CabNet

Cabnet Holdings Berhad
(1121987-D)

ANNUAL REPORT 2018

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CONTENTS

NOTICE OF 4TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 4th Annual General Meeting of CABNET HOLDINGS BERHAD will be held at the Hop Sing II, Ponderosa Golf & Country Club, No. 3, Jalan Ponderosa 1, Taman Ponderosa, 81100 Johor Bahru, Johor on Tuesday, the 28th day of May, 2019 at 9.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the Financial Year Ended 31 December 2018 ("FYE2018") together with the Reports of the Directors and Auditors thereon. ***(See Explanatory Note 1)***

2. To re-elect the following Directors retiring by rotation pursuant to Article 104 of the Company's Constitution.

   i) DATUK TAN KOK HONG @ TAN YI **ORDINARY RESOLUTION 1**
   ii) MR. TAY HONG SING **ORDINARY RESOLUTION 2**

3. To re-elect the following Directors retiring pursuant to Article 112 of the Company's Constitution.

   i) MR. ZHI MING **ORDINARY RESOLUTION 3**
   ii) MR. VINCENT WONG SOON CHOY **ORDINARY RESOLUTION 4**

4. To approve the payment of Directors' Fees of RM350,000 (FYE2018: RM315,750) for the financial year ending 31 December 2019 ("FY2019"). **ORDINARY RESOLUTION 5** ***(See Explanatory Note 2)***

5. To approve the payment of Directors' Benefits amounting to RM20,000 for the period commencing after the date of this Annual General Meeting to the date of the next Annual General Meeting. **ORDINARY RESOLUTION 6** ***(See Explanatory Note 3)***

6. To re-appoint Messrs RSM Malaysia as Auditors of the Company for the FY2019 and to authorise the Directors to fix their remuneration. **ORDINARY RESOLUTION 7**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolutions :

7. ***ORDINARY RESOLUTION***
   AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 75 AND 76 OF THE COMPANIES ACT, 2016 **ORDINARY RESOLUTION 8** ***(See Explanatory Note 4)***

   "THAT pursuant to Section 75 and 76 of the Companies Act, 2016 ("the Act"), the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and subject to the approval of the relevant regulatory bodies (if required), the Directors be and are hereby authorised to allot and issue shares in the Company, at any time, at such price, upon such terms and conditions and for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be allotted during the preceding twelve (12) months does not exceed ten per centum (10%) of the total number of issued Ordinary shares of the Company for the time being and that the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so allotted from Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF 4TH ANNUAL GENERAL MEETING (CONT'D)

8. ***SPECIAL RESOLUTION***
PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY **SPECIAL RESOLUTION 1**

"THAT approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix I accompanying the Company's Annual Report for the financial year ended 31 December 2018, be and is hereby adopted as the Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities, if any and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

9. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and/or the Companies Act, 2016.

BY ORDER OF THE BOARD

LEE WEE HEE (MAICSA 0773340)
JOY LIM XIE RU YI (MAICSA 7065780)
Secretaries

Date: 29 April 2019

NOTES:

1. Pursuant to Section 334 of the Act, a member shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.
2. A member may appoint more than two (2) proxies to attend the same meeting. If a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy provided that in the case of a vote on any question by show of hands, only one (1) of the proxies so appointed shall be entitled to vote.
3. Where a member of the Company is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor duly authorised or, if the appointor is a corporation, either under Seal or under the hand of an officer duly authorised. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor. An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.
5. For this form to be valid, any alterations or amendments to this form or the information contained herein must be initialled against by the appointor.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd. Mufti, 80000 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of poll, and in default the instrument of proxy shall not be treated as valid.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2019, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

NOTICE OF 4TH ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES:

Ordinary Business:

1. **Item 1 of the Agenda – Audited Financial Statements for the FYE 31 December 2018**

   This Audited Financial Statements is meant for discussion only as the provision for Section 248(2) and Section 340(1) of the Act do not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

2. **Item 4 of the Agenda - Proposed Directors' Fees**

   The Proposed Ordinary Resolution 5, if passed, will authorise the payment of Directors' fees payable to the members of the Board, Board of subsidiaries and Board Committees.

3. **Item 5 of the Agenda - Proposed Directors' Benefits**

   The Proposed Ordinary Resolution 6, if passed, will authorise and approve of the payment of Directors' benefits comprised of allowances payable to the members of the Board and Board Committees pursuant to the requirements of Section 230 of the Act for the period commencing after the date of this Annual General Meeting to the date of the next Annual General Meeting.

Statement Regarding Effect of Resolutions under Special Business

4. **Authority to Allot and Issue Shares pursuant to Section 75 and 76 of the Act**

   The Proposed Ordinary Resolution No. 8 proposed in Agenda 7 is to seek a new general mandate from the shareholder of the Company at the 4th Annual General Meeting held on 28th day of May, 2019.

   The general mandate, if passed, will provide flexibility to the Company and empower the Directors to allot and issue new shares in the Company for any fund raising activities, including but not limited to the placing of shares, for working capital, funding future investments and/or funding of strategic development of the Group. The new general mandate is sought to avoid any delay arising from and cost in convening a general meeting to obtain approval of the shareholders for such issuance of shares, up to an amount not exceeding in total ten per centum (10 %) of the issued and paid-up share capital of the Company, as the Directors consider appropriate in the best interest of the Company. The authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

   At as the date of this Notice, there is no decision to issue new shares. Should there be a decision to issue new shares after the authorisation is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

5. **Adoption of New Constitution of the Company**

   The Proposed Special Resolution No. 1 proposed in Agenda 8, if passed, will streamline the Company's Constitution in line with the Act which came into force on 31 January 2017, the updated provisions of the ACE Market Listing Requirements and the prevailing statutory and regulatory requirements, details of which are set out in Appendix I accompanying the Company's Annual Report 2018. Pursuant to Section 36 of the Act, the proposed adoption of the new Constitution of the Company, if passed as a Special Resolution by a majority of not less than 75% of the members who are entitled to vote, and do vote in person or by proxy, shall take immediate effect and it shall bind the Company and the members accordingly

Voting by Poll

Pursuant to Rule 8.31A of Bursa Malaysia Securities Berhad's ACE Market Listing Requirements, all resolutions set out in this Notice are to be voted by poll.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Tan Kok Hong @ Tan Yi	Chairman, Independent Non-Executive Director
Mr. Tay Hong Sing	Chief Executive Officer, Executive Director
Mr. Tan Boon Siang	Deputy Chief Executive Officer, Executive Director
Mr. Yong Thiam Yuen	Chief Operating Officer, Executive Director
Mr. Abdul Mutalib Bin Idris	Senior Independent Non-Executive Director
Ms. Meachery Jo-anne Joseph	Independent Non-Executive Director
Mr. Vincent Wong Soon Choy	Independent Non-Executive Director
Mr. Zhi Ming	Non-Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Vincent Wong Soon Choy	Chairman
Mr. Abdul Mutalib Bin Idris	Member
Ms. Meachery Jo-anne Joseph	Member

NOMINATION COMMITTEE

Mr. Abdul Mutalib Bin Idris	Chairman
Mr. Vincent Wong Soon Choy	Member
Ms. Meachery Jo-anne Joseph	Member

REMUNERATION COMMITTEE

Datuk Tan Kok Hong @ Tan Yi	Chairman
Mr. Vincent Wong Soon Choy	Member
Mr. Abdul Mutalib Bin Idris	Member

PRINCIPAL PLACE OF BUSINESS

No. 100, Jalan Ros Merah 2/17,
Taman Johor Jaya,
81100 Johor Bahru, Johor.
Tel : +607-353 9008
Fax : +607-353 0146
Website : www.cabnet.asia
Email: info@cabnet.asia

COMPANY SECRETARIES

Mr. Lee Wee Hee (MAICSA 0773340)
Ms. Joy Lim Xie Ru Yi (MAICSA 7065780)

REGISTERED OFFICE

Suite 5.11 & 5.12,
5th floor, Menara TJB,
No. 9, Jalan Syed Mohd. Mufti,
80000 Johor Bahru, Johor.
Tel : +607-224 2823
Fax : +607-223 0229

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
(11324-H)
Unite 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3, Bangsar South,
No. 8 Jalan Kerinchi, 59200 Kuala Lumpur.
Tel : +603-2783 9299
Fax : +603-2783 9222
Website : www.tricorglobal.com
Email: is.enquiry@my.tricorglobal.com

AUDITORS

Messrs RSM Malaysia (AF 0768)
Suite 16-02, Level 16, Menara Landmark.
No. 12, Jalan Ngee Heng, 80000 Johor Bahru, Johor.
Tel : +607-276 2828
Fax : +607-276 2832

SPONSOR

TA Securities Holdings Berhad
29th Floor, Menara TA One,
22, Jalan P. Ramlee, 50250 Kuala Lumpur.
Tel : +603-2072 1277
Fax : +603-2161 2693

PRINCIPAL BANKERS

Public Bank Berhad
Alliance Bank Malaysia Berhad
Standard Chartered Bank Malaysia Berhad

SUBSIDIARY COMPANIES

Cabnet Systems (M) Sdn Bhd (355065-V)
Cabnet Systems (Penang) Sdn Bhd (784875-H)
ITWin Technology Sdn Bhd (458399-K)
Amplogix Technology Sdn Bhd (1281830-T)

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad
Stock Code : 0191 / 0191WA
Stock Name : CABNET / CABNET-WA

GROUP FINANCIAL HIGHLIGHTS

	2014(a)	2015	2016	2017	2018
GROUP FINANCIAL RESULTS (RM'000)					
Revenue	34,065	39,591	50,844	52,336	47,183
Profit before tax	4,576	6,056	6,747	6,530	6,252
Profit after tax	4,518	5,852	6,410	5,237	4,680
Net profit attributable to owners of the Company	4,075	5,769	6,410	5,237	4,721
GROUP FINANCIAL POSITION (RM'000)					
Total assets	26,407	29,544	41,040	55,593	57,840
Total cash and bank balances, fixed deposits with licensed banks and short-term investment	2,937	3,439	8,351	14,606	12,441
Total borrowings	6,142	7,271	5,304	2,594	2,493
Share capital	1,000	9,655	10,900	22,660	27,679 (b)
Equity attributable to owners of the Company	10,185	14,335	27,593	43,356	47,037
KEY FINANCIAL STATISTICS/ INDICATORS					
Basic earnings per share (sen)	4.22	5.98	6.05	4.30	3.05
Net dividend per share (sen)	-	-	-	1.30	0.80
Net assets per share attributable to ordinary holders of the Company (RM)	0.09	0.15	0.25	0.33	0.26
Return on shareholders' equity (%)	40.01	40.24	23.23	12.08	10.04
Gearing ratio (times)	0.60	0.51	0.19	0.06	0.05
Share price					
- High (RM)	N/A	N/A	N/A	0.770	0.680
- Low (RM)	N/A	N/A	N/A	0.585	0.220 (c)

Notes:

(a) The financial results for the financial year ended 31 December 2014 are based on pro forma results as disclosed in the Prospectus of Cabnet Holdings Berhad ("Cabnet" or the "Company") dated 28 April 2017 (prepared based on the assumption that our Company and its subsidiaries ("the Group") have been operating as a single economic entity in the financial year ended 31 December 2014).

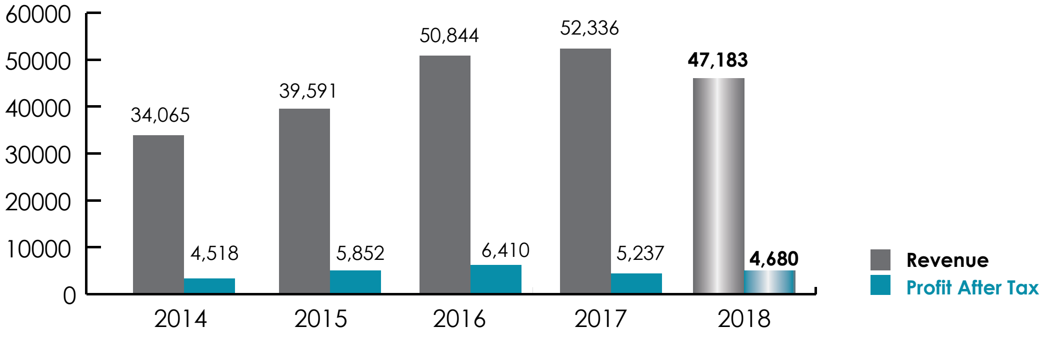
(b) The credits standing in the share premium account were transferred to the share capital account pursuant to the Companies Act 2016 ("Act") which came into effect on 31 January 2017.

(c) After taking into consideration the Bonus Issue of 48,750,000 new ordinary shares in our Company ("Shares") ("Bonus Shares") which were listed on the ACE Market of Bursa Securities on 29 June 2018.

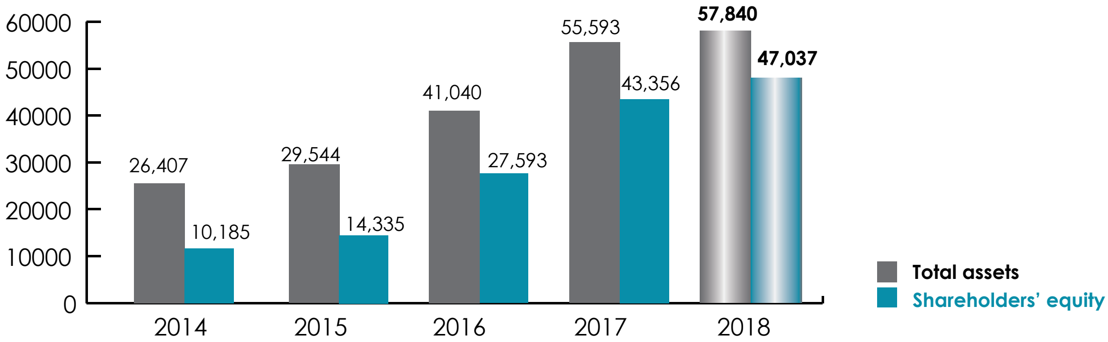
N/A - not applicable

GROUP FINANCIAL HIGHLIGHTS (CONT'D)

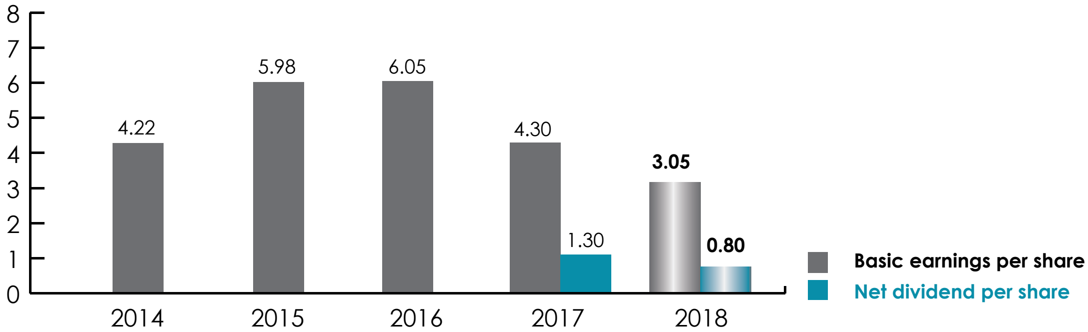
REVENUE AND PROFIT AFTER TAX
RM'000



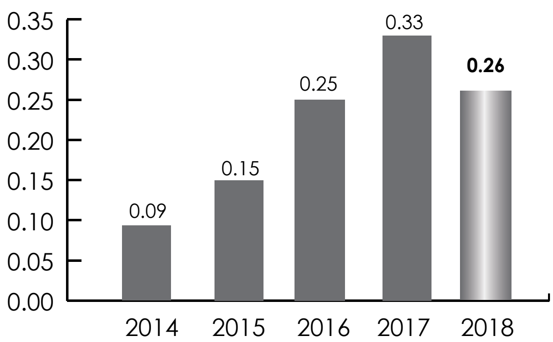
TOTAL ASSETS AND SHAREHOLDERS' EQUITY
RM'000



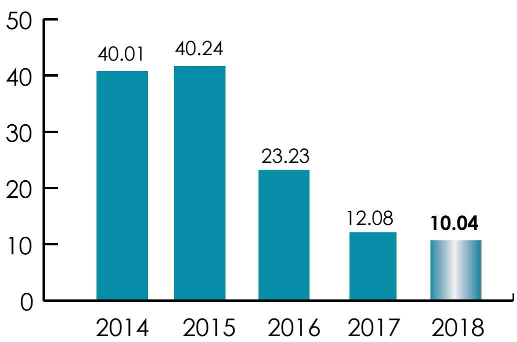
BASIC EARNINGS PER SHARE AND NET DIVIDEND PER SHARE
Sen



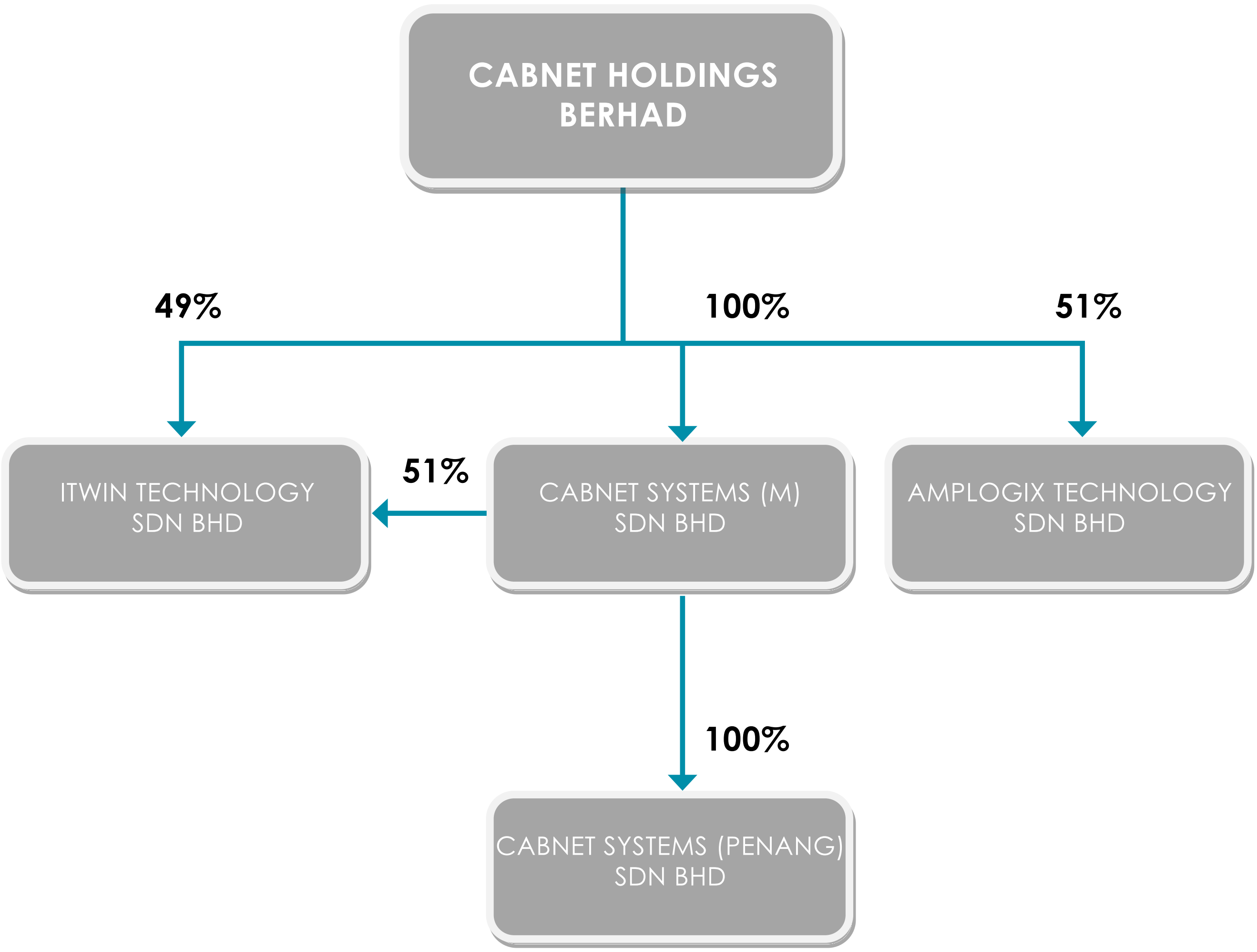
NET ASSETS PER SHARE
RM



RETURN ON SHAREHOLDERS' EQUITY
%



CORPORATE STRUCTURE



PROFILE OF DIRECTORS

DATUK TAN KOK HONG @ TAN YI
Nationality: Malaysian
Gender: Male
Aged: 67

Datuk Tan Kok Hong @ Tan Yi is our Independent Non-Executive Chairman. He was appointed to our Board on 14 September 2015. He is the Chairman of the Remuneration Committee. He was also the Chairman of the Nomination Committee until 25 February 2019.

He obtained his Bachelor of Law (Honours) degree from the University of Buckingham, United Kingdom in 1983 and his Barrister-At-Law degree from the Inns of Court School of Law, Council for the Legal Education and subsequently was called to Lincoln's Inn in 1984.

He started his career in 1976 with the Royal Malaysian Police and later left the Royal Malaysia Police in 1985. Subsequently, he commenced his legal practice in a legal firm in 1985 and left in 2004. In 2004, he was appointed as the Johor State Executive Councillor as well as the Chairman of the Johor State Committee for International Trade and Industry, Energy, Water and Communications, a post that he held until May 2013. He had been elected as a Johor State Assemblyman representing the Bekok constituency since 1995 until 2013.

He does not hold any directorship in any other public company and other listed corporation.

He has no family relationship with any directors and/ or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year. He directly holds 343,750 ordinary shares and 125,000 warrants in the Company.

Datuk Tan attended all the five (5) Board of Directors' Meetings held during the financial year ended 31 December 2018.

TAY HONG SING
Nationality: Malaysian
Gender: Male
Aged: 55

Tay Hong Sing is Executive Director/ Chief Executive Officer of our Group. He was appointed to the Board on 14 September 2015.

In 1988, he graduated with a Diploma in Mechanical and Automotive Engineering from Tunku Abdul Rahman College, Malaysia.

He began his career in 1988 as an Industrial Engineer to design the production flow process which entails the customisation of production process and design of the fixture and tools for the production until he left in 1991. Subsequently, he joined another company in 1991 as a technician and was later promoted to Technical Sales Engineer in 1992 to provide advice on the design of server based on customers' specified requirements. During his employment, he gained exposure in structured cabling whereby he was involved in providing network solution to customers to integrate the server with structured cabling and switches. Subsequent to his departure in 1995, he founded Cabnet Systems (M) Sdn Bhd with his co-founders in 1995. As the Executive Director / Chief Executive Officer of our Group, he is responsible in running the day-to-day operations of the Group as well as involves in the business planning of our Group.

He does not hold any directorship in any other public company and other listed corporation.

He has no family relationship with any directors of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He is a major shareholder of the Company holding 44,825,000 ordinary shares. He directly holds 16,300,000 warrants in the Company.

Mr Tay attended all the five (5) Board of Directors' Meetings held during the financial year ended 31 December 2018.

PROFILE OF DIRECTORS (CONT'D)

TAN BOON SIANG
Nationality: Malaysian
Gender: Male
Aged: 55

Tan Boon Siang is Executive Director / Deputy Chief Executive Officer of our Group. He was appointed to the Board on 14 September 2015.

In 1989, he graduated with a Diploma in Electronic Engineering from Tunku Abdul Rahman College, Malaysia.

After graduation, he began his career as a Maintenance Officer, where he was responsible for the maintenance of the electronic toll equipment of the PLUS highway. In 1991, he joined another company as an Executive of the technical team, where he assisted the team in all technical matters such as repairing, servicing, installation of computer and communication devices that were related to the company's Information and Communication Technology ("ICT") projects, based in the southern region of Malaysia until he left the company in 1994. In August 1995, he founded Cabnet Systems (M) Sdn Bhd together with his co-founders. As the Executive Director / Deputy Chief Executive Officer of Cabnet, he works together with the Chief Executive Officer in running the day-to-day operations of the Group.

He does not hold any directorship in any other public company and other listed corporation.

He has no family relationship with any directors of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He is a major shareholder of the Company holding 44,825,000 ordinary shares. He directly holds 15,590,000 warrants in the Company.

Mr Tan attended all the five (5) Board of Directors' Meetings held during the financial year ended 31 December 2018.

YONG THIAM YUEN
Nationality: Malaysian
Gender: Male
Aged: 44

Yong Thiam Yuen is the Executive Director/ Chief Operating Officer of our Group. He was appointed to the Board on 30 November 2017.

In 1997, he graduated from The Nottingham Trent University, United Kingdom with a Bachelor of Engineering (Honours) in Electrical and Electronic Engineering.

He joined Cabnet Systems in 2015 as Chief Operating Officer. He later assumed his present role as Group Chief Operating Officer where he is responsible to drive business growth for our Group. Prior to that, he was working for more than 18 years in both local and multinational companies. He is a member of the Institution of Engineers Malaysia (IEM) and the Board of Engineers Malaysia (BEM). His experiences in engineering field of building technologies include a variety of management roles and business unit leadership assignments in Sales, Operations and Project.

He does not hold any directorship in any other public company and other listed corporation.

He has no family relationship with any directors and/ or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He directly holds 158,125 ordinary shares and 57,500 warrants in the Company.

Mr. Yong attended all the five (5) Board of Directors' Meetings held during the financial year ended 31 December 2018.

PROFILE OF DIRECTORS (CONT'D)

MEACHERY JO-ANNE JOSEPH
Nationality: Malaysian
Gender: Female
Aged: 49

Meachery Jo-anne Joseph is our Independent Non-Executive Director. She was appointed to our Board on 20 March 2018. She was also appointed as a member of the Audit and Risk Management Committee and Nomination Committee on 20 March 2018.

She obtained her Bachelor of Law (Honours) degree from the University of London, United Kingdom in 1993 and her Certificate in Legal Practice (CLP) in 1995.

She is the partner of a legal firm located in Johor Bahru. Prior to the current firm, she was working for more than 9 years in legal firms. Her vast experience in the last 22 years of continuous legal practice include litigation (civil and commercial), corporate advisory, shipping and maritime litigation and conveyancing.

She does not hold any directorship in any other public company and other listed corporation.

She has no family relationship with any directors and/ or major shareholders of the Company and does not have any conflict of interest with the Company. She has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

She does not hold any shares/ warrants in the Company.

She attended three (3) out of four (4) Board of Directors' Meetings held during her tenure in the financial year ended 31 December 2018.

ABDUL MUTALIB BIN IDRIS
Nationality: Malaysian
Gender: Male
Aged: 59

Abdul Mutalib Bin Idris was appointed to our Board as Independent Non-Executive Director on 20 March 2018 and subsequently identified by the Board as Senior Independent Non-Executive Director on 25 February 2019. He is the Chairman of the Nomination Committee appointed on 25 February 2019 and a member of the Audit and Risk Management Committee and Remuneration Committee since 20 March 2018.

He obtained his Bachelor of Science in Business Administration (Econ-Fin) from University of Tennessee, United States of America in 1987 and Master in Business Administration (Purchasing & Materials Management) from Arizona State University, United States of America in 1992.

He joined UMW Oil & Gas Corporation Berhad in 2012 as Head of Oilfield Services Division and was later re-designated as Head of Corporate Transformation Services in 2016. He left the company in February 2018. Prior to UMW Oil & Gas Corporation Berhad, he has more than 20 years of experience covering procurement, logistics, business developments, corporate management and corporate transformation within the Malaysian oil & gas industry.

He does not hold any directorship in any other public company and other listed corporation.

He has no family relationship with any directors and/ or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He does not hold any shares/ warrants in the Company.

He attended all the four (4) Board of Directors' Meetings held during his tenure in the financial year ended 31 December 2018.

PROFILE OF DIRECTORS (CONT'D)

ZHI MING
Nationality: China
Gender: Male
Aged: 37

Zhi Ming is our Non-Independent Non-Executive Director. He was appointed to our Board on 1 October 2018.

In year 2004, he obtained his Bachelor of Industrial Automation degree from Beijing Institute of Technology, China. In November 2014, he obtained his Master of Business Administration in Finance from The Chinese University of Hong Kong.

He is currently working as Chief Representative of Asia Pacific and Director of Netposa Technologies (Hong Kong) Limited as well as vice president of UniHz Technologies Co. Ltd. Prior to the current employment, he had held various senior management positions in multinational companies for more than 14 years. His vast experiences include business developments, merger and acquisitions, investments, financing, investor and public relations.

He does not hold any directorship in any other public company and other listed corporation.

He has no family relationship with any directors and/ or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He does not hold any shares/ warrants in the Company.

He attended one (1) Board of Directors' Meeting held during his tenure in the financial year ended 31 December 2018.

VINCENT WONG SOON CHOY
Nationality: Malaysian
Gender: Male
Aged: 50

Vincent Wong Soon Choy is our Independent Non-Executive Director. He was appointed to our Board on 9 April 2019. He was appointed as the Chairman of the Audit and Risk Management Committee and a member of Nomination Committee and Remuneration Committee on 9 April 2019.

He graduated from Flinders University of South Australia, Adelaide, Australia with a Bachelor of Commerce Degree majoring in Accountancy and minor in Internal Audit. He is also a member of Malaysia Institute of Accountants (MIA) and a member of Certified Practising Accountants (CPA) Australia.

He has more than 25 years of working experience with exposure to corporate finance, auditing, compliance, tax planning, group accounts, corporate governance, corporate planning and restructuring garnered from his previous employment positions held including as Head of Operation for a leading stock broking company, Group Accountant for a public listed company, Group Financial Controller for a property development group and auditing experience with a big four audit firm.

He is currently also an Independent Non-Executive Director and Chairman of the Audit Committee and Nomination Committee of Pelangi Publishing Group Bhd, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

He has no family relationship with any directors and/ or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He does not hold any shares/ warrants in the Company.

He was just appointed as an Independent Non-Executive Director on 9 April 2019 and no Board of Directors' Meetings have been held yet following his appointment.

PROFILE OF KEY SENIOR MANAGEMENT

PAULINE LOH YEN PING
Nationality: Malaysian
Gender: Female
Aged: 43

Pauline Loh Yen Ping is the Chief Financial Officer of our Group since 1 April 2017.

She obtained her Bachelor of Accounting (Honours) from Universiti Kebangsaan Malaysia in 2000. She is a member and a Chartered Accountant of the Malaysian Institute of Accountants since 2003. She has more than 16 years of working experience in finance and accounting garnered from a public accounting firm and public listed companies.

She does not hold any directorship in any other public company and other listed corporation.

She has no family relationship with any directors and/or major shareholders of the Company and does not have any conflict of interest with the Company. She has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

She directly holds 82,532 ordinary shares and 30,001 warrants in the Company.

TAN YING MENG
Nationality: Malaysian
Gender: Male
Aged: 49

Tan Ying Meng is the Chief Technology Officer of our Group since September 2015 and also the Executive Director of one of the subsidiary company, ITWIN Technology Sdn Bhd since 2006.

In 1993, he graduated from National Taiwan University, Taiwan with a Bachelor of Science in Electrical Engineering. He has more than 23 years of working experiences in areas of system virtualisation, enterprise storage, network security, Local Area Network (LAN)/ Wide Area Network (WAN) connectivity and messaging systems.

He does not hold any directorship in any other public company and other listed corporation.

He has no family relationship with any directors and/or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He directly holds 2,900,000 ordinary shares and 500,000 warrants in the Company.

PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

KOH THAIN LIN
Nationality: Malaysian
Gender: Male
Aged: 45

Koh Thain Lin is the Head of Business Development of our Group since September 2015 and an Executive Director of one of the subsidiary companies, ITWIN Technology Sdn Bhd since 2008. Mr. Koh was also appointed as Executive Director of a newly incorporated subsidiary company, Amplogix Technology Sdn Bhd on 31 May 2018.

He obtained his diploma in computer studies from Cambridge College, United Kingdom and National Computing Center, United Kingdom in 1994 and Bachelor of Computer Science from the University of Portsmouth, United Kingdom via a distant learning programme in 2007. He has more than 20 years of working experiences in areas of sales and marketing, management of network infrastructure and project management.

He does not hold any directorship in any other public company and other listed corporation.

He has no family relationship with any directors and/or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

SIM YIAN FEI
Nationality: Malaysian
Gender: Male
Aged: 46

Sim Yian Fei is the Head of Extra Low Voltage ("ELV") Systems of our Group. He joined Cabnet Systems (M) Sdn Bhd in 2004 as Assistant Manager and rose through the ranks before being appointed as General Manager in 2014 heading the ELV solutions department (now known as ELV systems division). He later assumed the position of the Head of ELV Systems of our Group in September 2015. He was appointed as Executive Director of one of the subsidiary companies, Cabnet Systems (M) Sdn Bhd on 1 February 2019.

He obtained his Diploma in Computer Science from Southern College, Malaysia in 1995. He has more than 21 years of working experience in areas of computer, hardware and server related matters, sales and marketing, project management and ELV solutions systems.

He does not hold any directorship in any other public company and other listed corporation.

He has no family relationship with any directors and/or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KONG TZE SENN
Nationality: Malaysian
Gender: Male
Aged: 48

Kong Tze Senn is the Head of Structured Cabling Works of our Group. He joined Cabnet Systems (M) Sdn Bhd in 2003 as Project Executive and rose through the ranks before being appointed as the Head of Information and Communication Technology ("ICT") Solutions (now known as structured cabling division) in 2014. He later assumed the position of the Head of Structured Cabling Works of our Group in September 2015.

In 1991, he obtained his certification for proficiency in Book Keeping and Account, Business Statistics and Advanced Business Calculations from the London Chamber of Commerce and Industry. He has more than 25 years of experience in areas of sales and marketing, ICT hardware and software, structured cabling works and project management.

He does not hold any directorship in any other public company and other listed corporation.

He has no family relationship with any directors and/or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

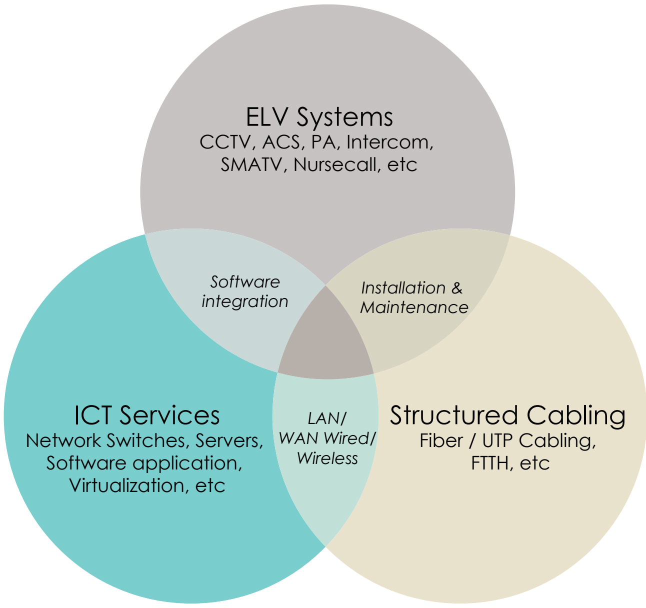
MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF BUSINESS AND OPERATIONS, OBJECTIVES AND STRATEGIES

1.1 Business and Operations

The Cabnet Holdings Berhad Group ("the Group") had its beginning in 1995 and currently is principally involved in the provision of building management solutions, where our core business segments comprise structured cabling works and Extra Low Voltage ("ELV") systems for buildings and other facilities such as seaports and public roads. Our Group also provides Information and Communication Technology ("ICT") services which can be offered as complementary to our building management solutions or offered separately on a standalone basis.

A pictorial summary of our principal activities is depicted below:



UTP: Unshielded Twisted Pair
FTTH: Fiber To The Home

ELV in electricity supply refers to systems that operate on voltages that do not exceed 50 alternating current ("AC") voltages. ELV can comprise multiple systems either operating at a standalone or integrated level, and ELV is used in security and surveillance, public address and video intercom applications. Our Group undertakes the design, supply, build, testing and commissioning, as well as provision of project management, training, maintenance and aftersales service for standalone and integrated ELV systems. These ELV systems help our customers to improve security and communications in a building. The ELV systems that we offer includes closed-circuit television ("CCTV") system, access control system ("ACS"), high definition satellite master antenna television ("HD SMATV") system, public address ("PA") system, intercommunication system, integrated security system and etc.

Structured cabling is a system of cabling and associated hardware that provides telecommunications infrastructure for the purposes of data transfer and voice transmission. Structured cabling integrates building management systems, IT systems and communication systems within one (1) cabling infrastructure. Our structured cabling works involve design, supply, build, testing and commissioning, as well as provision of project management, training, maintenance and aftersales service. Structured cabling helps eliminate the costly process of installing and operating multiple cabling and wiring networks to separately accommodate the aforementioned systems. The integrated cabling infrastructure includes copper and fibre optics cabling used for local area network ("LAN"), wide area network ("WAN"), and various equipment such as ACS and CCTV cameras.

Our ICT services comprise design, supply, build, testing and commissioning, as well as provision of project management, training, maintenance and aftersales service of IT solutions. Our ICT services include server virtualisation, data centre solutions, network design and deployment, network management and network security, enterprise messaging solution and wireless networking solution.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

1. OVERVIEW OF BUSINESS AND OPERATIONS, OBJECTIVES AND STRATEGIES (cont'd)

1.1 Business and Operations (cont'd)

During the financial year, our Group had incorporated a new subsidiary company, namely Amplogix Technology Sdn Bhd, to embark in the business of providing the information technology facilities.

Over the past 20 years, our Group has progressed from a local provider of structured cabling works for small to medium-sized projects to a building management solutions provider for major projects in structured cabling works and ELV systems, as well as ICT services projects. Our Group has also established a track record of project completion with project experience in Malaysia, Brunei Darussalam and Indonesia.

Our Group's customers comprise mainly building contractors who have been engaged to carry out building or construction work including building owners and building operators who are responsible to perform daily building operation tasks such as ensuring the functionality of mechanical and electrical systems including air-conditioning, escalators, lifts, lightings and etc and maintenance of buildings.

1.2. Objectives and Strategies

During the financial year ended 31 December ("FYE") 2018, the Group continued to increase and strengthen its market presence in Johor, while pursuing more opportunities for more projects outside Johor. The Group's business development strategies which were implemented on a progressive basis included access to current business-to-business sales leads for projects within the construction sector in Malaysia based on research carried out by BCI Media Group of which the Group is a member, and a network of contacts within the construction sector to remain updated on upcoming projects which could present business opportunities. The Group approached contractors, consultants, developers and engineering firms to offer our services and solutions and at the same time, gain understanding of their needs and expectations for our Group to formulate the required services and solutions. The Group will continue to proactively participate in prequalification assessments to register our Group on the tender, invitation list of contractors, consultants, developers and engineering firms, which also will create awareness for our Group's services and solutions.

The Group also strengthens its Key Account Management ("KAM") to focus on recurrent business with fast turnaround time from good customers. The KAM is an individual approach to customers which we are pursuing to in order to create long business relationship. We will access to account information in order to engage our customers effectively and systematically, at the same time to grow key accounts into profitable long-term relationships.

2. REVIEW OF FINANCIAL RESULTS

GROUP FINANCIAL RESULTS (RM'000)	FYE2017	FYE2018
Revenue	52,336	47,183
Profit before tax	6,530	6,252
Income tax expense	(1,293)	(1,572)
Profit after tax	5,237	4,680
Net profit attributable to the owners of the Company	5,237	4,721
Basic earnings per share (sen)	4.30	3.05
Net dividend per share (sen)	1.30	0.80

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2. REVIEW OF FINANCIAL RESULTS (cont'd)

The Group's revenue for FYE2018 was derived from provision of building management solutions which mainly comprised ELV systems, structured cabling works and ICT services. For the FYE 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 outlook for the Malaysian economy remains resilient in the near term despite considerable external and domestic headwinds. Real GDP is projected to expand 4.8% and 4.9% in 2018 and 2019, respectively, supported mainly by domestic demand. Research shown that the construction sector grew 4.8% year-on-year (y-o-y) for the first half of 2018, supported by the civil engineering subsector. For the year, the sector is expected to expand, albeit moderately at 4.5%, following near completion of several mega projects and overhang, particularly in the non-residential subsector. The growth momentum is expected to improve slightly in 2019, by 4.7% y-o-y, following an increase in new planned supply in the affordable homes and industrial segments. Civil engineering subsector is expected to continue to remain as the driver of the construction sector in 2018 and 2019, largely supported by ongoing projects. Among the infrastructure projects include Pan Borneo Highway, Central Spine Road, Mass Rapid Transit (MRT) Sungai Buloh-Serdang-Putrajaya (SSP) Line and Light Rail Transit Line 3 (LRT3). Meanwhile, ongoing projects in the petrochemical and power plant segments are the Deepwater Petroleum Terminal 2 at the Refinery and Petrochemical Integrated Development (RAPID) Complex in Johor, Floating LNG 2 in Sabah, and the Central Processing Platform in Sarawak (Source: Economic Outlook 2019, Economic Report 2018/2019, Ministry of Finance Malaysia).

The Group recorded a profit after tax of RM4.68 million for the current financial year as compared to RM5.24 million for the preceding year. 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 as against bonus issue of shares and warrants expenses incurred in the current year.

GROUP FINANCIAL POSITION (RM'000)	FYE2017	FYE2018
Total assets	55,593	57,840
Total cash and bank balances, fixed deposits with licensed banks and short-term investment	14,606	12,441
Gearing ratio (times)	0.06	0.05
Equity attributable to the owners of the Company	43,356	47,037
Net assets per share attributable to ordinary holders of the Company (RM)	0.33	0.26

As at the end of FYE2018, the Group's cash and bank balances, fixed deposits with licensed banks and short-term investment had been decreased from RM14.61 million to RM12.44 million as at the end of FYE2017, mainly caused by the purchase of property, plant and equipment and repayment of bank borrowings in the current financial year. Gearing ratio was improved slightly to 0.05 (2017: 0.06). Total assets rose 4.00% to RM57.84 million.

Increase in share capital was due to the transfer of credits standing in the share premium account to share capital account pursuant to Companies Act 2016 which came into effect on 31 January 2017. On 29 June 2018, there was a bonus issue of 48.75 million Bonus Shares, by way of capitalisation of RM0.10 for each bonus share of RM4.875 million from the share premium account of the Company, listed on the ACE market of Bursa Malaysia Securities Berhad ("Bursa Securities"). As at 31 December 2018, total shareholders' equity stands at RM47.04 million which provides a net asset per share of RM0.26 after taking into consideration of the additional 48.75 million Bonus Shares (2017: RM0.33).

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

3. REVIEW OF OPERATING ACTIVITIES

The FYE2018 proved to be a challenging year for the Group.

The softening property market and overall generally weaker performance by developers affected the construction industry resulting in project delays and take off of new projects. The lethargic property outlook and construction industry resulted in price sensitivity for the Group's services by its potential and existing customers resulting in the Group having to explore and adopt more dynamic value engineering changes to optimise solutions and proposals for its services.

Unexpected slow progress in the existing projects, the reintroduction of Sales and Service Tax ("SST") resulting in materials price fluctuation and risks in foreign exchange transaction were amongst other challenges that the Group had to contend with.

Despite these challenges, the Group persevered to focus and execute its plans according to its strategies and objectives.

The Group continued improving its Management practices, education and training of its human resource, implementing improvements to its structured risk assessment and involvement of our Management's technical teams early in the project negotiations and implementation stage.

In line with this, the Group secured an upgrade of ISO 9001:2008 to ISO 9001:2015 with the certificate issued on 18 March 2018.

During the financial year, the key contracts secured by the Group were:

a) SMATV system, CCTV system, lift access system, door access system, vehicle access system, intercom system and FTTH system for Midas mixed development project at Bandar Seri Alam, Mukim Plentong, Johor;
b) ELV Systems for Seri Alam Apartments Phase 4, Johor;
c) ELV Systems for MBJB Tower in Johor Bahru, Johor;
d) ELV Systems for Eco Business Park II in Senai, Johor;
e) ELV Systems for Plot 32, Forest City project in Mukim Tanjung Kupang, Johor;
f) ELV Systems for Ikano project in Mukim Tebrau, Johor;
g) ELV Systems for stadium project in Mukim Pulai, Johor;
h) ELV Systems for SKS Mall, Taman Larkin Perdana, Johor;
i) Telephone, CCTV and PA Systems for Track 4A 1440MW combined-cycle Power Plant project in Pasir Gudang, Johor;
j) ELV Systems for JBCC Hotel in Johor Bahru, Johor;
k) Wireless AP System for Pengerang Terminal, Johor;
l) ELV Systems for RUMAWIP in Gombak, Selangor; and
m) ELV Systems for Pantai Hospital Air Keroh, Melaka.

While the Group operates principally in the State of Johor, the Group, as part of its strategy to pursue opportunities outside of Johor in particular in the Klang Valley and Penang reaped encouraging results having secured further contracts in the Klang Valley and in the northern States through its office in Penang.

3.1 Inherent Risks

The identified risks of the Group are outlined in the Statement of Risk Management and Internal Control.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

4. DIVIDENDS

On 9 April 2019, the Board of Directors of our Company ("Board") had declared an interim single-tier dividend of 0.8 sen payable on 4 June 2019 for the financial year ended 31 December 2018.

Our Company had adopted a Board's Dividend policy on 12 April 2016 to recommend and distribute a dividend of at least 30% of our annual profit after tax attributable to shareholders. Our Board had reviewed and revised the Dividend Policy on 25 February 2019. This is to allow the shareholders to participate in our Group's profits. Our ability to pay dividends or make other distributions to our shareholders is subject to various factors, such as having profits and excess funds not required to be retained to fund our working capital requirements. Our Board will also take into consideration, amongst others, the following factors when recommending dividends:

i. the availability of adequate distributable reserves and cash flow;
ii. operating cash flow requirements and financing commitments;
iii. anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;
iv. any material impact of tax laws and other regulatory requirements;
v. the prior approval from some bankers, if any; and
vi. such other factors considered and deemed relevant by the Board.

The dividend policy merely reflects our Group's present intention and should not be viewed or construed as a legally binding statement in respect of our Group's future dividends which is subject to modification at the discretion of the Board.

5. FUTURE PROSPECTS

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 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 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, we remain cautious for the financial year ending 31 December 2019 despite the positive order book of the Group.

6. APPRECIATION

On behalf of the Group, we would like to take this opportunity to express our sincere appreciation to all valued shareholders, customers, vendors, bankers, business associates and regulatory authorities for their continued support and confidence in us. We also wish to express our gratitude to the management team and staff for their continued dedication and commitment.

We also take this opportunity and on behalf of the Board of Directors to express our sincere appreciation and gratitude to Mr. Lim Ming Kee for his dedication, contributions and counsel during his tenure in office as the Independent Non-Executive Director and the Chairman of the Audit and Risk Management Committee and member of Nomination Committee and Remuneration Committee since 2017.

This statement was approved by the Board on 9 April 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Cabnet Holdings Berhad ("CABNET" or "the Company") recognises the importance of good Corporate Governance and is committed to ensure the sustainability of our Company's business and operations through the implementation and embracement of the Principles and Practices of the Malaysian Code on Corporate Governance 2017 ("MCCG").

This statement is to provide shareholders and investors with an overview of the application of the Principles set out in the MCCG by the Company and should be read together with the CG Report 2018 of the Company ("CG Report") which accompanies this Annual Report and is also available on CABNET's website at www.cabnet.asia.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the FYE2018. The Board recognises that the practice of good corporate governance is an ongoing process and is of the view that the Company has substantially complied with the principles and practices under the MCCG.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The roles and responsibilities of the Board and Management, Chairman of the Board, Executive Directors, the Board Committees, Chief Executive Officer designate and the Individual Board members are set out in the Board Charter which is accessible through the Company's website at www.cabnet.asia. The Board Charter was last reviewed and revised on 25 February 2019.

It is the primary governance responsibilities of the Board to lead and control the Group. The Board takes full responsibility for the oversight and overall performance of the Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed. The Board sets the strategic direction, ensuring that the necessary resources are in place for the Company to meet its objectives and deliver sustainable performance. The Board is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders' values.

The Independent Non-Executive Directors are responsible for bringing independent judgement and scrutiny to decisions taken by the Board and providing objective challenges to Management. The Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group to ensure that they are capable of exercising judgement objectively and act in the best interest of the Group, its stakeholders and shareholders, including minority shareholders.

The Chief Executive Officer ("CEO") has the executive responsibility for the day-to-day operations of the Group's business and is responsible to implement the policies, strategies and decisions adopted by the Board. The CEO is further assisted by the Deputy Chief Executive Officer ("Deputy CEO"), Chief Operating Officer ("COO") and Senior Executives of the Group to ensure proper focus and accountability.

The Board is headed by a Chairman who is an Independent Non-Executive Director with a wealth of experience garnered from both the public and private sector. The roles of the Independent Non-Executive Chairman are defined and set out in the Board Charter and are further explained in the CG Report.

The positions of the Chairman and the CEO are separately held ensuring balance of power, accountability and division of roles and responsibilities of the Board and the Management of our Group's business and operations. The Board has developed descriptions for responsibilities of the Board Chairman and CEO. The details of these responsibilities are articulated in the Board Charter.

The Board had identified Mr Abdul Mutalib bin Idris as the Senior Independent Director of CABNET on 25 February 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

The Board is also assisted by several Board Committees, namely Audit and Risk Management Committee ("ARMC"), Nomination Committee ("NC") and Remuneration Committee ("RC") to assist in the execution of Board functions. The ARMC and Board are further assisted by the Risk Management Committee (a Management level Committee) playing a pivotal oversight function as delegated by the Board. These Committees ensure greater focus, objectivity and independence in the deliberation of specific board agenda. All board committees have written terms of reference which is made available for reference at the Company's website at www.cabnet.asia. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairman of these respective committees would report to the Board during the Board meetings on significant matters and salient matters deliberated in the Committees.

The Board has reviewed and revised, where applicable the following policies on 25 February 2019 and made it available on the Company's website at www.cabnet.asia as follows:

- Board Corporate Disclosure Policy
- Remuneration Policy
- Code of Conduct and Business Ethics Policy
- Continuing Education Policy
- Dividend Policy
- Diversity Policy
- Policy on Related Party Transaction and Recurrent Related Party Transaction
- Stakeholders Communication Policy
- Whistle Blowing Policy
- Board's Procedures for Appointment of Directors

The detail of the attendance record of the Directors at Board and Committee meetings during the FYE2018 is set out below :

Name of Director	Attendance			
	Board	ARMC	NC	RC
DATUK TAN KOK HONG @TAN YI ***Independent Non-Executive Director/Chairman***	5/5	1/1	2/2	1/1
TAY HONG SING ***Executive Director/CEO***	5/5	-	-	-
TAN BOON SIANG ***Executive Director/ Deputy CEO***	5/5	-	-	-
YONG THIAM YUEN ***Executive Director/ COO***	5/5	-	-	-
LIM MING KEE ***Independent Non-Executive Director (Resigned on 09.04.2019)***	5/5	5/5	2/2	1/1
ABDUL MUTALIB BIN IDRIS ***Senior Independent Non-Executive Director (Appointed on 20.03.2018 and redesignated to Senior Independent Non-Executive Director on 25.02.2019)***	4/4	4/4	-	0/0

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Name of Director	Attendance			
	Board	ARMC	NC	RC
MEACHERY JO-ANNE JOSEPH (F) ***Independent Non-Executive Director*** ***(Appointed on 20.03.2018)***	3/4	3/4	1/1	-
ZHI MING ***Non-Independent Non-Executive Director*** ***(Appointed on 01.10.2018)***	1/1	-	-	-
LOO YONG PENG ***Independent Non-Executive Director*** ***(Retired on 30.05.2018)***	2/2	1/1	1/1	1/1
XIE FENG ***Non-Independent Non-Executive Director*** ***(Appointed on 20.03.2018*** ***and resigned on 01.08.2018)***	2/2	-	-	-

The Board recognises that it is imperative that directors devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes and had adopted a Board Policy on Continuing Education to set forth the elements of continuing education for Board members in addition to the initial induction process to ensure that Board members maintain and update their skills and knowledge necessary to meet their obligations.

The Directors were encouraged to attend relevant training programmes/seminars/briefings to further enhance their skills and knowledge in the latest statutory and regulatory requirements as well as to keep abreast with the business development to assist them in discharging their duties as Directors.

Details of the Directors attendance of training programs/seminars/workshops/briefing during FYE2018 are as follows:

Date	Topic/ Organising Entity	Directors Attended
16.01.2018	Workshop on Key amendments to Listing Requirements Arising from Companies Act 2016 and Dealing in Listing Securities, Closed Period and Insider Trading by CKM Advisory Sdn Bhd	Yong Thiam Yuen Lim Ming Kee
26.03.2018 & 27.03.2018	Finance for Non-Finance Managers by Malaysian Institute of Accountants ("MIA")	Yong Thiam Yuen
23.07.2018 & 24.07.2018	Mandatory Accreditation Programme	Abdul Mutalib bin Idris Meachery Jo-anne Joseph

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Details of the Directors attendance of training programs/seminars/workshops/briefing during FYE2018 are as follows: (cont'd)

Date	Topic/ Organising Entity	Directors Attended
10.10.2018	Gearing up for Corporate Liability by Malaysia Anti-Corruption Academy	Abdul Mutalib bin Idris
16.11.2018	Budget 2019 : Key Updates and Changes for Corporate Accountants by MIA	Tay Hong Sing Tan Boon Siang
26.11.2018	2019 Budget Seminar: Restoring Public Finances, Sustaining Growth, Enhancing Wellbeing by MIA	Lim Ming Kee
27.11.2018	Corporate Training Programme in respect of Sustainability Report, Detecting Financial Frauds and Common Breaches of the Listing Requirements with Case Studies by Tricor Knowledge House Sdn Bhd	Datuk Tan Kok Hong @ Tan Yi Lim Ming Kee

The Board is supported by two (2) External Company Secretaries. Both Company Secretaries of CABNET are qualified to act as Company Secretary under Section 235 of the Companies Act 2016, of which one is a Fellow Member and the other, an Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators. The Company Secretaries provide the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regards to the Company's Constitution, Board's policies and procedures as well as compliance with all regulatory requirements, codes, guidance and legislations.

II. BOARD COMPOSITION

CABNET is led and managed by a diverse, competent and experienced Board with a mix of suitably qualified and experienced professionals having wide and varied expertise in the fields of business, legal, accounting, engineering and information technology. This enables the Board to carry out its responsibilities effectively and ensures accountability. In areas where the Board may not possess the required expertise, the Board would be able to garner advice from its consultants in the required field. The current Board is drawn from different ethnic, cultural and socio-economic background with their age ranging from 37 years to 67 years to ensure that different viewpoints are considered in the decision making process.

The Board acknowledges the importance of diversity to ensure the mix and profiles of the Board members, in terms of age, ethnicity and gender, ability to provide the necessary range of perspectives, experiences and expertise required are well balanced in order to achieve effective board stewardship.

Currently there are eight (8) Board members comprising four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) Executive Directors, who also serve as the CEO, Deputy CEO and COO respectively.

The profile of each Director is set out in pages 9 to 12 of this Annual Report.

The Board had adopted a Gender Diversity Policy on 20 March 2018 which was revised into a Diversity Policy on 25 February 2019 and is available for reference on the Company's website at www.cabnet.asia. The Board currently includes one Independent Non-Executive Director of the female gender and one female senior management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

The Board through its NC had conducted an annual review of the Board's size, composition and balance and concluded that the Board's dynamics are healthy and effective. The present members of the Board possesses the appropriate skills, experience and qualities to steer the Company forward. The NC is also satisfied that the existing structure, size, composition, current mix of skills, competence, knowledge, experience and qualities of the existing Board members are appropriate to enable the Board to carry out its responsibilities effectively.

All the four (4) Independent Non-Executive Directors satisfy the independence test under the ACE Market Listing Requirements ("AMLR") of Bursa Securities. They constitute at least half of the current Board structure.

The Board has also adopted the best practices for assessing the independence of Independent Directors annually and the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. When the Board retains an Independent Director, who has served in that capacity for more than nine (9) years, the Board would justify its decision and seek shareholders' approval, if any. There was no Independent Director(s) serving beyond nine (9) years.

The re-election of Directors provides an opportunity for shareholders to renew their mandate conferred to the Directors.

The Constitution of the Company provides that all directors shall retire by rotation once in every three (3) years or at least one-third (1/3) of the Board shall retire but shall be eligible to offer themselves for re-election at the Annual General Meeting ("AGM"). Any Director appointed by the Board during the financial year is to retire at the next AGM held following their appointments, and shall then be eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation at that meeting.

The above provisions are adhered to by the Board in the AGM. Information on Directors standing for re-election are outlined in the Profile of Directors covering their details of profession, directorships in other public companies and shareholdings in the Company and their attendance of the Board meetings are set forth on pages 21 and 22 of this Annual Report.

At the forthcoming Fourth (4th) AGM, Mr. Tay Hong Sing and Datuk Tan Kok Hong @ Tan Yi are due to retire by rotation under Article 104 of the Company's Constitution. Mr. Tay Hong Sing and Datuk Tan Kok Hong @ Tan Yi being eligible have offered themselves for re-election. Following the NC's review on the performance of Mr. Tay Hong Sing and Datuk Tan Kok Hong @ Tan Yi and having noted their significant and valued contributions to the Board, the NC had recommended their re-election to the Board and the Board had concurred with such recommendation and is recommending that shareholders re-elect Mr. Tay Hong Sing and Datuk Tan Kok Hong @ Tan Yi at the forthcoming 4th AGM.

Pursuant to Article 112 of the Company's Constitution, Mr. Zhi Ming who was appointed on 1 October 2018 and Mr. Vincent Wong Soon Choy who was appointed on 9 April 2019, are subject to retirement at the forthcoming 4th AGM. The NC's had recommended the re-election of Mr. Zhi Ming to the Board and the Board had concurred with such recommendation and are recommending that shareholders re-elect Mr. Zhi Ming at the forthcoming 4th AGM. The Board based on assessment of Mr. Vincent Wong Soon Choy leading up to his appointment as Director is also recommending that shareholders re-elect Mr. Vincent Wong Soon Choy at the forthcoming 4th AGM.

In compliance with the provision of Rule 15.08A(3) of the AMLR of Bursa Securities, the activities of the NC for the FYE2018 are set out in Practices 4.4, 4.6 & 5.1 of the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. REMUNERATION

The RC and Board are mindful of the need to remunerate and retain its Directors to ensure that their commitment remains and therefore their remuneration package is directly linked to their performance, service, seniority, experience and scope of responsibilities.

The RC is responsible to establish, recommend and constantly review a formal and transparent remuneration policy framework and terms of employment for the Board to attract and retain directors which should be aligned with the business strategy and long term objectives of the Company taking into consideration that the remuneration of the Board should reflect the Board's responsibilities, expertise and complexity of the Company's activities.

The Board had formalised and adopted a Remuneration Policy for the Board and Senior Management to attract and retain the Directors and Senior Management required to lead and control the Group effectively. In the case of Executive Director ("ED") and Senior Management, the components of the remuneration package are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.

The RC had reviewed the Director's fees and benefits and the Executive Directors' and Senior Management's remuneration for the financial year ending 31 December 2019 and recommended to the Board for approval.

The disclosure of the Directors' remuneration on a named basis received by each of the current Non-Executive Directors and Executive Directors for FYE2018 are set out in the tables below:

1) Non-Executive Directors

No.	Name	Directors' Fees for FYE2018 (RM'000)	Other Allowances for FYE2018 (RM'000)
1.	DATUK TAN KOK HONG @ TAN YI	40	3
2.	LIM MING KEE [1]	35	5
3.	ABDUL MUTALIB BIN IDRIS [2]	24	3
4.	MEACHERY JO-ANNE JOSEPH [2]	24	3
5.	LOO YONG PENG [3]	13	2
6.	XIE FENG [2]&[4]	10	1
7.	ZHI MING [5]	8	0
	TOTAL	154	17

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. REMUNERATION (cont'd)

2) Executive Directors

No.	Name	Salary (RM'000)	Bonus (RM'000)	Directors' Fees (RM'000)	EPF, SOCSO & EIS (RM'000)	Benefits in-Kind (RM'000)	Total (RM'000)
1.	TAY HONG SING [6]	276	60	54	65	-	455
2.	TAN BOON SIANG [6]	276	60	54	65	-	455
3.	YONG THIAM YUEN [6]	180	39	30	27	15	291
	TOTAL	732	159	138	157	15	1,201

Notes:
(1) Resigned on 9 April 2019
(2) Appointed on 20 March 2018
(3) Retired on 30 May 2018
(4) Resigned on 1 August 2018
(5) Appointed on 1 October 2018
(6) Including remuneration from subsidiary

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE

The ARMC of CABNET comprises wholly of Independent Non-Executive Directors. The ARMC Chairman, Mr. Lim Ming Kee (who ceased as Chairman of ARMC with effect from 9 April 2019) and Mr. Vincent Wong Soon Choy (who was appointed as Chairman on 9 April 2019) are both members of the Malaysian Institute of Accountants. Both the preceding Chairman and current Chairman of the ARMC are not the Chairman of the Board.

The ARMC is authorised by the Board to investigate any activity within its Terms of Reference. It shall have full and unrestricted access to any information pertaining to the Company and the Group and is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the ARMC.

The detailed Terms of Reference of the ARMC outlining the composition, duties and functions, authority and procedures of the ARMC are published and available on the Company's website at www.cabnet.asia.

The independence, objectivity and integrity of the members of the ARMC are the key requirements which the Board of CABNET recognises as essential for an effective and independent ARMC. None of the members of the Board were former key audit partners. As a measure to safeguard the independence and objectivity of the audit process, the ARMC has incorporated a policy stipulation that governs the appointment of a former key audit partner to the ARMC. The policy which is codified in the ARMC's Terms of Reference requires a former key audit partner to observe a cooling-off period of at least two (2) years before he can be considered for appointment as a committee member. The ARMC had reviewed and revised the Terms of Reference of the ARMC on 29 November 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

I. AUDIT AND RISK MANAGEMENT COMMITTEE (cont'd)

The ARMC carried out an assessment of the performance and suitability of Messrs. RSM Malaysia, the External Auditors, based on an assessment questionnaire which took into consideration assessment criteria such as the quality of services which covered the understanding of the business operations, audit management team continuity, make recommendations to help/improve business/processes, deliver effective presentation and reports, achieve expectation of the Company, improvement compared to previous year performance, meeting deadlines and relationship with the Management and other parties.

Messrs. RSM Malaysia were also requested to furnish a declaration of their Independence to the Company as part of these procedures. Messrs. RSM Malaysia had indicated their willingness to seek re-appointment as External Auditors for the financial year ending 31 December 2019.

The ARMC has been generally satisfied with the independence, performance and suitability of Messrs. RSM Malaysia based on the assessment and are recommending to the Board and shareholders for approval for the re-appointment of Messrs. RSM Malaysia as External Auditors for the financial year ending 31 December 2019. The Board had considered and recommended the re-appointment of External Auditors for the shareholders' approval at the forthcoming 4th AGM.

The assessment of performance of ARMC is conducted annually. The NC evaluated and assessed the performance and effectiveness of the ARMC. The NC had concurred the ARMC and members have carried out their duties in accordance with their terms of reference. The Chairman of the NC will lead the NC to evaluate the performance of the Chairman of ARMC and make known its assessment and recommendations, if any to the Board.

The summary of activities of the ARMC during the financial year are set out in the Audit and Risk Management Committee Report on pages 31 to 36 of this Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board affirms its overall responsibility for maintaining a sound governance, risk management and internal control systems and for reviewing their adequacy and effectiveness so as to provide assurance on the achievement of the Group's corporate objectives and strategies and to safeguard all its stakeholders' interests and protecting the Group's assets as well as to establish risk appetite of the Group based on the corporate objectives, strategies, external environment, business nature and corporate lifecycle.

The Board maintained an on-going commitment for identifying, evaluating and managing significant risks faced by the Group systematically during the financial year under review. The duties for the identification, evaluation and management of the key business risk were delegated to the Risk Management Committee.

The Group's internal audit function has been outsourced to an external consultant which reports directly to the ARMC.

The internal audit function currently reviews and appraises the risk management and internal control processes of the Group. The Statement on Risk Management and Internal Control set out on pages 37 to 43 of this Annual Report provides an overview of the Group's approach to ensuring the effectiveness of the risk management and internal processes within the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

CABNET is committed to upholding high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely and even basis.

The Board recognises the importance of communications with its stakeholders and is committed to upholding high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely and even basis. CABNET Investor Relations ("IR") play its role to ensure proper channels of communication between CABNET and the stakeholders.

The Board had in place the Stakeholders Communication Policy which sets out the aims and practices of the Company in respect of communicating with its shareholders (both current and prospective) and the Corporate Disclosure Policy:

- To promote and elevate a high standard of integrity and transparency through timely comprehensive, accurate, quality and full disclosure.
- To promote and maintain market integrity and investor confidence.
- To exercise due diligence to ensure the veracity of the information being disseminated is factual, accurate, clear, timely and comprehensive.
- To build good relationship with all stakeholders based on transparency, openness, trust and confidence.
- To have in place efficient procedures for management of information, which promotes accountability for the disclosure of material information.

The detailed Stakeholders Communication Policy and Corporate Disclosure Policy are available for reference on the Company's website at www.cabnet.asia.

During FYE2018, the Board ensured the supply of clear, comprehensive and timely information to the stakeholders via the following manners:

a) Publication of 2017 annual report;
b) Provide all relevant disclosures including quarterly financial results of CABNET Group by way of announcement through bursa link;
c) Frequent updating of information relevant to Investor Relations, such as annual report, corporate governance report, financial results and announcements through the corporate website; and
d) Engagement with stakeholders at the 2018 AGM where the Chairman highlighted to shareholders and proxy holders, their right to speak up at general meetings, the conduct of poll voting for all resolutions tabled at general meetings and review of the performance of the Group during AGM.

II. CONDUCT OF GENERAL MEETINGS

As stated earlier, the Board recognises the importance of communications with its shareholders and will take additional measures to encourage shareholders' participation at general meetings as recommended under the MCCG.

This includes the Chairman highlighting to shareholders and proxy holders, their right to speak up at general meetings, the conduct of poll voting for all resolutions tabled at general meetings and a review of the performance of the Group during AGMs.

To ensure effective participation of and engagement with shareholders at the AGM in 2018, all Directors, including members of ARMC, NC and RC, attended and participated in said AGM.

In line with the best CG practice, the Notice of the 4th AGM and Annual Report are sent out to shareholders at least 28 days before the date of the meeting to allow sufficient time for the shareholders to consider the proposed resolutions to be tabled at the AGM.

This statement was approved by the Board on 9 April 2019.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING ("IPO")

Our 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. Relevant details of the listing were set out in the Prospectus dated 28 April 2017 issued by the Company.

The gross proceeds arising from the IPO of RM11.76 million have been utilised in the following manner as at 31 December 2018: -

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	(3,671)	591	2,180	Within 24 months
R&D expenditure	500	(304)	-	196	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**	**(9,384)**	**-**	**2,376**	

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

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid/ payable to the External Auditors by the Group and the Company for the FYE 31 December 2018 are as follows:

	The Group RM	The Company RM
Audit fee	69,500	23,000
Non-Audit fees *	33,000	17,000
	102,500	40,000

***** *The Non-Audit fees include, amongst others, tax filing service fees and listing expenses of Bonus Issue.***

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the directors, chief executive who is not a director or major shareholders, which were still subsisting as at the end of the financial year or which were entered into since the end of the previous financial year.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

4. CONTRACT RELATING TO LOAN

There were no contracts relating to a loan by the Company and its subsidiaries in respect of the preceding item.

5. EMPLOYEE SHARE OPTIONS SCHEME

The Group did not offer any share scheme for employees during the financial year under review.

6. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

There were no RRPT of a revenue nature between the Group and its related parties during the financial year under review.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

1. COMPOSITION AND ATTENDANCE

Audit and Risk Management Committee ("ARMC") was established on 12 April 2016. The ARMC comprises three (3) members, all of whom are Independent Non-Executive Directors and one of whom is a member of the Malaysian Institute of Accountants (MIA). No alternate director is appointed as a member of the ARMC. This meets the requirements of rule 15.09(1)(a),(b),(c)(i) and 15.09(2) of the Bursa Malaysia Securities Berhad's ACE Market Listing Requirements ("AMLR").

On 9 April 2019, Mr. Lim Ming Kee, Chairman of the ARMC, resigned as Director of the Company and accordingly ceased to be a member and Chairman of the ARMC. Mr. Vincent Wong Soon Choy was appointed to the ARMC as Chairman on 9 April 2019.

The ARMC would like to place on record its gratitude and utmost appreciation to Mr. Lim Ming Kee for his past services as Director and Chairman of ARMC and member of Nomination Committee and Remuneration Committee.

All members of the ARMC are required to be financially literate and appropriately qualified with sound knowledge and experience in accounting, business and financial management. The details of attendance of each member at Committee Meetings held during the FYE2018 are as follows:

Composition of Committee	No. of ARMC Meetings Attended FYE2018
Lim Ming Kee (Chairman, Independent Non-Executive Director) (Ceased as Chairman with effect from 9 April 2019)	5/5
Vincent Wong Soon Choy (Chairman, Independent Non-Executive Director) (Appointed as Chairman on 9 April 2019)	Not applicable
Datuk Tan Kok Hong @ Tan Yi (Independent Non-Executive Director) (Ceased as a member with effect from 20 March 2018)	1/1
Loo Yong Peng (Independent Non-Executive Director) (Ceased as a member with effect from 20 March 2018)	1/1
Abdul Mutalib Bin Idris (Senior Independent Non-Executive Director) (Appointed on 20 March 2018)	4/4
Meachery Jo-anne Joseph (Independent Non-Executive Director) (Appointed on 20 March 2018)	3/4

The Board assesses the performance of the ARMC and its members through an annual Board Committee effectiveness evaluation. The Board is satisfied that the ARMC and its members have been able to discharge their functions, duties and responsibilities effectively and efficiently in accordance with the Terms of Reference of the ARMC.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

2. SECRETARY

The secretary(ies) to the ARMC are the Company Secretary(ies) of the Company.

3. TERMS OF REFERENCE

The detailed Terms of Reference of the ARMC outlining the composition, duties and functions, authority and procedures of the ARMC are published and available on the Company's website at www.cabnet.asia.

The ARMC's Terms of Reference was adopted by the Board on 12 April 2016 and last revised on 29 November 2018 in accordance to the requirement of rule 15.11 of the AMLR. Under the enhanced requirement of rule 15.12(1)(g)(ii), the ARMC is required amongst others to review significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are addressed.

4. MEETINGS

The ARMC shall meet at least four (4) times a year. The Chairman of the ARMC may call at any time for any additional meetings at the Chairman's discretion and the External Auditors ("EA") may request a meeting if they consider that one is necessary. The Committee had convened a total of five (5) meetings during the FYE2018.

The agenda for meetings, the relevant reports and papers were furnished to ARMC members by the Secretary after consultation with the ARMC Chairman in advance to facilitate effective deliberation and decision making at the respective meetings. The meetings were appropriately structured through the use of agendas and committee papers containing information relevant to the matters for deliberation, which were distributed to members with sufficient notification.

All issues were adequately deliberated during ARMC meetings before arriving at any decisions, conclusions or recommendations and brought to the attention of the Board. The minutes of these deliberations and its resultant decisions, conclusions or recommendations at each ARMC meeting were properly recorded by the Company Secretary and subsequently accelerated to the Board for review and notation.

During its scheduled quarterly meetings, the ARMC reviewed the risk management and internal control processes (with the assistance of its outsourced Internal Audit Function), the interim and year-end financial reports, the internal and external audit plans and reports, recurrent Related Party Transaction ("RPT"), awareness of any incidences of fraud, risk management update reports and all other areas within the scope of responsibilities of the ARMC under its Terms of Reference.

The Executive Directors and Chief Financial Officer ("CFO") were invited to attend all ARMC meetings to facilitate direct communication and interaction as well as provide clarifications on audit, financial and operational issues. The CFO had briefed the ARMC on specific issues and areas arising from the quarterly and audit reports. The EA represented by their Engagement Partner and Audit Manager of the engagement attended ARMC meetings to present their External Audit Planning Memorandum and External Auditors' Report. Similarly, the representatives of the outsourced Internal Audit Function attended the ARMC meetings to table their respective Internal Audit reports.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

5. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

During the FYE 31 December 2018, the ARMC in discharging its duties and functions had carried out the following activities:

a) Financial Reporting

The ARMC reviewed the financial positions and quarterly interim financial reports for the 1st, 2nd, 3rd and 4th quarters of 2018 at its meeting held on 11 April 2018, 30 May 2018, 28 August 2018, 29 November 2018 and 25 February 2019 respectively before recommending them for the Board's consideration and approval for release to the public. In reviewing these financial results, the ARMC ensured the quarterly interim financial reports and Audited Financial Statements ('AFS') were prepared in compliance with the Malaysian Financial Reporting Standard ('MFRS') while the quarterly reports were produced in accordance with rule 9.22 and Appendix 9B of the AMLR.

b) Reports from External Auditors

- On 29 November 2018, the ARMC had reviewed with the EA their scope of work and audit plan as provided in the External Auditors' Audit Planning Memorandum for the financial year 2018 prior to the commencement of audit. The ARMC also had reviewed the EA's remuneration and made recommendation to the Board for acceptance.

- On 23 February 2018, 29 November 2018 and 25 February 2019, the ARMC had conducted private session meetings with the EA without the presence of the executive board members and management personnel of the Company. The ARMC had the opportunity to assess the co-operation extended by the Management to the EA, their attitude and readiness to provide documentation and explanations, as well as the adequacy of resources of the Group's finance department.

- There were no areas of major concern raised by Messrs. RSM Malaysia that warranted escalation to the Board. The EA were also informed by the ARMC that should there be any significant incidents or matters detected in the course of their audits or reviews which warrant their knowledge or intervention, it shall be reported to the ARMC accordingly. At the same time, Messrs. RSM Malaysia had the opportunity to obtain feedback from the ARMC on their perspectives on the areas of major concerns, which they would like the EA to look into.

- On 25 February 2019, the ARMC had deliberated and reviewed the EA's audit findings and recommendations and the audit report, including management's response in relation to the audit findings of the Group for the FYE 31 December 2018.

- On 25 February 2019, the ARMC had reviewed and evaluated the performance of the EA. The ARMC has considered and reviewed the EA's experience, resources availability, independence, level of non-audit services, timing for fieldwork and delivery of reports, working relationship with Management, appropriateness of audit fees and their willingness to continue in office for the next financial year. The ARMC has been generally satisfied with the independence, performance and suitability of EA.

- Obtained confirmation and declaration from EA that they were independent and would be independent through their engagement. Messrs. RSM Malaysia confirmed that they were and had been independent through the conduct of the audit engagement in accordance with the Practice 8.3 of the MCCG 2017 and the By-Laws (On professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

- On 25 February 2019, Messrs. RSM Malaysia had indicated their willingness to continue in office for the next financial year and for re-appointment at the forthcoming AGM.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

5. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (cont'd)

b) Reports from External Auditors (cont'd)

- On 9 April 2019, the ARMC had reviewed and discussed with the EA on the AFS of the Group for the FYE 31 December 2018. The review was to ensure that the AFS were drawn up in accordance with the provision of the Companies Act, 2016 and the applicable Approved Accounting Standards.

- Reviewed other significant matters and transactions highlighted by the EA as well as how these significant matters were addressed.

c) Reports from Internal Auditors ("IA")

- On 30 May 2018, the ARMC had reviewed and discussed the Internal Audit Reports with the recommendations made by the IA on the areas of improvement. The report contained the findings, status, potential risks or implications, audit recommendations provided by the IA and corrective actions taken by management in addressing and resolving issues. The areas covered by the IA in 2018 encompassed Inventory and Governance Management. The IA also reported on the status of implementation progress of the respective management action plans from previous internal audits conducted.

- On 29 November 2018, the ARMC had reviewed and discussed the Internal Audit Reports with the recommendations made by the IA on the areas of improvement. The report contained the findings, status, potential risks or implications, audit recommendations provided by the IA and corrective actions taken by management in addressing and resolving issues. The areas covered by the IA in 2018 encompassed Purchasing and Governance Management.

- On 29 November 2018, the ARMC had reviewed and discussed the Internal Audit Action Plans Follow up Report with the recommendations made by the IA on the areas of improvement. The report provides ARMC on the status of formulation of the respective management action plans in relation to internal audit findings for previous internal audit cycle conducted and its progress of implementation as at the date of the report.

- On 29 November 2018, the ARMC had reviewed and approved the internal audit review plan for the financial year 2019 and recommended for the Board's consideration and approval.

- On 25 February 2019, the ARMC had reviewed and evaluated the performance of the IA. The ARMC has considered and reviewed the IA's qualifications and experience, resources availability and competency, independence, scopes and functions of the IA and collaboration with EA. The ARMC has been generally satisfied with the performance of IA.

- Reviewed and assessed the adequacy of the competency and effectiveness of the systems of Risk Management and Internal Control and the efficiency of the Group's operations in particular those relating to areas of significant risks.

d) Overall Governance Practices in the Group

- Reviewed the disclosures made in respect of the financial results and Annual Report of the Company in line with the AMLR, principles of the MCCG 2017, other applicable laws, rules, directives and guidelines.

- Reviewed the Statement of Risk Management and Internal Control, Corporate Governance Overview Statement and Audit and Risk Management Committee Report together with the IA and EA.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

5. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (cont'd)

d) Overall Governance Practices in the Group (cont'd)

- Reviewed the Director's Responsibility, Other Compliance Information and Other Governance Disclosure and Financial indicators.
- Considered any related party transaction in order to ensure that they were not detrimental to the interests of the minority shareholders.
- Inquired on awareness of any incidences or suspicion of fraud that may have come to the ARMC's attention.
- Reviewed the Budget for the financial year ending 31 December 2019 prepared by management and ensured that the assumptions and estimates were reasonable and prudent.

e) Assurance from Chief Executive Officer ("CEO") and CFO on Group's Risk Management and Internal Control

Received assurance from the CEO and CFO that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects before recommending the Statement on Risk Management and Internal Control to the Board of Directors.

The CEO and CFO assured that: -

- Appropriate accounting policies had been adopted and applied consistently.
- The going concern basis applied in the Annual Consolidated Financial Statements was appropriate.
- Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs.
- Adequate controls and processes were in place for effective and efficient financial reporting and relevant disclosures under MFRS and AMLR.
- The Annual Consolidated Financial Statements and the Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position.

6. INTERNAL AUDIT AND RISK MANAGEMENT FUNCTIONS

Our Group has outsourced its internal audit function to NeedsBridge Advisory Sdn. Bhd., a professional internal audit services provider since 16 June 2017.

a) Main responsibilities of the IA

- Assist in reviewing the adequacy, integrity and effectiveness of the Company's internal control system.
- Perform any ad hoc appraisals, inspections, investigations, examinations, review requests of the ARMC or senior management as appropriate.
- Provide recommendations to strengthen the internal control procedures.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

6. INTERNAL AUDIT AND RISK MANAGEMENT FUNCTIONS (cont'd)

b) Activities of Internal Audit Function

- Annually, before the commencement of the internal audit reviews, an internal audit plan is produced and presented to the ARMC for approval. This internal audit plan is developed taking into consideration of the Group's risk profile as well as the Board's and Management's concerns. Upon approval, internal audit reviews will be carried out in accordance with this approved plan and thereafter table bi-annually for ARMC to review the internal audit reports and the progress of internal audit plan. This review is to ensure that the audit direction remains relevant and in line with the ARMC's expectations.

- Prior to the presentation of reports and findings to the ARMC, comments from the management are obtained and incorporated into the internal audit findings and reports.

- Follow up with Management on the implementation of the agreed audit recommendations. The extent of compliance is reported to the ARMC at regular intervals. The ARMC in turn reviews the effectiveness of the system of internal controls in operations and reports the results thereon to the Board.

- Evaluate the relevance, reliability and integrity of financial and management information.

- Assess the means of safeguarding assets and verify their existence.

- Ascertain the extent of compliance with established policies, procedures, plans, laws and regulations.

- The IA had attended two (2) ARMC meetings during the FYE2018. The functional areas and operating processes reviewed by the IA in 2018 encompassed Inventory and Governance Management and Purchasing and Governance Management.

The total cost incurred for the internal audit function outsourced in respect of the FYE 31 December 2018 was RM33,538.

The Board, in striving for continuous improvement will put in place appropriate action plans, when necessary, to further enhance the Company's system of internal controls.

This statement was approved by the Audit and Risk Management Committee on 9 April 2019.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to rule 15.26(b) and Guidance Note 11 of the Bursa Malaysia Securities Berhad's ACE Market Listing Requirements in relation to the requirement to prepare statement about the state of internal control of the listed issuer as a group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and the MCCG, the Board is pleased to present the statement on the state of the internal controls of the Group for the FYE 2018. The scope of this Statement includes the Company and all operating subsidiaries.

BOARD RESPONSIBILITIES

As per the Board Charter, the Board affirms its overall responsibility for maintaining a sound governance, risk management and internal control systems and for reviewing their adequacy and effectiveness so as to provide assurance on the achievement of the Group's corporate objectives and strategies and to safeguard all its stakeholders' interests and protecting the Group's assets as well as to establish risk appetite of the Group based on the corporate objectives, strategies, external environment, business nature and corporate lifecycle. The Board is committed to the establishment and maintenance of an appropriate control environment and governance framework that is embedded into the corporate culture, processes and strategies of the Group as well as to articulate and implement risk management and internal control system. The Board delegates the duty of identification, assessment and management of key business risks to the Risk Management Committee while the Audit and Risk Management Committee, through its terms of reference approved by the Board, is delegated with the duty to review the adequacy and effectiveness of risk management and internal control systems of the Group and to provide assurance to the Board on the adequacy and effectiveness of risk management and internal control systems of the Group. Through the Audit and Risk Management Committee, the Board is kept informed on all significant control issues brought to the attention of the Audit and Risk Management Committee by the Management, the internal audit function and the external auditors.

The system of internal control covers, inter-alia, risk management as well as financial, operational, environmental and compliance controls. However, in view of the limitations that are inherent in any system of internal control, the system of internal control is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system of internal control can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

RISK MANAGEMENT

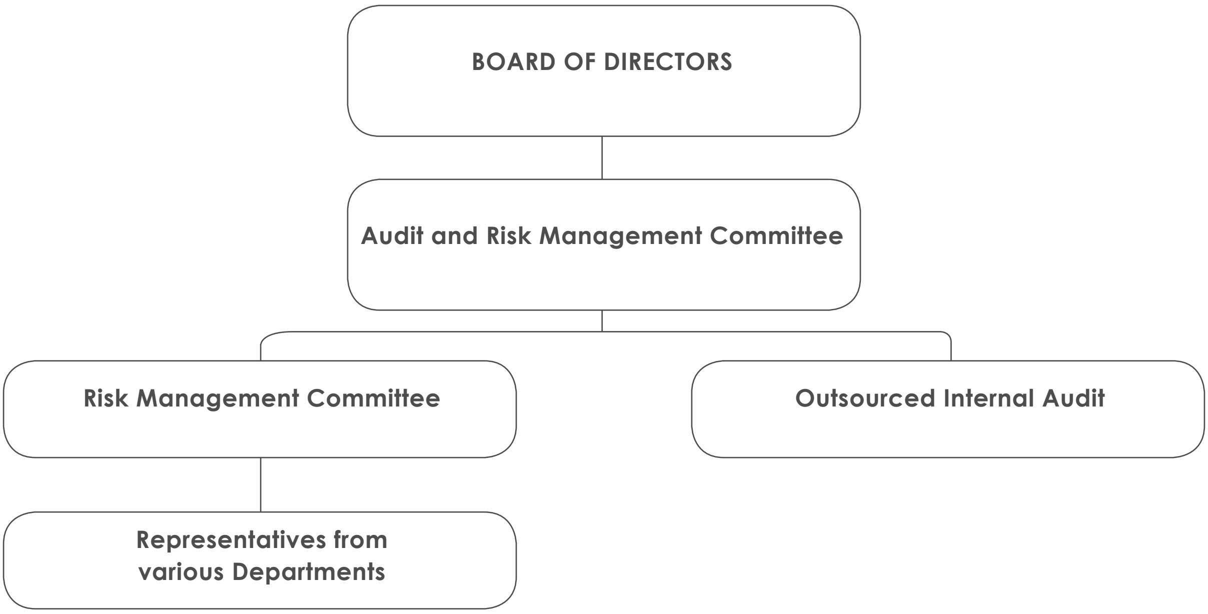
The Board recognises risk management as an integral part of system of internal control and good management practice in pursuit of its strategic objectives. The Board maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group systematically during the financial year under review. The Board had put in place a structured Risk Management Handbook, as the governance structure and processes for the risk management on enterprise wide, in order to embed the risk management practice into all level of the Group and to manage key business risks faced by the Group adequately and effectively as second-line-of-defense. The duties for the identification, evaluation and management of the key business risk are delegated to the Risk Management Committee.

The Risk Management Handbook was developed and customised based on the foundation of the Federation of European Risk Management Associations ("FERMA") 2002 (Risk Management Standard framework) and ISO31000:2009 in view of adopting the practices with the Group's distinct operations and environment.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

RISK MANAGEMENT (cont'd)

The Risk Management Policy established lays down the risk management's objectives and processes established by the Board with formalised governance structure of the risk management activities of the Group established as follows:



Clear roles and responsibilities of the Board, the Audit and Risk Management Committee, Risk Management Committee, departmental representatives (as risk owners) and outsourced internal audit function are defined in the Risk Management Handbook. In particular, the roles and responsibilities of the Risk Management Committee in relation to the risk management are:

- set performance measures in relation to the risk management;
- to report on the risk profile;
- to perform continuous review of the business risks faced by the Group; and
- continuous implementation (including monitoring) of risk management process and practices.

On the other hand, the oversight roles of the Audit and Risk Management Committee in relation to the risk management as per its terms of reference are:

a. to determine, review and recommend risk management strategies, policies and risk tolerance;
b. to review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
c. to ensure adequate infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of our Company's risk originating activities;
d. to review periodic reports on risk exposure, risk portfolio composition and risk management activities of our Company;
e. to review and recommend new policies or changes to policies, and to consider their risk implications;
f. to review the impact of risk on capital adequacy and profitability under normal and stress scenarios;
g. to review and evaluate the various processes and systems engaged by our Company and to ensure that they are conducted within the standards and policies as set by our Board; and
h. to assess the adequacy of the business recovery/ disaster recovery procedures.

In addition, the operational management team, i.e. the departmental representatives, is designated as risk owners within their area of expertise and operational responsibilities to provide/update input of risk profiles, to implement the risk management process and practices and to implement and assess control framework.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

RISK MANAGEMENT (cont'd)

Systematic risk management process is stipulated in the Risk Management Handbook, whereby each step of the risk identification, risk evaluation, control evaluation and validation, risk treatment and control activities are laid down for application by the Risk Management Committee and the operational management. Risk assessment is guided by the likelihood rating and impact rating established by the Board based on the risk appetite acceptable by the Board. Based on the risk management process, risk profiles were compiled by the Risk Management Committee with relevant key risks identified before report to the Audit and Risk Management Committee. As an important risk monitoring mechanism, the Risk Management Committee is scheduled to review the risk profiles of all operating subsidiaries and assessment of emerging risks identified at strategic and operational level on half-yearly basis or on more frequent basis if circumstances required and to report to the Audit and Risk Management Committee on the results of the review and assessment.

During the financial year under review, the Risk Management Committee continue to review its key risk registers for on-going risk monitoring and assessment, after taken into consideration of the internal audit findings. Risk Management reports were updated and tabled to the Audit and Risk Management Committee on quarterly basis for its review and deliberation on its adequacy and effectiveness of the risk management process and results, and for its reporting the results of review to the Board, which assumes the primary responsibility of the risk management of the Group.

The above formal process has been practiced by the Group since 20 December 2017 and up to the date of approval of this statement.

Respective risk owners are responsible to assess the changes to the existing operational risks and emerging risks and to formulate and implement effective controls to manage the risks.

The following are the key risk areas identified by Risk Management Committee:

a. Expanding the customer and market base;
b. Keeping up with technology changes and advancements;
c. Enhancing the project management skill;
d. Enhancing purchasing and stock control;
e. Managing the manpower and competency; and
f. Enhancing the IT system back-up and recovery process.

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the outsourced internal audit function with specific audit objectives and business risks identified for each internal audit cycle based on the internal plan approved by the Audit and Risk Management Committee.

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control systems are described below:-

- **Board of Directors/Board Committees**

  Board Committees (i.e. Audit and Risk Management Committee, Remuneration Committee and Nomination Committee) are established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference.

  Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL SYSTEM (cont'd)

- **Integrity and Ethical Value**

  The tone from the top on integrity and ethical value are enshrined in the Code of Conduct and Business Ethics Policy established and approved by the Board on 23 February 2018. The Board had reviewed the Code of Conduct and Business Ethics on 25 February 2019. This formal code forms the foundation of integrity and ethical value for the Group.

- **Organisation Structure and Authorisation Procedures**

  The Group has a formal organisation structure in place to ensure appropriate level of authorities and responsibilities are delegated accordingly to competent staffs in achieving operational effectiveness and efficiency.

  The authorisation requirement of the key control points of certain business processes are guided by the Authority Limit Matrix established by the Management and approved by the Chief Executive Officer with the authorisation procedures for rest of the processes are stated in the Group's policies and procedures.

- **Policies and Procedures**

  The Group has documented policies and procedures to regulate relevant key processes in compliance with its International Organisation for Standardisation ("ISO") 9001:2015.

- **Human Resource Policy**

  Guidelines on the human resource management are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently.

  Performance evaluations are carried out for all levels of staff to identify performance gaps, for training needs identification and talent development.

- **Information and Communication**

  The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerised systems, secured intranet and electronic mail system, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection. The management and board meetings are held for effective two-way communication of information at different level of management and the Board.

- **Monitoring and Review**

  Internal audits are carried out by the internal audit functions (which reports directly to the Audit and Risk Management Committee) on key risk areas identified based on the internal audit carried out. The internal audit functions assess the adequacy and effectiveness of internal controls in relation to specific governance, risk and control processes and highlight potential risks and implications of its observations that may impact the Group as well as recommend improvements on the observations made to minimise the risks. The results of the internal audits carried out are reported to the Audit and Risk Management Committee.

  In addition to the internal audits, significant control issues highlighted by the external auditors as part of their statutory audits and the monitoring of compliance with ISO certification carried out by internal ISO auditors serve as the fourth-line-of-defense.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTION

The review of the adequacy and effectiveness of the Group's risk management and internal control system is outsourced to an independent professional firm, NeedsBridge Advisory Sdn Bhd, who, through the Audit and Risk Management Committee, provides the Board with much of the assurance it requires in respect of the adequacy and effectiveness of the Group's system on the risk management and internal control.

The outsourced internal audit function is reporting to the Audit and Risk Management Committee directly and the engagement director, Mr. Pang Nam Ming, is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global. The outsourced internal audit function is manned by one (1) engagement director, four (4) managers/assistant manager and six (6) senior consultants/consultants during the financial year under review.

The audit engagement of the outsourced internal audit function is governed by the engagement letter with key terms that include purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the management's responsibilities, the authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team. The appointment and resignation of the internal audit function as well as the proposed audit fees are subject to review and approval by the Audit and Risk Management Committee for its reporting to the Board for ultimate approval.

To preserve the independence and objectivity, the outsourced internal audit function is not permitted to act on behalf of the Management, decide and implement management action plan, perform on-going internal control monitoring activities (except for follow up on progress of action plan implementation), authorise and execute transactions, prepare source documents on transactions, have custody of assets or act in any capacity equivalent to a member of the Management or the employee.

The outsourced internal audit function is accorded unrestricted access to all functions, records, property, personnel, Audit and Risk Management Committee and other specialised services from within or outside the Group and necessary assistance of personnel in units of the Group where they perform audits.

On 25 February 2019, the Audit and Risk Management Committee had reviewed and evaluated the performance of the Internal Auditors. The Audit and Risk Management Committee has considered and reviewed the Internal Auditors' qualifications and experience, resources availability and competency, independence, scopes and functions of the Internal Auditors and collaboration with External Auditors. The Audit and Risk Management Committee and the Board are satisfied:

- that the outsourced internal audit function is free from any relationships or conflict of interest which could impair their objectivity and independence;
- with the scope of the outsourced internal audit function;
- that the outsourced internal audit function possesses relevant experience, knowledge, competency and authority to discharge its functions effectively, possesses sufficient resources and has unrestricted access to employees and information for the internal audit activities; and
- with the internal audit plan, processes, the results of the internal audit plan, processes or investigation undertaken

Risk-based internal audit plan in respect of financial year ended 31 December 2018 was drafted by the outsourced internal audit function, after taking into consideration existing and emergent key business risks identified by the Management and the Senior Management's opinion, and was reviewed and approved by the Audit and Risk Management Committee prior to execution. Each internal audit cycle within the internal audit plan is specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTION (cont'd)

As third-line-of-defense, the internal control review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls for the respective audit areas through the review of the samples selected based on sample sizes calculated in accordance to predetermined formulation, subject to the nature of testing and verification of the samples.

During the financial year under review, the outsourced internal audit function has conducted review for Inventory Control and Purchasing Management of Cabnet Systems (M) Sdn Bhd and ITWin Technology Sdn Bhd based on the internal audit plan approved by the Audit and Risk Management Committee for the financial year ended 31 December 2018. The outsourced IA also conducted review on the status of formulation of the respective management action plans in relation to internal audit findings for previous internal audit cycle conducted and its progress of implementation as at the date of the report.

Upon the completion of the individual internal audit field work during the financial year, the internal audit report was presented to the Audit and Risk Management Committee during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans were presented and deliberated with the members of the Audit and Risk Management Committee.

The cost incurred in maintaining the outsourced internal audit function for the FYE2018 amounted to RM33,538.

ASSURANCE PROVIDED BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In line with the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers, the Chief Executive Officer, being highest ranking executive in the Company and Chief Financial Officer, being the person primarily responsible for the management of the financial affairs of the Company have provided assurance to the Board in writing stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review and up to date of the approval of this statement.

OPINION AND CONCLUSION

Based on the review of the risk management results and processes, results of the internal audit activities, monitoring and review mechanism stipulated above, assurance provided by the Chief Executive Officer and the Chief Financial Officer, the Board is of the opinion that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

The Board is committed towards maintaining an effective risk management and internal control systems throughout the Group and where necessary put in place appropriate plans to further enhance the Group's systems of internal control. Notwithstanding this, the Board will continue to evaluate and manage the significant business risks faced by the Group in order to meet its business objectives in the current and challenging business environment.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to rule 15.23 of the ACE Market Listing Requirements, the External Auditors have reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with the AAPG 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies to be set out, nor is factually incorrect.

This statement was approved by the Board on 9 April 2019.

SUSTAINABILITY STATEMENT

This Sustainability Statement is prepared in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad paragraph 30 of Appendix 9C of the ACE Market Listing Requirements which is supplemented by Guidance Note 11.

We recognise the importance of sustainability to our long-term business success. We focus not only on direct revenue-generating activities as we believe that striking a balance between achieving operational profitability whilst simultaneously focusing on the economic, environment and social considerations are essential elements in enabling our Group to succeed in the long run.

This report outlines our endeavours throughout financial year ended 31 December 2018 in areas where our expertise and resources can make a positive difference for present and future generations, with respect to the following three core areas:

- Economic
- Environmental
- Social

1.0 ECONOMIC

1.1 Quality Assurance

As part of our continuous efforts to achieve customer satisfaction, we place strong focus on quality assurance throughout the entire process of our project lifecycle. Our team is responsible for the design of our quality management system, aside from being assigned to ensure that all quality objectives are met with strict adherence to the standards prescribed under our quality management system, as well as field quality testing.

In line with this, one of our subsidiary company, Cabnet Systems (M) Sdn Bhd, as an ISO 9001:2015 (the international standard that specifies requirements for a quality management system) accredited company, had secured an upgrade of ISO 9001:2008 to ISO 9001:2015 (“ISO”) with the certificate dated 18 March 2018. Our quality management systems and specific quality control plans are structured to meet the ISO standards.

1.2 Value-added Solutions

Apart from quality management system, we are committed in meeting its standards of excellence by providing value-added solutions in meeting our esteemed customers’ requirements. As we take cognisance of the importance of sustainability, we will continue to provide more efficient building management solutions integrated with advance technology equipment at lower cost through re-engineering processes.

2. ENVIRONMENTAL

2.1 Reduce, Reuse, Recycle (“3R”)

We recognise the importance of environmental conservation and practise the 3R principles in our daily operations such as minimising wastages, reusing printing papers and channeling waste cables and other materials from its project sites for recycling.

SUSTAINABILITY STATEMENT (CONT'D)

2. ENVIRONMENTAL (cont'd)

2.2 Digital environment

As part of our efforts to mitigate the environmental impact of our operations, we have taken initiatives in moving towards a digital environment by streaming and automating work processes.

During the year, we have sourced for a fully integrated e-business contract management system and are in the process of getting resources for the implementation. The integrated system will improve work efficiency by eliminating the duplicated elements in the manual work processes and providing more transparent information for sharing among the various departments which eventually help in the business decision process.

We have also initiated a centralised file server for more efficient information sharing and document filing system. Respective departments are required to keep their documents in soft copy in the centralised server instead of keeping hardcopies.

These initiatives will improve our resource efficiency by reducing paper usage, storage space and works efficiency.

3. SOCIAL

3.1 Employees

We advocate a corporate philosophy of caring for our employees. We provide careers with growth opportunities, fair performance evaluation and reward systems, and ensure their well-being is addressed.

3.2 Recruitment

As a homegrown Malaysia company, we are aware of the importance to build up the local community and to provide opportunities for the upcoming generation to succeed.

We prioritise hiring of local employees to fill job vacancies for supervisory roles and above, unless the particular skills or experiences are not available in the country. We believe local recruitment offers much benefits with regards to the easier assimilation to the work culture and understanding needs of the local community.

We are keen in nurturing young talents and always on the lookout for students to join us as interns. Interns will gain first-hand experience of the industry and at the same time, develop their personal skills in preparation for full-time employment after graduation.

3.3 Employees' Welfare & Social Activities

We recognise the value of our employees. To promote closer working relationships and better understanding among the employees, social activities are organised, such as Jamuan Berbuka Puasa and monthly birthday celebration for employees. These activities encourage employees from different departments and levels to interact, integrate and develop teamwork.

SUSTAINABILITY STATEMENT (CONT'D)

3. SOCIAL (cont'd)

3.4 Safety and Health

We place great importance on safety aspects by promoting safe work practices to all employees. An in-house Health, Safety and Environmental ("HSE") Committee was established on 1 September 2017. HSE oversees and ensures the Group's health and safety procedures are appropriately adhered to by all employees. Regular meetings and activities have been structured into our safety work schedules and are rigorously carried out by HSE.

3.4 Skill Development

We place a strong emphasis on skill development to enable our employees to achieve their potential. The management believes that efficient, effective and knowledgeable employees are essential for the growth of the organisation. To this end, trainings are continuously provided to upgrade job knowledge and develop new skills. In addition, we also encourage our employees to attend relevant new products briefing related to their field of works to broaden their perspective and be at the forefront of industry practices.

3.5 Community

We are committed to giving back to the communities through financial contribution and sponsorship. We have made financial contributions to Malaysian Red Crescent Johor Bahru Chapter for four (4) consecutive years starting from 2015. During the year, we have also made financial contributions for primary school's team building activities and religious activities.

This statement was approved by the Board on 9 April 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

This statement is prepared as required by the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The directors are required by the Companies Act, 2016 ("the Act") to prepare financial statements for each financial year so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of the results and cash flows of the Group and of the Company for the financial year then ended.

During the preparation of the financial statements for the financial year ended 31 December 2018, the directors have ensured that:

- the Group and the Company have adopted appropriate accounting policies and are consistently applied;

- judgements and estimates that are prudent and reasonable have been used;

- all applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards have been complied with;

- the accounting and other records required by the Act are properly kept and disclosed with reasonable accuracy at any time, the financial position of the Group and of the Company which enable them to ensure the financial statements comply with the Act; and

- the financial statements have been prepared on the going concern basis.

The directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities and material misstatements, as described more fully in the corporate governance section of this report. Such system, by their nature, can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding.

The principal activities of the subsidiary companies are described in Note 7 to the financial statements.

RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year	4,680,525	1,502,901
Attributable to:		
Owners of the Company	4,721,322	1,502,901
Non-controlling interest	(40,797)	-
	4,680,525	1,502,901

In the opinion of the directors, the financial results of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

The dividends on ordinary shares paid or declared by the Company since the end of the previous financial year were as follow:

In respect of the financial year ended 31 December 2017	RM
Second interim single-tier dividend of 0.80 sen per ordinary share, paid on 8 June 2018	1,040,000

Subsequent to the end of financial year, the directors, on 9 April 2019, declared a first interim single tier dividend of 0.80 sen per ordinary share amounting to RM1,430,000 in respect of the financial year ended 31 December 2018, payable on 4 June 2019 to shareholders whose name appeared in the record of depositors on 9 May 2019. The financial statements for the current financial year do not reflect the above declared interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2019.

The directors do not recommend the final dividend for the financial year ended 31 December 2018.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES AND DEBENTURES

During the financial year:

(a) the Company increased its issued ordinary share capital from RM22,660,000 to RM27,535,000 by the 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 29 June 2018 by way of capitalisation of RM0.10 for each bonus share of RM4,875,000 from the share premium account of the Company pursuant to Section 618(3) of the Companies Act 2016; and

(b) the remaining balance of RM143,500 for share premium account after the bonus issue as mentioned above has become part of the Company's share capital in accordance with Section 618 of the Companies Act 2016.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

Save for the above, there were no other changes in the issued and paid-up capital of the Company during the financial year.

The Company did not issue any new debentures during the financial year.

WARRANTS

During the financial year, the Company issued 65,000,000 new Warrants on the basis of one (1) Warrant for every two (2) Cabnet Holdings Berhad's shares on 9 July 2018.

The details and salient terms of Warrants are disclosed in Note 17 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted by the Company to any person to take up any unissued shares of the Company during the financial year.

DIRECTORS OF THE COMPANY

The directors of the Company who held office during the financial year until the date of this report are as follows:

Datuk Tan Kok Hong @ Tan Yi	
Tay Hong Sing	
Tan Boon Siang	
Yong Thiam Yuen	
Abdul Mutalib Bin Idris	
Meachery Jo-anne Joseph	
Zhi Ming	(Appointed on 1 October 2018)
Vincent Wong Soon Choy	(Appointed on 9 April 2019)
Lim Ming Kee	(Resigned on 9 April 2019)
Loo Yong Peng	(Retired on 30 May 2018)
Xie Feng	(Resigned on 1 August 2018)

DIRECTORS' REPORT (CONT'D)

DIRECTORS OF THE SUBSIDIARIES

The directors of the Company's subsidiaries who held office during the financial year until the date of this report, excluding those who are already listed above are as follows:

Tan Ying Meng
Koh Thain Lin
Sim Yian Fei (Appointed on 1 February 2019)

DIRECTORS' INTEREST

During and at the end of the financial year, the Company was not a party to any arrangement whose object is to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 were as follow:

	Number of ordinary shares			
The Company	**At 1.1.2018**	**Acquired/ Bonus issue**	**Disposed**	**At 31.12.2018**
Direct interests				
Tay Hong Sing	32,600,000	12,225,000	-	44,825,000
Tan Boon Siang	32,600,000	12,225,000	-	44,825,000
Lim Ming Kee	150,000	56,250	-	206,250
Datuk Tan Kok Hong @ Tan Yi	250,000	93,750	-	343,750
Yong Thiam Yuen	115,000	43,125	-	158,125

	Number of Warrants				
The Company	**Acquired/ At 1.1.2018**	**Bonus issue**	**Exercised**	**Disposed**	**At 31.12.2018**
Direct interests					
Tay Hong Sing	-	16,300,000	-	-	16,300,000
Tan Boon Siang	-	16,300,000	-	(710,000)	15,590,000
Lim Ming Kee	-	75,000	-	-	75,000
Datuk Tan Kok Hong @ Tan Yi	-	125,000	-	-	125,000
Yong Thiam Yuen	-	57,500	-	-	57,500

By virtue of their interests in the shares of the Company, the directors are also deemed to be interested in the shares of all the subsidiaries to the extent the Company has an interest.

None of the other directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the notes to the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 30 to the financial statements.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 30 to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Group and of the Company.

SUBSIDIARY COMPANIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in Note 23 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that adequate provision had been made for doubtful debts; and

  (ii) to ensure that the current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances:

  (i) which would require to render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

  (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (cont'd)

(b) At the date of this report, the directors are not aware of any circumstances: (cont'd)

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the Group's and the Company's financial statements misleading.

(c) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group and of the Company for the current financial year.

AUDITORS

The auditors, Messrs RSM Malaysia, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 9 April 2019.

TAY HONG SING

TAN BOON SIANG

Johor Bahru, Johor

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the directors of **CABNET HOLDINGS BERHAD (1121987-D)** do hereby state that, in the opinion of the directors, the financial statements set out on pages 59 to 113 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2018 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 9 April 2019.

TAY HONG SING

TAN BOON SIANG

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **PAULINE LOH YEN PING,** MIA membership number: 21673, being the officer primarily responsible for the financial management of **CABNET HOLDINGS BERHAD (1121987-D)** do solemnly and sincerely declare that the financial statements set out on pages 59 to 113 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed at Johor Bahru
in the Johor on 9 April 2019

Before me

PAULINE LOH YEN PING

LAI SOON CHEE
Commissioner for Oaths
No. J287

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CABNET HOLDINGS BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cabnet Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 113.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Financial Statements*** section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By- Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition for construction contracts ***Refer to Note 3(l), Note 5(a), Note 5(b), and Note 21 to the financial statements.*** During the financial year, the Group had adopted MFRS 15 "Revenue from contracts with customers". Revenue recognition on construction contracts involves significant judgements and use of estimates. The Group assesses each of its contracts with customers, whether to recognise revenue over time or a point in time based on a consideration of whether the Group has created a contract asset with no alternative use and whether the Group has an enforceable right to payment for performance completed at any time during the life of the contract.	Our audit procedures included, amongst others: - We examined a sample of contracts with customers, assessed the management identification of performance obligations and determination of whether the revenue shall be recognised over time or at a point in time. - We examined approved project cost budgets for significant on-going projects and verified the projects' completion percentages in light of costs incurred and also examined invoices, on a sample basis, to substantiate the costs incurred. For significant projects, we recalculated the amount of revenue to be recognised.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CABNET HOLDINGS BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Where revenue recognised over time, the Group recognised revenue by reference to the actual contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract. We focus on this area due to the inherent subjectivity in the judgements and estimation uncertainty involved in the estimation of its stage of completion that is largely dependent on the total estimated costs.	
<u>Recoverability of trade receivables</u> ***Refer to Note 14 and Note 36 to the financial statements.*** As at 31 December 2018, trade receivables that were past due more than 120 days amounted to RM4,102,106. During the financial year, the Group has initiated legal actions against a third-party receivable to recover an outstanding sum of RM1,120,179. Based on management's assessment, there is no impairment losses on the outstanding amount, whereby it is probable to receive the amount. The determination of whether the trade receivables are recoverable involves significant management judgement and inherent subjectively given uncertainty regarding the ability of the trade receivables to settle their debts and the outcome of the litigation. We focus on the risk that the trade receivables may be overstated and hence, further impairment losses may be required.	Our audit procedures included, amongst others: - We obtained an understanding of the Group's control over the receivable collection process and how the Group identifies and assesses the impairment of receivables. - We evaluated the reasonableness and adequacy of the allowance for impairment recognised for identified exposures. - We obtained and read the court papers filed by the Group and discussed with management and external legal counsel on the litigation. - We evaluated the competency and objectivity of external legal counsel, where applicable, as required under International Standards on Auditing.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CABNET HOLDINGS BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CABNET HOLDINGS BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

1. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

2. The financial statements of the Company for the financial year ended 31 December 2017 were audited by another firm of chartered accountants whose report dated 11 April 2018 expressed an unmodified opinion.

RSM Malaysia
AF: 0768
Chartered Accountants

Se Kuo Shen
02949/03/2020 J
Chartered Accountant

Johor Bahru

9 April 2019

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2018

		GROUP		COMPANY	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	8,209,077	7,107,812	-	-
Investments in subsidiaries	7	-	-	24,381,998	19,279,998
Investment property	8	-	-	-	-
Goodwill	9	98,942	98,942	-	-
Deferred tax assets	10	-	19,656	-	-
		8,308,019	7,226,410	24,381,998	19,279,998
Current assets					
Inventories	11	1,587,483	3,729,989	-	-
Amount owing by customers on contracts	12	-	12,056,357	-	-
Contract assets	13	17,507,131	-	-	-
Trade and other receivables	14	17,988,899	17,965,188	1,740,634	5,369,813
Short-term investment	15	-	3,888,247	-	3,888,247
Tax recoverable		7,250	8,962	-	-
Fixed deposits with licensed banks	16	3,839,148	3,973,368	-	-
Cash and bank balances		8,602,206	6,744,035	3,488,035	493,082
Total current assets		49,532,117	48,366,146	5,228,669	9,751,142
Total assets		57,840,136	55,592,556	29,610,667	29,031,140
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	27,678,500	22,660,000	27,678,500	22,660,000
Reserves	17	19,358,619	20,695,797	1,617,141	6,172,740
		47,037,119	43,355,797	29,295,641	28,832,740
Non-controlling interests		57,203	-	-	-
Total equity		47,094,322	43,355,797	29,295,641	28,832,740
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	18	620,799	595,738	-	-
Loans and borrowings	19	1,545,725	1,728,680	-	-
Deferred tax liabilities	10	33,123	-	-	-
		2,199,647	2,324,418	-	-
Current liabilities					
Trade and other payables	20	7,918,435	9,083,789	297,226	194,600
Finance lease liabilities	18	302,301	228,428	-	-
Loans and borrowings	19	24,881	40,915	-	-
Current tax liabilities		300,550	559,209	17,800	3,800
Total liabilities		8,546,167	9,912,341	315,026	198,400
Total equity and liabilities		57,840,136	55,592,556	29,610,667	29,031,140

The annexed notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		GROUP		COMPANY	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
REVENUE	21	47,182,845	52,335,731	1,934,450	2,320,500
COST OF SALES		(34,025,109)	(39,134,930)	-	-
GROSS PROFIT		13,157,736	13,200,801	1,934,450	2,320,500
OTHER OPERATING INCOME		358,198	456,554	316,534	83,931
ADMINISTRATIVE EXPENSES		(7,114,435)	(6,884,994)	(712,083)	(868,896)
FINANCE COSTS	22	(148,915)	(241,931)	-	-
PROFIT BEFORE TAXATION	23	6,252,584	6,530,430	1,538,901	1,535,535
TAXATION	24	(1,572,059)	(1,293,326)	(36,000)	(12,278)
PROFIT AFTER TAXATION		4,680,525	5,237,104	1,502,901	1,523,257
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		4,680,525	5,237,104	1,502,901	1,523,257
PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company		4,721,322	5,237,104	1,502,901	1,523,257
Non-controlling interests		(40,797)	-	-	-
		4,680,525	5,237,104	1,502,901	1,523,257
EARNINGS PER SHARE					
- Basic (sen)	35	3.05	4.30		
- Diluted (sen)	35	3.05	N/A		

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	← ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY →						
GROUP	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED EARNINGS RM	CAPITAL RESERVE RM	TOTAL RM	NON-CONTROLLING INTERESTS RM	TOTAL EQUITY RM
At 1 January 2017	10,900,000	5,602,500	11,090,193	-	27,592,693	-	27,592,693
Total comprehensive income for the financial year	-	-	5,237,104	-	5,237,104	-	5,237,104
	10,900,000	5,602,500	16,327,297	-	32,829,797	-	32,829,797
Transactions with owners:							
Issuance of shares	11,760,000	-	-	-	11,760,000	-	11,760,000
Listing expenses	-	(584,000)	-	-	(584,000)	-	(584,000)
Dividends paid	-	-	(650,000)	-	(650,000)	-	(650,000)
	11,760,000	(584,000)	(650,000)	-	10,526,000	-	10,526,000
At 31 December 2017/ 1 January 2018	22,660,000	5,018,500	15,677,297	-	43,355,797	-	43,355,797
Total comprehensive income for the financial year	-	-	4,721,322	-	4,721,322	(40,797)	4,680,525
	22,660,000	5,018,500	20,398,619	-	48,077,119	(40,797)	48,036,322
Issuance of shares to non-controlling interests	-	-	-	-	-	98,000	98,000
Transactions with owners:							
Bonus issue of shares	4,875,000	(4,875,000)	-	-	-	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	143,500	(143,500)	-	-	-	-	-
Bonus issue of shares from a subsidiary	-	-	(1,050,000)	1,050,000	-	-	-
Dividends paid	-	-	(1,040,000)	-	(1,040,000)	-	(1,040,000)
	5,018,500	(5,018,500)	(2,090,000)	1,050,000	(1,040,000)	-	(1,040,000)
At 31 December 2018	27,678,500	-	18,308,619	1,050,000	47,037,119	57,203	47,094,322

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

COMPANY	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED EARNINGS RM	TOTAL EQUITY RM
At 1 January 2017	10,900,000	5,602,500	280,983	16,783,483
Total comprehensive income for the financial year	-	-	1,523,257	1,523,257
	10,900,000	5,602,500	1,804,240	18,306,740
Transactions with owners:				
Issuance of shares	11,760,000	-	-	11,760,000
Listing expenses	-	(584,000)	-	(584,000)
Dividends	-	-	(650,000)	(650,000)
	11,760,000	(584,000)	(650,000)	10,526,000
At 31 December 2017/ 1 January 2018	22,660,000	5,018,500	1,154,240	28,832,740
Total comprehensive income for the financial year	-	-	1,502,901	1,502,901
	22,660,000	5,018,500	2,657,141	30,335,641
Transactions with owners:				
Bonus issue of shares	4,875,000	(4,875,000)	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	143,500	(143,500)	-	-
Dividends paid	-	-	(1,040,000)	(1,040,000)
	5,018,500	(5,018,500)	(1,040,000)	(1,040,000)
At 31 December 2018	27,678,500	-	1,617,141	29,295,641

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	6,252,584	6,530,430	1,538,901	1,535,535
Adjustments for:				
Depreciation of:				
- property, plant and equipment	549,747	529,158	-	-
- investment property	-	10,083	-	-
Listing expenses	204,376	856,952	204,376	636,576
Loss/(Gain) on disposal of property, plant and equipment	10,887	(39,999)	-	-
Property, plant and equipment written off	11,678	-	-	-
Interest expense	148,915	241,931	-	-
Interest income	(283,184)	(222,395)	(316,534)	(83,931)
Bad debt written off	318	-	-	-
Impairment losses on:				
- inventories	-	67,636	-	-
- trade receivables	-	2,740	-	-
Reversal of impairment losses on:				
- inventories	(322,264)	(96,459)	-	-
- trade receivables	(4,131)	(84,122)	-	-
Operating profit before working capital changes	6,568,926	7,795,955	1,426,743	2,088,180
Decrease/(Increase) in inventories	2,464,770	(155,984)	-	-
Increase in amount owing by customers on contracts	-	(3,005,813)	-	-
Increase in contract assets	(5,450,774)	-	-	-
(Increase)/Decrease in trade and other receivables	(19,898)	(4,019,100)	265,252	(377,750)
(Decrease)/Increase in trade and other payables	(1,165,354)	637,998	102,626	172,600
Cash from operations	2,397,670	1,253,056	1,794,621	1,883,030
Tax paid	(1,776,227)	(928,913)	(22,000)	(8,478)
Net cash from operating activities	621,443	324,143	1,772,621	1,874,552

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	283,184	222,395	316,534	83,931
Purchase of investment	-	-	(5,102,000)	-
Placement of fixed deposits pledged to licensed banks	(216,220)	(754,832)	-	-
Placement of fixed deposits with maturity of more than 3 months	(37,575)	(10,934)	-	-
Proceeds from disposal of property, plant and equipment	79,791	40,000	-	-
Purchase of property, plant and equipment [Note 29(a)]	(1,503,368)	(960,571)	-	-
Net cash (for)/from investing activities	(1,394,188)	(1,463,942)	(4,785,466)	83,931
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(1,040,000)	(650,000)	(1,040,000)	(650,000)
Interest paid	(148,915)	(241,931)	-	-
Payment of listing expenses	(204,376)	(1,125,957)	(204,376)	(905,581)
Drawdown of term loans	763,000	137,000	-	-
Repayment of bankers' acceptance	-	(2,251,000)	-	-
Proceeds from issuance of ordinary shares	98,000	11,760,000	-	11,760,000
Repayments of:				
- finance lease creditors	(151,066)	(280,360)	-	-
- bank borrowings	(961,989)	(48,879)	-	-
Decrease/(Increase) in amount owing by subsidiaries	-	-	3,363,927	(7,991,960)
Net cash (for)/from financing activities	(1,645,346)	7,298,873	2,119,551	2,212,459
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,418,091)	6,159,074	(893,294)	4,170,942
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	11,440,348	5,281,274	4,381,329	210,387
CASH AND CASH EQUIVALENTS CARRIED FORWARD [NOTE 29(b)]	9,022,257	11,440,348	3,488,035	4,381,329

The annexed notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding.

The principal activities of the subsidiary companies are set out in Note 7 to the financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with applicable approved Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the financial statements.

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from those estimates.

(b) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity controlled by the Group, i.e. the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its current ability to direct the entity's relevant activities (power over the investee).

The existence and effect of potential voting rights that the Group has the practical ability to exercise (i.e. substantive rights) are considered when assessing whether the Group controls another entity.

The Group's financial statements incorporate the results, cash flows, assets and liabilities of Cabnet Holdings Berhad and all of its directly and indirectly controlled subsidiaries. Subsidiaries are consolidated from the effective date of acquisition, which is the date on which the Group effectively obtains control of the acquired business, until that control ceases.

The non-controlling interests in the net assets and net results of consolidated subsidiaries are shown separately in the consolidated statement of financial position and consolidated statement of profit or loss, and consolidated statement of comprehensive income.

Total comprehensive income (i.e. profit or loss and each component of other comprehensive income) is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control are accounted for as transactions with owners in their capacity as owners (i.e. equity transactions). The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Upon loss of control of a subsidiary, the Group's profit or loss is calculated as the difference between (i) the fair value of the consideration received and of any investment retained in the former subsidiary and (ii) the previous carrying amount of the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments excludes transaction costs.

(ii) Business combinations

The Group applies the acquisition method to account for all acquired businesses, whereby the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values (with few exceptions as required by MFRS 3 Business Combinations).

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group.

Acquisition-related costs (e.g. finder's fees, consulting fees, administrative costs, etc.) are recognised as expenses in the periods in which the costs are incurred and the services are received.

On acquisition date, goodwill is measured as the excess of the aggregate of consideration transferred, any non-controlling interests in the acquiree, and acquisition-date fair value of the Group's previously held equity interest in the acquiree (if business combination achieved in stages) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after appropriate reassessment, the amount as calculated above is negative, it is recognised immediately in profit or loss as a bargain purchase gain.

At acquisition date, non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement is made separately for each business combination. Other components of non-controlling interests are measured at their acquisition-date fair values, unless otherwise required by MFRS.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

(ii) Business combinations (cont'd)

The acquisition-date fair value of any contingent consideration is recognised as part of the consideration transferred by the Group in exchange for the acquiree. Changes in the fair value of contingent consideration that result from additional information obtained during the measurement period (maximum one year from the acquisition date) about facts and circumstances that existed at the acquisition date are adjusted retrospectively against goodwill. Other changes resulting from events after the acquisition date are adjusted at each reporting date, only when the contingent consideration is classified as an asset or a liability, and the adjustment is recognised in profit or loss.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. If any, changes in the value of the Group's equity interest in the acquiree that have been previously recognised in other comprehensive income are reclassified to profit or loss, if appropriate had that interest been disposed of directly.

(iii) Transactions eliminated on consolidation

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Property, plant and equipment

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Property, plant and equipment (cont'd)

Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follow:

Leasehold land	over the remaining lease period of 97 years
Buildings	2%
Motor vehicles	10 – 20%
Office equipment, furniture, fittings and renovation	10 – 15%
Information and communication equipment	20 – 40%
Tools and equipment	10%

Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leased assets

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Assets and liabilities arising from finance lease contracts are initially recognised in the statement of financial position at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease rentals.

After initial recognition, the depreciation policy applied is consistent with that for depreciable assets that are owned. As a result, the depreciation recognised is calculated in accordance with the useful life stated for property, plant and equipment (the Group and the Company does not hold leased intangible assets). In cases where there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

The interest element of rental obligations is charged to profit or loss over the period of the lease at a constant rate on the balance of finance lease obligations outstanding.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Incentives to take out operating leases are credited to the profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Property, plant and equipment (cont'd)

Leased assets (cont'd)

Provision is made in the statement of financial position for the present value of the onerous element of operating leases. This typically arises when the Group and the Company ceases to use premises and they are left vacant to the end of the lease or are sublet at rentals, which fall short of the amount payable by the Group and the Company under the lease.

(d) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for the administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are 50 years.

Investment properties are derecognised when they have either been disposed off or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfer are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

(e) Intangible assets

Goodwill

Goodwill arising in a business combination is initially measured at its cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Impairment of non-financial assets

(i) Impairment of property, plant and equipment and of intangible assets with finite useful lives

The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs to sell of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of that unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the unit which impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(ii) Impairment of goodwill and of intangible assets with an indefinite useful life

Irrespective of whether there is any indication of impairment, such assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Goodwill impairment is not reversed in any circumstances.

(g) Inventories

Inventories are carried in the statement of financial position at the lower of cost and net realisable value. Cost is determined on a first-in-first out (FIFO) basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Write-down is made for obsolete and slow-moving items based on their expected future use and net realisable value.

Net realisable value is the estimated sales price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Financial instruments

(i) Initial recognition and measurement

The Group and the Company recognise a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Group and the Company become a party to the contractual provisions of the instruments.

If a contract is a host financial liability or a non-financial host contract that contains an embedded derivative, the Group and the Company assess whether the embedded derivative shall be separated from the host contract on the basis of the economic characteristics and risks of the embedded derivative and the host contract at the date when the Group and the Company become a party to the contract. If the embedded derivative is not closely related to the host contract, it is separated from the host contract and accounted for as a stand-alone derivative. The Group and the Company does not make a subsequent reassessment of the contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows or when there is a reclassification of a financial liability out of the fair value through profit or loss category. Embedded derivatives in host financial assets are not separated.

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables and government loans at below market interest rates) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(ii) Derecognition of financial instruments

For derecognition purposes, the Group and the Company first determine whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial assets, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group and the Company transfer the contractual rights to receive cash flows of the financial asset, including circumstances when the Group and the Company act only as a collecting agent of the transferee, and retain no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group and the Company consider a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

(iii) Financial assets

For the purpose of subsequent measurement, the Group and the Company classifies financial assets into three measurement categories, namely: (i) financial asset at amortised cost ("AC"); (ii) financial assets at fair value through other comprehensive income ("FVOCI") and (iii) financial assets at fair value through profit or loss ("FVPL"). The classification is based on the Group's and the Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Financial instruments (cont'd)

(iii) Financial assets (cont'd)

After initial recognition, the Group and the Company measure financial assets, as follow:

(i) Financial assets at AC

A financial asset is measured at amortised cost if: (a) it is held within the Group's and the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(ii) Financial assets at FVOCI

A financial asset is measured at FVOCI if: (a) it is held within the Groups' and the Company's business objective to hold the asset both to collect contractual cash flows and selling the financial asset, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(iii) Financial asset at FVPL

A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC or FVOCI model.

Other that financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 3h(vii).

(iv) Financial liabilities

After initial recognition, the Group and the Company measure all financial liabilities at amortised cost using the effective interest method, except for:

(i) Financial liabilities at fair value through profit or loss (including derivatives that are liabilities) are measured at fair value.

(ii) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. Paragraph 3.2.15 and 3.2.17 of MFRS 9 apply to the measurement of such financial liabilities.

(iii) Financial guarantee contracts issued, and commitments to provide loans at a below-market interest rate given, by the Group and the Company are measured at the higher of: (a) the amount of impairment loss determined and (b) the amount initially recognised less, when appropriate, the cumulative of income recognised in accordance with the principles in MFRS 15 Revenue from Contracts with Customers.

(v) Fair value measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note 3(p).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Financial instruments (cont'd)

(vi) Recognition of gains and losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets mandatorily measured at FVOCI, interest income (calculated using the effective interest rate method), impairment losses, and exchange gains or loss are recognised in profit or loss. All other gains or losses are recognised in other comprehensive income and retained in a fair value reserve. On derecognition of the financial assets, the cumulative gain or loss recognised in OCI is reclassified to profit or loss as a reclassification adjustment.

For financial assets and financial liabilities carried at amortised cost, interest income and interest expense are recognised in profit or loss using the effective interest method. A gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

(vii) Impairment of financial assets

The Group and the Company apply the expected credit loss model of MFRS 9 to recognise impairment losses of financial assets measured at amortised cost or at fair value through other comprehensive income. Except for trade receivables, a 12-month expected credit loss is recognised in profit or loss on the date of origination or purchase of the financial assets. At the end of each reporting period, the Group and the Company assess whether there has been a significant increase in credit risk of a financial asset since its initial recognition or at the end of the prior period. Other than for financial assets which are considered to be of low risk grade, a lifetime expected credit loss is recognised if there has been a significant increase in credit risk since initial recognition. For trade receivables, the Group and the Company has availed the exception to the 12-month ECL requirement to recognise only lifetime expected credit losses.

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. For operational simplifications: (a) a 12-month expected credit loss is maintained for financial assets which investment grades that are considered as low credit risk, irrespective of whether credit risk has increased significantly or not; and (b) credit risk is considered to have increase significantly if payments are more than 30 days past due if no other borrower-specific information is available without undue cost or effort.

The expected credit loss (ECL) is measured using an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, discounted for the time value of money and applying reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecast of future economic conditions. The ECL for a financial asset (when assessed individually) or a group of financial assets (when assessed collectively) is measured at the present value of the probability-weighted expected cash shortfalls over life of the financial asset or group of financial assets. When a financial asset is determined as credit-impaired (based on objective evidence of impairment), the lifetime ECL is determined individually.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Financial instruments (cont'd)

(vii) Impairment of financial assets (cont'd)

For trade receivable, the lifetime ECL is determined at the end of each reporting period using a provision matrix. For each significant receivable, individual lifetime ECL is assessed separately. For significant receivables which are not impaired and for all other receivables, they are grouped into risk classes by type of customers and businesses, and the ageing of the receivables. Collective lifetime ECLs are determined using past loss rates, which are updated for effects of current conditions and reasonable forecasts for future economic conditions. In the event that the economic or industry outlook is expected to worsen, the past loss rates are increased to reflect the worsening economic conditions.

(i) Equity

(i) Share capital

Ordinary shares issued that carry no mandatory contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group and the Company, is classified as equity instruments.

When ordinary shares and other equity instruments are issued in a public offering or in a rights issue to existing shareholders, the are recorded at the issue price.

When ordinary shares and other equity instruments are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at fair value at a date of the exchange transaction.

Transaction costs of an equity transaction are accounted for as a deduction from retained profits in equity, net of any related income tax benefit.

(ii) Dividend distribution

The Group and the Company establishes a distribution policy whereby cash dividends can only be paid out of retained earnings. Other distributions, such as stock dividends and distribution in specie, may be paid out of any reserve to the extent that the utilisation is permitted by company laws and regulations.

Distributions to holders of an equity instrument are debited directly in equity, net of any related income tax benefit.

A dividend declared is recognised as a liability only after it has been appropriately authorised, which is the date when the Board of Directors declares an interim dividend, or in the case of a proposed final dividend, the date the shareholders of the Company approve the proposed final dividend in an annual general meeting of shareholders. For a distribution of non-cash assets to owners, the Group and the Company measure the dividend payable at the fair value of the assets to be distributed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Provisions

Where, at reporting date, the Group and the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group and the Company will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

(k) Employees benefits

(i) Short-term benefit

Wages, salaries, bonuses, social security ("SOCSO") contributions and employee insurance system ("EIS") contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absence such as paid annual leave are recognised when services are rendered by employees and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). The contributions are recognised as a liability after deducting any contribution already paid and as an expense in profit or loss in the period in which the employee render their services. Once the contributions have been paid, the Group and the Company has no further payment obligations.

(l) Revenue and other income

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract.

The Group measures revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivables, which is usually the invoice price, net of a trade discounts and volume rebates given to the customer. For a contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at a point in time at which the customer obtains control of the promised goods or services.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Revenue and other income

(i) Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent agreed with the customer and are capable of being reliably measured.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer (e.g. surveys or appraisals of performance completed to date); or
- the Group's effort or inputs to the satisfaction of the performance obligation (e.g. by reference to the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract).

The excess of cumulative revenue recognised in profit or loss over the billings to customers is recognised as contract assets.

The excess of cumulative billings to customers over revenue recognised in profit or loss is recognised as contract liabilities.

Incremental costs of obtaining a contract, if recoverable, are capitalised as contract assets and are subsequently amortised consistently with the pattern of revenue for the related contract.

(ii) Goods and services rendered

Revenue from a sale of goods is recognised at a point in time when control of the goods is passed to the customer and the transaction has met the probability of inflows and measurement reliability requirements of MFRS 15.

Revenue from services rendered is recognised in profit or loss when the services are performed, and is measured at the fair value of the consideration receivable.

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Rental income

Rental income is recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Revenue and other income (cont'd)

(v) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss in the period in which they are incurred.

(n) Income taxes

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statement of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base, with the exception of goodwill not deductible for tax purposes and temporary differences arising on initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date.

Deferred tax assets are recognised only to the extent that the Group and the Company considers that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

Unused tax credits do not include unabsorbed reinvestment allowances and unabsorbed investment tax allowances because the Group and the Company treats these as part of initial recognition differences.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Group's and the Company's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. Where tax arises from the initial accounting for a business combination, it is included in the accounting for the business combination.

Since the Group is able to control the timing of the reversal of the temporary difference associated with interests in subsidiaries, associates and joint arrangements, a deferred tax liability is recognised only when it is probable that the temporary difference will reverse in the foreseeable future mainly because of a dividend distribution.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(p) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group and the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group and the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Group and the Company at the end of the reporting period during which the change occurred.

(q) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investment with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statements of cash flows presentation purposes, cash and cash equivalents also include bank overdrafts, which are shown within borrowings in current liabilities on the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2018:

- MFRS 9 ***Financial Instruments (2014)***
- MFRS 15 ***Revenue from Contracts with Customers***
- Amendments to MFRS 15 – ***Clarifications to MFRS 15***
- Amendments to MFRS 2 Share-based Payment – ***Classification and Measurement of Share-based Payment Transactions***
- Amendments to MFRS 140 ***Investment Property – Transfers of Investment Property***
- IC Interpretation 22 ***Foreign Currency Transactions and Advance Consideration***
- Annual Improvements 2014 – 2016 ***Cycle***

The adoption of the above-mentioned accounting standards, amendments and interpretations are not expected to have any significant impact on the financial statements of the Company.

a) MFRS 15 *Revenue from Contracts with Customers*

The core principle of this new MFRS is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identifying the contract with a customer;
(ii) identifying the performance obligations in the contract;
(iii) determining the transaction price;
(iv) allocating the transaction price to the separate performance obligations in the contract; and
(v) recognising revenue when (or as) the entity satisfies a performance obligation.

For a contract with a customer that has multiple elements, MFRS 15 requires that the contract shall be identified into separate performance obligations if they are individually distinct. The transaction price (i.e. the consideration receivable) in the contract shall be allocated to the performance obligations on the relative standalone selling price method. If the consideration receivable is variable, a probability weighted estimate or the most likely outcome is applied in the measurement of revenue, depending on which is the more appropriate basis under the particular circumstances. Revenue for a performance obligation is recognised in profit or loss when, or as, the entity transfers control of an asset (i.e. the good or service), to the customer. MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group considers that the performance obligation is satisfied over time if its performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. For performance obligations where any one of these conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

The adoption of this new MFRS has enable the Group to continue with its previous accounting policy for recognising revenue from construction contracts. Other than the enhanced new disclosures about contracts with customers, which the Group has complied with in the current year, the adoption of this new MFRS has no effect on the Group's financial position or results.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (cont'd)

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted (cont'd)

a) MFRS 15 *Revenue from Contracts with Customers (cont'd)*

The amendments to MFRS 15 are to clarify certain aspects of MFRS 15 to make them easier for reporting entities to apply the requirements of the new Revenue Standard. In assessing whether an entity's promises to transfer goods or services to the customer are separately identifiable, the objective is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.

b) MFRS 9 *Financial Instruments (2014)*

For the purpose of subsequent measurement, the Group classifies financial assets into three measurement categories, namely:

(i) financial assets at amortised cost;
(ii) financial assets at fair value through other comprehensive income; and
(iii) financial assets fair value through profit or loss.

The classification is based on the Group's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Group measures financial assets, as follows:

(i) Financial assets at AC

A financial asset is measured at amortised cost if: (a) it is held within the Group's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(ii) Financial assets at FVOCI

A financial asset is measured at FVOCI if: (a) it is held within the Company's business objective to hold the asset both to collect contractual cash flows and selling the financial asset, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(iii) Financial asset at FVPL

A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC or FVOCI model.

MFRS 9 also introduces a new impairment methodology for financial assets, lease receivables and contract assets subject to impairment requirements and a new hedged accounting model. It uses a single forward-looking expected credit loss model that requires a 12-month expected credit loss be provided on initial recognition of a financial instrument, and if, and only if, there has been a significant deterioration in the credit risk after initial recognition, a lifetime expected credit loss shall be recognised.

The date of initial application of MFRS 9 is 1 January 2018. The effects of the adoption are discussed below:

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (cont'd)

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted (cont'd)

b) MFRS 9 *Financial Instruments (2014*) (cont'd)

(iii) Financial asset at FVPL (cont'd)

Changes in measurement categories

The original measurement categories of the Group's financial assets and financial liabilities have been changed to conform with the new measurement categories, as follows:

	Original measurement category in MFRS 139	**New measurement category in MFRS 9**
Financial Assets		
Private debt instruments	Loans & receivable	Financial assets at AC

There was no material impact on the accounting for the Group's financial assets upon initial application of the new classification requirements.

For financial liabilities, the Group did not change the measurement categories because the requirements in MFRS 9 are substantially similar to those in the former MFRS 139.

c) Other new and revised MFRSs

The adoption of the other new and revised accounting standards, amendments and interpretations have no significant impact on the financial statements of the Group.

4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB but have not been adopted by the Group:

MFRSs, Amendments to MFRSs and Interpretations effective for annual period beginning on or after 1 January 2019

- MFRS 16 ***Leases***
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 Financial Instruments (2014) – Prepayment Features with Negative Compensation
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 11 *Joint Arrangements - Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 112 *Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 123 *Borrowing Costs – Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Plan Amendment, Curtailment or Settlement*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (cont'd)

4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (cont'd)

MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Amendments to MFRSs and Interpretations effective date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The directors anticipate that the above-mentioned accounting standards, interpretations and amendments will be adopted by the Group when they become effective.

Amendments to MFRS 4 Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts and MFRS 17 Insurance Contracts have not been taken into consideration because they are not applicable to the Group.

The Group has assessed, where practicable, the potential impact of all these accounting standards, amendments and interpretations that will be effective in future period, as below:

MFRS 16 *Leases*

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Group is required to account for major part of its operating leases in the statement of financial position by recognising the 'right-of-use' assets and the lease liability, thus increasing the assets and liabilities of the Group.

The Group has assessed the estimated financial impact on its financial statements upon initial application of MFRS 16. As allowed by the transitional provision of MFRS 16, the Group has elected the modified retrospective approach with no restatement of comparative and cumulative adjustments resulting from the initial application of MFRS 16 to be recognised in retained earnings and reserves as at 1 January 2019, as disclosed below:

	Estimated adjustment at 1 January 2019 Group RM
Increase in rights-of-use assets	177,072
Increase in finance lease liability, net	(177,072)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing its financial statements, the Group has made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Group periodically monitors such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition for construction contracts

The Group recognises contract revenue based on 'percentage-of-completion method'. The stage of completion is measured by reference to the proportion of actual contract costs incurred for the works performed to date to the estimated total costs for the contract. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement is required in determining:

- the completeness and accuracy of the budgets; and
- the extent of the costs incurred.

Substantial changes in cost estimates can in future periods have, a significant effect on the Group's revenue recognised. In making the judgement, the Group relied on past experience and work of specialists, if deemed necessary, circumstances of the projects and specific past experiences with the customers.

(b) Transfer of control in construction contracts activities

For the purposes of revenue recognition, management uses its judgement to determine whether control of building management solutions which comprise structured cabling and Extra Low Voltage ("ELV") systems under construction is transferred to customers over time or at a point in time. The Group uses the criterion of control from the perspective of a customer, judged in relation to the customer's ability to obtain economic benefits of the asset under construction. The Group considers that if the asset under construction has been assigned to a customer and the asset has no alternative use to the Group and the Group has enforceable rights to payments, control of the asset is transferred over time to the customer. Revenue is recognised over time based on the stage of completion.

(c) Loss allowances of financial assets

The Group recognises impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Group's financial positions and results.

(d) Determining the value in use

The Group allocates goodwill to cash-generating units for the purpose of impairment testing. In determining the value-in-use of a cash-generating unit, management uses reasonable and supportable inputs about sales, cost of sales and other expenses based upon past experience, current events and reasonably possible future developments. Cash flows are projected based on those inputs and discounted at an appropriate discount rate. The actual outcome or event may not coincide with the inputs or assumptions and the discount rate applied in the measurement, and this may have a significant effect on the Group's financial position and results.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(e) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is written down to their estimated realisable value when their cost may no longer be recoverable such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. In any case, the realisable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of write-downs to net realisable value include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the reporting date (as reflected in Note 11).

(f) Deferred tax estimation

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Group making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

(g) Depreciation of property, plant and equipment

The cost of an item of property, plant and equipment is depreciated on a straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied.

(h) Provisions for liabilities and charges

Provisions can be distinguished from other liabilities because there is uncertainty about the timing or amount of settlement. The more common provisions recorded by the Group arise from obligations in relation to manufacturer's warranties, refunds, guarantees, onerous contracts, outstanding litigation and business restructuring.

The recognition and measurement of provisions require the Group to make significant estimates with regard to the probability (if the event is more likely than not to occur) that an outflow of resources will be required to settle the obligation and make assumptions whether a reliable estimate can be made of the amount of the obligation.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(h) Provisions for liabilities and charges (cont'd)

Moreover, the Group's accounting policy require recognition of the best estimate of the amount that would be required to settle an obligation and the estimate may be based on information that produces a range of amounts. Since the measurement is based on present value, it involves making estimates around the appropriate discount rate in order to reflect the risks specific to the liability.

In particular, as far as restructuring provisions are concerned, considerable judgement is required to determine whether an obligating event has occurred. All the available evidence must be assessed to determine whether a plan is detailed enough to create a valid expectation of management's commitment to the restructuring by starting to implement the plan or announce its main features to those affected by it.

(i) Contingencies

Contingent liabilities of the Group are not recognised but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. They are not recognised because it is not probable that an outflow of resources will be required to settle the obligation and the amount of the obligation cannot be measured with sufficient reliability.

Inevitably, the determination that the possibility that an outflow of resources embodying economic benefits is remote and that the occurrence or non-occurrence of one or more uncertain future events is not wholly within the control of the Group requires significant judgement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

6. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold/ leasehold land RM	Buildings RM	Building in progress RM	Motor vehicles RM	Office equipment, furniture, fittings and renovations RM	Information and communication equipment RM	Tools and equipment RM	Total RM
Cost								
At 1.1.2017	1,757,358	1,088,700	168,300	2,613,524	876,617	333,028	734,515	7,572,042
Additions	-	18,190	1,005,653	598,994	142,007	313,995	62,483	2,141,322
Transfer from investment property	-	550,000	-	-	-	-	-	550,000
Disposal	-	-	-	(112,344)	-	-	-	(112,344)
At 31.12.2017 /1.1.2018	1,757,358	1,656,890	1,173,953	3,100,174	1,018,624	647,023	796,998	10,151,020
Additions	-	1,145,102	166,649	295,552	24,066	92,828	29,171	1,753,368
Disposals	-	-	-	(239,000)	(68,989)	-	(128,855)	(436,844)
Written-offs	-	-	-	-	(22,774)	(23,828)		(46,602)
Reclassification	242,202	1,098,400	(1,340,602)	-	-	-	-	-
At 31.12.2018	1,999,560	3,900,392	-	3,156,726	973,701	717,077	673,486	11,420,942

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP	Freehold/ leasehold land RM	Buildings RM	Building in progress RM	Motor vehicles RM	Office equipment, furniture, fittings and renovations RM	Information and communication equipment RM	Tools and equipment RM	Total RM
Accumulated depreciation								
At 1.1.2017	-	191,885	-	1,090,767	561,015	286,593	486,050	2,616,310
Charge for the year	-	22,721	-	321,907	69,253	58,641	56,636	529,158
Transfer from investment property	-	10,083	-	-	-	-	-	10,083
Disposals	-	-	-	(112,343)	-	-	-	(112,343)
Written-off	-	-	-	-	-	-	-	-
At 31.12.2017 /1.1.2018	-	224,689	-	1,300,331	630,268	345,234	542,686	3,043,208
Charge/ (Reversal) for the financial year	-	(60,206)	-	371,550	67,035	121,396	49,972	549,747
Disposals	-	-	-	(155,667)	(61,644)	-	(128,855)	(346,166)
Written-off	-	-	-	-	-	(22,774)	(12,150)	(34,924)
At 31.12.2018	-	164,483	-	1,516,214	635,659	443,856	451,653	3,211,865
Net carrying amount								
At 31.12.2017	1,757,358	1,432,201	1,173,953	1,799,843	388,356	301,789	254,312	7,107,812
At 31.12.2018	1,999,560	3,735,909	-	1,640,512	338,042	273,221	221,833	8,209,077

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) The following assets at net carrying amount are charged to licensed banks as securities for banking facilities granted to the Group as disclosed in Note 19 to the financial statements:

	GROUP	
	2018	**2017**
	RM	**RM**
Freehold land	1,757,358	1,757,358
Leasehold land	242,202	-
Building-in-progress	-	929,153
Buildings	1,649,951	875,041
Motor vehicles	1,281,634	1,092,664
	4,931,145	4,654,216

(b) Included in the net carrying amount of property, plant and equipment of the Group are the following assets which are under finance lease as disclosed in Note 18 to the financial statements:

	GROUP	
	2018	**2017**
	RM	**RM**
Motor vehicles	1,281,634	1,092,664

7. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2018	**2017**
	RM	**RM**
Unquoted shares, at cost	24,381,998	19,279,998

7. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of the subsidiary companies are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Percentage of issued shares capital held by Parent 2018 %	2017 %	Principal activities
Subsidiary of the Company				
Cabnet Systems (M) Sdn. Bhd. ("Cabnet Systems")	Malaysia	100	100	Building management solutions which comprise structured cabling and extra low voltage ("ELV") systems
Amplogix Technology Sdn. Bhd.	Malaysia	51	-	Providing infrastructure for hosting, data processing services and related activities
Subsidiaries of Cabnet Systems (M) Sdn. Bhd.				
Cabnet Systems (Penang) Sdn. Bhd.	Malaysia	100	100	Dormant
ITWin Technology Sdn. Bhd.* ("ITWin")	Malaysia	100	100	Information technology service as a complementary offering to building management solutions

** ITWin is 51% owned by Cabnet Systems and 49% owned by the Company.*

All subsidiaries are audited by RSM Malaysia.

8. INVESTMENT PROPERTY

	GROUP 2018 RM	2017 RM
Cost:		
At 1 January	-	550,000
Transfer to property, plant and equipment	-	(550,000)
At 31 December	-	-
Accumulated depreciation:		
At 1 January	-	-
Depreciation charge for the year	-	10,083
Transfer to property, plant and equipment	-	(10,083)
At 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

9. GOODWILL

The goodwill arose from the acquisition of a subsidiary, ITWin.

(a) The carrying amounts of goodwill allocated to the Group's cash-generating units are as follows:

	GROUP	
	2018	**2017**
	RM	**RM**
ITWin	98,942	98,942

On an annual basis, the Group undertakes an impairment testing on goodwill. No impairment loss was identified on the carrying amount of goodwill assessed at the reporting date as their recoverable amounts were above of their carrying amounts.

(b) The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment is required. The recoverable amounts of the cash-generating units are determined using the value in use approach, and this is derived from the present value of the future cash flows from each cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:

	GROSS MARGIN		GROWTH RATE		DISCOUNT RATE	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	%	**%**	**%**	**%**	**%**	**%**
ITWin	24	24	5.0	5.0	13.07	13.03

(i)	Budgeted	5-year average gross margin achieved in the last five financial years immediately before the budgeted period
(ii)	Growth rate	based on projected economic growth rate of Malaysia
(iii)	Discount rate (pre-tax)	reflects specific risks relating to the relevant cash generating unit

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

10. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP		
2018	**AT 1.1.2018 RM**	**RECOGNISED IN PROFIT OR LOSS RM**	**AT 31.12.2018 RM**
Deferred tax liabilities:			
Property, plant and equipment	(165,953)	(22,772)	(188,725)
Deferred tax assets:			
Provisions	179,000	(34,432)	144,568
Unabsorbed tax losses	6,609	4,425	11,034
	185,609	(30,007)	155,602
	19,656	(52,779)	(33,123)

2017	**AT 1.1.2017 RM**	**RECOGNISED IN PROFIT OR LOSS RM**	**AT 31.12.2017 RM**
Deferred tax liabilities:			
Property, plant and equipment	(141,237)	(24,716)	(165,953)
Deferred tax assets:			
Provisions	130,000	49,000	179,000
Unabsorbed tax losses	-	6,609	6,609
	130,000	55,609	185,609
	(11,237)	30,893	19,656

The deferred tax assets on provisions and unused tax losses have been recognised on the basis of the Group's previous history of recording profits and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

With effect from year of assessment (YA) 2019, unutilised tax losses can only be carried forward for a maximum period of 7 consecutive YAs to be utilised against income from any business source. Unutilised tax losses from YA 2018 can be utilised for another 7 YAs and will be disregard in YA 2026.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

11. INVENTORIES

	GROUP	
	2018 RM	2017 RM
At costs:		
Project materials	1,242,278	3,344,544
Trading goods	400,864	763,368
Less: impairment on inventories	(55,659)	(377,923)
	1,587,483	3,729,989
Recognised in profit or loss:		
Inventories recognised as cost of sales	24,129,987	32,140,728

12. AMOUNT OWING BY CUSTOMERS ON CONTRACTS

	GROUP	
	2018 RM	2017 RM
Aggregate costs incurred to date	-	53,870,430
Add: Attributable profits	-	23,505,615
	-	77,376,045
Less: Progress billings	-	(65,319,688)
	-	12,056,357
Represented by:		
Amount owing by customers on contract	-	12,056,357

Following the adoption of MFRS 15, the amount owing by customers on contracts have been reclassed as contract assets to the financial statements in the current financial year.

13. CONTRACT ASSETS

As the Group applied the transitional provisions under MFRS 15 Paragraph C3(b), comparative figures are not disclosed.

The analysis of contract assets are as follows:

	GROUP 2017 RM
At 1 January	12,056,357
Revenue recognised during the financial year	24,594,295
Less: Progress billings during the year	(19,143,521)
At 31 December	17,507,131

14. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade				
Third parties	15,753,121	16,044,179	-	-
Less: Allowance for impairment losses	(85,548)	(90,359)	-	-
	15,667,573	15,953,820	-	-
Non-trade				
Other receivables	146,899	110,709	-	-
Advances to suppliers	1,774,728	1,009,917	-	-
Deposits	208,293	713,279	51,000	319,000
Amount due from subsidiaries	-	-	1,628,136	4,992,063
Prepayments	191,406	177,463	61,498	58,750
	2,321,326	2,011,368	1,740,634	5,369,813
	17,988,899	17,965,188	1,740,634	5,369,813
Total trade and other receivables (excluding prepayments)	17,797,493	17,787,725	1,679,136	5,311,063
Add: Cash and bank balances	8,602,206	6,744,035	3,488,035	493,082
Total financial assets carried at amortised costs	26,399,699	24,531,760	5,167,171	5,804,145

(a) The advances to suppliers are unsecured and interest-free. The amount will be offset against future purchases from the suppliers.

(b) The amounts due from subsidiaries are unsecured, interest-bearing advances and payments made on behalf. The amount due is repayable on demand and to be settled in cash.

(c) Included in trade receivables are retentions of RM886,866 (2017: RM618,788) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be collected within periods ranging from 6 to 24 (2017: 6 to 24) months.

(d) Included in the third parties trade receivables was an amount of RM1,120,719 (2017: RM1,120,719), past due more than 120 days from a customer. The Group has initiated legal action against this customer and the details are disclosed in Note 36 to the financial statements.

(e) The movements in allowance for impairment losses are as follows:

	GROUP	
	2018 RM	2017 RM
At 1 January	90,359	174,742
Addition	-	2,740
Reversal	(4,131)	(84,122)
Written off	(680)	(3,001)
At 31 December	85,548	90,359

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

15. SHORT-TERM INVESTMENT

	GROUP AND COMPANY	
	2018 RM	2017 RM
Fair value through profit or loss financial asset		
- Money market funds (quoted in Malaysia)	-	3,888,247

The funds invested mainly into deposits and money market instruments and thus had minimum exposure to changes in market value.

The weighted average effective interest rate for the money market funds of the Group and of the Company at 31 December 2017 was 3.17% per annum.

There was no maturity period for money market funds as these monies are callable on demand.

The money market funds of the Group and of the Company were carried at fair value. The fair value hierarchy for money market funds are classified as Level 1.

16. FIXED DEPOSITS WITH LICENSED BANKS

(a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 2.70% to 4.00% (2017: 2.70% to 3.85%) per annum. The fixed deposits have maturity periods ranging from 30 to 365 (2017: 30 to 365) days for the Group.

(b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM2,337,784 (2017: 2,121,564) which has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 19 to the financial statements.

17. SHARE CAPITAL AND RESERVES

(a) Share capital

	GROUP AND COMPANY			
	2018 Number of shares	2017 Number of shares	2018 RM	2017 RM
Issued and fully paid				
At 1 January	130,000,000	109,000,000	22,660,000	10,900,000
Issued during the year	-	21,000,000	-	11,760,000
Bonus issue of shares	48,750,000	-	4,875,000	-
Transfer of share premium in accordance with Section 618 (2) of the Companies Act 2016	-	-	143,500	-
At 31 December	178,750,000	130,000,000	27,678,500	22,660,000

17. SHARE CAPITAL AND RESERVES (Cont'd)

(b) Reserves

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Share premium	-	5,018,500	-	5,018,500
Capital reserve	1,050,000	-	-	-
Retained profits	18,308,619	15,677,297	1,617,141	1,154,240
	19,358,619	20,695,797	1,617,141	6,172,740

(c) Share premium

	GROUP AND COMPANY	
	2018 RM	2017 RM
At 1 January	5,018,500	5,018,500
Bonus issue of shares	(4,875,000)	-
Transfer of share premium in accordance with Section 618(2) of the Companies Act, 2016	(143,500)	-
	-	5,018,500

During the financial year:

(i) the Company increased its issued ordinary share capital from RM22,660,000 to RM27,535,000 by the 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 29 June 2018 by way of capitalisation of RM0.10 for each bonus share of RM4,875,000 from the share premium account of the Company pursuant to Section 618(3) of the Companies Act 2016;

(ii) the remaining balance of RM143,500 for share premium account after the bonus issue as mentioned above has become part of the Company's share capital in accordance with Section 618 of the Companies Act 2016; and

(iii) the Company issued 65,000,000 new Warrants on the basis of one (1) Warrant for every two (2) existing ordinary shares on 9 July 2018.

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital. The change to no par value shares has no effect on the number of ordinary shares in issue of the Company.

In the previous financial year, the Company increased its issued and paid-up share capital from RM10,900,000 to RM22,660,000 by the issuance of 21,000,000 new ordinary shares at an issue price of RM0.56 per ordinary share, as part of the listing scheme of the Company on ACE Market of Bursa Malaysia Securities Berhad.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

17. SHARE CAPITAL AND RESERVES (Cont'd)

(d) Warrants

The main features of Warrants which were issued on 3 July 2018 and admitted to the Official List and quoted on the ACE Market of Bursa Malaysia Securities Berhad on 9 July 2018 are as follows:

(i) Each Warrant entitles the Warrant holders, at any time during the exercise period, to subscribe for one (1) new ordinary share at an exercise price of RM0.50, subject to adjustments in accordance with the provisions set out in Deed Poll dated 13 June 2018;

(ii) The Warrants may be exercised at any time within a period of three (3) years commencing from and including the date of issuance of the Warrants. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

(iii) Subject to the provisions of the Deed Poll, the exercise price and/or number of Warrants shall be adjusted by the Board of Directors in consultation with an approved adviser appointed by the Company and certification by the auditors of the Company in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll; and

(iv) All new ordinary shares to be issued arising from the exercise of the Warrants shall rank pari passu in all respects with the existing ordinary shares of the Company except for such new ordinary shares shall not be entitled to any dividends, rights, allotments and other distributions on or prior to the date of allotment of the new ordinary shares arising from the exercise of the Warrants.

No warrants were exercised during the financial year. As at year end, 65,000,000 Warrants remain unexercised.

(e) Capital reserve

Capital reserve consist of a transfer from retained profits arising from bonus issue of shares in a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

18. FINANCE LEASE LIABILITIES

	GROUP	
	2018 RM	2017 RM
Minimum finance lease instalments		
- payable within one (1) year	339,169	264,324
- later than one (1) year and not later than five (5) years	657,828	637,243
	996,997	901,567
Less: Future finance charges	(73,897)	(77,401)
Present value of finance lease liabilities	923,100	824,166
Repayable as follows:		
Current:		
- payable within one (1) year	302,301	228,428
Non-current:		
- later than one (1) year but not later than five (5) years	620,799	595,738
	923,100	824,166

(a) The finance lease liabilities of the Group are secured by the Group's motor vehicles under finance lease as disclosed in Note 6 to the financial statements. The finance lease arrangements are expiring in 5 years (2017: 5 years).

(b) The finance lease liabilities of the Group at the end of the reporting period bore effective interest rates ranging from 4.23% to 7.09% (2017: 4.45% to 7.09%) per annum. The interest rates are fixed at the inception of the finance lease arrangements.

19. LOANS AND BORROWINGS

	GROUP	
	2018 RM	2017 RM
Term loans (secured):		
Current liabilities	24,881	40,915
Non-current liabilities	1,545,725	1,728,680
	1,570,606	1,769,595

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

19. LOANS AND BORROWINGS (Cont'd)

(a) Term loans are repayable over 240 (2017: 240) monthly instalments from the date of full drawdown.

(b) Term loans are secured by:

(i) legal charges over the landed properties of the Group as disclosed in Note 6 to the financial statements;
(ii) pledge of fixed deposits of the Group as disclosed in Note 16 to the financial statements;
(iii) jointly and severally guaranteed by certain directors of the Group; and
(iv) corporate guarantee by the Company.

(c) The interest rates profile of the term loans are summarised below:

	EFFECTIVE INTEREST RATE	
	2018	2017
Floating rate term loans	5.30% - 7.42%	4.95% - 7.17%

20. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade				
Third parties	6,437,626	6,190,801	-	-
Non-trade				
Other payables	360,617	427,170	85,776	90,431
Amount payables for purchase of property, plant and equipment	-	777,751	-	-
Advances from customers	312,083	427,427	-	-
Accrued expenses	808,109	1,260,640	211,450	104,169
	1,480,809	2,892,988	297,226	194,600
	7,918,435	9,083,789	297,226	194,600
Trade and other payables	7,918,435	9,083,789	297,226	194,600
Add: Finance lease liabilities (Note 18)	923,100	824,166	-	-
Add: Loans and borrowings (Note 19)	1,570,606	1,769,595	-	-
Total financial liabilities carried at amortised cost	10,412,141	11,677,550	297,226	194,600

The normal trade credit term granted to the Group range from 30 to 90 (2016: 30 to 90) days.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

21. REVENUE

	GROUP	
	2018 RM	2017 RM
Revenue from contracts with customers:		
- Construction contracts	24,594,295	27,183,426
- Sale of goods and services	22,588,550	25,152,305
	47,182,845	52,335,731
Timing of revenue:		
- Over time	24,594,295	27,183,426
- At a point in time	22,588,550	25,152,305
	47,182,845	52,335,731

	COMPANY	
	2018 RM	2017 RM
Dividend income	1,934,450	2,320,500

22. FINANCE COSTS

	GROUP	
	2018 RM	2017 RM
Finance costs in respect of:		
- bank overdrafts	5,003	34,560
- finance lease	45,613	45,722
- term loans	92,387	88,942
- bankers' acceptance	5,912	72,707
	148,915	241,931

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

23. PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before taxation is stated after charging/(crediting):				
Auditors' remuneration:				
- current year	69,500	74,000	23,000	25,000
- under-provision in the previous year	-	600	-	-
- non-audit fees	2,000	4,000	2,000	4,000
Depreciation of investment property	-	10,083	-	-
Depreciation of property, plant and equipment	549,747	529,158	-	-
Directors' remuneration (Note 30)	1,716,991	1,025,198	200,550	84,169
Employee benefits expense (Note 25)	6,256,646	5,280,412	-	-
Bad debt written off	318	-	-	-
Impairment losses on:				
- inventories	-	67,636	-	-
- trade receivables	-	2,740	-	-
Finance costs (Note 22)	148,915	241,931	-	-
Listing expenses	204,376	856,952	204,376	636,576
Loss/(Gain) on disposal of plant and equipment	10,887	(39,999)	-	-
Plant and equipment written off	11,678	-	-	-
Realised loss on foreign exchange - trade	5,298	1,298	-	-
Rental expenses on:				
- equipment	45,597	72,031	-	-
- premises	127,718	129,991	-	-
Dividend income	-	-	(1,934,450)	(2,320,500)
Interest income	(283,184)	(222,395)	(316,534)	(83,931)
Realised gain on foreign exchange - trade		(336)	(1,453)	- -
Rental income	(15,000)	(16,250)	-	-
Reversal of impairment losses on inventories	(322,264)	(96,459)	-	-
Reversal of impairment losses on trade receivables	(4,131)	(84,122)	-	-

24. TAXATION

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Current financial year				
- income tax	1,691,000	1,332,981	47,000	11,000
- deferred taxation	61,123	(1,000)	-	-
	1,752,123	1,331,981	47,000	11,000
(Over)/ under-provision in prior financial years				
- income tax	(171,720)	(8,762)	(11,000)	1,278
- deferred taxation	(8,344)	(29,893)	-	-
	(180,064)	(38,655)	(11,000)	1,278
	1,572,059	1,293,326	36,000	12,278

24. TAXATION (cont'd)

A reconciliation of income tax expense on profit before taxation with the application statutory income tax rate is as follows:

	GROUP		COMPANY	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Profit before taxation	6,252,584	6,530,430	1,538,901	1,535,535
Taxation at statutory tax rate of 24% (2017: 24%)	1,500,620	1,567,303	369,336	368,529
Non-allowable expenses	278,288	521,891	168,717	199,391
Non-taxable income	(26,785)	-	(491,053)	(556,920)
Tax exempt income due to incentives for MSC status	-	(757,213)	-	-
(Over)/under- provision in prior financial years				
- income tax	(171,720)	(8,762)	(11,000)	1,278
- deferred taxation	(8,344)	(29,893)	-	-
	1,572,059	1,293,326	36,000	12,278

A subsidiary of the Company namely Cabnet Systems was granted the MSC Malaysia status, which qualifies Cabnet Systems for the Pioneer Status incentive under the Promotion of Investment Act 1986. Cabnet Systems enjoyed full exemption from income tax on its statutory income from pioneer activities for a period of 5 years, from 8 August 2012 to 7 August 2017.

25. EMPLOYEE BENEFITS EXPENSE

	GROUP	
	2018 RM	**2017 RM**
Salaries, wages, allowances and bonuses	5,568,774	4,753,232
Defined contribution plan - EPF contributions	622,178	476,795
Social security costs - SOCSO contributions	59,484	50,385
Employee insurance system - EIS contributions	6,210	-
	6,256,646	5,280,412

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

26. DIVIDEND

The followings dividends were declared and paid by the Company:

	2018 RM
In respect of the financial year ended 31 December 2017	
Second interim single-tier dividend of 0.80 sen per ordinary share, paid on 8 June 2018	1,040,000

	2017 RM
In respect of the financial year ended 31 December 2017	
First interim single-tier dividend of 0.50 sen per ordinary share, paid on 10 October 2017	650,000

27. CAPITAL AND OTHER COMMITMENTS

	GROUP	
	2018 RM	2017 RM
Acquisition of property, plant and equipment:		
Contracted but not provided for	1,700,000	1,010,599

28. CONTINGENT LIABILITIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economics benefits will be required or the amount is not capable of reliable measurement.

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Bank guarantees given to third parties in relation to contracts and trade performance	1,867,940	1,828,440	-	-
Corporate guarantee given to licensed banks for credit facility granted to subsidiaries	-	-	1,500,000	1,637,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

29. CASH FLOWS INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:

	GROUP	
	2018 RM	2017 RM
Cost of property, plant and equipment acquired	1,753,368	2,141,322
Less:		
- Amounts finance under finance lease arrangements	(250,000)	(433,200)
- Amount under other payables for purchase of property, plant and equipment	-	(747,551)
Cash payments on purchase of property, plant and equipment	1,503,368	960,571

(b) The cash and cash equivalents comprise the following:

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Short-term investment	-	3,888,247	-	3,888,247
Fixed deposits with licensed banks	3,839,148	3,973,368	-	-
Cash and bank balances	8,602,206	6,744,035	3,488,035	493,082
	12,441,354	14,605,650	3,488,035	4,381,329
Less:				
Fixed deposits pledged to licensed banks	(2,337,784)	(2,121,564)	-	-
Fixed deposits with maturity of more than 3 months	(1,081,313)	(1,043,738)	-	-
	9,022,257	11,440,348	3,488,035	4,381,329

30. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, directors and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

30. RELATED PARTY DISCLOSURES (Cont'd)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are as follow:

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Subsidiaries				
Dividend income	-	-	(1,934,450)	(2,320,500)
Interest income on advances	-	-	(204,928)	-
Directors				
Rental expense on premises	57,600	57,600	-	-

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

Compensation of Key Management Personnel

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors				
Directors of the Company				
(a) Executive directors				
Short-term employee benefits:				
- fees	138,000	74,500	30,000	2,500
- salaries, bonuses and other benefits	893,810	487,200	-	-
	1,031,810	561,700	30,000	2,500
Defined contribution benefits	153,960	80,040	-	-
	1,185,770	641,740	30,000	2,500
(b) Non-executive directors				
Short-term employee benefits:				
- fees	153,750	72,669	153,750	72,269
- salaries and other benefits	16,800	9,000	16,800	9,000
	170,550	81,669	170,550	81,669

30. RELATED PARTY DISCLOSURES (Cont'd)

Compensation of Key Management Personnel (Cont'd)

	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
Directors of the subsidiaries				
Short-term employee benefits:				
- fees	24,000	16,000	-	-
- salaries, bonuses and other benefits	300,797	255,287	-	-
	324,797	271,287	-	-
Defined contribution benefits	35,874	30,502		-
	360,671	301,789	-	-
Total directors' remuneration	1,716,991	1,025,198	200,550	84,169

	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
Other Key Management Personnel				
Short-term employee benefits	497,553	365,878	-	-
Defined contribution benefits	55,787	40,452	-	-
Total compensation for other key management personnel	553,340	406,330	-	-

The estimated monetary value of benefits-in-kind provided to directors and key management personnel is RM32,410 (2017: RM15,929) and RM13,971 (2017: NIL) respectively.

31. 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 predominantly operates in Malaysia, namely building management solutions which comprise structured cabling, ELV systems and information technology services as a complementary offering to building management solutions.

Major customers

There is no single customer that contributed 10% or more to the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

Trade and other receivables (excluding prepayments) and cash and cash equivalents are categorised as financial assets carried at amortised cost (Note 14) while trade and other payables, finance lease and loans and borrowings are categorised as financial liabilities carried at amortised cost (Note 20).

Financial Risk Management

The Group and the Company have exposure to the following risks from its use of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Market risk

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment in debt securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

The Group's sales to customers are on credit terms of 30 to 90 days. The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount. Based on the credit evaluation, the customers are rated into three risk categories, namely low risk, medium risk and high risk.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group.

When an account is more than 60 days past due, the credit risk is considered to have increased significantly since the initial recognition. The Group identifies as a default account if it is more than 120 days past due and the customer is having significant financial difficulties (analysed by financial measures of reported losses, negative cash flows, and qualitative evaluation of the customer's characteristics).

For each significant receivable that is credit-impaired, individual lifetime ECL is recognised using the probability of default technique. The inputs used are: (i) the percent chance of default, and (ii) the expected cash shortfalls. The lifetime ECL is measured at the probability-weighted expected cash shortfalls by reference to the Group's past experience, current conditions and forecast of future economic benefits.

For significant receivables that are not individually credit-impaired and all other receivables, the Group uses a provision matrix that categories the different risk classes (low risk, medium risk and high risk) and the ageing profiles. The collective lifetime ECLs are measured based on the Group's past lost rate experiences, current conditions and forecast of future economic conditions. The past lost rates are adjusted upward in the measurement in worsening current conditions and forecasts of future macroeconomic conditions.

A receivable is written off only if there is no reasonable expectation of recovery. This is when an account is 365 days from date of invoice or the customer is experiencing significant financial difficulties, and without undertaking financial reorganisation or has gone bankrupt.

32. FINANCIAL INSTRUMENTS (Cont'd)

Financial Risk Management (Cont'd)

(a) Credit risk (Cont'd)

Receivables (Cont'd)

Concentration of credit risk

The Group assesses concentrations of credit risk by exposure to single-large customers, industry sectors and overseas jurisdictions.

About 100% of the Group's trade and other receivables were concentrated within Malaysia and spread out evenly between large, medium and small customers. There was no significant exposure to industry groups.

The aging analysis of trade receivables as at the end of the reporting period was:

GROUP	Gross amount RM	Individual impairment RM	Collective impairment RM	Net amount RM
31 December 2018				
Not past due	9,074,828	-	-	9,074,828
Past due 1 - 30 days	654,255	-	-	654,255
Past due 31 - 120 days	1,921,932	-	-	1,921,932
Past due more than 120 days	4,102,106	(85,548)	-	4,016,558
Total past due	6,678,293	(85,548)	-	6,592,745
	15,753,121	(85,548)	-	15,667,573
31 December 2017				
Not past due	10,016,487	-	-	10,016,487
Past due 1-30 days	1,819,654	-	-	1,819,654
Past due 31-120 days	1,891,866	-	-	1,891,866
Past due more than 120 days	2,316,172	(90,359)	-	2,225,813
Total past due	6,027,692	(90,359)	-	5,937,333
	16,044,179	(90,359)	-	15,953,820

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

32. FINANCIAL INSTRUMENTS (Cont'd)

Financial Risk Management (Cont'd)

(b) Liquidity risk (Cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

GROUP	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
31 December 2018							
Non-derivative financial liabilities							
Trade and other payables (Note 20)	7,918,435	-	7,918,435	7,918,435	-	-	-
Finance lease liabilities (Note 18)	923,100	4.23 - 7.09	996,997	339,169	304,001	353,827	-
Loans and borrowings (Note 19)	1,570,606	7.42	2,276,693	141,420	141,420	424,260	1,569,593
	10,412,141		11,192,125	8,399,024	445,421	778,087	1,569,593
31 December 2017							
Non-derivative financial liabilities							
Trade and other payables (Note 20)	9,083,789	-	9,083,789	9,083,789	-	-	-
Finance lease liabilities (Note 18)	824,166	4.45 - 7.09	901,567	264,324	264,324	372,919	-
Loans and borrowings (Note 19)	1,769,595	4.95 - 7.17	2,662,682	191,054	191,054	638,224	1,642,350
	11,677,550		12,648,038	9,539,167	455,378	1,011,143	1,642,350
COMPANY							
Non-derivative financial liabilities							
Other payables and accruals (Note 20)	297,226	-	297,226	297,226	-	-	-
31 December 2017							
Non-derivative financial liabilities							
Other payables and accruals (Note 20)	194,600	-	194,600	194,600	-	-	-

32. FINANCIAL INSTRUMENTS (Cont'd)

Financial Risk Management Cont'd)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

(i) Currency risk

The Group does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest risk arises primarily from cash and cash equivalents, finance lease liabilities and loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts in a cost-efficient manner.

The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk:

	GROUP	
	2018 RM	**2017 RM**
Fixed rate instruments:		
Financial assets	3,839,148	3,973,368
Financial liabilities	(923,100)	(824,166)
	2,916,048	3,149,202
Floating rate instruments:		
Financial assets	-	3,888,247
Financial liabilities	(1,570,606)	(1,769,595)
	(1,570,606)	2,118,652

Interest on financial instruments subject to floating rates is repriced as and when there is change in the prevailing market interest rate. Interest on financial instruments at fixed rates is fixed until the maturity of the instruments. The other financial instruments of the Group that are not included in the above table are not subject to interest rate risks.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

32. FINANCIAL INSTRUMENTS (Cont'd)

Financial Risk Management (Cont'd)

(c) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points lower/ higher, with all other variables held constant, the Company's profit after tax would have been RM28,195 (2017: RM34,176) higher/ lower, arising mainly as a result of lower/ higher interest income from cash and cash equivalents. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iii) Fair value of financial instruments

The carrying amount of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

The following are the classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of the fair value:

	Note
Finance lease liabilities	18
Loans and borrowings	19

The fair value of short-term investment was determined at their quoted closing bid prices at the end of the reporting period.

33. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. INCORPORATION OF SUBSIDIARY AND NON-CONTROLLING INTERESTS

Incorporation of subsidiary – Amplogix Sdn. Bhd.

On 31 May 2018, the Company incorporated a subsidiary, Amplogix Sdn. Bhd. ("Amplogix") for a total consideration of RM2. Following the acquisition of the interest, Amplogix became a subsidiary of the Group.

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. 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 Company subscribed additional new ordinary shares of RM101,998 at the issuance price of RM1 each and the balance of RM98,000 were allotted to the non-controlling interests. Accordingly, the Company's effective interest in Amplogix had been reduced from 100% to 51%.

35. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2018 RM	2017 RM
Profit attributable to owners of the Company	4,721,322	5,237,104
Weighted average number of ordinary shares at 31 December	154,976,026	121,887,671
Basic earnings per ordinary share (in sen)	3.05	4.30

(b) Diluted earnings per share

The basic and diluted earnings per share are the same. The warrants are not included in the calculation as the effect is anti-dilutive.

	GROUP	
	2018	2017
Diluted earnings per ordinary share (in sen)	3.05	N/A

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

36. SIGNIFICANT EVENTS OCCURING AFTER THE REPORTING PERIOD

(a) On 3 March 2019, the Company had entered into a Sale and Purchase Agreement to purchase one (1) unit of freehold two storey link bungalow house situated on HS(D) 492627 PTD 156622, Mukim of Tebrau, District of Johor Bahru, State of Johor for a total consideration of RM1,250,000 subject to the consent of the state authority on the transfer land title.

(b) On 17 January 2019, Cabnet Systems (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, had initiated legal actions as below:

(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 ("1st Defendant") and Rimarisan Sdn Bhd ("2nd 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. 1st and 2nd Defendants under Section 30 of the CIPAA 2012.

The case managements were held on 5 March 2019 and 4 April 2019.

The 1st Defendant i.e. Dekad Kaliber had via its solicitors filed an extension of time ("EOT") for the Court to allow its out of time affidavit to be accepted. The Court has given the Plaintiff two (2) weeks to file its affidavit in reply to object to the 1st Defendant's EOT application (if any) i.e. by 18 April 2019. The 1st Defendant has to reply to the Plaintiff's affidavit by 2 May 2019 and the next case management is also fixed on 2 May 2019.

Meanwhile, the 2nd Defendant i.e. Rimarisan had via its solicitors filed an application to strike out the Construction Court Suit and an EOT to reply to the Plaintiff's affidavit. The Court has directed for the 2nd Defendant's Striking Out and EOT to be heard together. In this regard, parties are required to file submissions tentatively by 26 April 2019 and the hearing for both applications is fixed on 31 May 2019.

In regards to the Construction Court Suit filed by the Plaintiff, the next case management is fixed on 31 May 2019 and the hearing date will be fixed during the case management on 31 May 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

36. SIGNIFICANT EVENTS OCCURING AFTER THE REPORTING PERIOD (Cont'd)

(b) On 17 January 2019, Cabnet Systems (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, had initiated legal actions as below: (cont'd)

(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 ("1st Defendant") and Rimarisan Sdn Bhd ("2nd 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, 1st Defendant has acknowledged and undertaken to pay directly to the Plaintiff upon Synergycentric's failure under the SPA. To date, 1st Defendant has not made such payments.

The case managements for the Civil Suit were held on 18 February 2019 and 4 April 2019. The 1st Defendant had via its solicitors filed an application to strike out the Civil Court Suit on 2 April 2019. The matter is fixed for hearing on 21 May 2019 before the Judge and written submission to be filed at any time before the hearing. The 2nd Defendant has informed Court that it would be filing an application on 12 April 2019 to amend its defence and the next case management is fixed on 17 April 2019 for the 2nd Defendant to update the court on the status of its application.

The Judge has fixed tentative dates for trial on 19 and 20 August 2019.

37. OTHER INFORMATION

(a) The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

(b) The registered office of the Company is located at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd Mufti, 80000 Johor Bahru, Johor.

(c) The principal place of business of the Company is located at No.100, Jalan Ros Merah 2/17, Taman Johor Jaya, 81100 Johor Bahru, Johor.

(d) The financial statements are presented in Ringgit Malaysia, which is also the Group's functional currency.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 9 April 2019.

LIST OF PROPERTIES

Location	Tenure (approximate age of building)	Description	Square Feet (approximate)	Existing Use	Registered Owner	Carrying amount as at 31.12.2018 (RM)	Date of Purchase
No. 100, Jalan Ros Merah 2/17, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim.	Freehold (24 years)	3-storey intermediate shop house	4,620 (Built-up area)	Office	Cabnet Systems (M) Sdn Bhd	516,518	9 Feb 2000
No. G-02, 1-02 and 2-02, Puchong Square, Jalan Layang-Layang 5, Bandar Puchong Jaya, 47170 Puchong, Selangor.	Freehold (6 years)	3-storey intermediate shop house	5,727 (Built-up area)	Office	Cabnet Systems (M) Sdn Bhd	1,966,660	27 Aug 2012
No. 182, Jalan Mempelam, Taman Kota Jaya, 81900 Kota Tinggi, Johor Darul Takzim.	Freehold (20 years)	Double-storey intermediate shop house	3,520 (Built-up area)	Storage	Cabnet Systems (M) Sdn Bhd	238,152	31 Jul 2003
A-PH-07, Pangsapuri Casa Subang, Jalan Subang 1, USJ 1, 47600 Subang Jaya, Selangor.	Freehold (10 years)	Service apartment	1,555 (Built-up area)	Hostel	Cabnet Systems (M) Sdn Bhd	545,796	27 Dec 2016
#13-11, Tower A Pangsapuri Seri Kencana Setia, Jalan Storey, Bukit Senyum, 80300 Johor Bahru, Johor Darul Takzim.	Freehold (1 year)	Service apartment	400 (Built-up area)	Vacant	Cabnet Systems (M) Sdn Bhd	302,430	9 Jun 2016
No.2, Jalan Dahlia 5, Taman Sri Penawar, 81930 Bandar Penawar, Johor Darul Takzim.	Leasehold (3 months)	Double-storey corner shop house	1,988 (Built-up area)	Vacant	ITWIN Technology Sdn Bhd	1,034,602	15 May 2017
Parcel No. 2-36-06, M-City Ampang, No. 326, Jalan Ampang, 48020 Kuala Lumpur	Leasehold (4 mohts)	Service apartment	1,084 (Built-up area)	Vacant	Cabnet Systems (M) Sdn Bhd	1,131,311	6 Dec 2017

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 27 MARCH 2019

Issued and paid up capital	:	RM27,678,500-00 comprised of 178,750,000 ordinary shares fully paid
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDERS ACCORDING TO STATISTICAL SUMMARY OF THE RECORD OF DEPOSITORS AS AT 27 MARCH 2019

Size of Share Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
1 to 99	17	2.41	700	0.00
100 to 1,000	27	3.82	6,435	0.00
1,001 to 10,000	289	40.94	1,455,832	0.81
10,001 to 100,000	290	41.08	9,626,551	5.39
100,001 to 6,499,999 (*)	80	11.33	50,260,482	28.12
6,500,000 and above (**)	3	0.42	117,400,000	65.68
TOTAL	**706**	**100.00**	**178,750,000**	**100.00**

* Less than 5% of Issued Shares
** 5% and above of Issued Shares

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 27 MARCH 2019

No.	Name of shareholders	No. of shares held	%
1	NETPOSA TECHNOLOGIES (HONG KONG) LIMITED	35,750,000	20.00
2	TAN BOON SIANG	26,812,500	15.00
3	TAY HONG SING	26,812,500	15.00
4	TAN BOON SIANG	18,012,500	10.08
5	TAY HONG SING	10,012,500	5.60
6	TA NOMINEES (TEMPATAN) SDN BHD PLEGED SECURITIES ACCOUNT FOR TAY HONG SING	8,000,000	4.48
7	SIM YIAN FEI	4,921,500	2.75
8	KONG TZE SENN	3,482,450	1.95
9	TAN YING MENG	2,900,000	1.62
10	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR ONG YOONG NYOCK (M78046)	1,937,500	1.08
11	CHIN HOON LIM	1,513,737	0.85
12	HO CHEE HONG	1,512,500	0.85
13	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TNTT REALY SDN BHD	1,500,000	0.84
14	KOH THAIN LIN	1,300,000	0.73
15	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR BAKAT IMPIAN SDN. BHD. (M78093)	1,148,125	0.64
16	RYAN TAN HIAN WHAI	1,120,850	0.63
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN TIAN YEE (7002391)	898,000	0.50
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG (6000698)	756,250	0.42
19	LIM LAI AN	715,000	0.40
20	RAVINDREN A/L VELLOO	688,700	0.39
21	NG JUN LIP	684,750	0.38
22	FOO YONG KIAT	654,000	0.37

ANALYSIS OF SHAREHOLDINGS (CONT'D)

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 27 MARCH 2019 (Cont'd)

No.	Name of shareholders	No. of shares held	%
23	TAN YONG THAI	627,962	0.35
24	JOANNE LEE CHIAO WEY	618,750	0.35
25	LIM YAN BU	618,750	0.35
26	YAP NANG PHOR	618,750	0.35
27	WILSON THAM WENG MENG	551,812	0.31
28	NG JUN LIP	482,100	0.27
29	WOO CHIEW LOONG	481,250	0.27
30	LEONG LOW PEW	467,500	0.26
	TOTAL	**155,600,236**	**87.07**

SUBSTANTIAL SHAREHOLDERS AS AT 27 MARCH 2019
(As per Register of Substantial Shareholders)

		No. of shares held			
No.	**Name of shareholders**	**Direct Interest**	**%**	**Deemed Interest**	**%**
1	TAY HONG SING	44,825,000	25.08	-	-
2	TAN BOON SIANG	44,825,000	25.08	-	-
3	NETPOSA TECHNOLOGIES (HONG KONG) LIMITED	35,750,000	20.00	-	-
4	NETPOSA TECHNOLOGIES LTD.	-	-	35,750,000 [1]	20.00
5	LIU GUANG	-	-	35,750,000 [2]	20.00

Notes:-

[1] *Deemed interested by virtue of Section 8 of the Companies Act, 2016, through its shareholding in NetPosa Technologies (Hong Kong) Limited.*

[2] *Deemed interested by virtue of Section 8 of the Companies Act, 2016, through his shareholding in NetPosa Technologies Ltd.*

DIRECTORS' SHAREHOLDINGS AS AT 27 MARCH 2019
(As per Register of Directors' Shareholdings)

		No. of shares held			
No.	**Name of shareholders**	**Direct Interest**	**%**	**Deemed Interest**	**%**
1.	DATUK TAN KOK HONG @ TAN YI	343,750	0.19	-	-
2.	TAY HONG SING	44,825,000	25.08	-	-
3.	TAN BOON SIANG	44,825,000	25.08	-	-
4.	YONG THIAM YUEN	158,125	0.09	-	-
5.	LIM MING KEE	206,250	0.12	-	-
6.	ABDUL MUTALIB BIN IDRIS	-	-	-	-
7.	MEACHERY JO-ANNE JOSEPH	-	-	-	-
8.	ZHI MING	-	-	-	-

ANALYSIS OF WARRANT HOLDINGS

WARRANTS

Number of Warrants (2018/2021)	:	65,000,000
Exercise Price	:	RM0.50 per ordinary share
Exercise Rights	:	Each Warrant entitles the holder to subscribe for one (1) new Cabnet Share
Exercise Period	:	3 years
Number of Warrants exercised	:	Nil
Maturity Date	:	2 July 2021
Voting rights	:	The Warrant holders are not entitled to any voting rights or to participate in any form of distribution and/or offer of securities in the Company other than on winding-up, compromise or arrangement of the Company until and unless such Warrant holders exercise their Warrants into new Cabnet Shares.

DISTRIBUTION OF WARRANT HOLDINGS ACCORDING TO STATISTICAL SUMMARY OF THE RECORD OF DEPOSITORS AS AT 27 MARCH 2019

Size of Holdings	No. of Holders	% of Holders	No. of Warrants	% of Warrants
1 to 99	29	5.27	1,404	0.00
100 to 1,000	90	16.36	60,045	0.09
1,001 to 10,000	264	48.00	1,126,400	1.73
10,001 to 100,000	119	21.64	4,411,951	6.79
100,001 to 6,499,999 (*)	45	8.18	14,510,200	22.33
6,500,000 and above (**)	3	0.55	44,890,000	69.06
TOTAL	**550**	**100.00**	**65,000,000**	**100.00**

*　Less than 5% of Issued Shares
**　5% and above of Issued Shares

LIST OF 30 LARGEST WARRANT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 27 MARCH 2019

No.	Name of Warrant Holders	No. of Warrants held	%
1	NETPOSA TECHNOLOGIES (HONG KONG) LIMITED	13,000,000	20.00
2	TAN BOON SIANG	9,750,000	15.00
3	TAY HONG SING	9,750,000	15.00
4	TAY HONG SING	6,550,000	10.08
5	TAN BOON SIANG	5,840,000	8.98
6	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR ONG YOONG NYOCK (M78046)	1,250,000	1.92
7	CHOO KIAN LOO	1,150,000	1.77
8	RYAN TAN HIAN WHAI	872,000	1.34
9	YAP SIEW FONG	800,000	1.23
10	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR LAI KOK HONG (MY0333)	587,800	0.90
11	HO CHEE HONG	550,000	0.85
12	MOHD JEFFRY HEW BIN ABDULLAH	530,000	0.82
13	JIA HONGMEI	518,800	0.80
14	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HAU JANG	500,000	0.77

ANALYSIS OF WARRANT HOLDINGS (CONT'D)

LIST OF 30 LARGEST WARRANT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 27 MARCH 2019 (Cont'd)

No.	Name of Warrant Holders	No. of Warrants held	%
15	TAN YING MENG	500,000	0.77
16	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR BAKAT IMPIAN SDN. BHD. (M78093)	417,500	0.64
17	SIM YIAN FEI	400,000	0.62
18	ANGELA KUNG CHUI PING	373,500	0.57
19	CHIN HOON LIM	350,450	0.54
20	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM FOK YUONG	350,100	0.54
21	KOK POW KEONG	300,000	0.46
22	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	300,000	0.46
23	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG (6000698)	275,000	0.42
24	CHONG KEIN FUA	263,000	0.40
25	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG LAI CHOO	250,000	0.38
26	TAN KIM YET	250,000	0.38
27	NG JUN LIP	249,000	0.38
28	JOANNE LEE CHIAO WEY	225,000	0.35
29	LIM YAN BU	225,000	0.35
30	YAP NANG PHOR	225,000	0.35
	TOTAL	**56,602,150**	**87.07**

DIRECTORS' WARRANT HOLDINGS AS AT 27 MARCH 2019
(As per Register of Directors' Warrant Holdings)

		No. of warrants held			
No.	**Name of Warrant Holders**	**Direct Interest**	**%**	**Deemed Interest**	**%**
1.	DATUK TAN KOK HONG @ TAN YI	125,000	0.19	-	-
2.	TAY HONG SING	16,300,000	25.08	-	-
3.	TAN BOON SIANG	15,590,000	23.99	-	-
4.	YONG THIAM YUEN	57,500	0.09	-	-
5.	LIM MING KEE	75,000	0.12	-	-
6.	ABDUL MUTALIB BIN IDRIS	-	-	-	-
7.	MEACHERY JO-ANNE JOSEPH	-	-	-	-
8.	ZHI MING	-	-	-	-

CABNET HOLDINGS BERHAD
(Company No.1121987-D)
(Incorporated in Malaysia)

No. of Shares Held	CDS Account No.

PROXY FORM

I/We ______________________________ (NRIC No. ______________________) of (full address)

____

being a member / members of CABNET HOLDINGS BERHAD, hereby appoint: +

Name of Proxy *(Full Name)*	**NRIC No. / Passport No.**	**% of Shareholding to be Represented** *(Refer to Note 2)*
Address		

*and/or failing him/her,

Name of Proxy *(Full Name)*	**NRIC No. / Passport No.**	**% of Shareholding to be Represented** *(Refer to Note 2)*
Address		

*or failing him/her, the Chairman of the meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the 4th Annual General Meeting of the Company to be held on Tuesday, the 28th day of May, 2019 at 9.00 a.m. at the Hop Sing II, Ponderosa Golf & Country Club, No. 3, Jalan Ponderosa 1, Taman Ponderosa, 81100 Johor Bahru, Johor and at every adjournment thereof to vote as indicated below in respect of the following Resolutions:-

Ordinary Business		**For**	**Against**
Ordinary Resolution 1	Re-election of DATUK TAN KOK HONG @ TAN YI		
Ordinary Resolution 2	Re-election of MR. TAY HONG SING		
Ordinary Resolution 3	Re-election of MR. ZHI MING		
Ordinary Resolution 4	Re-election of MR. VINCENT WONG SOON CHOY		
Ordinary Resolution 5	Approval of Directors' Fees (FY2019)		
Ordinary Resolution 6	Approval of Directors' Benefits (for the period from 4th AGM to 5th AGM)		
Ordinary Resolution 7	Re-appointment of Auditors		
Special Business			
Ordinary Resolution 8	Authority to allot and issue shares pursuant to Section 75 and 76 of the Companies Act, 2016.		
Special Resolution 1	Adoption of new Constitution of the Company		

(Please indicate with a "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)
+ where more than two (2) proxies are appointed, a separate annexure based on the format should be attached.
** delete where applicable.*

Signed this ______________ day of ____________________ 2019

____
*Signature/Common Seal of member(s)

NOTES:

1. *Pursuant to Section 334 of the Companies Act, 2016, a member shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.*
2. *A member may appoint more than two (2) proxies to attend the same meeting. If a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy provided that in the case of a vote on any question by show of hands, only one (1) of the proxies so appointed shall be entitled to vote.*
3. *Where a member of the Company is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor duly authorised or, if the appointor is a corporation, either under Seal or under the hand of an officer duly authorised. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor. An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.*
5. *For this form to be valid, any alterations or amendments to this form or the information contained herein must be initialled against by the appointor.*
6. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd. Mufti, 80000 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of poll, and in default the instrument of proxy shall not be treated as valid.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2019, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

Affix
Stamp

The Company Secretary

CABNET HOLDINGS BERHAD (1121987-D)
Registered Office
Suite 5.11 & 5.12, 5th Floor,
Menara TJB, No. 9, Jalan Syed Mohd. Mufti,
80000 Johor Bahru, Johor, Malaysia

CabNet

Cabnet Holdings Berhad (1121987-D)

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