THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

This Circular has been reviewed by TA Securities Holdings Berhad, the Principal Adviser to Cabnet Holdings Berhad.

CabNet

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED ACQUISITION BY CABNET HOLDINGS BERHAD ("CABNET") OF 100% EQUITY INTEREST IN CEE M&E ENGINEERING SDN. BHD. COLLECTIVELY HELD BY MURUGESU A/L VINDASAMY, TAN TIAN YEE AND KONG TZE SENN FOR A TOTAL PURCHASE CONSIDERATION OF RM16,290,000

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

TA SECURITIES
AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of Cabnet will be conducted fully virtual through live streaming and online participation and voting using Remote Participation and Voting ("**RPV**") facilities via meeting platform at *https://tiih.online* provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Friday, 30th day of July 2021 at 10.00 a.m., or at any adjournment thereof. The Notice of EGM together with the Form of Proxy are enclosed with this Circular.

The Notice of the EGM together with the Form of Proxy and Administrative Guide are available at the Company's website at *https://www.cabnet.asia/egm*.

You are advised to follow the procedures set out in the Administrative Guide to register, participate and vote remotely via RPV facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at *https://tiih.online*.

You are entitled to attend and vote at the EGM or appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you may deposit the Form of Proxy at Cabnet's registered office at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd. Mufti 80000, Johor Bahru, Johor, Malaysia in not less than forty-eight (48) hours before the time 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 the poll, and in default the instrument of proxy shall not be treated as valid.

As an alternative, subject to the Constitution, shareholders may deposit the instrument appointing the proxy by electronics means by way of submitting the instrument via TIIH Online at *https://tiih.online* not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

Last day, date and time for lodging the Form of Proxy	:	Wednesday, 28th day of July 2021 at 10.00 a.m.
Date and time of the EGM	:	Friday, 30th day of July 2021 at 10.00 a.m.

This Circular is dated 15 July 2021

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

5D-VWAP	:	5-day volume weighted average market price
ACMV	:	Air-conditioning and mechanical ventilation
Act	:	Companies Act 2016 of Malaysia, as amended from time to time including any re-enactment thereof
Announcement	:	The announcement dated 12 May 2021 in relation to the Proposed Acquisition
Average Profit Guarantee	:	Average profit guarantee of RM2,000,000 per year throughout the Profit Guarantee Period
Board	:	Board of Directors of Cabnet
Bursa Securities	:	Bursa Malaysia Securities Berhad
Cabnet or **Company**	:	Cabnet Holdings Berhad
Cabnet Group or **Group**	:	Cabnet and its subsidiaries, collectively
Cabnet Share(s) or **Share(s)**	:	Ordinary share(s) in Cabnet
Cabnet Systems	:	Cabnet Systems (M) Sdn Bhd, a wholly-owned subsidiary of the Company
CAGR	:	Compound annual growth rate
CIDB	:	Construction Industry Development Board Malaysia
Circular	:	This circular to the shareholders of Cabnet in relation to the Proposed Acquisition dated 15 July 2021
CMESB	:	CEE M&E Engineering Sdn. Bhd.
CMESB Share(s)	:	Ordinary share(s) in CMESB
Conditions Precedent	:	Conditions precedent of the SPA as set out in **Section 3** of **Appendix I** of this Circular
COVID-19	:	Coronavirus disease 2019, an infectious disease which affects the respiratory system, and is a global pandemic
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
EGM	:	Extraordinary general meeting
ELV	:	Extra low voltage
EPS	:	Earnings per share
EV	:	Enterprise value
FYE	:	Financial year ended/ ending, as the case may be
ICT	:	Information and communication technology

IMR	:	Providence Strategic Partners Sdn Bhd, the Independent Market Researcher
IT	:	Information technology
LAT	:	Loss after tax
LBITDA	:	Loss before interest, tax, depreciation and amortisation
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	22 June 2021, being the latest practicable date prior to the printing of this Circular
LPS	:	Loss per share
LTD	:	11 May 2021, being the last trading date prior to the announcement of the Proposed Acquisition
LV	:	Low voltage
MCO(s)	:	Movement control order(s)
MV	:	Medium voltage
NA	:	Net assets
Parties	:	Cabnet and the Vendors, collectively
PAT	:	Profit after tax
PBT	:	Profit before tax
PER	:	Price-to-earnings ratio(s)
Profit Guarantee	:	Aggregate audited PAT of RM4,000,000 for the Profit Guarantee Period
Profit Guarantee Period	:	FYE 31 August 2021 and FYE 31 August 2022, collectively
Proposed Acquisition	:	Proposed acquisition by Cabnet of 100% equity interest in CMESB for the Purchase Consideration
Purchase Consideration	:	The cash consideration of RM16,290,000 for the Proposed Acquisition
Record of Depositors	:	A record consisting of names of depositors established by Bursa Malaysia Depository Sdn Bhd
RM and sen	:	Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia
Sale Shares	:	800,000 CMESB Shares
SPA	:	Conditional share purchase agreement dated 12 May 2021 entered into by the Parties for the Proposed Acquisition
TA Securities or **Principal Adviser**	:	TA Securities Holdings Berhad

Vendors	:	Murugesu A/L Vindasamy, Tan Tian Yee and Kong Tze Senn, collectively

All references to "**you**" in this Circular are references to shareholders of Cabnet.

Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and *vice versa*. References to persons shall include corporations.

Any reference to any enactment in this Circular is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular is a reference to Malaysian time, unless otherwise specified.

Any discrepancies in the figures included in this Circular between the amount stated and the totals thereof are due to rounding.

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TABLE OF CONTENTS

THIS EXECUTIVE SUMMARY REPRESENTS ONLY A SUMMARY OF THE PERTINENT INFORMATION ON THE PROPOSED ACQUISITION AS SET OUT IN THIS CIRCULAR. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

<table>
<tr><th>Key information</th><th>Description</th><th>Reference to the Circular</th></tr>
<tr><td>Brief details of the Proposed Acquisition</td><td>
• The Proposed Acquisition entails the acquisition by Cabnet of 100% equity interest of CMESB from the Vendors for the purchase consideration of RM16.29 million, which will be fully satisfied in cash.

• CMESB is principally involved in the provision of electrical engineering, mechanical engineering and other engineering services. The services provided by CMESB are categorized as follows:

(a) provision of electrical engineering services;
(b) provision of mechanical engineering services; and
(c) provision of other engineering services.

• The key financial information of CMESB for the past 3 financial years are as follows:

<table>
<tr><th></th><th colspan="3">Audited FYE 31 August</th></tr>
<tr><th></th><th>2018
RM’000</th><th>2019
RM’000</th><th>2020
RM’000</th></tr>
<tr><td>Revenue</td><td>29,277</td><td>42,743</td><td>21,592</td></tr>
<tr><td>(LAT)/ PAT</td><td>(653)</td><td>2,131</td><td>1,302</td></tr>
<tr><td>NA</td><td>3,591</td><td>5,222</td><td>5,924</td></tr>
</table>
• The Proposed Acquisition includes the Profit Guarantee provided by the Vendors. The Vendors provided the Profit Guarantee where the audited PAT for FYE 31 August 2021 shall not be less than RM2,000,000 and the audited PAT for FYE 31 August 2022 shall not be less than RM RM2,000,000, in arriving at an aggregate profit guarantee of RM4.00 million.

• The Purchase Consideration will be adjusted, if:

(a) CMESB is not able to meet Profit Guarantee during the Profit Guarantee Period; and/ or

(b) the retention sum of RM4.54 million from certain projects are not fully collected prior to 31 August 2023.

• The Proposed Acquisition is not a related party transaction.
</td><td>Section 2</td></tr>
</table>

Key information	Description	Reference to the Circular
Rationale	• In general, the electrical engineering services provided by CMESB relate to electrical installations comprising incoming electricity supply, main and sub-main distribution systems, final circuits, switchboards, control cables, earthing systems, lightning protection systems as well as ancillaries such as essential power supply systems, power sockets and light fittings. These electrical installations would have to be in place for Cabnet to install ELV solutions as well as building management solutions. • The Proposed Acquisition represents an opportunity for Cabnet Group to extend its existing suite of electrical and mechanical engineering services activities to include electrical engineering services from medium and low voltages as well as mechanical engineering services. • Provides a synergistic business opportunity for Cabnet Group by being complementary to its existing business. The enlarged Cabnet Group would be able to offer its customers greater value proposition as a single provider as it would be able to offer mechanical engineering and engineering services for medium and low voltages as well as the current services offered (which includes ELV services).	Section 3
Risk factors	The potential risks that may have an impact on the enlarged Group, which may not be exhaustive pertaining to the Proposed Acquisition are as follows: • Business risk The Board does not foresee any new material risks pursuant to the Proposed Acquisition in view that the Group is already subject to the inherent risks associated with the construction and mechanical and electrical engineering industry. Nevertheless, upon completion of the Proposed Acquisition, the enlarged Cabnet Group would be exposed to the inherent risks of CMESB's business and operations. Details of such risks, which are not exhaustive, are as set out below: (a) Inability to renew or maintain permits, approvals and licenses; (b) Dependence on key management personnel; (c) Credit risk and counter parties risk; • Non-completion of the SPA; • Acquisition risk; • Integration risk;	Section 5

Key information	Description	Reference to the Circular
	• Risk of impairment on the goodwill arising from the Proposed Acquisition; • Non-fulfillment of obligation under the profit guarantee; and • Political, economic and regulatory risks.	
Approvals required	The Proposed Acquisition is subject to and conditional upon approvals being obtained from the following: (a) the shareholders of Cabnet for the Proposed Acquisition at the forthcoming EGM; and (b) any other relevant regulatory authorities and/or parties, if required.	Section 7
Inter-conditionality of the Proposed Acquisition	The Proposed Acquisition is not conditional upon any other corporate exercise/ scheme being or proposed to be undertaken by the Company.	Section 10
Interests of directors, major shareholders and/ or persons connected with them	None of the Company's Directors and major shareholders and/ or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition.	Section 12

The Board recommends that you vote IN FAVOUR of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

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

Registered Office:
Suite 5.11 & 5.12, 5th Floor
Menara TJB, No.9, Jalan Syed Mohd. Mufti
80000 Johor Bahru
Johor

15 July 2021

Board of Directors

Datuk Tan Kok Hong @ Tan Yi *(Independent Non-Executive Chairman)*
Tay Hong Sing *(Chief Executive Officer/ Executive Director)*
Dato' Jeffrey Lai Jiun Jye (*Deputy Chief Executive Officer/ Executive Director)*
Yong Thiam Yuen *(Chief Operating Officer/ Executive Director)*
Abdul Mutalib Bin Idris *(Senior Independent Non-Executive Director)*
Vincent Wong Soon Choy *(Independent Non-Executive Director)*
Meachery Jo-anne Joseph *(Independent Non-Executive Director)*
Tjong Chia Huie *(Non-Independent Non-Executive Director)*

To: Shareholders of Cabnet Holdings Berhad

Dear Sir/Madam,

PROPOSED ACQUISITION

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1. INTRODUCTION

On 12 May 2021, TA Securities on behalf of the Board announced that the Company had on the same date entered into the SPA with the Vendors for the proposed acquisition of 800,000 Sale Shares, for a purchase consideration of RM16,290,000 to be fully satisfied in cash.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Background information on the Proposed Acquisition

The Company had on 12 May 2021 entered into a SPA with the Vendors for the Proposed Acquisition. The Proposed Acquisition entails the Company's acquisition of 800,000 CMESB Shares representing 100% equity interest in CMESB from the Vendors, for the Purchase Consideration to be fully satisfied in cash.

Subject to the terms and conditions of the SPA, the Sale Shares shall be acquired free from all claims, liens, charges and encumbrances and with full legal and beneficial title and with all rights attaching thereto (including all dividends and distributions, whether declared or undeclared, in respect thereof). The salient terms of the SPA are set out in **Appendix I** of this Circular.

The details of the Vendors' shareholdings in CMESB as at the LPD is set out as follows:

		Equity interest in CMESB	
Names	**Nationality**	**No. of CMESB Shares**	**%**
Murugesu A/L Vindasamy*	Malaysian	384,000	48.00
Tan Tian Yee*	Malaysian	208,000	26.00
Kong Tze Senn (1)	Malaysian	208,000	26.00
Total		**800,000**	**100.00**

Notes:

* *Murugesu A/L Vindasamy and Tan Tian Yee are the directors of CMESB.*

(1) *As at the LPD, Kong Tze Senn is the Head of Structured Cabling Works in and an employee of Cabnet. He is merely a shareholder of CMESB and is not involved in CMESB's day-to-day operations.*

The Vendors are not directors^ in Cabnet or in any of its subsidiaries. The Vendors are also not major shareholders^ of Cabnet.

Note:

^ *Pursuant to the Listing Requirements, director and major shareholder are defined as follows:*

*"**director**" has the meaning given in section 2(1) of the Capital Market and Services Act, 2007 (CMSA) and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:*

(i) a director of the listed corporation, its subsidiary or holding company; or

(ii) a chief executive of the listed corporation, its subsidiary or holding company.

*"**major shareholder**" means a person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:*

(i) 10% or more of the total number of voting shares in the corporation; or

(ii) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.

The Purchase Consideration shall be satisfied entirely in cash by the Company and payable to the Vendors as illustrated below:

Vendors	No. of Sale Shares	% equity interest in CMESB to be acquired	Purchase Consideration (RM)
Murugesu A/L Vindasamy	384,000	48.00	7,819,200
Tan Tian Yee	208,000	26.00	4,235,400
Kong Tze Senn	208,000	26.00	4,235,400
Total	**800,000**	**100.00**	**16,290,000**

The Purchase Consideration shall be paid in the following manner:

Purchase Consideration			Timeline for payment/ Remarks
Tranche	RM	%^	
1.	1,629,000	10.00	Cabnet paid the deposit of RM1,629,000 (“**Deposit**”) to the Vendors’ solicitors as stakeholders upon execution of the SPA.
2.	2,371,000	14.56	Cabnet shall pay this amount to Vendors’ solicitors as stakeholders within 5 business days from the date the last condition precedent of the SPA is fulfilled or is waived. As stakeholders, the Vendors’ solicitors will release this sum to the Vendors upon the transfer of the Sale Shares to the Company and the Company has been registered as the owner and holder of the Sale Shares on the Register of Members of CMESB.
3.	2,000,000	12.28	Cabnet shall pay this amount to Vendors’ solicitors on 1 September 2021 in the event the last of the conditions precedent have been met and fulfilled before 1 September 2021. If the conditions precedent are not met and fulfilled before 1 September 2021, Cabnet shall pay this amount to Vendors’ solicitors within 5 business days from the date the last condition precedent of the SPA is fulfilled or is waived or such other later date as may be mutually agreed by the Parties in writing.
4.	1,753,000	10.76	Cabnet shall pay this amount to Vendors’ solicitors within 6 months from the financial year end of CMESB for FYE 31 August 2022 (i.e., by 28 February 2023) (“**Payment Due Date**”).
5.	4,000,000	24.55	The amount of RM4,000,000 shall be paid to the Vendors’ solicitors as stakeholders based on the either of the following scenarios: (i) **Scenario A (Tranche 5A)** If CMESB achieved an audited PAT of RM2,000,000 or more for the FYE 31 August 2021 **AND** an aggregate Profit Guarantee* of RM4,000,000 for the Profit Guarantee Period, Cabnet shall:

Purchase Consideration			
Tranche	RM	%^	Timeline for payment/ Remarks
			(a) pay RM2,000,000 within 6 months from FYE 31 August 2021 (i.e., by 28 February2022); and (b) pay RM2,000,000 by the Payment Due Date. *Illustration A1: if CMESB achieved an audited PAT of RM2,500,000 for the FYE 31 August 2021 and audited PAT of RM1,500,000 for the FYE 31 August 2022 (i.e., aggregate audited PAT of RM4,000,000), Cabnet will pay (i) RM2,000,000 by 28 February 2022 and (ii) RM2,000,000 by the Payment Due Date.* (ii) **Scenario B (Tranche 5B)** If CMESB achieved an audited PAT of RM2,000,000 or more for the FYE 31 August 2021 **BUT** does not and only partially achieve the aggregate Profit Guarantee of RM4,000,000 for the Profit Guarantee Period, Cabnet shall: (a) pay RM2,000,000 ("**Advance Payment**") within 6 months from FYE 31 August 2021 (i.e., by 28 February 2022); and (b) pay an amount equivalent to the differential sum between the aggregate audited PAT achieved during the Profit Guarantee Period and Advance Payment, by the Payment Due Date. *Illustration B1: if CMESB achieved an audited PAT of RM2,500,000 for the FYE 31 August 2021 and audited PAT of RM500,000 for the FYE 31 August 2022 (i.e., aggregate audited PAT of RM3,000,000), Cabnet will pay (i) RM2,000,000 by 28 February 2022 and (ii) RM1,000,000 by the Payment Due Date.* If the aggregate audited PAT is less than the Advance Payment, the Vendors' solicitors (as stakeholders) will refund the differential sum between the Advance Payment and aggregate audited PAT achieved during the Profit Guarantee Period, by the Payment Due Date. *Illustration B2: if CMESB achieved an audited PAT of RM2,000,000 for the FYE 31 August 2021 and audited LAT of RM500,000 for the FYE 31 August 2022 (i.e., aggregate audited PAT of RM1,500,000), Cabnet will pay RM2,000,000 by 28 February 2022. By the Payment Due Date, the Vendors' solicitors will have to refund RM500,000 to Cabnet.*

Purchase Consideration			
Tranche	**RM**	**%^**	**Timeline for payment/ Remarks**
			Illustration B3: if CMESB achieved an audited PAT of RM2,000,000 for the FYE 31 August 2021 and audited LAT of RM3,000,000 for the FYE 31 August 2022 (i.e., aggregate audited LAT of RM1,000,000), Cabnet will pay RM2,000,000 by 28 February 2022 but on the Payment Due Date, the Vendors' solicitors will have to refund RM2,000,000 to Cabnet. (iii) **Scenario C (Tranche 5C)** If CMESB achieved an audited PAT of less than RM2,000,000 for the FYE 31 August 2021 **AND** achieved an aggregate audited Profit Guarantee of RM4,000,000 for the Profit Guarantee Period, Cabnet shall only pay RM4,000,000 by the Payment Due Date. *Illustration C1: if CMESB achieved an audited PAT of RM1,500,000 for the FYE 31 August 2021 and audited PAT of RM3,500,000 for the FYE 31 August 2022 (i.e., aggregate audited PAT of RM5,000,000), Cabnet will only pay RM4,000,000 by the Payment Due Date.* *Illustration C2: if CMESB achieved an audited LAT of RM1,000,000 for the FYE 31 August 2021 and audited PAT of RM6,000,000 for the FYE 31 August 2022 (i.e., aggregate audited PAT of RM5,000,000), Cabnet will only pay RM4,000,000 by the Payment Due Date.* (iv) **Scenario D (Tranche 5D)** If CMESB achieved an audited PAT of less than RM2,000,000 for the FYE 31 August 2021 **AND** achieved an aggregate audited PAT of less than RM4,000,000 for the Profit Guarantee Period, Cabnet shall only pay an amount equivalent to the aggregate audited PAT achieved by CMESB for the Profit Guarantee Period by the Payment Due Date. *Illustration D1: if CMESB achieved an audited PAT of RM1,500,000 for the FYE 31 August 2021 and audited PAT of RM1,500,000 for the FYE 31 August 2022 (i.e., aggregate audited PAT of RM3,000,000), Cabnet will pay RM3,000,000 by the Payment Due Date.* *Illustration D2: if CMESB achieved an audited LAT of RM1,000,000 for the FYE 31 August 2021 and audited PAT of RM3,500,000 for the FYE 31 August 2022 (i.e., aggregate audited PAT of RM2,500,000), Cabnet will pay RM2,500,000 by the Payment Due Date.*

Purchase Consideration			
Tranche	**RM**	**%^**	**Timeline for payment/ Remarks**
			(v) **Scenario E (Tranche 5E)** Cabnet is not required to make any payment if CMESB did not achieve any profit or is in a loss-making position at the end of the Profit Guarantee Period. *Illustration E1: if CMESB achieved an audited LAT of RM50,000 for the FYE 31 August 2021 and audited LAT of RM50,000 for the FYE 31 August 2022 (i.e., aggregate audited LAT of RM100,000), Cabnet will not make any payment.* *Illustration E2: if CMESB achieved an audited PAT of RM1,500,000 for the FYE 31 August 2021 and audited LAT of RM2,000,000 for the FYE 31 August 2022 (i.e., aggregate audited LAT of RM500,000), Cabnet will not make any payment.*
6.	4,537,000	27.85	On the agreement that the amount of RM4,538,787.31 ("**Retention Sum**")# comprising sums billed and are due and payable by the contracting parties to CMESB for certain contracts ("**Relevant Contracts**") or sums which are due to be billed by CMESB to the contracting parties before 31 August 2023, must be collected by CMESB by 31 August 2023. Cabnet shall pay RM4,537,000 ("**Final Payment of the Purchase Consideration**") to the Vendors' solicitors on or before 31 August 2023 or within 14 business days from the date of CMESB's receipt of the Retention Sum in full, whichever is earlier. *Note:* # *The Retention Sum of RM4,538,787.31 comprised:* - *the audited trade receivables of the Relevant Contracts of RM3,085,172.23 as at 31 August 2020; and* - *the unaudited unbilled amount of RM1,453,615.08 as at 31 August 2020.* *As at the LPD, CMESB has completed the Relevant Contracts. Invoices for the unbilled amount related to the Relevant Contracts will be issued and sent by CMESB to the main-contractors after receiving progress claim certification from the main contractors certifying the works completed by CMESB up to 31 August 2020.* The Final Payment of the Purchase Consideration forms part of the payment milestone of the payment of the Purchase Consideration, which is adjustable upon the occurrences specified in the SPA. The Final Payment of the Purchase Consideration is adjusted and varied in the event:

Purchase Consideration			
Tranche	**RM**	**%^**	**Timeline for payment/ Remarks**
			(i) the Retention Sum or the portion thereof that has been billed is not fully paid to and fully received by CMESB on or before 31 August 2023; and/ or (ii) the remaining portion of the Retention Sum that is billable pursuant to the Relevant Contracts has not been billed by CMESB on or before 31 August 2023. *Illustration 1: if CMESB has fully billed the relevant contracting parties under the Relevant Contracts of RM4,538,787.31 and CMESB collected RM4,538,787.31 on 1 July 2023, Cabnet will pay RM4,537,000 within 14 business days from the date of CMESB's receipt of the Retention Sum.* *Illustration 2: if CMESB has fully billed the relevant contracting parties under the Relevant Contracts of RM4,538,787.31 and only collected RM3,000,000 on 31 August 2023, Cabnet will only pay RM3,000,000 on 31 August 2023.* *Illustration 3: if CMESB has only billed the relevant contracting parties under the Relevant Contracts a total of RM3,000,000 but only collected RM2,000,000 on 31 August 2023, Cabnet will only pay RM2,000,000 on 31 August 2023.*
Total	**16,290,000**	**100.00**	

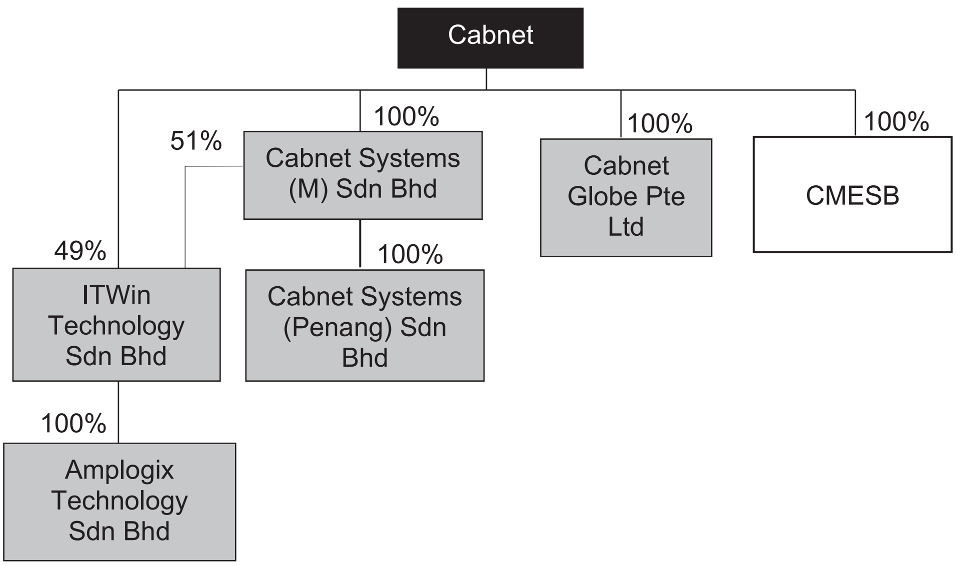
Notes:

^ *Being the percentage over the Purchase Consideration.*

* *Further details on the Profit Guarantee are set out in **Section 2.2** of this Circular.*

Upon completion of the Proposed Acquisition, CMESB will become a wholly-owned subsidiary of the Company.

Group structure after the Proposed Acquisition



CMESB was incorporated in Malaysia under the Companies Act, 1965 (deemed registered under the Act on 9 September 1999 as a private limited company under the name of Cabnet Electrical Engineering Sdn Bhd* and assumed its present name on 13 November 2014. CMESB is principally involved in the provision of electrical engineering and mechanical engineering services as well as other engineering services. As at the LPD, CMESB has an issued share capital of RM800,000 comprising 800,000 CMESB Shares. Further information on CMESB is set out in **Appendix II** of this Circular.

Note:

* *Prior to September 2015, CMESB and Cabnet had common shareholders and directors (namely Tay Hong Sing and Tan Boon Siang). The said common shareholders and directors had in year 2015 disposed their shareholdings in CMESB to focus on the business of Cabnet Group.*

Tay Hong Sing is the Chief Executive Officer/ Executive Director of the Company and as at the LPD, is a substantial shareholder of the Company.

Tan Boon Siang was previously the Deputy Chief Executive Officer/ an Executive Director of the Company. He retired from the said positions on 26 June 2020. As at the LPD, he is a substantial shareholder of the Company.

In consideration of the Company agreeing to purchase 100% equity interest of CMESB from the Vendors, the Vendors covenant and agree to warrant to Cabnet the Profit Guarantee. Further details on the Profit Guarantee are as set out in **Section 2.2** of this Circular.

2.2 Profit Guarantee

The Vendors have provided the following Profit Guarantee to the Company during the Profit Guarantee Period:

FYE	Audited PAT
FYE 31 August 2021	Aggregate audited PAT of RM4,000,000 for the Profit Guarantee Period
FYE 31 August 2022	

For the purpose of computing of the audited PAT and determining whether the Profit Guarantee has been attained, the Parties agreed that all financial statements of CMESB for the Profit Guarantee Period, shall be prepared in accordance with the Malaysian Financial Reporting Standards (MFRS) and shall include complete provisions of costs associated with and arising from the operation of CMESB's business, including without limitation the provision of a fair and reasonable quantum for the board of directors of CMESB's emoluments. The Parties further agreed that all financial statements of CMESB must be audited by an independent firm of accountants which is acceptable to the Company and which is registered with the Audit Oversight Board of the Securities Commission Malaysia.

The Parties further agreed that in determining whether the audited PAT for the Profit Guarantee Period attains the Profit Guarantee, the following shall not be included in the computing of the audited PAT:

(i) any impairment of the Retention Sum, where CMESB is unable to collect.

For avoidance of doubt, the impairment of Retention Sum will not be included in computation of the audited PAT whether CMESB attaining the Guarantee Profit during the Profit Guarantee Period as the Parties have set aside Final Payment of the Purchase Consideration of RM4,537,000 as security against the receipt of the Retention Sum (Please see the payment for the tranche 6 of the Purchase Consideration as set out **Section 2.1**, pages 6 to 7, of this Circular for further details). The Final Payment of the Purchase Consideration will be adjusted and varied in the event the Retention Sum of RM4,538,787.31 is not fully collected by 31 August 2023.

(ii) the effects of any revenue or expense items that are deemed to be earned or incurred from activities or events not carried out or occurred in the ordinary course of business of CMESB for the Profit Guarantee Period;

(iii) any interest income derived from the placement of cash deposits with licensed banks or investments made in regulated investment instruments or scheme during the Profit Guarantee Period; and

(iv) all costs incurred for the expansion of the business of CMESB by the establishment and operation of the business of CMESB during the Profit Guarantee Period.

Reasonableness of the Profit Guarantee

The Profit Guarantee amount as set out above was arrived at between Cabnet and the Vendors in view that it approximated the highest audited PAT achieved by CMESB for the past 3 most recent FYE 31 August 2018 to FYE 31 August 2020 which was RM2.13 million (i.e., for FYE 31 August 2019).

The Board is of the opinion that the Profit Guarantee for the Profit Guarantee Period is reasonable and realistic after taking into consideration the following:

(i) CMESB's historical financial performance as set out **Section 7** of **Appendix II** of this Circular;

(ii) overview and outlook of the mechanical and engineering industry in Malaysia, as set out in **Section 4.3** of this Circular, where the IMR projects the value of mechanical and electrical works done for residential, commercial, industrial and infrastructure development to rise from RM4.0 billion in 2020 to RM6.2 billion in 2023 at a CAGR of 15.7%; and

(iii) CMESB's prospects as set out in **Section 4.4** of this Circular. As detailed in **Appendix II** of this Circular, CMESB has on-going contracts with a total contract value of RM78.30 million and an outstanding order book of RM35.27 million as at 31 May 2021 (RM34.24 million as at 30 June 2021). The Board also took cognizance of CMESB's on-going plans which included its continuing efforts to pursue more opportunities and secure more contracts as set out in **Section 4.4** of this Circular to enhance its future financial performance and position. CMESB also recorded an audited PAT of RM1.30 million for the FYE 31 August 2020 notwithstanding the impact of COVID-19 and the MCOs imposed in year 2020.

In addition, pursuant to the terms of the SPA, the Vendors will only be entitled to receive such amount of the Purchase Consideration in proportion to the Profit Guarantee achieved.

2.3 Source of funding of the Purchase Consideration

The Purchase Consideration will be satisfied entirely via cash.

The Deposit of RM1,629,000 was paid upon execution of the SPA via the Group's internally-generated funds.

The remaining Purchase Consideration of RM14,661,000 is expected to be financed via a combination of bank borrowings, the Group's internally-generated funds and/ or future fund raising exercises (if necessary), the breakdown of which has yet to be determined at this juncture.

2.4 Liabilities to be assumed

Save for the Purchase Consideration and any liabilities arising as consequence of consolidating CMESB as a subsidiary of Cabnet, Cabnet will not be assuming any additional liabilities (including contingent liabilities and/ or guarantees, if any) as at the LPD, pursuant to the Proposed Acquisition.

2.5 Additional financial commitment required

Save for the Purchase Consideration, the Board does not foresee any additional financial commitment arising from the Proposed Acquisition to put the business of CMESB on-stream as CMESB is already in operations and is an on-going business.

2.6 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis between the Company and the Vendors after taking into consideration:

(i) an aggregate 2-year Profit Guarantee as set out in **Section 2.2** of this Circular and the value accorded to 100% equity interest in CMESB of RM16.29 million. The Purchase Consideration represents an implied PER of 8.15 times of forward earnings based on the Average Profit Guarantee of RM2.00 million as illustrated below:

		Based on 100% equity interest in CMESB
Purchase Consideration	**(A)**	RM16,290,000
Profit Guarantee		RM4,000,000
Average Profit Guarantee	**(B)**	RM4,000,000 / 2 years = RM2,000,000
Implied PER (times)	**(C) = (A) / (B)**	8.15

(ii) the implied EV/ EBITDA of 6.72 times based on the audited EBITDA of RM2.36 million for FYE 31 August 2020 as illustrated below:

		Based on 100% equity interest in CMESB
EV [(1)]	**(A)**	RM15,867,650
EBITDA [(2)]	**(B)**	RM2,359,965
Implied EV/ EBITDA (times)	**(C) = (A) / (B)**	6.72

Notes:

(1) EV is computed based on the Purchase Consideration of RM16,290,000 less its cash and cash equivalents of RM2,217,734 and add total borrowings of RM1,795,384 based on CMESB's audited financial statements for 31 August 2020.

(2) EBITDA (based on CMESB's audited financial statements for 31 August 2020) is computed as follows:

	RM
Audited profit before tax	*1,868,919*
Adjusted for by adding or (deducting):	
Finance cost	*85,443*
Interest income	*(19,902)*
Depreciation	*425,505*
EBITDA	***2,359,965***

(iii) the rationale and benefits of the Proposed Acquisition including the earnings potential and prospects of CMESB (as set out in **Sections 3** and **4.4** of this Circular); and

(iv) the outlook, expected growth and prospects of the mechanical and electrical engineering industry as set out in **Section 4.3** of this Circular.

The Board has considered whether there are companies in Malaysia and Singapore that could be deemed broadly comparable to CMESB by virtue of their involvement in the provisions of design, installation, testing and commissioning electrical and mechanical related services. The consideration of such comparable companies is by no means exhaustive and is intended to facilitate the overall evaluation of the Proposed Acquisition.

In this regard, the Board made reference to:

- selected industry players in Malaysia involved in the provision of mechanical and electrical engineering services as set out in the independent market research report on the mechanical and electrical engineering industry in Malaysia ("**IMR Report**");

- selected industry players in Singapore involved in similar business activities. This is in view of Singapore's geographical proximity to the state of Johor, Malaysia and that most of CMESB's projects are undertaken in Johor; and

- the segmental information disclosed in the respective audited financial statements of the said industry players.

The table below sets out the industry players listed on Bursa Securities and the Singapore Stock Exchange considered by the Board and deemed to be broadly comparable ("**Comparable Companies**") to CMESB. None of these companies are exactly similar or directly comparable to CMESB in terms of composition of businesses, scale of operations, track record and future prospects. Based on the Comparable Companies analysis as at the LTD, the summary of earnings multiples (i.e., PER and EV/EBITDA) of the Comparable Companies are set out below solely for illustrative purposes only:

Comparable Companies (latest FYE / stock exchange listing)	**Market capitalisation as at the LTD(1)**	**PER(2) (times)**	**EV/ EBITDA(3) (times)**
Cabnet Holdings Berhad *(FYE 31 December 2020/ listed on Bursa Securities)* *Cabnet Group is involved in the provision of building management solutions which comprise structured cabling works and ELV. The Group also provides IT services which can be offered as complementary to building management solutions or offered separately on a stand-alone basis as an additional product offering.*	RM46.48 million	Not applicable ("**N/A**")*	N/A^
Kejuruteraan Asastera Berhad *(FYE 31 December 2020/ listed on Bursa Securities)* *The company is principally involved in the provision of electrical and mechanical engineering services. The group's electrical engineering services involves the installation, testing, and commissioning of electrical systems comprising electrical distribution systems, communications and IT networks and ELV systems. Its mechanical engineering services involve the installation, testing and commissioning of air-conditioning and mechanical ventilation systems. The group also sells materials such as cables, switches, trunking, pipes and electrical accessories which are required by its projects.*	RM1.07 billion	201.57	102.50

Comparable Companies (latest FYE / stock exchange listing)	Market capitalisation as at the LTD[1]	PER[2] (times)	EV/ EBITDA[3] (times)
Bintai Kinden Corporation Berhad *(FYE 31 March 2020/ listed on Bursa Securities)* *The group is principally involved in the following business segments:* *(i) specialised mechanical and electrical engineering - undertakes infrastructure, civil and structural construction projects and specialised mechanical and electrical engineering and environment and facilities management;* *(ii) turnkey, infrastructure & civil and structure - undertakes turnkey, infrastructure, civil and structural construction projects;* *(iii) concession arrangements - concession arrangements in the construction and maintenance of facilities and infrastructure; and* *(iv) investment holdings and others: Investment holding in quoted and unquoted shares and other investment related activities, trading in building materials, property, development of residential properties.*	RM171.49 million	N/A*	29.62
LFE Corporation Berhad (FYE 31 December 2020/ *listed on Bursa Securities*) *The group is principally involved in the provision of general and specialised electrical and mechanical engineering services and maintenance works. The group also invests in properties and manufactures electrical busbar trunking systems, equipment, components as well as other related electrical products.*	RM95.66 million	N/A*	N/A^
TEE International Limited *(FYE 31 May 2020 / Singapore Stock Exchange)* *The group of companies are primary engaged in:* *(i) engineering construction segment* *Under this segment, the group undertakes large-scale and complex engineering projects as well as infrastructure-related projects. These engineering services include electrical, air conditioning & mechanical ventilation, plumbing & sanitary, fire protection, extra low voltage, integrated building management system, and plants & processes. The group also provides turnkey solutions for commercial, industrial and institutional buildings.* *(ii) infrastructure business.* *The group offers infrastructure solutions in the areas of water and energy related projects; integrated waste management and wastewater treatment solutions; disinfection services for hotels and other commercial premises; and commercial and industrial real estate management services.*	SGD20.70 million (equivalent to RM64.31 million)	N/A*	N/A^
Range of PER (times)		**201.57**	
Range of EV/ EBITDA (times)		**29.62 to 102.50**	

Implied PER (times) of CMESB[4]	**8.15**
Implied EV/ EBITDA (times) of CMESB[5]	**6.72**

(Sources: Bloomberg and latest audited financial statements of the respective Comparable Companies available as at the LTD.)

Notes:

* *Not applicable as the company was loss making based on its latest audited financial statements.*

^ *Not applicable as the company recorded LBITDA based on its latest audited financial statements.*

(1) Computed based on the closing market prices of the respective Comparable Companies as at the LTD multiplied by the number of issued shares outstanding (i.e., after excluding treasury shares).

*Based on exchange rates as at the LTD of RM3.1068 for Singapore Dollar ("**SGD**") 1.00.*

(2) *Computed based on market capitalisation as at the LTD over the latest audited consolidated PAT attributable to owners of the company.*

(3) *Computed based on EV (sum of a company's market capitalisation as at the LTD, minority interest, borrowings less its cash and cash equivalents based on the latest audited financial statements) over latest audited EBITDA.*

(4) *Computed based on Purchase Consideration over Average Profit Guarantee of RM2.00 million for the Profit Guarantee Period.*

(5) *Computed based on Purchase Consideration add borrowings and after excluding cash and cash equivalents based of CMESB's audited financial statements as at 31 August 2020 over audited EBITDA of CMESB for FYE 31 August 2020.*

Based on the Comparable Companies analysis as at the LTD, the Board noted that the range of the earnings multiples (i.e., the PER ratios and EV/ EBITDA ratios) were very wide, with a PER* of 201.57 times and EV/ EBITDA* ratios ranging from 29.62 times to 102.50 times. The Board also noted that four out of five of the Comparable Companies were loss making and three of the Comparable Companies had LBITDA, based on their latest audited financial statements for the financial year 2020.

Note:

* *In view that CMESB (and its business) is an earnings-based company as opposed to asset-based company (such as property development company or financial businesses with substantial financial assets on the book), the Board considered the PER and EV/ EBITDA ratios of the Comparable Companies.*

The PER compares a company's market value against its earnings.

The EV/EBITDA ratio is capital structure-neutral and therefore, will not be affected by changes and dissimilarities in capital structure such as leverage level and borrowing costs, whilst comparing the selected comparable companies with varying market capitalisation. The EV/ EBITDA ratio is also not affected by differences arising from taxation rates as well as accounting for depreciation and capitalisation, which can be computed at different rates over time.

In addition, the following, among others, is noted from the IMR Report:

"Industry players differentiate themselves through specialisation in the type of mechanical and electrical engineering service (i.e. of air conditioning systems and mechanical ventilation; water supply and sanitation; fire protection systems; escalators and lifts; electricity transmission and distribution systems; communications and information technology networks; lighting systems; and security and alarm systems), price points (luxury, high cost, medium cost and low cost properties), service specialisation (i.e. design versus installation versus repair and maintenance) and regional presence. Many industry players are able to straddle multiple segments, in that they have wide service specialisations across multiple mechanical and electrical engineering services and price points in the different regions and/or states in Malaysia.

There are over 100 industry players in Malaysia's mechanical and electrical engineering services industry. Nevertheless, the barriers to entry are distinct in large private and public sector projects where key selection criteria for the appointment of mechanical and electrical service contractors include project track record, financial strength and ownership of the CIDB Certificate of Registration."

Taking the IMR Report into consideration and the Board's understanding of the mechanical and electrical engineering industry in Malaysia as well as Singapore, the Board attributes the diverse range of the earnings multiples to, among others, the following:

- the Comparable Companies differentiate themselves in the type of mechanical and electrical engineering service, service specialisation and regional presence;

- the Comparable Companies have wide service specialisations across multiple mechanical and electrical engineering services as well as price points in different regions and/ or states;

- the mechanical and electrical engineering industry has distinct barriers of entry among industry players in large private and public sector projects where the key selection criteria include project track record, financial strength and ownership of the CIDB Certificate of Registration and other relevant licenses/ certifications; and

- the Board also noted that the performance of some of the Comparable Companies for year 2020 was impacted by the COVID-19 pandemic and the MCOs imposed or equivalent measures implemented by the governments of Malaysia and Singapore to control the spread of the disease.

In addition to the above, the Board considered the following:

(i) CMESB recorded an audited PAT of RM1.30 million and EBITDA of RM2.36 million for the FYE 31 August 2020 notwithstanding the impact of COVID-19 and the various MCOs in year 2020.

It is noted that three out of four of the Comparable Companies in Malaysia were loss making and two of the Comparable Companies in Malaysia had LBITDA, based on their latest annual report for the financial year 2020.

It is also noted that the Comparable Company in Singapore was loss making and had LBITDA based on its latest annual report for the financial year 2020.

(ii) the Proposed Acquisition would, among others, provide the Cabnet Group with the opportunity to extend its existing suite of electrical engineering and venture into mechanical engineering services to include services which are currently provided by CMESB, as illustrated in the diagram as set out in **Section 3** of this Circular.

The Board is also of the view as most of the Comparable Companies were loss making in the financial year 2020, the range of values from the PER ratios analysis would not be representative in assessing the implied PER of the Purchase Consideration. In this regard, the Board considered the implied EV/EBITDA of 6.72 times (based on the audited financial statements of CMESB for FYE 31 August 2020) for the Proposed Acquisition against the EV/EBITDA of the Comparable Companies and viewed that it is reasonable as the implied EV/EBITDA is lower than the lowest EV/EBITDA of the Comparable Companies of 29.62 times. The Board wishes to highlight that CMESB remained profitable amidst COVID-19 pandemic and the MCOs imposed by the Government of Malaysia to control the spread of the disease. Furthermore, the provision of Profit Guarantee by the Vendors to Cabnet gives comfort of continued profitability for the next 2 financial years of CMESB. Lastly, pursuant to the terms of the SPA, the Vendors will not be entitled to the full Purchase Consideration if the Profit Guarantee is not achieved.

As such, after taking all the above into consideration, the Board viewed that the Purchase Consideration is justified, reasonable and not detrimental to the shareholders of the Company.

3. RATIONALE FOR THE PROPOSED ACQUISITION

In Malaysia, common electrical packages consist of high, medium and low voltage services which include switchgears, busbars, electrical distribution/ panel system, uninterruptible power source (UPS) system and other related accessories. Occasionally, ELV services will be part of the electrical package depending on the client's requirements or type of projects.

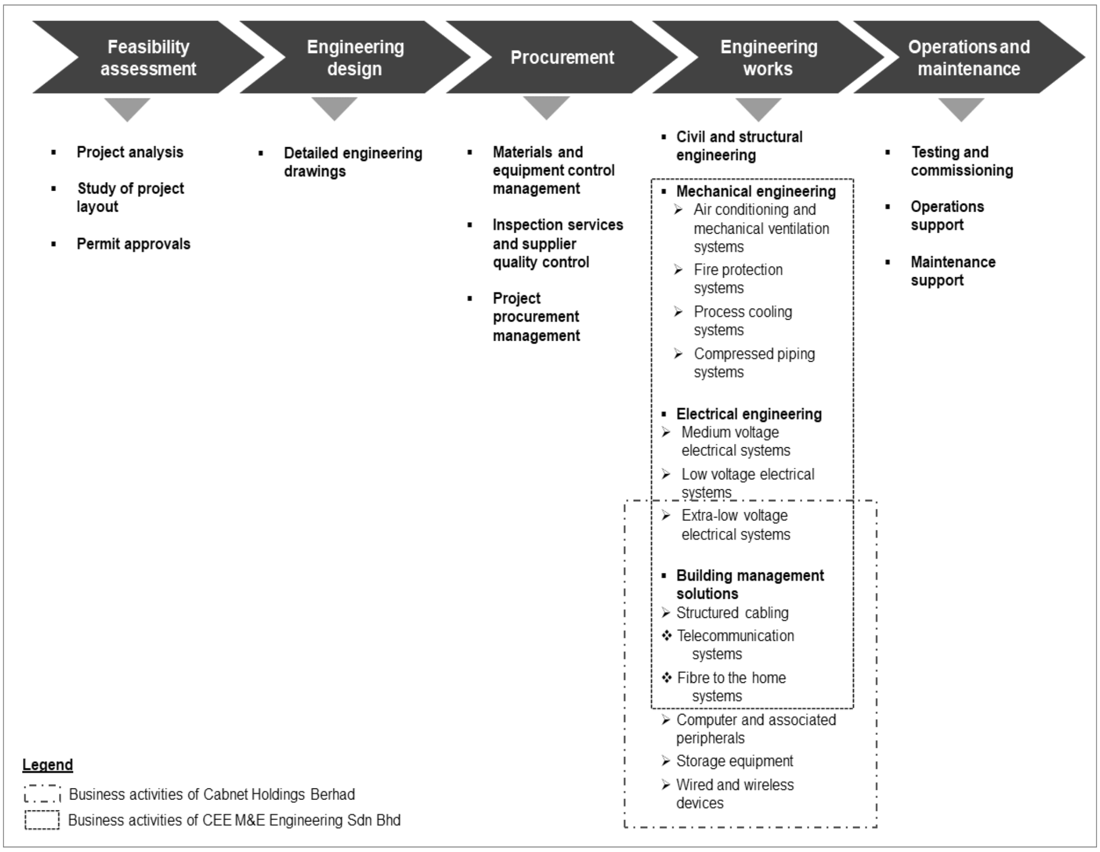
Presently, Cabnet Group is principally involved in the provision of building management solutions, where its core business segments comprise:

(i) structured cabling works and ELV systems for buildings in commercial, residential, industrial and public market segment; and

(ii) ICT services which can be offered as complementary to the building management solutions or offered separately on a stand-alone basis.

On the other hand, CMESB is principally involved in provision of electrical, mechanical engineering services and other engineering services. Under the provision of electrical engineering services, CMESB's scope includes medium and low voltages whereby Cabnet Group is predominantly focusing on ELV services. In general, the electrical engineering services provided by CMESB relate to electrical installations comprising incoming electricity supply, main and sub-main distribution systems, final circuits, switchboards, control cables, earthing systems, lightning protection systems as well as ancillaries such as essential power supply systems, power sockets and light fittings. These electrical installations would have to be in place for Cabnet to install ELV solutions as well as building management solutions.

The typical activities that take place in the delivery of electrical and mechanical engineering services, with the positioning of Cabnet Group and CMESB are as illustrated below:



(Source: Independent market research report on the mechanical and electrical engineering industry in Malaysia dated 22 June 2021 prepared by IMR)

As illustrated in the diagram above, the Proposed Acquisition would provide Cabnet Group with the opportunity to extend its existing suite of electrical engineering services and venture into mechanical engineering services to include services which are currently provided by CMESB. The enlarged Cabnet Group would be able to extend its business activities to include electrical engineering services from medium and low voltage to ELV as well as mechanical engineering services.

CMESB is registered with the Energy Commission of Malaysia (Suruhanjaya Tenaga Malaysia) as a Class A electrical contractor, which allows CMESB to bid or carry out any electrical work-related project with contract value of more than RM1 million. CMESB is also registered with CIDB and it has been registered and obtained the Sijil Perolehan Kerja Kerajaan (SPKK) issued by CIDB under Grade 7 category, which allows CMESB to participate in Government-related projects with an unlimited contract value.

Cabnet views the Proposed Acquisition as a synergistic business opportunity in light of it being complementary to its existing business. The enlarged Cabnet Group would be able to offer its customers greater value proposition as a single provider. In this regard, the enlarged Group would be able to offer mechanical engineering and engineering services for medium and low voltages as well as the current services offered (which includes ELV services), as illustrated in the diagram above.

The Board also believes that the enlarged Group would be able to realise operating benefits through the Proposed Acquisition such as the sharing of industry knowledge, technical expertise and know-how which would enhance the enlarged Group's services offering. As a single provider, it also provides an avenue for the enlarged Group to improve the Group's operational efficiency as the enlarged Group is envisaged to reduce the manpower allocation for single project through consolidation of potential overlapping roles/ job functions. As such, the Proposed Acquisition would enhance the Cabnet Group's competitiveness in the mechanical and engineering industry.

Through the Proposed Acquisition, the enlarged Cabnet Group is envisaged to further enhance and strengthen its market position in the state of Johor through the consolidation of CMESB's business. For the past 3 financial years (i.e., FYE 31 August 2018 – FYE 31 August 2020), more than 55.0% of CMESB's revenue were derived from the state of Johor.

As at 30 June 2021, CMESB's on-going contracts has a total contract value of RM78.30 million and an outstanding order book of RM34.24 million. The contracts are expected to provide earnings visibility up to FYE 31 August 2022. In addition, CMESB recorded a PAT of RM1.30 million based on its latest audited financial statements for the FYE 31 August 2020 while the Cabnet Group recorded an audited loss after tax attributable to the owners of the Company of RM4.51 million for the FYE 31 December 2020^. Coupled with the existing secured contracts of CMESB and the Profit Guarantee as set out under **Section 2.2** of this Circular, the Proposed Acquisition is expected to enhance the future earnings potential of the enlarged Cabnet Group. Upon completion of the Proposed Acquisition, CMESB will become a wholly-owned subsidiary of Cabnet, allowing Cabnet to consolidate the profits of CMESB. As such, taking into consideration the reasonable Purchase Consideration (as set out in **Section 2.6** of this Circular) and that the Proposed Acquisition is expected to contribute favourably to the enlarged Cabnet Group, the Board views the Proposed Acquisition is timely.

Note:

^ *The Cabnet Group's performance for the FYE 31 December 2020 was impacted by, among others, COVID-19 and the project sites were temporarily shut down due to the MCOs, construction progress regained at slower pace, site readiness issues, deferred material delivery at site due to payment risks and higher selling and administrative expenses.*

The Board does not anticipate any major disruption in the integration of the businesses which may include combining the workforce as well as potential overlapping job functions between the Cabnet Group and CMESB. Upon completion of the Proposed Acquisition, the enlarged Group will undertake the necessary efforts to mitigate any major disruption to the businesses of the enlarged Cabnet Group. A committee comprising key management from both Cabnet and CMESB will be put in place to ensure seamless integration. In addition, the said committee will provide inputs for the formation of business and financial objectives of the enlarged Cabnet Group to drive the success of the business integration.

Cabnet is confident that there would be minimal disruption to the business operations of CMESB, with the integration efforts made and the existing key management members of CMESB are expected to continue with their respective roles after the Proposed Acquisition. Furthermore, Murugesu A/L Vindasamy (being the co-founder and one of the Vendors of CMESB) will continue providing operational and strategic guidance to CMESB. Nevertheless, pursuant to the SPA, the Vendors' provision of a Profit Guarantee to Cabnet gives comfort of continued profitability for the next 2 financial years of CMESB setting the foundation for continued favourable performance, as a subsidiary of the Company.

4. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF CMESB AND CABNET GROUP

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy contracted by 5.6% in 2020 amid a highly challenging global and domestic operating environment. As with most countries globally, the unprecedented economic shocks emanating from the pandemic resulted in a sharp decline in Malaysia's gross domestic product (GDP) growth, the lowest since 1998. Following a moderate start to the year, the escalating pandemic by mid-March 2020 dampened domestic economic growth. Adverse external spillovers and the introduction of stringent local containment measures to curb the rise in COVID-19 cases contributed to broad-based weaknesses in exports, production, and domestic demand. The largest impact was felt in the second quarter of 2020, with gross domestic product (GDP) contracting by 17.1%. Growth improved gradually thereafter from its trough towards the second half of the year as the economy was gradually re-opened, and economic and social activities partially resumed. In response, policymakers implemented sizeable and timely stimulus measures to mitigate the adverse economic impact at the onset of the crisis and support the growth recovery.

The Malaysian economy is projected to rebound to between 6.0% and 7.5% in 2021. Recovery in the domestic economy, which began in the second half of 2020, is expected to continue in 2021. The recovery, nevertheless, is expected to be uneven and will be shaped by several factors, including the course of the COVID-19 pandemic and vaccine rollout, the extent of external spillovers, sector-specific developments, and the degree of improvement in labour market conditions. Amid a highly uncertain operating environment, continued and targeted policy measures will remain central in supporting growth going forward.

(Source: Economic and Monetary Review 2020 by Bank Negara Malaysia)

The Malaysian economy registered a smaller decline of 0.5% in the first quarter 2021 (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for electrical and electronics products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order (MCO 2.0) and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up. All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

(Source: Bank Negara Quarterly Report, first quarter 2021 by Bank Negara Malaysia

4.2 Overview and outlook of the construction industry in Malaysia

The construction sector contracted by 19.4% in 2020 (2019: 0.1%) reflecting reduced work capacity in compliance to containment measures, labour shortages due to international border closures, supply chain disruptions and site shutdowns following the COVID-19 outbreak. Growth in the second quarter of the year was mainly weighed by the suspension of almost all construction work in March 2020 and April 2020. Despite some relaxation in operating constraints in May 2020, most project sites remained idle, as developers experienced financial, compliance, and supply-chain challenges in resuming work. Nonetheless, activity improved in the second half of 2020 given better clarity and compliance with operating guidelines, more pervasive COVID-19 testing on workers and extended hours for construction activity. In addition, the rollout of stimulus packages supported many small-scale projects, and spurred growth in the special trade subsector in the second half of 2020. Activity in the residential and non-residential subsectors benefitted from new housing projects and ramp up in progress of projects due for completion respectively in the second half of 2020, while the civil engineering subsector was supported by continued progress in large infrastructure projects.

(Source: Economic and Monetary Review 2020 by the Central Bank of Malaysia)

The construction sector is expected to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. The civil engineering subsector will continue to be the main driver of the construction sector. Among the major infrastructure projects include Mass Rapid Transit 2 (MRT2), Light Rail Transit 3 (LRT3), West Coast Expressway (WCE) and Bayan Lepas Light Rail Transit (LRT) as well as Pan Borneo and Coastal Highways in Sarawak. Utility projects include the Langat 2 Water Treatment Plant, Baleh Hydroelectric Dam and Sarawak Water Supply Grid Programme (Phase 1).

The residential subsector is anticipated to improve, supported by various measures taken by the Government to address the property overhang situation. Among the measures include the extension of Home Ownership Campaign (HOC), exemption of Real Property Gains Tax (RPGT), the introduction of Rent-To-Own (RTO) scheme as well as reduction of foreign ownership threshold. The performance of the non-residential subsector is expected to recover marginally, supported by on-going commercial projects, including Bukit Bintang City Centre, Cyberjaya City Centre, Forest City and Malaysia Vision Valley 2.0.

(Source: Chapter 3 – Macroeconomic Outlook, Economic Outlook 2021 by Ministry of Finance)

The construction sector contracted by a smaller rate of 10.4% in first quarter 2021 (4Q 2020: -13.9%). Activity was supported by the ramp up of construction works in commercial projects that are nearing completion and the continued implementation of small-scale projects. This resulted in a strong positive growth in the special trade subsector. However, activity in the residential, nonresidential and civil engineering subsectors remained weak, affected by labour shortages and site shutdowns due to COVID-19 outbreaks. The implementation of MCO 2.0 also weighed on growth, as activity in construction sites that did not meet the conditions to operate were halted.

(Source: Bank Negara Quarterly Report, first quarter 2021 by Bank Negara Malaysia)

4.3 Overview and outlook of the mechanical and electrical engineering industry in Malaysia

Mechanical and electrical engineering services in Malaysia, measured in terms of value of mechanical and electrical works done for residential, commercial, industrial and infrastructure development, increased from RM1.4 billion in 2015 to RM4.0 billion in 2020 at a CAGR of 23.9%. The IMR projects the value of mechanical and electrical works done for residential, commercial, industrial and infrastructure development to rise from RM4.0 billion in 2020 to RM6.2 billion in 2023 at a CAGR of 15.7%. The value of mechanical and electrical works done for residential, commercial, industrial and infrastructure development is forecast to grow at a rate of 15.5% in 2021.

Mechanical and electrical engineering services is specialised construction work that is performed during the erection or reconstruction of buildings or structures, and entails the design, installation, commissioning and maintenance of mechanical systems such as heating, ventilation and air conditioning systems; water supply and sanitation; fire protection systems; and escalators and lifts, as well as electrical systems such as electricity transmission and distribution systems; communications and information technology networks; lighting systems; and security and alarm systems. The growth in mechanical and electrical engineering services correlate closely to the growth of residential, commercial, industrial and infrastructure construction activities, where residential, commercial, industrial and infrastructure property segments serve as end-users of mechanical and electrical systems.

The demand for mechanical and electrical engineering services, particularly that in new development projects, is dependent on construction activities undertaken to erect residential, commercial and industrial properties. Construction activities are largely economic-driven, whereby economic growth has the potential to contribute to increased disposable incomes among the population arising from higher employment and increased earnings for businesses and companies due to greater operating scale and wider market reach, consequently leading to increased demand for residential, commercial and industrial properties, consequently leading to higher demand for mechanical and electrical engineering services.

Malaysia recorded a total of RM164 billion worth of approved investments in the manufacturing, services and primary sectors in 2020 across 4,599 projects. From the total investments approved, FDI accounted for RM64.2 billion or 39.1%, with domestic direct investments ("**DDI**") accounting for RM99.8 billion or 60.9%. Malaysia's manufacturing sector experienced promising and strong growth amidst COVID-19 headwinds, with an increase of 10.3% in investments from 2019, while both foreign and domestic investors retained their confidence in the nation's economy as DDI received a substantial boost.

Under Budget 2021, the Government announced several initiatives that will support the construction industry and boost demand for mechanical and electrical engineering services, among which include:

- RM355 million for the Home Assistance Programme to the poor which is building new houses and repairing homes with a target of 15,000 houses;

- RM121 million to install 27,000 units of lamps as well as to cover operational and maintenance costs of 500,000 units of street lights in villages;

- an additional RM725 million to upgrade buildings and infrastructure in 50 dilapidated schools;

- RM500 million to build 14,000 low cost housing units under the Program Perumahan Rakyat;

- RM315 million for the construction of 3,000 units of Rumah Mesra Rakyat by Syarikat Perumahan Nasional Berhad;

- RM125 million for the maintenance of low cost and medium-low stratified housing as well as assistance to repair dilapidated houses and those damaged by natural disasters;

- RM310 million for the Malaysia Civil Servants Housing Programme (PPAM); and

- RM100 million for the maintenance of the infrastructure of industrial parks.

The Government is committed to implement transport infrastructure project to increase the mobility of *rakyat*. In 2021, RM15 billion will be allocated to fund the Pan Borneo Highway, Gemas-Johor Bahru Electrified Double-Tracking Project and Klang Valley Double Tracking Project Phase One. In addition, several key projects will also be continued such as Rapid Transit System Link from Johor Bahru to Woodlands, Singapore and MRT3 in Klang Valley.

(Source: Independent market research report on the mechanical and electrical engineering industry in Malaysia dated 22 June 2021 prepared by IMR)

4.4 Prospect of CMESB and the enlarged Cabnet Group

CMESB's future prospects are expected to be favorable in view of CMESB's competitive strengths as set out below:

(i) Capabilities in delivering electrical and mechanical engineering services to multiple property segments

CMESB has the expertise to deliver electrical and mechanical engineering services for the residential property segment, commercial property segment and industrial property segment.

Given that there is technical complexity involved in the provision of electrical and mechanical engineering services for the different types of properties arising from factors such as existing building systems, specifications and details of each associated system, communication protocol to adopt and maintenance procedures, CMESB has over its years of operations, acquired the technical expertise to understand the service levels required by the different property segments. This positions CMESB favourably to meet customers' expectations and strengthen its project track record.

(ii) Established relationships with its customers

CMESB has gained experience and project delivery skills through its 21 years of delivering electrical and mechanical engineering services. Further, arising from its 21 years of operations in the electrical and mechanical engineering industry, CMESB has established relationships with its main contractor customers, several of which are subsidiaries of property development companies. Leveraging on its experience and project track record, CMESB is a nominated subcontractor for several projects that it has participated in.

CMESB believes that an established reputation, reliability and adherence to regulatory and industry standards are important factors that are taken into consideration when customers select, invite and award contracts to their electrical and mechanical engineering service providers and these attributes have helped CMESB to maintain its competitiveness in the market. Therefore, CMESB will continue to maintain and nurture business relationships with its customers to receive more opportunities to tender for building and construction projects.

(iii) Established project delivery track record

With 21 years of operating history, CMESB is an established electrical and mechanical engineering service provider in Malaysia that primarily provides LV and MV systems and mechanical systems comprising ACMV systems, fire protections systems, process cooling systems and compressed piping systems as well as structured cabling works. As such, CMESB possesses the ability to provide a broad range of mechanical and electrical engineering services under its existing licences and registrations.

CMESB has the following competitive advantages that have contributed to its track record:

(a) CMESB is registered with CIDB as a Grade 7 contractor company, the highest classification accorded by CIDB, that allows for the tendering of projects with unlimited value for construction of buildings, civil engineering and electrical and mechanical engineering works;

(b) CMESB obtained the Sijil Perolehan Kerja Kerajaan (SPKK) registration from CIDB thereby allowing it to tender for Government works including construction of buildings, civil engineering and mechanical as well as electrical engineering services;

(c) CMESB was certified by the Energy Commission of Malaysia as a Class A electrical contractor to perform electrical works above RM1.0 million throughout Malaysia;

(d) CMESB's customers are primarily main contractors of property developers. CMESB's customers also include industrial customers that engage CMESB for the provision of electrical and mechanical engineering services at their industrial premises. Being an electrical and mechanical engineering service provider, CMESB has undertaken various projects in Malaysia, covering various types of buildings including high-rise residential, commercial and industrial projects in both public and private sectors such as offices, hotels, shopping malls, factories, government buildings and educational institutions; and

(e) given the knowledge and expertise in electrical and mechanical engineering, licences and registrations that CMESB possesses, CMESB is able to market itself as an electrical and mechanical engineering service provider with capabilities to customise the scope of electrical and mechanical engineering services for clients of different property segments, development scale and allocated budgets in both the private and public sectors.

(iv) Experienced management team

CMESB has an experienced and dedicated management team that is expected to continue to lead the business after the Proposed Acquisition. The management team is led by its director, Murugesu A/L Vindasamy. He has more than 32 years of experience and knowledge in the electrical and mechanical engineering services industry. He has played an instrumental leadership role in formulating strategies, spearheading the growth of CMESB's business and operations as well as building good business relationships with customers. He has a team of experienced personnel that supports him in the daily operations of the company as well as project implementation. The profiles of the management team are set out below:

(a) Murugesu A/L Vindasamy, Malaysian, aged 50, co-founder and project director of CMESB

He completed his Sijil Pelajaran Malaysia (SPM) in 1988. Upon completion of his studies, he began working as an electrician in Singapore where he was responsible for installation, testing and commissioning of electrical works. In 1991, he returned to Malaysia and joined City Lite Letrik Sdn. Bhd. as a Project Supervisor and was subsequently promoted to Project Manager where he was tasked to supervise the process of project execution, from project planning, procurement and scheduling of materials, manpower arrangements to project delivery stage of the engineering projects undertaken by the company. During his tenure in the company, he was exposed to projects focusing on ELV, LV and high voltage electrical systems. In 1997, he joined Khidmat Kualiti M&E Sdn. Bhd. as Project Manager, where he was responsible for overseeing projects in relation to electrical and mechanical engineering services. Subsequently in 1999, he co-founded CMESB and held the position of Project Director, a position he holds until today. He is involved in managing the daily operations of the firm, business development and overseeing project implementation and delivery.

(b) Juay Chiew Ping, Malaysian, aged 46, Account Manager

She completed her Sijil Pelajaran Malaysia (SPM) in 1993. She began her career as a Shipping Clerk in Sharp-Roxy Electronics Corporation (M) Sdn. Bhd. in 1994, where she was responsible for preparing shipping forms, records and certificates for incoming and outgoing shipments. In 1997, she joined South Johor Securities Sdn. Bhd. as an Assistant Internal Auditor where she was responsible for reviewing and maintaining the company's accounting systems and procedures. In 1998, she joined LY Furniture Sdn. Bhd. as a Shipping Clerk where she was tasked to oversee and maintain shipping documents. In 2000, she joined CMESB as an Account and Administration Executive, before gradually rising to her current position as Account Manager. She is responsible for overseeing procurement and finance related matters, coordinating monthly reporting and budgeting as well as the claims and invoicing processes.

(c) Paw Kok Khin, Malaysian, aged 42, Project Manager

He graduated with a Bachelor of Engineering in 2002 from Multimedia University, Malaysia. He is registered as a professional engineer with the Board of Engineers, Malaysia. Upon graduation, he started his career in 2002 at PKV Consulting Engineers Sdn. Bhd. as an Electrical Engineer where he was tasked to design electrical engineering services for buildings and small-scale industries as well as participating in engineering consulting projects undertaken by the company. In 2003, he joined L&E Sinar Sdn. Bhd. as a Project Engineer, where his responsibilities included project planning, procurement, execution, coordination and supervision of project site. During his tenure at the company, he focused on mechanical and engineering services for turnkey projects and was also involved in cost estimation for the preparation of tender proposals. In 2006, he joined CMESB as a Project Engineer, where he was responsible for preparing mechanical and electrical engineering construction drawings in accordance with customers' specifications and requirements. Subsequently in 2019, he was promoted to the role of Project Manager, where he is tasked to supervise and coordinate with consultants and contractors for mechanical and electrical installations for timely project delivery and liaising with local authorities for documentation approval.

(d) Norsuhaida Binti Ahmad Tajudin, Malaysian, aged 36, Project Engineer

She graduated with a Bachelor of Electrical and Electronics Engineering in 2008 from University Tenaga Nasional, Malaysia. Upon graduation, she began her career as an Electrical Engineer at HSK Consult Sdn. Bhd. in 2009 where she was tasked to design ELV and LV electrical systems for commercial, residential buildings and public infrastructure projects. She subsequently joined Kong & Associate Consultancy Sdn. Bhd. in 2011 as a Mechanical and Electrical Engineer, where she was responsible for project planning, procurement, execution and coordination with contractors and local authorities for project delivery. During her tenure at the company, she was also involved in tender preparation of mechanical and electrical engineering works. In 2012, she joined High Tech Consultant Sdn. Bhd. as an Electrical Engineer, where she was responsible for project planning, preliminary design and drawings as well as participating in tender preparation for mechanical and electrical works. She was also tasked to monitor that the implementation of installed mechanical and electrical systems comply with the relevant standards and regulations. In 2013, she joined CMESB as a Project Engineer, where she is responsible to oversee project site implementation works including works done by subcontractors, materials procurement, liaising with local authorities for approvals as well as monitoring the compliance of overall mechanical and electrical works done by CMESB.

As at 30 June 2021, CMESB has a total of 44 employees, out of which 39 employees are involved in the project implementation and delivery (e.g., project director, project engineers, project managers, project coordinator, safety supervisor, wiremen and chargeman). At this juncture, Cabnet and CMESB do not have any plans to dismiss or make redundant any of the existing employees of CMESB as a direct consequence of the Proposed Acquisition. Nevertheless, there will be continuous measures being introduced to improve the efficiency of operations and to optimize the human resources of the enlarged Cabnet Group, which may lead to rationalization of staff employment to improve the overall efficiency of the enlarged Cabnet Group's operations. Such actions, if required, will be carried out in accordance with relevant legislation and the terms of employment of the affected employees.

Notwithstanding the above, CMESB has the following on-going plans to further enhance its future financial performance and position:

(i) CMESB intends to continue with its business development activities to secure more electrical engineering and mechanical engineering contracts

Amidst the challenging business operating environment caused by COVID-19 pandemic, CMESB will continue to pursue more projects to sustain CMESB's business.

CMESB intends to expand its scale of operations and increase its market presence within the mechanical and electrical engineering services market in Malaysia by way of actively seeking more opportunities. In order to achieve this, CMESB intends to increase its business development efforts to secure more electrical and mechanical engineering services, from both existing customers and potential new customers.

Presently, CMESB mainly secures new business opportunities through direct invitations from customers as well as referrals from external consultants such as subcontractors, architects, engineers, surveyors and other consultants. CMESB intends to continue nurturing and leveraging on these business relationships to keep abreast of upcoming tender opportunities for mechanical and electrical engineering services projects.

CMESB will leverage on its capabilities and internal resources to expand its electrical and mechanical engineering services, and build upon its track record to secure new projects.

Subsequent to the Proposed Acquisition, CMESB intends to leverage on Cabnet's listing status as a public listed company on ACE Market, reputation, industry network, technical expertise and resources to participate in more tender opportunities as the enlarged Cabnet Group would be able to offer mechanical engineering and engineering services for medium and low voltages as well as the current services offered (which includes ELV services).

(ii) CMESB intends to pursue opportunities for electrical engineering and mechanical engineering contracts in the infrastructure and manufacturing sectors

CMESB is registered with CIDB as a Grade 7 contractor which allows it to tender for larger scale projects of unlimited value for construction of buildings, civil engineering construction and mechanical and electrical engineering services. Further, CMESB is not restricted by tender limits when tendering for private sector projects. Going forward, CMESB has plans to further develop its business by participating in tender opportunities for transportation infrastructure projects, electrical and electronic (E&E) manufacturing as well as food and beverage manufacturing plants. This is intended to improve CMESB's profile and exposure in the building and construction industry.

CMESB has the experience and track record in delivering electrical engineering and mechanical engineering services for industrial customers at their respective industrial premises. In particular, CMESB sees potential in the electrical and electronic (E&E) manufacturing sector as well as food and beverage manufacturing sector in Johor. Thus moving forward, CMESB intends to continue its efforts to secure more projects for electrical and mechanical engineering services from these sectors relating to new industrial building projects as well as industrial building upgrading, expansion, retrofitting and renovation projects.

Further, CMESB has plans to further develop its business by participating in tender opportunities for transportation infrastructure projects. CMESB also intends to leverage on Cabnet, being a public listed company, to participate in transportation infrastructure projects, as this would be advantageous in terms of pooling of technical expertise and resources as well as market reputation for such tenders.

The above-mentioned plans represent CMESB's continuous effort in pursuing potential opportunities in the electrical and electronic (E&E) manufacturing sector, food and beverage manufacturing sector in Johor as well as transportation infrastructure projects. CMESB will keep abreast in developments of the above-mentioned sectors and participate in tenders when the opportunities arise.

CMESB will continually assess its manpower requirements for project management and project delivery activities as well as future business growth in determining its recruitment plans.

The above plans are CMESB's continuous efforts to increase its future financial performance and financial position and will be funded via its internally-generated funds.

(Source: Management of CMESB)

Premised on the above, the Malaysian economy and construction industry are expected to rebound in year 2021. The demand for mechanical and electrical engineering services, particularly for new developments projects, is dependent on construction activities. As CMESB offers mechanical and engineering services, such outlook is expected to augur well for CMESB.

As such, the Board expects the Proposed Acquisition to contribute positively to the enlarged Group via the future profits to be derived from CMESB and the continued growth in the mechanical and electrical engineering industry.

Moving forward, CMESB will continue to bid for more projects in both the private and public sectors by tapping into Cabnet's existing clientele base while Cabnet is expected gain a competitive advantage by being able to offer a more comprehensive suite of electrical engineering services. Upon completion of the Proposed Acquisition, the performance of the of the enlarged Cabnet Group over the next 2 financial years is anticipated to be enhanced, backed by the secured contracts of CMESB as well as the human resource and expertise of CMESB. Moreover, as set out in **Section 3** of this Circular, CMESB and Cabnet collectively have a business integration plan for the enlarged Cabnet Group to drive the success of the business integration.

The outbreak of the COVID-19 pandemic has affected the Group's business as the project sites were temporarily shut down due to imposition of the initial MCO by the Government from 18 March 2020 until 4 May 2020. The Group had on 4 May 2020 began its operations in accordance with relevant guidelines and standard operating procedures, thus the progress of on-site operations regained at slower pace. During the challenging year 2020, the Cabnet Group recorded an audited LAT attributable to the owners of the Company of RM4.51 million for the FYE 31 December 2020 (FYE 31 December 2019: PAT of RM2.42 million).

On 28 May 2021, the Government announced the imposition of a three-phase nationwide lockdown (Full MCO 3.0). The three-phase nationwide lockdown started with a full lockdown from 1 June 2021 to 14 June 2021, and further extended to 16 July 2021, where all sectors were not allowed to operate during this period except for those in the essential economic and service sectors. Under the Full MCO 3.0, the list of essential services consist of 17 sectors and "critical" construction works that are allowed to operate are limited to critical maintenance and repair works, construction of important public infrastructure, and construction of workers quarters at construction sites or for "centralised labour quarters" (CLQ). On 27 June 2021, the Malaysian Government announced that the Full MCO 3.0 is now known as Phase 1 of Movement Control under the National Recovery Plan ("**NRP**"). The brief details of the NRP are set out in the diagram below:

	Health care/ intensive care unit (ICU) capacity	**Average daily case**	**% Population vaccinated with 2nd dose**	**Economic activities**
Phase 1	Current state			• Only essential services allowed.
Phase 2	Moderate	Less than 4,000 daily cases	10%	• More economic sectors like manufacturing and electrical and electronics allowed to operate with 80% maximum capacity. • Social sectors remain closed.
Phase 3	Comfortable	Less than 2,000 daily cases	40%	• All manufacturing, majority of economic sectors allowed to operate except those deemed high-risk activities, e.g., conventions and beauty salons. • Industries with full vaccinated staff can request to operate at full capacity. • Education, sporting and some social activities allowed to resume.
Phase 4	Safe/ secure	Less than 500 daily cases	60%	• All economic sectors and majority of social sectors allowed to resume. • Interstate travel and domestic tourism allowed subject to strict standard operating procedures.

With the suspension of some of the on-site project activities from 28 May 2021 up to the LPD as majority of the Cabnet Group's projects are not classified under "critical" construction works, the Board views that this may have an impact on the progress of the on-going projects. While the Group will request for extension of time for completion of projects, this may result in delays in its work schedule and in turn, may affect its financial performance for FYE 31 December 2021. As such, the Board remains cautious at this juncture on the prospects of the business of the Group in the near term.

Amidst the current challenging business operating environment, the Group will continue to tender and secure more projects to sustain the Group's business and future profitability. The Group is also exercising prudence in manpower planning and spending by striving to maintain its workforce at the optimum level to meet its operational requirements in order to better manage its overall operational cost. The Group had participated in Net Energy Metering ("**NEM**") 2.0* program in November 2020 by installing solar system at the Group's office located in Johor Bahru which is intended to reduce the Group's electricity expense.

Note:

* *NEM2.0 is the second generation of the NEM program, a solar photovoltaics initiative executed by the Sustainable Energy Development Authority (SEDA) Malaysia under the Ministry of Energy and Natural Resources (KeTSA) with the aim to promote renewable energy. The concept of NEM is that the energy produced from the solar photovoltaics installation will be consumed first, and any excess will be exported to Tenaga Energy Berhad at prevailing displaced cost.*

As the COVID-19 pandemic situation is still evolving, the Group will remain vigilant by closely monitoring developments to ascertain the magnitude of the on-going impact from the COVID-19 pandemic and will continue to take the necessary precautions and pragmatic approach in its strategic and operational planning in order mitigate such impact. Nevertheless, the Board is looking forward to better economic prospects in 2022 in view of the on-going vaccination programme and the Government's expectation of achieving herd immunity by end of 2021.

(Source: Management of Cabnet)

5. RISK FACTORS

The risk factors (which may not be exhaustive) pertaining to the Proposed Acquisition include but are not limited to the following:

5.1 Business risks

The Board does not foresee any new material risks pursuant to the Proposed Acquisition in view that the Group is already subject to the inherent risks associated with the construction and mechanical and electrical engineering industry which include, among others, interruptions to operations due to adverse weather conditions, mechanical failures as well as general business risks such as shortages of labour, material, equipment and machinery, increase in cost of labour and equipment, delay in completion of projects against the scheduled completion, performance of third-party sub-contractors, developments in the economic and political environment in Malaysia, economic uncertainties and changes in government policies and other statutory charges.

Notwithstanding the above, whilst the Group keeps abreast with the latest developments in the construction and mechanical and electrical engineering industry and adopts and implements various strategies including effective risk management practices to mitigate such risks, no assurance can be given that any change in the above factors will not have any material and adverse impact to the business of the Group.

Nevertheless, upon completion of the Proposed Acquisition, the enlarged Cabnet Group would be exposed to the inherent risks of CMESB's business and operations. Details of such risks, which are not exhaustive, are as set out below:

(i) Inability to renew or maintain permits, approvals and licenses

CMESB's qualification to secure the contracts is dependent on the necessary permits, approvals and licenses issued by, or registration with the relevant authorities. All these licenses and registrations are only valid for a stipulated timeframe which is renewable subject to compliance with the relevant conditions. The requirements set out by the relevant authorities may be subject to changes, which could then affect the operations of CMESB. Failure by CMESB to renew, maintain or obtain the requisite licenses and registrations would have an adverse effect on the operations of CMESB.

In mitigating such risks, CMESB endeavours to comply with all the relevant conditions, including applying, renewing, maintaining or obtaining all the necessary licenses and registrations in a timely manner.

(ii) Dependence on key management personnel

The loss of key management personnel of CMESB without suitable and timely replacements and inability to attract or retain qualified and suitable personnel may have an unfavourable and material impact on the performance of CMESB. Nevertheless, CMESB will adopt appropriate approaches including reviewing the remuneration and incentives packages, training and succession planning as well as providing a good working environment to retain the existing and groom new key management personnel in CMESB.

(iii) Credit risk and counter parties risk

Similar to all companies in the mechanical and electrical engineering services, CMESB faces the risk of bad debts if project owners and/ or main contractors are unable to meet their payment obligations to CMESB under the contracts. CMESB seeks to mitigate this risk by assessing the credit profiles of its clients and potential clients to ensure that CMESB takes on jobs with clients that have good credit ratings.

The projects may also be subject to project risk and default risk by the counter parties (example, sub-contractors and/ or suppliers), which may result in CMESB being involved a lengthy litigation. Even if CMESB is granted any award in any litigation or dispute, there are possibilities that the counter parties may be unable to settle such award judgement. Nevertheless, Cabnet Group will monitor its investment in CMESB and advise the directors and/ or management of CMESB in order to mitigate these risks via close monitoring of the projects' progress and the counter parties' responsibilities with respect to the projects.

5.2 Non-completion of the SPA

If any condition precedent in the SPA is not fulfilled or waived (as the case may be), the Proposed Acquisition may be delayed or terminated, thus resulting in non-materialisation of the potential benefits expected to arise from the Proposed Acquisition. The Board seeks to limit such a risk by taking all reasonable steps towards the fulfilment or waiver of the conditions precedent so as to enable the completion of the Proposed Acquisition.

5.3 Acquisition risk

The Proposed Acquisition is expected to contribute positively to the Group based on the rationale set out in **Section 3** of this Circular.

However, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that the Group will be able to generate sufficient profits arising from the Proposed Acquisition to offset the associated acquisition costs incurred. There is also no assurance that the expected financial performance of CMESB could be achieved post completion of the Proposed Acquisition. The Proposed Acquisition would require the focus and attention from both the Board and the directors of CMESB.

In mitigating such risk, the Company has secured the Profit Guarantee (as set out in **Section 2.2** of this Circular) from the Vendors.

The Company also intends to mitigate such risk by conducting assessments and reviews including due diligence on CMESB, prior to making its investment decision and completing the Proposed Acquisition. Notwithstanding the above, in line with the business integration plan, it is intended that the existing management personnel of CMESB will continue to drive CMESB's growth.

5.4 Integration risk

Business integration risks between CMESB and the Group would include the integration of the combined workforce, resulting in potential overlapping job functions which may impair the enlarged Group's ability to fully realise the expected benefits arising from the Proposed Acquisition.

Nevertheless, upon completion of the Proposed Acquisition, the enlarged Group will undertake the necessary efforts to mitigate such risks and ensure the integration exercise would be carried out properly and an enhanced management structure will be put in place to ensure successful integration. Cabnet and CMESB will oversee the integration process. In addition, the management team of Cabnet and CMESB will provide inputs for the formation of business and financial objectives of the enlarged Cabnet Group to drive the future success of the integration.

No assurance can however be given that such integration efforts will not have a material adverse effect on the enlarged Group's business performance and prospects.

5.5 Risk of impairment on the goodwill arising from the Proposed Acquisition

Cabnet would recognise goodwill arising from the Proposed Acquisition, the amount of which will depend on the fair value of the assets and liabilities acquired as at the completion date of the Proposed Acquisition. Any fair value adjustments allocated to the identifiable intangible assets, and the effect of amortisation of the said assets as well as impairment on goodwill, if any, arising from the Proposed Acquisition may materially and adversely affect enlarged Cabnet Group's financial position.

The Board will mitigate this risk by closely monitoring the financial performance of CMESB and implement appropriate strategies towards the achievement of the financial targets of CMESB.

5.6 Non-fulfillment of obligation under the Profit Guarantee

Pursuant to the terms of the SPA, the Vendors irrevocably and unconditionally guarantee that CMESB shall achieve the Profit Guarantee for the Profit Guarantee Period. This risk is mitigated whereby if there is a shortfall, the Vendors will only be entitled to receive such amount of the final Purchase Consideration in proportion to the Profit Guarantee achieved of which such payable amount shall be free from any claims, objections or demands from the Vendors.

5.7 Political, economic and regulatory risks

Adverse developments in political, economic and regulatory conditions in Malaysia where CMESB is currently operating could materially affect its business, operations and financial prospects. Political, economic and regulatory uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, inflation, changes in interest rates and methods of taxation.

CMESB will continue to adopt prudent management and efficient operating procedures to mitigate these factors. However, there can be no assurance that any adverse economic, political and regulatory factors will not materially affect the enlarged Group's business and financial performance.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share capital

The Proposed Acquisition will not have an impact on the Company's issued share capital and number of issued Shares as the Proposed Acquisition does not involve the issuance of new Shares.

6.2 NA and gearing

The pro forma effects of the Proposed Acquisition on the NA and gearing of the Group based on the audited consolidated financial statements of the Company as at 31 December 2020 are as follows:

	Audited as at 31 December 2020 (RM '000)	**(I) After the Proposed Acquisition (RM '000)**
Share capital	27,679	27,679
Reserves	15,820	15,450[(1)]
Equity attributable to the owners of the Company/ NA	**43,499**	**43,129**
Non-controlling interest	59	59
Total equity	**43,558**	**43,188**
No. of Shares in issue	178,750	178,750
NA per Share (RM)	0.24	0.24
Total borrowings	9,280	11,075[(2)]
Gearing (times)	0.21	0.26

Notes:

(1) Taking into consideration of estimated expenses for the Proposed Acquisition of approximately RM0.37 million.

(2) After consolidating CMESB's borrowings of RM1.80 million as at 31 August 2020 and assuming the Purchase Consideration is fully satisfied via the Group's internally-generated funds. Borrowings for the Group and CMESB consist of hire purchase, loans and borrowings, of which the breakdown are as follows:

	Cabnet (RM '000)	***CMESB (RM '000)***
Borrowings	*7,176*	*1,540*
Hire purchase	*2,104*	*255*
Total	***9,280***	***1,795***

6.3 Earnings and EPS

Barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the future earnings of the Group.

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The pro forma effects of the Proposed Acquisition to the earnings and EPS of the Group assuming the Proposed Acquisition had been effected as at the beginning of the FYE 31 December 2020 are as follows:

	Audited As at 31 December 2020	**(I) After the Proposed Acquisition**
LAT attributable to the owners of the Company (RM'000)	(4,512)	(3,580)[(2)(3)]
Number of Shares ('000)	178,750	178,750
Basic LPS (sen)	(2.52)[(1)]	(2.00)

Notes:

(1) The basic LPS is as extracted from the audited financial statements of the Company for the FYE 31 December 2020 computed based on the weighted average number of Shares.

(2) Taking into consideration the estimated expenses of approximately RM0.37 million for the Proposed Acquisition.

(3) Incorporating 100% of CMESB's audited PAT for the FYE 31 August 2020 of approximately RM1.30 million.

6.4 Substantial shareholders' shareholdings

The Proposed Acquisition will have no effect on Cabnet's substantial shareholders' shareholdings in Cabnet as the Proposed Acquisition does not involve the issuance of new Shares.

7. APPROVALS REQUIRED

The Proposed Acquisition is subject to and conditional upon the following approvals being obtained:

(i) the shareholders of the Company at the EGM to be convened for the Proposed Acquisition.

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the ACE Market Listing Requirements of Bursa Securities is approximately 37.45% computed based on the Purchase Consideration for the Proposed Acquisition over the audited net assets attributable to ordinary equity holders of Cabnet of RM43.50 million as at 31 December 2020; and

(ii) the approvals/ consents of any other relevant authorities/ parties, if required.

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8. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Cabnet Shares as traded on Bursa Securities for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
2020		
July	0.270	0.185
August	0.265	0.205
September	0.245	0.200
October	0.245	0.200
November	0.265	0.210
December	0.270	0.225
2021		
January	0.265	0.230
February	0.280	0.230
March	0.295	0.235
April	0.315	0.245
May	0.280	0.240
June	0.260	0.410

Last transacted market price on 11 May 2021 (being the last trading date prior to the Announcement) was RM0.26 per Cabnet Share.

Last transacted market price on 21 June 2021 (being the LPD prior to the printing of this Circular) was RM0.365 per Cabnet Share.

(Source: Bloomberg)

9. CORPORATE EXERCISE/ SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition, the Board confirms that the Company does not have any other outstanding corporate exercise/ scheme which has been announced by the Company but is pending implementation or completion prior to the printing of this Circular.

10. INTER-CONDITIONALITY OF THE PROPOSED ACQUISITION

The Proposed Acquisition is not conditional upon any other corporate exercise/ scheme being or proposed to be undertaken by the Company.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of the Company and/ or persons connected with them has any interest, either direct or indirect, in the Proposed Acquisition.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects of the Proposed Acquisition including but not limited to the rationale and effects of the Proposed Acquisition is of the opinion that the Proposed Acquisition is in the best interests of the Company.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

13. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by the 3rd quarter of 2021.

The tentative timetable for the Proposed Acquisition is as follows:

Events	Tentative timeline
EGM to approve the Proposed Acquisition	30 July 2021
SPA becoming unconditional	August/ September 2021
Completion of the Proposed Acquisition	August/ September 2021

14. EGM

The Company's EGM, the notice of which is enclosed together with this Circular, will be conducted fully virtual through live streaming and online participation and voting using Remote Participation and Voting ("**RPV**") facilities via meeting platform at *https://tiih.online* provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Friday, the 30th day of July 2021 at 10.00 a.m. for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Acquisition.

The Notice of the EGM together with the Form of Proxy and Administrative Guide are available at the Company's website at *https://www.cabnet.asia/egm.*

You are advised to follow the procedures set out in the Administrative Guide to register, participate and vote remotely via RPV facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at *https://tiih.online.*

If you are unable to attend and vote in person at the Company's EGM, you are requested to complete, sign and return the enclosed Form of Proxy for the EGM in accordance with the instructions printed therein as soon as possible, so as to arrive at the registered office of the Cabnet at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd. Mufti 80000, Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time 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 the poll, and in default the instrument of proxy shall not be treated as valid.

As an alternative, subject to the Constitution, shareholders may deposit the instrument appointing the proxy by electronics means by way of submitting the instrument via TIIH Online at *https://tiih.online* not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

15. FURTHER INFORMATION

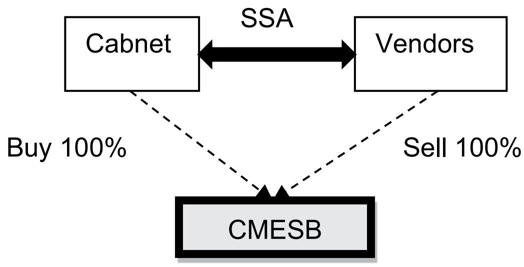
You are advised to refer to the attached appendices for further information.

Your faithfully
For and on behalf of the Board
CABNET HOLDINGS BERHAD

DATUK TAN KOK HONG @ TAN YI
Independent Non-Executive Chairman

SALIENT TERMS OF THE SPA

The salient terms and conditions of the SPA include, among others, the following:

<table>
<tr><td>1.</td><td>Formation and parties involved</td><td>
<table>
<tr><th>Purchaser</th><th>Vendors</th></tr>
<tr><td>Cabnet</td><td>• Murugesu A/L Vindasamy;
• Tan Tian Yee; and
• Kong Tze Senn</td></tr>
</table>


</td></tr>
<tr><td>2.</td><td>Purchase consideration</td><td>The Vendors agree to sell and the Company agrees to purchase 800,000 CMESB Shares equivalent to 100% equity interest in CMESB free from encumbrances and with all rights attached to the CMESB Shares, for a purchase consideration of RM16,290,000 subject to the terms and conditions of the SPA.</td></tr>
<tr><td>3.</td><td>Conditions precedent</td><td>The Proposed Acquisition is conditional upon the fulfilment of each of the following Conditions Precedent within a period of 6 months or such other number of months as may be mutually agreed between the Parties, from the SPA date (“Conditional Period”):

(i) the Vendors and/ or CMESB procuring and securing all approvals required in connection with the sale and transfer of the Sale Shares in accordance with the SPA, including but not limited to the authority, creditors of CMESB or lender and financier of CMESB and Bank Negara Malaysia pursuant to the borrowings obtained by CMESB;

(ii) if applicable, the Vendors’ or CMESB’s fulfilment of all conditions attached to the approvals;

(iii) the Company has checked and is fully satisfied that the Retention Sum (as defined in Section 2.1 of this Circular), which is billed by CMESB is retained by the contracting parties under the Relevant Contracts (as defined in Section 2.1 of this Circular) or which will be billed by CMESB pursuant to the Relevant Contracts is billable, will be due and payable by the contracting parties pursuant to the Relevant Contracts;

(iv) the Company has obtained authority and approval from (a) its board of directors and (b) its shareholders for the Proposed Acquisition;

(v) the Company is fully satisfied with and accepts the findings and results of the due diligence carried out on CMESB, the Vendors and on all matters relating to CMESB and the Vendors;

(vi) there are no material adverse findings on CMESB based on the results of the financial and/ or legal due diligence inquiry to be conducted on CMESB by the representatives of the Company;</td></tr>
</table>

		(vii) any other conditions precedent as may be required subsequent to the execution of the SPA, including without limitation, those conditions precedent advised to be necessary by the Company's solicitors after completion of the due diligence review on CMESB and/ or the Vendors or that are imposed or required by law, regulation or Government policies, regulations and directives or the relevant State by-laws, regulations and directives; and (viii) such other consents or approvals as may be necessary from any governmental or regulatory body or competent authority, or third-party having jurisdiction over the sale of the Sale Shares which are mutually agreed on by the parties, having been granted, waived or obtained. The Company may at its sole and absolute discretion waive any of the Conditions Precedent of the SPA. If all of the Conditions Precedent (save for those compliance with which has been waived in accordance with the terms of the SPA) or if any conditions attached to the approvals referred to Conditions Precedent (i) above have not been or cannot be fulfilled on expiration of the Conditional Period, the Conditional Period may be extended by a period or periods of 1 month each period or such other period or periods as may be agreed upon in writing between the Parties. The Parties agree that the date the last of the Conditions Precedent is fulfilled or deemed fulfilled or waived by the Company, as the case may be, within the Conditional Period or extended Conditional Period shall be the "**Unconditional Date**". On the Unconditional Date, the Vendors shall deliver all documents evidencing the fulfilment of the Conditions Precedent to the Company or the Company's Solicitors.
4.	**Vendors' obligations pending completion**	The Vendors agreed to and shall cause and procure CMESB, at all time from the SPA date up to completion Date, among others: (i) to conduct, operate and manage CMESB's business and activities in usual course, consistent with past practices, and in such a manner so as to ensure that no act or event shall occur which would be reasonably expected to result in a breach of the warranties; (ii) to carry on CMESB's business in a proper, efficient manner, and in the usual way so as to maintain the business as a going concern; (iii) not to transfer or otherwise dispose of or enter into any agreement, arrangement or understanding to transfer or otherwise dispose of any CMESB's material asset; (iv) not to incur, or agree to assume, a liability, obligation or expense (actual or contingent) except in the usual course of its trade; (v) not to give, agree to give, any guarantee, indemnity, surety, or other agreement to secure, or incur financial or other obligations in respect of the liability of any person; and (vi) not to commit any acts or omissions that will cause or is likely to cause the suspension or revocation of the licenses, approvals, certificates, permits and authorisations held by and issued to CMESB.

5.	**Completion**	On the completion date (i.e., 5 business days from the Unconditional Date, the documents to complete the Proposed Acquisition, includes among others the following, shall make available to the Company: (i) the original transfer forms for the Sale Shares duly executed by the Vendors and duly attested by the Vendors' solicitors; (ii) original share certificates relating to the Sale Shares; (iii) the certified true extract of resolutions passed by the board of directors of CMESB to authorise and approve the transfer of the Sale Shares from the Vendors to the Company and the issuance of share certificates to the Sale Shares in the name of the Company or its nominees; (iv) a certified true extract of CMESB's board of directors of authorising: (a) the resignation of the outgoing director (namely Tan Tian Yee) as a member of CMESB's board of directors; (b) the appointment of persons appointed by the Company as new members of CMESB's board of directors; (c) the resignation of the current company secretary of CMESB; and (d) the appointment of a new person or persons as company secretary of CMESB;
6.	**Termination**	**<u>Deemed termination in the event any conditions precedent is not fulfilled</u>** If all Conditions Precedent are not or cannot be fulfilled or are not deemed fulfilled or waived, as the case may be, upon the expiration of the extended Conditional Period, then the SPA shall automatically lapse and be deemed terminated whereupon the Vendors shall immediately refund the Deposit free from interest to the Company. Upon the Company's receipt of the Deposit in full from the Vendors, the obligations of the Parties shall automatically terminate without any liability whatsoever save that the rights and liabilities of the Parties which have accrued prior to termination shall continue to subsist. **<u>Termination in the event of breach by the Vendors of any of the obligations pending completion</u>** If: (i) there is any breach or non-fulfilment by the Vendors of any of their obligations; or (ii) there is between the SPA date and the Completion Date, any material adverse change in the business, operations, assets, liabilities, position (financial, trading or otherwise) profits or prospects of CMESB or any event or circumstance that may result or likely to result in such a material adverse change,

		which in any such case is incapable of remedy or rectified or, if capable of remedy or rectified, is not remedied or rectified by the Vendors at any time until the completion date, then the Company shall be entitled to terminate the SPA whereupon the Deposit shall be refunded by the Vendors to the Company in full and upon the Company's receipt of the Deposit (excluding interest) in full, the SPA shall be null and void, save for any antecedent breaches and any rights and liabilities of the Parties which have accrued prior to termination shall continue to subsist. **<u>Termination in the event of breach by the Vendors of any of warranties</u>** If: (i) there is a breach of any of the warranties on or after the SPA date; or (ii) occurrence of any act or event which would result in a breach of any of the warranties as repeated on the Unconditional Date, on the Completion Date and on the Payment Due Date, which in any such case is incapable of remedy or rectified or, if capable of remedy or rectified, is not remedied or rectified by the Vendors by the Unconditional Date or the Completion Date, then the Company shall be entitled to elect by notice in writing to the Vendors not to complete the Proposed Acquisition, the SPA shall automatically terminate in which case the Vendors shall refund in full to the Company the Deposit (excluding interest) and all other monies paid (excluding interest) by the Company towards the Purchase Consideration and, save that the rights and liabilities of the Parties which have accrued prior to termination, clauses related to among others, protection of goodwill and confidential information shall continue to subsist. **<u>Termination in the event of default by the Company</u>** Provided that the Vendors are not in breach of any of their obligations under the SPA, in the event the Company fails to pay the Purchase Consideration in accordance with the terms and conditions of the SPA, the Vendors shall give the Company notice in writing to remedy such breach within 10 business days. In the event the Company fails to remedy such breach within such period, the Vendors shall be entitled to terminate the SPA and within 5 business days from such notice of termination: (i) the Vendors shall be entitled to forfeit the Deposit as agreed liquidated damages; (ii) if applicable, the Vendors shall refund to the Company in full and free from interest all other monies, if any, paid by the Company to the Vendors pursuant to the SPA; and (iii) the Company shall cause the Sale Shares or any part thereof being in the name of the Company and/ or its nominees at that material time to be re-transferred back to the Vendors at the Company's cost and expense including all stamp duty and penalty or fines, if any, payable on the transfer forms for the Sale Shares or any part thereof. Alternatively, the Vendors shall be entitled to pursue the remedy of specific performance of the SPA against the Company and to all reliefs following therefrom.

		<u>Termination in the event of default by the Vendors</u> In the event any of the Vendors breaches any of the terms, conditions, warranties and/or representations or undertakings contained under the SPA, the Company shall give the Vendors a notice in writing to rectify or remedy such breach within 10 business days and in the event of the Vendors fails to rectify or remedy such breach within such period, the Company shall be entitled to terminate the SPA by notice in writing to the Vendors whereupon within 5 business days from such notice of termination: (i) the Vendors shall refund in full to the Company all monies paid (excluding interest) by the Company to the Vendors towards payment of the Purchase Consideration, including the Deposit; (ii) the Vendors shall pay a sum equivalent to the Deposit to the Company as agreed liquidated damages; and (iii) upon the Company's full receipt of the Vendors' refund of all monies paid and the Company's full receipt of the agreed liquidated damages, the Company shall cause the Sale Shares or any part thereof being in the name of the Company at that material time to revert to the Vendors at the Vendors' cost and expense, including all stamp duty and penalty or fines, if any, payable on the transfer forms for the Sale Shares or any part thereof. Upon performance of the obligations as set out above, the SPA shall be terminated and be of no further effect and neither party shall have any right or claim against the other save in respect of any antecedent breach and the surviving clauses of the SPA. **<u>Termination in the event of failure to transfer the sale shares</u>** In the event at any time during the SPA the transfer of any of the Sale Shares is not or cannot be registered in favour of the Company for any reason whatsoever not occasioned by any act default omission or blameworthy conduct of the Vendors and the Company, the Parties shall within 1 month or such other period mutually agreed in writing between the Parties, carry out all necessary acts to register the Company as the holder and owner of such Sale Shares on the Register of Members, failing which, the Company shall be entitled to terminate the SPA by issuing notice in writing to the Vendors whereupon within 5 business days from such notice of termination the Vendors shall refund to the Company all monies paid (excluding interest) by the Company to the Vendors towards payment of the Purchase Consideration. Thereafter, the SPA shall be terminated and cease to have any effect and neither party shall have any further rights or claims of whatsoever nature against the other save and except for any antecedent breaches of the SPA and the surviving clauses of the SPA.
7.	**Governing law**	Laws of Malaysia

1. Background information on CMESB

CMESB was incorporated in Malaysia under the Companies Act, 1965 (deemed registered under the Act) on 9 September 1999 as a private limited company in the name of Cabnet Electrical Engineering Sdn Bhd[1] and assumed its present name on 13 November 2014. CMESB's registered office is located at No. 2-01, Jalan Bestari 6/2, Taman Nusa Bestari, 79150, Iskandar Puteri, Johor.

At the point of its founding in 1999, co-founders Murugesu A/L Vindasamy, Tay Hong Sing[2], Tan Boon Siang[3] and Lee Kok Hui were appointed as the directors of CMESB. Under Murugesu A/L Vindasamy's leadership, CMESB commenced business operations on 9 September 1999, offering electrical engineering and mechanical engineering services and primarily operated in the state of Johor. Over time, CMESB further expanded its regional presence by way of securing electrical engineering and mechanical engineering service contracts in Pahang, Kedah and Penang.

Presently, CMESB primarily undertakes the design and build of electrical engineering and mechanical engineering systems for new and existing property developments in Johor as well as renovation and upgrade/ enhancement works for existing buildings.

Notes:

(1) Prior to September 2015, CMESB and Cabnet had common shareholders and directors (namely Tay Hong Sing and Tan Boon Siang). The said common shareholders and directors had in year 2015 disposed their shareholdings in CMESB to focus on the business of Cabnet Group.

(2) Tay Hong Sing is the Chief Executive Officer/ Executive Director of the Company and as at the LPD, is a substantial shareholder of the Company.

(3) Tan Boon Siang was previously the Deputy Chief Executive Officer/ an Executive Director of the Company. He retired from the said positions on 26 June 2020. As at the LPD, he is a substantial shareholder of the Company.

CMESB provides its engineering services for high-rise residential building, commercial and industrial buildings. For the past 3 financial years (i.e., from FYE 31 August 2018 to FYE 31 August 2020) and up to the LPD, CMESB has completed 12 projects totaling approximately RM81 million in value and most of the contracts are undertaken in Johor. CMESB's completed projects and on-going projects are set out in **Section 1.2.1** of this Appendix.

1.1 Principal activities

CMESB is principally involved in the provision of electrical engineering, mechanical engineering and other engineering services. The services provided by CMESB are categorised as follows:

CMESB's principal activities

Provision of electrical engineering services	**Provision of mechanical engineering services**	**Provision of other engineering services**
Design, installation, testing and commissioning of LV and MV systems. In selected instances, customers may also award the installation, testing and commissioning of ELV systems to CMESB as part of their electrical engineering contracts.	Installation, testing and commissioning of ACMV systems, fire protection systems, process cooling systems and compressed piping systems.	Structured cabling works such as fibre to the home systems ("**FTTH**") and telecommunication systems as part of their electrical engineering contracts to complement its electrical engineering services.

CMESB's electrical and mechanical engineering services involve projects in the public and private sectors. CMESB's customers are primarily main contractors of property developers. CMESB's customers also include industrial customers, such as manufacturers or the appointed main contractors of these manufacturers, that engage CMESB for the provision of electrical and mechanical engineering services at industrial premises.

CMESB is typically a nominated electrical and mechanical engineering services subcontractor in the public and private sector projects that it participates, building on its track record of delivering electrical and mechanical engineering services. A nominated electrical and mechanical engineering services subcontractor is a contractor that has been selected by property developers and / or project owners to undertake electrical and mechanical engineering services, upon which their appointment for the project is executed by the main contractor.

CMESB undertakes the provision of electrical and mechanical engineering services for new property development projects as well as renovation and upgrade/ enhancement works for existing buildings. CMESB's portfolio of projects encompass various property segments, namely high-rise residential, commercial and industrial buildings.

As at 30 June 2021, CMESB has an order book of RM34.24 million.

For information purposes, CMESB does not engage in any research and development activities. As such, CMESB did not incur any expenditure or capitalise any development cost that was specific to research and development for the past 3 financial years.

1.2 Principal revenue and customer segment

The segmental revenue of CMESB is set out as follows:

	FYE 31 August					
	2018		**2019**		**2020**	
Business segments	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Electrical engineering services	25,821	88.20	37,413	87.53	19,917	92.24
Mechanical engineering services	1,821	6.22	4,827	11.29	1,554	7.20
Other engineering services	1,635	5.58	503	1.18	121	0.56
Total sales revenue	**29,277**	**100.00**	**42,743**	**100.00**	**21,592**	**100.00**

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1.2.1 Completed projects and on-going projects

CMESB has completed the following electrical, mechanical and other engineering services in the past 3 financial years up to 30 June 2021:

Project	Project owner/ Customer	Electrical engineering (RM' million)	Mechanical engineering (RM' million)	Other engineering services (RM' million)	Property segment	Contract duration		Total contract value (RM' million)
						Date of award[(1)]	Completion date	
ELV, LV systems and telecommunication systems for SKS Pavillion Residences, Johor	Sin Sin Construction Sdn Bhd	12.31	-	0.79	High-rise residential	June 2015	February 2019[(2)]	13.10
LV and MV systems for The Elysia Park Residences, Johor	Kerjaya Prospek (M) Sdn Bhd	16.00	-	-	High-rise residential	May 2017	November 2019[(2)]	16.00
ELV, LV systems, ACMV systems and telecommunication systems for Eco Santuary - The Parque Residence, Selangor	Kerjaya Prospek (M) Sdn Bhd	13.89	1.98	1.13	High-rise residential	August 2016	December 2018[(2)]	17.00
LV systems and ACMV systems for warehouse located in Hicom Industrial Park, Pegoh, Melaka	Shimizu Corporation	1.07	0.23	-	Industrial	August 2017	March 2018[(3)]	1.30
LV systems for factory block located in Lot 901, Mukim Jeram Batu, Pontian, Johor	Qualicon Construction Sdn Bhd	1.89	-	-	Industrial	August 2018	May 2019[(2)]	1.89
LV systems for factory block located in Lot 900, Mukim Jeram Batu, Pontian, Johor	Qualicon Construction Sdn Bhd	2.20	-	-	Industrial	February 2019	February 2020[(2)]	2.20
LV systems, ACMV systems and telecommunication systems for Eco Business Park II, Johor	Siacon Technology Sdn Bhd	1.51	0.19	0.08	Industrial	September 2017	June 2019[(2)]	1.78
LV systems, ACMV systems and telecommunication systems for Eco Business Park II, Johor	Pamir Development Sdn Bhd	4.11	0.44	0.22	Industrial	December 2017	September 2019[(2)]	4.77

INFORMATION ON CMESB *(Cont'd)*

Project	Project owner/ Customer	Electrical engineering (RM' million)	Mechanical engineering (RM' million)	Other engineering services (RM' million)	Property segment	Contract duration		Total contract value (RM' million)
						Date of award[(1)]	Completion date	
ELV, LV and MV systems, ACMV systems and telecommunication systems for factory block and warehouse located in Kawasan Perindustrian Pasir Gudang, Johor	SJ Holdings Sdn Bhd	2.35	5.11	0.04	Industrial	March 2019	October 2020[(2)]	7.50
ELV, LV systems and telecommunication systems for Kolej Universiti Tunku Abdul Rahman Kampus Cawangan Johor, Segamat, Johor	Basics Construction Sdn Bhd	2.17	-	0.01	Commercial	February 2017	December 2017[(2)]	2.18
LV and MV systems for factory block located in Kawasan Perindustrian Senai IV, Kulai, Johor	Toyoplas Manufacturing Sdn Bhd	2.85	-	-	Industrial	October 2018	March 2021[(4)]	2.60
LV and MV systems for Menara Majlis Bandaraya Johor Bahru, Johor	Kimlun Sdn Bhd	10.35	-	-	Commercial	March 2018	December 2019[(2)]	10.35

Notes:

(1) Based on the date of the letter of award or purchase order of the respective project.

(2) The date on which the project is handed over to the customer based on the issuance of certificate of practical completion.

(3) The date on which the project is handed over to the customer based on the issuance of final account statement. There is no issuance of certificate of practical completion.

(4) The date on which the project is handed over to the customer based on the invoices of the respective project. There is no issuance of certificate of practical completion.

INFORMATION ON CMESB *(Cont'd)*

The following table sets forth CMESB's on-going projects:

Project	Project owner/ Customer	Electrical engineering (RM' million)	Mechanical engineering (RM' million)	Other engineering services (RM' million)	Property segment	Contract duration		Total contract value (RM' million)	Order book balance as at 30 June 2021 (RM' million)
						Date of award[1]	Estimated completion date		
ELV, LV systems and telecommunication systems for D'Lagoon Apartment, Johor	Kimlun Sdn Bhd	3.72	-	0.43	High-rise residential	August 2017	June 2021	4.15	1.43
ELV, LV systems and telecommunication systems for Eco Sanctuary – Somerset II, Selangor	Jasmurni Construction Sdn Bhd	4.63	-	0.20	Commercial	June 2017	May 2021[2]	4.83	0.07
ELV, LV and MV systems and telecommunication systems for Eco Botanic – Eco Galleria, Johor	Tay Hup Brothers Construction Sdn Bhd	21.49	-	1.01	Commercial	February 2018	July 2021	22.50	5.86
LV, MV systems and ACMV systems for Eco Business Park II, Johor	Kalsari Jaya Sdn Bhd	2.06	0.22	-	Industrial	July 2019	July 2021	2.28	0.40
LV, MV systems and telecommunication systems for Space Residency & Novotel Hotel, Johor	Giant Leap Construction Sdn Bhd	21.46	-	0.34	High-rise residential and Commercial	June 2020	November 2022	21.80	19.84
ELV, LV systems and FTTH systems for Amber Heights Apartment @ Bandar Seri Alam, Johor	Pamir Development Sdn Bhd	2.68	-	0.16	High-rise residential	August 2020	June 2022	2.84	2.16

INFORMATION ON CMESB *(Cont'd)*

Project	Project owner/ Customer	Electrical engineering (RM' million)	Mechanical engineering (RM' million)	Other engineering services (RM' million)	Property segment	Contract duration		Total contract value (RM' million)	Order book balance as at 30 June 2021 (RM' million)
						Date of award[(1)]	Estimated completion date		
LV systems for upgrading of existing factory located in Kulim, Kedah	Kinetics Systems Malaysia Sdn Bhd and Cabnet Systems (M) Sdn Bhd	16.00	-	-	Industrial	November 2020	August 2021	16.00	3.10
LV and MV systems for a company's dormitory located in Kawasan Perindustrian Tampoi Jaya Johor Bahru, Johor	CBE Tech Sdn Bhd	1.44	-	-	Industrial	October 2019	August 2021	1.44	0.48
LV systems and ACMV systems for warehouse located in Kawasan Perindustrian Pasir Gudang, Johor	SJ Holdings Sdn Bhd	0.70	0.72	0.03	Industrial	June 2020	August 2021	1.45	0.15
LV, MV systems, telecommunication systems and ACMV systems for factory block located in Kulai, Johor	Sin Sin Construction Sdn Bhd	0.94	0.03	0.04	Industrial	February 2021	August 2021	1.01	0.75
Total								**78.30**	**34.24**

Notes:

(1) Based on the date of the letter of award or purchase order of the respective project.

(2) CMESB has completed the installation of ELV, LV systems and telecommunication systems. As at the LPD, it is pending issuance of final account statement and certificate of practical completion from the customer.

1.3 Principal markets

CMESB's principal market is in Malaysia which contributed 100% to CMESB's total revenue for the FYE 31 August 2018 to FYE 31 August 2020.

1.4 Types and sources of equipment, components and parts

CMESB's purchases comprise equipment and components* as well as parts^ for the provision of electrical engineering, mechanical engineering and other engineering services. These equipment, components and parts are sourced from local suppliers and are generally widely available.

Notes:

* *Equipment and components comprise fully assembled or sub-assembled parts, pieces, hardware and systems that are intended to be included as a finished or packaged item and includes items such as switchgears, stepdown transformers, switch boards, busducts, power cables, standby generators, cable support systems, light fittings, earthing systems, chillers, cooling towers, pumps, water storage tanks, extractions fans, air conditioning units and valves.*

^ *Parts comprise small items used to produce components and equipment, and include items such as faceplates, cable containments, fire alarms, sensors and detectors, air filters and fan filter units.*

1.5 Principal place of business

As at the LPD, CMESB's principal place of business is located at the following premise:

Description	Purposes	Build-up area (square feet)
Setia Business Park 2, No. 23 Jalan Perniagaan Setia 3, Taman Perniagaan Setia, 81100 Johor Bahru, Malaysia	Office	7,096

1.6 Types of real estate properties owned

For information purpose, CMESB does not own any factories. The real estate owned by CMESB are as follows:

Address	Description	Size (square feet)	Tenure
23, Jalan Perniagaan Setia 3, Taman Perniagaan Setia, 81100 Johor Bahru	Office cum warehouse	Land area 7,800 Floor area 7,096	Freehold
A22-01, Pangsapuri Seri Kencana Setia, Jalan Storey, Bukit Senyum, 80300 Johor Bahru	Apartment	Floor area 1,049	Freehold
#11-10, Bayu Marina, Jalan Bayu Puteri 2/1, Taman Bayu Puteri, 80150 Johor Bahru	Apartment	Floor area 841	Leasehold for 99 years ending on 27 December 2105

Address	Description	Size (square feet)	Tenure
A-PH-12, Pangsapuri Casa Subang, Jalan Subang 1, USJ 1, 47600 Subang Jaya, Selangor	Apartment	Floor area 1,555	Freehold
B-19-05, Pangsapuri Aman Larkin, Jalan Larkin, 80350 Johor Bahru	Apartment	Floor area 1,195	Leasehold for 99 years ending on 17 October 2109

2. SHARE CAPITAL

As at the LPD, CMESB has an issued share capital of RM800,000 comprising 800,000 ordinary shares.

3. DIRECTORS' AND SHAREHOLDERS' SHAREHOLDINGS

The details of the Directors, shareholders and their respective shareholdings in CMESB as at the LPD are as follows:

		Direct		Indirect	
Name/ nationality	Designation	No. of shares	%	No. of shares	%
Murugesu A/L Vindasamy (Malaysian)	Shareholder, director and Project Director	384,000	48.00	-	-
Tan Tian Yee (Malaysian)	Shareholder and director	208,000	26.00	-	-
Kong Tze Senn (Malaysian)	Shareholder	208,000	26.00	-	-

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

4.1 Material commitments

As at the LPD, there are no material commitments incurred or known to be incurred by CMESB that have not been provided for, which upon becoming due or enforceable, may have a material adverse effect on CMESB's financial position or financial performance.

4.2 Contingent liabilities

Save as disclosed below, as at the LPD, there are no contingent liabilities incurred or known to be incurred by CMESB that have not been provided for, which upon becoming due or enforceable, may have a material adverse effect on CMESB's financial position or financial performance:

Contingent liabilities	RM'000
Guarantees given to third parties in relation to contracts and trade performance	1,346

Note:

* *The guarantees are tender bonds (on submission of tender) and performance bond (upon award of contracts). As at the LPD, the Group has not experienced any enforcement of guarantees arising from non-performance of projects.*

5. MATERIAL CONTRACTS

CMESB has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD except for the following:

(i) By way of an Agreement dated 4 September 2020, made amongst Kimlun Sdn Bhd ("**KSB**"), CMESB, Cabnet Systems and ITWin Technology Sdn Bhd, it was agreed that KSB, by virtue of KSB being the main contractor for Dynasty View Sdn Bhd ("**DVSB**") and Seri Alam Properties Sdn Bhd with regards to DVSB's development at Taman Seri Austin (Phase 1F) on all that land held under PTD 140684, in the Mukim of Tebrau, District of Johor Bahru and State of Johor ("**Project**"), shall pay and settle all sums due and owing to CMESB by allocating one of the five real estate properties KSB obtained from DVSB, that is, a double storey semi detached house erected on the land held under HS(D) 547905 PTD 180871 in the Mukim of Tebrau, District of Johor Bahru and State of Johor and known as 10, Jalan Seri Austin 5/9, Taman Seri Austin, 81100 Johor Bahru, Johor, to set off all sums due and owing by DVSB to KSB and shall further pay and settle all sums due and owing to Cabnet Systems by allocating another of the said five real estate properties that KSB obtained from DVSB, that is, a four-storey shop office erected on the land held under HS(D) 365740 PTD 175560 in the Mukim of Plentong, District of Johor Bahru and State of Johor and known as 7,7A, 7B and 7C, Jalan Lembah 17, Bandar Seri Alam, 81750 Masai, Johor, on and subject to the terms and conditions contained therein. It is a term that CMESB shall assign the right to receive a sum of RM203,237.74 to Cabnet Systems and that Cabnet Systems shall assign the right to receive the real estate property from KSB to ITWin Technology Sdn Bhd.

6. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, CMESB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors of CMESB are not aware of any proceedings pending or threatened against CMESB or any facts likely to give rise to any proceedings, which may materially and/ or adversely affect the financial position or business of CMESB.

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7. SUMMARY OF HISTORICAL FINANCIAL RESULTS OF CMESB

A summary of CMESB's financial information based on its audited financial statements for the FYE 31 August 2018 to FYE 31 August 2020 is as follows:

	Audited FYE 31 August		
	2018* RM'000	**2019* RM'000**	**2020* RM'000**
Revenue	29,277	42,743	21,592
Gross profit	2,912	3,336	3,690
(Loss)/ Profit before tax ("**LBT/ PBT**")	(338)	2,474	1,869
(LAT)/ PAT	(653)	2,131	1,302
Share capital	800	800	800
Shareholders' funds /NA	3,591	5,222	5,924
Total borrowings^	3,297	2,522	1,795
Current assets	16,171	15,661	15,506
Current liabilities	16,758	14,697	12,664
Number of shares (unit)	800,000	800,000	800,000
(LPS)/ EPS (RM)	(0.82)	2.66	1.63
NA per share (RM)	4.49	6.53	7.41
Gross profit margin (%)	9.95	7.81	17.09
(LBT)/ PBT margin (%)(1)	(1.15)	5.79	8.66
(LAT)/ PAT margin (%)(2)	(2.23)	4.99	6.03
Gearing ratio (times) (3)	0.92	0.48	0.30
Current ratio (times)(4)	0.97	1.07	1.22

Notes:

* *CMESB's financial statements for the FYE 31 August 2020 was prepared in accordance with applicable approved Malaysian Financial Reporting Standards ("**MFRSs**") issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and the requirements of the Act in Malaysia.*

CMESB's financial statements for the FYE 31 August 2020 was its first financial statements prepared in accordance with MFRSs and MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards has been applied.

CMESB's financial statements for the FYE 31 August 2018 and FYE 31 August 2019 were prepared in accordance with Malaysian Private Entities Reporting Standard (MPERS). The transition to MFRSs does not have any significant financial impact to the financial statements of CMESB.

^ *Comprised hire purchase, loans and borrowings.*

(1) Computed based on (LBT)/ PBT over revenue.

(2) Computed based on (LAT)/ PAT over revenue.

(3) Computed based on total borrowings over NA of CMESB.

(4) Computed based on total current assets over total current liabilities.

There was no audit qualification on the audited financial statements of CMESB for the past 3 financial years from FYE 31 August 2018 to FYE 31 August 2020. The adoption of new or amended accounting policies did not have any significant effect on the financial performance or position of CMESB for the 3 financial years from FYE 31 August 2018 to FYE 31 August 2020.

For the past 3 financial years from FYE 31 August 2018 to FYE 31 August 2020, CMESB has not adopted any accounting policy which is peculiar to CMESB due to the nature of its business or the industry in which it is involved in.

Commentaries:

(i) FYE 31 August 2018 compared to FYE 31 August 2017

CMESB's revenue increased by RM7.97 million or 37.41% from RM21.31 million for the FYE 31 August 2017 to RM29.28 million for the FYE 31 August 2018 mainly due to the progression of its on-going projects during FYE 31 August 2018. Among others, CMESB undertook the following projects:

(a) supply, delivery, installation, testing and commissioning of the internal electrical, extra low voltage and telephone system work for a condominium located at Johor. This project contributed revenue of approximately RM4.57 million for FYE 31 August 2018;

(b) supply, delivery, installation, testing and commissioning of electrical & telephone, extra low voltage, air conditioning and mechanical ventilation services works for Eco Sanctuary located at Selangor. This project contributed revenue of approximately RM9.87 million for FYE 31 August 2018; and

(c) supply, delivery and installation of electrical systems for The Elysia Park Residences located at Johor. This project contributed revenue of approximately RM4.42 million for FYE 31 August 2018.

Despite higher revenue, CMESB posted a LAT of RM0.65 million for the FYE 31 August 2018 as compared to a PAT of RM1.64 million for the FYE 31 August 2017. The LAT of RM0.65 million for the FYE 31 August 2018 was mainly due to higher administrative expenses. In FYE 31 August 2018, CMESB recorded high administrative expenses mainly due to provision of future loss of RM1.35 million arising from certain projects with estimations of budgeted losses. Subsequently in FYE 31 August 2019, there was a reversal of future loss of RM1.34 million as certain projects had increased profitability with estimations of budgeted profits instead.

(ii) FYE 31 August 2019 compared to FYE 31 August 2018

CMESB's revenue increased by RM13.47 million or 46.00% from RM29.28 million for the FYE 31 August 2018 to RM42.74 million for the FYE 31 August 2019 mainly due to higher number of and revenue from on-going projects during FYE 31 August 2019 where CMESB had 10 (FYE 31 August 2018: 9) on-going projects. The higher revenue was mainly attributable to, among others, the following on-going projects:

(a) 2 projects secured on 23 August 2018 and 15 February 2019 with contract sums of RM1.89 million and RM2.20 million respectively for the supply, delivery, installation, testing, commissioning and maintenance of electrical and associated installation works for factory blocks located in Pontian, Johor. These 2 projects contributed revenue of approximately RM3.79 million for FYE 31 August 2019;

(b) a project secured on 13 March 2019 with contract sum of RM7.50 million to provide mechanical, electrical and associated engineering services for a factory block and a warehouse located in Kawasan Perindustrian Pasir Gudang, Johor. This project contributed revenue of approximately RM6.28 million for FYE 31 August 2019;

(c) a project secured in prior financial year i.e., FYE 31 August 2017 with contract sum of RM16.00 million for the supply, delivery and installation of electrical systems for The Elysia Park Residences located at Johor achieved significant progress and contributed revenue of approximately RM10.40 million for FYE 31 August 2019; and

(d) a project secured on 20 March 2018 with contract sum of RM10.35 million for the supply, delivery and installation of LV and MV systems for Menara Majlis Bandaraya located at Johor which achieved significant progress and contributed revenue of approximately RM6.98 million for FYE 31 August 2019.

CMESB posted a LAT of RM0.65 million for the FYE 31 August 2018 as compared to a PAT of RM2.13 million for the FYE 31 August 2019. The LAT of RM0.65 million for the FYE 31 August 2018 was mainly due to significantly higher administrative expenses. In FYE 31 August 2018 CMESB recorded high administrative expenses of RM3.11 million of which RM1.35 million was due to provision of future loss arising from certain projects with estimations of budgeted losses. Subsequently in FYE 31 August 2019, there was a reversal of future loss as certain projects had increased profitability with estimations of budgeted profits instead.

CMESB's posted a PAT of RM2.13 million for the FYE 31 August 2019 mainly due to higher revenue and reversal of the provision of future loss for the FYE 31 August 2019, which was partially offset by:

(a) higher depreciation expense of RM0.55 million (FYE 31 August 2018: RM0.46 million) as CMESB purchased an additional motor vehicle in FYE 31 August 2019; and

(b) provision for doubtful debts of RM0.15 million in the FYE 31 August 2019 (FYE 31 August 2018: nil).

(iii) FYE 31 August 2020 compared to FYE 31 August 2019

CMESB's revenue decreased by RM21.15 million or 49.48% from RM42.74 million for the FYE 31 August 2019 to RM21.59 million for the FYE 31 August 2020 mainly due to delays in progress of certain projects as certain projects sites were forced to shut down temporarily from March 2020 to June 2020 to adhere to the MCO imposed by the Government of Malaysia to curb the spread of COVID-19 pandemic. CMESB secured 4 new projects during the FYE 31 August 2020 with total contract sums of RM27.53 million, out of which only RM2.47 million of revenue was recognised in the FYE 31 August 2020 as the projects' progress were disrupted by the various MCOs and impeded by standard operating procedures imposed by the Government. Such impediments included having to apply and obtain the Ministry of International Trade and Industry's ("**MITI**") approval for resumption of works during the MCO and only 50% of CMESB's workforce was allowed to enter the site.

Despite the lower revenue for FYE 31 August 2020, CMESB recorded a gross profit of RM3.69 million (gross profit margin: 17.09%) as compared to a gross profit of RM3.33 million (gross profit margin: 7.81%) in FYE 31 August 2019. The higher gross profit and gross profit margin in FYE 31 August 2020 were mainly due to higher profitability from short-term electrical work that CMESB delivered in FYE 31 August 2020.

In addition, CMESB recorded lower other income of RM0.40 million in FYE 31 August 2020 (FYE 31 August 2019: RM1.49 million). Other income of FYE 31 August 2019 were mainly attributable to the reversal of provision of future loss of RM1.34 million, as mentioned above.

Due to the foregoing, CMESB's PAT decreased by RM0.83 million or 38.93% from RM2.13 million for FYE 31 August 2019 to RM1.30 million for the FYE 31 August 2020.

8. GROUP STRUCTURE OF CMESB

As at the LPD, CMESB does not have any subsidiary nor associated company.

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CEE M&E ENGINEERING SDN. BHD.
Registration No. 199901018616 (493516-P)
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
31 AUGUST 2020

Registration No.	199901018616 (493516-P)

CEE M&E ENGINEERING SDN. BHD.
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REPORT AND FINANCIAL STATEMENTS
31 AUGUST 2020

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CEE M&E ENGINEERING SDN. BHD.
Registration No. 199901018616 (493516-P)
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DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Company for the financial year ended 31 August 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business as an electrical contractor.

RESULTS

	RM
Profit for the financial year	1,301,660

In the opinion of the directors, the financial results 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 dividend on ordinary shares paid by the Company since the end of the previous financial year was as follow:

In respect of the financial year ended 31 August 2020:	RM
First interim single-tier dividend of RM0.25 per ordinary share, paid on 17 January 2020	200,000
Second interim single-tier dividend of RM0.50 per ordinary share, paid on 27 July 2020	400,000
	600,000

The directors do not recommend any final dividend in respect of the financial year ended 31 August 2020.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

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ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

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

Murugesu A/L Vindasamy
Tan Tian Yee

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 during the financial year ended 31 August 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 were as follows:

	Number of shares			
	At 1.9.2019	**Acquired**	**(Disposed)**	**At 31.8.2020**
Direct interest				
Murugesu A/L Vindasamy	384,000	-	-	384,000
Tan Tian Yee	208,000	-	-	208,000

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.

DIRECTORS' REMUNERATION

The directors' remuneration is disclosed in Note 17 to the financial statements.

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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 directors, officers or auditors of the Company.

AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in Note 17 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the financial statements 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 there were no known bad debts to be written off and 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 the write off of bad debts or render the amount of the provision for doubtful debts in the financial statements 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 Company misleading; or

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

(iv) not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in 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 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 Company which has arisen since the end of the financial year.

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OTHER STATUTORY INFORMATION (CONTINUED)

(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 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 Company for the current financial year.

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AUDITORS

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

Signed by the Board of Directors in accordance with a resolution of the directors.

MURUGESU A/L VINDASAMY

TAN TIAN YEE

23 FEB 2021

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STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2020

	Note	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	4,073,022	4,751,208	4,722,197
Current assets				
Trade and other receivables	7	13,287,830	13,911,542	13,172,087
Contract assets	8	-	73,080	-
Fixed deposits with licensed banks	9	1,190,532	850,629	822,629
Cash and bank balances		1,027,202	825,380	2,176,735
		15,505,564	15,660,631	16,171,451
TOTAL ASSETS		19,578,586	20,411,839	20,893,648

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CEE M&E ENGINEERING SDN. BHD.
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STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2020 (CONTINUED)

	Note	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
EQUITY AND LIABILITIES				
Share capital	10	800,000	800,000	800,000
Retained profits		5,124,081	4,422,421	2,791,034
		5,924,081	5,222,421	3,591,034
TOTAL EQUITY		5,924,081	5,222,421	3,591,034
LIABILITIES				
NON-CURRENT LIABILITIES				
Lease liabilities	11	188,916	445,055	366,258
Loans and borrowings	12	747,779	47,255	151,220
Deferred tax liabilities	13	54,259	-	27,287
		990,954	492,310	544,765
Current liabilities				
Trade and other payables	14	9,430,682	12,495,030	9,835,909
Contract liabilities	8	1,984,119	-	3,984,812
Lease liabilities	11	110,122	187,459	139,166
Loans and borrowings	12	792,293	1,842,046	2,640,648
Current tax liabilities		346,335	172,573	157,314
		12,663,551	14,697,108	16,757,849
TOTAL LIABILITIES		13,654,505	15,189,418	17,302,614
TOTAL EQUITY AND LIABILITIES		19,578,586	20,411,839	20,893,648

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

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CEE M&E ENGINEERING SDN. BHD.
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2020

	Note	2020 RM	2019 RM
REVENUE	15	21,591,774	42,743,201
COST OF SALES		(17,901,798)	(39,406,708)
GROSS PROFIT		3,689,976	3,336,493
OTHER INCOME		397,503	1,492,717
ADMINISTRATIVE EXPENSES		(2,133,117)	(2,166,359)
FINANCE COSTS	16	(85,443)	(188,395)
PROFIT BEFORE TAXATION	17	1,868,919	2,474,456
TAXATION	18	(567,259)	(343,069)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		1,301,660	2,131,387

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

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CEE M&E ENGINEERING SDN. BHD.
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2020

	Share capital RM	Retained profits RM	Total RM
Balance as at 1.9.2019	800,000	2,791,034	3,591,034
Total comprehensive income for the financial year	-	2,131,387	2,131,387
Dividends to equity holders of the Company (Note 21)	-	(500,000)	(500,000)
Balance as at 31.8.2019/1.9.2019	800,000	4,422,421	5,222,421
Total comprehensive income for the financial year	-	1,301,660	1,301,660
Dividends to equity holders of the Company (Note 21)	-	(600,000)	(600,000)
Balance as at 31.8.2020	800,000	5,124,081	5,924,081

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

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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2020

	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,868,919	2,474,456
Adjustments for:		
Depreciation of property, plant and equipment	200,783	272,216
Depreciation of right-of-use asset	224,722	281,635
Future loss on contract	388,952	-
Gain on disposal of property, plant and equipment	(221,151)	(16,220)
Gain on disposal of right-of-use assets	(41,700)	(87,500)
Property, plant and equipment written off	-	17,405
Reversal of future loss on contract	-	(1,338,025)
Loss allowance on trade receivables	-	146,261
Interest income	(19,902)	(28,000)
Interest expenses	55,467	132,122
Interest on lease liabilities	29,977	31,281
Operating profit before working capital changes	2,486,067	1,885,631
Decrease/(Increase) in contract assets	1,668,247	(2,719,867)
Decrease/(Increase) in trade and other receivables	623,712	(885,716)
(Decrease)/Increase in trade and other payables	(3,064,348)	2,659,121
Cash generated from operations	1,713,678	939,169
Interest paid	(85,444)	(163,403)
Tax paid	(339,238)	(355,097)
Net cash generated from operating activities	1,288,996	420,669

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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2020 (CONTINUED)

	2020	2019
	RM	RM
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Interest received	19,902	28,000
Placement of fixed deposits	(339,903)	(28,000)
Proceeds from disposal of plant and equipment	354,000	21,500
Proceeds from disposal of right of use assets	239,700	87,500
Purchase of property, plant and equipment	(33,988)	(127,227)
Purchase of right-of-use assets	-	(143,320)
Net cash generated from/(used in) investing activities	239,711	(161,547)
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown of term loans	800,000	-
Repayment of term loans	(88,012)	(166,747)
Drawdown of banker's acceptance	2,826,000	5,003,000
Repayment of banker's acceptance	(3,940,000)	(4,967,000)
Repayment of lease liabilities	(377,656)	(207,910)
Dividends paid (Note 21)	(600,000)	(500,000)
Net cash used in financing activities	(1,379,668)	(838,657)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	149,039	(579,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	597,204	1,176,739
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR [Note 22 (b)]	746,243	597,204

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

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CEE M&E ENGINEERING SDN. BHD.
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NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2020

1. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of as an electrical contractor.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of 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.

This is the Company's first financial statements prepared in accordance with MFRSs and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Company was prepared in accordance with *Malaysian Private Entities Reporting Standard.* The transition to MFRSs does not have any significant financial impact to the financial statement of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

The financial statements 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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 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.

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:

Freehold land is not depreciated.

Factory building	5%
Freehold apartments	5%
Furniture, equipment and signboard	10 – 40%
Forklift	10%
Motor vehicles	20%
Renovation	10%

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Leases

The Company has applied MFRS 16 *Leases* using the full retrospective approach, under which the cumulative effect of initial application is recognised as adjustment at 1 September 2018.

(a) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Leases (continued)

(b) Recognition and initial measurement

1. As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The depreciation period for the current and comparative periods are as follows:

Leasehold buildings	5% - 50%
Motor vehicle	20%

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Company entities' incremental borrowing rate. Generally, the Company entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Leases (continued)

(b) Recognition and initial measurement (continued)

1. As a lessee (continued)

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit of loss in the period in which the performance or use occurs.

The Company has elected not the recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents the right-of-use assets in 'property, plant and equipment' in the statement of financial position.

2. As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Company applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

(c) Subsequent measurement

I. As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Leases (continued)

(c) Subsequent measurement (continued)

1. As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-is-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. As a lessor

The Company recognises lease payments received under operating leases as income on straight-line basis over the lease term as part of "revenue".

3.4 Impairment of non-financial assets

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments

(a) Initial recognition and measurement

The Company recognises a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Company becomes 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 Company assesses 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 Company becomes 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 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.

(b) Derecognition of financial instruments

For derecognition purposes, the Company first determines 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 Company transfers the contractual rights to receive cash flows of the financial asset, including circumstances when 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(b) Derecognition of financial instruments (continued)

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 Company considers 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.

(c) Financial assets

For the purpose of subsequent measurement, 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 Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Company measures financial assets, as follow:

(i) Financial assets at AC

A financial asset is measured at amortised cost if: (a) it is held within 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(c) Financial assets (continued)

(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 3.5(e). At the reporting date, the Company does not has financial asset at FVOCI and financial asset at FVTPL.

(d) Financial liabilities

After initial recognition, 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 contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of: (a) the amount of the loss allowance; 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.

(e) 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 3.13.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(f) 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, 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.

(g) Impairment of financial assets

The Company applies 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 Company assesses 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 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(g) Impairment of financial assets (continued)

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.

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.

3.6 Contract assets/ contract liabilities

A contract asset is recognised when the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9 Financial Instruments (see Note 3.5(g)).

A contract liability is stated at cost and represents the obligation of the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

3.7 Equity

(a) 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 Company, is classified as equity instruments.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Equity (continued)

(a) Share capital (continued)

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.

(b) Dividend distribution

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 Company measure the dividend payable at the fair value of the assets to be distributed.

3.8 Provisions

Where, at reporting date, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that 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.

Any reimbursement attributable to a recognised provision from a counter-party (such as an insurer) is not off-set against the provision but recognised separately as an asset when, and only when, the reimbursement is virtually certain.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Employees benefits

(a) Short-term benefit

Wages, salaries, bonuses and social security ("SOCSO") contributions and employment insurance system ("EIS") contributions are recognised as an expense in the year in which the associated services are rendered by employees of 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.

(b) 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 Company has no further payment obligations.

3.10 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 Company 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 Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Revenue and other income (continued)

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.

(a) 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 Company's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Company to the customer (e.g. surveys or appraisals of performance completed to date); or
- the Company's efforts 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).

Contract assets and contract liabilities

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Revenue and other income (continued)

(b) 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, which is at the point in time when the significant risks and rewards are transferred 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.

(c) Interest income

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

(d) Rental income

Rental income is recognised on an accrual basis.

3.11 Borrowing costs

Interest on borrowings to finance the purchase and development of a self-constructed qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) is included in the cost of the asset until such time as the assets are substantially ready for use or sale. Such borrowing costs are capitalised net of any investment income earned on the temporary investment of funds that are surplus pending such expenditure.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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 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 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 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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 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 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 Company at the end of the reporting period during which the change occurred.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments 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 includes bank overdrafts, which are shown within borrowings in current liabilities on the statements of financial position.

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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 September 2019:

- MFRS 16 *Leases*
- Amendments to MFRS 9 *Financial Instruments (2014) – Prepayment Features with Negative Compensation*
- Amendments to MFRS 119 *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3 *Business Combinations – Previously Held Interest in a Joint* Operation
  (Annual Improvements to MFRS Standards 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)

The adoption of the above-mentioned accounting standards, amendments and interpretations have no significant impact on the financial statements of the Company other than as disclosed in notes to the financial statements.

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 Company:

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*
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

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

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 Company (continued):

MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9 *Financial Instruments (2014)*, 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*

MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2022

- 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

MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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, amendments and interpretations will be adopted by the Company when they become effective from the annual period beginning on 1 September 2020 for those accounting standards, amendments, and interpretations that are effective for annual periods beginning on or after 1 January 2020.

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 Company.

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing its financial statements, the Company have 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 Company periodically monitor 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 Company'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.

5.1 Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operate. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

5.2 Revenue recognition for construction contracts

The Company recognises contract profit 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 Company'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 Company's revenue recognised. In making the judgement, the Company relied on past experience and work of specialists, if deemed necessary, circumstances of the projects and specific past experiences with the customers.

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

5.3 Transfer of control in construction contracts activities

For the purposes of revenue recognition, management uses its judgement to determine whether control of electrical works under construction is transferred to customers over time or at a point in time. The Company 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 Company considers that if the asset under construction has been assigned to a customer and the asset has no alternative use to the Company and the Company have 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.

5.4 Loss allowances of financial assets

The Company recognises impairment losses for trade receivables and contract assets under the expected credit loss model. Individually significant trade receivables and contract assets 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 Company's past experience of loss statistics, ageing of past due amounts, current economic trends, the impact of the coronavirus (COVID-19) pandemic and forward-looking information that is available. The actual eventual losses may be different from the allowance made and this may affect the Company's financial positions and results.

5.5 Income tax and deferred tax estimation

Management judgement is required in determining the provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate.

The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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 Company 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.

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

5.6 Depreciation of property, plant and equipment and right-of-use assets

The cost of an item of property, plant and equipment and right-of-use assets are 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 and right-of-use asset may differ from the estimates applied.

5.7 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 Company arise from obligations in relation to refunds, guarantees, onerous contracts, outstanding litigation and business restructuring.

The recognition and measurement of provisions require the Company 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.

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 Company arise from obligations in relation to refunds, guarantees, onerous contracts, outstanding litigation and business restructuring.

The recognition and measurement of provisions require the Company to makes 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.

Moreover, the Company'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.

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

5.8 Functional currency

The financial statements are prepared in the functional currency of the Company of Ringgit Malaysia, which is the currency of the primary economic environment in which the Company operates. Factors considered by management when determining the functional currency include the competitive forces and regulations affecting the sales price, the currency used to acquire raw materials, labour, services and supplies, and sources of financing. Based on the factors considered, the Company has determined that Ringgit Malaysia to be its functional currency.

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6. PROPERTY, PLANT AND EQUIPMENT

2020 **At cost**	Freehold land RM	Factory building RM	Freehold apartments RM	Leasehold buildings RM	Furniture, equipment and signboard RM	Forklift RM	Motor vehicles RM	Renovation RM	Total RM
Own use									
At 1.9.2019	467,994	1,160,906	1,762,770	-	551,255	23,000	106,626	377,630	4,450,181
Additions	-	-	235	-	30,003	-	-	3,750	33,988
Disposal	-	-	(334,897)	-	-	-	(69,647)	-	(404,544)
At 31.8.2020	467,994	1,160,906	1,428,108	-	581,258	23,000	36,979	381,380	4,079,625
Right-of-use									
At 1.9.2019	-	-	-	804,927	-	-	1,556,884	-	2,361,811
Addition	-	-	-	44,180	-	-	-	-	44,180
Disposal	-	-	-	-	-	-	(643,712)	-	(643,712)
At 31.8.2020	-	-	-	849,107	-	-	913,172	-	1,762,279

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2020 **Accumulated depreciation**	Freehold land	Factory building	Freehold apartments	Leasehold buildings	Furniture, equipment and signboard	Forklift	Motor vehicles	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Own use									
At 1.9.2019	-	116,090	347,726	-	317,539	2,300	106,624	159,485	1,049,764
Charge for the financial year	-	23,218	74,872	-	62,255	2,300	-	38,138	200,783
Disposal	-	-	(202,048)	-	-	-	(69,647)	-	(271,695)
At 31.8.2020	-	139,308	220,550	-	379,794	4,600	36,977	197,623	978,852
Right-of-use									
At 1.9.2019	-	-	-	235,624	-	-	775,396	-	1,011,020
Charge for the financial year	-	-	-	42,087	-	-	182,635	-	224,722
Disposal	-	-	-	-	-	-	(445,712)	-	(445,712)
At 31.8.2020	-	-	-	277,711	-	-	512,319	-	790,030

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2019 **At cost**	Freehold land RM	Factory building RM	Freehold apartments RM	Leasehold buildings RM	Furniture, equipment and signboard RM	Forklift RM	Motor vehicles RM	Renovation RM	Total RM
Own use									
At 1.9.2018, as previously reported	467,994	1,160,906	1,741,237	804,927	529,000	-	1,578,916	352,516	6,635,496
Adjustments on initial application of MFRS 16	-	-	-	(804,927)	-	-	(1,367,462)	-	(2,172,389)
At 1.9.2018	467,994	1,160,906	1,741,237	-	529,000	-	211,454	352,516	4,463,107
Additions	-	-	21,533	-	57,580	23,000	-	25,114	127,227
Disposal	-	-	-	-	(6,600)	-	(104,828)	-	(111,428)
Written off	-	-	-	-	(28,725)	-	-	-	(28,725)
At 31.8.2019	467,994	1,160,906	1,762,770	-	551,255	23,000	106,626	377,630	4,450,181
Right-of-use									
At 1.9.2018, as previously reported	-	-	-	-	-	-	-	-	-
Adjustments on initial application of MFRS 16	-	-	-	804,927	-	-	1,367,462	-	2,172,389
At 1.9.2018	-	-	-	804,927	-	-	1,367,462	-	2,172,389
Additions	-	-	-	-	-	-	478,320	-	478,320
Disposals	-	-	-	-	-	-	(288,898)	-	(288,898)
At 31.8.2019	-	-	-	804,927	-	-	1,556,884	-	2,361,811

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2019 (continued) Accumulated depreciation	Freehold land RM	Factory building RM	Freehold apartments RM	Leasehold buildings RM	Furniture, equipment and signboard RM	Forklift RM	Motor vehicles RM	Renovation RM	Total RM
Own use									
At 1.9.2018, as previously reported	-	92,872	256,251	-	267,089	-	979,987	121,722	1,717,921
Adjustments on initial application of MFRS 16	-	-	-	-	-	-	(782,659)	-	(782,659)
At 1.9.2018	-	92,872	256,251	-	267,089	-	197,328	121,722	935,262
Charge for the financial year	-	23,218	91,475	-	63,090	2,300	14,124	37,763	231,970
Disposal	-	-	-	-	(1,320)	-	(104,828)	-	(106,148)
Written off	-	-	-	-	(11,320)	-	-	-	(11,320)
At 31.8.2019	-	116,090	347,726	-	317,539	2,300	106,624	159,485	1,049,764

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2019 (continued) **Accumulated** **depreciation**	Freehold land RM	Factory building RM	Freehold apartments RM	Leasehold buildings RM	Furniture, equipment and signboard RM	Forklift RM	Motor vehicles RM	Renovation RM	Total RM
Right-of-use									
At 1.9.2018, as previously reported	-	-	-	-	-	-	-	-	-
Adjustments on initial application of MFRS 16	-	-	-	195,378	-	-	782,659	-	978,037
At 1.9.2018	-	-	-	195,378	-	-	782,659	-	978,037
Charge for the financial year	-	-	-	40,246	-	-	281,635	-	321,881
Disposal	-	-	-	-	-	-	(288,898)	-	(288,898)
At 31.8.2019	-	-	-	235,624	-	-	775,396	-	1,011,020

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Net carrying amount	Freehold land RM	Factory building RM	Freehold apartments RM	Leasehold buildings RM	Furniture, equipment and signboard RM	Forklift RM	Motor vehicles RM	Renovation RM	Total RM
At 31.8.2020									
Own use	467,994	1,021,598	1,207,558	-	201,464	18,400	2	183,757	3,100,773
Right-of-use	-	-	-	571,396	-	-	400,853	-	972,249
	467,994	1,021,598	1,207,558	571,936	201,464	18,400	400,853	183,757	4,073,022
At 31.8.2019									
Own use	467,994	1,044,816	1,415,044	-	233,716	20,700	2	218,145	3,400,417
Right-of-use	-	-	-	569,303	-	-	781,488	-	1,350,791
	467,994	1,044,816	1,415,044	569,303	233,716	20,700	781,490	218,145	4,751,208
At 1.9.2018									
Own use	467,994	1,068,034	1,484,986	-	261,911	-	14,126	230,794	3,527,845
Right-of-use	-	-	-	609,549	-	-	584,803	-	1,194,352
	467,994	1,068,034	1,484,986	609,549	261,911	-	598,929	230,794	4,722,197

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following property, plant and equipment stated at net carrying amount are charged to licensed banks for banking facilities granted to the Company as disclosed in Note 12 to the financial statements.

	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
Freehold land	467,994	467,994	467,994
Factory building	1,021,598	1,044,816	1,068,034
	1,489,592	1,512,810	1,536,028

7. TRADE AND OTHER RECEIVABLES

	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
Trade			
Third parties	13,170,905	13,815,494	12,909,470
Less: Loss allowances	(146,261)	(146,261)	-
	13,024,644	13,669,233	12,909,470
Non-trade			
Other receivables	-	1,500	-
Deposits	104,332	56,981	48,717
Prepayments	158,854	183,828	213,900
	263,186	242,309	262,617
	13,287,830	13,911,542	13,172,087
Total trade and other receivables (excluding prepayments)	13,128,976	13,727,714	12,958,187
Add: Cash and bank balances	1,027,202	825,380	2,176,735
Fixed deposits with licensed banks	1,190,532	850,629	822,629
Total financial assets carried at amortised costs	15,346,710	15,403,723	15,957,551

(i) The trade amount due from third parties are subject to the normal trade credit term of 30 to 90 days (2019: 30 to 90 days).

(ii) Included in trade receivables at 31 August 2020 are retentions of RM2,613,510 (2019: RM2,626,650) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be collected within periods ranging from 12 to 27 months (2019: 12 to 27 months).

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7. TRADE AND OTHER RECEIVABLES (CONTINUED)

(iii) The movements in loss allowances are as follow:

	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
At 1 September	146,261	-	-
Addition	-	146,261	-
At 31 August	146,261	146,261	-

8. CONTRACT ASSETS/(CONTRACT LIABILITIES)

The analysis of contract assets/(contract liabilities) are as follows:

	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
Contract assets/(contract liabilities)			
Balance at 1 September	73,080	(3,984,812)	420,869
Add: Reversal of future loss on contract	-	1,338,025	-
Less: Recognition of future loss on contract	(388,952)	-	(1,354,925)
Add: Revenue recognised in the financial year for performance obligation partially satisfied	18,105,577	39,716,388	26,350,342
Less: Progress billings during the year	(19,773,824)	(36,996,521)	(29,401,098)
	(1,984,119)	73,080	(3,984,812)

Contract assets and contract liabilities represent the timing differences in revenue recognition and the milestones billings. The milestone billings are structured or negotiated with customers to reflect the physical completion of the contracts. Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Company issues billings to the customers. Contact liabilities are recognised as revenue when performance obligations are satisfied.

9. FIXED DEPOSITS WITH LICENSED BANKS

(a) The fixed deposits with licensed banks of the Company at the end of the reporting period bore effective interest rates ranging from 1.70% to 3.00% (2019: 2.95% to 3.20%) per annum. The fixed deposits have maturity periods ranging from 30 to 365 (2019: 30 to 365) days for the Company.

(b) Included in the fixed deposits with licensed banks of the Company at the end of the reporting period was an amount of RM870,532 (2019: RM850,629) which has been pledged to licensed banks as security for banking facilities granted to the Company.

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10. SHARE CAPITAL

	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
Issued and fully paid			
800,000 ordinary shares	800,000	800,000	800,000

11. LEASE LIABILITIES

	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
Future lease payment payable:			
- payable within one (1) year	122,806	215,100	162,414
- later than one (1) year and not later than five (5) years	203,185	474,340	392,002
	325,991	689,440	554,416
Less: Future interest charges	(26,953)	(56,926)	(48,992)
	299,038	632,514	505,424
Repayable as follows:			
Current			
- not later than one (1) year	110,122	187,459	139,166
Non-current:			
- later than one (1) year but not later than five (5) years	188,916	445,055	366,258
	299,038	632,514	505,424

(a) The lease liabilities of the Company are secured by the Company's motor vehicles under lease liabilities as disclosed in Note 6 to the financial statements. The lease liabilities arrangements are expiring in 5 years (2019: 5 years).

(b) The lease liabilities of the Company at the end of the reporting period bore effective interest rates ranging from 3.56% to 5.79% (2019: 4.16% to 5.79%) per annum. The interest rates are fixed at the inception of the lease liabilities arrangements.

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11. LEASE LIABILITIES (CONTINUED)

(c) Cash outflows for leases as a lessee

	2020 RM	2019 RM
Included in net cash from operating activities:		
- Payment relating to short-term leases	36,700	10,800
- Payment relating to leases of low-value assets	-	36,500
- Interest paid in relation to lease liabilities	27,350	31,281
	64,050	78,581
Included in net cash from financing activities:		
- Payment of lease liabilities	380,282	207,910
Total cash outflows for leases	444,332	286,491

(d) Short-term leases and low-value assets

	2020 RM	2019 RM
Future commitment for lease payment:		
- Not later than one year	31,000	30,400
- Later than one year and not later than five years	5,600	24,700
	36,600	55,100

12. LOANS AND BORROWINGS

	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
Current liabilities:			
- Bank overdraft	280,959	228,176	999,996
- Banker's acceptance	396,000	1,510,000	1,474,000
- Term loans	115,334	103,870	166,652
	792,293	1,842,046	2,640,648
Non-current liabilities:			
- Term loans	747,779	47,255	151,220
	1,540,072	1,889,301	2,791,868

(a) Bank overdraft is secured by:

(i) legal charges over the apartment as disclosed in Note 6 to the financial statements; and
(ii) jointly and severally guaranteed by directors

The bank overdraft bear interest rate of 0.5% to 1% (2019: 0.5% to 1%) above the base lending rate per annum.

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12. LOANS AND BORROWINGS (CONTINUED)

(b) Term loans are repayable over 60 - 120 (2019: 60 - 120) monthly instalments from the date of full drawdown.

(c) Term loans are secured by:

(i) legal charges over the factory and apartment as disclosed in Note 6 to the financial statements;
(ii) pledged of fixed deposits as disclosed in Note 9 to the financial statements; and
(iii) jointly and severally guaranteed by a director and third parties.

The interest rate profile of the term loans is as follows:

	Effective Interest Rate 2020 %	2019 %
Floating rate term loans	3.56 – 5.66	6.93

(d) Banker's acceptance is secured by way of pledging of fixed deposits as disclosed in Note 9 to the financial statements.

Banker's acceptance bears effective interest rate of 3.77% - 4.71% (2019: 5.22%) with the maturity period of 3 - 117 days (2019: 118 – 120 days).

13. DEFERRED TAX LIABILITIES

	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
At the beginning of the financial year	-	27,287	27,130
Recognised in profit or loss	54,259	(27,287)	157
At the end of the financial year	54,259	-	27,287

The components of deferred tax liabilities are made up of temporary differences arising from:-

	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
Property, plant and equipment	54,259	-	25,393
Others	-	-	1,894
	54,259	-	27,287

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14. TRADE AND OTHER PAYABLES

	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
Trade			
Third parties	9,285,554	12,401,883	9,651,472
Non-trade			
Other payables	21,186	6,197	97,953
Accrued expenses	71,942	77,450	86,484
Deposit received	-	9,500	-
Amount due to a director	52,000	-	-
	145,128	93,147	184,437
	9,430,682	12,495,030	9,835,909
Trade and other payables	9,430,682	12,495,030	9,835,909
Add: Lease liabilities	299,038	632,514	505,424
Add: Loans and borrowings	1,540,072	1,889,301	2,791,868
Total financial liabilities carried at amortised cost	11,269,792	15,016,845	13,133,201

(a) Trade payables are non-interest bearing and are normally settled on 30 to 90 (2019: 30 to 90) days' terms.

(b) Amount due to a director is unsecured, interest free and repayable on demand.

15. REVENUE

	2020 RM	2019 RM
Revenue from construction contracts with customers:		
- Over time	18,105,577	39,716,388
- At a point in time	3,486,197	3,026,813

16. FINANCE COSTS

	2020 RM	2019 RM
Finance costs in respect of:		
- bank overdrafts	13,428	64,928
- lease liabilities	29,976	31,281
- term loan	10,473	13,501
- bankers' acceptance	28,976	53,693
- performance guarantee commission	-	24,992
- letter of credit charges	2,590	-
	85,443	188,395

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17. PROFIT BEFORE TAXATION

	2020 RM	2019 RM
Profit before taxation is stated after charging/(crediting):		
Auditors' remuneration	15,000	15,000
Depreciation of property, plant and equipment	200,783	272,216
Depreciation of right-of-use assets	224,722	281,635
Directors' remuneration	211,513	313,641
Employee benefits expense (Note 19)	1,477,953	1,715,511
Loss allowance on trade receivables	-	146,261
Future loss on contract	388,952	-
Property, plant and equipment written off	-	17,405
Rental expenses on:		
- equipment	2,256	2,830
- premises	36,700	47,300
Gain on disposal of property, plant and equipment	(221,151)	(16,220)
Gain on disposal of right-of-use assets	(41,700)	(87,500)
Interest income	(19,902)	(28,000)
Rental income	(31,200)	(22,600)
Reversal of future loss	-	(1,338,025)
Wage subsidy	(83,400)	-

18. TAXATION

	2020 RM	2019 RM
Current financial year		
- income tax expense	513,000	372,573
- deferred taxation income	(15,290)	(27,287)
	497,710	345,286
Under/(Over)provision in prior financial years:		
- income tax expense	-	(2,217)
- deferred taxation expense	69,549	-
	69,549	(2,217)
	567,259	343,069

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18. TAXATION (CONTINUED)

A reconciliation of income tax expense on profit before taxation with the application statutory income tax rate is as follows:

	2020 RM	2019 RM
Profit before taxation	1,868,919	2,474,456
Taxation at statutory tax rate of 24% (2019: 24%)	448,541	593,869
Tax savings as a result of the first RM600,000 (2019: RM500,000) of taxable income being taxed at 17% (2019: 17%)	(42,000)	(35,000)
Tax effects in respect of:		
Non-allowable expenses	154,253	107,543
Non-taxable income	(63,084)	(321,126)
Under/(Over)provision in prior financial years:		
- income tax expense	-	(2,217)
- deferred taxation	69,549	-
	567,259	343,069

19. EMPLOYEE BENEFITS EXPENSE

	2020 RM	2019 RM
Salaries, wages, allowances and bonuses	1,308,135	1,515,572
Defined contribution plan	151,226	177,241
Social security costs	16,714	20,369
Employee insurance system contributions	1,878	2,329
	1,477,953	1,715,511

20. DIVIDENDS

The followings dividends were declared and paid by the Company:

	2020 RM
<u>In respect of the financial year ended 31 August 2020</u>	
First interim single-tier dividend of RM0.25 per ordinary share, paid on 17 January 2020	200,000
Second interim single-tier dividend of RM0.50 per ordinary share, paid on 27 July 2020	400,000
	600,000

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20. DIVIDENDS (CONTINUED)

	2019
	RM
<u>In respect of the financial year ended 31 August 2019</u>	
First interim single-tier dividend of RM0.625 per ordinary share, paid on 13 February 2019	500,000

The dividend paid in the current financial year are single-tier dividend with no income tax consequences to shareholder of the Company.

Under the Section 132 of Companies Act 2016, Directors are required to satisfy that the Company will be solvent immediately after distribution of dividend is made. Section 132(4) of Companies Act 2016 further states that the Company has the power to recover the dividend improperly distributed from the shareholders and from the Director or Manager who authorised the payment.

21. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment and right-of-use assets are as follows:

	2020	2019
	RM	RM
Cost of property, plant and equipment acquired	32,988	127,227
Cost of right-of-use assets acquired	-	478,320
	32,988	605,547
Less:		
Amounts finance under lease arrangements	-	(335,000)
Cash payments on purchase of property, plant and equipment	32,988	270,547

(b) The cash and cash equivalents comprise the following:

	2020	2019
	RM	RM
Cash and bank balances	1,027,202	825,380
Fixed deposits placed with licensed banks	1,190,532	850,629
	2,217,734	1,676,009
Less:		
Bank overdraft	(280,959)	(228,176)
Fixed deposits pledged with licensed banks	(870,532)	(850,629)
Fixed deposits with maturity of more than 90 days	(320,000)	-
Balance for Statement of Cash Flow purpose as at 31 August	746,243	597,204

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22. FINANCIAL INSTRUMENTS

Categories of financial instruments

Trade and other receivables (excluding prepayments), cash and cash equivalents and fixed deposits with licensed bank are categorised as financial assets carried at amortised cost (Note 7) while trade and other payables, lease liabilities and loans and borrowings are categorised as financial liabilities carried at amortised cost (Note 14).

Financial Risk Management

The Company is exposed 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company'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 and Contract Assets

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 and contract assets are represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables and contract assets that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables and contract assets are regular customers that have been transacting with the Company.

For significant receivables and contract assets that are not individually credit-impaired and all other receivables, the Company uses a provision matrix that categorise the different risk classes (low risk, medium risk and high risk) and the ageing profiles. The collective lifetime ECLs are measured based on the Company'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.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management (continued)

(a) Credit risk (continued)

Receivables and Contract Assets (continued)

A receivable and contract asset are written off only if there is no reasonable expectation of recovery. This is when an account is 365 days past due or the customer is experiencing significant financial difficulties, undertaking financial reorganisation or has gone bankrupt.

Concentration of credit risk

The Company assesses concentrations of credit risk by exposure to single-large customers and industry sectors.

100% of the Company's trade, other receivables and contract assets were concentrated within Malaysia and spread out evenly between large, medium and small customers. There was no significant exposure to single customers or to industry groups. Despite the impact that the COVID-19 pandemic has had on these customers, this balance was within their terms of trade and no impairment was made as at 31 August 2020.

The aging analysis of trade receivables and contract assets as at the end of the reporting period on segment-by segment basis:

Construction segment

The credit term granted to customers generally ranges 30 to 90 days but the payment cycle in the industry generally ranges from 60 to 90 days. The Company assumes that the credit risk on trade receivables and contract assets has increased significantly if it is more than 120 (2019: 120) days past due.

The Company assessed the risk of loss of each customer individually based on their financial information and past trend of payments, where applicable. The Company considers all of these customers have low risk of default. In determining the ECLs, the Company assesses the balances with higher risk of default individually.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for construction segment which are grouped together as they are expected to have similar risk nature.

	Gross amount RM	Loss allowances RM	Net amount RM
31 August 2020			
Current (not past due)	1,030,785	-	1,030,785
Past due 1-30 days	4,335,162	-	4,335,162
Past due 31-60 days	205,062	-	205,062
Past due 61-120 days	1,821,301	-	1,821,301
Past due more than 120 days	3,165,085	(146,261)	3,018,824
Retention sum	2,613,510	-	2,613,510
	13,170,905	(146,261)	13,024,644

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22. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management (continued)

(a) Credit risk (continued)

Concentration of credit risk (continued)

	Gross amount RM	Loss allowances RM	Net amount RM
31 August 2019			
Current (not past due)	2,473,381	-	2,473,381
Past due 1-30 days	1,866,196	-	1,866,196
Past due 31-60 days	1,916,788	-	1,916,788
Past due 61-120 days	4,126,556	-	4,126,556
Past due more than 120 days	825,923	(146,261)	679,662
Retention sum	2,606,650	-	2,606,650
Contract assets	73,080	-	73,080
	13,888,574	(146,261)	13,742,313

	Gross amount RM	Loss allowances RM	Net amount RM
1 September 2018			
Current (not past due)	5,791,473	-	5,791,473
Past due 1-30 days	2,118,323	-	2,118,323
Past due 31-60 days	62,098	-	62,098
Past due 61-120 days	657,992	-	657,992
Past due more than 120 days	1,090,654	-	1,090,654
Retention sum	3,188,930	-	3,188,930
	12,909,470	-	12,909,470

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Company 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.

The steps taken by the Company to respond to possible future liquidity constraints arising from the COVID-19 pandemic and the impact of those steps on the consolidated financial statements include the following:

22. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management (continued)

(b) Liquidity risk (continued)

On 17 April 2020, the Company secured access to a special relief financing facility of RM500,000 provided by a commercial bank. The facility provides temporary additional liquidity by allowing the Company to draw down loans that would be repayable from 16 October 2020. Interest is payable at a rate of 3.50% on any drawn amounts. The Company has drawn RM500,000 under this facility at 31 August 2020.

On 30 April 2020, the Company secured access to a special relief financing facility of RM300,000 provided by a commercial bank. The facility provides temporary additional liquidity by allowing the Company to draw down loans that would be repayable from 1 November 2020. Interest is payable at a rate of 3.50% on any drawn amounts. The Company has drawn RM300,000 under this facility at 31 August 2020.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management (continued)

(b) Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM
31 August 2020						
Non-derivative financial liabilities						
Trade and other payables	9,430,682	-	9,430,682	9,430,682	-	-
Lease liabilities	299,038	3.56 - 5.79	325,991	122,806	112,248	90,937
Loans and borrowings	1,540,072	0.50 - 5.66	1,642,787	837,142	213,047	592,598
	11,269,792		11,399,460	10,390,630	325,295	683,535
31 August 2019						
Non-derivative financial liabilities						
Trade and other payables	12,495,030	-	12,495,030	12,495,030	-	-
Lease liabilities	632,514	4.16 – 5.79	689,440	215,100	215,100	259,240
Loans and borrowings	1,889,301	0.50 – 6.93	1,926,852	1,865,713	25,872	35,267
	15,016,845		15,111,322	14,575,843	240,972	294,507

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22. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management (continued)

(b) Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (continued):

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM
1 September 2018						
Non-derivative financial liabilities						
Trade and other payables	9,835,909	-	9,835,909	9,835,909	-	-
Lease liabilities	505,424	4.83 - 5.79	554,416	163,620	163,620	227,176
Loans and borrowings	2,791,868	0.50 - 7.25	2,831,089	2,670,463	99,487	61,139
	13,133,201		13,221,414	12,669,992	263,107	288,315

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22. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management (continued)

(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 Company's financial position or cash flows.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company's exposure to interest risk arises primarily from cash and cash equivalents, lease liabilities and loans and borrowings. The Company'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 Company's financial instruments that are exposed to interest rate risk:

	31.8.2020 RM	31.8.2019 RM	1.9.2018 RM
Fixed rate instruments:			
Financial assets	1,190,532	850,629	822,629
Financial liabilities	(1,500,427)	(2,142,514)	(1,979,424)
	(309,895)	(1,291,885)	(1,156,795)
Floating rate instruments:			
Financial liabilities	(338,683)	(379,301)	(1,317,868)

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 Company that are not included in the above table are not subject to interest rate risks.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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 RM2,575 (2019: RM811) 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.

(ii) 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:

	Note
Trade and other receivables	7
Lease liabilities	11
Loans and borrowings	12
Trade and other payables	14

23. SIGNIFICANT EVENT DURING THE REPORTING PERIOD

The World Health Organisation declared the coronavirus disease ("COVID-19") a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 to 3 May 2020 and had subsequently entered into the conditional and recovery phases of the MCO until 31 December 2020 in all states and federal territories in Malaysia.

The restrictions imposed have not, however, negatively impacted the Company's financial performance as its main projects were allowed to operate throughout the MCO, under the guidelines set by the National Security Council ("NSC"), Ministry of Health ("MOH") and Ministry of International Trade and Industry ("MITI") respectively.

Based on the assessment of the Company, there were no material financial impact arising from the COVID-19 pandemic. The Company will continue to assess any impact of the COVID-19 pandemic on the financial statements of the Company for the financial year ending 31 August 2021.

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24. SUBSEQUENT EVENTS

(i) On 4 September 2020, the Company has entered into a settlement agreement with a third party, which the Company agree to contra the partial amount of debt with the third party by accepting a property equivalent to RM1,211,040.

On 8 December 2020, the Company has disposed the abovesaid property to third parties of sale consideration of RM1,180,000.

(ii) The impact of the COVID-19 pandemic is ongoing and while it has not been financially negative for the Company up to 31 August 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 13 January 2021, the Government of Malaysia had reimposed the Movement Control Order ("MCO 2.0") in several states and all federal territories in Malaysia to curb the third wave of COVID-19 pandemic in the country. However, the Company's main business activities of electrical contractor was considered as essential services and was allowed to operate during MCO 2.0 period under the guidelines set by NSC, MOH and MITI.

As at the date of authorisation of the financial statements, the COVID-19 pandemic situation is still evolving and uncertain. The Company will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic. Nevertheless, with the Company's past focus on cost efficiency, strong cash position and the resilient fundamentals of its business, the Company expects to sustain its operational and financial performance for the financial year ending 31 August 2021.

No other matter or circumstance has arisen since 31 August 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

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25. OTHER INFORMATION

(a) The Company is a private limited liability company, incorporated and domiciled in Malaysia.

(b) The financial statements are expressed in Ringgit Malaysia.

(c) The registered office is situated at:

No. 2-01, Jalan Bestari 6/2
Taman Nusa Bestari
79150 Iskandar Puteri
Johor

(d) The principal place of business is situated at:

No. 23, Jalan Perniagaan Setia 3
Taman Perniagaan Setia
81100 Johor Bahru
Johor

(e) The financial statements were authorised for issue by the Board of Directors in accordance with a resolution by the directors on 23 February 2021.

Registration No.	199901018616 (493516-P)

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being the directors of **CEE M&E ENGINEERING SDN. BHD. (Registration No. 199901018616 (493516-P))** do hereby state that, in the opinion of the directors, the financial statements set out on pages 6 to 59 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 August 2020 and of the financial results and the cash flows 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.

MURUGESU A/L VINDASAMY

TAN TIAN YEE

2 3 FEB 2021

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **MURUGESU A/L VINDASAMY,** being the director primarily responsible for the financial management of **CEE M&E ENGINEERING SDN. BHD. (Registration No 199901018616 (493516-P))** do solemnly and sincerely declare that the financial statements set out on pages 6 to 59 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 Declaration Act 1960.

MURUGESU A/L VINDASAMY

Subscribed and solemnly declared
by the abovenamed at Johor Bahru
in the state of Johor on 2 3 FEB 2021

Before me

PESURUHJAYA SUMPAH
J287
LAI SOON CHEE
01/01/2021-07/04/2022
MALAYSIA
No. 6A, Jalan Pahang,
80000 Johor Bahru, Johor.

Registration No.	199901018616 (493516-P)

RSM Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CEE M&E ENGINEERING SDN. BHD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CEE M&E Engineering Sdn. Bhd., which comprise the statement of financial position as at 31 August 2020 of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 6 to 59.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 August 2020 and of its financial performance and its 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 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CEE M&E ENGINEERING SDN. BHD. (CONTINUED)

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 Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements 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 the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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.

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RSM

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CEE M&E ENGINEERING SDN. BHD. (CONTINUED)

Auditors' Responsibility for the Audit of the Financial Statements (continued)

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 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 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 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 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 Company to cease to continue as a going concern.

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

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.

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RSM

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CEE M&E ENGINEERING SDN. BHD. (CONTINUED)

Other Matters

1. As stated in Note 2 to the financial statements, CEE M&E ENGINEERING SDN. BHD. adopted Malaysian Financial Reporting Standards on 1 September 2019 with a transition date of 1 September 2018. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statement of financial position of the Company as at 31 August 2019 and 1 September 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year ended 31 August 2019 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 August 2020, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2019 do not contain misstatements that materially affect the financial position as at 31 August 2020 and financial performance and cash flows for the financial year then ended.

2. 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.

3. The financial statements of the Company for the financial year ended 31 August 2019 were audited by another firm of chartered accountants whose report dated 26 February 2020 expressed an unmodified opinion.

RSM Malaysia

RSM Malaysia
AF: 0768
Chartered Accountants

Johor Bahru

23 February 2021

Se Kuo Shen
02949/03/2022 J
Chartered Accountant

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved this Circular, and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. The Board confirms that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

Information relating to the Vendors and CMESB have been obtained from publicly available documents (where available) and other information/ documents provided by such parties/ company and their directors/ management. The sole responsibility of the Board has been to ensure that the information in relation to such parties/ company had been accurately reproduced.

2. CONSENT AND CONFLICT OF INTEREST

TA Securities, being the Principal Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form, manner and context in which they appear in this Circular. TA Securities has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser for the Proposed Acquisition.

Providence Strategic Partners Sdn Bhd, being the IMR, has given and has not subsequently withdrawn its written consent to the inclusion of its name, extracts of the independent market research report on the mechanical and electrical engineering industry in Malaysia dated 22 June 2021 ("**IMR Report**") and all references in the form and context in which they are included in this Circular. Providence has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the Independent Market Researcher.

3. MATERIAL CONTRACTS

Save as disclosed below and with the exception of the SPA, as at the LPD, the Group has not entered into any contracts which are or may be material (not being contracts entered into in the ordinary course of business of the Group) during the 2 years immediately preceding the LPD:

(i) By way of an Agreement dated 4 September 2020, made amongst Kimlun Sdn Bhd ("**KSB**"), CMESB, Cabnet Systems and ITWin Technology Sdn Bhd, it was agreed that KSB, by virtue of KSB being the main contractor for Dynasty View Sdn Bhd ("**DVSB**") and Seri Alam Properties Sdn Bhd with regards to DVSB's development at Taman Seri Austin (Phase 1F) on all that land held under PTD 140684, in the Mukim of Tebrau, District of Johor Bahru and State of Johor ("**Project**"), shall pay and settle all sums due and owing to CMESB by allocating one of the five real estate properties KSB obtained from DVSB, that is, a double storey semi detached house erected on the land held under HS(D) 547905 PTD 180871 in the Mukim of Tebrau, District of Johor Bahru and State of Johor and known as 10, Jalan Seri Austin 5/9, Taman Seri Austin, 81100 Johor Bahru, Johor, to set off all sums due and owing by DVSB to KSB and shall further pay and settle all sums due and owing to Cabnet Systems by allocating another of the said five real estate properties that KSB obtained from DVSB, that is, a four-storey shop office erected on the land held under HS(D) 365740 PTD 175560 in the Mukim of Plentong, District of Johor Bahru and State of Johor and known as 7,7A, 7B and 7C, Jalan Lembah 17, Bandar Seri Alam, 81750 Masai, Johor, on and subject to the terms and conditions contained therein. It is a term that CMESB shall assign the right to receive a sum of RM203,237.74 to Cabnet Systems and that Cabnet Systems shall assign the right to receive the real estate property from KSB to ITWin Technology Sdn Bhd.

(ii) On 17 September 2019, Cabnet Systems entered into a Sale and Purchase Agreement with Syarikat Aisa Mechanical Engineering Sdn Bhd whereby Cabnet Systems agreed to purchase a leasehold land with a detached factory erected thereon and held under HS(D) 210901 PTD 64082 in the Mukim of Tebrau, District of Johor Bahru and State of Johor for a purchase price of RM4,100,000 payable in cash on and subject to the terms and conditions contained therein. The said purchase was completed on 4 December 2019.

(iii) On 21 September 2020, Cabnet Systems entered into a Sale and Purchase Agreement with Yap Kai Hock and Kow Kok Eng whereby Cabnet Systems agreed to sell a freehold land with a 3-storey shop house erected thereon and held under HS(D) 516784, PTD 160941 in the Mukim of Tebrau, District of Johor Bahru and State of Johor for a disposal price of RM1,770,000 (settlement in cash) and subject to the terms and conditions contained therein. The disposal was completed on 10 November 2020.

(iv) On 3 September 2019, Cabnet Systems entered into a Sale and Purchase Agreement with SKS Pavillion Sdn Bhd whereby Cabnet Systems agreed to purchase a parcel of service apartment identified as Parcel No. A-29-06, Tower A, SKS Pavillion Residences to be erected on all or part of the freehold land held under Geran 537924 Lot 48351 Bandar Johor Bahru District of Johor Bahru and State of Johor for a purchase price of RM983,367 payable in cash on and subject to the terms and conditions contained therein. The said purchase was completed on 3 September 2019.

(v) Pursuant to the agreement described in paragraph (i) above, by way of a Sale and Purchase Agreement dated 28 September 2020, made between Seri Alam Properties Sdn Bhd and ITWin Technology Sdn Bhd, ITWin Technology Sdn Bhd purchased a four-storey shop office erected on the land held under HS(D) 365740 PTD 175560 in the Mukim of Plentong, District of Johor Bahru and State of Johor and known as 7, 7A, 7B and 7C, Jalan Lembah 17, Bandar Seri Alam, 81750 Masai, Johor for a purchase price of RM1,100,000 on and subject to the terms and conditions contained. The said purchase was completed on 28 September 2020.

(vi) On 3 May 2021, ITWin Technology Sdn Bhd entered into a Sale and Purchase Agreement with the Company, Tan Tian Yee and Chee Choon Lee whereby ITWin Technology Sdn Bhd agreed to purchase 200,000 ordinary shares in Amplogix Technology Sdn Bhd for an agreed purchase price of RM200,000 on and subject to the terms and conditions contained therein. The said purchase was completed on 6 May 2021.

(vii) On 11 June 2021, Cabnet Systems granted to Fong Soon Ming an option to purchase a real estate property identified as 16, Jalan Adda 6/11, Taman Adda Heights, 81100 Johor Bahru for a consideration of RM1,320,000.00 ("Option to Purchase"). The Option to Purchase was granted for a period of 4 days, with effect from 11 June 2021. The Option to Purchase was exercised by the said Fong Soon Ming within the option period. As at the LPD, the transaction documents have not been signed by Cabnet Systems or the said Fong Soon Ming due to the lockdown announced by the Malaysian Government. As per the terms of the Option to Purchase among others, the parties are given 30 working days to sign the transaction documents.

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4. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below and as at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board is not aware and do not have any knowledge of any proceeding pending or threated against the Group or of any fact likely to give rise to any proceeding which may materially affect the financial position or business of the Group:

(i) Shah Alam High Court Suit No. BA-22NCVC-28-01/2019

Plaintiff : Cabnet Systems
Defendant : Dekad Kaliber Sdn Bhd ("**DKSB**") and Rimarisan Sdn Bhd ("**RSB**")

The plaintiff filed an action against the defendants to recover a sum RM1,156,048.18 together with all interests accrued thereon arising from a project known as ICQS at Bukit Kayu Hitam ("**ICQS Project**"), wherein DKSB is the employer whilst RSB is the sub-contractor. By way of an agreement, Cabnet Systems was appointed by Synergycentric Sdn Bhd ("**SSB**") (now in liquidation) as a sub-contractor to provide, amongst others, closed circuit television systems (CCTV), access control systems and public address systems equipment for purposes of the ICQS Project.

There was an alleged novation of liabilities by DKSB to RSB, which effectively causes RSB to assume the role of the employer of the ICQS Project. Prior to the commencement of the ICQS Project, DKSB executed a letter of acknowledgement and undertaking ("**Letter**") to make direct payments to Cabnet Systems in the event SSB defaults in making payments. The letter, which was executed in favour of Cabnet Systems, was attached to the said agreement. DKSB did not make any payment and this action was premised on such breach. DKSB claimed that there was no direct obligation to pay and even if there was, that obligation is vested in RSB. Due to the lockdown announced by the Malaysian Government, the trial dates of 14 June 2021 to 16 June 2021 were vacated. This case was scheduled for virtual case management on 14 June 2021 and now fixed for trial on 21 February 2022 to 23 February 2022. The solicitors representing Cabnet Systems in this case consider it difficult to assess the success rate since trial has not commenced.

(ii) Shah Alam High Court Suit No. BA-28NCC-236-05/2021

Petitioner : Cabnet Systems
Respondent : Rimarisan Sdn Bhd (RSB)

Pursuant to an order from the Shah Alam High Court Order on 18 December 2019, RSB was ordered to pay to Cabnet Systems in the sum of RM1,252,351.64 being the total sum due and owing to Cabnet Systems as at 26 March 2021. A notice of demand dated 26 March 2021 was issued by Cabnet Systems to RSB, whereby RSB had 21 days after service of notice of demand to pay the sum of RM1,252,351.64 or any part thereof or to make any offer to Cabnet Systems to secure or compound for the same to the satisfaction to Cabnet Systems. RSB did not respond accordingly.

Cabnet Systems then commenced a winding up action against RSB on 4 May 2021. A winding up petition dated 4 May 2021 was filed ("**Winding Up Petition**"). The Winding Up Petition has been advertised in 2 local newspapers, New Strait Times and Berita Harian for 2 consecutive days on 24 May 2021 and 25 May 2021 and published on the Government Gazette on 24 May 2021.

On 18 May 2021, RSB filed an application to strike out the Winding Up Petition and an application to stay the winding up. RSB also filed an application for an interim stay pending the hearing for the application to stay, which the Shah Alam High Court dismissed on 2 June 2021 with costs of RM1,000.00 to be paid by RSB, which has duly paid the sum of RM1,000.00.

The Shah Alam High Court has fixed the Winding Up Petition for case management by e-review on 29 July 2021 and for hearing on 9 August 2021 together with RSB's earlier applications.

5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

5.1 Material commitments

The Board is not aware of any material commitment incurred or known to be incurred by the Group which may have a substantial impact on the financial position of the Group as at the LPD.

5.2 Contingent liabilities

As at the LPD, save as disclosed below, the Board is not aware of any contingent liability incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material impact on the financial position of the Group:

Contingent liabilities	RM'000
Guarantees given to third parties in relation to contracts and trade performance*	4,228

Note:

* *The guarantees are tender bonds (on submission of tender) and performance bond (upon award of contracts). As at the LPD, the Group has not experienced any enforcement of guarantees arising from non-performance of projects.*

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd. Mufti 80000, Johor Bahru, Johor, Malaysia during normal business hours from 9.00 a.m to 5.00 p.m Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

(i) the Company's Constitution;

(ii) CMESB's Constitution;

(iii) the audited consolidated financial statements of the Company for the FYE 31 December 2019 and FYE 31 December 2020 as well as the latest unaudited financial results of the Group for the 3-month FPE 31 March 2021;

(iv) the audited financial statements of CMESB for the FYE 31 August 2019 and FYE 31 August 2020;

(v) the letters of consent and conflict of interest as referred to in **Section 2** above;

(vi) SPA and other material contracts as set out in **Section 3** above and **Section 5** of **Appendix II**;

(vii) the relevant cause papers in relation to the material litigation, claim and arbitration as referred to in **Section 4** above; and

(viii) the IMR Report.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Cabnet Holdings Berhad ("**Cabnet**" or "**Company**") will be conducted fully virtual through live streaming and online participation and voting using Remote Participation and Voting ("**RPV**") facilities via meeting platform at *https://tiih.online* provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Friday, 30th day of July 2021 at 10.00 a.m., for the purpose of considering and if thought fit, passing the resolution below with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION BY CABNET HOLDINGS BERHAD OF 100% EQUITY INTEREST IN CEE M&E ENGINEERING SDN. BHD. ("CMESB") COLLECTIVELY HELD BY MURUGESU A/L VINDASAMY, TAN TIAN YEE AND KONG TZE SENN FOR A TOTAL PURCHASE CONSIDERATION OF RM16,290,000 WHICH WILL BE FULLY SATISFIED IN CASH ("PROPOSED ACQUISITION")

"THAT subject to compliance and/ or waiver of all conditions, including the procurement of approvals from all relevant parties and/ or requisite authorities, stipulated in the Share Purchase Agreement dated 12 May 2021 ("**SPA**") between the Company and Murugesu A/L Vindasamy, Tan Tian Yee and Kong Tze Senn (collectively, the "**Vendors**"), approval be and is hereby given to the Board of Directors of Cabnet ("**Board**") to enter into the SPA on behalf of the Company to acquire from the Vendors 800,000 ordinary shares in CMESB ("**Sale Shares**"), representing 100% equity interest in CMESB for a purchase consideration of RM16,290,000 to be fully satisfied in cash in accordance to the terms and conditions of the SPA, including any modifications, variations, amendments and additions made thereto from time to time for purposes of the Proposed Acquisition;

AND THAT the Board be and is hereby authorised to do or procure and secure all acts, deeds and things as are necessary and to execute, sign and deliver on behalf of the Company, all such documents as it may deem necessary, expedient and/ or appropriate to implement, give full effect and to complete the SPA and the Proposed Acquisition, with full power to propose, negotiate, consider and assent to any condition, modification, variation and/ or amendment to be made to the SPA as the Board may deem fit in the best interest of the Company under the Proposed Acquisition."

By Order of the Board

LEE WEE HEE (MAICSA 0773340) SSM Practicing Certificate No. 201908004010
IRENE JUAY YEE LUAN (MAICSA 7057249) SSM Practicing Certificate No. 202008001193
JOY LIM XIE RU YI (MAICSA 7065780) SSM Practicing Certificate No. 201908004060

Company Secretaries
15 July 2021

NOTES:

1. *A member of the Company entitled to attend and vote is 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 of the Company may appoint not more than two (2) proxies to attend the meeting, provided that the member specifies the proportion of the members shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.*

3. *A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.*

4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

5. *The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited at the Registered Office of the Company situated at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd. Mufti, 80000 Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time 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 the poll, and in default the instrument of proxy shall not be treated as valid.*

6. *Subject to the Constitution, shareholders may deposit the instrument appointing the proxy by electronics means by way of submitting the instrument via TIIH Online at https://tiih.online not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.*

7. *An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.*

8. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 23 July 2021, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

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.

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CabNet

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

ADMINISTRATIVE GUIDE FOR THE FULLY VIRTUAL EGM

Date & Time	:	Friday, the 30th day of July 2021 at 10.00 a.m.
Broadcast Venue	:	Online Meeting Platform provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia
Meeting Platform	:	https://tiih.online

PRECAUTIONARY MEASURES AGAINST THE CORONAVIRUS DISEASE ("COVID-19")

- The Securities Commission Malaysia ("**SC**") had, on 13 January 2021, announced that capital market entities supervised, licensed or registered by the SC shall operate in accordance with the applicable Standard Operating Procedures ("**SOPs**") issued by the authorities during the Emergency Ordinance and various forms of Movement Control Order ("**MCO**"). The SC had, on 1 June 2021, issued a revised Guidance Note on the Conduct of General Meetings for Listed Issuers ("**SC Guidance Note**") which states that only fully virtual meetings will be allowed during full MCO (FMCO), subject to the requirements under the prevailing and applicable SOPs.

- In line with the Government's directive and SC Guidance Note above to curb the spread of COVID-19, the Company will conduct the EGM on **a fully virtual basis through live streaming and online remote voting** via Remote Participation and Voting ("**RPV**") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's ("**Tricor**") **TIIH Online** website at https://tiih.online.

- The venue of the EGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue of the meeting. No shareholders/ proxy(ies) from the public will be physically present at the meeting venue.

- We **strongly encourage** you to attend the EGM via the RPV facilities. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the EGM.

- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of the Company's EGM at short notice. Kindly check the Company's website or announcements for the latest updates on the status of the EGM.

- The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

REMOTE PARTICIPATION AND VOTING ("RPV") FACILITIES

- The RPV facilities are available on Tricor's **TIIH Online** website at https://tiih.online.

- Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the EGM using RPV facilities from Tricor.

- Kindly refer to "Procedures to Remote Participation and Voting via RPV Facilities" as set out below for the requirements and procedures.

PROCEDURES TO REMOTE PARTICIPATION AND VOTING VIA RPV FACILITIES

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the EGM using the RPV facilities:

BEFORE THE EGM DAY

Procedure	Action
i. Register as a user with TIIH Online	• Using your computer, access to website at https://tiih.online. Register as a user under the "e-Services". Select "Sign Up" and followed by "**Create Account by Individual Holder"**. Refer to the tutorial guide posted on the homepage for assistance. • Registration as a user will be approved within one (1) working day and you will be notified via email. • If you are already a user with TIIH Online, you are not required to register again. You will receive an email to notify you that the remote participation is available for registration at TIIH Online.
ii. Submit your request to attend EGM remotely	• Registration is open from Thursday, 15 July 2021 until the day of EGM on Friday, 30 July 2021. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the EGM to ascertain their eligibility to participate the EGM using the RPV. • Login with your user ID (i.e. email address) and password and select the corporate event: "**(REGISTRATION) CABNET 2021 EGM**". • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • System will send an **email to notify** that your registration for remote participation is received and will be verified. • After verification of your registration against the Record of Depositors as at 23 July 2021, the system will send you an **e-mail after 28 July 2021 to approve or reject** your registration for remote participation. *(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).*

ON THE EGM DAY

Procedure	Action
i. Login to TIIH Online	Login with your user ID and password for remote participation at the EGM at any time from 9.00 a.m. i.e., 1 hour before the commencement of meeting at 10.00 a.m. on Friday, 30th day of July 2021.
ii. Participate through Live Streaming	• Select the corporate event: "**(LIVE STREAM MEETING) CABNET 2021 EGM**" to engage in the proceedings of the EGM remotely. • If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the EGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.

Procedure	Action
iii. Online remote voting	• Voting session commences from 10.00 a.m. on Friday, 30th day of July 2021 until a time when the Chairman announces the end of the session. • Select the corporate event: "**(REMOTE VOTING) CABNET 2021 EGM**" or if you are on the live stream meeting page, you can select **"GO TO REMOTE VOTING PAGE"** button below the Query Box. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
iv. End of remote participation	Upon the announcement by the Chairman on the conclusion of the EGM, the Live Streaming will end.

Note to users of the RPV facilities:

(i) Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.

(ii) The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.

(iii) In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

APPOINTMENT OF PROXY/CORPORATE REPRESENTATIVE/ATTORNEY

- For the purpose of determining whether a member shall be entitled to attend the EGM via RPV, the Company shall refer to the Record of Depositors and only a depositor whose name appears on the Record of Depositors as at 23 July 2021 shall be entitled to attend the said meeting or appoint proxies to participate and/or vote on his/her behalf.

- In view that the EGM will be conducted on a fully virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.

- If you wish to participate in the EGM yourself, please do not submit any Form of Proxy for the EGM. You will not be allowed to participate in the EGM together with a proxy appointed by you.

- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the EGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Wednesday, 28 July 2021** at **10.00 a.m.**:

    (i) In Hard copy:

    By hand or post to the Registered office at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd. Mufti, 80000 Johor Bahru, Johor;

(ii) By Electronic form:

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	• Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services". Select "Sign Up" and followed by "**Create Account by Individual Holder"**. Please refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of form of proxy	• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: **"CABNET 2021 EGM - SUBMISSION OF PROXY FORM**". • Read and agree to the Terms and Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint the Chairman as your proxy. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. • Review and confirm your proxy(s) appointment. • Print the form of proxy for your record.
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	• Access TIIH Online at https://tiih.online • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects the "Sign Up" and followed by **"Create Account by Representative of Corporate Holder".** • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. *(Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.)*

Procedure	Action
Proceed with submission of form of proxy	• Login to TIIH Online at https://tiih.online • Select the corporate exercise name: **"CABNET 2021 EGM - SUBMISSION OF PROXY FORM"**. • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Login to TIIH Online, select corporate exercise name: **"CABNET 2021 EGM - SUBMISSION OF PROXY FORM"**. • Proceed to upload the duly completed proxy appointment file. • Select "Submit" to complete your submission. • Print the confirmation report of your submission for your record.

POLL VOTING

- The voting at the EGM will be conducted by poll in accordance with Rule 8.31A of Bursa Malaysia Securities Berhad's ACE Market Listing Requirements. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).

- Members/ proxies/ corporate representatives/ attorneys can proceed to vote on the resolution at any time from 10.00 a.m. on 30 July 2021 but before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to "Procedures to Remote Participation and Voting via RPV Facilities" provided above for guidance on how to vote remotely via TIIH Online.

- Upon completion of the voting session for the EGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

PRE-MEETING SUBMISSION OF QUESTIONS

- The Board recognises that the EGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the EGM, shareholders may in advance, before the EGM, submit questions to the Board of Directors via Tricor's TIIH Online website at https://tiih.online, by selecting "e-Services" to login, post your questions and submit it electronically no later than Wednesday, 28 July 2021 at 10.00 a.m.. The Board of Directors will endeavor to address the questions received at the EGM.

NO DOOR GIFTS/FOOD VOUCHERS

- There will be no distribution of door gifts or food vouchers for the EGM as the meeting will be conducted on a fully virtual basis.

- The Company would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

ENQUIRIES

If you have any questions prior to the EGM, please contact the Share Registrar, Tricor at +603-2783 9299 during office hours i.e., from 8.30 a.m. to 5.30 p.m. (Monday to Friday).

CABNET HOLDINGS BERHAD

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

No. of Shares Held	CDS Account No.

FORM OF PROXY

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

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 Extraordinary General Meeting of the Company which will be conducted fully virtual through live streaming and online participation and voting using Remote Participation and Voting (RPV) facilities via meeting platform at https://tiih.online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Friday, 30th day of July 2021 at 10.00 a.m. and at every adjournment thereof to vote as indicated below in respect of the following Resolution:

No.	Ordinary Resolution	For	Against
1.	Proposed Acquisition **(Resolution 1)**		

(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 __________________ 2021

………………………………………… Tel : ________________
*Signature/Common Seal of member(s)

NOTES:

1. *A member of the Company entitled to attend and vote is 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 of the Company may appoint not more than two (2) proxies to attend the meeting, provided that the member specifies the proportion of the members shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.*
3. *A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.*
4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited at the Registered Office of the Company situated at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd. Mufti, 80000 Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time 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 the poll, and in default the instrument of proxy shall not be treated as valid.*
6. *Subject to the Constitution, shareholders may deposit the instrument appointing the proxy by electronics means by way of submitting the instrument via TIIH Online at https://tiih.online not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.*
7. *An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.*
8. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 23 July 2021, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

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AFFIX
STAMP

The Company Secretary

CABNET HOLDINGS BERHAD (Registration No. 201401045803 (1121987-D))
Registered Office
Suite 5.11 & 5.12, 5th Floor
Menara TJB, No. 9, Jalan Syed Mohd. Mufti
80000 Johor Bahru
Johor, Malaysia

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