

CABNET HOLDINGS BERHAD (1121987-D)
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT – THIRD QUARTER ENDED 30
SEPTEMBER 2017**

**PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL
REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORT**

A1 Basis of Preparation

This condensed consolidated interim financial statement (“Condensed Report”) is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting, Paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

This is the third interim financial report on consolidated results for the third quarter ended 30 September 2017 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year’s corresponding period.

The Condensed Report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus of the Group dated 28 April 2017 and the accompanying explanatory notes attached to this Condensed Report.

A2 Significant Accounting Policies

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted as disclosed in the Accountants’ Report in the Prospectus of the Group dated 28 April 2017, except for the adoption of the following during the current financial period:

MFRS, Amendments to MFRS and IC Interpretation		Effective for annual periods beginning on or after
Amendments to MFRS 107	Statement of Cash Flows – Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 12	Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)	1 January 2017

The adoption of the above pronouncements did not have any material financial impact to the Group.

The Group has not early adopted any new or revised standards, amendments or IC Interpretations which are applicable to the Group that have been issued by the MASB but are not yet effective for the Group’s current financial year ending 31 December 2017.

A3 Auditors’ Report of preceding annual financial statements

The preceding year’s audited financial statements of the Group did not contain any qualification.

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A4 Seasonal or Cyclical Factors Affecting Operations

The principal business operations of the Group are not significantly affected by any seasonal or cyclical factors.

A5 Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 30 September 2017.

A6 Material Changes in Estimates

There were no changes in estimates that have a material effect in the current financial quarter and financial period under review.

A7 Changes in Debt and Equity Securities

There were no issuance and repayment of debt securities, share buyback, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period ended 30 September 2017.

A8 Dividends Paid

No dividend has been paid during the financial period ended 30 September 2017.

A9 Segmental Reporting

(i) Operating Segments

Information about operating segments has not been reported separately as the Group’s revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely building management solutions which comprise structured cabling, extra low voltage (“ELV”) systems and information technology services as a complimentary offering to building management solutions.

(ii) Geographical Segment

No segmental information is provided on a geographical basis as the Group's activities are conducted primarily in Malaysia.

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A10 Material Events Subsequent to the end of the Reporting Period

There were no material events subsequent to the end of the current financial period that have not been reflected in the interim financial reports for the said period as at the date of this report.

A11 Changes in the Composition of the Group

(a) Public Issue and Listing

The Company has successfully undertaken a public issue of 21,000,000 new Shares at an issue price of RM0.56 per Share, representing approximately 16.15% of the enlarged issued share capital of RM22,660,000 comprising 130,000,000 Shares, payable in full upon application in conjunction with the listing and quotation of the entire and enlarged issued and paid-up share capital on the ACE Market of Bursa Securities.

(b) Listing

The effects on the results of the Group arising from (a) above have been reflected in the Unaudited Consolidated Statements of Profit or Loss and Other Comprehensive Income and the Unaudited Consolidated Statements of Financial Position of the Group included in this interim financial report. The Company’s issued and paid-up capital comprising 21,000,000 Shares have been listed and quoted on the ACE Market of Bursa Securities on 22 May 2017.

Save for the above, there were no other changes in the composition of the Group in current financial quarter and financial period under review.

A12 Contingent Liabilities and Contingent Assets

As at 30 September 2017, save as disclosed below, the Group has no pending material contingent liabilities that, upon becoming enforceable, may have a material impact on our financial performance and or position.

	As at 30 September 2017
	RM’000
Guarantees given to third parties in relation to contracts and trade performance	819

The guarantees are tender bonds (on submission of tender) and performance bond (upon award of contracts). To date, our Group has not experienced any enforcement of guarantees arising from non-performance of projects.

The Group has no contingent assets as at 30 September 2017.

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A13 Capital Commitment

Capital commitment for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2017 was as follow:

	As at 30 September 2017
	RM'000
Property, plant and equipment	617

A14 Significant related party transactions

There were no significant related party transactions in the current financial quarter and financial period under review.

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**PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE
LISTING REQUIREMENTS OF BURSA SECURITIES**

B1 Review of Performance

For the third quarter ended 30 September 2017, the Group achieved consolidated revenue of RM17.00 million and recorded a profit after tax of RM1.71 million for the current quarter under review. For the 9-month cumulative period ended 30 September 2017, the Group achieved consolidated revenue of RM39.08 million and recorded a profit after tax of RM4.12 million. The Group's revenue was derived from provision of building management solutions which mainly comprised ELV systems and structured cabling works.

Comparison to preceding year corresponding quarter

This is the third interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding year corresponding quarter as no interim financial report was prepared for the comparative financial period concerned.

B2 Material Changes in Profit before Taxation for the Current Quarter with Immediate Preceding Quarter

	Current Quarter 30 September 2017 RM'000	Preceding Quarter 30 June 2017 RM'000
Revenue	16,999	10,579
Pre-tax profit before non-controlling interests	2,189	778

For the current quarter, the Group achieved revenue of RM17.00 million, representing an increase of 60.69% as compared to the preceding quarter ended 30 June 2017. The increase was attributable to progressive revenue recognised for high value and fast track projects in the current quarter. The pre-tax profit before non-controlling interests for the Group improved from RM0.78 million for the preceding quarter to RM2.19 million for the quarter under review mainly due to higher revenue in the current quarter and listing expenses of RM815,000 incurred in the preceding quarter.

B3 Prospects Commentary

The Group will continue to focus on the following business strategies for the future growth and expansion of its business:

- (i) To increase and strengthen its market presence in Johor, while pursuing more opportunities for more projects outside Johor;
- (ii) To strengthen its ELV systems segment with the introduction of its integrated security solutions software, known as Cabnet Integrated Security Solutions; and
- (iii) To offer video monitoring solutions in collaboration with NetPosa Technologies (Hong Kong) Limited.

Existing and potential order books from current sales pipeline remain positive. However, with the expiry of pioneer status granted by Ministry of International Trade and Industry (MITI) on 7 August 2017, one of the subsidiary company ceases to enjoy the tax exemption benefit granted under the pioneer status, and will be taxed at the prevailing tax rate.

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PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B3 Prospects Commentary (Continued)

With the expiry of pioneer status coupled by the challenging business operating conditions with increasing costs, the Board of Directors is cautious of the Group’s operational results for the remaining period of financial year ending 31 December 2017.

B4 Variance of Actual Profit from Forecast Profit & Shortfall on Profit Guarantee

There is no profit forecast prepared for public release and no profit guarantee provided by the Group for the current financial period.

B5 Taxation

	Quarter ended 30.09.2017	Year-to-date 30.09.2017
	RM'000	RM'000
Income tax:		
- current period	488	660
- Under/(over) provision in prior years	(9)	(9)
	479	651
Deferred tax	(1)	(4)
Tax expense	478	647

The effective tax rate for the current quarter and year-to-date of 21.8% and 13.6% respectively are lower than the statutory tax rate of 24.0% mainly due to tax incentive enjoyed by one of the subsidiary company, i.e. full tax exemption on statutory income derived from its ELV systems and structured cabling works segments which had expired on 7 August 2017.

B6 Status of Corporate Proposals

There were no corporate proposals announced by the Company as at 24 November 2017 being a date not earlier than 7 days from the date of issue of this quarterly report.

Status of Utilisation of Proceeds from the Initial Public Offering (“IPO”)

The gross proceeds arising from the Public Issue of RM11.76 million have been utilised in the following manner as at 24 November 2017 being a date not earlier than 7 days from the date of this report:-

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation: Surplus/ (deficit) RM'000	Balance RM'000	Intended time frame for Utilisation from the date of listing
Working capital - Purchase of equipment for projects	5,260	(2,757)	591	3,094	Within 24 months
R&D expenditure	500	(210)	-	290	Within 24 months
Repayment of bank borrowings	3,000	(3,000)	-	-	Within 4 months
Estimated listing expenses	3,000	(2,409)	*(591)	-	Within 1 month
Total	11,760	(8,376)	-	3,384	

* The excess of RM591,000 will be utilised for general working capital requirements of the Group.

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 LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B6 Status of Corporate Proposals (Continued)

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Group dated 28 April 2017.

B7 Group Borrowings and Debt Securities

As at 30 September 2017, our Group's total outstanding borrowings, all of which are interest-bearing, were as follows:

	RM'000
(a) Short-term debt	
<u>Secured and guaranteed</u>	
Bank overdrafts	-
Bankers' acceptance	2,297
Hire purchase payables	225
Term loans	20
Total short-term debt	2,542
(b) Long-term debt	
<u>Secured and guaranteed</u>	
Hire purchase payables	644
Term loans	1,628
	2,272
Total loans and borrowings	4,814

All the above borrowings are denominated in Ringgit Malaysia.

B8 Changes in Material Litigation

There were no pending material litigations as at 24 November 2017 being a date not earlier than 7 days from the date of this quarterly report.

B9 Dividends

- (a) No dividend is recommended for the current quarter.
- (b) Total dividend for the current financial period: 0.5 sen per share under single-tier system.

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B10 Earnings/ (loss) per Share

The basic and diluted earnings per share are calculated as follows:

	Quarter ended 30.09.2017	Year-to-date 30.09.2017
Profit for the period attributable to ordinary equity holders of the company (RM'000)	1,711	4,118
Weighted average number of ordinary shares in issue ('000)	119,154	119,154
Basic and diluted earnings per share (1) (sen)	1.44	3.46

Notes:

- (1) Basic EPS is calculated based on the weighted average number of shares of 119,153,845 Cabnet Shares as at 30 September 2017 after the Public Issue of 21,000,000 Shares on 22 May 2017.

B11 Disclosure of Realised and Unrealised Profits

The breakdown of the retained profits of the Group into realised and unrealised profits is as follows:

	As at 30.09.2017 (Unaudited)	As at 31.12.2016 (Audited)
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	23,951	19,837
- Unrealised	(7)	(11)
	23,944	19,826
Less: Consolidation adjustments	(8,736)	(8,736)
Total group retained profits	15,208	11,090

B12 Authorised for issue

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 30 November 2017.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)
 Company Secretary
 Johor Bahru
 Date: 30 November 2017
 c.c. Securities Commission