

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

NOTES TO THE INTERIM FINANCIAL REPORT – FOURTH QUARTER ENDED 31 DECEMBER 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 fourth interim financial report on consolidated results for the fourth quarter ended 31 December 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 year ended 31 December 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 year ended 31 December 2017.

A8 Dividends Paid

Details of the dividend paid during the quarter under review are as follows:

First interim dividend for financial year	31 December 2017
Amount per share (single-tier)	0.5 sen
Approved and declared on	25 August 2017
Entitlement to dividends based on	
Record of Depositors as at	15 September 2017
Date paid	10 October 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 31 December 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 31 December 2017
	RM’000
Guarantees given to third parties in relation to contracts and trade performance	815

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 31 December 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 31 December 2017 was as follow:

	As at 31 December 2017
	RM'000
Property, plant and equipment	1,202

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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NOTES TO THE INTERIM FINANCIAL REPORT – FOURTH QUARTER ENDED 31 DECEMBER 2017

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

B1 Review of Performance

For the fourth quarter ended 31 December 2017, the Group achieved consolidated revenue of RM13.25 million and recorded a profit after tax of RM1.12 million for the current quarter under review. For the 12-month cumulative period ended 31 December 2017, the Group achieved consolidated revenue of RM52.34 million and recorded a profit after tax of RM5.24 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 fourth 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 31 December 2017 RM'000	Preceding Quarter 30 September 2017 RM'000
Revenue	13,254	16,999
Pre-tax profit before non-controlling interests	1,765	2,189

For the current quarter, the Group achieved revenue of RM13.25 million, representing a decrease of 22.03% as compared to the preceding quarter ended 30 September 2017. The decrease was mainly due to progressive revenue recognised for high value and fast track projects in the preceding quarter. The pre-tax profit before non-controlling interests for the Group decreased from RM2.19 million for the preceding quarter to RM1.77 million for the quarter under review mainly due to higher revenue 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 coupled by the challenging business operating conditions with increasing costs, the Board of Directors is cautious of the Group's operational results for the financial year ending 31 December 2018.

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

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 31.12.2017	Year-to-date 31.12.2017
	RM'000	RM'000
Income tax:		
- current period	673	1,333
- Under/(over) provision in prior years	-	(9)
	673	1,324
Deferred tax	(27)	(31)
Tax expense	646	1,293

The effective tax rate for the current quarter of 36.60% is higher than the statutory tax rate of 24.0% mainly due to expiry of tax incentive enjoyed by one of the subsidiary company on 7 August 2017, i.e. full tax exemption on statutory income derived from its ELV systems and structured cabling works segments and certain expenses not deductible for income tax purpose. The effective tax rate for the current year-to-date of 19.80% is lower than the statutory tax rate of 24.0% mainly due to tax incentive enjoyed by one of the subsidiary company.

B6 Status of Corporate Proposals

There were no corporate proposals announced by the Company as at 17 February 2018 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 17 February 2018 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	(2,882)	591	2,969	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	(8,501)	-	3,259	

* 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 31 December 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	-
Hire purchase payables	228
Term loans	21
Total short-term debt	249
(b) Long-term debt	
<u>Secured and guaranteed</u>	
Hire purchase payables	596
Term loans	1,612
	2,208
Total loans and borrowings	2,457

All the above borrowings are denominated in Ringgit Malaysia.

B8 Changes in Material Litigation

There were no pending material litigations as at 17 February 2018 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 year: 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 31.12.2017	Year-to-date 31.12.2017
Profit for the period/ year attributable to ordinary equity holders of the company (RM'000)	1,119	5,237
Weighted average number of ordinary shares in issue ('000)	121,888	121,888
Basic and diluted earnings per share (1) (sen)	0.92	4.30

Notes:

- (1) Basic EPS is calculated based on the weighted average number of shares of 121,887,670 Cabnet Shares as at 31 December 2017 after the Public Issue of 21,000,000 Shares on 22 May 2017.

B11 Authorised for issue

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 23 February 2018.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)
Company Secretary
Johor Bahru
Date: 23 February 2018
c.c. Securities Commission