of our quality control procedures.

Our specific quality control plan for each project involves the design and preparation of detailed quality control procedures to ensure a high standard of project planning, execution, monitoring and control.

The specific quality control plan covers the entire project implementation process. The project manager, together with the quality assurance engineers, are responsible for the design and preparation of the quality control plan for the project, while the project engineers and site engineers are responsible for the implementation of the quality control plan at the project site.

The control procedures which we implement as part of our quality control plan for each project are related to, amongst others:-

- (i) Project organisation, schedule, process flow and responsibilities;
- (ii) Visual and functional inspections for incoming equipment and instrumentation;
- (iii) System installation procedures and checklists (e.g. trunking, conduit, field devices, control panel and control room, IT system setup, IT connectivity, IT configuration);
- (iv) Site inspection and testing plans and checklists;
- (v) Field testing and commissioning procedures and checklists;
- (vi) Hand-over procedures (includes operator and maintenance manuals);

6. BUSINESS OVERVIEW (CONT'D)

- (vii) User training procedures (e.g. training courses); and
- (viii) Defects liability period (e.g. servicing and maintenance process control procedures).

6.5 Types, sources and availability of equipment, components and parts

Our purchases comprise expenditure on equipment, components⁸ and parts⁹ for the provision of building management solutions comprising structured cabling works and ELV systems, as well as IT services.

The principal equipment, components and parts that we use are generally widely available and sourced from local suppliers. The prices of our equipment, components and parts are subject to price fluctuations as a result of demand and supply conditions. We generally purchase equipment, components and parts per project basis or per purchase order basis.

We have developed stringent policies and procedures that guide our selection of suppliers. All selected suppliers are evaluated in terms of financial performance, production capacities, ability to deliver products that meet our quality requirement, and ability to deliver in a timely manner. We will appoint experienced suppliers that are reliable and financially secured to ensure the quality of services that we deliver to our customers. The following table sets out the equipment, components and parts purchased by our Group for different business activities:-

Equipment, components and parts purchased by business activities	FYE 31 December 2014		FYE 31 December 2015		FYE 31 December 2016	
	RM '000	%	RM '000	%	RM '000	%
ELV systems ^(a)	9,211	48.40	9,261	46.07	14,120	51.43
Structured cabling ^(b)	3,107	16.33	4,428	22.03	5,624	20.48
IT services ^(c)	9,512	49.98	8,395	41.77	9,674	35.23
Consolidation adjustment ^(d)	(2,799)	(14.71)	(1,984)	(9.87)	(1,960)	(7.14)
Total purchases/cost of goods sold	19,031	100.0	20,100	100.0	27,458	100.0

Notes:-

- (a) Purchases for ELV systems-related equipment, components and parts comprise:-
- PA systems (mixed amplifiers, power amplifiers, emergency paging microphones, power supply coupled with battery chargers, zone selectors, amplifier monitor units, automatic change over units, program timers, siren generators and speakers);
 - HD SMATV systems (antennas, satellite dishes, channelised amplifiers, multiswitches, multitaps, multisplitters, fibre optic convertors, television outlets, fibre optic cables and coaxial cables);
 - CCTV systems (cameras, NVR, digital video recorders, storage, fibre optic convertors, camera housing and brackets, video surge protectors, equipment racks, universal power supply units, computer workstations and servers);
 - card access systems (card access controllers, backup batteries, readers, electromagnetic locks, magnetic contacts, emergency breakglasses, exit push buttons and override keyswitches);
 - intercom systems (audio intercom sets, video intercom sets, master guard portals, visitor entrance panels and software);
 - fibre to the home systems (main fibre termination boxes, riser fibre termination boxes, fibre wall sockets, riser fibre optic cables, two (2) core fibre optic drop cables); and
 - visitor management systems (Mykad reader coupled with software development kit and document scanner coupled with software development kit).
- (b) Purchases for structured cabling-related equipment, components and parts comprise:-

⁸ Components comprise fully assembled or sub-assembled parts, pieces, hardware and systems that is intended to be included as part of a finished or packaged item, and include items such as amplifiers, CCTVs and universal power supply units

⁹ Parts comprise small items that used to produce components, and include items such as switches, lens, camera housing, magnetic sensor

6. BUSINESS OVERVIEW (CONT'D)

- *twisted pair cables (UTP/STP cables, patch panels, modular jack and faceplates and patch cords);*
 - *fibre optic cables (single mode and multimode fibre optic cables, fibre optic patch panels, fibre patch cords and fibre optic adapters); and*
 - *Racking system for structured cabling.*
- (c) *Purchases for IT services-related equipment, components and parts comprise:-*
- *network equipment (core switches and managed switches, enterprise wireless access points and controllers);*
 - *enterprise servers (HP ProLiant series, Dell PowerEdge series and IBM System X series);*
 - *enterprise storage (full range of HP storage from P2000, P4000 and 3PAR series, and Dell storage from MD series, EqualLogic and Compellent series);*
 - *VMware virtualisation platform (VMware vSphere licensing for Standard to Enterprise licenses); and*
 - *Microsoft software licenses (Windows Server, SQL Database Server, Exchange Server to Cloud-based Exchange Online and Lync Services).*
- (d) *The consolidation adjustment represents the elimination of inter-company transactions within our Group.*

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6. BUSINESS OVERVIEW (CONT'D)**6.6 Approvals, major licences and permits obtained**

Details of the approvals and major licences obtained by us for the business and operations of our Group are set out below:-

Company	Approving authority / Issuer	Validity	Approvals / Licenses	Certificate no./ Registration no.	Major conditions imposed	Status of compliance
Cabinet Systems	CIDB	27 October 2015 to 26 October 2018	<p>Grade "7" licence for specialisation in:-</p> <p>(i) Category B:- (a) B04: General building works, reinforced concrete frame building, construction works excluding reinforced concrete frame structures; and</p> <p>(ii) Category CE:- (a) CE21: General civil engineering works; and</p> <p>(iii) Category M:- (a) M04: Industrial building automation and process control system including installation and maintenance of microprocessor or computer control system for buildings and industrial process control system;</p>	186730 A / 1970220- JH023124	<p>(i) Cabinet responsibilities and obligations</p> <p>(a) Cabinet Systems shall comply with the provisions of the LPIP Act, the regulations made thereunder and any term, condition or restriction imposed by CIDB from time to time;</p> <p>(b) Cabinet Systems shall not participate in any tender or execute any construction works upon the expiry of this certificate unless it is renewed;</p> <p>(c) Cabinet Systems shall not undertake any construction project which exceeds the value of construction works specified under Cabinet Systems' registration grade and shall not execute any construction projects which is outside the permitted category specified under Cabinet Systems' registered category.</p>	Complied
						Complied
						Complied

6. BUSINESS OVERVIEW (CONT'D)

Company	Approving authority / Issuer	Validity	Approvals / Licenses	Certificate no./ Registration no.	Major conditions imposed	Status of compliance
			(b) M15: Various mechanical equipment such as installation and repair of plant machinery and equipment, installation, testing, commissioning, maintenance and repair of mechanical based system like waste treatment plant, installation of water treatment plant, rotary pump, reciprocating pump, centrifugal pump and special purpose pump. Installation of pumping apparatus, conveyor system, mobile rack, etc; and		(d) Cabnet Systems shall submit information regarding new construction works or contract(s) within one (1) month of the award; (e) Cabnet Systems shall submit any information required by CIDB from time to time; (f) Cabnet Systems shall display the certificate of registration issued by CIDB or a certified true copy of the certificate of registration by CIDB at Cabnet Systems' place of business;	Complied Complied Complied
			(iv) Category E:- (a) E01: Installation of public address system, audio visual system, conference system, intercom system and MATV; (b) E02: Installation and maintenance of security control, monitoring system, security alarm, parking security and entrance card system, CCTV, sensor/ detection system, gas protection system, platform alarm system, lightning protection system; and		(g) Cabnet Systems shall display its registration number on the signboard at each construction site; (h) Cabnet Systems shall apply for renewal of registration at any time within 60 days before the expiry date specified in this certificate. Any renewal application received by CIDB later than 30 days before the expiry of the certificate of registration shall be imposed with a fee of RM200 for late renewal; and (i) Cabnet Systems shall comply with all requirements and stipulations in Cabnet Systems' contractor's code of ethics.	Complied Complied Complied

6. BUSINESS OVERVIEW (CONT'D)

Company	Approving authority / Issuer	Validity	Approvals / Licenses (c) E07: Phone cable, indoor lines, radio communication and PABX system	Certificate no./ Registration no.	Major conditions imposed	Status of compliance

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6. BUSINESS OVERVIEW (CONT'D)

Company	Approving authority/ Issuer	Validity	Approvals / Licenses	Certificate no./ Registration no.	Major conditions imposed	Status of compliance
Cabinet Penang	CIDB	13 November 2014 to 12 November 2017	<p>Grade "3" licence for specialisation in:-</p> <p>(i) Category CE:-</p> <p>(a) CE21: General civil engineering works; and</p> <p>(ii) Category M:-</p> <p>(a) M15: Various mechanical equipment such as installation and repair of plant machinery and equipment, installation, testing, commissioning, maintenance and repair of mechanical based system like waste treatment plant, installation of water treatment plant, rotary pump, reciprocating pump, centrifugal pump and special purpose pump. Installation of pumping apparatus, conveyor system, mobile rack, etc.</p>	139939 A / 0120100816-JH130771	<p>(i) Cabinet Penang's responsibilities and obligations</p> <p>(a) Cabinet Penang shall comply with the provisions of the LPIP Act, the regulations made thereunder and any term, condition or restriction imposed by CIDB from time to time;</p> <p>(b) Cabinet Penang shall not participate in any tender or execute any construction works upon the expiry of this certificate unless it is renewed;</p> <p>(c) Cabinet Penang shall not undertake any construction project which exceeds the value of RM1,000,000 and shall not execute any construction projects which is outside the permitted category certified under Cabinet Penang's registered category;</p>	Complied

6. BUSINESS OVERVIEW (CONT'D)

Company	Approving authority/ Issuer	Validity	Approvals / Licenses	Certificate no./ Registration no.	Major conditions imposed	Status of compliance
					(d) Cabnet Penang shall submit information regarding new construction works or contract(s) within one (1) month of the award;	Complied
					(e) Cabnet Penang shall submit any information required by CIDB from time to time;	Complied
					(f) Cabnet Penang shall display the certificate of registration issued by CIDB or a certified true copy of the certificate of registration by CIDB at Cabnet Penang's place of business;	Complied
					(g) Cabnet Penang shall display his registration number on the signboard at each construction site;	Complied
					(h) Cabnet Penang shall apply for renewal of registration at any time within 60 days before the expiry date specified in this certificate. Any renewal application received by CIDB later than 30 days before the expiry of the certificate of registration shall be imposed with a fee of RM200 for late renewal; and	Complied
					(i) Cabnet Penang shall comply with all requirements and stipulations in Cabnet Penang's code of ethics.	Complied

6. BUSINESS OVERVIEW (CONT'D)

Company	Approving authority / Issuer	Validity	Approvals / Licenses	Certificate no. / Registration no.	Major conditions imposed	Status of compliance
Cabnet Systems	MDEC	Effective from 8 August 2007	(i) MSC Malaysia Status	1776	<p>(i) Cabnet Systems agrees to locate the implementation and operation of the MSC Malaysia Qualifying Activities in a designated zone in Cyberjaya with a minimum office space of 2,500 square feet, at all times. Cabnet Systems shall obtain MDEC's prior written approval in the event of any changes in location or address of Cabnet Systems;</p> <p>Note: MSC Malaysia Qualifying Activities are as follows:-</p> <p>1) Research, development and commercialization of the following system integration activities:</p> <ul style="list-style-type: none"> • CabNet ICT Infrastructure Solutions^; • CabNet ELV Solutions^ <p>2) Provision of implementation, technical services and support related to the above activities.</p> <p>(ii) Cabnet Systems shall ensure that at all times at least fifteen percent (15%) of the total number of employees (excluding support staff) of Cabnet Systems shall be "Knowledge Workers" (as defined by MDEC). "Knowledge Workers" shall be recruited, employed and/or appointed solely for the purpose of undertaking Cabnet Systems' MSC Malaysia</p>	Complied *

6. BUSINESS OVERVIEW (CONT'D)

<p>Qualifying Activities. The recruitment, employment and/or appointment of foreign "Knowledge Workers" (if any) shall be the sole responsibility of Cabnet Systems and MDEC shall not be held responsible for any liability arising from such recruitment, employment and/or appointment;</p> <p>(iii) Cabnet Systems shall ensure that before its third (3rd) year of operations:-</p>			<p>Complied</p>
<p>(a) At least 50% of the products and services produced pursuant to the MSC Malaysia Qualifying Activities are exports, namely products and services that are outbound or sold to multi-national companies; and</p>			<p>Complied</p>
<p>(b) Notwithstanding and without prejudice to above, ensure that at least 70% of its total number of employees (excluding support staff) are "Knowledge Workers".</p>			<p>Complied</p>
<p>(iv) Cabnet Systems shall ensure that any products produced pursuant to the MSC Malaysia Qualifying Activities are original, and that no part or portion of such product is an infringement or violation of any intellectual property or any proprietary rights of any third (3rd) party, or constitutes a misappropriation of know-how belonging to any third (3rd) party.</p>			<p>Complied</p>

6. BUSINESS OVERVIEW (CONT'D)

							<p>(v) Cabnet Systems shall submit MDEC a copy of Cabnet Systems' annual report and audited statements in parallel with submission to the Companies Commission of Malaysia;</p>	<p>Complied</p>
						<p>(vi) Cabnet Systems shall inform MDEC of any change in the equity structure or shareholding structure of Cabnet Systems, or such other changes that may affect the direction or operation of Cabnet Systems. MDEC must be informed of any change before steps are taken to effect such change;</p>	<p>Complied</p>	
						<p>(vii) Cabnet Systems shall comply with all such statutory, regulatory and/or licensing requirements as may be applicable, including but not limited to the Transfer Pricing Guidelines issued by the Inland Revenue Board of Malaysia on 2 July 2003, and such other amendments as may be applicable from time to time.</p>	<p>Complied</p>	

Notes:-

* MDEC, had on 12 January 2016, issued to Cabnet Systems a written confirmation on Cabnet System's compliance of all MSC conditions.

^ CabNet ICT Infrastructure Solutions refers to the structured cabling works whilst CabNet ELV Solutions refers to the ELV systems.


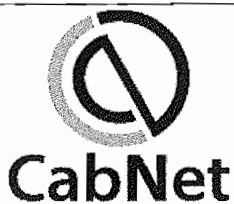
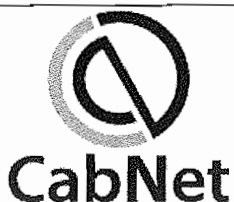
6. BUSINESS OVERVIEW (CONT'D)

Cabinet Systems	MITI	A period of 5 years from 8 August 2007 and extended for a further period of 5 years to 7 August 2017	(i) Pioneer status	3032	MSC Malaysia Status	Complied
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6. BUSINESS OVERVIEW (CONT'D)**6.7 Brand names, patents, trademarks, technical assistance agreements, franchises and other intellectual property rights**

Save as disclosed below, as at the LPD, we do not have any other brand names, patents, trademarks, technical assistance agreements, franchises and other intellectual property rights for our business operations:-

Trademark	Description	Class	Application number	Application date/ Status
	Scientific, nautical, surveying, photographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carries, recording discs; automatic vending machines and mechanisms for coin operated apparatus, cash registers, calculating machines, data processing equipment and computers, fire-extinguishing apparatus	9	2015005172	The trademark has been registered with the Intellectual Property Corporation Malaysia on 13 May 2015.
	Telecommunications	38	2015005173	The trademark has been registered with the Intellectual Property Corporation of Malaysia on 13 May 2015.
	Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software	42	2015005174	The trademark has been registered with the Intellectual Property Corporation of Malaysia on 13 May 2015.

6. BUSINESS OVERVIEW (CONT'D)

6.8 Dependency on patents, licences, industrial, commercial or financial contracts or arrangements

Save for the licences as disclosed in **Section 6.6** of this Prospectus, we are not dependent on any other patents, licences, industrial, commercial or financial contracts or arrangements that could materially affect our business or profitability.

6.9 Major customers

Our Group's major customers which have contributed more than 10% of our total revenue for the FYE 31 December 2014, FYE 31 December 2015 and FYE 31 December 2016 are as follows:-

Major customers	Length of relationship	FYE 31 December 2014		FYE 31 December 2015		FYE 31 December 2016	
		RM '000	%	RM '000	%	RM '000	%
Daiman Landmark Hotel Sdn Bhd	7 years	4,622	13.57	3	-	14	0.02
Kimlun Sdn Bhd	4 years	2,355	6.91	1,222	3.09	5,932	11.67
Revenue contribution from major customers		6,977	20.48	1,225	3.09	5,946	11.69

The fluctuation in the percentages of revenue contribution amongst our customers varies from year to year as a result of the nature of our business being conducted on a project basis. We may not secure similar projects in terms of size and scope with the same customer every year.

We are not dependent on the abovementioned major customers as we have a wide customer base of over 300 customers as at the LPD. Nonetheless, we have also established long term business relationships with other customers. Please refer to **Section 6.17 (iv)** of this Prospectus for the list of selected long term customers.

6. BUSINESS OVERVIEW (CONT'D)**6.10 Major suppliers**

Our Group's major suppliers which have contributed more than 10% of our purchases in the FYE 31 December 2014, FYE 31 December 2015 and FYE 31 December 2016 are as follows:-

Major supplier	Length of relationship	FYE 31 December 2014		FYE 31 December 2015		FYE 31 December 2016	
		RM '000	%*	RM '000	%*	RM '000	%*
Innovix Distribution Sdn Bhd (formerly known as Jardine OneSolution (2001) Sdn Bhd)	13 years	3,348	17.59	3,723	18.52	5,877	21.40
ECS AStar Sdn Bhd	9 years	1,939	10.19	446	2.22	488	1.78
Total purchases from major suppliers		5,287	27.78	4,169	20.74	6,365	23.18

Note:-

* Represents the percentage over our Group's total purchases

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6. BUSINESS OVERVIEW (CONT'D)

Innovix Distribution Sdn Bhd (formerly known as Jardine OneSolution (2001) Sdn Bhd) emerged as our major supplier for the past three (3) financial years, contributing to 17.59%, 18.52% and 21.40% of our Group's total purchases in the respective FYE 31 December 2014, FYE 31 December 2015 and FYE 31 December 2016. Our Group procured IT services-related equipment, components and parts from Innovix Distribution Sdn Bhd (formerly known as Jardine OneSolution (2001) Sdn Bhd) in the past three (3) financial years.

ECS AStar Sdn Bhd emerged as our major supplier in the FYE 31 December 2014, contributing to 10.19% of our Group's total purchases. In the FYE 31 December 2015 and FYE 31 December 2016, our purchases from ECS AStar Sdn Bhd constituted less than 10% of our Group's total purchases. Our Group procured IT services-related equipment, components and parts from ECS AStar Sdn Bhd in the FYE 31 December 2014, FYE 31 December 2015 and FYE 31 December 2016 respectively.

Save for the above, we are not dependent on the other abovementioned major suppliers as our Group's purchases from our suppliers vary from year to year depending on the specific requirements of our projects. Our usual practice is to accept quotes from several suppliers and engage the services of those who are able to meet the project time schedule and can consistently provide favourable terms with regards to the quality of materials and services provided, reliability of service, and purchase terms and conditions.

6.11 R&D

On 1 April 2015, our Group had engaged and commissioned a third party developer, Kong Chee Wah (who became the head of our Group's R&D division in January 2016 to set up our R&D division), for software development works, known as the CISS.

Our R&D division is led by Kong Chee Wah, aged 44, who started working as a computer sales representative and technician in 1993. He later obtained his Bachelor of Science (Honors) in software engineering from University of Central England, United Kingdom, in 1999. He has approximately 15 years of experience in the areas of IT programming, software engineering, IT systems management and IT R&D. He is supported by Chooi Chong Yee, aged 33, a senior software executive who graduated from Universiti Putra Malaysia with a Bachelor's degree in Engineering (computer/telecommunication) in 2010 and has five (5) years of working experience in the area of software engineering.

The CISS integrates various brands of ELV systems, such as CCTVs and ACS, onto a single platform which allows users to manage and control these systems from a centralised control room. The CISS also has a visitor management feature which was developed by our Group R&D division that allows the user in the centralised control room to track visitors/vehicles that are entering and exiting the building. The CISS is a value added option to our customers and is not intended for sale, in view that there are other products in the market which have similar feature.

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6. BUSINESS OVERVIEW (CONT'D)

We started the pilot testing which comprises alpha and beta testings of the CISS in October 2015 at Summerscape Condominium in Johor. We completed alpha testing (unit testing, component testing and system testing) of CISS at Summerscape Condominium in December 2015. Presently we are in the midst of conducting beta testing at Summerscape Condominium, which follows after the completion of alpha testing, to collect user feedback on the long term functionality and stability of the CISS in coping with large number of users during the test. The beta testing at Summerscape Condominium was set for a period of twelve (12) months and is targeted to conclude in December 2016. Our R&D team incorporates findings and recommendations from the beta testing at Summerscape Condominium to further improve and refine the functionality of the CISS by way of adding new features into the CISS.

In general, the beta testing of the CISS is to be conducted for a period of up to twelve (12) months and serves as a mean to understand the requirements of our existing clients and is an effort by our Group to continuously refine our CISS. We are committed to the further refinement of the CISS, and will continue to obtain user feedback subsequent to the completion of beta testing.

Since the establishment of our R&D division in February 2016 until the LPD, the total R&D expenses amounting to RM0.19 million have been incurred mainly for the salary and allowances of the R&D staff. Currently we have two (2) staff hired under the R&D division. There are no other plans apart from focusing on improving and refining the functions of CISS.

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6. BUSINESS OVERVIEW (CONT'D)

6.12 Location of operations and equipment

6.12.1 Principal location of premises

6.12.1.1 Real properties owned by our Group

As at the LPD, the details of the land and buildings owned for our operations are as follows:-

Name of registered owner / Location / Postal address / Title identification	Description / Existing use	Date of certificate of completion and compliance or equivalent	Approximate land/ built-up area (square feet)	Tenure of property	Audited net book value as at EYE 31 December 2016 (RM)	Major encumbrances
Name of registered owner Cabnet Systems Location / Postal Address 100 Jalan Ros Merah 2/17, Taman Johor Jaya, 81100 Johor Bahru.	Three (3)-storey intermediate shop house / Currently all three (3) floors are used by our Group as our branch offices to carry out day-to-day operations	22 May 1995	1,540 (land) / 4,620 * (built-up)	Freehold	459,393	(i) Charged to Public Bank Berhad vide Presentation No. 36894/2000 on 23 June 2000. (ii) Charged to Public Bank Berhad vide Presentation No. 36895/2000 on 23 June 2000. (iii) Charged to Public Bank Berhad vide Presentation No. 80037/2006 on 27 November 2006.

6. BUSINESS OVERVIEW (CONT'D)

Name of registered owner / Location / Postal address / Title identification	Description / Existing use	Date of certificate of completion and compliance or equivalent	Approximate land/ built-up area (square feet)	Tenure of property	Audited net book value as at FYE 31 December 2016 (RM)	Major encumbrances
<p>Name of registered owner Cabnet Systems</p> <p>Location / Postal Address No G-02, 1-02 and 2-02 Puchong Square, Jalan Layang-Layang 5, Bandar Puchong Jaya, 47170 Puchong, Selangor.</p> <p>Title identification</p> <p>Master titles: GRN74709, Lot 2687, GM1163, Lot 2697, GM1061 Lot 2670, GM1060, Lot 2681, GM 731, Lot 2701.</p> <p>Note: Individual title to this property has not been issued as at the LPD and this property sits on part of the master titles listed above.</p>	<p>Three (3)-storey intermediate shop office / Currently all three (3) floors are used by our Group as our branch office to carry out day-to-day operations</p>	<p>16 August 2012</p>	<p>1,909 (land) / 5,727 (built-up)</p>	<p>Freehold</p>	<p>1,988,501</p>	<p>First party deed of assignment and power of attorney (as interim security pending issuance of individual / strata title) in favour of Alliance Bank Malaysia Berhad pursuant to a Deed of assignment dated 20 January 2015 and Power of Attorney dated 20 January 2015.</p>

6. BUSINESS OVERVIEW (CONT'D)

Name of registered owner / Location / Postal address / Title identification	Description / Existing use	Date of certificate of completion and compliance or equivalent	Approximate land/ built-up area (square feet)	Tenure of property	Audited net book value as at FYE 31 December 2016 (RM)	Major encumbrances
Name of registered owner Cabnet Systems	Double storey intermediate shop house / Currently used by our Group for storage of related IT equipment, stock and materials.	November 1998	1,760 (land) / 3,520 (built-up)	Freehold	206,280	Charged to Public Bank Berhad vide Presentation No. 53145/2003 on 26 August 2003.
Location / Postal Address No. 182 Jalan Mempelam, Taman Kota Jaya, 81900 Kota Tinggi (DS-SH)						
Title identification						
GRN 174500, Lot 13725, Mukim Kota Tinggi, Johor						
Total					2,654,174	

Note:-

- * Approximately 2,310 square feet of the built-up area of this property has been rented to ITWin as office and storage space at a monthly rental of RM3,000 for the period commencing 1 January 2015 to 31 December 2016.

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6. BUSINESS OVERVIEW (CONT'D)

6.12.1.2 Real properties rented by our Group

As at the LPD, the details of the land and buildings leased or rented for our operations are as follows:-

Name of tenant / Location / Postal address	Name of landlord	Description / Existing use	Date of certificate of completion and compliance or equivalent	Approximate land / built-up area (square feet)	Rental / Lease period	Monthly rental (RM)
<p>Name of tenant Cabnet Systems</p> <p>Location / Postal address Suite 21.03A, Level 21, Menara MSC Cyberport, No. 5, Jalan Bukit Meldrum, 80300 Johor Bahru, Johor.</p>	<p>Bejaya Times Square Sdn Bhd</p>	<p>One (1) office unit at level 21 of a commercial building / Currently used by our Group as our branch office</p>	5 November 1998	883 (strata area ⁴)	1 July 2015 to 30 June 2017	2,561
<p>Name of tenant Cabnet Systems</p> <p>Location / Postal address No. 102, 102-1 and 102-2, Jalan Ros Merah 2/17, Taman Johor Jaya, 81100 Johor Bahru, Johor.</p>	<p>Tay Hong Sing and Tan Boon Siang</p>	<p>Three (3)-storey corner shop house / Currently used by our Group as our corporate and head office and for storage of related IT equipment, stock and materials</p>	22 May 1995	1,961(land) / 5,883 (built-up)	1 January 2017 to 31 December 2018	4,800

6. BUSINESS OVERVIEW (CONT'D)

Name of tenant / Location / Postal address	Name of landlord	Description / Existing use	Date of certificate of completion or compliance or equivalent	Approximate land / built-up area (square feet)	Rental / Lease period	Monthly rental (RM)
Name of tenant Cabnet Penang Location / Postal address 70-3-12 D'Piazza Mall, Jalan Mahsuri, Bandar Bayan Baru, 11900 Penang.	Yaep Liong Kowi @ Yaep Liong Kowi	One (1) office unit at level 3 of a shopping / office mall / Currently used by our Group as our branch office to carry out day-to-day operations	3 March 2009	1,160 (built-up)	1 June 2015 to 31 May 2017	1,400

Note:-

^ This property forms part of a sub-divided office building.

As at the date of this Prospectus, our Group is not in breach of any law, rules and building regulations in relation to the use of the properties above. Our Directors wish to highlight that, with respect to the land and buildings owned and leased by our Group as stated above, there are no environmental issues that may materially affect our Group's operations and utilisation of the above properties.

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6. BUSINESS OVERVIEW (CONT'D)**6.12.2 Equipment**

A summary of the material equipment owned and used by us are set out below:-

Key equipment	Description / Use of equipment	Quantity (units)	Audited net book value as at FYE 31 December 2016 (RM)	Remaining useful life as at 31 December 2016
Adapter	Device that converts attributes of an electrical device or system to those of an otherwise incompatible device or system	2	3,438	1.5 years
Fibre tester	Tool to perform inspection and cleaning, troubleshooting and verification tests, as well as certification tests	3	18,725	1 to 7 years
Fibre splicer	Tool used to join two (2) ends of separate optical fibres using heat	2	16,950	1 to 7 years
Optical Time Domain Reflectometer	Tool used to verify splice loss (signal loss due to joined fibre optic cables), measure length and detect faults for fibre optic cables	1	14,200	4 years
Total			53,313	

6.13 Technologies used

Technology is crucial to our business operations and we rely on several software to carry out the delivery of building management solutions comprising structured cabling works and ELV systems, as well as IT services. These include, but not limited to, the following third party software:-

a. Microsoft Visual Studio Express Edition

This software runs primarily on Microsoft Windows and comprises a large Framework Class Library that provides language interoperability across multiple programming languages. Programs that are written for .Net Framework using Microsoft Visual Studio Express Edition can be operated in a software environment known as Common Language Runtime, a virtual application machine that provides security, memory management, and exception handling.

b. Microsoft Structured Query Language ("SQL") Server Express Edition

This relational database management system was developed by Microsoft, where its primary function is to store and retrieve data requested by other software applications on the same network or those on another computer in the same network.

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6. BUSINESS OVERVIEW (CONT'D)

c. Bosch Video Software Development Kit (“SDK”)

The Bosch Video SDK is a tool that is used to integrate Bosch IP devices onto developer applications. This tool consists of reusable software based on COM and ActiveX. Bosch Video SDK allows decoding and rendering of audio / video as well as compressing video streams. This tool allows users to search for Bosch video-over-IP recordings and replay, exports functionality for live and recorded videos, graphical user interface configuration for video analysis, video analysis information as an overlay to the rendered video and network scan to detect Bosch / ONVIF devices on the network.

d. Entrypass SDK

The Entrypass SDK is designed to interface between Entrypass Platform ACS to any remote third party software application which is built to receive online transaction in XML format via TCP / IP socket communication. In this integration, a customised event transmission engine is developed to provide XML formatted data to remote application upon receiving events from the controller.

e. ARH ANPR SDK

The ARH ANPR SDK allows the reading of number plates from frame sequences that are transferred to this SDK module, and compares them with results from previous images. If the conditions set by the properties of the module are fulfilled, the ARH ANPR SDK will highlight repetitive number plates across multiple frame sequences.

f. ARH Document SDK

The ARH Document ADK is a travel document reader and analysis system which is based on the GX system (a program that improves the ease of integration with hardware devices) and provides software developers with an easy to program interface through its Application Programming Interface. This tool allows image capture, document, character and barcode recognition as well as e-passport reading.

g. Visitor Management with radio frequency identification (“RFID”)

RFID allows the transfer of data wirelessly for the purposes of automatically identifying and tracking tags assigned to visitors.

6.14 Modes of marketing and sales

Our Group’s overall sales and marketing activities are spearheaded by our Executive Director / Chief Executive Officer, Tay Hong Sing, assisted by Executive Director / Deputy Chief Executive Officer, Tan Boon Siang; Chief Operating Officer, Yong Thiam Yuen; and Head of Business Development, Koh Thain Lin.

Our projects are usually obtained through a tender process where we submit our quotations and demonstrate our capabilities through a formal bidding proposal. We target both public and private sector projects.

In our tender proposals, we set out the technical details of our proposed services and solutions, price breakdown, indicative timeline for completion, the proposed project team as well as information on our Group’s capabilities.

Our sales and marketing team and engineering team work closely to prepare our tender proposals. In selected cases, we also work together with our suppliers to develop tender proposals. Upon securing the new project, our sales and marketing team will gradually hand over the project to the project team for implementation.

6. BUSINESS OVERVIEW (CONT'D)

We actively engage in the following marketing strategies:-

(i) Customer relationship management

We strive to cultivate long-term relationships with our customers through regular visits and meetings. We regularly meet with our existing customers to demonstrate our new capabilities, offer enhancement and upgrading solutions as well as showcase new products and technologies. Through effective customer relationship management, we aim to market ourselves to our existing customers and secure further business from them.

(ii) Strategic partnerships and collaborations

We seek to engage in strategic partnerships and collaborations with different groups of industry participants to explore new business opportunities. The main groups which we target are partners with strong portfolio of control and automation products and technologies, including amongst others, video monitoring solutions; partners with industry-specific expertise and knowledge; and partners with local and overseas contacts.

(1) In this regard, we have entered into a strategic partnership and collaboration with our Pre-IPO Investor, i.e. NetPosa, background information of which are set out in **Sections 5.1** and **8.1.2 (i)** of this Prospectus, by way of the Collaboration Agreement for a period of five (5) years. Under the Collaboration Agreement, our Company and NetPosa agreed to cooperate and collaborate to jointly explore and promote the business of development and customisation of the hardware of the security system of NetPosa China and NetPosa China's Products and its related research and development activities. Pursuant to the Collaboration Agreement, Cabnet shall be responsible to:-

- (a) market and distribute hardware of the security system of NetPosa China and NetPosa China's Products in Malaysia as an exclusive agent provided that we shall not develop any competing products or develop new functions and applications to the hardware of the security system of NetPosa China and NetPosa China's Products to compete with NetPosa within three (3) years from the date of the Collaboration Agreement;
- (b) obtain prior consent of NetPosa before entering into any distributorship arrangement with third party to distribute products that are similar to the hardware of the security system of NetPosa China and NetPosa China's Products. In the event Cabnet has already entered into distributorship agreements at the time the Collaboration Agreement was made with NetPosa, Cabnet will not be required to obtain such consent from NetPosa provided that the products under such distributorship agreement do not compete with the hardware of the security system of NetPosa China and NetPosa China's Products;
- (c) collect customers' feedback on the hardware of the security system of NetPosa China and NetPosa China's Products; and
- (d) advise on the general marketing know-how and provide market intelligence and information on its related research and development activities in relation to the hardware of the security system of NetPosa China and NetPosa China's Products.

6. BUSINESS OVERVIEW (CONT'D)

while NetPosa shall be responsible to:-

- (aa) provide training to our personnel during the tenure of the Collaboration Agreement;
- (bb) grant the right to use the intellectual property rights in relation to the hardware of the security system of NetPosa China and NetPosa China's Products, to Cabnet during the subsistence of this Collaboration Agreement at the sole discretion of NetPosa;
- (cc) provide its product information to Cabnet on the condition of Cabnet undertakes to translate the hardware of the security system of NetPosa China and NetPosa China's Products information for NetPosa. In this regards, Cabnet shall be allowed to use the translated products information under the parties' respective names and logos for marketing purposes;
- (dd) provide technical expertise by way of remote technical support to solve any technical issues after the sales of the hardware of the security system of NetPosa China and NetPosa China's Products should Cabnet fail to resolve the same during the warranty period. Upon the expiry of such warranty period, Cabnet shall be liable to pay for an amount as mutually agreed by Cabnet and NetPosa, for any technical support services rendered by NetPosa.

(2) Our Company and NetPosa subsequently agreed to provide clarity to the Collaboration Agreement, in particular, the roles of the respective parties under the Collaboration Agreement, whether the hardware of the security system of NetPosa China is intended to be included in the agreed collaboration and whether there was actually joint development under the Collaboration Agreement. There were also subsequent discussions with NetPosa whether our Company should continue to be bound by the restrictions as described in paragraphs (1)(a) and (b) above. We subsequently entered into the Supplemental Agreement with NetPosa, whereby it was agreed by our Company and NetPosa that:-

- (a) our role and NetPosa's role under the Collaboration Agreement were defined clearly. Please see paragraph 3 below for clear details of our role;
- (b) the products covered by the Collaboration Agreement were confined to NetPosa China's Products only since it was not the initial contemplation of the parties to include the hardware of the security system of NetPosa China in the collaboration;
- (c) all expressions and references to joint development that were used in the Collaboration Agreement will be removed since the collaboration agreed by the parties is confined to only customising NetPosa China's Products through translation of language; and
- (d) the restrictions imposed by NetPosa on our Company under the Collaboration Agreement in the form of restrictions relating to developing any products in competition with NetPosa China's Products and the requirement to obtain prior consent of NetPosa before we enter into any distributorship agreements in the Collaboration Agreement, were removed.

6. BUSINESS OVERVIEW (CONT'D)

- (3) On execution of the Supplemental Agreement, our Company continues to be the sole business partner of NetPosa for the agreed period of five (5) years and bears the obligation to:-
- (a) assist and support NetPosa in customising the NetPosa China's Products for purposes of the Malaysian market by translating the information, including technical terms, contained in the NetPosa China's Products from Mandarin to English;
 - (b) promote, sell and supply the NetPosa China's Products in Malaysia together with the services and solutions provided by our Group;
 - (c) provide to NetPosa with Malaysian market feedback and Malaysian market information relating to the NetPosa China's Products; and
 - (d) install the NetPosa China's Products for orders secured directly by NetPosa or NetPosa China and at the same time offer our Group's services and solutions to NetPosa's or NetPosa China's customers.

In return, as sole business partner of NetPosa, our Company will be entitled to:-

- (aa) offer our Group's services and solutions to NetPosa's or NetPosa China's customers in Malaysia when installing the NetPosa China's Products at NetPosa's request. This presents additional business opportunities and revenue generation potential for our Group's services and solutions in Malaysia;
- (bb) be given the priority to install the NetPosa China's Products and to offer our Group's services and solutions to customers of NetPosa China in the region of South East Asia. This presents additional business opportunities and revenue generation potential for our Group's services and solutions from overseas projects where our Group can offer our services and solutions to customers of NetPosa or NetPosa China in the region of South East Asia by way of introduction by NetPosa;

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6. BUSINESS OVERVIEW (CONT'D)

- (cc) be provided full technical support, comprising training, technical expertise and technical support. Our Group is able to rely on the full technical support throughout the period of the Collaboration Agreement, as and when requested by our Group, including whenever our Company is unable to resolve technical issues or problems of NetPosa China's Products. The full technical support will provide our employees with opportunities for training that can contribute to enhancing their knowledge;
- (dd) be provided remote technical support services (i.e. by way of communication by phone or secured internet connection) during the warranty period of installed NetPosa China's Products, typically one (1) year from the date of delivery to the customers;
- (ee) be granted a licence to use the Intellectual Property Rights of the NetPosa China's Products in Malaysia only whereby our Company will be entitled and allowed to use its trademark and copyright for purposes of promoting and selling NetPosa China's Products in Malaysia. Usage of such Intellectual Property Rights is necessary and crucial in order to facilitate all promotion of the NetPosa China's Products in Malaysia. The licence to use the Intellectual Property Rights of NetPosa China's Products is not granted beyond Malaysia because our Group has no role or obligation to sell and supply NetPosa China's Products outside Malaysia.

Save as amended, supplemented and added by the Supplemental Agreement, the remaining parts of the Collaboration Agreement, in particular the agreed term of five (5) years remained unchanged and valid. In this regard, the Collaboration Agreement can be terminated by either party thereto on the occurrence of any of the following events:-

- (aaa) one (1) party commits a material breach; or
- (bbb) one (1) party becomes insolvent; or
- (ccc) an order is made or a resolution is passed to wind up one party (other than voluntarily for the purpose of solvent amalgamation or reconstruction); or
- (ddd) an administrator or a receiver is appointed in respect of the whole or any part of one party's assets or business; or
- (eee) one party enters into any arrangement with its creditors when it becomes insolvent; or
- (fff) mutual agreement of our Company and NetPosa.

In the event the Collaboration Agreement is terminated, our Company and NetPosa will be discharged from all obligations contained in the Collaboration Agreement free from any liabilities. Accordingly, all intellectual property rights granted to our Company shall cease to be effective and deemed revoked on termination of the Collaboration Agreement. Our Company and NetPosa further agree that notwithstanding the termination of the Collaboration Agreement, each party shall continue to be the first choice business partner to the other.

Our Directors formed the view that our Group can derive the following benefits from the Collaboration Agreement:-

6. BUSINESS OVERVIEW (CONT'D)

- (i) Leverage on the NetPosa China's Products for additional revenue generation potential;

As set out in **Section 6.18.1 (iii)** of the Prospectus, Cabnet Group intends to offer video monitoring solutions for township, district and state level in Malaysia through its collaboration with NetPosa. NetPosa China's Products features, amongst others, vehicle count, people count, crowd detection, illegal parking and etc. that is targeted at township, district and state level. Thus, with the collaboration with NetPosa, Cabnet Group will be able to expand its services and solutions to cover different market segments.

In addition, NetPosa China's Products offer the flexibility to customise its products for purposes to meet the local market needs of Cabnet Group's target customers who are building contractors, building owners and building operators of smaller scale projects (i.e. educational institutions, commercial malls and factories). The flexibility of NetPosa China's Products provides time and cost savings to Cabnet Group without having to develop extra features on its own. These extra features include, amongst others, crowd detection, illegal parking detection, vehicle count and etc. Please refer to **Section 6.18.1 (iii)** of the Prospectus for the comparison between NetPosa China's Products and CISS.

In addition, NetPosa China is prepared to provide complimentary use of its software to Cabnet Group's customers for a period of up to one (1) year with an option to purchase the software after the one (1) year period as part of its strategy in promoting and creating awareness for NetPosa China's Products in Malaysia.

Premised on the above, it presents Cabnet Group with additional revenue generating potential by leveraging on NetPosa China's Products.

- (ii) Leverage on the business relationship between Cabnet and NetPosa, and NetPosa being a shareholder of Cabnet;

Our Group had on 20 June 2016, secured a RM4.9 million contract (inclusive of GST of RM0.3 million) with Country Garden Pacificview Sdn Bhd for the provision of ELV systems, structured cabling works and IT services in Forest City Hotel, Johor, by virtue of Cabnet being the sole business partner of NetPosa in Malaysia.

Country Garden Pacificview Sdn Bhd is a joint venture company between Country Garden Waterfront Sdn Bhd (a subsidiary of Country Garden Holdings Co. Ltd. (a PRC-based company listed on Hong Kong Stock Exchange)) and Esplanade Danga 88 Sdn Bhd (an associate company of Kumpulan Prasarana Rakyat Johor (KPRJ)) on a 60:40 basis. Country Garden Pacificview Sdn Bhd is the developer of Forest City at Johor.

Forest City is a smart city spanning over 1,386 hectares on four man-made islands with an estimated investment of S\$58.3 billion over the next 20 years. (Source: *Businesswire*)

- (iii) **Trade exhibitions, conferences and workshops**

To further enhance our profile and visibility in the industry, we participate in trade exhibitions, public forums, conferences and workshops organised by various industry-related organisations and/or companies.

6. BUSINESS OVERVIEW (CONT'D)

These sessions attract a wide range of audience from different groups of industry players and building and facility owners to discuss and exchange ideas and knowledge with audiences of trade exhibitions, public forums, conferences and workshops, to understand latest product and technology developments relating to IT services. Through such platforms, we can engage in targeted marketing programmes to highlight and reinforce the awareness of our Group and our capabilities.

Further we have also co-organised the following events in the past three (3) financial years:-

Exhibition / event	Organiser	Location	Date of exhibition / event
ITWin VMware and IBM Solution Day	ITWin Technology Sdn Bhd, IBM Malaysia Sdn Bhd, VMware Malaysia Sdn Bhd and ECS Pericomp Sdn Bhd	Renaissance Hotel, Johor Bahru, Johor	29 May 2014
Information Security and Data Management Solutions Forum	ITWin Technology Sdn Bhd and K Now Distribution Sdn Bhd	Paragon Hotel, Johor Bahru, Johor	6 August 2015

6.15 Seasonality / Cyclicity

We do not experience any seasonality in our business as the demand for building management solutions comprising structured cabling works and ELV systems, as well as IT services, are not subject to seasonal fluctuations.

6.16 Interruption to business and operations

Our Group has not experienced any interruption in business which had a significant effect on operations during the twelve (12) months period prior to the date of this Prospectus.

6.17 Competitive strengths and advantages

We believe that our historical successes and future prospects are underpinned by the following competitive strengths:-

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6. BUSINESS OVERVIEW (CONT'D)

- (i) **We provide building management solutions in relation to structured cabling works and ELV systems, as well as IT services that is backed by a project delivery team**

As at the LPD, we have a total of 41 project delivery employees, comprising 8 engineers and 33 technicians that manage project delivery activities for building management solutions and IT services provided by our Group. As we are able to leverage on the capabilities of our project delivery team, this reduces our dependency on outsourced or external services and allows our Group to undertake multiple projects simultaneously, thereby enabling us to manage our projects effectively.

We have successfully secured and completed various projects by leveraging on the strength of our project delivery team. Please refer to **Sections 6.1.1 and 6.1.2** of this Prospectus for a list of some of our completed projects. Based on the above, our Group is well-positioned to bid for future projects.

- (ii) **We have capabilities in delivering building management solutions in relation to structured cabling works and ELV systems, as well as IT services across various property segments**

Our Group is able to deliver building management solutions in relation to structured cabling works and ELV systems, as well as IT services for the residential property segment, commercial property segment and industrial property segment, where we are able to customise our solutions and services for our clients based on their type of property, development scale and allocated budget.

Our Group's percentage of revenue derived from residential property segment, commercial property segment, industrial property segment and other segment for the FYE 31 December 2014, FYE 31 December 2015 and FYE 31 December 2016 are as follows:

Segment	FYE 31 December					
	2014		2015		2016	
	RM million	%	RM million	%	RM million	%
Property						
- Residential	7.38	20.02	10.87	26.14	24.81	46.99
- Commercial	15.34	41.62	15.04	36.17	11.96	22.65
- Industrial	12.96	35.16	15.12	36.37	15.51	29.38
Others*	1.18	3.20	0.55	1.32	0.52	0.98
Total	36.86	100.0	41.58	100.0	52.80	100.0

Note:-

* *Infrastructure and public facilities such as seaport and public road facilities*

As our Group serves customers in the residential property segment, commercial property segment and industrial property segment, our risk of relying on the performance of any one particular property segment is mitigated. Please refer to **Sections 6.1.1 and 6.1.2** of this Prospectus for a list of some of our completed major projects.

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6. BUSINESS OVERVIEW (CONT'D)

Our wholly-owned subsidiary, Cabnet Systems, is registered with the CIDB as a Grade '7' contractor company, the highest classification accorded by CIDB, which allows us to tender for contracts of unlimited value. According to the IMR, there were a total of 6,868 Grade 7 registered contractors in Malaysia¹⁰ comprising contractors registered under the categories of building construction, civil engineering as well as mechanical and electrical respectively.

The expertise and experience gained by our project employees from the past and present projects undertaken since our incorporation grant our Group the credentials to continuously bid for contracts. Coupled with our range of services and solutions, this positions us as a total solutions provider in relation to structured cabling works, ELV systems and IT services, while giving us the flexibility to customise our solutions and services to various property segments (i.e. residential properties, commercial properties and industrial properties) according to the needs of our client based on the type of properties, development scale and allocated budget.

(iii) We have an experienced and committed key management team

Our key management team is led by our Group's Promoters, Tay Hong Sing and Tan Boon Siang, each of whom possess more than 26 years of experience across the fields of engineering, structured cabling, ELV systems and ICT. Our Promoters are further supported by our key management team with experience in their respective functional areas.

Please refer to **Sections 8.1.2, 8.2.2 and 8.4.2** of this Prospectus for more details on the experience of our Promoters, Directors and key management personnel.

The collective experience and knowledge of our Promoters, Directors and key management team have been and will continue to be a foundation for our Group's success.

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¹⁰ As at 31 December 2016, being the date this information was obtained from the CIDB.

6. BUSINESS OVERVIEW (CONT'D)**(iv) We have long-standing relationships with our customers and suppliers**

Our long term business relationships with our customers have contributed to our success in securing projects in Malaysia. Among others, our long term customers and their revenue contribution for the past three (3) FYE 31 December 2014 to FYE 31 December 2016 are as follows:-

Customers	Length of relationship as at the LPD	Revenue contribution ⁽¹⁾					
		FYE 31 December 2014		FYE 31 December 2015		FYE 31 December 2016	
		RM'000	%	RM'000	%	RM'000	%
Kiswire Sdn Bhd group of companies	22 years	658	1.93	252	0.64	179	0.35
Infineon Technologies (Malaysia) Sdn Bhd	7 years	1,510	4.43	2,838	7.17	2,173	4.27
Tiong Nam Logistics Solutions Sdn Bhd	15 years	469	1.38	531	1.34	397	0.78
Flextronics Technology (M) Sdn Bhd group of companies	15 years	308	0.90	205	0.52	46	0.09
Takenaka (M) Sdn Bhd	10 years	1,185	3.48	2,769	6.99	77	0.15
Total revenue from long term customers		4,130	12.12	6,595	16.66	2,872	5.64

Note:-

(1) Being the revenue contribution to our Group's total revenue.

Our emphasis on customer service, as well as our commitment to ensuring quality solutions and services, have helped us maintain these customer relationships. This translates into assurance for our Group's business continuity and serves as reference to any potential new customers.

We also maintain long-term business relationships with our suppliers. With Robert Bosch (M) Sdn Bhd, we have secured dealership agreement which allow us to meet customer needs. Among others, our long term suppliers and our Group's purchases from these suppliers for the past three (3) FYE 31 December 2014 to FYE 31 December 2016 are as follows:-

6. BUSINESS OVERVIEW (CONT'D)

Suppliers	Length of relationship as at the LPD	Purchases ⁽¹⁾					
		FYE 31 December 2014		FYE 31 December 2015		FYE 31 December 2016	
		RM'000	%	RM'000	%	RM'000	%
Telemaju Technology Sdn Bhd	17 years	734	3.86	546	2.72	2,064	7.52
VA Dynamics Sdn Bhd	20 years	959	5.04	799	3.98	856	3.12
Robert Bosch (M) Sdn Bhd	7 years	521	2.74	994	4.95	2,133	7.77
Innovix Distribution Sdn Bhd (formerly known as Jardine OneSolution (2001) Sdn Bhd)	13 years	3,348	17.59	3,723	18.52	5,877	21.40
ECS AStar Sdn Bhd	9 years	1,939	10.19	446	2.22	488	1.78
Total purchases from long term suppliers		7,501	39.42	6,508	32.39	11,418	41.59

Note:-

(1) Being the purchases of our Group.

These long term relationships serve to provide stable supply source and ensure our continued growth and sustainability.

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6. BUSINESS OVERVIEW (CONT'D)

6.18 Future plans, business strategies and prospects

6.18.1 Future plans and strategies

We intend to focus on the following business strategies for the future growth and expansion of our business:-

(i) **We plan to increase and strengthen our market presence in Johor, while pursuing more opportunities for more projects outside Johor**

We principally operate in Johor, where we have completed many of our major projects. Please refer to **Sections 6.1.1** and **6.1.2** for a list of our major projects. Further, we derived a substantial portion of our revenue from projects in Johor. The percentage of revenue recognition from projects in Johor, outside Johor and overseas in the most recent three (3) FYE 31 December are as follows:-

	Audited FYE 31 December		
	2014	2015	2016
	%	%	%
Malaysia, comprising			
- Johor *	78.83	79.91	89.71
- Outside Johor	20.84	19.75	10.28
Overseas, comprising			
- Singapore	0.28	0.32	-
- Indonesia	0.06	0.02	0.01
Total	100.0	100.0	100.0

Notes:-

* After elimination of inter-company transactions within our Group.

(a) **In Johor**

The percentage of our revenue recognition from projects in Johor has witnessed an increase from FYE 31 December 2014 to FYE 31 December 2016 from 78.83% to 89.71%.

We intend to further tap the growing market in Johor to grow our business. According to the IMR Report, and as shown in **Section 7** of this Prospectus, the prospects in the electrical services, ICT and construction industries are expected to remain positive, and as such we will continue to pursue opportunities in Malaysia, especially in Iskandar Malaysia, to further grow our market share. The prospects of Iskandar Malaysia are presented in Section 7 - Overview of the Construction Industry in Johor.

Whilst our Group will continue to pursue opportunities in the residential property and infrastructure segments, we intend to leverage on our track record and market reputation in Johor to further tap into the growth in the commercial property, industrial property segments and other segment (such as public facilities) by bidding for more projects for data centres and seaports, as well as projects in the oil and gas sector which falls under industrial property segment. In 2016, the Johor state government announced its intention to develop a 20,000 hectare area in the town of Sedenak into a data centre.

6. BUSINESS OVERVIEW (CONT'D)

The projects undertaken by our Group include, amongst others, structured cabling projects for data centres for CSC Malaysia Sdn Bhd, ELV system projects for a seaport for Dimension Data (Malaysia) Sdn Bhd and IT services projects for oil and gas sector for Pengerang Independent Terminals Sdn Bhd. Please refer to **Sections 6.1.1** and **6.1.2** of this Prospectus for further details on our past and on-going major projects.

Projects for data centres and seaports, as well as projects in the oil and gas sector have stringent safety requirements and highly specialised processes that will require complex integrated building systems to manage and monitor their facilities and environments. Our Group has demonstrated capabilities in these projects based on our track record in delivering building management solutions in relation to structured cabling works and ELV systems, as well as IT services. Hence, our Group is able to further expand into these market segments which will in turn allow us to further grow our business and strengthen our market presence in Johor.

(b) Outside Johor

The percentage of our revenue recognition from projects outside Johor has witnessed a decline from FYE 31 December 2014 to FYE 31 December 2016 from 20.84% to 10.28%. Following this, we recognise the importance of improving our market presence outside Johor.

We will focus our efforts in tendering for more projects in structured cabling works and ELV systems, as well as IT services outside Johor, mainly in Klang Valley and Penang, for residential property, commercial property, industrial property segments and other segment (such as public facilities). In this regards, we recruited Yong Thiam Yuen as the Chief Operating Officer of Cabnet Systems, and subsequently he assumed his present role as our Group's Chief Operating Officer. Yong Thiam Yuen is entasked to drive sales growth for our Group, especially outside Johor. Additionally, in 2016, our Group recruited a business development manager to pursue business development and sales efforts in Penang. Since their appointments, they have taken efforts to widen our Group's industry network and contacts among professionals in the construction sector, including contractors, consultants, developers and engineering firms. Furthermore, we intend to expand our sales and marketing team to be based in central region office in Puchong by recruiting two (2) additional sales and marketing executives in first half of 2017 to source for more projects in Klang Valley.

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6. BUSINESS OVERVIEW (CONT'D)

Further to the above, we intend to increase our market presence, through the implementation of business development strategies on a progressive basis, which include:

- (a) We are a member of BCI Asia, an industry platform by BCI Media Group¹¹. As members of BCI Asia, we have access to current business-to-business sales leads for projects within the construction sector in Malaysia based on research carried out by BCI Media Group and a network of contacts within the construction sector comprising contractors, consultants, developers and engineering firms. This allows our Group to remain updated on upcoming projects which could present business opportunities for structured cabling works, ELV systems and IT services of our Group;
- (b) Our Group will approach contractors, consultants, developers and engineering firms who are involved in or are key decision makers in projects within the construction sector in Malaysia to offer our services and solutions. In addition, we are able to gain understanding of their needs and expectations for our Group to formulate the required services and solutions; and
- (c) We will continue to proactively participate in prequalification assessments to register our Group on the contractors', consultants', developers' and engineering firms' tender invitation lists. Such prequalification assessments typically require us to submit our detailed Group's profile. Proactive participation in prequalification assessments will create awareness for our Group's services and solutions, and prepare us to readily participate in tender opportunities for structured cabling works, ELV systems and IT services, when such opportunities arise.

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¹¹ BCI Media Group is the provider of information relating to construction projects in each country within the Asia Pacific region to its members.

6. BUSINESS OVERVIEW (CONT'D)

- (ii) **We intend to strengthen our ELV systems segment with the introduction of our integrated security solutions software, known as CISS**

We have increasingly grown the ELV systems segment, arising from the increasing market demand for security.

According to the IMR, video surveillance is increasingly becoming a method to meet the demand for greater levels of security within the community. Video surveillance cameras are widely used to monitor, observe and analyse a person, a group, activities or even objects, and assist in deterring and detecting potential offenders and crimes, and aid police in rendering assistance effectively. The end-user customer segments for video surveillance is wide and varied, ranging from the Government sectors to retail, financial, educational and even industrial sectors. Each customer requires surveillance for different use, in turn involving different systems requirements and equipment according to the environment it operates in.

With the increasing awareness for security among building owners and/or operators, our Group has developed our own integrated security solutions software known as CISS, which will be included in the ELV systems that we offer to our customers as a value-added option and is not intended for sale on a standalone basis. We began pilot testing which comprises alpha and beta testings of the CISS in October 2015 at Summerscape Condominium in Johor, details of which are set out in **Section 6.11** of this Prospectus. The CISS is intended to strengthen our portfolio of security solutions to capture increasing commercial opportunities in the market and further increase our presence in the market.

Please refer to **Section 6.11** of this Prospectus for further details on the main features of the CISS.

- (iii) **We intend to offer video monitoring solutions in collaboration with NetPosa as our strategic partner**

Since the inception of Cabnet Systems, we have broadened our capabilities from the provision of structured cabling works during our initial years of operations to now, which include integrated security solutions. We intend to further grow and diversify our business, and leverage on our knowledge of the local market and customer requirements to develop new solutions to meet the needs of our customers.

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6. BUSINESS OVERVIEW (CONT'D)

To this end, we intend to offer video monitoring solutions for township, district and state level in Malaysia through our collaboration with NetPosa to assist and support NetPosa in customising the NetPosa China's Products for purposes of the Malaysian market by translating the information, including technical terms, contained in the NetPosa China's Products from Mandarin to English, to promote, sell and supply the NetPosa China's Products in Malaysia together with the services and solutions provided by our Group, to provide to NetPosa with Malaysian market feedback and Malaysian market information relating to the NetPosa China's Products and to install the NetPosa China's Products for orders secured directly by NetPosa or NetPosa China and at the same time offer our Group's services and solutions to NetPosa's or NetPosa China's customers. Details of the collaboration are as disclosed in **Section 6.14 (ii)** of this Prospectus. NetPosa China, the parent company of NetPosa, is principally engaged in video processing technologies and provides video monitoring solutions and high-quality video storage products. Please refer to **Section 8.1.2 (i)** of this Prospectus for further details on the background information of NetPosa.

NetPosa China's Products connect security systems installed in multiple locations with monitoring and analytical capabilities (e.g. vehicle count, people count, crowd detection, illegal parking and etc.) that is targeted at township, district and state level.

The key difference between CISS and NetPosa China's Products is as follows:-

	CISS	NetPosa China's Products
Integration capability	Integration of CCTV and ACS at a single location (only wired)	Integration of multiple security systems (i.e. CCTV and ACS) at multiple locations (wireless or wired)
Features	ANPR and visitor management	36 distinctive features (e.g. vehicle count ⁽¹⁾ , people count ⁽²⁾ , crowd detection ⁽³⁾ , illegal parking ⁽⁴⁾ and etc.)
Application	Buildings and facilities	Township, district and state level

Notes:-

- (1) Counting of vehicles passing through an area.
- (2) Counting the number of people passing through an area.
- (3) Detects crowd in an area and alerts user when there is an over-crowding scenario.
- (4) Detects illegal parking of vehicle at no parking zone or restricted zone.

Thus, NetPosa China's Products can be marketed to local town councils, national enforcement bodies etc. The collaboration with NetPosa presents an opportunity for our Group to tap into the potential growth in security system integration at township, district and state level as we can leverage on the NetPosa China's Products that has a proven track record of implementation in the PRC.

6. BUSINESS OVERVIEW (CONT'D)

Notwithstanding NetPosa China may potentially carry out in Malaysia similar business activities as our Group's ELV systems segment, our Board is of the view that NetPosa China's Products are expected to complement our existing building management solutions and IT services offered by our Group so long as our Group remains as a business partner of NetPosa in Malaysia. This is because our Group is involved in the design, supply, build, testing and commissioning, as well as provision of project management, training, maintenance and aftersales service for structured cabling works, ELV systems and IT services whilst NetPosa China is involved in the development of application software that connects the security systems installed in multiple locations with monitoring and analytical capabilities (e.g. vehicle count, people count, crowd detection, illegal parking and etc.).

Our Group's expansion into video monitoring solutions will allow us to grow our revenue as we target to market our solutions and services to new customer segments namely local town councils, national enforcement bodies at township, district and state level.

6.18.2 Prospects

Our Board is of the view that our Group will enjoy positive growth and favourable prospects in the long-term premised on the following:-

- (i) Our competitive strengths as set out in **Section 6.17** of this Prospectus;
- (ii) Our Group's future plans and strategies as set out in **Section 6.18.1** of this Prospectus;
- (iii) The prospects and outlook of ELV and structured cabling industry, ICT industry and construction industry as follows:-
 - (a) 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%;
 - (b) the positive outlook in the demand for electrical services and consequently ELV and structured cabling which is projected 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%; and
 - (c) the prospects of the ICT industry under the Eleventh Malaysia Plan, 2016-2020, in which 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.

Further details of the prospects and outlook of ELV and structured cabling industry, ICT industry and construction industry are set out in the IMR and **Section 7** of this Prospectus.

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7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

SMITH ZANDER

SMITH ZANDER INTERNATIONAL SDN BHD (1066126-V)
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1 Jalan Kiara, Mont' Kiara,
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SMITH ZANDER

14 APR 2017

The Board of Directors
CABNET HOLDINGS BERHAD
100, Jalan Ros Merah 2/17
Taman Johor Jaya
81100 Johor Bahru
Johor Darul Takzim
Malaysia

Dear Sirs,

Executive Summary of the Independent Market Research Report on the Extra Low Voltage and Structured Cabling, and Information and Communication Technology Industries and Construction Sector in Malaysia in relation to the public issue of 21,000,000 new Ordinary Shares in Cabnet Holdings Berhad ("shares") at an issue price of RM0.56 payable in full on application comprising:-

- **7,000,000 Cabnet shares for application by the Malaysian public;**
- **10,000,000 Cabnet shares for application by way of private placement to identified investors; and**
- **4,000,000 Cabnet shares for application by the eligible directors and employees of Cabnet Holdings Berhad and its subsidiary companies ("Group") and persons who have contributed to the success of the Group; and**

in conjunction with the listing of Cabnet Holdings Berhad on the Ace Market of Bursa Malaysia Securities Berhad

This Executive Summary of the Independent Market Research Report on the Extra Low Voltage and Structured Cabling, and Information and Communication Technology Industries and Construction Sector in Malaysia is prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus of CABNET HOLDINGS BERHAD.

For and on behalf of SMITH ZANDER:



DENNIS TAN
MANAGING PARTNER

1 DEFINITION AND SEGMENTATION

Extra Low Voltage (“ELV”), Structured Cabling and Information and Communication Technology Industries

ELV in electricity supply refers to systems that operate on voltages that do not exceed 50 alternating current (AC) voltages. ELV can comprise multiple systems either operating at a standalone or fully integrated level, and ELV is used in buildings or facilities to provide security and surveillance, public address, video, voice and data communication. When integrated with a building or facility’s information technology (“IT”) system, ELV forms a part of building management solutions. Industry players that provide ELV systems services are trade specialists. For buildings or facilities, ELV systems specialists are involved in the design and/or installation and/or commissioning and/or repair and maintenance of structured cabling and ELV systems that comprise, among others, structured cabling, fire protection systems, telecommunications systems, security and surveillance systems and lighting systems.

Structured cabling are building telecommunications cable infrastructure comprising of numerous standardised smaller elements known as subsystems. Structured cabling is used in buildings and/or facilities for telecommunication and data transfer. Structured cabling integrates building automation systems, IT systems and communication systems within one (1) cabling infrastructure. This helps eliminate the costly process of installing and operating multiple wiring networks to separately accommodate each individual system. In Malaysia, structured cabling is often part of electrical services work packages in building construction projects.

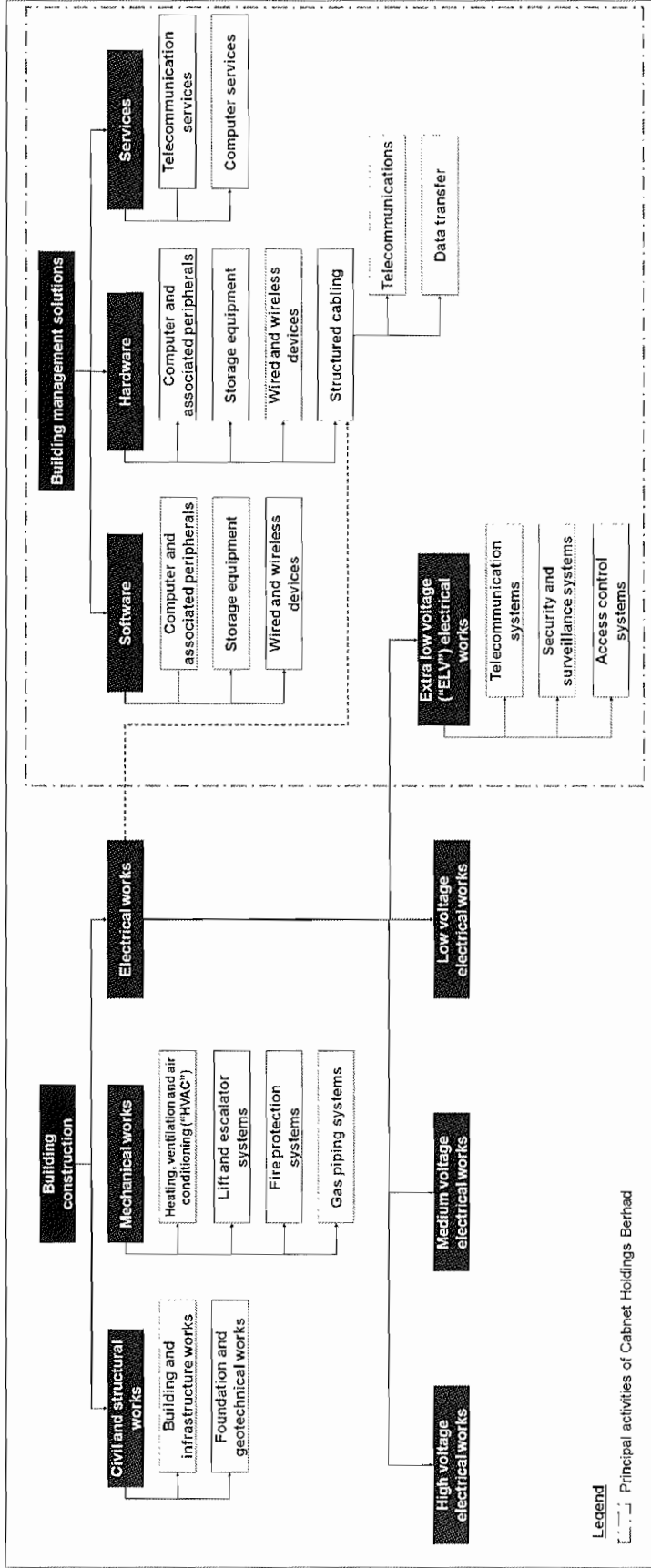
Electrical services in building construction is also known as electrical works and involves the technology of power distribution in buildings. Electrical services refers to electrical wiring and fitting, ELV and structured cabling works. Electrical services may be employed in the installation of new electrical components and systems or the maintenance and repair of existing electrical infrastructure.

Building management solutions refers to technologies that provide access to information utilising information and communication technologies (“ICT”). ICT is thus an extended form of IT that focuses on unified communications and the integration of telecommunications (i.e. telephones lines and wireless signals), computers, enterprise software, middleware, storage as well as audio-visual systems that allow users to access, store, transmit and manipulate information. Structured cabling is a part of building management solutions, and is used as a conduit to connect telecommunications devices to computers and associated peripherals for the purposes of voice, data and multimedia communication.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

Components of building construction and building management solutions ^a



^a Principal activities of Cabnet Holdings Berhad

^a The examples above are not exhaustive

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER


Description of selected ELV systems, ICT components and structured cabling

ELV system	Description
ELV systems	
Security and surveillance systems	Security systems are designed to detect intrusion or unauthorised entry into a building and area, as well as personal protection against intruders. Surveillance systems are designed to monitor behavior, activities or other changing information typically by means of electronic equipment, such as closed-circuit television ("CCTV") cameras. Security systems may be combined with surveillance systems to automatically record the activities of intruders, and may be integrated with access control systems for electronically locked doors.
Access control systems	System that allows selective restriction of access to a place or resource through the authorisation of valid personnel.
Building automation solutions	A combination of various building management systems and services to reduce energy consumption, lower operating costs, improve safety and reliability, and increase user comfort and productivity.
Building management solutions	
Hardware	The application of physical computers and telecommunication equipment to store, retrieve, transmit and alter data.
Software	The application of machine-readable instructions that direct physical computers and telecommunication equipment to perform specific operations.
Services	Components of services include telecommunication entailing fixed and mobile telephony services, Internet access, satellite and data communication services; computer services comprise hardware and software wholesaling, retailing and consulting, programming as well as repair and maintenance activities; publishing activities entail both traditional and online printing; motion picture, video and television programmes and information services activities such as data processing, hosting data, web portals that are considered as content activities.
Infrastructure	A collection of physical and/or virtual resources that support the overall building management solution platform.
Equipment / systems	A computer-based system comprising telephony and computer hardware, software, databases and networks that collectively form a technology platform.
Structured cabling	
Voice	A computer-based system comprising telephony and computer hardware, software, databases and networks that collectively form a technology platform, and allows voice communication.
Data	A computer-based system comprising telephony and computer hardware, software, databases and networks that collectively form a technology platform, and allows data transfer.
Multimedia	A computer-based system comprising telephony and computer hardware, software, databases and networks that collectively form a technology platform, and allows multimedia connection.

The integration of telecommunications cabling and building management systems has led to the creation of "intelligent" or "smart" buildings where a common network and cabling infrastructure is established to accommodate voice and data as well as fire alarm; heating, ventilation, and air conditioning ("HVAC"); security and access control; and energy management systems. Systems integration also makes it possible to consolidate pathways and equipment spaces, allowing a single group to maintain all of these low-voltage systems.

The evolving integration of building automation systems is similar to the merging of voice and data systems during the 1980s. Before then, voice and data systems were cabled separately. Data systems required many different cable types such as twinaxial, coaxial, and twisted-pair cable; and did not use a structured approach with common cabling elements. In the recent decade, the use of a common telecommunications cabling infrastructure has been globally accepted as standard practice. According to traditional construction

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

The logo for Smith Zander, consisting of the company name in a serif font.

practices, each building automation system is designed and installed separately under various electrical and mechanical divisions of a specification. Each system typically uses many different cable types and, until recently, most of these systems have not used mainstream data protocols such as Ethernet to transmit and receive data.

Although building automation systems and devices still use proprietary transmission schemes that require protocol conversion between systems and vendors, strong customer demand has driven the industry to adopt open protocols. These protocols, which are being developed to work with other standardised protocols, enable building automation systems to communicate over a variety of networks.

In order to fast-track project delivery, some developers may opt to equip modern structures with traditionally designed systems that operate on proprietary networks for various building management systems, as well as separate telephony, data and multimedia networks. This has led to complex network management issues and the installation of multiple systems at exorbitant costs, but with limited functionality and automation. The integration of ELV systems is a solution that deviates from the traditional construction process which separately installs low voltage, voice and data systems and thus leads to the creation of multiple cabling systems and pathways. Integrated ELV systems support the installation of common cabling and pathways instead of separate individual systems, thus resulting in improved total system monitoring and management and significant cost reductions. The installation of common cabling and pathways requires planning of the containment systems at the early stages of the project so that optimum routes can be designed by experienced network architects, thereby reducing cable runs while maintaining performance standards.

A fully integrated ELV system operates on a common platform for the purposes of collecting, exchanging and archiving data. An integrated ELV system facilitates a common web interface for monitoring display, archiving, reporting and controlling, thereby providing value added tenancy services such as online billing, building performance displays and maintenance requests. The integrated ELV system may include ELV systems such as fire detection and alarm, voice evacuation, voice and data communications, public address, access controls, intrusion detection, CCTV, audio-visual, cell phone and wireless distribution, as well as other auxiliary systems.

The Institute of Electrical and Electronics Engineers is a technical organisation that publishes technical literature on electrical engineering, computer science and electronics, and developer of industry standards for telecommunications, information technology and power-generation products and services. Structured cabling designed according to the Institute of Electrical and Electronics Engineers standards supports the core internet protocol ("IP") network and provides interconnectivity between such systems. ELV integration provides many benefits that result in minimising the total cost of ownership and maximising the return on investment of a building. A single installation offers major advantages as it greatly simplifies procurement, project and site management and reduces the risks of delay. This results in savings on commissioning time and shorter overall system installation. It can also add to bottom line savings as the building can be occupied earlier, thus resulting in earlier inflow of revenue. The tangible benefits that a fully integrated software system offers building owners or facility managers is a total solution that delivers ease of operation, a high level of operator accountability and optimum control. This ensures a seamless system for responding to events quickly and effectively.

Other components of building construction include civil and structural works as well as mechanical works. A key component of civil and structural works is foundation and geotechnical works. Foundation and geotechnical works pertain to the groundwork and foundation building based on a study of the geological structure and earth materials on the construction site and its influence on foundation and geotechnical works, and the study of ground-water regime and its influence on wall stability and integrity of the foundation and geotechnical works. Foundations are designed and constructed for structures of various sizes, including high-rise buildings, bridges, and medium to large commercial buildings. Shallow and deep foundations are built for above-ground structures depending on load bearing capacity, soil settlement and ground movement beneath the foundations. Retaining structures include earth-filled dams and retaining walls. Mechanical works are carried out by trade specialists that are involved in the design and/or installation of systems including HVAC.

Construction Sector

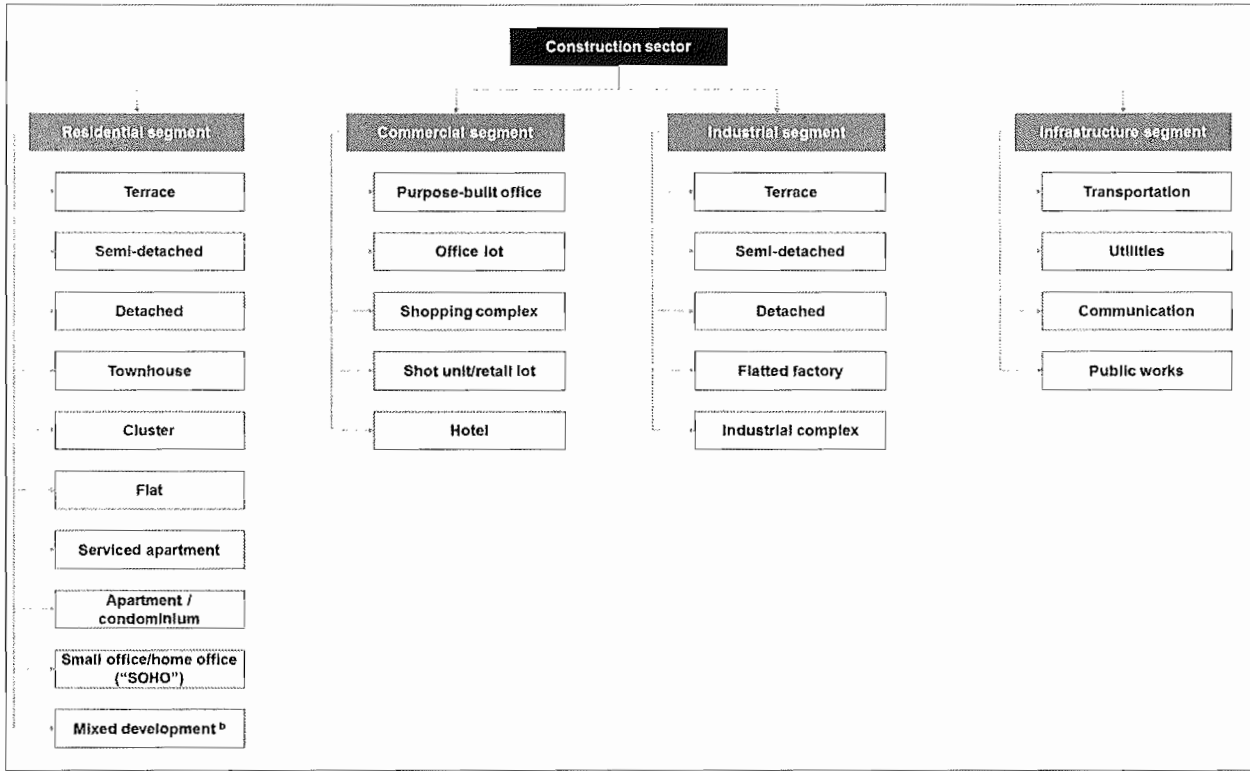
The construction sector is largely influenced by the nation's economic development as the construction of buildings and infrastructure are essential for national development and progress. The construction sector contributed to 4.2% of Malaysia's gross domestic production ("GDP") in 2015. The construction sector, can be divided into four (4) property segments, namely the residential, commercial, industrial and infrastructure property segments, whereby:

- The residential segment consists of properties intended for dwelling purposes, and include landed as well as non-landed or multi-storey buildings;
- The commercial segment consists of properties which are used for profit-driven business purposes and includes office buildings, warehouses, hotels and retail outlets;
- The industrial segment consists of buildings or structures where industrial activities are carried out, and includes factories and production plants; and
- The infrastructure segment refers to public assets which are vital to a country's economic development, and are used for purposes such as transportation, utilities management and communication, recreation and community use. This includes airports, highways and dams.

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7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

Segmentation of the construction sector in Malaysia ^a



^a The examples above are not exhaustive

^b Mixed development is classified under the residential segment as typically, the construction of shop houses and shop offices is to complement the intended residential project

Typically, activities in the construction sector consists of civil and structural works as well as mechanical and electrical works. Civil and structural works comprises building and infrastructure works as well as foundation and geotechnical works while mechanical and electrical works involves the design and/or installation of heating, ventilation and air conditioning; lift and escalator systems; fire protection systems; gas piping systems; as well as high, medium, low and ELV electrical works.

Cabinet Holdings Berhad is involved in the ELV and structured cabling industry and the ICT industry in Malaysia, which is the focus of this IMR report. The construction sector is the end user market for Cabinet Holdings Berhad's solutions and services, where these solutions and services serve the residential, commercial, industrial and infrastructure segments.

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2 ANALYSIS OF THE EXTRA LOW VOLTAGE AND STRUCTURED CABLING INDUSTRY IN MALAYSIA

Industry Performance, Outlook and Prospects

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 ("CAGR") 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, based on the value of awarded 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%.

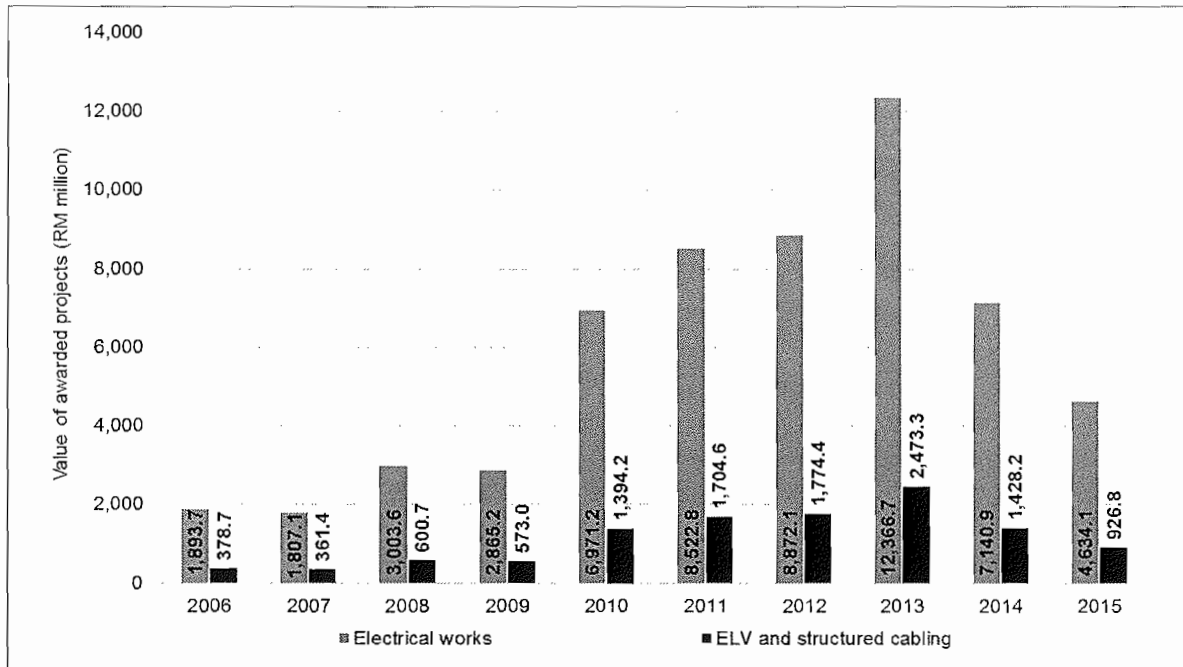
The ELV and structured cabling industry in Malaysia is measured in terms of value of awarded projects for residential, commercial, industrial and infrastructure development. In Malaysia, ELV and structured cabling projects involve the design and/or installation and/or commissioning and/or repair and maintenance of structured cabling and ELV systems, and are classified under electrical services. 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.

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7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

ELV and structured cabling industry in Malaysia – value of awarded electrical services projects ^a^a Latest available as at 14 April 2017

Source: Construction Industry Development Board ("CIDB")

Electrical services is specialised construction work that is 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. 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 residential, commercial, industrial and infrastructure property segments serve as end-users of electrical services.

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%. 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. Residential construction activities registered a CAGR of 13.8%, increasing from RM16.6 billion in 2006 to RM52.8 billion in 2015 in terms of awarded project value. In 2016, the awarded value of residential construction projects dipped to RM29.2 billion. Between 2006 and 2016, residential construction activities registered its highest year-on-year growth of 35.0% in 2012 arising from major developments such as Hampshire Place, The Troika, Brunsfield Embassy View, Gaya Bangsar, 11 Mont' Kiara, Twins @ Damansara Heights, Sunway Vivaldi and Damas Serviced Suites.

Commercial and industrial construction witnessed a growth rate of 11.3% between 2006 and 2015 in line with an increase in supply of commercial office space with the completion and launching of office towers 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 Mass Rapid Transit ("MRT") project route.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**SMITH ZANDER**

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 2.2% from RM22.2 billion in 2006 to RM29.0 billion in 2015. In 2016, the awarded value of infrastructure projects increased to RM57.5 billion. Infrastructure and social amenities construction activities are largely focused on projects identified under the Tenth Malaysia Plan ("10MP") (2011 – 2015), Eleventh Malaysia Plan ("11MP") (2016 – 2020) and the Economic Transformation Programme ("ETP") (2011 – 2020), in which the Government of Malaysia was largely focused on seeing through several of the transportation-related infrastructure projects.

The construction sector in Malaysia is expected to recover over the long-term, as witnessed by several major infrastructure construction projects highlighted in the ETP, 11MP, economic corridors, Budget 2015 and Budget 2016, including the Klang Valley MRT System Line 2, the extension of the Light Rail Transit lines ("LRT"), KL – Singapore High Speed Rail project, East Coast Rail Line, and the Penang Transport Master Plan. Furthermore, there are also several new and upcoming residential and commercial developments, including several prime commercial developments in the Klang Valley such as the development of three (3) Kuala Lumpur City Centre ("KLCC") towers for additional office, hotel and retail space, Bukit Bintang Commercial Centre, KL118 Tower, redevelopment of Angkasapuri Complex to Media City, Project MX-1 and Tun Razak Exchange; the development of IKEA store, IKANO Shopping mall and mixed development of offices and residences, and Penang Premium Outlet in Penang; Genting Integrated Tourism Plan in Genting Highlands, Pahang; the Port Dickson Waterfront Development in Negeri Sembilan and the Residential North Project in Johor. Malaysia's industrial segment continues to grow at a healthy pace spurred by strong levels of foreign and domestic investments. SMITH ZANDER expects that the construction sector will experience a decline in terms of awarded construction project values in the short-term, in line with the slower economic growth. Nevertheless, the construction sector expected to rebound in the long-term as economic conditions improve in the country.

The fall in awarded project values in 2015 and 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 Malaysia as there was a cutback in private and public expenditure on construction activities. 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.

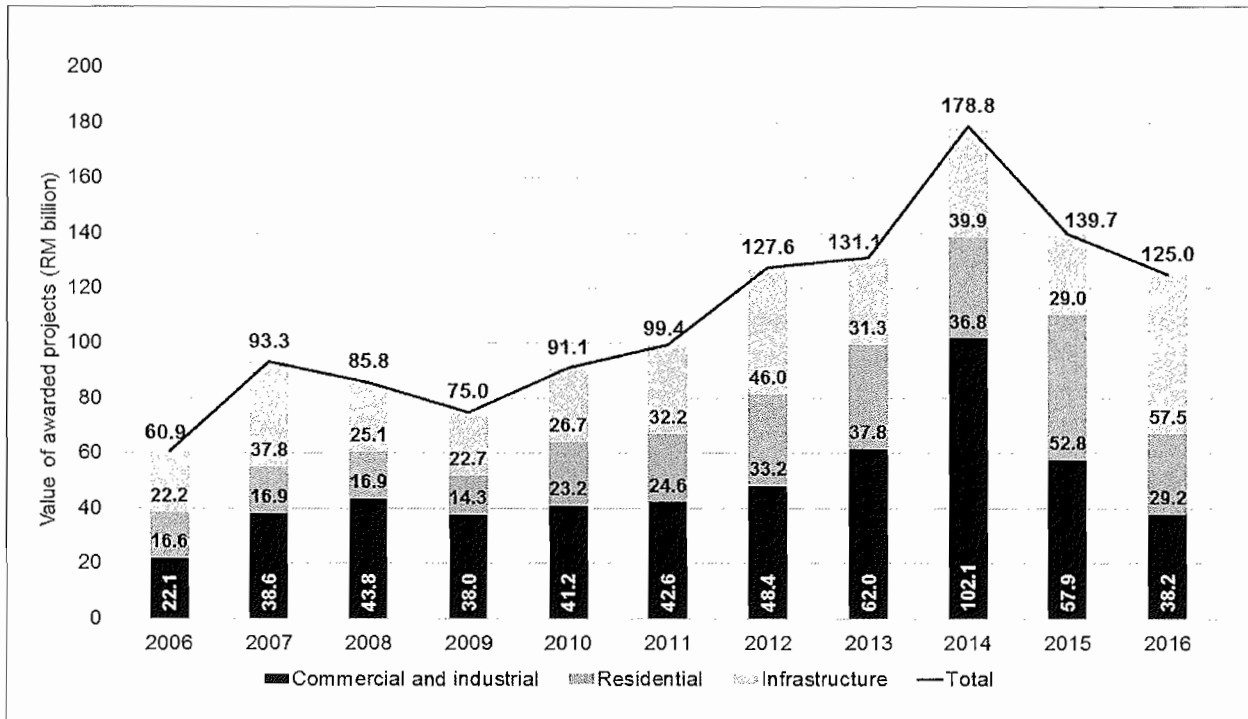
Moving forward, infrastructure and social amenities construction is expected to continue to be strongly driven by public expenditure. The 10MP identifies 52 high impact projects worth RM63.0 billion which include the Pahang-Selangor Raw Water Transfer Project with an estimated project value of RM9.0 billion, the LRT extension from Kelana Jaya to Putra Heights, Subang Jaya with a maximum contract value of RM7.0 billion and the construction of the new Low-Cost Carrier Terminal with a gross development value ("GDV") of RM2.0 billion.

With the aim of further developing the country, the Government of Malaysia also announced future development plans under the ETP in January 2011. These plans include the construction of the Klang Valley MRT system, which is estimated to cost about RM55.0 billion and KL International Financial District Development which has a GDV of RM26.0 billion. Other plans under the ETP include the development of the Pengerang Independent Deepwater Petroleum Terminal and the Refinery and Petrochemical Integrated Development ("RAPID") in Johor, with an estimated cost of over RM60.0 billion, as well as several power utilities plant developments in Pahang, Perak and Terengganu which have an estimated combined total project value of RM500.0 million.

The Government has further approved six (6) toll highways for Selangor, namely Kinrara – Damansara Expressway ("KIDEX"), East Klang Valley Expressway ("EKVE"), Sungai Besi – Ulu Klang Expressway ("SUKU"), Damansara – Shah Alam Highway, Serdang Kinrara Putrajaya Expressway ("SKIP") and West Coast Highway ("LPB"), which collectively will require an investment of RM20.5 billion.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

Value of construction projects awarded in Malaysia ^{a, b}^a Figures may not add up due to rounding^b Latest available as at 14 April 2017

Source: CIDB

Demand Conditions – Key Demand Drivers

Greater emphasis on safety and security creates demand for electrical services and specifically ELV systems

The incidence of crime around the world have influenced government spending on security measures and solutions globally. Video surveillance is increasingly becoming a method to meet the demand for greater levels of safety within the community. The decreasing equipment cost and advancement in the hardware systems and software application technologies have also spurred the adoption of video surveillance ELV systems as a crime prevention tool in private and public spaces. Video surveillance cameras are widely used to monitor, observe and analyse a person, a group, activities or even objects, and assist in deterring and detecting potential offenders and crimes, and aid police in rendering assistance effectively.

The end-user customer segments for video surveillance is wide and varied, ranging from the Government sectors to retail, financial, educational and even industrial sectors. Each customer requires surveillance for different use, in turn involving different systems requirements and equipment according to the environment it operates in.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Application of selected ELV systems

Customer segment	Functional use
Government	Public safety and facilities, prisons and correctional facilities, military operations
Manufacturing facilities	Communication infrastructure, utility plants, oil and gas facilities, mining areas
Retail	Shopping malls, business centres and shops, carpark basements
Transportation	Airports, train stations, ports, bus terminals
Financial services	Banks, automatic teller machines
Education	Schools, university campuses, carparks
Accommodation	Apartments, condominiums, hotels, carpark basements
Offices	Purpose-built offices, carpark basements
Technology facilities	Data centers

A video surveillance system typically comprises a CCTV together with digital video recorders ("DVRs"). In recent years, technological advancement and product innovation have led to:

- the conversion of CCTV cameras and digital products to IP cameras and networked or IP networked products;
- the adoption of network video recorders ("NVRs") as opposed to full DVRs and moving towards IP-based;
- the use of smart and intelligent applications such as video content analytics software; and
- improvements in storage technology in terms of capacity and scalability through the development of storage area networks.

The video surveillance system architecture today goes beyond a simple system of analogue cameras and CCTVs. Digitisation of images and transmission has opened the surveillance system to NVRs and IP systems on network, supported by a full range of hardware and software solutions such as digital and IP smart cameras, with pan tilt and zoom capabilities, time stamping, video analytics, to a range of transmission systems over wired and wireless options in network.

While video surveillance has been used widely and in public areas as a crime prevention measure in the West since early 1980s and 1990s, the adoption of video surveillance in public spaces in Malaysia is still at an early phase. In Malaysia, CCTV was first implemented by the Kuala Lumpur City Hall (DBKL) in 2002 with the purpose of monitoring traffic in the city centre using black and white cameras connected with direct cables and leased lines. Subsequently in 2003, the Ministry of Housing and Local Government issued a directive requiring all public buildings to install CCTV cameras at the car park areas. A Safe City Programme was then initiated by the Government in 2004 that included the installation of CCTV cameras as part of the 23 measures to be taken, specifically under Strategy 2 of Target Hardening.¹ Therein, the number of CCTV systems implemented by the local authorities in Malaysia increased state-wide.

The acquisition or leasing of surveillance ELV systems by local authorities is dependent upon funding provided by respective Government Ministries and also the cost of overall implementation. In Malaysia, there is a mixed or combination of approaches in the deployment and implementation of public video surveillance systems and services by the local authorities, whereby some acquire the systems while others prefer a leasing approach, depending on which is more cost effective in the long run. As funding is dependent on the sum of monies awarded by the Ministry, the number of systems deployed is usually in phases. In Malaysia, the use of video surveillance in public spaces is poised to expand. The wider implementation plan by local authorities will encourage the overall growth of electrical services in Malaysia.

¹ The strategy outlines guidelines for installation of police posts, crime prevention signages, safety mirrors and alarms, cleaning and management of unkempt areas, motorcycle locking facilities, lighting and also the installation of CCTV.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER**Greater adoption of intelligent building automation systems and integrated building automation solutions generate demand for electrical services**

Rapid changes in ICT are dominating the way people conduct their business and have also influenced daily lifestyles such as attitudes, expectations and behaviours. The demand for ICT facilities in buildings and structures has also increased dramatically to accommodate such lifestyles. In response, intelligent buildings or smart buildings have become a popular trend as building owners attempt to accommodate their building design with modern lifestyle characteristics. In Malaysia, several intelligent buildings have been built over the years since the Multimedia Super Corridor ("MSC") was introduced by the Government of Malaysia in 1996.

Today, intelligent buildings are those that incorporate the best available concepts, materials, systems and technologies. Intelligent building automation systems and integrated building automated solutions have the ability to monitor and control various facilities within a building so as to offer its users or occupants effective security, improved productivity, human comfort, and efficient energy management. The main intelligent building automation subsystems include HVAC, lighting systems, electrical power, life and safety systems and access control.

By integrating all factors in intelligent building systems, the performance requirements of building stakeholders can be achieved as well as exceeded. Thus, intelligent buildings, intelligent building automation systems and integrated building management solutions are sustainable and technologically aware, able to meet the needs of its occupants and businesses, and flexible and adaptable to deal with changes. Among the systems installed in most intelligent commercial buildings are:

- HVAC to provide thermal comfort, humidity control and adequate ventilation;
- lighting systems to provide overall illumination for all tenants and adequate lighting for public areas;
- life safety systems to provide smoke and fire detection, control and fighting;
- security systems to provide controlling access and detecting unauthorised entry;
- people movers that include elevators, escalators, travellers and automatic doors; and
- electrical power for the supply and distribution of electrical energy.

Automatic operations in intelligent buildings is made possible by sensors and controllers that are integrated in various forms in intelligent building operating systems, and can be effectively used to:

- optimise start-up and performance, and control/monitor systems;
- reduce the risk of breakdown of building services;
- increase the interaction of mechanical subsystems within a building;
- prevent deterioration of the internal environment provided by building services;
- increase reliability of system and services; and
- minimise energy, time and operating costs.

Greater awareness of the benefits of intelligent buildings, intelligent building automation systems and integrated building automated solutions and its subsequent adoption will create greater demand for the delivery of electrical services as structured cabling and ELV systems are key components of intelligent building systems.

Greater demand for residential, commercial and industrial properties result in demand for electrical services and consequently, ELV systems

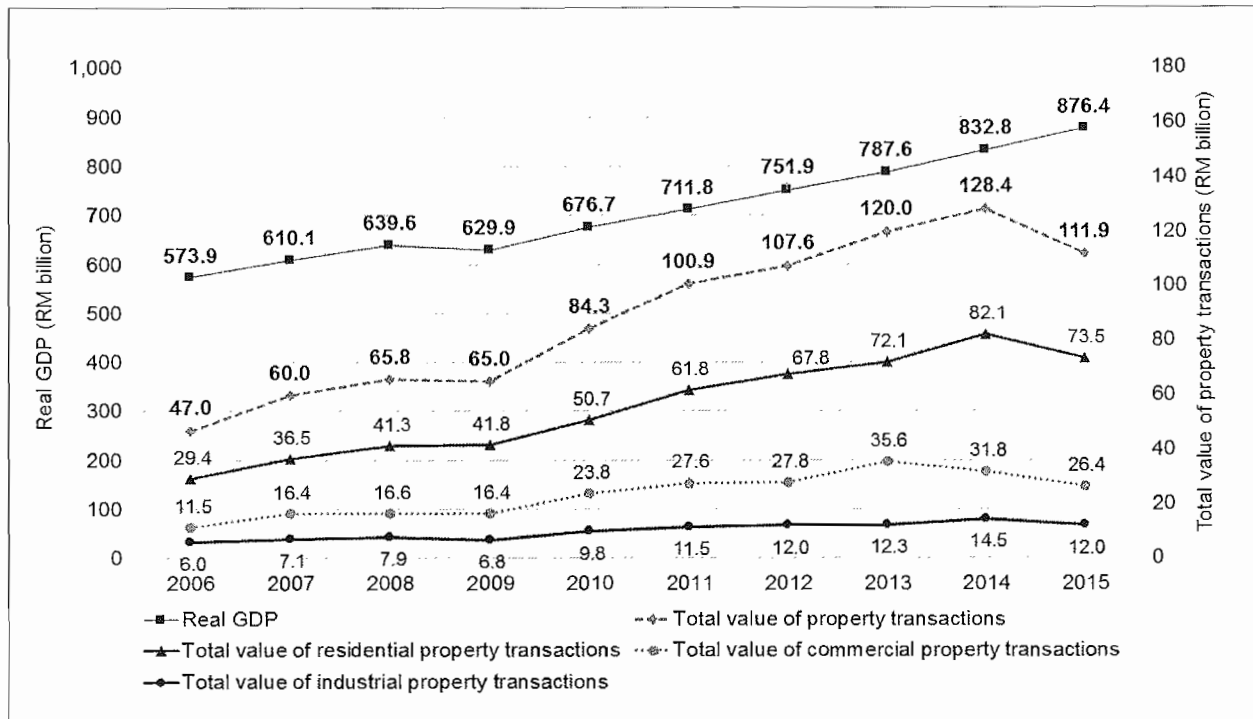
The demand for electrical services, particularly that in new development projects, is dependent on construction activities undertaken to erect residential, commercial and industrial properties. Construction activities are largely economic-driven, whereby economic growth has the potential to contribute to increased disposable incomes among the population arising from higher employment and increased earnings for businesses and companies due to greater operating scale and wider market reach, consequently leading to increased demand for residential, commercial and industrial properties, consequently leading to higher demand for electrical services.

Economic growth is a catalyst for development and growth in construction activities and demand for electrical services. Between 2006 and 2015, Malaysia's wealth, as depicted by its real GDP" increased from RM573.9 billion to RM876.4 billion. Total property transaction value increased from RM47.0 billion to RM111.8 billion between 2006 and 2015, where the residential as well as commercial and industrial property segments registered CAGRs of 10.7% and 9.7% respectively. Between the period of 2006 and 2015, the residential property segment increased from RM29.4 billion to RM73.5 billion while the commercial and industrial property segment increased from RM11.5 billion to RM26.4 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.

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7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

Economic impact on property transactions 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: Department of Statistics Malaysia, Ministry of Finance Malaysia, National Property Information Centre ("NAPIC")

Commercial property supply is expected to witness growth over the period of 2017 and 2018, thereby indicating growth opportunities for the ELV and structured cabling industry. Ongoing decentralisation of office developments, scarcity of land and plans to improve the public transportation system in Malaysia via the construction of the Klang Valley MRT System will be among the key factors that are expected to lead to a reduction in the share of office space in major city centres as new townships and business centres emerge outside these areas. Commercial retail space is expected to witness growth in the next three (3) to five (5) years as several mixed development projects that are expected to come onstream by 2017 have incorporated retail centres as key components. Mixed development projects refer to development projects that serve more than (1) use of purpose, such as mixed development projects that have residential and commercial property components to serve both residential and commercial purposes.

From a geographical perspective, the property market in the Central region, and specifically Kuala Lumpur, is expected to be rejuvenated following the Government's move to construct the Klang Valley MRT System which will have structural impact on Kuala Lumpur's property market. The high multiplier impact from the RM43.0 billion investment in the Klang Valley MRT project to improve the city rail network for better connectivity and integration, as well as sustained demand will drive opportunities in high density mixed developments and new suburban townships. Among the major upcoming commercial and mixed development projects that have been announced are the Tun Razak Exchange, MATRADE, redevelopment of Rubber Research Institute Malaysia ("RRIM") Sungai Buloh, Bandar Malaysia Sungai Besi and Kampung Baru.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

Selected upcoming major property developments in the Central region of Malaysia

Project	Type of development	Estimated land area (acres)	Estimated gross development value (RM billion)	Expected completion date
Tun Razak Exchange	Commercial	80.0	26.0	2028 (Phase 1 by 2017)
KLCC development - Lots 167, 176 and 185	Mixed development (including a 64-storey office tower)	4.0	5.0	2017
MATRADE, Hartamas	Mixed development surrounding a convention centre	62.0	15.0	2020
Cochrane	Mixed development (mainly residential and retail)	50.0	10.0	Not available
Warisan Merdeka	Commercial (100-storey office tower)	19.0	5.0	2020
Bukit Bintang Commercial Centre	Mixed development	22.0	5.0	2020
Redevelopment of RRIM Sungai Buloh	Mixed development (mainly residential)	2,330.0	10.0	2025
Bandar Malaysia Sungai Besi	Mixed development (mainly residential)	460.0	15.0	Not available
Kampung Baru	Mixed development (Malay reserve land)	375.0	20.0	Not available

Source: 10MP, ETP, Budget 2015

Specific to the state of Johor, the Comprehensive Development Plan ("CDP") (2006 – 2025) was launched for Iskandar Malaysia, encompassing 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 catalyst projects under various flagship development zones to spur Johor's 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, and consequently the demand for electrical services including ELV systems.

Growth prospects of end-user sectors drive demand for electrical services including ELV systems

Malaysia's economy registered a 4.2% growth in 2016 supported by the continued expansion of domestic demand, which was primarily driven by the private sector. Private consumption year-on-year growth moderated to 6.1% in 2016 as households adjusted their spending due to the increasing cost of living, arising from fiscal reform measures such as the implementation of Goods and Services Tax (GST) and administrative price adjustments, and the depreciation of the Ringgit against the United States Dollar. Private investment registered a growth of 4.4% in 2016.

The services sector remains the driver of growth, contributing 54.2% to GDP in 2016. Given its importance, the Government formulated the Services Sector Blueprint 2014 to further develop the sector and strengthen its competitiveness. In this respect, the Services Sector Blueprint 2014 focuses on four (4) areas, namely internationalisation which includes liberalisation and services exports; providing efficient tax and non-tax incentives; developing human capital; and implementing regulatory reform in the services sector. With the

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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implementation of the Services Sector Blueprint 2014, the services sector is targeted to achieve approximately 60.0% share of GDP by 2020, on par with that of developed economies.

A positive growth is also expected for the outlook for the manufacturing sector led by the export-oriented industries, which are expected to record higher growth in line with the improvement in external demand. The continued implementation of various construction projects in Malaysia will support growth in the construction-related cluster. The construction sector is expected to witness recovery over the longer term, as the completion of several large civil engineering projects will more than offset the progress in existing projects in the transport, utility, and oil and gas sectors.

The positive growth recorded in Malaysia's economy and the manufacturing sector would lead to an increase in the demand for commercial and industrial properties, and subsequently, the demand for electrical services and the installation of multiple ELV systems. 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. To achieve this, rapid urbanisation is required, and subsequently, the demand for supporting infrastructure is expected to increase in tandem to support economic growth targets.

Economic growth of end-user sectors in Malaysia

	2016p	2015	2016p
	% of GDP ¹	Annual change (%)	
Services	54.2	5.1	5.6
Manufacturing	23.0	4.9	4.4
Mining and quarrying	8.8	4.7	-5.1
Agriculture	8.1	1.2	
Construction	4.5	8.2	7.4
Real GDP	100.0	5.0	4.2

¹ Figures may not necessarily add up due to rounding and exclusion of import duties component
p Preliminary

Source: Ministry of Finance Malaysia

Availability of investments drive overall economic growth, and subsequently, demand for electrical services

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 foreign direct investments ("FDI") accounted for the remaining RM59.0 billion or 28.4%. Between 2006 and 2016, FDI inflows into Malaysia increased from RM26.2 billion to RM59.0 billion at a CAGR of 8.5%.

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 RM28.3 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 billion), financial services segment (RM13.7 billion), utilities (RM10.6 billion) and distributive trade segment (RM9.7 billion). The global establishment segment refers to establishments set up by global companies in Malaysia

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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comprising among others, representative offices, regional offices, operational headquarters, global operation hubs, regional distribution centres, international procurement centres, treasury management centres and principal hubs. The distributive trade segment comprises among other, wholesale and retail trade; hypermarkets/supermarkets, department stores and direct selling; franchising; and the marketing and distribution of petroleum.

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 grow in terms of current business practices and infrastructure in order to expand in scale and reach. This signifies positively for the commercial and industrial property segments, and the infrastructure and social amenities development segments in Malaysia, where increased investments in business facilities are expected to witness growth resulting from increased total investments. Growth in commercial, industrial as well as infrastructure development indicate potential growth opportunities for electrical services, where multiple ELV systems and corresponding structured cabling infrastructure will be required by these developments.

Government expenditure to drive infrastructure development generates demand for construction services, and consequently electrical services

In addition to the 10MP and ETP, the Government of Malaysia in the Budget 2015 announced the launch of the 11MP commencing May 2015, and the formulation of the Malaysian National Development Strategy ("MyNDS"). MyNDS will be the vehicle for planning and preparation of programmes and projects under 11MP, with an emphasis on using limited resources optimally, with focus on high impact projects and programmes at low cost as well as efficient and rapid implementation. Budget 2016 was announced in the second half of 2015 and marked the start of the final five (5) years of Malaysia's progression towards achieving high-income advanced economy status by 2020.

In October 2015, the Government of Malaysia announced the Budget 2016, whereby the Government will take measures to ensure that the country will achieve sustainable economic growth. Under Budget 2016, the Government announced several infrastructure projects that will result in greater demand for construction services.

Infrastructure projects announced under Budget 2016 in Malaysia

Measure	Project	Committed investment (RM billion)
Improving infrastructure	Implementation of the Jalan Tun Razak Traffic Dispersal Project through a strategic public and private partnership	0.9
	Construction of Mukah Airport, Sarawak as well as the upgrading of airports in Kuantan and Kota Bharu	0.04
	Implementation of the Mass Rapid Transit II project from Sungai Buloh – Serdang – Putrajaya spanning 52 kilometres ("km")	28.0
	Implementation of the LRT 3 project from Bandar Utama, Damansara – Johan Setia, Klang spanning 36 km	10.0
	Implementation of the Rapid Transit Bus project	1.5
	Implementation of the Kota Kinabalu Rapid Transit Bus project	1.0
	Rural broadband projects which will result in a fourfold increase in	1.2

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

Measure	Project	Committed investment (RM billion)
	Internet speed from five (5) megabytes per second to 20 megabytes per second, National Fibre Backbone Infrastructure, high-speed broadband, and undersea cable system	
	National broadcasting digitilisation project to enhance audio visual quality and provide value-add to television content as well as interactive data transactions	0.3
	Building and upgrading 700 km of rural roads nationwide	1.4
	Upgrading of roads in Federal Land Development Authority settlements	0.7
	Implementation of the Rural Electrification Project covering 10,000 houses	0.9
	Implementation of the Rural Water Supply Project to benefit 3,000 houses	0.6
	Implementation of the Social Amenities Programme for drainage projects to mitigate floods	0.06
	Continuation of the Rural Business Challenge and Sustainable Rural programmes	0.07
	Majlis Amanah Rakyat Bus Transport Project for operating buses on uneconomical routes in rural areas	0.07
Intensifying development in Sabah and Sarawak	Sarawak Pan-Borneo Highway spanning 1,090 km	16.1
	Construction of the 706 km highway from Sindumin to Tawau	12.8
Increasing quality of life for Bottom 40% ("B40") households	Implementation of infrastructure projects and soft loan programmes for residents in Chinese New Villages for land premium payment and repairing houses	0.04
	Development of Integrated Villages including those in Sungai Siput, Perak which involves the construction of connecting roads, provision of electricity and treated water	0.08

Source: Ministry of Finance Malaysia

In January 2016, the Government announced a revision to the Budget 2016 following the global economic slowdown, and the continued decline in global crude oil prices. Despite a revenue shortfall resulting from lower crude oil prices, the Government will take measures to ensure that economic growth remains on a strong trajectory. Specific to the construction sector, the Government is committed to ensuring that the developmental expenditure allocated under Budget 2016 will be spent on projects and programmes that are *rakyat*-centric, as well as with high multiplier effect and low import content. Physical projects that will be prioritised include construction of affordable houses, hospitals, schools, roads and public transport as well as security. However, non-physical projects that are still under study will be rescheduled, and thus, is expected to result in a RM5.0 billion reduction in cash flow commitments.

In May 2015, the Government tabled the 11MP which outlined the nation's development expenditure until 2020. The 11MP is significant as it is the final five (5)-year phase before Vision 2020 is achieved, and it provides a crucial platform to ensure that Malaysia transitions into an advanced economy and inclusive nation.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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

Focus area	Description
Accelerating regional growth for better geographic balance	<ul style="list-style-type: none"> ▪ 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 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 Sarawak Corridor of Renewable Energy ("SCORE") and Sabah Development Corridor ("SDC"); Central Spine Road and Kota Bharu – Kuala Krai Highway to increase connectivity in East Coast Economic Region ("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.
Adopting the sustainable consumption and production concept	<ul style="list-style-type: none"> ▪ Encouraging widespread adoption of green buildings criteria New government buildings will adopt green features and designs, and use green building materials as per the Skim Penarafan Hijau Jabatan Kerja Raya Malaysia. Existing government buildings will be gradually retrofitted. Industry players will also be encouraged to obtain green certification for private buildings such as GreenPASS and the Green Building Index.
Building an integrated need-based transport system	<ul style="list-style-type: none"> ▪ 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 short take-off and landing airstrips ("STOL ports"). The

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Focus area	Description
	<p>construction of a new airport in Mukah will be completed in 2018 and the relocation of Lawas STOL port in Sarawak to a suitable site will be carried out.</p> <ul style="list-style-type: none"> ▪ Upgrading air navigation system and airport infrastructure A new Kuala Lumpur Air Traffic Control Centre will be built at Kuala Lumpur International Airport ("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.
Encouraging sustainable energy use to support growth	<ul style="list-style-type: none"> ▪ Supporting the development of Pengerang Integrated Petroleum Complex ("PIPC") The 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 megawatt ("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.
Transforming construction	<ul style="list-style-type: none"> ▪ 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 small and medium enterprises ("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 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 systems 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 ("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

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

Focus area	Description
	<p>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 the environment management system ("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 ("HSE"), where HSE 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.</p> <ul style="list-style-type: none"> Increasing the internationalisation of construction firms The strategies to increase the internationalisation of firms will focus on building capability and scale of firms by encouraging high performing 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 Services Export Fund ("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.

Source: Economic Planning Unit Malaysia

In October 2016, the Government of Malaysia announced the Budget 2017, whereby the Government will take measures to ensure that the country will achieve sustainable economic growth. Upon the conclusion of the Budget 2017, the Government will launch the 2050 National Transformation which will be branded as TN50. TN50 will chart the nation's development and will be spearheaded by the Ministry of Youth and Sports. Under Budget 2017, the Government announced several social amenities and infrastructure projects that will result in greater demand for construction services.

Construction projects announced under Budget 2017 in Malaysia, specific to social amenities and infrastructure

Measure	Project	Committed investment (RM billion)
Implementation of <i>rakyat</i> -centric projects and programmes	Installation of 97,000 street lights and 3,000 light emitting diode lights at crossroads	Not available
	Building and upgrading 616 km of village roads and bridges	1.2
	Maintenance of state roads under the Malaysian Road Records Information System	4.6
	Increase of clean water supply to 5,200 houses, including the upgrade of FELDA water supply system	0.732
	Establishment of a Water Supply Fund to address water supply issues throughout Malaysia	0.5
	Provision of electricity supply to 10,000 houses in rural areas	0.46
	Implementation of People-Friendly Projects, which includes upgrading and building <i>surau</i> , small bridges, drainages, community halls, markets and kiosks	0.8
	Continuation of a total of 69 flood mitigation plans nationwide	0.495

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Measure	Project	Committed investment (RM billion)
Sports development	Construction of Football Academy Phase II in Gambang, Pahang	0.05
	Construction and upgrading of sports facilities including States Youth and Sports Complex, 1Malaysia Futsal Complex and Community Sports Complex	0.122
Improve healthcare	Building and upgrading new hospitals and clinic in Perlis, Kuching, Mukah, Jempol, Muar and Johor Bahru	Not available
	Upgrading hospital facilities	0.536
	Allocation for the operations of 340 1Malaysia clinics, 11 1Malaysia mobile clinics, 959 health clinics and more than 1,800 existing rural clinics	4.5
Increase food production with competitive prices	Development of agricultural infrastructure such as drainage and irrigation, farm roads and marketing of agricultural products	1.3
Flood mitigation	Upgrading drainage system and construction of two (2) Overhead Motorcycle Ramps at the Federal Highway in Selangor	0.029
Stimulate private investment	Implementation of major infrastructure projects which includes the upgrade of Jalan Lok Kawi – Pengalat – Papar, Sabah; upgrade of Jalan Kampung Keruak – Gua Musang – Kuala Berang; construction of batang Lupar Bridge, Sri Aman; and the reconstruction of Sandakan Power Station Project	Not available
	Infrastructure and socioeconomic development of the five (5) economic corridors, namely Iskandar Malaysia, Northern Corridor Economic Region (“NCER”), ECER, SDC and SCORE	2.1
Increase exports	Upgrading estate roads	0.02
Primary and secondary education	Reconstruction of 120 destitute schools, comprising 60 in Peninsular Malaysia, 30 in Sabah and 30 in Sarawak using industrial building systems as well as upgrade of 1,800 science laboratories	0.57
	Completion of the construction of 227 primary and secondary schools throughout Malaysia, including eight (8) new schools	0.478
	Allocation to Special Fund for Improvement and Maintenance of Schools	0.6
Public transport	Implementation of the new East Coast Rail Line (600 km) project connecting Klang Valley to the East Coast	55.0
	Restoration of the East Coast railway line along Gua Musang – Tumpat	0.1
Welfare of Orang Asli	Implementation of treated water supply projects at 42 Orang Asli villages, entrepreneurship and economic development programmes, village resettlement, among others at Sungai Ruli, Cameron Highlands	0.222
Security and public order	Building and upgrading roads under the Jiwa Murni Programme in the interiors of Sarawak	0.114

Source: Ministry of Finance Malaysia

The spillover effect from the implementation of these infrastructure projects will benefit the ELV and structured cabling industry, creating opportunities for the installation of electrical wiring, electrical equipment and ELV systems.

Key Supply Conditions

Availability of skilled technical professionals to deliver electrical services

Skilled technical professionals are involved in the design and/or installation and/or commissioning and/or repair and maintenance of structured cabling and ELV systems that comprise, among others, structured cabling, telecommunications systems, security and surveillance systems and access control systems.

Skilled personnel are also required for the design phase of electrical wiring, electrical equipment and ELV systems, as an integrated approach to design, installation and maintenance can enhance their inherent relationship and prevent mistakes from the lack of understanding and communication; facilitate practical functions such as the consideration of maintenance in the early design stage; and fulfil its design intention in the maintenance process by taking the right procedures for the problems encountered.

The performance of buildings is largely dependent on the quality of their design and the operation and maintenance of their internal systems. Conventionally, these two (2) phases of building development take place independently of each other. However, each individual process involved in building development, from building design, construction, to the operation and maintenance, is related and dependent on each other, and the degrees of their interaction significantly influences the end result. An experienced and skilled professional will be able to propose a design that is effective, efficient, easily installed with minimal maintenance needs, and fulfills the functional and intrinsic needs of property stakeholders.

Rapid technological changes in product development, network and systems integration create new products and systems and/or enhanced features for existing products and systems

Rapid technological changes and evolution on multiple fronts have enhanced the ELV and structured cabling industry in that it has led to the development of new products and systems and/or enhanced features for existing products and systems. In the safety and surveillance ELV system, CCTV technology has developed over the last three (3) decades as a result of changing end-user demands as well as evolving technologies. End-user demands for CCTV include the need for enhanced image quality, simplified installation and maintenance, secure and reliable technology, longer retention of recorded video, reduction in costs, size and scalability, remote monitoring capabilities, integration with other systems, as well as greater integrated system intelligence. To meet these requirements, video surveillance has experienced a number of technology shifts, from analog CCTV surveillance to fully digital, network-based video surveillance systems.

The video surveillance system architecture today goes beyond a simple system of analogue cameras and CCTVs. Digitisation of images and transmission has opened the surveillance system to digital video recorders, NVRs and IP systems on network, supported by a full range of hardware and software solutions such as digital, IP and smart cameras, with pan, tilt and zoom capabilities, time stamping, video analytics, to a range of transmission systems over wired and wireless options in network. Moving forward, surveillance systems are expected to further improve over the coming years especially in the areas of product development, network, investments and systems integration as a result of technological advancement.

Product/Service Substitution

The delivery of electrical services pertains to the design and/or installation and/or commissioning and/or repair and maintenance of structured cabling and ELV systems that comprise, among others, structured cabling, telecommunications systems, security and surveillance systems and access control systems. Thus, there is no comparable substitute for electrical services.

However, industry players differentiate themselves through specialisation in the type of electrical service (i.e. structured cabling and ELV systems), price points (luxury, high cost, medium cost and low cost properties), service specialisation (i.e. design versus installation versus repair and maintenance) and regional presence.

Many industry players are able to straddle multiple segments, in that they have wide service specialisations across multiple electrical services and price points in the different regions and/or states in Malaysia.

Reliance and Vulnerability to Imports

The delivery of electrical services in Malaysia is not dependent on imports as electrical services is a service that is primarily provided by local ELV and structured cabling industry players, with the exception of selected large projects where foreign companies may be involved. Nevertheless, SMITH ZANDER notes that industry players may be dependent on the imports of electrical components and parts for the installation of ELV systems.

Competitive Landscape

The ELV and structured cabling industry in Malaysia is competitive owing to the large pool of industry players that compete for public and private residential, commercial and industrial, and infrastructure electrical services projects in the country. The ELV and structured cabling industry comprises industry players that are

- distributors who are also installers of electrical wiring and fittings, electrical equipment, ELV systems, components and parts comprising industry players who are brand and/or product distributors that also secure contracts to install ELV systems and structured cabling;
- installers of electrical wiring, electrical equipment and ELV systems comprising industry players that secure contracts to install ELV systems and structured cabling; and
- system integrators who deploy ELV systems.

The nature of the ELV and structured cabling industry in Malaysia is dynamic, whereby end customers have the option to award contracts for the supply of hardware and provision of services and solutions directly to distributors, or engage installers and/or system integrators:

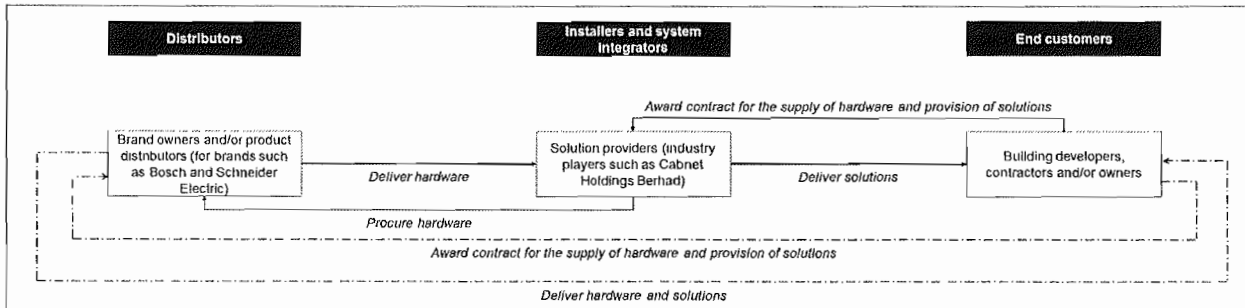
- In the instance where end customers award contracts directly to distributors, brand owners and/or product distributors deliver hardware, services and solutions directly to building developers, building contractors and/or building owners;
- In the instance where end customers award contracts to installers and/or system integrators, services and solution providers such as Cabnet Holdings Berhad, deliver hardware, services and solutions to building developers, building contractors and/or building owners. These installers and/or system integrators procure the necessary hardware for ELV and structured cabling from brand owners and/or product distributors.

In these instances, installers and/or system integrators act as solution providers to building developers, building contractors and/or building owners, where they are engaged to deliver services including design, supply, installation, testing, commissioning and end user training for ELV systems and structure cabling.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Dynamics of the ELV and structured cabling industry in Malaysia



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.

There are over 100 industry players in Malaysia's ELV and structured cabling industry that comprise industry players that are distributors who are also installers of electrical wiring and fittings, electrical equipment, ELV systems, components and parts; installers of electrical wiring, electrical equipment and ELV systems; and system integrators who deploy ELV systems. Nevertheless, there are barriers to entry in large private and public projects, where key determining criteria for the appointment of ELV and structured cabling contractors include historical track record, financial strength and ownership of the Certification of Registration issued by the CIDB.

The Certification of Registration issued by the CIDB can be classified into seven (7) grades with each grade having different tendering capacity. Cabnet Holdings Berhad's subsidiaries, namely Cabnet Systems (M) Sdn Bhd and Cabnet Systems (Penang) Sdn Bhd are registered as Grade 7 and Grade 3 contractor companies respectively with the CIDB. As at 31 December 2016, there were a total of 6,868 Grade 7 registered contractors in Malaysia, comprising contractors registered under the categories of building construction civil engineering as well as mechanical and electrical respectively.

Based on publicly available information, industry players in Malaysia's ELV and structured cabling industry include, but are not limited to Cabnet Holdings Berhad, Advantis Network & Systems Sdn Bhd, A.F.S. Engineering (Malaysia) Sdn Bhd, Bond M&E Sdn Bhd, Cyberlan Integral Sdn Bhd, EV-Dynamic Sdn Bhd, VADS Lyfe Sdn Bhd (formerly known as GTC Global Sdn Bhd), GSF Solutions Sdn Bhd, KUB Telekomunikasi Sdn Bhd, MCC Technique Sdn Bhd, Methods Alliance Engineering Sdn Bhd, Metronic Global Berhad, S.A.S. Eitel Sdn Bhd, SKLA Engineering Sdn Bhd and System Communication Engineering Sdn Bhd.

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7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

ELV and structured cabling industry in Malaysia – profiles of selected identified industry players

Industry player	Geographical presence	CIDB construction registration grade (as per filings on the CIDB)	Principal business activities (as per filings with Companies Commission of Malaysia)	Range of services	Latest available audited financial year ended	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
A.F.S. Engineering (Malaysia) Sdn Bhd	Selangor, Sarawak	G7	Consultants and management of and for all kinds of mechanical, civil, electrical and all types of engineering works and as suppliers of equipment tools	Audio visual/audio visual information technology, lighting and rigging, studio and broadcasting, extra low voltage, information technology	31 December 2015	57,314,900	2,418,216	1,650,306
Advantis Network & System Sdn Bhd	Selangor	G7	Trading of computer equipment, maintenance, system design, cable installation and project management services	Structured cabling; network system; network security, performance and management solutions; information technology; surveillance and security; convergence and multimedia; IT facilities and infrastructure; lighting control and automation; project management; installation; design; implementation; testing	31 March 2016	3,460,610	-670,841	-676,841

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

Industry player	Geographical presence	CIDB construction registration grade (as per filings on the CIDB)	Principal business activities (as per filings with Companies Commission of Malaysia)	Range of services and commissioning; maintenance and support	Latest available audited financial year ended	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
Amptech M&E Sdn Bhd	Selangor	G5	Construction of electrical installation and related accessories	High voltage and low voltage electrical services for high rise buildings, hospitals, industrial and oil tank farms; LED lighting systems; fibre optics telecommunication systems; ELV systems; lighting protection and earthing systems; structured cabling systems; green building facilitator services; energy efficiency and monitoring system	30 June 2016	213,418	-258,197	-246,949
Blitecon Engineering Sdn Bhd	Selangor, Sarawak, Perak	G6	Business as contractors and subcontractors in construction of house and buildings	High tension electrical services, low voltage electrical services, standby generator services, telephone services, public address system, card access,	30 April 2016	3,216,826	-58,308	-66,273

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Industry player	Geographical presence	CIDB construction registration grade (as per filings on the CIDB)	Principal business activities (as per filings with Companies Commission of Malaysia)	Range of services	Latest available audited financial year ended	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
Bond M&E Sdn Bhd	Kuala Lumpur, Johor, Singapore	G7	Designing, supervision and installation of electrical and mechanical works	CCTV and multiple access television services Mechanical engineering, high voltage and ELV electrical engineering, electrical services, air conditioning and mechanical ventilation systems and mechanical works, fire safety, control and troubleshooting	30 June 2016	87,834,308	12,027,697	9,013,308
Brite Lite Electrical Engineering Sdn Bhd	Kuala Lumpur	G7	Electrical engineering and installation contract works	Electrical engineering works and telecommunication systems for industrial and residential buildings and security systems	31 December 2015	3,867,117	-149,636	-165,387
Cabinet Holdings Berhad ^a	Johor, Kuala Lumpur, Penang	G3 and G7	Building management solutions comprising structured cabling and ELV systems for buildings and other	Building management solutions comprising structured cabling and ELV systems for buildings and other	31 December 2016	50,844,014	6,747,241	6,410,838

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Industry player	Geographical presence	CIDB construction registration grade (as per filings on the CIDB)	Principal business activities (as per filings with Companies Commission of Malaysia)	Range of services facilities, and IT services	Latest available audited financial year ended	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
Cyberian Integral Sdn Bhd	Selangor	G7	Engaged in the supply and installation of surveillance system, integrated security system and the provision of engineering services	ICT structured cabling systems, ICT and telecommunication infrastructure design and construction, enterprise and small business products supplies and networking services, security surveillance systems (CCTV) cabling and installation services	31 December 2015	5,892,327	234,045	140,522
EV-Dynamic Sdn Bhd	Selangor	G7	Electrical engineering and installation contract works	Intelligent transport system solutions, security solutions, railway solutions, engineering solutions	31 December 2015	99,485,435	8,708,480	6,515,210
Fulloop Sdn Bhd	Selangor	G7	Supplies of material and devices in electricity control including instrument, mechanical and piping installation in petrochemical, petroleum and other	Electrical power distribution systems, LV and ELV electrical services, explosion protected equipment and systems, control and instrumentation	31 October 2015	39,464,182	451,082	235,683

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Industry player	Geographical presence	CIDB construction registration grade (as per filings on the CIDB)	Principal business activities (as per filings with Companies Commission of Malaysia)	Range of services	Latest available audited financial year ended	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
Jana Atur Sdn Bhd	Selangor	G4	Industries Information technology works and information technology consultancy	systems, manpower supply and project management services ICT infrastructure consultation, network design and implementation, maintenance and technical support, training	31 January 2015	11,062,403	51,120	10,486
KUB Telekomunikasi Sdn Bhd	Selangor	G7	Assembling, commissioning and maintenance of information technology and telecommunication equipment	Telecommunications and network installation, testing and commissioning, maintenance	31 December 2015	31,532,000	8,157,000	6,900,000
Letrik P.J. Union Sdn Bhd	Selangor	G7	Electrical contractor and investment in properties	Supply, installation, testing and commissioning of high tension and low tension power systems, electrical equipment, light fittings, cable laying, street lighting, telephone works, sound systems, air conditioning works.	31 December 2015	48,929,219	-318,430	-387,258

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

Industry player	Geographical presence	CIDB construction registration grade (as per filings on the CIDB)	Principal business activities (as per filings with Companies Commission of Malaysia)	Range of services	Latest available audited financial year ended	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
MCC Technique Sdn Bhd	Selangor	G7	Project management and distribution of electrical switch boards and electronic products	ventilation systems, fire protection systems Mechanical and electrical contracting, mechanical and electrical service and maintenance, ELV systems, LV switchboard manufacturing	31 December 2012	29,256,609	1,656,347	831,779
Methods Alliance Engineering Sdn Bhd	Kuala Lumpur, Sabah	G5	Trading in electrical and telecommunication equipment and the provision of related engineering and electronic contract services	Telecommunications technology, audio and visual technology, security technology, broadcast technology, IT	31 October 2015	6,532,344	137,131	62,664
Metronic Global Berhad ^b	Selangor, Penang, Johor, Sarawak, Putrajaya, People's Republic of China, India	G7	Investment holding	Integration of building management systems, integration of security management systems, industrial automation, ICT support systems, ELV systems	31 December 2015	36,335,423	3,503,162	4,060,678
SKLA	Johor, Sabah	G3	Electrical and	Supply and	31	36,335,423	3,503,162	3,260,741

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

Industry player	Geographical presence	CIDB construction registration grade (as per filings on the CIDB)	Principal business activities (as per filings with Companies Commission of Malaysia)	Range of services	Latest available audited financial year ended	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
Engineering Sdn Bhd			electronics contractor	installation of transformers; installation of vacuum circuit breakers; supply, delivery, installation, testing and commissioning of ELV systems	December 2015			
System Communication Engineering Sdn Bhd	Johor	G5	Dealers and contractor for telecommunication and electrical equipment	Security systems, ELV systems, integrated audio visual systems, lighting and draperies	30 June 2015	11,160,185	1,445,513	1,074,506
VADS Lyfe Sdn Bhd (formerly known as GTC Global Sdn Bhd)	Kuala Lumpur	G7	Trading, leasing and installing cellular and telecommunication equipment and trading in related products accessories	CCTV and surveillance systems, building management systems, network and broadband solutions	31 December 2015	50,392,308	-18,034,997	-17,980,606
YFG Berhad ^{5, 6}	Selangor, Sabah	G7	Investment holding and provision of management services	Electrical engineering, mechanical engineering, building construction, power infrastructure, water engineering, renewable energy,	30 September 2015	70,889,716	-43,599,415	-46,066,556

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

Industry player	Geographical presence	CIDB construction registration grade (as per filings on the CIDB)	Principal business activities (as per filings with Companies Commission of Malaysia)	Latest available audited financial year ended	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)

^a The G3 and G7 CIDB construction registrations for Cabnet Holdings Berhad are held under its wholly-owned subsidiaries Cabnet Systems (M) Sdn Bhd (G7) and Cabnet Systems (Penang) Sdn Bhd (G3) respectively
^b The G7 CIDB construction registration for Metronic Global Berhad is held under its wholly-owned subsidiary Metronic Engineering Sdn Bhd
^c The G7 CIDB construction registrations for YFG Berhad are held under its wholly-owned subsidiaries YFG Engineering Sdn Bhd (G7) and YFG Troika Sdn Bhd (G7) respectively
^d The revenue, profit before tax and profit after tax of YFG Berhad in the financial year ended 30 September 2015 is for a 15-month period i.e. from 1 July 2014 to 30 September 2015. Latest available as at 14 April 2017

Source: CIDB, Companies Commission of Malaysia, Cabnet Holdings Berhad, Metronic Global Berhad, YFG Berhad, Company websites

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Relevant Laws and Regulations

The relevant laws and regulations pertaining to the delivery of electrical services in new development projects relates closely to the laws and regulations that govern construction activities in Malaysia, which include, but are not limited to, the following:

Construction Industry Development Board Act 1994 (also known as Act 520)

The CIDB was established under the Construction Industry Development Board Act 1994 to promote, stimulate, regulate and standardise the construction industry, where specifically CIDB is granted power to accredit and register contractors and to cancel, suspend or reinstate the registration of any registered contractor. Under the Construction Industry Development Board Act 1994, no person is allowed to carry out and complete any construction works unless he is registered with the CIDB and holds a valid certification license issued by the CIDB. A penalty not exceeding RM50,000 shall be imposed on persons carrying out construction works without being registered by the CIDB. Persons that are carrying out construction works for the purpose of building a residence for his own use or who employs less than three (3) workers is exempt from registration with the CIDB. Persons/individuals, sole proprietors, partnerships, private limited companies, public limited companies and/or cooperatives must comply to and fulfil criteria prior to registration with CIDB.

The Certification of Registration issued by the CIDB is valid for a minimum period of one (1) year and a maximum term not exceeding three (3) years, unless cancelled, suspended or revoked earlier by the CIDB. There are three (3) categories of registrations, namely building construction, civil engineering construction and mechanical and electrical. The scope of registration can be further classified into seven (7) grades with each grade having different tendering capacity.

CIDB construction registration criteria in Malaysia

Grade	Tendering capacity	Paid-up capital/ net capital worth (RM)	Personnel technical requirement	Category	Registration fee per annum (RM)	Processing fee (RM)
G1	Not exceeding RM200,000	5,000	▪ Course certificate in construction-related fields/ experience	Civil engineering construction, building construction, mechanical and electrical	20	50
G2	Not exceeding RM500,000	25,000	▪ Course certificate in construction-related fields/ experience		80	
G3	Not exceeding RM1,000,000	50,000	▪ Course certificate in construction-related fields/ experience		150	
G4	Not exceeding RM3,000,000	150,000	▪ One (1) diploma holder in construction-related fields/ degree holder with experience in construction works		350	
G5	Not exceeding RM5,000,000	250,000	▪ One (1) degree holder in construction-related fields or one (1) diploma holder in		700	

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Grade	Tendering capacity	Paid-up capital/ net capital worth (RM)	Personnel technical requirement	Category	Registration fee per annum (RM)	Processing fee (RM)
			construction-related fields/ degree holder with minimum five (5) years of experience in construction works			
G6	Not exceeding RM10,000,000	500,000	<ul style="list-style-type: none"> ▪ One (1) degree holder in construction-related fields and one (1) diploma holder in construction-related fields/ degree holder, where one (1) must possess minimum three (3) years of experience in construction works 		1,000	
G7	No limit	750,000	<ul style="list-style-type: none"> ▪ One (1) degree holder in construction-related fields and one (1) diploma holder in construction-related fields/ degree holder where both must possess minimum five (5) years of experience in construction works; or ▪ Two (2) degree holders in construction-related fields, where one (1) must possess minimum five (5) years of experience in construction works 		1,400	

Source: Construction Industry Development Board Act 1994

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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List of specialisations for contractor registration under CIDB construction registration criteria in Malaysia

Category	Specialisation	Description
Building construction	B01	Industrial building systems: prefabricated concrete system
	B02	Industrial building systems: steel frame system
	B03	Restoration and conservation
	B04	Building general works
	B05	Piling works
	B06	Concrete repair work
	B07	Interior decoration
	B08	Water proofing installation
	B09	Landscaping
	B10	Internal plumbing installation
	B11	Signage installation
	B12	Aluminium/steel and glass works
	B13	Tile installation and plastering works
	B14	Paint works
	B15	Roof installation and metal cladding
	B16	Construction and installation of swimming pool equipment
	B17	Pre-stressing and post-tensioning works
	B18	Metal works
	B19	Industrial building systems: formwork system
	B20	Indoor gas pipeline installation
	B21	Scaffolding installation
	B22	Industrial building systems: block system
	B23	Industrial building systems: wood frame system
	B24	Building maintenance works
	B25	Private pipe connection to sewerage
	B26	Demolition works
	B27	Water supply and sewerage system maintenance services
	B28	Miscellaneous works
Civil engineering	CE01	Road and pavement construction
	CE02	Bridge construction
	CE03	Marine structures
	CE04	Dams
	CE05	Tunnels and underpinnings
	CE06	Flood control system
	CE07	Railway tracks
	CE08	Slope protection system
	CE09	Oil or gas pipelines
	CE10	Piling works
	CE11	Concrete repair works
	CE12	Soil investigation
	CE13	Signage installation
	CE14	Landscaping
	CE15	Offshore works
	CE16	Underwater construction works and maintenance
	CE17	Airports
	CE18	Reclamation works
	CE19	Sewerage system
	CE20	Water supply system
	CE21	General civil engineering works
	CE22	Synthetic game field tracks
	CE23	Pre-stressing and post-tensioning works
	CE24	Civil engineering structures

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Category	Specialisation	Description
	CE25	Rock blasting works
	CE26	Sculptured structures
	CE27	Heat insulation/refractory works
	CE28	Special cast system
	CE29	Scaffolding installation
	CE30	Soil stabilisation, subterranean drainage
	CE31	Telecommunications civil engineering works
	CE32	Civil engineering maintenance works
	CE33	Drilling for underground water
	CE34	Pre-cast concrete installation work
	CE35	Concrete test
	CE36	Earthworks
	CE37	Power station funnel work
	CE38	Sewerage system maintenance
	CE39	Water supply system maintenance
	CE40	Excavation
	CE41	Breeding pond construction
Mechanical and electrical	M01	Air-conditioning system
	M02	Fire prevention and protection system
	M03	Lifts and escalators
	M04	Building automation system
	M05	System for workshop, plant, quarry etc
	M06	Medical equipment
	M07	Kitchen appliances
	M08	Heat restoration system
	M09	Mechanical based compression and generation
	M10	Coolant for power generation
	M11	Construction and special treatment
	M12	Special plant
	M13	Drill maintenance
	M14	Pollution control system
	M15	Miscellaneous mechanical equipment
	M16	Tower crane
	M17	Laundry equipment
	M18	Hot water system
	M19	Plant equipment installation
	M20	General mechanical maintenance
	E01	Sound system
	E02	Monitoring and security system
	E03	Building automation system
	E04	Low voltage installation
	E05	High voltage installation
	E06	Special lighting system
	E07	Internal telecommunications system
	E08	External telecommunications system
	E09	Various special equipment
	E10	Special control panel
	E11	General electrical works
	E12	Electric signboards
E13	Train telecommunications system	
E14	Computer network cable	

Source: Construction Industry Development Board Act 1994

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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The Government had implemented the *Sistem Satu Pendaftaran Kontraktor* ("SSPK") with immediate effect from 15 October 2012. SSPK is a method that combines the registration procedures of CIDB and Construction Services Centre ("PKK"). Under the new system, all contractor licences issued by PKK in relation to participation in tenders called by the Malaysian government authorities, statutory bodies, regulatory authorities or an entity that is otherwise regarded to be in the public sector are cancelled and replaced with *Sijil Perolehan Kerja Kerajaan* ("SPKK") issued by the CIDB. Nevertheless, the issuance of *Sijil Taraf Bumiputera* for the identification of *Bumiputera* status has remained under the control and supervision of PKK. The scope of registration for SPKK can be further classified into two (2) categories, namely civil engineering, building or mechanical and electrical with six (6) grades for each category. Each grade has different tendering capacity.

The Construction Industry Payment and Adjudication Act 2012

The Construction Industry Payment and Adjudication Act 2012 was enacted to facilitate regular and timely payment, provide a mechanism for speedy dispute resolution through adjudication, provide remedies for the recovery of payment in the construction industry, and provide for connected and incidental matters.

The Construction Industry Payment and Adjudication Act 2012 is applicable to all written construction contracts relating to construction works carried out wholly or partly in Malaysia, including construction contracts entered into by the Government. The Construction Industry Payment and Adjudication Act 2012 does not apply to construction contracts entered into by persons for construction works in respect of buildings less than four (4) storeys high and which is wholly intended for his occupation.

Employment Act 1955

The Employment Act 1955 and its regulations stipulate the benefits and entitlements that employees are entitled to, and which all employers are required to comply with. These include the need to ensure that the benefits and entitlements of employees are fulfilled in terms of their wages, hours of work, rest days, and sick and annual leaves. The Employment (Restriction) Act 1968 also states that an employer is required to obtain a permit to employ legal foreign workers under contracts of services, and ensure their welfare and rights are fulfilled in terms of their wages, hours of work, rest days, and sick and annual leaves. The Ministry of Human Resources is responsible for monitoring and ensuring that companies are in compliance with the employment laws.

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3 OVERVIEW OF THE INFORMATION AND COMMUNICATION TECHNOLOGY INDUSTRY IN MALAYSIA

Industry Performance, Outlook and Prospects

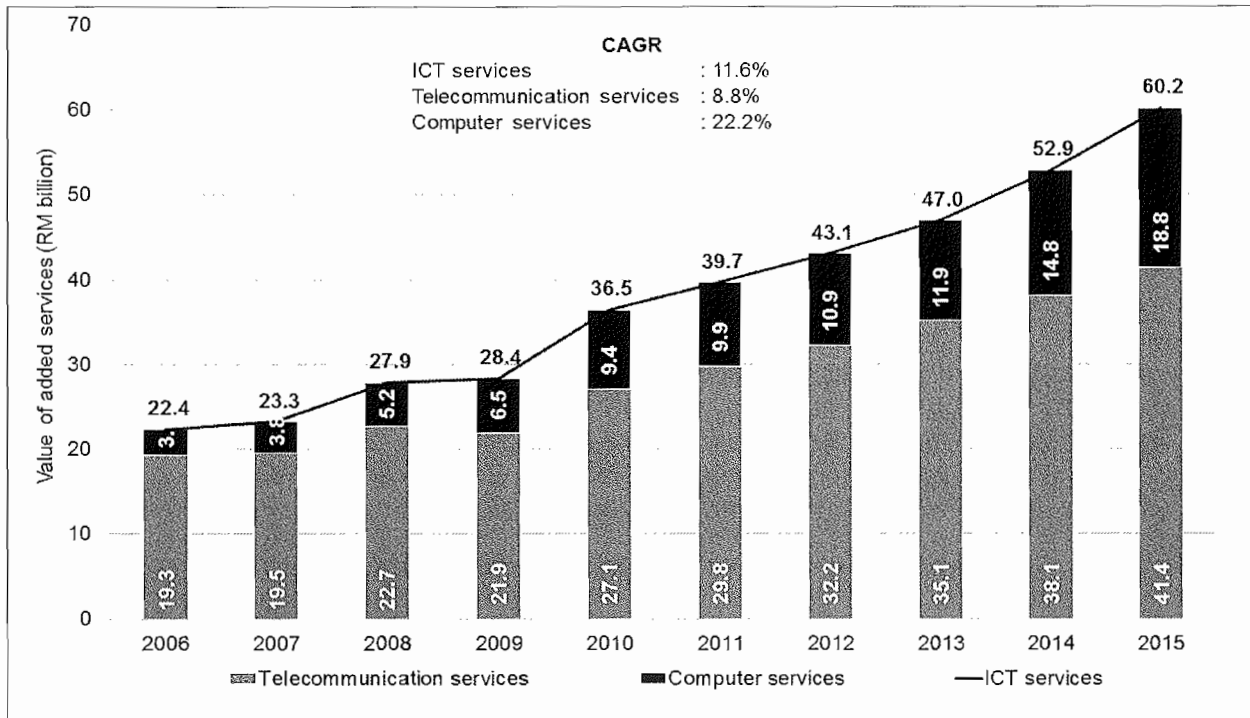
In Malaysia, the ICT industry is a high performing industry that contributes to enhancing overall national productivity, where it has evolved beyond technological tools to become a socio-economic enabler and key driver of business. The ICT industry is able to improve the efficiency and effectiveness of product and/or service delivery, and the extensive features and characteristics of ICT are continually impacting the way individuals 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 Malaysia Digital Economy Corporation ("MDEC", formerly known as Multimedia Development Corporation Sdn Bhd). The main focus areas for ICT services include application software, mobility embedded software and hardware, shared services and outsourcing, creative multimedia, internet-based business with research as well as development incubators established by institutes of higher learning.

The ICT industry in Malaysia, comprising telecommunication services and computer services, has witnessed positive growth historically. Telecommunication services refers to fixed and mobile telephony services, internet access, satellite and data communication services. Computer services comprise hardware and software wholesaling, retailing and consulting, programming as well as repair and maintenance activities. 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.

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7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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ICT industry in Malaysia – value added services for ICT ^a^a Latest available as at 14 April 2017

Source: National ICT Association of Malaysia

Since the introduction of the internet in the early 1990s, Malaysia has continuously promoted the deployment of ICT as a major development thrust in achieving a knowledge-based economy. Malaysia's New Economic Model that was announced in 2010 identified ICT as a strategy to alleviate the nation from the middle income trap.

ICT investments in Malaysia are largely targeted at sources of new growth areas such as hybrid of wired and wireless telecommunications, multimedia content development, packaged software, software and hardware consultancy as a service, exports and imports of ICT services, e-commerce, mobile and online banking, e-government and outsourcing. On the technology front, the country has also witnessed growth in technological advancements pertaining to nanotechnology, micro-electro-mechanical systems, semantic technology, wireless communication, grid-computing, biometrics and biotechnology.

SMITH ZANDER believes that Malaysia will experience four (4) major trends that will change the manner in which business and companies operate, and consequently contribute to economic growth. These factors are:

- big data analytics – big data analytics are implemented in numerous industries to improve customer service by incorporating insights and predictions from the analysis of massive volumes of data. This can contribute to improved firm profitability through better risk analysis and/or data supported decision making processes;
- cloud computing – cloud computing is a fast growing technology segment which enables firms to structure, organise and store large volumes of data with minimal investments in hardware and software tools. More importantly, employees can remain connected and complete work tasks through the usage of smartphones and tablets regardless of location and proximity to the office;
- mobile device usage – the adoption of smartphones and tablets increases mobility and allows the flexibility of completing tasks away from the office; and

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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- social media – social media, when used productively, can be a powerful tool for customer engagement, relationship building, networking, information sharing, and advertising and promotional as well as branding activities.

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 Klang Valley; Petronas RAPID project in Pengerang, Johor; Tun Razak Exchange in Kuala Lumpur, River of Life in Klang Valley, Bandar Malaysia at Sungai Besi, Kuala Lumpur, as well as the regional economic corridors comprising Iskandar Malaysia, Northern Corridor Economic Region (“NCER”), ECER, SDC and SCORE.

Demand Conditions – Key Demand Drivers

Growth in the number of companies and businesses continues to create demand for ICT services

The end-user market for office automation systems and equipment are business and companies registered and operating in Malaysia. According to latest available data from the Companies Commission of Malaysia, a total of 6.0 million businesses and 1.2 million companies were registered in Malaysia as at the end of 2015. Total businesses increased by 6.9% in end-2015 compared to the 3.3 million registered businesses in end-2006 while total companies increased by 4.9% in end-2015 compared to the 0.8 million registered companies in end-2006. The growth in businesses and companies has been a significant driver that directly impacts the ICT services industry and will continue to greatly influence the future growth of this industry. Factors that lend to the growth in businesses and companies include supporting Government plans, policies and incentives, and the increase in total investments.

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