

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 2021

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 2020. 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 2020.

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 2020, except for the adoption of the followings :

MFRS, Amendments to MFRS and Interpretation
<p><u>Effective from 1 January 2021</u></p> <ul style="list-style-type: none">• Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosure, MFRS 4 Insurance Contracts and MFRS 16 Leases – Interest Rate Benchmark Reform Phase 2 <p><u>Effective from 1 January 2022</u></p> <ul style="list-style-type: none">• Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework• Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use• Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts–Cost of Fulfilling a Contract• Annual Improvements to MFRS Standards 2018–2020 <p><u>Effective from 1 January 2023</u></p> <ul style="list-style-type: none">• Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current• Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting Policies• Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

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.

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A4 Seasonal or Cyclical Factors Affecting Operations

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

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

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

A6 Material Changes in Estimates

There were no changes in estimates that have a material effect in the current financial quarter and financial 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 operated predominantly in the provision of electrical and mechanical engineering services which comprise medium, low and extra low voltage electrical systems, structured cabling, as well as 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, save and except of the following:

On 23 June 2021, the Group had entered into a Sale and Purchase Agreement (“SPA”) to purchase a property located at Johor Bahru, Johor at purchase consideration of RM557,080, to be satisfied in cash. The SPA has been completed on 7 February 2022.

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A10 Material Events Subsequent to the end of the Reporting Period (Cont’d)

On 11 October 2021, the Group had entered into a Sale and Purchase Agreement (“SPA”) to dispose of a property located at Johor Bahru, Johor at purchase consideration of RM1,330,000, to be fully satisfied in cash. The SPA has been completed on 31 January 2022.

On 25 January 2022, the Group had entered into a Sale and Purchase Agreement (“SPA”) to purchase a property located at Masai, Johor at purchase consideration of RM970,000, to be fully satisfied in cash.

A11 Changes in the Composition of the Group

There were no changes in the composition of the Group in the current financial quarter under review.

A12 Contingent Liabilities and Contingent Assets

As at 31 December 2021, 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 2021
	RM’000
Guarantees given to third parties in relation to contracts and trade performance	5,780

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 2021.

A13 Capital Commitment

Capital commitment for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2021 was as follow:

	As at 31 December 2021
	RM’000
Purchase of property, plant and equipment	557

A14 Significant related party transactions

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

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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 2021	Preceding year quarter ended 31 December 2020	
<u>Revenue</u>	RM'000	RM'000	
Construction contracts	13,072	4,080	+220.39%
Sales of goods and services	7,036	5,938	+18.49%
Total	20,108	10,018	+100.72%

The Group revenue increased by 100.72% as compared to the preceding year corresponding quarter was mainly due to the inclusion of the revenue from the newly acquired subsidiary company from September 2021. Notwithstanding of the increased in revenue from sales of goods and services in current financial quarter, the Group were continuing facing disruption of material supply chain affected by global chip shortage.

The Group recorded gross profit of RM3.46 million in current financial quarter as compared to gross loss of RM0.61 million in the preceding year corresponding quarter was principally due to higher of revenue.

In view of gross profit and lower of selling and administrative expenses reported in current financial quarter, the Group recorded profit before tax of RM0.76 million as compared to RM3.81 million loss before tax in the preceding year corresponding quarter.

Comparison of current year to-date to preceding year

	<u>Cumulative Quarter</u>		% change +/(-)
	Current year quarter ended 31 December 2021	Preceding year quarter ended 31 December 2020	
<u>Revenue</u>	RM'000	RM'000	
Construction contracts	45,731	18,144	+152.04%
Sales of goods and services	22,176	24,024	-7.69%
Total	67,907	42,168	+61.04%

The Group current year cumulative revenue increase by 61.04% as compared to the preceding year was mainly due to higher contracts revenue in current financial year as result of inclusion of the revenue from the newly acquired subsidiary company from September 2021. Notwithstanding of higher contracts revenue, revenue from sales of goods and services were continue affected by the global chip shortage crisis, as such, declined by 7.21% as compared to the preceding year.

The Group current year cumulative gross profit is higher compared to preceding year by approximately RM5.45 million mainly due to increase in revenue. Additionally, the Group reported other operating income of RM2.15 million in current financial year mainly because of reversal of impairment loss on trade receivables of a long overdue debt which provided in preceding financial year.

In view of higher gross profit and other income reported in current financial year, the Group recorded profit before tax of approximately RM1.97 million as compared to the preceding year of loss before tax of approximately RM4.76 million.

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

	Current Quarter Ended 31 December 2021 RM'000	Preceding Quarter Ended 30 September 2021 RM'000
Revenue	<u>20,108</u>	<u>15,841</u>
Profit before tax	<u>764</u>	<u>539</u>

For the current quarter ended 31 December 2021, the Group revenue increase by approximately RM4.27 million as compared to the preceding quarter ended 30 September 2021 mainly because of the inclusion of the revenue from the newly acquired subsidiary company in current financial quarter were higher compared to preceding financial quarter.

The Group reported a profit before tax of approximately RM0.76 million for the current quarter as compared to profit before tax of RM0.54 million in preceding quarter mainly due to higher revenue and gross profit.

B3 Prospects Commentary for the financial year ending 31 December 2022

The Board anticipates operating environment for the financial year 2022 remain challenging in view of the economic uncertainty resulted by the unprecedented global pandemic of Coronavirus Pandemic (“Covid-19”) and recent spike of infection rate in Malaysia.

Amidst this challenging and current operating environment, the Board remains positive of the Group performance for the FYE 31 December 2022 in view of the joining of new subsidiary and that our order book as of current quarter ended 31 December 2021 is approximately RM96.90 million.

Notwithstanding to the above, 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 31.12.2021	Year-to-date 31.12.2021
	RM'000	RM'000
Income tax:		
- current period	(361)	(692)
- under-provision in prior year	-	(1)
	(361)	(693)
Deferred tax expense	17	(57)
Tax expense	(344)	(750)

The Group's effective tax rate for the current quarter and current financial year under review is higher than the statutory tax rate of 24% mainly due to certain expenses not deductible for income tax purpose.

B6 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 17 February 2022 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 2021, 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	7,669
Bank overdrafts	877
Finance lease liabilities	640
Term loans	856
Promissory note	545
Total short-term debt	10,587
(b) Long-term debt	
<u>Secured and guaranteed</u>	
Finance lease liabilities	1,530
Term loans	4,143
Total long-term debt	5,673
Total loans and borrowings	16,260

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 17 February 2022 being a date not earlier than 7 days from the date of this quarterly report except for the following: -.

(i) 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 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, 4 January 2021, 14 June 2021 and 25 November 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) 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.
- (2) In light of the MCO 3.0 imposed starting from 1 June 2021, the Court has on 31 May 2021 informed that the trial originally fixed on 14 June 2021 to 16 June 2021 will be adjourned and converted into virtual case management. The new trial dates to be decided and informed by the Court later.
- (3) Following the virtual case management held on 14 June 2021, the Court has fixed the new trial dates from 21 February 2022 to 23 February 2022. All parties need to file witness statements 1 month before trial date.
- (4) Following the case management held on 25 November 2021, the Plaintiff had informed the Court of the intention to withdraw the action. After hearing oral submissions from parties, the Judge had allowed the Plaintiff’s application to withdraw the action with costs of RM10,000 to be pay to the 2nd Defendant. The cost had been paid to 2nd Defendant on 13 January 2022.

B9 Dividend

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

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B10 Earnings per Share

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

	Quarter ended 31.12.2021	Year-to-date 31.12.2021
Profit for the period attributable to ordinary holders of the Company (RM'000)	420	1,218
Weighted average number of ordinary shares in issue ('000)	178,750	178,750
Earnings per share (Basic & Diluted) (sen)	0.23	0.68

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 24 February 2022.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)
SSM Practicing Certificate No. 201908004010
Company Secretary
Johor Bahru
Date: 24 February 2022
c.c. Securities Commission