

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

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

- (a) No dividend has been paid during the current quarter under review.
- (b) Total dividend paid during the current financial period: 0.8 sen per ordinary share under single-tier system amounting to RM1,040,000.00 as second interim dividend for the financial year ended 31 December 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

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.

On 25 September 2018, the equity structure of Amplogix had been restructured ("Restructuring"). The Restructuring entails the increase of issued and paid up capital from RM2.00 to RM200,000.00 by way of allotment and issuance of 199,998 new ordinary shares at an issue price of RM1.00 per share. Following the Restructuring, the equity interest of the Company in Amplogix has been reduced from 100% to 51%.

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 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 Sept 2018
	RM'000
Guarantees given to third parties in relation to contracts and trade performance	1,888

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 2018.

A13 Capital Commitment

There were no capital commitments for the Group as at 30 September 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 – THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2018, the Group achieved consolidated revenue of RM11.58 million which was approximately 31.91% lower than the preceding year corresponding quarter. In the preceding year corresponding quarter, there were major projects running simultaneously coupled by a number of new fast track projects with active progress. However, these projects were either completed or nearing completion in the current quarter whilst project progress for newly secured contracts starts to pick up momentum only in the latter part of current quarter.

The Group recorded a profit after tax of RM973,000 for the current quarter as compared to RM1.71 million in the preceding year corresponding quarter. The decrease in profit after tax was mainly caused by decrease in revenue of RM5.42 million and increase in selling and administrative expense of RM241,000 in the current quarter.

Comparison to preceding year corresponding period

For the 9-month cumulative period ended 30 September 2018, the Group achieved consolidated revenue of RM31.41 million which was approximately 19.64% 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 and active progress for a number of fast track projects in the preceding year corresponding period whilst project progress for newly secured contracts starts to pick up momentum only in the latter part of current period.

The Group recorded a profit after tax of RM2.44 million for the current period as compared to RM4.12 million in the preceding year corresponding period. The decrease in profit after tax was mainly caused by decrease in revenue of RM7.68 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 period as against bonus issue of shares and warrants expenses incurred in the current period.

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

	Current Quarter 30 September 2018 RM'000	Preceding Quarter 30 June 2018 RM'000
Revenue	11,575	9,516
Pre-tax profit before non-controlling interests	1,294	784

For the current quarter, the Group achieved revenue of RM11.58 million, representing an increase of 21.64% as compared to the preceding quarter ended 30 June 2018. Project progress for newly secured contracts starts to pick up momentum in the latter part of current quarter resulting better revenue generation compared to last quarter. The pre-tax profit before non-controlling interests for the Group increased from RM784,000 for the preceding quarter to RM1.29 million for the quarter under review mainly due to higher revenue and one-off bonus issue of shares and warrants expenses incurred in the preceding quarter.

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LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B3 Prospects Commentary

The Group will continue to focus and strengthen its existing business while exploring new market segment for sustainability. Order book remains positive with an upward trend in 2018. Nonetheless profit margin might be affected due to new market penetration, competitive business environment and impact from reintroduction of Sales and Service Tax (“SST”).

In cognisance of the challenging business operating environment, the Group continues to take the necessary initiatives to sustain its business and performance as follows:

- (i) To expand the Group’s business portfolio in Information and Communication Technology (“ICT”) to healthcare market segment and Data Center Solutions;
- (ii) To increase revenue generation from maintenance services contracts for long term sustainability;
- (iii) To continue its efforts on the improvement of the efficiency and effectiveness of Group’s operations; and
- (iv) Be more selective by tightening the pre-qualification process of new sales opportunity.

Barring any unforeseen circumstances, the Group is confident to sustain its business and performance for the remaining period of 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 30.09.2018	Year-to-date 30.09.2018
	RM'000	RM'000
Income tax:		
- current period	382	985
- over-provision in prior years	(80)	(146)
Deferred tax	302	839
Tax expense	321	859

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

There were no corporate proposals announced but not completed as at 23 November 2018 being a date not earlier than 7 days from the date of issue of this quarterly report.

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B6 Status of Corporate Proposals (Cont'd)

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

The status of utilisation of gross proceeds arising from the Public Issue of RM11.76 million as at 23 November 2018 being a date not earlier than 7 days from the date of this report is as follows: -

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	(3,757)	591	2,094	Within 24 months
R&D expenditure	500	(288)	-	212	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	(9,454)	-	2,306	

* 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.

B7 Group Borrowings and Debt Securities

As at 30 September 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	-
Hire purchase payables	308
Term loans	62
Total short-term debt	370
(b) Long-term debt	
<u>Secured and guaranteed</u>	
Hire purchase payables	690
Term loans	1,579
Total long-term debt	2,269
Total loans and borrowings	2,639

All the above borrowings are denominated in Ringgit Malaysia.

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B8 Changes in Material Litigation

There is no pending material litigation as at 23 November 2018 being a date not earlier than 7 days from the date of this quarterly report.

B9 Dividends

No dividends have been declared, recommended or paid in respect of the financial year ending 31 December 2018.

B10 Earnings/ (loss) per Share

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

	Quarter ended 30.09.2018	Year-to-date 30.09.2018
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	989	2,456
Weighted average number of ordinary shares in issue ('000)	146,964	146,964
Earnings per share (Basic) (sen) ⁽¹⁾	0.67	1.67
Earnings per share (Diluted) (sen) ⁽²⁾	0.47	1.16

Note:

- (1) Basic EPS is calculated based on the weighted average number of shares of 146,964,285 Cabnet Shares as at 30 September 2018 following the issuance of 48,750,000 Bonus Shares on 28 June 2018.
- (2) Diluted EPS is calculated based on 211,964,285 taking into consideration of the enlarged number of ordinary shares of the Company following bonus issue of 65,000,000 Warrants on 9 July 2018.

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.

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B 13 Authorised for issue

This interim financial statement was authorised by the Board of Directors in accordance with the resolution of the Directors on 29 November 2018.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)
Company Secretary
Johor Bahru
Date: 29 November 2018
c.c. Securities Commission