

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

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

<b>MFRS, Amendments to MFRS and IC Interpretation</b>		<b>Effective for annual periods beginning on or after</b>
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**

Save and except for the following, there were no other issuances, cancellations, repurchase, resale or repayment of debts and securities during the financial period under review:

- (i) Bonus issue of 48,750,000 new ordinary shares in the Company on the basis of three (3) new ordinary shares for every eight (8) existing shares on 28 June 2018; and
- (ii) Issuance of bonus issue of 65,000,000 Warrants on the basis of one (1) Warrant for every two (2) Cabnet shares on 9 July 2018.

**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 up to the date of this report that have not been reflected in this interim financial 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 31 December 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.

	<b>As at 31 Dec 2018</b>
	<b>RM'000</b>
Guarantees given to third parties in relation to contracts and trade performance	1,868

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 2018.

**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 2018 was as follow:

	<b>As at 31 Dec 2018</b>
	<b>RM'000</b>
Purchase of property, plant and equipment	1,700

**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 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 fourth quarter ended 31 December 2018, the Group achieved consolidated revenue of RM15.78 million which was approximately 19.04% higher than the preceding year corresponding quarter. The increase in revenue were mainly due to the higher proportion of progress works for several projects which picked up momentum in early October 2018 as well as a fast track project undertaken in the current quarter.

The Group recorded a profit after tax of RM2.24 million for the current quarter as compared to RM1.12 million in the preceding year corresponding quarter. The increase in profit after tax was mainly contributed by the higher proportion of completed works for several of the Group's projects with better profit margins in the current quarter.

Comparison to preceding year

For the 12-month cumulative period ended 31 December 2018, the Group achieved consolidated revenue of RM47.18 million which was approximately 9.85% lower than the preceding year. The decrease in revenue for the current year compared to the preceding year was due to slow progress in projects.

The Group recorded a profit after tax of RM4.68 million for the current period as compared to RM5.24 million in the preceding year corresponding period. The decrease in profit after tax was mainly caused by decrease in revenue of RM5.15 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**

	<b>Current Quarter 31 Dec 2018 RM'000</b>	<b>Preceding Quarter 30 Sept 2018 RM'000</b>
Revenue	15,778	11,575
Pre-tax profit before non-controlling interests	2,953	1,294

For the current quarter, the Group achieved revenue of RM15.78 million, representing an increase of 36.31% as compared to the preceding quarter ended 30 September 2018. The increase in revenue in the current quarter compared to the preceding quarter ended 30 September 2018 were mainly due to the higher proportion of progress works for several projects which picked up momentum in early October 2018 as well as a fast track project undertaken in the current quarter. The pre-tax profit before non-controlling interests for the Group increased from RM1.29 million for the preceding quarter to RM2.95 million for the quarter under review mainly due to higher revenue and decrease in selling and administrative expenses in the current 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”).

Amidst 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, with the challenging operating conditions, the Board remains cautious for the financial year ending 31 December 2019 despite the positive order book of the Group.

**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**

	<b>Quarter ended 31.12.2018</b>	<b>Year-to-date 31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax:		
- current period	681	1,666
- over-provision in prior years	-	(146)
	681	1,520
Deferred tax	32	52
Tax expense	713	1,572

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 19 February 2019 being a date not earlier than 7 days from the date of issue of this quarterly report.

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

**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 19 February 2019 being a date not earlier than 7 days from the date of this report is as follows: -

<b>Purposes</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Deviation: Surplus/ (deficit) RM'000</b>	<b>Balance RM'000</b>	<b>Intended time frame for Utilisation from the date of listing</b>
Working capital - Purchase of equipment for projects	5,260	(4,027)	591	1,824	Within 24 months
R&D expenditure	500	(325)	-	175	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
<b>Total</b>	<b>11,760</b>	<b>(9,761)</b>	<b>-</b>	<b>1,999</b>	

\* 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 31 December 2018, our Group's total outstanding borrowings, all of which are interest-bearing, were as follows:

	<b>RM'000</b>
<b>(a) Short-term debt</b>	
<u>Secured and guaranteed</u>	
Bank overdrafts	-
Bankers' acceptance	-
Hire purchase payables	302
Term loans	25
<b>Total short-term debt</b>	<b>327</b>
<b>(b) Long-term debt</b>	
<u>Secured and guaranteed</u>	
Hire purchase payables	621
Term loans	1,545
<b>Total long-term debt</b>	<b>2,166</b>
<b>Total loans and borrowings</b>	<b>2,493</b>

All the above borrowings are denominated in Ringgit Malaysia.

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LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B8 Changes in Material Litigation**

There is no pending material litigation as at 19 February 2019 being a date not earlier than 7 days from the date of this quarterly report except for the following :-

**(i) Shah Alam High Court (Construction Court) – Suit No. BA-24C-5-01/2019**

**Between Cabnet Systems (M) Sdn Bhd (“Plaintiff”), Dekad Kaliber Sdn Bhd (“1<sup>st</sup> Defendant”) and Rimarisan Sdn Bhd (“2<sup>nd</sup> Defendant”).**

By way of Originating Summons, on 17 January 2019, the Plaintiff had initiated an action under Section 30 of the Construction Industry Payment and Adjudication Act 2012 (CIPAA 2012) against the abovementioned Defendants to obtain full payment of the adjudication sum of RM1,155,874.10.

Prior to this action, the Plaintiff had pursued adjudication proceedings against Synergycentric Sdn Bhd (“Synergycentric”) and obtained Adjudication Decision on 1 November 2018 which was in favour of the Plaintiff. However, Synergycentric has gone into liquidation and has not made any settlement to the adjudication sum. As such, the Plaintiff pursues an action against the principals of Synergycentric, i.e. 1<sup>st</sup> and 2<sup>nd</sup> Defendants under Section 30 of the CIPAA 2012.

The matter is now fixed for case management on 5 March 2019 pending the exchange of replies from the Defendants.

**(ii) Shah Alam High Court (Civil Division) – Suit No. BA-22NCvC-28-01/2019**

**Between Cabnet Systems (M) Sdn Bhd (“Plaintiff”), Dekad Kaliber Sdn Bhd (“1<sup>st</sup> Defendant”) and Rimarisan Sdn Bhd (“2<sup>nd</sup> Defendant”).**

By way of a civil suit, on 17 January 2019, the Plaintiff had filed an action for breach of contract pursuant to the Sale and Purchase Agreement dated 18 July 2017 (“SPA”) between the Plaintiff and Synergycentric Sdn Bhd (“Synergycentric”) for a sum amounting to RM1,156,048.18.

This action is premised on Annexure 2 of the SPA. In Annexure 2 of the SPA, 1<sup>st</sup> Defendant has acknowledged and undertaken to pay directly to the Plaintiff upon Synergycentric’s failure under the SPA. To date, 1<sup>st</sup> Defendant has not made such payments.

The matter is now fixed for case management on 4 April 2019 pending the filing of defence by 1<sup>st</sup> and 2<sup>nd</sup> Defendants and subsequent reply from the Plaintiff.

**B9 Dividends**

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

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**B10 Earnings/ (loss) per Share**

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

	<b>Quarter ended 31.12.2018</b>	<b>Year-to-date 31.12.2018</b>
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	2,265	4,721
Weighted average number of ordinary shares in issue ('000)	154,976	154,976
Earnings per share (Basic) (sen) <sup>(1)</sup>	1.46	3.05
Earnings per share (Diluted) (sen) <sup>(2)</sup>	1.03	2.15

Notes:

- (1) Basic EPS is calculated based on the weighted average number of shares of 154,976,026 Cabnet Shares as at 31 December 2018 following the issuance of 48,750,000 Bonus Shares on 28 June 2018.
- (2) Diluted EPS is calculated based on 219,976,026 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.

**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 25 February 2019.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)  
Company Secretary  
Johor Bahru  
Date: 25 February 2019  
c.c. Securities Commission