

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

NOTES TO THE INTERIM REPORT FOR THE 3-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022

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 2021. 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 2021.

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 2021, except for the adoption of the followings :

MFRS, Amendments to MFRS and Interpretation
<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• Amendments to MFRS 112 Income Taxes – Deferred Tax Related Assets and Liabilities Arising from a Single Transaction

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 period under review.

A6 Material Changes in Estimates

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

A7 Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchase, resale or repayment of debts and securities during the financial quarter and financial period 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 activities are mainly confined to a single operating segment predominantly operates in Malaysia. The Group is principally involved in the provision of mechanical and electrical engineering services, structured cabling works, ELV systems and ICT services.

(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 period up to the date of this report that have not been reflected in this interim financial report.

A11 Changes in the Composition of the Group

On 18 April 2022, the Company had incorporated a wholly-owned subsidiary under the name of CES Integration Sdn. Bhd. ("CES") with an issued share capital of RM2.00 comprised of 2 ordinary shares. Its intended principal activity is to conduct wholesale business of household appliances, lighting equipment, electronic components and wiring accessories.

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

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A12 Contingent Liabilities and Contingent Assets

As at 31 March 2022, 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 March 2022
	RM’000
Guarantees given to third parties in relation to contracts and trade performance	5,829

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 March 2022.

A13 Capital Commitment

Capital commitment for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 March 2022 was as follow:

	As at 31 March 2022
	RM’000
Purchase of property, plant and equipment	604

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 3-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022

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 March 2022	Preceding year quarter ended 31 March 2021	
<u>Revenue</u>	RM'000	RM'000	
Construction contracts	19,390	9,422	+105.79%
Sales of goods and services	4,662	4,630	+0.69%
Total	24,052	14,052	+71.16%

The Group revenue increased by 71.16% as compared to the preceding year corresponding quarter was mainly due to the inclusion of the revenue from subsidiary – CEE M&E Engineering Sdn Bhd (“CEE”) which joined the Group on September 2021. The Group revenue from construction contracts increased by approximately RM9.97 million mainly due to substantial progress of one of the projects at northern region.

The Group recorded gross profit of RM3.79 million in current financial quarter as compared to RM1.96 million in the preceding year corresponding quarter was principally due to higher of revenue.

Nonetheless, the Group selling and administrative expenses recorded in current financial quarter was higher by RM0.99 million as compared to preceding year corresponding quarter ended mainly due to inclusion of CEE expenses. Finance cost of the Group also increased by RM0.06 million due to increase of borrowings for working capital usage. Furthermore, the Group recorded additional impairment loss provision on financial instruments of RM0.20 million in current financial quarter as result of increasing overdue debt.

In spite of increased of overall expenses, the Group recorded a profit before tax of approximately RM0.77 million for the current financial quarter as compared to profit before tax of RM0.01 million in preceding year corresponding quarter.

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

	Current Quarter Ended 31 March 2022 RM'000	Preceding Quarter Ended 31 December 2021 RM'000
Revenue	24,052	20,108
Profit before tax	771	757

For the current quarter ended 31 March 2022, the Group revenue increase by approximately RM3.94 million as compared to the preceding quarter ended 31 December 2021 mainly because of the Group revenue from construction contracts increased by approximately RM6.32 million. The increase of construction contracts revenue was due to substantial progress of one of the projects at northern region.

In spite of higher revenue recorded in current financial quarter, the Group profit before tax increased slightly to RM0.77 million compared to preceding quarter profit before tax of RM0.76 million mainly because of increased in selling and administrative expenses as result of fully reinstated of staff salary.

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B3 Prospects Commentary for the financial year ending 31 December 2022

The Board anticipates operating environment for the financial year 2022 to remain challenging in view of the inflationary pressures on key commodities due to geopolitical conflict between Russia and Ukraine and global supply chain disruptions. Nonetheless, our country has entered into ‘Transition to Endemic’ phase on 1 April 2022 which bring much relief to all sector and the Board envisage this will contribute positively to a smooth economic recovery.

Amidst this challenging operating environment, the Board remains positive of the Group performance for the FYE 31 December 2022 in view of profitable result and strong order book as of current quarter ended 31 March 2022 which stand at approximately RM89 million.

Notwithstanding to the above, the Group will continue its effort to pursue for projects to grow our order book, explore new market segment and opportunities to improve the Group’s performance. 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 period.

B5 Taxation

	Quarter ended 31.03.2022	Year-to-date 31.03.2022
	RM'000	RM'000
Income tax:		
- current period	(471)	(471)
- over-provision in prior year	98	98
	(373)	(373)
Deferred tax expense	(36)	(36)
Tax expense	(409)	(409)

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

B6 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 23 May 2022 being a date not earlier than 7 days from the date of issue of this quarterly report.

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

B7 Group Borrowings and Debt Securities

As at 31 March 2022, 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	9,043
Bank overdrafts	169
Finance lease liabilities	644
Promissory note	1,110
Structured Commodity Financing-i	1,761
Term loans	361
Total short-term debt	13,088
(b) Long-term debt	
<u>Secured and guaranteed</u>	
Finance lease liabilities	1,400
Term loans	4,334
Total long-term debt	5,734
Total loans and borrowings	18,822

All the above borrowings are denominated in Ringgit Malaysia.

B8 Changes in Material Litigation

There is no other pending material litigation as at 23 May 2022 being a date not earlier than 7 days from the date of this quarterly report.

B9 Dividend

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

B10 Earnings per Share

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

	Quarter ended 31.03.2022	Year-to-date 31.03.2022
Profit for the period attributable to ordinary holders of the Company (RM'000)	362	362
Weighted average number of ordinary shares in issue ('000)	178,750	178,750
Earnings per share (Basic & Diluted) (sen)	0.20	0.20

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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 30 May 2022.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)
SSM Practicing Certificate No. 201908004010
Company Secretary
Johor Bahru
Date: 30 May 2022
c.c. Securities Commission