

CABNET HOLDINGS BERHAD
Registration No: 201401045803 (1121987-D)
(Incorporated in Malaysia)

NOTES TO THE INTERIM REPORT FOR THE 12-MONTHS FINANCIAL YEAR ENDED 31 DECEMBER 2020

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORT

A1 Basis of Preparation

This condensed consolidated interim financial statement (“Condensed Report”) is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting, Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended (“FYE”) 31 December 2019. The explanatory notes attached to the Condensed Report provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the FYE 31 December 2019.

A2 Significant Accounting Policies

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted as disclosed in the audited financial statements for the FYE 31 December 2019, except for the adoption of the following that are effective for financial statements effective from 1 January 2020, as disclosed below:

MFRS, Amendments to MFRS and IC Interpretation
<ul style="list-style-type: none">• 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• Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform

The adoption of the above pronouncements does not have any material financial impact to the Group.

A3 Auditors’ Report of preceding annual financial statements

The preceding year’s audited financial statements of the Group did not contain any qualification.

A4 Seasonal or Cyclical Factors Affecting Operations

The principal business operations of the Group are not significantly affected by any seasonal or cyclical factors.

A5 Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current financial quarter and financial year under review.

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A6 Material Changes in Estimates

There were no changes in estimates that have a material effect in the current financial quarter and financial year under review.

A7 Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchase, resale or repayment of debts and securities during the financial quarter and financial year under review.

A8 Dividends paid

No dividend has been paid during the current quarter under review.

A9 Segmental Reporting

(i) Operating Segments

Information about operating segments has not been reported separately as the Group’s revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely building management solutions which comprise structured cabling, extra low voltage (“ELV”) systems and information technology services as a complimentary offering to building management solutions.

(ii) Geographical Segment

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

A10 Material Events Subsequent to the end of the Reporting Period

There were no material events subsequent to the end of the current financial year up to the date of this report that have not been reflected in this interim financial report.

A11 Changes in the Composition of the Group

On 4 November 2020, the Company had incorporated a wholly-owned subsidiary under the name of Cabnet Globe Pte Ltd. ("CGP") with an issued share capital of SGD1.00 comprised 1 ordinary share. Its intended principal activity is to provide electrical work.

Save for the above, there were no other changes in the composition of the Group in current financial quarter and financial year under review.

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A12 Contingent Liabilities and Contingent Assets

As at 31 December 2020, save as disclosed below, the Group has no pending material contingent liabilities that, upon becoming enforceable, may have a material impact on our financial performance and or position.

	As at 31 December 2020
	RM'000
Guarantees given to third parties in relation to contracts and trade performance	3,135

The guarantees are tender bonds (on submission of tender) and performance bond (upon award of contracts). To date, our Group has not experienced any enforcement of guarantees arising from non-performance of projects.

The Group has no contingent assets as at 31 December 2020.

A13 Capital Commitment

There were no material capital commitments for the Group as at 31 December 2020.

A14 Significant related party transactions

There were no significant related party transactions in the current financial year under review.

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NOTES TO THE INTERIM REPORT FOR THE 12-MONTHS FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

B1 Review of Performance

Comparison of the current year quarter to preceding year corresponding quarter

	<u>Individual Quarter</u>		% change + / (-)
	Current year quarter ended 31 December 2020	Preceding year quarter ended 31 December 2019	
<u>Revenue</u>	RM'000	RM'000	
Construction contracts	4,080	16,091	-74.64%
Sales of goods and services	5,959	5,657	+5.34%
Total	10,039	21,748	-53.84%

Group revenue declined by 53.84% as compared to the preceding year corresponding quarter mainly due to slower progress of on-going projects, site readiness issue and new construction contracts secured in current year are still in preliminary stage. Current quarter recorded gross loss of RM603,000 mainly due to lower revenue as well as revise downward of a major contract budgeted profit being foreseeable additional cost to accelerate the work progress which was impacted by the imposition of movement control order (“MCO”).

In addition, the group’s current quarter result is further reduce compared to preceding year corresponding quarter due to increase of impairment loss provision on trade receivables to RM1.22 million in view of long overdue debt from a particular customer as well as collectively expected credit loss provision.

As result, Group recorded loss before tax of approximately RM3.81 million in the current quarter compared to RM595,000 profit before tax in preceding year corresponding quarter.

Comparison of current year to-date to preceding year

	<u>Cumulative Quarter</u>		% change + / (-)
	Current year ended 31 December 2020	Preceding year ended 31 December 2019	
<u>Revenue</u>	RM'000	RM'000	
Construction contracts	18,144	40,833	-55.57%
Sales of goods and services	24,045	28,047	-14.27%
Total	42,189	68,880	-38.75%

The Group current year revenue declined by 38.75% as compared to the preceding year was mainly due to project sites were temporarily shut down in light of MCO, construction progress regained at slower pace, site readiness issue, deferred of material delivery to site due to payment risks while new construction contracts secured in current year are still in preliminary stage. The Group current year gross profit is lower compared to preceding year by approximately RM8.01 million mainly due to dropped in revenue, fixed overhead cost when project sites temporarily shut-down as well as revise downward of budgeted profit for a major contract.

Apart from lower of revenue and gross profit, current year selling and administrative expenses increased by RM684,000 mainly due to impairment loss provision on trade receivables while finance cost increased by RM173,000 due to increase usage of trade financing for material procurement and term loan interest for property acquisition. Consequently, the Group recorded loss before tax of approximately RM4.76 million for the current year under review.

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

	Current Quarter Ended 31 December 2020 RM'000	Preceding Quarter Ended 30 September 2020 RM'000
Revenue	<u>10,039</u>	<u>11,827</u>
(Loss)/Profit before tax	<u>(3,812)</u>	<u>169</u>

For the current quarter ended 31 December 2020, the Group revenue reduce by approximately RM1.79 million as compared to the preceding quarter ended 30 September 2020 because of slower progress of on-going projects, site readiness issue and lower of revenue from sales of goods and services.

Other than lower of revenue in current quarter, selling and administrative expenses increased by RM1.03 million basically due to impairment loss provision on trade receivables.

As such, the Group recorded loss before tax of RM3.81 million for the current quarter under review as compared to profit before tax of RM169,000 in the immediate preceding quarter, representing a decrease of RM3.98 million.

B3 Prospects Commentary for the financial year ending 31 December 2021

The Board anticipated challenging operating environment for the financial year 2021 in view of persevering effects of Coronavirus Pandemic (“Covid-19”), uncertainties of directive from Majlis Keselamatan Negara Malaysia (“MKN”) and weak market sentiment.

Amidst challenging operating environment, the Board remain positive of the Group performance for the financial year ending 31 December 2021 in light of approximately RM76.23 million of balance order book. The Group will continue its effort to explore new market segment and opportunities. In addition, the Board reassure that all necessary precautions and pragmatic approach shall continue in placed in its strategic and operational planning to strengthen its existing business and improved operational efficiency.

B4 Variance of Actual Profit from Forecast Profit & Shortfall on Profit Guarantee

There is no profit forecast prepared for public release and no profit guarantee provided by the Group for the current financial year.

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B5 Taxation

	Quarter ended 31.12.2020	Year-to-date 31.12.2020
	RM'000	RM'000
Income tax:		
- current period	(124)	(487)
- under-provision in prior year	(2)	(2)
	(126)	(489)
Deferred tax income	384	743
Tax income	258	254

The Group's effective tax rate for the current quarter and current financial year is lower than the statutory tax rate of 24% mainly due to business loss in certain subsidiary companies.

B6 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 19 February 2021 being a date not earlier than 7 days from the date of issue of this quarterly report.

B7 Group Borrowings and Debt Securities

As at 31 December 2020, our Group's total outstanding borrowings, all of which are interest-bearing, were as follows:

	RM'000
(a) Short-term debt	
<u>Secured and guaranteed</u>	
Bankers' acceptance	2,512
Finance lease liabilities	580
Term loans	231
Trust receipts	340
Total short-term debt	3,663
(b) Long-term debt	
<u>Secured and guaranteed</u>	
Finance lease liabilities	1,539
Term loans	4,094
Total long-term debt	5,633
Total loans and borrowings	9,296

All the above borrowings are denominated in Ringgit Malaysia.

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B8 Changes in Material Litigation

There is no other pending material litigation as at 19 February 2021 being a date not earlier than 7 days from the date of this quarterly report except for the following: -

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

Between Cabnet Systems (M) Sdn Bhd (“Plaintiff”), Dekad Kaliber Sdn Bhd (“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, 29 March 2019, 4 April 2019, 17 April 2019, 2 May 2019, 23 May 2019, 31 May 2019, 20 June 2019, 20 August 2019, 20 January 2020, 17 February 2020, 26 February 2020, 2 March 2020, 31 March 2020 as well as 11 June 2020 and the hearings were held on 31 May 2019, 19 June 2019, 7 October 2019, 18 December 2019, 8 April 2020, 8 January 2021 and 16 February 2021.

- (1) On 15 January 2020, the 2nd Defendant made a formal application to stay of execution for its appeal. On 20 January 2020, the Judge has granted extension of the interim stay until 26 February 2020. Further to the extension of the interim stay, on 26 February 2020 the Judge decided to grant a conditional stay until the disposal of 2nd Defendant’s appeal. The condition was to 2nd Defendant to open a joint solicitors account and deposit the sum of RM1,204,547.60 into the said account on or before 8 April 2020. In the event such sum has not been deposited, the conditional stay will lapse on 8 April 2020.
- (2) On 17 January 2020, the Plaintiff then filed an appeal on the part of the Judge’s decision where only the Adjudicated Sum is to be paid excluding the Adjudication cost of RM44,000.90. Both the Plaintiff and the 2nd Defendant’s appeal will be heard together on 31 March 2020.
- (3) On 31 March 2020, the Court then set a further case management date on 11 June 2020 for Plaintiff to file a Supplemental Record of Appeal with the Notes of Proceeding.

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B8 Changes in Material Litigation (Cont'd)

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

- (4) On 2 April 2020, 2nd Defendants has written to the Court to request for an extension of the conditional stay for 1 month after the MCO period. During the hearing held on 8 April 2020, the Court was of the view that the MCO period deems as special circumstances that will lead to an extension and/or alteration of the conditional stay order given previously. However, the Court has denied 2nd Defendant's request and allowed for an extension of 1 month from 8 April 2020 to 8 May 2020 for 2nd Defendant to deposit the said sum into the Plaintiff's solicitor's account. This is to ensure that parties do not have to risk to going to the bank and breaching any MCO regulations. Cost of RM5,000.00 is to follow the cause of events at the Appeal.
- (5) On 8 May 2020, the 2nd Defendant did not deposit the said sum into Plaintiff's solicitor's account upon the expiring of conditional stay.
- (6) On 29 May 2020, a statutory notice of demand had been issued to 2nd Defendants pursuant to Section 466(1)(a) of the Companies Act 2016.
- (7) The case management held on 11 June 2020, the Court has fixed the hearing date on 8 January 2021 and given following directions: -
 - a) Common Core Bundle, Submissions and Executive Summary must be filed by 8 December 2020;
 - b) Submission in Reply by 23 December 2020; and
 - c) Next case management is fixed on 28 December 2020 for parties to update on status before hearing.
- (8) Following the hearing held on 8 January 2021, the Judge was only able to hear Plaintiff application to adduce fresh and further evidence due to time constraints, hence of the hearing of the 2nd defendant main appeals has adjourned to 16 February 2021.
- (9) Further to the hearing held on 16 February 2021 for the Plaintiff and 2nd Defendant appeals ("Appeals"), the Court's decision for the said Appeals will be delivered on 17 March 2021.

(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.

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B8 Changes in Material Litigation (Cont'd)

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

The case management were held on 18 February 2019, 4 April 2019, 17 April 2019 and 8 January 2020, 24 February 2020, 31 March 2020, 15 May 2020, 1 September 2020, 12 October 2020, 21 October 2020, 12 November 2020 and 4 January 2021, the hearings were held on 21 May 2019, 29 July 2019 and 14 July 2020 as well as the trial was held on 16 August 2019.

- (1) On 3 January 2020, the 1st Defendant had filed for a stay pending appeal application, whereas the 2nd Defendant filed a striking out application on 24 December 2019. The Court has fixed a hearing on 6 April 2020 to determine both the 1st and 2nd Defendant's applications. After which, the Court will only determine the trial dates after the hearing on 6 April 2020.
- (2) The case management was held on 24 February 2020, the Court has fixed the next case management date on 9 July 2020 and the hearing for the appeal is fixed on 22 July 2020.
- (3) In light of the MCO, the Court has adjourned the hearing fixed on 6 April. The Court has now fixed a case management on 15 May 2020 for parties to get directions on the filing of the written submissions for both the applications and to fix new hearing date.
- (4) The case management was held on 15 May 2020, the Court has given following directions: -
 - a) Hearing for the 1st Defendant's Stay Application and 2nd Defendant's Striking Out Application set on 14 July 2020;
 - b) Main Submission to be filed on or before 26 June 2020; and
 - c) Reply Submission to be filed on or before 7 July 2020.
- (5) Further to the hearing held on 14 July 2020 for the 1st Defendant's Stay Application and 2nd Defendant's Striking Out Application ("Applications"), the Court's decision for the said Applications will be delivered on 1 September 2020.
- (6) On 1 September 2020, the Judge decided 1st Defendant's Stay Applications was allowed while 2nd Defendant is dismissed with cost of RM5,000.00. The Judge set the next case management on 21 October 2020 for parties to update the Court on the outcome of the Court of Appeal's decision which will be held on 12 October 2020.
- (7) On 12 October 2020, the Judge decided that 1st Defendant's appeal on Striking Out Application has been dismissed with cost of RM10,000.00.
- (8) In light of the conditional movement control order ("CMCO"), the case management originally fixed on 21 October 2020 adjourned until further notice.
- (9) Case management adjourned previously was held on 4 January 2021, the Court has fixed trial dates on 9 June 2021 to 11 June 2021 and 14 June 2021 to 16 June 2021. Parties need to file Witness Statements before 31 May 2021.

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B9 Dividend

No dividend has been declared, recommended or paid during the quarter under review.

B10 Loss per Share

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

	Quarter ended 31.12.2020	Year-to-date 31.12.2020
Loss for the period attributable to ordinary holders of the Company (RM'000)	(3,555)	(4,509)
Weighted average number of ordinary shares in issue ('000)	178,750	178,750
Loss per share (Basic & Diluted) (sen)	(1.99)	(2.52)

B11 Derivative

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

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

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

B 13 Authorised for issue

This interim financial statement was authorised by the Board of Directors in accordance with the resolution of the Directors on 25 February 2021.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)
SSM Practicing Certificate No. 201908004010
Company Secretary
Johor Bahru
Date: 25 February 2021
c.c. Securities Commission