

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

NOTES TO THE INTERIM FINANCIAL REPORT – SECOND QUARTER ENDED 30 JUNE 2018

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, Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. The explanatory notes attached to the Condensed Report provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

A2 Significant Accounting Policies

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted as disclosed in the audited financial statements for the financial year ended 31 December 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 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle		1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration		1 January 2018

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 2018.

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 current financial quarter and financial period under review.

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

On 28 June 2018, the number of ordinary shares of the Company were increased from 130,000,000 to 178,750,000 by way of a bonus issue of 48,750,000 new ordinary shares, credited as fully paid up on the basis of three (3) new ordinary shares for every eight (8) existing shares through capitalisation of share premium of the Company of RM4,875,000.

Other than the above, there were no other issuances, cancellations, repurchase, resale or repayment of debts and securities during the financial period under review.

A8 Dividends paid

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

Second interim dividend for financial year	31 December 2017
Amount per share (single-tier)	0.8 sen
Approved and declared on	11 April 2018
Entitlement to dividends based on	
Record of Depositors as at	15 May 2018
Date paid	08 June 2018

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.

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A9 Segmental Reporting (Cont’d)

(ii) Geographical Segment

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

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

On 31 May 2018, the Company had incorporated a wholly-owned subsidiary under the name of Amplogix Technology Sdn. Bhd. ("Amplogix") with an issued share capital of RM2.00 comprised of 2 ordinary shares. Its intended principal activity is to provide information technology facilities.

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 June 2018, 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 June 2018
	RM'000
Guarantees given to third parties in relation to contracts and trade performance	1,356

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 June 2018.

A13 Capital Commitment

There were no capital commitments for the Group as at 30 June 2018.

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 – SECOND QUARTER ENDED 30 JUNE 2018

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

B1 Review of Performance

Comparison to preceding year corresponding quarter

For the second quarter ended 30 June 2018, the Group achieved consolidated revenue of RM9.52 million which was approximately 10.05% lower than the preceding year corresponding quarter. In the preceding year corresponding quarter, there were few major projects running simultaneously with active progress. However, most of these projects were completed and almost completed in the current quarter without much progress whilst the newly secured contracts are still at the preliminary stage.

The Group recorded a profit after tax of RM574,000 for the current quarter as compared to RM706,000 in the preceding year corresponding quarter. The decrease in profit after tax was mainly caused by decrease in revenue of RM1.06 million, increase in tax expense of RM138,000 due to the expiry of pioneer status of one of the subsidiaries in August 2017 and additional administrative and compliance costs partly offset by decrease in once-off listing expenses incurred in the preceding year corresponding quarter as against bonus issue of shares and warrants expenses incurred in the current quarter.

Comparison to preceding year corresponding period

For the 6-month cumulative period ended 30 June 2018, the Group achieved consolidated revenue of RM19.83 million which was approximately 10.20% lower than the preceding year corresponding period. The decrease in revenue was mainly due to the completion of a few ELV and structured cabling projects by end of year 2017, whilst the newly secured contracts are still at the preliminary stage.

The Group recorded a profit after tax of RM1.47 million for the current period as compared to RM2.41 million in the preceding year corresponding period. The decrease in profit after tax was mainly caused by decrease in revenue of RM2.25 million, increase in tax expense due to the expiry of pioneer status of one of the subsidiaries in August 2017 and additional administrative and compliance costs partly offset by decrease in once-off listing expenses incurred in the preceding year corresponding quarter as against bonus issue of shares and warrants expenses incurred in the current quarter.

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

	Current Quarter 30 June 2018 RM'000	Preceding Quarter 31 March 2018 RM'000
Revenue	9,516	10,314
Pre-tax profit before non-controlling interests	784	1,221

For the current quarter, the Group achieved revenue of RM9.52 million, representing a decrease of 7.74% as compared to the preceding quarter ended 31 March 2018. The decrease was mainly due to the completion of few projects in the preceding quarter whilst the newly secured contracts are still at the preliminary stage. The pre-tax profit before non-controlling interests for the Group decreased from RM1.22 million for the preceding quarter to RM784,000 million for the quarter under review mainly due to lower revenue and once-off bonus issue of shares and warrants expenses incurred in the current quarter.

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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.

Project execution of existing order book remains on-track but potential order acquisition remains challenging. This is due to the changing political landscape that contributed to delay in projects award. 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 remaining periods for the financial year ending 31 December 2018.

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 30.06.2018	Year-to-date 30.06.2018
	RM'000	RM'000
Income tax:		
- current period	295	603
- Under/(over) provision in prior years	(66)	(66)
	229	537
Deferred tax	(19)	1
Tax expense	210	538

The effective tax rate for the current quarter and current period are higher than the statutory tax rate of 24.0% mainly due to certain expenses not deductible for income tax purpose.

B6 Status of Corporate Proposals

The Board of Directors of the Company had on 19 March 2018 announced that the Company proposed to undertake the following:-

- (i) Proposed bonus issue of 48,750,000 new ordinary shares in the Company ("Bonus Shares") to be credited as fully paid-up on the basis of 3 Bonus Shares for every 8 existing ordinary shares held in the Company on an entitlement date to be determined and announced later ("Proposed Bonus Issue of Shares"); and

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B6 Status of Corporate Proposals (Cont'd)

- (ii) Proposed bonus issue of 65,000,000 warrants (“Warrants”) on the basis of 1 warrant for every 2 ordinary shares held in the Company on the same entitlement date as the Proposed Bonus Issue of Shares (“Proposed Bonus Issue of Warrants”).

(Collectively referred to as the “Proposals”).

Following thereto, Bursa Securities had vide its letter dated 2 May 2018, approved the following:

- (i) listing of and quotation for 48,750,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares;
- (ii) admission of Warrants to the Official List of the ACE Market and listing of and quotation for 65,000,000 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants; and
- (iii) listing of and quotation for 65,000,000 new Cabnet shares arising from the exercise of the Warrants,

The Bonus Issue of Shares has been completed with the listing of 48,750,000 Bonus Shares on the ACE Market of Bursa Securities on 29 June 2018. 65,000,000 Warrants issued pursuant to the Bonus Issue of Warrants were listed and quoted on the ACE Market of Bursa Securities with effect from 9 July 2018, marking the completion of the Proposals.

Save as disclosed above, there were no other corporate proposals announced by the Company as at 22 August 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 22 August 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	(3,557)	591	2,294	Within 24 months
R&D expenditure	500	(265)	-	235	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	(9,231)	-	2,529	

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

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

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B7 Group Borrowings and Debt Securities

As at 30 June 2018, 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	585
Hire purchase payables	302
Term loans	48
Total short-term debt	935
(b) Long-term debt	
<u>Secured and guaranteed</u>	
Hire purchase payables	770
Term loans	2,222
Total long-term debt	2,992
Total loans and borrowings	3,927

All the above borrowings are denominated in Ringgit Malaysia.

B8 Changes in Material Litigation

There is no pending material litigation as at 22 August 2018 being a date not earlier than 7 days from the date of this quarterly report.

B9 Dividends

No dividend is recommended for the current quarter.

B10 Earnings/ (loss) per Share

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

	Quarter ended 30.06.2018	Year-to-date 30.06.2018
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	574	1,467
Weighted average number of ordinary shares in issue ('000)	130,808	130,808
Basic and diluted earnings per share (sen) (1)	0.44	1.12

Note:

- (1) Basic EPS is calculated based on the weighted average number of shares of 130,808,010 Cabnet Shares as at 30 June 2018 following the issuance of 48,750,000 Bonus Shares on 28 June 2018.

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B11 Derivatives

The Group did not enter into any derivatives during the current quarter under review.

B12 Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit and loss for the current quarter under review.

B 13 Authorised for issue

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 28 August 2018.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)
Company Secretary
Johor Bahru
Date: 28 August 2018
c.c. Securities Commission