CabNet

Cabnet Holdings Berhad

(Registration No: 201401045803 (1121987-D))

ANNUAL REPORT 2019

CONTENTS

NOTICE OF 5TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 5th Annual General Meeting of CABNET HOLDINGS BERHAD will be held at the Hop Sing II, Ponderosa Golf & Country Club, No. 3, Jalan Ponderosa 1, Taman Ponderosa, 81100 Johor Bahru, Johor on Friday, the 26th day of June, 2020 at 9.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the Financial Year Ended 31 December 2019 ("FY2019") together with the Reports of the Directors and Auditors thereon. ***(See Explanatory Note 1)***

2. To re-elect the following Directors retiring by rotation pursuant to Clause 133 of the Company's Constitution.
   i) Mr. Tan Boon Siang **ORDINARY RESOLUTION 1**
   ii) Mr. Abdul Mutalib Bin Idris **ORDINARY RESOLUTION 2**

3. To re-elect Dato' Jeffrey Lai Jiun Jye, a Director retiring pursuant to Clause 118 of the Company's Constitution. **ORDINARY RESOLUTION 3**

4. To approve the payment of Directors' Fees of RM370,000 (FY2019: RM350,000) for the financial year ending 31 December 2020 ("FY2020"). **ORDINARY RESOLUTION 4** ***(See Explanatory Note 2)***

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

6. To re-appoint Messrs RSM Malaysia as Auditors of the Company for the FY2020 and to authorise the Directors to fix their remuneration. **ORDINARY RESOLUTION 6**

AS SPECIAL BUSINESS

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

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

   "THAT pursuant to Section 75 and 76 of the Companies Act, 2016 ("the Act"), the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and subject to the approval of the relevant regulatory authorities (if any), the Directors be and are hereby authorised to allot and issue shares in the Company, at any time, at such price, upon such terms and conditions and for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be allotted during the preceding twelve (12) months does not exceed twenty per centum (20%) of the total number of issued ordinary shares of the Company for the time being and that the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so allotted from Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF 5TH ANNUAL GENERAL MEETING (CONT'D)

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

BY ORDER OF THE BOARD

LEE WEE HEE (MAICSA 0773340)
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
Secretaries

Date: 28 May 2020

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 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 to the following e-mail address [cabnet-proxy@cisgroup93.com] 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 19 June 2020, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

NOTICE OF 5TH ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES:

Ordinary Business:-

1. **Item 1 of the Agenda – Audited Financial Statements for the FY 2019**

   This Audited Financial Statements is meant for discussion only as the provision for Section 248(2) and Section 340(1) of the Companies Act, 2016 do not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

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

   The Proposed Ordinary Resolution 4, if passed, will authorise the payment of Directors' fees payable to the members of the Board, Board of subsidiaries and Board Committees.

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

   The Proposed Ordinary Resolution 5, if passed, will authorise and approve of the payment of Directors' benefits comprised of allowances payable to the members of the Board and Board Committees pursuant to the requirements of Section 230 of the Companies Act, 2016 for the period commencing after the date of this Annual General Meeting to the date of the next Annual General Meeting.

Statement Regarding Effect of Resolutions under Special Business

4. **Authority to Allot and Issue Shares pursuant to Section 75 and 76 of the Companies Act, 2016**

   The Proposed Ordinary Resolution No. 7 proposed in Agenda 7 is to seek a renewal of the general mandate from the shareholder of the Company at the 5th Annual General Meeting held on 26th day of June, 2020.

   The general mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares in the Company for any fund raising activities, including but not limited to the placing of shares, for working capital, funding future investments and/or funding of strategic development of the Group. The renewal of the general mandate is sought to avoid any delay arising from and cost in convening a general meeting to obtain approval of the shareholders for such issuance of shares, up to an amount not exceeding in total twenty per centum (20%) of the total number of issued and paid-up share capital of the Company, as the Directors consider appropriate in the best interest of the Company. The authority under the general mandate, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

   As part of the initiative from Bursa Malaysia Securities Berhad ("Bursa Securities") to aid and facilitate listed issuers in sustaining their business or easing their compliance with Bursa Securities' rules, amid the unprecedented uncertainty surrounding the recovery of the outbreak of Coronavirus Pandemic ("COVID-19") and Movement Control Order imposed by the Government, Bursa Securities had vide its letter dated 16 April 2020 allowed a listed issuer to seek for a higher general mandate under Rule 6.04 of the ACE Market Listing Requirement of Bursa Securities of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of new securities.

   The general mandate will provide flexibility to the Company to raise additional funds expeditiously and efficiently during this challenging time, to meet its funding requirements including but not limited to working capital, operational expenditures, investment project(s), and/or acquisition(s).

   The Board, having considered the current and prospective financial position, needs and capacity of the Group, is of the opinion that the general mandate is in the best interests of the Company and its shareholders.

NOTICE OF 5TH ANNUAL GENERAL MEETING (CONT'D)

The Company has not issued any new share pursuant to the general mandate which was granted at the last Annual General Meeting held on 28 May 2019.

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

Registration of Members/Proxies

Registration of members/proxies attending the Meeting will start from 8.00 a.m. on the day of the Meeting and shall remain open until such time as may be determined by the Chairman of the Meeting. At the closure thereof, no person will be allowed to register for the Meeting nor enter the Meeting venue. Members/proxies are required to produce identification documents for registration.

Coronavirus Pandemic

Your safety is the Company's priority. Due to the outbreak of the COVID-19 that affect various countries, as precautionary measure, we will be conducting temperature checks on all persons upon arrival at the Annual General Meeting venue. We would strongly advise for the member not to attend the meeting should the member have any COVID-19 symptoms.

Voting by Poll

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT AND RISK MANAGEMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

PRINCIPAL PLACE OF BUSINESS

No.18 (PLO 184) Jalan Angkasa Mas 6,
Kawasan Perindustrian Tebrau II,
81100 Johor Bahru, Johor
Tel : +607-353 9008
Fax : +607-353 0146
Website : www.cabnet.asia
Email: info@cabnet.asia

COMPANY SECRETARIES

Mr. Lee Wee Hee (MAICSA 0773340) Practicing Certificate No. 201908004010
Ms. Joy Lim Xie Ru Yi (MAICSA 7065780) Practicing Certificate No. 201908004060
Ms. Irene Juay Yee Luan (MAICSA 7057249) Practicing Certificate No. 202008001193

REGISTERED OFFICE

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

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Registration No. 197101000970 (11324-H)
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8 Jalan Kerinchi,
59200 Kuala Lumpur.
Tel : +603-2783 9299
Fax : +603-2783 9222
Website : www.tricorglobal.com
Email: is.enquiry@my.tricorglobal.com

AUDITORS

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

SPONSOR

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

PRINCIPAL BANKERS

Public Bank Berhad
Standard Chartered Bank Malaysia Berhad
AmBank (M) Berhad

SUBSIDIARY COMPANIES

Cabnet Systems (M) Sdn Bhd
Registration No. 199501025860 (355065-V)
Cabnet Systems (Penang) Sdn Bhd
Registration No. 200701026854 (784875-H)
ITWin Technology Sdn Bhd
Registration No. 199801002273 (458399-K)
Amplogix Technology Sdn Bhd
Registration No. 201801019811 (1281830-T)

STOCK EXCHANGE LISTING

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

GROUP FINANCIAL HIGHLIGHTS

	2015	2016	2017	2018	2019
GROUP FINANCIAL RESULTS (RM'000)					
Revenue	39,591	50,844	52,336	47,183	68,880
Profit before tax	6,056	6,747	6,530	6,252	3,840
Profit after tax	5,852	6,410	5,237	4,680	2,423
Net profit attributable to owners of the Company	5,769	6,410	5,237	4,721	2,422
GROUP FINANCIAL POSITION (RM'000)					
Total assets	29,544	41,040	55,593	57,840	75,528
Total cash, bank balances, fixed deposits with licensed banks and short-term investment	3,439	8,351	14,606	12,441	12,979
Total borrowings	7,271	5,304	2,594	2,493	9,602
Share capital	9,655	10,900	22,660	27,679 (a)	27,679
Equity attributable to owners of the Company	14,335	27,593	43,356	47,037	48,011
KEY FINANCIAL STATISTICS/ INDICATORS					
Basic earnings per share (sen)	5.98	6.05	4.30	3.05	1.35
Net dividend per share (sen)	-	-	1.30	0.80	-
Net assets per share attributable to ordinary holders of the Company (RM)	0.15	0.25	0.33	0.26	0.27
Return on shareholders' equity (%)	40.24	23.23	12.08	10.04	5.04
Gearing ratio (times)	0.51	0.19	0.06	0.05	0.20
Share price					
- High (RM)	N/A	N/A	0.770	0.680	0.325
- Low (RM)	N/A	N/A	0.585	0.220 (b)	0.180

Notes:

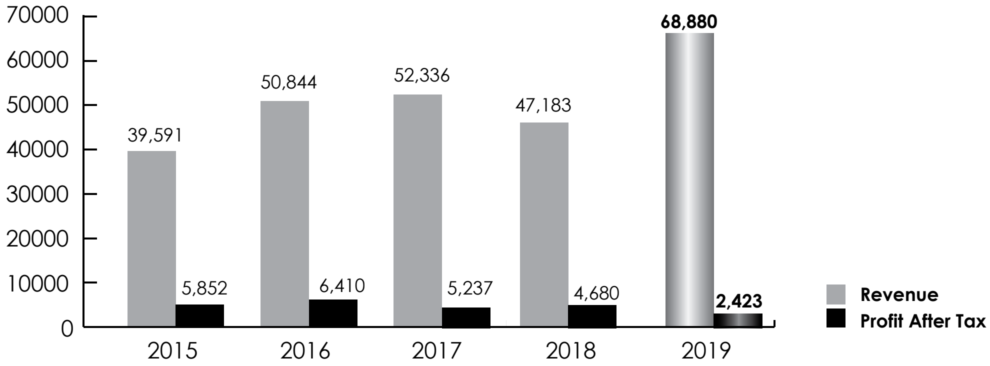
(a) The credits standing in the share premium account were transferred to the share capital account pursuant to the Companies Act 2016 which came into effect on 31 January 2017.

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

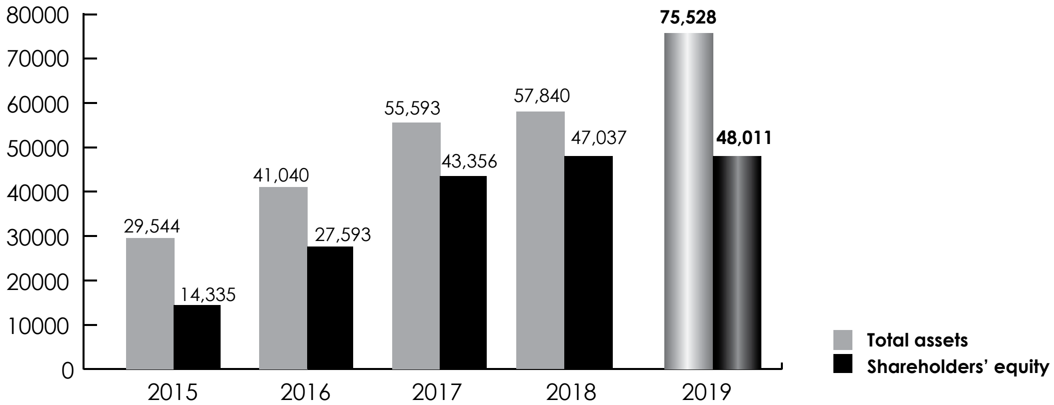
N/A - not applicable

GROUP FINANCIAL HIGHLIGHTS (CONT'D)

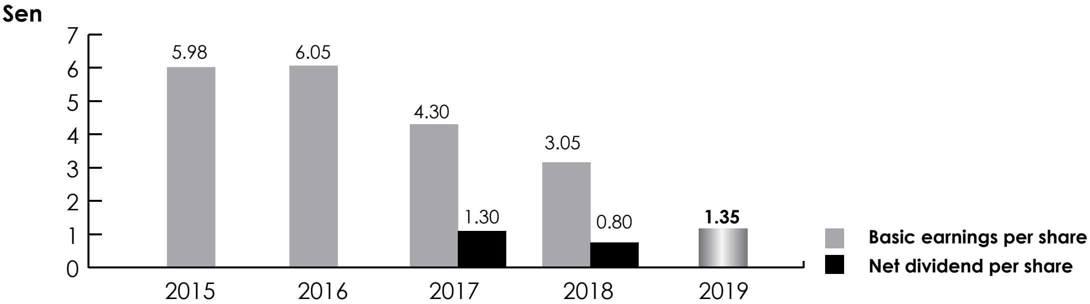
REVENUE AND PROFIT AFTER TAX
RM'000



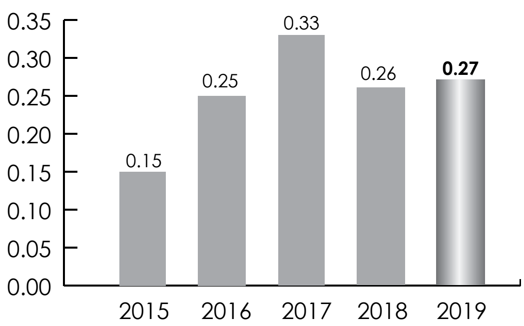
TOTAL ASSETS AND SHAREHOLDERS' EQUITY
RM'000



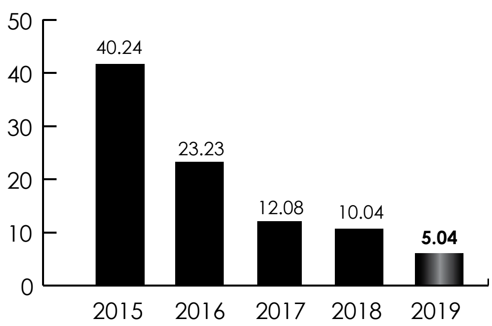
BASIC EARNINGS PER SHARE AND NET DIVIDEND PER SHARE
Sen



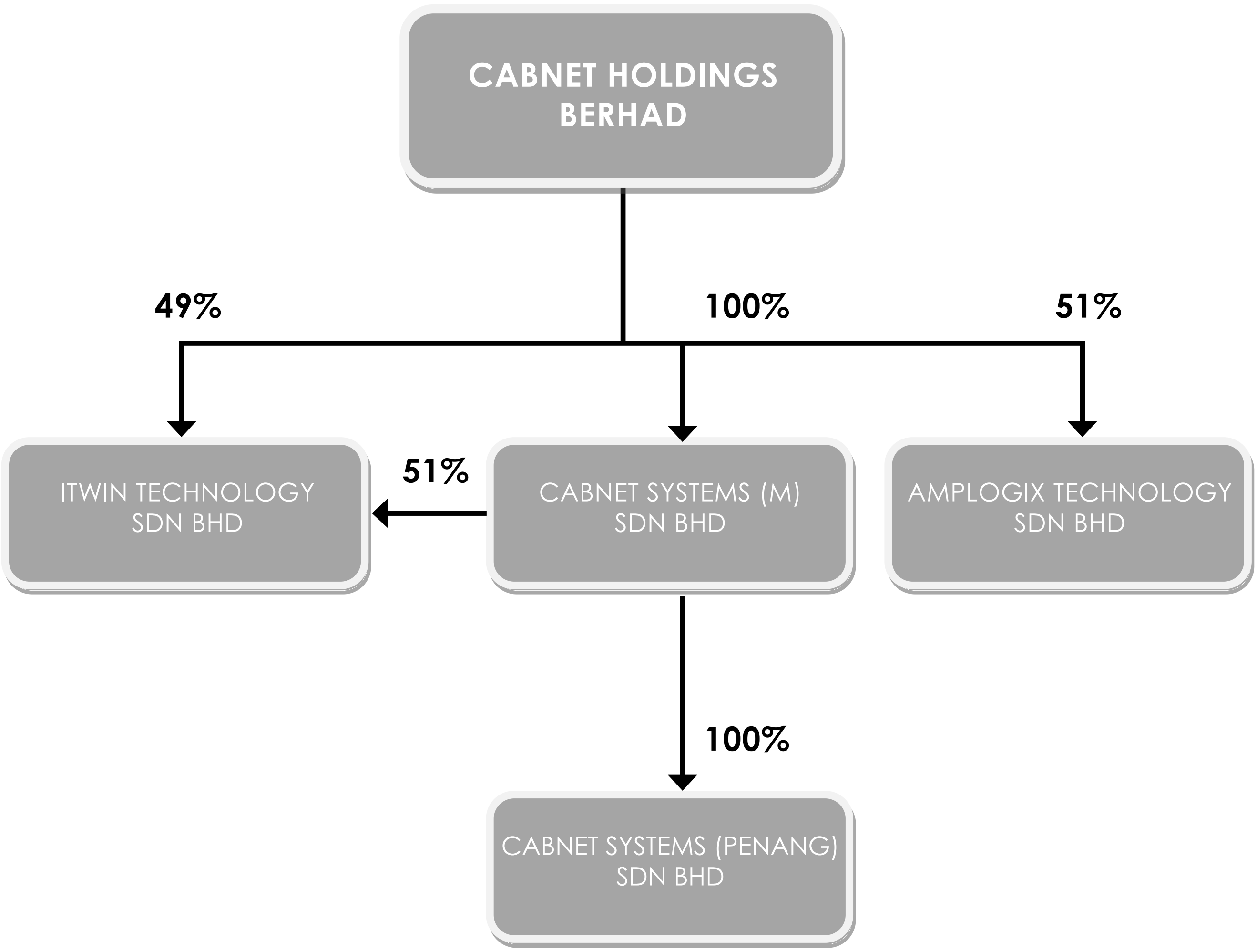
NET ASSETS PER SHARE
RM



RETURN ON SHAREHOLDERS' EQUITY
%



CORPORATE STRUCTURE



PROFILE OF DIRECTORS

DATUK TAN KOK HONG @ TAN YI
Nationality: Malaysian
Gender: Male
Aged: 68

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

He obtained his Bachelor of Law (Honours) degree from the University of Buckingham, United Kingdom in 1983 and his Barrister-At-Law degree from the Inns of Court School of Law, Council for the Legal Education and subsequently was called to Lincoln's Inn in1984.

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

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

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

He directly holds 343,750 ordinary shares and 125,000 warrants in the Company.

Datuk Tan attended all the five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

TAY HONG SING
Nationality: Malaysian
Gender: Male
Aged: 56

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

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

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

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

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

He directly holds 17,448,750 ordinary shares and 16,420,000 warrants in the Company and is deemed interest in 55,412,500 ordinary shares held by Kuopacific Strategic Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

Mr Tay attended all the five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

PROFILE OF DIRECTORS (CONT'D)

TAN BOON SIANG
Nationality: Malaysian
Gender: Male
Aged: 56

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

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

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

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

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

He directly holds 17,118,750 ordinary shares and 15,590,000 warrants in the Company and is deemed interest in 55,412,500 ordinary shares held by Kuopacific Strategic Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

Mr Tan attended all the five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

YONG THIAM YUEN
Nationality: Malaysian
Gender: Male
Aged: 45

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

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

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

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

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

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

Mr. Yong attended all the five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

PROFILE OF DIRECTORS (CONT'D)

DATO' JEFFREY LAI JIUN JYE
Nationality: Malaysian
Gender: Male
Aged: 40

Dato' Jeffrey Lai Jiun Jye is our Executive Director. He was appointed to the Board on 3 September 2019.

He received his education primarily from Singapore and New Zealand. Upon receiving his Bachelor of Commerce and Management from Lincoln University, New Zealand in year 2000, he assumed the position as the Director in JB Paper Carton Sdn Bhd and JBP Packaging and Hardware Enterprise.

From 2014 onwards, Dato' Jeffrey Lai had been appointed as the Executive Director of Kuopacific Malaysia Sdn Bhd. Kuopacific Malaysia Sdn Bhd is mainly involved in the property, retail, medical and education business. He is also Director and Chief Executive Officer of Paragon Private and International School located in Johor Bahru, Malaysia. In 2018, Paragon Private and International School was awarded for the Best Performance in newly set-up school by Lang International Corporate Titan Awards.

He is also actively involved with the Johor Bahru Chinese Chamber of Commerce and Industry in which he has held various official positions. Currently he is the Director and Chairman of Youth Committee of Johor Bahru Chinese Chamber of Commerce and Industry, Deputy Chairman of Youth Committee of Johor Associated Chinese Chamber of Commerce and Industry, and member of Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM") Young Entrepreneurs Committee.

He is currently a Non-Independent Non-Executive Director and a member of the Remuneration Committee and Nomination Committee of Paragon Globe Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad.

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

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

He attended one (1) Board of Directors' Meetings held since his appointment in the financial year ended 31 December 2019.

ABDUL MUTALIB BIN IDRIS
Nationality: Malaysian
Gender: Male
Aged: 60

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

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

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

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

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

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

He attended all the five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

PROFILE OF DIRECTORS (CONT'D)

VINCENT WONG SOON CHOY
Nationality: Malaysian
Gender: Male
Aged: 51

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

He graduated from Flinders University of South Australia, Adelaide, Australia with a Bachelor of Commerce Degree majoring in Accountancy and minor in Internal Audit in year 1994. He is also a member of Malaysia Institute of Accountants (MIA) and a member of Certified Practising Accountants (CPA) Australia.

He has more than 26 years of working experience with exposure to corporate finance, auditing, compliance, tax planning, group accounts, corporate governance, corporate planning and restructuring garnered from his previous employment positions held including as Head of Operation for a leading stock broking company, Group Accountant for a public listed company, Group Financial Controller for a property development group and auditing experience with a big four audit firm.

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

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

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

He attended all the three (3) Board of Directors' Meetings held since his appointment during the financial year ended 31 December 2019.

MEACHERY JO-ANNE JOSEPH
Nationality: Malaysian
Gender: Female
Aged: 50

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

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

She is the partner of a legal firm located in Johor Bahru. Prior to the current firm, she was working for more than 9 years in legal firms. Her vast experience in the last 23 years of continuous legal practice include litigation (civil and commercial), corporate advisory, shipping and maritime litigation and conveyancing.

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

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

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

She attended four (4) out of five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

PROFILE OF KEY SENIOR MANAGEMENT

TAN YING MENG
Nationality: Malaysian
Gender: Male
Aged: 50

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

In 1993, he graduated from National Taiwan University, Taiwan with a Bachelor of Science in Electrical Engineering. He has more than 24 years of working experiences in areas of system virtualisation, enterprise storage, network security, Local Area Network (LAN)/ Wide Area Network (WAN) connectivity and messaging systems.

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

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

He directly holds 2,880,000 ordinary shares and 400,000 warrants in the Company.

SEOW ZHEN YOU
Nationality: Malaysian
Gender: Male
Aged: 29

Seow Zhen You is the Group Finance Manager of our Group appointed on 1 September 2019.

He obtained his Bachelor of Accounting (Honours) from Sheffield Hallam University, England and Advanced Diploma in Commerce of Financial Accounting from Tunku Abdul Rahman University College in 2013. He is a member of Malaysian Institute of Accountants (MIA) and The Association of Chartered Certified Accountants (ACCA) Malaysia.

He started his career as an audit assistant with a public accounting firm in Johor Bahru since January 2014 and was promoted as senior audit assistant in October 2016. He has over 3 years of relevant experience in audit matters and served clients of various type of companies including public listed companies. In July 2017, Mr Seow joined a subsidiary company of a public company listed in Main Market of Bursa Malaysia as an assistant accountant before he joined the Company as the Group Finance Manager.

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

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

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

PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

KOH THAIN LIN
Nationality: Malaysian
Gender: Male
Aged: 46

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

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

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

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

SIM YIAN FEI
Nationality: Malaysian
Gender: Male
Aged: 47

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

He obtained his Diploma in Computer Science from Southern College, Malaysia in 1995. He has more than 22 years of working experience in areas of computer, hardware and server related matters, sales and marketing, project management and ELV solutions systems.

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

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

KONG TZE SENN
Nationality: Malaysian
Gender: Male
Aged: 49

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

In 1991, he obtained his certification for proficiency in Book Keeping and Account, Business Statistics and Advanced Business Calculations from the London Chamber of Commerce and Industry. He has more than 26 years of experience in areas of sales and marketing, ICT hardware and software, structured cabling works and project management.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF BUSINESS AND OPERATIONS, OBJECTIVES AND STRATEGIES

1.1 Business and Operations

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

During the financial year ended 31 December ("FYE") 2019, the Group had acquired a new corporate office to relocate its main business operation. The relocation was undertaken after considering the Group's continuing growth in its operations and the limited space at its previous main office. The previous main office was unable to cater to the increased manpower due to the expansion of business. Besides, the new office will be able to provide a more comfortable and efficient working environment for the Group's employees, a more organised warehousing layout and arrangement and sufficient extra space for future business expansion.

Over the past 20 years, the Group has progressed from a local provider of structured cabling works for small to medium-sized projects to a building management solutions provider for major projects in structured cabling works and Extra Low Voltage systems, as well as Information and Communication Technology services.

While the Group operates principally in the State of Johor, the Group, as part of its strategy intends to pursue opportunities outside of Johor. In line with our initiatives to mitigate the risk of over reliance on contracts in the state of Johor, the Group's business revenue derived from outside Johor region had increased by 8% compared to FYE 2018.

The Company has appointed an additional new Executive Director, Dato Jeffrey Lai Jiun Jye on 3 September 2019. The appointment was with a view and intention to initiate our partnership with Dato Jeffrey Lai Jiun Jye and leverage on his business dealings and alliances for the marketing edge especially in expanding the Group's business into the Indonesia market.

1.2. Objectives and Strategies

During the FYE 2019, the Group was focusing on existing projects by optimising variation order and reducing back charges. We are sourcing for alternate supply chain to improve quality and reduce material cost. As part of strategies on cost control, we had increased the use of outsource subcontractor for installation work in order to minimise and control labour cost while closely monitor on project delivery schedule to avoid any possible project delay.

The Group will continue focusing on recurrent business such as services & maintenance especially for critical buildings like hospital, high-end residential properties and factories, while strengthening the project selection by selecting projects which adds value to company branding and work towards reputable and financially healthy customers.

The Group has also been exploring the possibility and benefits of expansion into the international market. This is to reduce the Group's dependence on the well-developed local market and to explore new market opportunities for expansion and growth. With such expansion, the Group will be able to mitigate local market uncertainties due to demand cycles, turbulent local environment including any political challenges.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2. REVIEW OF FINANCIAL RESULTS

GROUP FINANCIAL RESULTS (RM'000)	FYE2018	FYE2019
Revenue	47,183	68,880
Profit before tax ("PBT")	6,252	3,840
Income tax expense	(1,572)	(1,417)
Profit after tax	4,680	2,423
Net profit attributable to owner of the Company	4,721	2,422
Basic earnings per share (sen)	3.05	1.35
Net dividend per share (sen)	0.80	-

For the FYE 2019, the Group recorded revenue of RM68.88 million which was approximately 45.98% higher than the preceding year. The increase in revenue for the current financial year was mainly contributed by the execution of major projects and higher supply of ICT equipment.

However, the Group's PBT had decreased to RM3.84 million for FYE 2019 which was approximately 38.58% lower compared to preceding year. The decreased in PBT was mainly due to higher proportion of progress works from projects and current year incoming orders with lower profit margin due to strong competitive market. Operation costs are higher compared to preceding year due to higher labour costs from project delay. In addition, higher selling and administrative expenses are mainly due to the on-going legal case, professional fee to obtain banking facilities, as well as office relocation. Furthermore, higher finance cost in FYE 2019 was mainly due to increased usage of bank facilities to fund projects procurement.

GROUP FINANCIAL POSITION (RM'000)	FYE2018	FYE2019
Total assets	57,840	75,528
Total cash, bank balances, fixed deposits with licensed banks and short-term investment	12,441	12,979
Gearing ratio (times)	0.05	0.20
Equity attributable to the owners of the Company	47,037	48,011
Net assets per share attributable to ordinary holders of the Company (RM)	0.26	0.27

As at the end of FYE 2019, our Group's total assets grew by RM17.69 million mainly due to acquisition of new office premises located at Johor Bahru as well as increased in contract assets which resulted from the active progress of major projects. However, gearing ratio rose to 0.20 times (FYE 2018: 0.05 times) mainly due to a new loan for financing the acquisition of the new premises as well as increase of bank borrowings for operation use.

Despite the increase in gearing ratio, the Group's cash and bank balances, fixed deposits with licensed banks and short-term investment have improved to RM12.98 million compared to RM12.44 million in the preceding year. The Group continues to exercise prudence in its financial management as part of its strategic objectives of building and maintaining a strong financial position. As at 31 December 2019, total shareholders' equity has increased to RM48.01 million which provides a net asset per share attributable to ordinary holders of the Company of RM0.27 (FYE 2018: RM0.26).

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

3. REVIEW OF OPERATING ACTIVITIES

The FYE 2019 proved to be a challenging year for the Group. The softening property market and generally weaker performance by developers affected the construction industry resulting in project delays and slower take off of new projects. The lethargic property outlook and construction industry resulted in price sensitivity for the Group's services from its potential and existing customers. The slowdown in construction industry for residential subsector were due to mismatch between supply and demand, while the non-residential subsector continued to decline in 2019 due to downtrend in demand for high-end properties and incoming supply of commercial buildings. Furthermore, the Group also faced unexpected delay in some of its existing projects, such as UiTM project, Forest City project and JDT Stadium project including, inefficient project site management resulted in increased wastage and extra labour cost.

The following key trends also affected the Group's business. The decrease of new order profit margin due to competitive market and increasing operating cost such as labour, utility and license fee, difficulty in sourcing for experienced and skilled workers.

Despite these challenges, during the FYE 2019, our Group had successfully secured the following key contracts:

a) ELV Systems for SKS Habitat (Phase 2);
b) ELV Systems for Horizon Suite, Sepang;
c) ELV Systems for AEON Mall, Taman Perindustrian Pulau Indah, Klang; and
d) ELV Systems and environmental monitoring and control system for mixed development project at Kuala Lumpur City Centre.

3.1 Inherent Risks

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

4. DIVIDENDS

The Group had adopted a Board's Dividend policy to recommend and distribute a dividend of at least 30% of the annual profit after tax attributable to shareholders. This is to allow the shareholders to participate in our Group's profits.

However, the Board is of the view that year 2020 will be a difficult and challenging year due to the uncertainties and instability in both the domestic and global economic outlook arising from the impact of the COVID-19. Hence the Board do not recommend the payment of any dividend for FYE 2019 in order to preserve working capital for operational cash flow requirements.

Our ability to pay dividends or make other distributions to our shareholders is subject to various factors, such as having profits and excess funds not required to be retained to fund our working capital requirements. Our Board will also take into consideration, amongst others, the following factors when recommending dividends: -

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

4. DIVIDENDS (cont'd)

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

5. FUTURE PROSPECTS

The Group is anticipating a challenging and uncertain political and economic environment ahead, due to among others, the US-China trade war, the outbreak of COVID-19, the new rules and regulations imposed by the authorities (e.g. Movement Control Order) as well as the increase in the minimum wages from RM1,100 to RM1,200 imposed by the Malaysian Government.

The Group is concerned that the massive disruptions and uncertainties presently unfolding due to the outbreak of COVID-19, which has seen deterioration and collapse in the global financial markets, fluctuations, volatility and weakening in the ringgit's exchange rates, warnings on impending recession and deterioration in market sentiments, will adversely impact the Malaysian economy and in turn the Group's performance. The extent and duration together with the measures implemented by the relevant health authorities to reign in the ongoing outbreak of COVID-19 will likely affect the Group's performance and operations as compared to the previous year corresponding periods.

Amidst challenging business operating environment, the Group continues to take the necessary initiatives to sustain and improve its business and performance as follows:

(i) To expand the Group's business portfolio in ICT to healthcare market segment, Data Centre Solutions and overseas expansion;
(ii) To increase revenue generation from maintenance services contracts and upgrade projects on existing buildings for sustainability;
(iii) To continue its efforts on the improvement of the efficiency and effectiveness of Group's operations;
(iv) Be more selective by tightening the pre-qualification process of new sales opportunity; and
(v) Take initiatives to reduce operating expenses via deferring capital investment, tightening of manpower and project cost management.

Barring any unforeseen circumstances, with the challenging operating conditions, the Board remains cautious and will double its effort for the financial year ending 31 December 2020.

6. APPRECIATION

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

We also take this opportunity and on behalf of the Board of Directors to express our sincere appreciation and gratitude to Mr Zhi Ming for his dedication, contributions and counsel during his tenure in office as Non-Independent Non-Executive Director since 2018

This statement was approved by the Board on 14 May 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

This statement is to provide shareholders and investors with an overview of the application of the Principles set out in the MCCG 2017 by the Company and should be read together with the Corporate Governance Report 2019 of the Company ("CG Report") which is accessible on Cabnet's website at www.cabnet.asia and via announcement on Bursa Malaysia Securities Berhad ("Bursa Securities") website.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG 2017 during the FYE2019. The Board recognises that the practice of good corporate governance is an ongoing process and is of the view that the Company has substantially complied with the principles and practices under the MCCG 2017.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

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

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

I. BOARD RESPONSIBILITIES (cont'd)

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

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

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

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

The Board intended to review during its scheduled meeting in April 2020 its Board Charter together with other policies, in particular, its Code of Conduct and Business Ethics Policy and Whistle Blowing Policy for the purpose of enhancement and ensuring they are harmony and compliance with Section 17A of the Malaysian Anti-Corruption Commission Act which will come into effect on 1 June 2020. In view of the Movement Control Order ("MCO") implement by the authority to address the outbreak of COVID-19, the review of the Board Charter together with other policies, in particular, its Code of Conduct and Business Ethics Policy and Whistle Blowing Policy had to be deffered to a later stage.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

I. BOARD RESPONSIBILITIES (cont'd)

The detail of the attendance record of the Directors at Board and Committee meetings during the FYE2019 is set out below :-

Name of Director	Attendance			
	Board	ARMC	NC	RC
DATUK TAN KOK HONG @TAN YI ***Independent Non-Executive Director/Chairman***	5/5	-	1/1	2/2
TAY HONG SING ***Executive Director/CEO***	5/5	-	-	-
TAN BOON SIANG ***Executive Director/ Deputy CEO***	5/5	-	-	-
YONG THIAM YUEN ***Executive Director/ COO***	5/5	-	-	-
ABDUL MUTALIB BIN IDRIS ***Senior Independent Non-Executive Director***	5/5	5/5	2/2	2/2
MEACHERY JO-ANNE JOSEPH (F) ***Independent Non-Executive Director***	4/5	4/5	3/3	-
VINCENT WONG SOON CHOY ***Independent Non-Executive Director*** ***(Appointed on 09.04.2019)***	3/3	3/3	1/1	0/0
DATO' JEFFREY LAI JIUN JYE ***Executive Director*** ***(Appointed on 03.09.2019)***	1/1	-	-	-
ZHI MING ***Non-Independent Non-Executive Director*** ***(Resigned on 19.03.2020)***	3/5	-	-	-
LIM MING KEE ***Independent Non-Executive Director*** ***(Resigned on 09.04.2019)***	2/2	2/2	2/2	2/2

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

I. BOARD RESPONSIBILITIES (cont'd)

Details of the Directors attendance of training programs/seminars/workshops/briefing during FYE2019 are as follows:-

Date	Topic/ Organising Entity	Directors Attended
14.01.2019 & 15.01.2019	Mandatory Accreditation Programme for Directors of Public Listed Companies	Mr. Zhi Ming
24.04.2019	Common Reporting Standard (CRS) and Wealth Planning	Dato' Jeffrey Lai Jiun Jye
03.05.2019	CG Watch : How Does Malaysia Rank?	Dato' Jeffrey Lai Jiun Jye
18.06.2019 & 19.06.2019	The Introduction to Corporate Directorship on by Institute of Corporate Directors Malaysia (ICDM) in collaboration with Bursa Securities.	Mr. Yong Thiam Yuen Ms. Meachery Jo-anne Joseph
15.08.2019	Demystifying the Diversity Conundrum : The Road to Business Excellence by Institute of Corporate Directors Malaysia (ICDM) in collaboration with Bursa Securities.	Mr. Vincent Wong Soon Choy
17.10.2019	Evaluating Effective Internal Audit Function – Audit Committee's Guide On How To' in collaboration with Institute of Internal Auditors Malaysia in collaboration with by Bursa Securities.	Mr. Abdul Mutalib Bin Idris
06.11.2019	Budget 2020 : Key Updates and Changes for Corporate Accountants	Mr. Tay Hong Sing
21.11.2019	Full day in-house training program on Corporate Liability : Provision under Section 17A of the Malaysian Anti-Corruption Commission Act conducted by Mr Chew Phye Keat of Raja, Darryl & Loh and organised by CIS Southkey Sdn Bhd	Datuk Tan Kok Hong @ Tan Yi Mr. Tay Hong Sing Mr. Tan Boon Siang Mr. Abdul Mutalib Bin Idris Mr. Vincent Wong Soon Choy

The Board is supported by three (3) External Company Secretaries. They all are qualified to act as Company Secretary under Section 235 and Section 241 of the Companies Act 2016, of which one is a Fellow Member and the other two are Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators. The Company Secretaries provide the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regards to the Company's Constitution, Board's policies and procedures as well as compliance with all regulatory requirements, codes, guidance and legislations.

II. BOARD COMPOSITION

Cabnet is led and managed by a diverse, competent and experienced Board of Directors with a mix of suitably qualified and experienced professionals having wide and varied expertise in the fields of business, legal, accounting, engineering and information technology. This enables the Board to carry out its responsibilities effectively and ensures accountability. In areas where the Board may not possess the required expertise, the Board would be able to garner advice from its consultants in the required field. The current Board is drawn from different ethnic, cultural and socio-economic background with their age ranging from 40 years old to 68 years old to ensure that different viewpoints are considered in the decision making process.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

II. BOARD COMPOSITION (cont'd)

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

Currently there are eight (8) Board members comprising four (4) Independent Non-Executive Directors and four (4) Executive Directors.

The profile of each Director is set out in pages 10 to 13 of this Annual Report.

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

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

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

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

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

At the forthcoming Fifth (5th) AGM, Mr. Tan Boon Siang and Mr. Abdul Mutalib Bin Idris are due to retire by rotation under Clause 133 of the Company's Constitution. Mr. Tan Boon Siang and Mr. Abdul Mutalib Bin Idris being eligible have offered themselves for re-election. Following the NC's review on the performance of Mr. Tan Boon Siang and Mr. Abdul Mutalib Bin Idris and having noted their significant and valued contributions to the Board, the NC had recommended their re-election to the Board and the Board had concurred with such recommendation and is recommending that shareholders re-elect Mr. Tan Boon Siang and Mr. Abdul Mutalib Bin Idris at the forthcoming 5th AGM.

Pursuant to Clause 118 of the Company's Constitution, Dato' Jeffrey Lai Jiun Jye who was appointed on 3 September 2019 is subject to retirement at the forthcoming 5th AGM. The NC had recommended his re-election to the Board and the Board had also concurred with such recommendation and are recommending that shareholders re-elect Dato' Jeffrey Lai Jiun Jye at the forthcoming 5th AGM.

In compliance with the provision of Rule 15.08A(3) of the AMLR of Bursa Securities, the activities of the NC for the FYE2019 are set out in Practices 4.4, 4.6 & 5.1 of the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

III. REMUNERATION

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

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

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

The RC had reviewed the Director's fees and benefits and the Executive Directors' remuneration for the financial year ending 31 December 2020 and recommended to the Board for approval.

The disclosure of the Directors' remuneration on a named basis received by each of the current Non-Executive Directors and Executive Directors for FYE2019 are set out in the tables below:-

1) Non-Executive Directors

No.	Name	Directors' Fees for FYE 2019 (RM'000)	Other Allowances for FYE 2019 (RM'000)
1.	DATUK TAN KOK HONG @ TAN YI	38	3
2.	ABDUL MUTALIB BIN IDRIS	35	5
3.	MEACHERY JO-ANNE JOSEPH	32	4
4.	ZHI MING (1)	30	1
5.	VINCENT WONG SOON CHOY (2)	26	2
6.	LIM MING KEE (3)	10	2
	TOTAL	171	17

2) Executive Directors

No.	Name	Salary (RM'000)	Bonus (RM'000)	Directors' Fees (RM'000)	EPF SOCSO & EIS (RM'000)	BIK (RM'000)	Total (RM'000)
1.	TAY HONG SING (4)	288	58	54	67	7	474
2.	TAN BOON SIANG (4)	288	58	54	67	-	467
3.	YONG THIAM YUEN (4)	189	38	30	28	13	298
4.	DATO' JEFFREY LAI JIUN JYE (5)	40	-	-	5	-	45
	TOTAL						1,284

Notes:

(1) Resigned on 19 March 2020
(2) Appointed on 9 April 2019
(3) Resigned on 9 April 2019
(4) Including remuneration from subsidiary
(5) Appointed on 3 September 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE

The ARMC of Cabnet comprises wholly of Independent Non-Executive Directors. The ARMC Chairman, Mr. Vincent Wong Soon Choy is a member of the Malaysian Institute of Accountants. The Chairman of the ARMC is not the Chairman of the Board.

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

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

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

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

Messrs. RSM Malaysia were also requested to furnish a declaration of their Independence to the Company as part of these procedures. Messrs. RSM had indicated their willingness to seek re-appointment as External Auditors for the financial year ending 31 December 2020.

The ARMC has been generally satisfied with the independence, performance and suitability of Messrs. RSM Malaysia based on the assessment and are recommending to the Board and shareholders for approval for the re-appointment of Messrs. RSM Malaysia as External Auditors for the financial year ending 31 December 2020. The Board had considered and recommended the re-appointment of External Auditors for the shareholders' approval at the forthcoming 5^{th} AGM.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

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

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

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

I. COMMUNICATION WITH STAKEHOLDERS

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

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

I. COMMUNICATION WITH STAKEHOLDERS (cont'd)

During FYE 2019, the Board ensured the supply of clear, comprehensive and timely information to the stakeholders via the following manners:

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

II. CONDUCT OF GENERAL MEETINGS

As stated earlier, the Board recognises the importance of communications with its shareholders and will take additional measures to encourage shareholders' participation at general meetings as recommended under the MCCG 2017.

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

To ensure effective participation of and engagement with shareholders at the AGM in 2019, all Directors, including members of ARMC, NC and RC, attended and participated in said AGM.

In line with the best CG practice, the Notice of the 5th AGM and Annual Report are sent out to shareholders at least 28 days before the date of the meeting to allow sufficient time for the shareholders to consider the proposed resolutions to be tabled at the AGM.

This statement was approved by the Board on 14 May 2020.

ADDITIONAL COMPLIANCE INFORMATION

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

The Company had successfully undertaken a public issue of 21,000,000 new Shares at an issue price of RM0.56 per share, representing approximately 16.15% of the enlarged issued share capital of RM22,660,000 comprising 130,000,000 Shares. Relevant details of the listing were set out in the Prospectus dated 28 April 2017 issued by the Company.

The gross proceeds arising from the IPO of RM11.76 million have been utilised in the following manner as at 31 December 2019: -

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation: (Surplus)/ deficit RM'000	Balance RM'000	Intended time frame for Utilisation from the date of listing
Working capital - Purchase of equipment for projects	5,260	(6,002)	742	-	Within 24 months
R&D expenditure	500	(349)	*(151)	-	Within 24 months
Repayment of bank borrowings	3,000	(3,000)	-	-	Within 4 months
Estimated listing expenses	3,000	(2,409)	*(591)	-	Within 1 month
Total	**11,760**	**(11,760)**	**-**	**-**	

**** The surplus of RM742,000 had been utilised for general working capital requirements of the Group.***

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid/ payable to the External Auditors by the Group and the Company for the FYE 2019 are as follows:

	The Group RM	The Company RM
Audit fee	73,000	24,000
Non-Audit fees *	20,000	4,000
	93,000	28,000

**** The Non-Audit fees include, amongst others, tax filing service fees and fee for review of Statement on Risk Management and Internal Control.***

3. MATERIAL CONTRACTS

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

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

4. CONTRACT RELATING TO LOAN

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

5. EMPLOYEE SHARE OPTIONS SCHEME

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

6. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

1. COMPOSITION AND ATTENDANCE

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

All members of the ARMC are required to be financially literate and appropriately qualified with sound knowledge and experience in accounting, business, and financial management. The details of attendance of each member at Committee Meetings held during the FYE 2019 are as follows:

Composition of Committee	No. of ARMC Meetings Attended FYE2019
Vincent Wong Soon Choy (Chairman, Independent Non-Executive Director) (Appointed as Chairman on 9 April 2019)	3/3
Abdul Mutalib bin Idris (Senior Independent Non-Executive Director)	5/5
Meachery Jo-anne Joseph (Independent Non-Executive Director)	4/5
Lim Ming Kee (Chairman, Independent Non-Executive Director) (Resigned and ceased as Chairman with effect from 9 April 2019)	2/2

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

2. SECRETARY

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

3. TERMS OF REFERENCE

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

4. MEETINGS

The ARMC shall meet at least four (4) times a year. The Chairman of the ARMC may call at any time for any additional meetings at the Chairman's discretion and the External Auditors ("EA") may request a meeting if they consider that one is necessary. The Committee had convened a total of five (5) meetings during the FYE 2019.

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

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

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

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

5. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

During the FYE 2019, the ARMC in discharging its duties and functions had carried out the following activities:

a) Financial Reporting

The ARMC reviewed the financial positions and quarterly interim financial reports for the 1st, 2nd, 3rd and 4th quarters of 2019 at its meetings held on 9 April 2019, 28 May 2019, 27 August 2019, 26 November 2019 and 25 February 2020 respectively before recommending them for the Board's consideration and approval for release to the public. In reviewing these financial results, the ARMC ensured the quarterly interim financial reports and Audited Financial Statements ("AFS") were prepared in compliance with the Malaysian Financial Reporting Standard ("MFRS") while the quarterly reports were produced in accordance with rule 9.22 and Appendix 9B of the AMLR.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

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

b) Reports from EA

- On 26 November 2019, the ARMC had reviewed with the EA their scope of work and audit plan as provided in the External Auditors' Audit Planning Memorandum for the financial year 2019 prior to the commencement of audit. The ARMC also had reviewed the EA's remuneration and made recommendation to the Board for acceptance.

- On 25 February 2019, 26 November 2019 and 25 February 2020, the ARMC had conducted private session meetings with the EA without the presence of the executive board members and management personnel of the Company. The ARMC had the opportunity to assess the co-operation extended by the Management to the EA, their attitude and readiness to provide documentation and explanations, as well as the adequacy of resources of the Group's finance department.

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

- On 25 February 2020, the ARMC had deliberated and reviewed the EA's audit findings and recommendations and the audit report, including management's response in relation to the audit findings of the Group for the FYE 2019.

- On 25 February 2020, the ARMC had reviewed and evaluated the performance of the EA. The ARMC had considered and reviewed the EA's experience, resources availability, independence, level of non-audit services, timing for fieldwork and delivery of reports, working relationship with Management, appropriateness of audit fees and their willingness to continue in office for the next financial year. The ARMC has been generally satisfied with the independence, performance and suitability of EA.

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

- On 25 February 2020, EA had indicated their willingness to continue in office for the next financial year and for re-appointment at the forthcoming AGM.

- On 14 May 2020, the ARMC had reviewed and discussed with the EA on the AFS of the Group for the FYE 2019. The review was to ensure that the AFS were drawn up in accordance with the provision of the Companies Act, 2016 and the applicable Approved Accounting Standards.

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

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

c) Reports from Internal Auditors ("IA")

- On 28 May 2019, the ARMC had reviewed and discussed the Internal Audit Reports with the recommendations made by the IA on the areas of improvement. The report contained the findings, status, potential risks or implications, audit recommendations provided by the IA and corrective actions taken by management in addressing and resolving issues. The areas covered encompassed Human Resource and Payroll Management. The IA also reported on the status of implementation progress of the respective management action plans from previous internal audits conducted.

- On 26 November 2019, the ARMC had reviewed and discussed the Internal Audit Reports with the recommendations made by the IA on the areas of improvement. The report contained the findings, status, potential risks or implications, audit recommendations provided by the IA and corrective actions taken by management in addressing and resolving issues. The areas covered encompassed Tendering and Quotation Management.

- On 26 November 2019, the ARMC had reviewed and discussed the Internal Audit Action Plans Follow up Report with the recommendations made by the IA on the areas of improvement. The report provides ARMC on the status of formulation of the respective management action plans in relation to internal audit findings for previous internal audit cycles conducted and its progress of implementation as at the date of the report.

- On 29 November 2019, the ARMC had reviewed and approved the internal audit review plan for the financial year 2020 and recommended for the Board's consideration and approval.

- On 25 February 2020, the ARMC had reviewed and evaluated the performance of the IA. The ARMC has considered and reviewed the IA's qualifications and experience, resources availability and competency, independence, scopes and functions of the IA and collaboration with EA. The ARMC has been generally satisfied with the performance of IA.

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

d) Overall Governance Practices in the Group

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

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

- Reviewed the Director's Responsibility, Other Compliance Information and Other Governance Disclosure and Financial indicators.

- Considered and reviewed any related party transaction in order to ensure that they were not detrimental to the interests of the minority shareholders.

- Inquired on awareness of any incidences or suspicion of fraud that may have come to the ARMC's attention.

- Reviewed the Budget for the financial year ending 31 December 2020 prepared by management and ensured that the assumptions and estimates were reasonable and prudent.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

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

e) Assurance from CEO and GFM on Group's Risk Management and Internal Control

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

The CEO and GFM assured that: -

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

6. INTERNAL AUDIT AND RISK MANAGEMENT FUNCTIONS

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

a) Main responsibilities of the IA

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

b) Activities of Internal Audit Function

- Annually, before the commencement of the internal audit reviews, an internal audit plan is produced and presented to the ARMC for approval. This internal audit plan is developed taking into consideration existing and emergent key business risks identified by the Management as well as Board's and Senior Management's concerns. Upon approval, internal audit reviews will be carried out in accordance with this approved plan and thereafter table bi-annually for ARMC to review the internal audit reports and the progress of internal audit plan. This review is to ensure that the audit direction remains relevant and in line with the ARMC's expectations.
- Prior to the presentation of reports and findings to the ARMC, comments from the management are obtained and incorporated into the internal audit findings and reports.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

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

b) Activities of Internal Audit Function (cont'd)

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

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

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

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

- The IA had attended two (2) ARMC meetings during the FYE 2019. During the financial year under review, the outsourced internal audit function has conducted review for Human Resource and Payroll Management as well as the Tendering and Quotation Management based on the internal audit plan approved by the ARMC for the FYE 2019.

The total cost incurred for the internal audit function outsourced in respect of the FYE 2019 was RM34,220.

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

This statement was approved by the Audit and Risk Management Committee on 14 May 2020.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to rule 15.26(b) and Guidance Note 11 of the Bursa Securities's AMLR in relation to the requirement to prepare statement about the state of internal control of the listed issuer as a group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and the MCCG 2017, the Board is pleased to present the statement on the state of the internal controls of the Group for the FYE2019 and up to the date of approval of this statement. The scope of this statement includes the company and all operating subsidiaries.

BOARD RESPONSIBILITIES

As per the Board Charter, the Board affirms its overall responsibility for maintaining a sound governance, risk management and internal control systems and for reviewing their adequacy and effectiveness so as to provide assurance on the achievement of the Group's corporate objectives and strategies and to safeguard all its stakeholders' interests and protecting the Group's assets as well as to establish risk appetite of the Group based on the corporate objectives, strategies, external environment, business nature and corporate lifecycle. The Board is committed to the establishment and maintenance of an appropriate control environment and governance framework that is embedded into the corporate culture, processes and strategies of the Group as well as to articulate and implement risk management and internal control system.

The Board delegates the duty of identification, assessment and management of key business risks to the Risk Management Committee while the ARMC, through its terms of reference approved by the Board, is delegated with the duty to review the adequacy and effectiveness of risk management and internal control systems of the Group and to provide assurance to the Board on the adequacy and effectiveness of risk management and internal control systems of the Group. Through the ARMC, the Board is kept informed on all significant control issues brought to the attention of the ARMC by the Risk Management Committee, Management, the internal audit function and the external auditors.

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

RISK MANAGEMENT

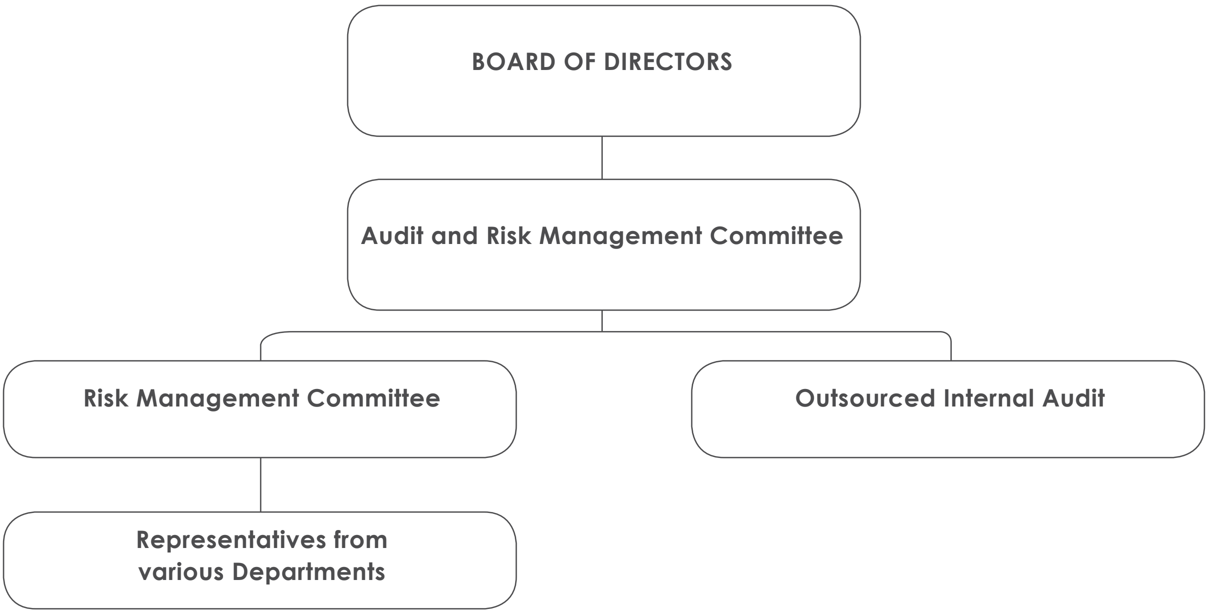
The Board recognises risk management as an integral part of system of internal control and good management practice in pursuit of its strategic objectives. The Board maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group systematically during the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

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

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

RISK MANAGEMENT (cont'd)

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



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

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

On the other hand, the oversight roles of the ARMC in relation to the risk management as per its terms of reference are:

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

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

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

RISK MANAGEMENT (cont'd)

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

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

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

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

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

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

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

INTERNAL CONTROL SYSTEM

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

- **Board of Directors/Board Committees**

  The role, functions, composition, operation and processes of the Board are guided by formal Board Charter.

  Board Committees (i.e. ARMC, RC and NC) are established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference.

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

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

INTERNAL CONTROL SYSTEM (cont'd)

- **Integrity and Ethical Value**

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

  The Group also adopted a whistle blowing policy since 2018, providing an avenue for employees and external parties to report actual or suspected malpractice, misconduct or violations of the Group's policies and regulations in a safe and confidential manner.

- **Organisation Structure, Accountability and Authorisation Procedures**

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

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

- **Policies and Procedures**

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

- **Human Resource Policy**

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

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

- **Information and Communication**

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

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

INTERNAL CONTROL SYSTEM (cont'd)

- **Monitoring and Review**

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

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

  Apart from the above, the quarterly financial performance review containing key financial results and comparison against previous corresponding financial results are presented to the Board for their review.

INTERNAL AUDIT FUNCTION

The Group relies on the internal audit function to provide the Board and the Management with the required level of assurance that the governance, risk management and internal control system are adequate and effective in mitigating organisational risks to achieve the Group's corporate objectives.

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

The outsourced internal audit function is reporting to the ARMC directly and the engagement director, Mr. Pang Nam Ming, is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global. The outsourced internal audit function is manned by one (1) engagement director, three (3) senior managers/ managers and eight (8) senior consultants/consultants as at the date of this report.

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

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

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

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

INTERNAL AUDIT FUNCTION (cont'd)

On 25 February 2020, the ARMC had reviewed and evaluated the performance of the outsourced internal audit function. The ARMC has considered and reviewed the outsourced internal audit function's qualifications and experience, resources availability and competency, independence, scopes and functions of the outsourced internal audit function and collaboration with External Auditors. The ARMC and the Board are satisfied:

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

Risk-based internal audit plan in respect of FYE 31 December 2019 was drafted by the outsourced internal audit function, after taking into consideration existing and emergent key business risks identified by the Management and the Senior Management's opinion, and was reviewed and approved by the ARMC prior to execution. Each internal audit cycles within the internal audit plan are specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

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

During the financial year under review, the outsourced internal audit function has conducted review for Human Resource and Payroll Management as well as the Tendering and Quotation Management based on the internal audit plan approved by the ARMC for the FYE2019. The outsourced internal audit function also conducted review on the status of formulation of the respective management action plans in relation to internal audit findings for previous internal audit cycles conducted and its progress of implementation as at the date of the report.

Upon the completion of the individual internal audit field work during the financial year, the internal audit reports were presented by the outsourced internal audit function to the ARMC during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management responses and action plans were presented and deliberated with the members of the ARMC.

The cost incurred in maintaining the outsourced internal audit function for the FYE2019 amounted to RM34,220.

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

ASSURANCE PROVIDED BY THE CHIEF EXECUTIVE OFFICER AND GROUP FINANCE MANAGER

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

OPINION AND CONCLUSION

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

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

ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to rule 15.23 of the AMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Audit and Assurance Practice Guides ("AAPG 3"): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report of the Group for the FYE 2019, issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually incorrect.

This statement was approved by the Board on 14 May 2020.

SUSTAINABILITY STATEMENT

The Board of Cabnet recognises the importance of continuously developing and improving the business operations of the Group in a sustainable and responsible manner. The Board believes that placing sustainability as the core of its business operations will drive the long-term business growth of the Cabnet Group as well as establishing mutually favourable relationships with our stakeholders.

The Board is committed to continuously promote good sustainability practices, update the sustainability progress and engage openly and responsively with the Group's stakeholders through transparent sustainability reporting that captures the economic, environmental and social aspects of the Group's business operations. The Board recognise that stakeholder engagement plays an important role to ensure the businesses pursued by the Group are sustainable in the long term. Through the Sustainability Statement, we provide stakeholders with a better understanding of the Group's approach to create sustainable long-term value for stakeholders as well as the progress in meeting these commitments.

The Board is pleased to present this Sustainability Statement for the FYE 2019 prepared pursuant to paragraph 30 of Appendix 9C of AMLR of Bursa Malaysia Securities Berhad which is supplemented by Guidance Note 11 of the AMLR.

1.0 ECONOMIC

1.1 Quality Assurance

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

In line with this, one of our subsidiary company, Cabnet Systems (M) Sdn Bhd, is an ISO 9001:2015 (the international standard that specifies requirements for a quality management system) accredited company. Our quality management systems and specific quality control plans are structured to meet the ISO standards.

1.2 Supply Chain Management

The Group seeks to ensure that sustainable Supply Chain Management are practiced and embedded into the Group's culture. Based on the past record, the Group has established a large pool of committed partners in the market with many successful co-operations experience. The Board believes that the practice of supporting local suppliers could create a co-prosperity community as well as sustaining growth in the local economy.

1.3 Value-added Solutions

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

1.4 Government and Regulators

Each employee of the Group is required to comply with local laws and regulations and maintain a high standard of personal conduct while dealing with various stakeholders. Non-compliance may lead to impaired reputation and unnecessary penalties imposed. We have established a proper channel for communication to all employees as well as stakeholders through our Group whistle-blowing policy.

2. ENVIRONMENTAL

2.1 Reduce, Reuse, Recycle ("3R")

We are committed to minimise the impact of human footprint to the environment and ensure our business is operating in an environmentally responsible manner. Therefore, we are practising the 3R principles in our daily operations such as minimising wastages through controlling our purchasing and inventory level and channeling waste cables and other materials from its project sites for recycling.

We also encourage our stakeholders to go paperless whenever possible. In year 2019, we have taken initiative of practicing e-invoices to reduce the print out quantity. Other than that, waste papers and envelopes are segregated by the respective department for re-use purpose.

2.2 Digital environment

As part of our efforts to mitigate the environmental impact of our operations, we have moved towards a digital environment by established a centralised file server for more efficient information sharing and document filing system. Respective departments are required to keep their documents in soft copy in the centralised server instead of keeping hardcopies.

3. SOCIAL

3.1 Employees

The Board recognises that employees are valuable resources and a key business success factor for the Group's long-term business success and sustainability.

We advocate a corporate philosophy of caring for our employees. We provide careers with growth opportunities, fair performance evaluation and reward systems, and ensure their well-being is addressed. Formal staff benefit table, employee career and salary scale are established during the financial year by the management in order to ensure our employees are compensate in a transparent manner.

We are committed to build performance-based culture by allowing employees to demonstrate their capabilities, monitor their achievement and growth, and to continuously motivate the employees through the annual performance appraisals. Annual performance appraisals are performed not only for the performance-based remuneration, but also to have effective two-way communication with our people, whereby the past performance and expectations for the future by the Management are communicated while the commitment and concerns of our people are conveyed for future monitoring.

3.2 Recruitment

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

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

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

SUSTAINABILITY STATEMENT (CONT'D)

3. SOCIAL (cont'd)

3.3 Employees' Welfare & Social Activities

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

Due to the business expansion and increase of headcounts, we had decided to relocate our head office during the financial year in order to provide our employees a more spacious and comfortable working environment.

3.4 Safety and Health

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

3.5 Skill Development

We place a strong emphasis on skill development to enable our employees to achieve their potential. We believe that efficient, effective and knowledgeable employees are essential for the growth of the organisation. To this end, trainings are continuously provided to upgrade job knowledge and develop new skills to support their career development.

We encourage employees to attend relevant new products briefing related to their field of works to broaden their perspective and be at the forefront of industry practices.

3.6 Community

We are committed to giving back to the communities through financial contribution and sponsorship. We have made financial contributions to Malaysian Red Crescent Johor Bahru Chapter for five (5) consecutive years starting from 2015. During the year, we have also made financial contributions for religious activities.

This statement was approved by the Board on 14 May 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

This statement is prepared as required by the Listing Requirements of Bursa Securities.

The directors are required by the Companies Act, 2016 ("the Act") to prepare financial statements for each financial year so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of the results and cash flows of the Group and of the Company for the financial year then ended.

During the preparation of the financial statements for the FYE 2019, the directors have ensured that:

- the Group and the Company have adopted appropriate accounting policies and are consistently applied;
- judgements and estimates that are prudent and reasonable have been used;
- all applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards have been complied with;
- the accounting and other records required by the Act are properly kept and disclosed with reasonable accuracy at any time, the financial position of the Group and of the Company which enable them to ensure the financial statements comply with the Act; and
- the financial statements have been prepared on the going concern basis.

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year	2,422,736	519,946
Attributable to:		
Owners of the Company	2,421,880	519,946
Non-controlling interest	856	-
	2,422,736	519,946

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

DIVIDEND

The 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 31 December 2018	**RM**
Interim single-tier dividend of 0.80 sen per ordinary share, paid on 4 June 2019	1,430,000

The directors do not recommend any final dividend in respect of the financial year ended 31 December 2019.

RESERVES AND PROVISIONS

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

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 by the Company to any person to take up any unissued shares of the Company during the financial year.

DIRECTORS' REPORT (CONT'D)

DIRECTORS OF THE COMPANY

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

Datuk Tan Kok Hong @ Tan Yi
Tay Hong Sing
Tan Boon Siang
Yong Thiam Yuen
Abdul Mutalib Bin Idris
Meachery Jo-anne Joseph
Vincent Wong Soon Choy
Dato' Jeffrey Lai Jiun Jye (Appointed on 3 September 2019)
Zhi Ming (Resigned on 19 March 2020)

DIRECTORS OF THE SUBSIDIARIES

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

Tan Ying Meng
Koh Thain Lin
Sim Yian Fei

DIRECTORS' INTEREST

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

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 were as follow:

	Number of ordinary shares			
The Company	**At 1.1.2019**	**Acquired**	**Disposed**	**At 31.12.2019**
Direct interests				
Tay Hong Sing	44,825,000	330,000	(27,706,250)	17,448,750
Tan Boon Siang	44,825,000	-	(27,706,250)	17,118,750
Datuk Tan Kok Hong @ Tan Yi	343,750	-	-	343,750
Yong Thiam Yuen	158,125	-	-	158,125
Indirect interests				
Tay Hong Sing**	-	55,412,500	-	55,412,500
Tan Boon Siang**	-	55,412,500	-	55,412,500

** Deemed interest by virtue of his substantial shareholdings in Kuopacific Strategic Sdn Bhd.

DIRECTORS' INTEREST (cont'd)

The Company	Number of Warrants At 1.1.2019	Acquired	Exercised	Disposed	At 31.12.2019
Direct interests					
Tay Hong Sing	16,300,000	120,000	-	-	16,420,000
Tan Boon Siang	15,590,000	-	-	-	15,590,000
Datuk Tan Kok Hong @ Tan Yi	125,000	-	-	-	125,000
Yong Thiam Yuen	57,500	-	-	-	57,500

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the notes to the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 29 to the financial statements.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 29 to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

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

SUBSIDIARY COMPANIES

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

AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in Note 22 to the financial statements.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts was necessary; 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 render the amount written off for bad debts inadequate to any substantial extent or require the setting up of provision for doubtful debts in the financial statements of the Group and of the Company;

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

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

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

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

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

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

(d) In the opinion of the directors:

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

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

DIRECTORS' REPORT (CONT'D)

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 14 May 2020

TAY HONG SING

TAN BOON SIANG

Johor Bahru, Johor

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

We, the undersigned, being two of the directors of **CABNET HOLDINGS BERHAD (Registration No. 201401045803 (1121987-D))** do hereby state that, in the opinion of the directors, the financial statements set out on pages 59 to 116 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2019 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 14 May 2020.

TAY HONG SING

TAN BOON SIANG

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

I, **SEOW ZHEN YOU**, MIA membership number: 45644, being the officer primarily responsible for the financial management of **CABNET HOLDINGS BERHAD (Registration No. 201401045803 (1121987-D))** do solemnly and sincerely declare that the financial statements set out on pages 59 to 116 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed at Johor Bahru
in the Johor on 14 May 2020

Before me

SEOW ZHEN YOU

LAI SOON CHEE
Commissioner for Oaths
No. J287

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CABNET HOLDINGS BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cabnet Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 116.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. This matter was addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. We have determined that there is no key audit matter for the Company to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
<u>Recoverability of trade receivables</u> *Refer to Note 5(d), Note 12 and Note 34 to the financial statements.* As at 31 December 2019, trade receivables that were past due more than 120 days amounted to RM3,427,966. During the financial year, the Group has initiated legal actions against a third party receivable to recover an outstanding sum of RM1,120,179. The determination of whether the trade receivables are recoverable involves significant management judgement and inherent subjectively given uncertainty regarding the ability of the trade receivables to settle their debts and the outcome of the litigation.	Our audit procedures included the following: - We obtained an understanding of the Group's control over the receivable collection process and how the Group identifies and assesses the impairment of receivables. - We evaluated the reasonableness and adequacy of the allowance for impairment recognised for identified exposures. - We read the legal opinions from the external solicitors engaged by management and obtained an understanding of the merits of the claims and solicitors' assessments of the claim consultant's report in order to evaluate management's assessment of the outcome of the court case.

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

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

Key Audit Matter (cont'd)

Key audit matter	How our audit addressed the key audit matter
<u>Recoverability of trade receivables (cont'd)</u> We focused on the risk that the trade receivables may be overstated and hence, further impairment losses may be required. Based on management's assessment, there is no impairment losses on the outstanding amount, whereby it is probable to receive the amount.	Our audit procedures included the following: - We have discussed with the external solicitors in respect of the expected period of the court case and subsequent recovery of the receivable balance. - We evaluated the competency and objectivity of external legal counsel, where applicable, as required under International Standards on Auditing. - Based on the above information, we evaluated management assessment on the likelihood of the claims entitled by the Group.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Matter

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.

RSM Malaysia
AF: 0768
Chartered Accountants

Se Kuo Shen
02949/03/2022 J
Chartered Accountant

Johor Bahru

14 May 2020

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2019

		GROUP		COMPANY	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	14,778,024	8,209,077	10,670	-
Investments in subsidiaries	7	-	-	24,381,998	24,381,998
Goodwill	8	98,942	98,942	-	-
Total non-current assets		14,876,966	8,308,019	24,392,668	24,381,998
Current assets					
Inventories	10	2,491,336	1,587,483	-	-
Contract assets	11	25,241,010	17,507,131	-	-
Trade and other receivables	12	19,939,339	17,988,899	1,038,720	1,740,634
Short-term investments	13	3,285,233	-	2,292,939	-
Tax recoverable		-	7,250	16,271	-
Fixed deposits with licensed banks	14	2,504,668	3,839,148	-	-
Cash and bank balances		7,189,314	8,602,206	829,128	3,488,035
Total current assets		60,650,900	49,532,117	4,177,058	5,228,669
Total assets		75,527,866	57,840,136	28,569,726	29,610,667
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	27,678,500	27,678,500	27,678,500	27,678,500
Reserves	15	20,332,301	19,358,619	707,087	1,617,141
		48,010,801	47,037,119	28,385,587	29,295,641
Non-controlling interest		58,059	57,203	-	-
Total equity		48,068,860	47,094,322	28,385,587	29,295,641
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	16	-	620,799	-	-
Lease liabilities	17	757,060	-	-	-
Loans and borrowings	18	4,339,580	1,545,725	-	-
Deferred tax liabilities	9	12,680	33,123	-	-
Total non-current liabilities		5,109,320	2,199,647	-	-
Current liabilities					
Trade and other payables	19	17,787,440	7,918,435	184,139	297,226
Finance lease liabilities	16	-	302,301	-	-
Lease liabilities	17	370,757	-	-	-
Loans and borrowings	18	4,134,182	24,881	-	-
Current tax liabilities		57,307	300,550	-	17,800
Total current liabilities		22,349,686	8,546,167	184,139	315,026
Total liabilities		27,459,006	10,745,814	184,139	315,026
Total equity and liabilities		75,527,866	57,840,136	28,569,726	29,610,667

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
REVENUE	20	68,880,014	47,182,845	976,380	1,934,450
COST OF SALES		(56,391,888)	(34,226,782)	-	-
GROSS PROFIT		12,488,126	12,956,063	976,380	1,934,450
OTHER OPERATING INCOME		516,571	358,198	105,248	316,534
ADMINISTRATIVE EXPENSES		(8,873,013)	(6,912,762)	(554,350)	(712,083)
FINANCE COSTS	21	(292,093)	(148,915)	-	-
PROFIT BEFORE TAXATION	22	3,839,591	6,252,584	527,278	1,538,901
TAXATION	23	(1,416,855)	(1,572,059)	(7,332)	(36,000)
PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		2,422,736	4,680,525	519,946	1,502,901
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company		2,421,880	4,721,322	519,946	1,502,901
Non-controlling interest		856	(40,797)	-	-
		2,422,736	4,680,525	519,946	1,502,901
EARNINGS PER SHARE					
- Basic (sen)	33	1.35	3.05		
- Diluted (sen)	33	1.35	3.05		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	← ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY →						
GROUP	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED EARNINGS RM	CAPITAL RESERVE RM	TOTAL RM	NON-CONTROLLING INTEREST RM	TOTAL EQUITY RM
At 31 December 2017/1 January 2018	22,660,000	5,018,500	15,677,297	-	43,355,797	-	43,355,797
Total comprehensive income for the financial year	-	-	4,721,322	-	4,721,322	(40,797)	4,680,525
	22,660,000	5,018,500	20,398,619	-	48,077,119	(40,797)	48,036,322
Issuance of shares to non-controlling interest	-	-	-	-	-	98,000	98,000
Transactions with owners:							
Bonus issue of shares	4,875,000	(4,875,000)	-	-	-	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	143,500	(143,500)	-	-	-	-	-
Bonus issue of shares from a subsidiary	-	-	(1,050,000)	1,050,000	-	-	-
Dividends paid	-	-	(1,040,000)	-	(1,040,000)	-	(1,040,000)
	5,018,500	(5,018,500)	(2,090,000)	1,050,000	(1,040,000)	-	(1,040,000)
At 31 December 2018/1 January 2019	27,678,500	-	18,308,619	1,050,000	47,037,119	57,203	47,094,322
Effect of adoption of MFRS 16, *Leases*	-	-	(18,198)	-	(18,198)	-	(18,198)
At 1 January 2019, restated	27,678,500	-	18,290,421	1,050,000	47,018,921	57,203	47,076,124
Total comprehensive income for the financial year	-	-	2,421,880	-	2,421,880	856	2,422,736
	27,678,500	-	20,712,301	1,050,000	49,440,801	58,059	49,498,860
Transactions with owners:							
Dividends paid	-	-	(1,430,000)	-	(1,430,000)	-	(1,430,000)
At 31 December 2019	27,678,500	-	19,282,301	1,050,000	48,010,801	58,059	48,068,860

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

COMPANY	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED EARNINGS RM	TOTAL EQUITY RM
At 1 January 2018	22,660,000	5,018,500	1,154,240	28,832,740
Total comprehensive income for the financial year	-	-	1,502,901	1,502,901
	22,660,000	5,018,500	2,657,141	30,335,641
Transactions with owners:				
Bonus issue of shares	4,875,000	(4,875,000)	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	143,500	(143,500)	-	-
Dividends paid	-	-	(1,040,000)	(1,040,000)
	5,018,500	(5,018,500)	(1,040,000)	(1,040,000)
At 31 December 2018/1 January 2019	27,678,500	-	1,617,141	29,295,641
Total comprehensive income for the financial year	-	-	519,946	519,946
	27,678,500	-	2,137,087	29,815,587
Transactions with owners:				
Dividends paid	-	-	(1,430,000)	(1,430,000)
At 31 December 2019	27,678,500	-	707,087	28,385,587

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	3,839,591	6,252,584	527,278	1,538,901
Adjustments for:				
Depreciation of:				
- property,plant and equipment	462,408	549,747	90	-
- right-of-use assets	357,307	-	-	-
Listing expenses	-	204,376	-	204,376
Loss on disposal of property, plant and equipment	6,025	10,887	-	-
Gain on disposal of right-of-use assets (Note 22)	(43,486)	-	-	-
Property, plant and equipment written off (Note 22)	116,695	11,678	-	-
Interest expense	201,674	148,915	-	-
Interest income	(252,212)	(283,184)	(105,248)	(316,534)
Bad debts written off	5,800	318	-	-
Impairment losses on:				
- inventories (Note 10)	15,154	-	-	-
Reversal of impairment losses:				
- inventories (Note 10)	-	(322,264)	-	-
- trade receivables (Note 12)	(22,896)	(4,131)	-	-
Operating profit before working capital changes	4,686,060	6,568,926	422,120	1,426,743
(Increase)/Decrease in inventories	(919,007)	2,464,770	-	-
Increase in contract assets	(7,733,879)	(5,450,774)	-	-
(Increase)/Decrease in trade and other receivables	(2,783,344)	(19,898)	50,158	265,252
Increase/(Decrease) in trade and other payables	9,869,005	(1,165,354)	(113,087)	102,626
Cash from operations	3,118,835	2,397,670	359,191	1,794,621
Tax paid	(1,676,436)	(1,776,227)	(41,403)	(22,000)
Tax refunded	3,145	-	-	-
Net cash from operating activities	1,445,544	621,443	317,788	1,772,621

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES				
Interest received	252,212	283,184	105,248	316,534
Purchase of investments	-	-	-	(5,102,000)
Withdrawal/(Placement) of fixed deposit pledged to licensed bank	532,804	(216,220)	-	-
Withdrawal/(Placement) of fixed deposit with maturity of more than 3 months	381,625	(37,575)	-	-
Proceeds from disposal of property, plant and equipment	6,000	79,791	-	-
Proceeds from disposal of right-of-use assets	114,588	-	-	-
Purchase of property, plant and equipment [Note 28(a)]	(3,030,409)	(1,503,368)	(10,760)	-
Net cash (for)/from investing activities	(1,743,180)	(1,394,188)	94,488	(4,785,466)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES				
Dividend paid	(1,430,000)	(1,040,000)	(1,430,000)	(1,040,000)
Interest paid	(201,674)	(148,915)	-	-
Payment of listing expenses	-	(204,376)	-	(204,376)
Drawdown of:				
- term loans	-	763,000	-	-
- bankers' acceptance	7,559,000	-	-	-
Proceeds from issuance of ordinary shares (non-controlling interest)	-	98,000	-	-
Repayments:				
- finance lease liabilities	-	(151,066)	-	-
- lease liabilities	(481,556)	-	-	-
- term loans	(56,844)	(961,989)	-	-
- bankers' acceptance	(3,639,000)	-	-	-
Decrease in amount owing by subsidiaries	-	-	651,756	3,363,927
Net cash from/(for) financing activities	1,749,926	(1,645,346)	(778,244)	2,119,551
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,452,290	(2,418,091)	(365,968)	(893,294)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	9,022,257	11,440,348	3,488,035	4,381,329
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR [NOTE 28(b)]	10,474,547	9,022,257	3,122,067	3,488,035

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. PRINCIPAL ACTIVITIES

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

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

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

(b) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

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

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

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

(ii) Business combinations

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

(ii) Business combinations (cont'd)

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

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

(iii) Transactions eliminated on consolidation

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

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

(c) Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

Buildings	2%
Motor vehicles	10 – 20%
Office equipment, furniture, fittings and renovation	10 – 15%
Information and communication equipment	20 – 40%
Tools and equipment	10%

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

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

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

(d) Leases

The Group has applied MFRS 16 Leases using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117 Leases and related interpretations.

Current financial year

(i) 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 Group 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 Group 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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Leases (cont'd)

(ii) Recognition and initial measurement

1. As a lessee

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

Leasehold land	33 – 97 Years
Motor vehicles	10 – 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 Group entities' incremental borrowing rate. Generally, the Group 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 Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group 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 Group 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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Leases (cont'd)

(ii) Recognition and initial measurement (cont'd)

2. As a lessor

When the Group 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 Group 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 Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group 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 Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

1. 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.

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 Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group 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 Group recognises lease payments received under operating leases as income on straight-line basis over the lease term as part of "revenue".

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Leases (cont'd)

Previous financial year

(iv) Recognition and initial measurement

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

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

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

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

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

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

(e) Intangible assets

Goodwill

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

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

(f) Impairment of non-financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Impairment of non-financial assets (cont'd)

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

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

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

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

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

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

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

Goodwill impairment is not reversed in any circumstances.

(g) Inventories

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

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

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

(h) Financial instruments

(i) Initial recognition and measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Financial instruments (cont'd)

(i) Initial recognition and measurement (cont'd)

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

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

(ii) Derecognition of financial instruments

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

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

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

(iii) Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Financial instruments (cont'd)

(iii) Financial assets (cont'd)

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

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

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

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

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

(iv) Financial liabilities

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

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

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

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

(v) Fair value measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Financial instruments (cont'd)

(vi) Recognition of gains and losses

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

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

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

(vii) Impairment of financial assets

The Group and the Company 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 Group and the Company assess whether there has been a significant increase in credit risk of a financial asset since its initial recognition or at the end of the prior period. Other than for financial assets which are considered to be of low risk grade, a lifetime expected credit loss is recognised if there has been a significant increase in credit risk since initial recognition. For trade receivables, the Group and the Company has availed the exception to the 12-month ECL requirement to recognise only lifetime expected credit losses.

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) 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.

(j) Equity

(i) Share capital

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

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

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

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

(ii) Dividend distribution

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

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

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

(j) Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Employees benefits

(i) Short-term benefit

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

(ii) Defined contribution plan

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

(l) Revenue and other income

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

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Construction contracts

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

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

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

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

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

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.

(ii) Goods and services rendered

Revenue from a sale of goods is recognised at a point in time when control of the goods is passed to the customer, which is 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.

(iii) Interest income

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

(iv) Rental income

Rental income is recognised on an accrual basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(v) Dividend income

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

(m) Borrowing costs

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

(n) Income taxes

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Operating segments

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

(p) Fair value measurement

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

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

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

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

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2019:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 *Financial Instruments (2014) – Prepayment Features with Negative Compensation*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*

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

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

- Amendments to MFRS 11 *Joint Arrangements - Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 112 *Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 123 *Borrowing Costs – Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Plan Amendment, Curtailment or Settlement*

The adoption of the above-mentioned accounting standards, amendments and interpretations have no significant impact on the financial statements of the Group and 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 Group and 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*

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 Group and the Company when they become effective.

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

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Revenue recognition for construction contracts

The Group recognises contract 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 Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement is required in determining:

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

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

(b) Transfer of control in construction contracts activities

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

(c) Loss allowances of financial assets

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

(d) Recoverability of receivables

As disclosed in Note 34 to the financial statements, the total receivable balance due from a third party amounted to RM1,120,179 as at 31 December 2019.

The Directors have made an assessment and concluded that the total receivable balance is fully recoverable based on the court's decision from the hearing on 18 December 2019. They have also considered the expected period of the court process and the subsequent recovery in arriving at the carrying value of the receivables.

6. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold/ leasehold land RM	Buildings RM	Building in progress RM	Motor vehicles RM	Office equipment, furniture, fittings and renovations RM	Information and communication equipment RM	Tools and equipment RM	Total RM
At Cost								
Own use								
At 1.1.2018	1,757,358	1,656,890	1,173,953	3,100,174	1,018,624	647,023	796,998	10,151,020
Additions	-	1,145,102	166,649	295,552	24,066	92,828	29,171	1,753,368
Disposal	-	-	-	(239,000)	(68,989)	-	(128,855)	(436,844)
Written-off	-	-	-	-	-	(22,774)	(23,828)	(46,602)
Reclassification	242,202	1,098,400	(1,340,602)	-	-	-	-	-
At 31.12.2018/1.1.2019	1,999,560	3,900,392	-	3,156,726	973,701	717,077	673,486	11,420,942
Adjustment on initial application of MFRS 16	(242,202)	-	-	(1,880,157)	-	-	-	(2,122,359)
Addition	-	3,739,110	-	110,890	1,298,773	27,806	141,280	5,317,859
Disposal	-	(4,588)	-	-	-	-	(13,000)	(17,588)
Written-off	-	-	-	(73,200)	(591,198)	(46,867)	-	(711,265)
Transfer from right-of-use	-	-	-	173,046	-	-	-	173,046
At 31.12.2019	1,757,358	7,634,914	-	1,487,305	1,681,276	698,016	801,766	14,060,635
Right-of-use								
At 1.1.2019	-	-	-	-	-	-	-	-
Adjustment on initial application of MFRS 16	242,202	253,136	-	1,880,157	-	-	-	2,375,495
Addition	1,370,000	-	-	852,550	-	-	-	2,222,550
Transfer to own use	-	-	-	(173,046)	-	-	-	(173,046)
Disposal	-	(253,136)	-	(196,876)	-	-	-	(450,012)
At 31.12.2019	1,612,202	-	-	2,362,785	-	-	-	3,974,987

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

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

GROUP	Freehold/ leasehold land RM	Buildings RM	Building in progress RM	Motor vehicles RM	Office equipment, furniture, fittings and renovations RM	Information and communication equipment RM	Tools and equipment RM	Total RM
Accumulated depreciation								
Own use								
At 1.1.2018	-	224,689	-	1,300,331	630,268	345,234	542,686	3,043,208
Charge/(Reversal) for the year	-	(60,206)	-	371,550	67,035	121,396	49,972	549,747
Disposals	-	-	-	(155,667)	(61,644)	-	(128,855)	(346,166)
Written-off	-	-	-	-	-	(22,774)	(12,150)	(34,924)
At 31.12.2018/1.1.2019	-	164,483	-	1,516,214	635,659	443,856	451,653	3,211,865
Adjustment on initial application of MFRS 16	-	-	-	(598,524)	-	-	-	(598,524)
Charge for the financial year	-	85,053	-	125,087	74,605	125,712	51,951	462,408
Disposals	-	-	-	-	-	-	(975)	(975)
Written-off	-	-	-	(54,000)	(493,945)	(46,625)	-	(594,570)
Transfer from right-of use	-	-	-	126,093	-	-	-	126,093
At 31.12.2019	-	249,536	-	1,114,870	216,319	522,943	502,629	2,606,297
Right-of-use								
At 1.1.2019	-	-	-	-	-	-	-	-
Adjustment on initial application of MFRS 16	-	76,064	-	598,524	-	-	-	674,588
Charge for the financial year	5,922	63,592	-	287,793	-	-	-	357,307
Transfer to own use	-	-	-	(126,093)	-	-	-	(126,093)
Disposals	-	(139,656)	-	(114,845)	-	-	-	(254,501)
At 31.12.2019	5,922	-	-	645,379	-	-	-	651,301

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

GROUP	Freehold/ leasehold land RM	Buildings RM	Building in progress RM	Motor vehicles RM	Office equipment, furniture, fittings and renovations RM	Information and communication equipment RM	Tools and equipment RM	Total RM
Net carrying amount								
At 31.12.2019								
Own use	1,757,358	7,385,378	-	372,435	1,464,957	175,073	299,137	11,454,338
Right-of-use	1,606,280	-	-	1,717,406	-	-	-	3,323,686
	3,363,638	7,385,378	-	2,089,841	1,464,957	175,073	299,137	14,778,024
At 31.12.2018								
Own use	1,999,560	3,735,909	-	1,640,512	338,042	273,221	221,833	8,209,077

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

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

COMPANY	Signboard RM
Cost	
At 1.1.2019	-
Additions	10,760
At 31.12.2019	10,760
Accumulated depreciation	
At 1.1.2019	-
Charge for the year	90
At 31.12.2019	90
Net carrying amount	
At 31.12.2019	10,670

(a) The following assets at net carrying amount are charged to licensed banks as securities for banking facilities granted to the Group as disclosed in Note 18 to the financial statements:

	GROUP	
	2019 RM	2018 RM
Freehold land	1,757,358	1,757,358
Leasehold land	1,606,280	242,202
Buildings	4,596,141	1,649,951
	7,959,779	3,649,511

(b) Included in the net carrying amount of property, plant and equipment of the Group are the following assets which are under finance lease liabilities as disclosed in Note 16 to the financial statements:

	GROUP	
	2019 RM	2018 RM
Motor vehicles	-	1,281,634

(c) Included in the net carrying amount of property, plant and equipment of the Group are the following assets which are under lease liabilities as disclosed in Note 17 to the financial statements:

	GROUP	
	2019 RM	2018 RM
Motor vehicles	1,717,406	-

7. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2019 RM	**2018 RM**
Unquoted shares, at cost	24,381,998	24,381,998

The details of the subsidiary companies are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Percentage of issued shares capital held by Parent 2019 %	2018 %	Principal activities
Subsidiary of the Company				
Cabnet Systems (M) Sdn. Bhd. ("Cabnet Systems")	Malaysia	100	100	Building management solutions which comprise structured cabling and extra low voltage ("ELV") systems
Amplogix Technology Sdn. Bhd.	Malaysia	51	51	Providing infrastructure for hosting, data processing services and related activities
Subsidiaries of Cabnet Systems (M) Sdn. Bhd.				
Cabnet Systems (Penang) Sdn. Bhd.	Malaysia	100	100	Ceased business during the financial year
ITWin Technology Sdn. Bhd.* ("ITWin")	Malaysia	100	100	Information technology service as a complementary offering to building management solutions

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

All subsidiaries are audited by RSM Malaysia.

Summarised financial information of non-controlling interest has not been presented as the non-controlling interest of the subsidiary is not material to the Group.

8. GOODWILL

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

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

	GROUP	
	2019 RM	2018 RM
ITWin	98,942	98,942

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

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

	GROSS MARGIN		GROWTH RATE		DISCOUNT RATE	
	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
ITWin	23	24	4.4	5.0	12.57	13.07

(i) Budgeted gross margin

Average Gross margin achieved in the previous 5 financial year immediately before the budgeted period

(ii) Growth rate

Based on projected economic growth rate of Malaysia

(iii) Discount rate (pre-tax)

Reflects specific risks relating to the relevant cash generating unit

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

9. DEFERRED TAX ASSETS/(LIABILITIES)

2019	GROUP AT 1.1.2019 RM	RECOGNISED IN PROFIT OR LOSS RM	AT 31.12.2019 RM
Deferred tax liabilities:			
Property, plant and equipment	(188,725)	(38,875)	(227,600)
Deferred tax assets:			
Provision	144,568	63,652	208,220
Unabsorbed tax losses	11,034	(4,334)	6,700
	155,602	59,318	214,920
	(33,123)	20,443	(12,680)

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

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

With effect from year assessment (YA) 2019, unutilised tax losses can only be carried forward for a maximum period of 7 consecutive YAs to be utilised against income from any business source. Unutilised tax losses from YA 2019 can be utilised for another 7 YAs and will be disregard in YA 2027.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

10. INVENTORIES

	GROUP	
	2019	**2018**
	RM	**RM**
At costs:		
Project materials	787,893	1,242,278
Trading goods	1,774,256	400,864
Less: impairment on inventories	(70,813)	(55,659)
	2,491,336	1,587,483
Recognised in profit or loss:		
Inventories recognised as cost of sales	34,994,365	24,129,987

The movements in allowance for impairment on inventories are as follows:

	GROUP	
	2019	**2018**
	RM	**RM**
At 1 January	55,659	377,923
Addition	15,154	-
Reversal	-	(322,264)
At 31 December	70,813	55,659

11. CONTRACT ASSETS

The analysis of contract assets are as follows:

	GROUP	
	2019	**2018**
	RM	**RM**
At 1 January	17,507,131	12,056,357
Revenue recognised during the financial year	40,833,000	24,594,295
Less: Progress billings during the year	(33,099,121)	(19,143,521)
At 31 December	25,241,010	17,507,131

The contract assets primarily relate to the Group's rights to consideration for work performed but not yet billed at the reporting date for its construction activities. The contract assets will be transferred to trade receivables when the rights become unconditional.

12. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade				
Third parties	17,043,163	15,753,121	-	-
Less: Allowance for impairment losses	(721)	(85,548)	-	-
	17,042,442	15,667,573	-	-
Non-trade				
Other receivables	220,959	146,899	-	-
Advances to suppliers	2,265,676	1,774,728	-	-
Deposits	213,885	208,293	1,000	51,000
Amount due from subsidiaries	-	-	976,380	1,628,136
Prepayments	196,377	191,406	61,340	61,498
	2,896,897	2,321,326	1,038,720	1,740,634
	19,939,339	17,988,899	1,038,720	1,740,634
Total trade and other receivables (excluding prepayments)	19,742,962	17,797,493	977,380	1,679,136
Add: Cash and bank balances	7,189,314	8,602,206	829,128	3,488,035
Add: Fixed deposits with a licensed bank	2,504,668	3,839,148	-	-
Total financial assets carried at amortised costs	29,436,944	30,238,847	1,806,508	5,167,171

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

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

(c) Included in trade receivables are retentions of RM778,917 (2018: RM886,866) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be collected within periods ranging from 6 to 24 (2018: 6 to 24) months.

(d) Included in the third parties trade receivables was an amount of RM1,120,719 (2018: RM1,120,719), past due more than 120 days from a customer. The Group has initiated legal action against this customer and the details are disclosed in Note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

12. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	GROUP	
	2019 RM	**2018 RM**
At 1 January	85,548	90,359
Reversal	(22,896)	(4,131)
Written off	(61,931)	(680)
At 31 December	721	85,548

13. SHORT TERM INVESTMENTS

	GROUP		COMPANY	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Balance as at beginning of financial year	-	3,888,247	-	3,888,247
Additions	13,340,919	3,600,000	4,810,000	3,600,000
Redemptions	(10,126,942)	(7,599,853)	(2,550,000)	(7,599,853)
Fair value gain through				
- profit or loss	71,256	111,606	32,939	111,606
Balance as at end of financial year	3,285,233	-	2,292,939	-

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

The weighted average effective interest rate for the money market funds of the Group and of the Company at 31 December 2019 is 3.41 – 3.51% (2018: 3.52%) per annum.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

14. FIXED DEPOSITS WITH LICENSED BANKS

(a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 2.95% to 4.20% (2018: 2.70% to 4.00%) per annum. The fixed deposits have maturity periods ranging from 30 to 365 (2018: 30 to 365) days for the Group.

(b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM1,804,980 (2018: RM2,337,784) which has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 18 to the financial statements.

15. SHARE CAPITAL AND RESERVES

(a) Share capital

	GROUP AND COMPANY			
	2019	2018	2019	2018
	Number of shares		RM	RM
<u>**Issued and fully paid**</u>				
At 1 January	178,750,000	130,000,000	27,678,500	22,660,000
Transfer of share premium in accordance with Section 618 (2) of the Companies Act 2016	-	-	-	143,500
Bonus issue of shares	-	48,750,000	-	4,875,000
At 31 December	178,750,000	178,750,000	27,678,500	27,678,500

(b) Reserves

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM	RM	RM	RM
Capital reserve	1,050,000	1,050,000	-	-
Retained profits	19,272,451	18,308,619	697,237	1,617,141
	20,322,451	19,358,619	697,237	1,617,141

(c) Share premium

	GROUP AND COMPANY	
	2019	2018
	RM	RM
At 1 January	-	5,018,500
Bonus issue of shares	-	(4,875,000)
Transfer of share premium in accordance with Section 618(2) of the Companies Act, 2016	-	(143,500)
	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

15. SHARE CAPITAL AND RESERVES (CONT'D)

In the previous financial year:

(i) the Company increased its issued ordinary share capital from RM22,660,000 to RM27,535,000 by the bonus issue of 48,750,000 new ordinary shares in the Company on the basis of three (3) new ordinary shares for every eight (8) existing shares on 28 June 2018 by way of capitalisation of RM0.10 for each bonus share of RM4,875,000 from the share premium account of the Company pursuant to Section 618(3) of the Companies Act 2016;

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

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

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

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

(d) Warrants

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

15. SHARE CAPITAL AND RESERVES (CONT'D)

(e) Capital reserve

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

16. FINANCE LEASE LIABILITIES

	GROUP	
	2019 RM	**2018 RM**
Future lease payment payable:		
- payable within one (1) year	-	339,169
- later than one (1) year and not later than five (5) years	-	657,828
	-	996,997
Less: Future interest charges	-	(73,897)
Present value of finance lease liabilities	-	923,100
Repayable as follows:		
Current:		
- payable within one (1) year	-	302,301
Non-current:		
- later than one (1) year but not later than five (5) years	-	620,799
	-	923,100

(a) The finance lease liabilities of the Group are secured by the Group's motor vehicles under finance lease liabilities as disclosed in Note 6 to the financial statements. The finance lease liabilities arrangements are expiring in NIL (2018: 5 years).

(b) The finance lease liabilities of the Group at the end of the reporting period bore effective interest rates ranging from NIL (2018: 4.23% to 7.09%) per annum. The interest rates are fixed at the inception of the finance lease liabilities arrangements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

17. LEASE LIABILITIES

	GROUP 2019 RM	GROUP 2018 RM
Future lease payment payable:		
- payable within one (1) year	413,193	-
- later than one (1) year and not later than five (5) years	805,348	-
	1,218,541	-
Less: Future interest charges	(90,724)	-
Present value of lease liabilities	1,127,817	-
Repayable as follows:		
Current:		
- payable within one (1) year	370,757	-
Non-current:		
- later than one (1) year but not later than five (5) years	757,060	-
	1,127,817	-

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

(b) The lease liabilities of the Group at the end of the reporting period bore effective interest rates ranging from 4.17% to 7.09% (NIL) per annum. The interest rates are fixed at the inception of the lease liabilities arrangements.

18. LOANS AND BORROWINGS

	GROUP 2019 RM	GROUP 2018 RM
Current liabilities:		
- Term loans (secured)	214,182	24,881
- Banker acceptance (secured)	3,920,000	-
	4,134,182	24,881
Non-current liabilities:		
- Term loans (secured)	4,339,580	1,545,725
	8,473,762	1,570,606

18. LOANS AND BORROWINGS (CONT'D)

(a) Term loans are repayable over 180 - 240 (2018: 240) monthly instalments from the date of full drawdown.

(b) Term loans are secured by:
   (i) legal charges over the landed properties of the Group as disclosed in Note 6 to the financial statements; and
   (ii) corporate guarantee by the Company.

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

	EFFECTIVE INTEREST RATE 2019	2018
Floating rate term loans	4.42% - 4.92%	5.30% - 7.42%

(d) The banker's acceptance is secured by way of:
   (i) pledge of fixed deposits as disclosed in Note 14 to the financial statements;
   (ii) legal charges over certain landed properties of the Group as disclosed in note 6 to the financial statements;
   (iii) jointly and severally guaranteed by certain directors of the Group; and
   (iv) corporate guarantee by the company.

   The banker's acceptance bears effective interest rate of 3.62% - 4.86% with the maturity period of 49 - 119 days.

19. TRADE AND OTHER PAYABLES

	GROUP 2019 RM	GROUP 2018 RM	COMPANY 2019 RM	COMPANY 2018 RM
Trade				
Third parties	15,621,610	6,437,626	-	-
Non-trade				
Other payables	740,446	360,617	104,529	85,776
Advances from customers	21,065	312,083	-	-
Accrued expenses	1,404,319	808,109	79,610	211,450
	2,165,830	1,480,809	184,139	297,226
	17,787,440	7,918,435	184,139	297,226
Trade and other payables	17,787,440	7,918,435	184,139	297,226
Add: Finance lease liabilities (Note 16)	-	923,100	-	-
Add: Lease liabilities (Note 17)	1,127,817	-		
Add: Loans and borrowings (Note 18)	8,473,762	1,570,606	-	-
Total financial liabilities carried at amortised cost	27,389,019	10,412,141	184,139	297,226

The normal trade credit term granted to the Group range from 30 to 90 (2018: 30 to 90) days.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

20. REVENUE

	GROUP	
	2019 RM	2018 RM
Revenue from contracts with customers:		
- Construction contracts	40,833,000	24,594,295
- Sale of goods and services	28,047,014	22,588,550
	68,880,014	47,182,845
Timing of revenue:		
- Over time	40,833,000	24,594,295
- At a point in time	28,047,014	22,588,550
	68,880,014	47,182,845

	COMPANY	
	2019 RM	2018 RM
Dividend income	976,380	1,934,450

21. FINANCE COSTS

	GROUP	
	2019 RM	2018 RM
Finance costs in respect of:		
- bank overdrafts	142	5,003
- finance lease liabilities	-	45,613
- lease liabilities	52,132	-
- term loans	83,659	92,387
- bankers' acceptance	65,741	5,912
- bank charges	90,419	-
	292,093	148,915

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

22. PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before taxation is stated after charging/(crediting):				
Auditors' remuneration:				
- current year	73,000	69,500	24,000	23,000
- Non-audit fees	2,000	2,000	2,000	2,000
Depreciation of property, plant and equipment	462,408	549,747	90	-
Depreciation of right-of-use assets	357,307	-	-	-
Directors' remuneration (Note 29)	2,033,568	1,716,991	216,733	200,550
Employee benefits expense (Note 24)	7,456,625	6,256,646	-	-
Bad debts written off	5,800	318	-	-
Impairment losses on:				
- inventories	15,154	-	-	-
Finance costs (Note 21)	292,093	148,915	-	-
Listing expenses	-	204,376	-	204,376
Loss on disposal of plant and equipment	6,025	10,887	-	-
Plant and equipment written off	116,695	11,678	-	-
Realised loss on foreign exchange - trade	5,341	5,298	-	-
Rental expenses on:				
- equipment	61,916	45,597	-	-
- premises	42,097	127,718	-	-
Dividend income	-	-	(976,380)	(1,934,450)
Gain on disposal of right-of-use assets	(43,486)	-	-	-
Interest income	(252,212)	(283,184)	(105,248)	(316,534)
Realised gain on foreign exchange - trade	-	(336)	-	-
Rental income	(23,800)	(15,000)	-	-
Reversal of impairment losses on inventories	-	(322,264)	-	-
Reversal of impairment losses on trade receivables	(22,896)	(4,131)	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

23. TAXATION

	GROUP 2019 RM	GROUP 2018 RM	COMPANY 2019 RM	COMPANY 2018 RM
Current financial year				
- income tax	1,366,491	1,691,000	12,799	47,000
- deferred taxation	(63,352)	61,123	-	-
	1,303,139	1,752,123	12,799	47,000
Under/(over)-provision in prior financial years				
- income tax	70,807	(171,720)	(5,467)	(11,000)
- deferred taxation	42,909	(8,344)	-	-
	113,716	(180,064)	(5,467)	(11,000)
	1,416,855	1,572,059	7,332	36,000

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

	GROUP 2019 RM	GROUP 2018 RM	COMPANY 2019 RM	COMPANY 2018 RM
Profit before taxation	3,839,591	6,252,584	527,278	1,538,901
Taxation at statutory tax rate of 24% (2018: 24%)	921,502	1,500,620	126,547	369,336
Non-allowable expenses	463,555	278,288	128,489	168,717
Non-taxable income	(81,918)	(26,785)	(242,237)	(491,053)
Under/(over)-provision in prior financial years				
- income tax	70,807	(171,720)	(5,467)	(11,000)
- deferred taxation	42,909	(8,344)	-	-
	1,416,855	1,572,059	7,332	36,000

24. EMPLOYEE BENEFITS EXPENSE

	GROUP 2019 RM	GROUP 2018 RM
Salaries, wages, allowances and bonuses	6,614,911	5,568,774
Defined contribution plan - EPF contributions	766,036	622,178
Social security costs - SOCSO contributions	68,449	59,484
Employee insurance system - EIS contributions	7,229	6,210
	7,456,625	6,256,646

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

25. DIVIDEND

The followings dividends were declared and paid by the Company:

	2019 RM
<u>In respect of the financial year ended 31 December 2018:</u>	
Interim single-tier dividend of 0.80 sen per ordinary share, paid on 4 June 2019	1,430,000

	2018 RM
<u>In respect of the financial year ended 31 December 2017:</u>	
Interim single-tier dividend of 0.80 sen per ordinary share, paid on 8 June 2018	1,040,000

26. CAPITAL AND OTHER COMMITMENTS

	GROUP	
	2019 RM	2018 RM
Acquisition of property, plant and equipment: Contracted but not provided for	2,950,000	1,700,000

27. CONTINGENT LIABILITIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economics benefits will be required or the amount is not capable of reliable measurement.

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Bank guarantees given to third parties in relation to contracts and trade performance	1,099,000	1,867,940	-	-
Corporate guarantee given to licensed banks for credit facility granted to subsidiaries	-	-	8,500,000	1,500,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

28. CASH FLOWS INFORMATION

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

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Cost of property, plant and equipment	5,317,859	1,753,368	10,760	-
Cost of right-of-use asset	2,222,550	-	-	-
	7,540,409	1,753,368	10,760	-
Less:				
- Amounts finance under lease and term loan arrangements	(3,660,000)	(250,000)	-	-
- Amounts contra against trade receivables	(850,000)	-	-	-
Cash payments on purchase of property, plant and equipment	3,030,409	1,503,368	10,760	-

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

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Short-term investment	3,285,233	-	2,292,939	-
Fixed deposits with licensed banks	2,504,668	3,839,148	-	-
Cash and bank balances	7,189,314	8,602,206	829,128	3,488,035
	12,979,215	12,441,354	3,122,067	3,488,035
Less:				
Fixed deposits pledged to licensed banks	(1,804,980)	(2,337,784)	-	-
Fixed deposits with maturity of more than 3 months	(699,688)	(1,081,313)	-	-
	10,474,547	9,022,257	3,122,067	3,488,035

29. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are as follow:

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Subsidiaries				
Dividend income	-	-	(976,380)	(1,934,450)
Interest income on advances	-	-	(36,982)	(204,928)
Directors				
Rental expense on premises	57,600	57,600	-	-
Companies in which directors have significant influence				
Sales of goods	89,560	-	-	-

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

29. RELATED PARTY DISCLOSURES (CONT'D)

Compensation of Key Management Personnel

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors				
Directors of the Company				
(a) Executive directors				
Short-term employee benefits:				
- fees	138,000	138,000	30,000	30,000
- salaries, bonuses and other benefits	983,478	893,810	-	-
	1,121,478	1,031,810	30,000	30,000
Defined contribution benefits	163,082	153,960	-	-
	1,284,560	1,185,770	30,000	30,000
(b) Non-executive directors				
Short-term employee benefits:				
- fees	170,833	153,750	170,833	153,750
- salaries and other benefits	15,900	16,800	15,900	16,800
	186,733	170,550	186,733	170,550
Directors of the subsidiaries				
Short-term employee benefits:				
- fees	35,000	24,000	-	-
- salaries, bonuses and other benefits	471,893	300,797	-	-
	506,893	324,797	-	-
Defined contribution benefits	55,382	35,874	-	-
	562,275	360,671	-	-
Total directors' remuneration	2,033,568	1,716,991	216,733	200,550

29. RELATED PARTY DISCLOSURES (CONT'D)

Compensation of Key Management Personnel (cont'd)

The key management personnel compensation during the financial year are as follows: (cont'd)

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Other Key Management Personnel				
Short-term employee benefits	426,499	497,553	-	-
Defined contribution benefits	47,279	55,787	-	-
Total compensation for other key management personnel	473,778	553,340	-	-

The estimated monetary value of benefits-in-kind provided to directors and key management personnel is RM61,142 (2018: RM32,410) and RM NIL (2018: RM13,971) respectively.

30. OPERATING SEGMENTS

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment predominantly operates in Malaysia, namely building management solutions which comprise structured cabling, ELV systems and information technology services as a complementary offering to building management solutions.

Major customers

There are 2 major customers constituted approximately 35% of Group's revenue for the reporting period.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

Trade and other receivables (excluding prepayments), cash and cash equivalents and fixed deposits with a licensed bank are categorised as financial assets carried at amortised cost (Note 12) while trade and other payables, lease liabilities and loans and borrowings are categorised as financial liabilities carried at amortised cost (Note 19).

Financial Risk Management

The Group and the Company have exposure to the following risks from its use of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Market risk

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management (cont'd)

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers (including contract assets) 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 Group's sales to customers are on credit terms of 30 to 90 days. The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount. Based on the credit evaluation, the customers are rated into three risk categories, namely low risk, medium risk and high risk.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

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

When an account is more than 60 days past due, the credit risk is considered to have increased significantly since the initial recognition. The Group identifies as a default account if it is more than 90 days past due and the customer is having significant financial difficulties (analysed by financial measures of reported losses, negative cash flows, and qualitative evaluation of the customer's characteristics). The Group classifies an impaired receivable when a customer is in default, in liquidation or other financial reorganisation.

For each significant receivable that is credit-impaired, individual lifetime ECL is recognised using the probability of default technique. The inputs used are: (i) the percent chance of default, and (ii) the expected cash shortfalls. The lifetime ECL is measured at the probability-weighted expected cash shortfalls by reference to the Group's past experience, current conditions and forecast of future economic benefits.

For significant receivables that are not individually credit-impaired and all other receivables, the Group uses a provision matrix that categories the different risk classes (low risk, medium risk and high risk) and the ageing profiles. The collective lifetime ECLs are measured based on the Group's past lost rate experiences, current conditions and forecast of future economic conditions. The past lost rates are adjusted upward in the measurement in worsening current conditions and forecasts of future macroeconomic conditions.

For contract assets, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only few customers. It have low risk of default as they have a strong capacity to meet their debts.

A receivable is written off only if there is no reasonable expectation of recovery. This is when an account is 365 days from date of invoice or the customer is experiencing significant financial difficulties, undertaking financial reorganisation or has gone bankrupt.

31. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management (cont'd)

(a) Credit risk (cont'd)

Receivables and Contract Assets (cont'd)

Concentration of credit risk

The Group assesses concentrations of credit risk by exposure to single-large customers, industry sectors and overseas jurisdictions.

About 100% of the Group's trade and other receivables were concentrated within Malaysia and spread out evenly between large, medium and small customers. There was no significant exposure to industry groups.

The aging analysis of trade receivables as at the end of the reporting period was:

GROUP	Gross amount RM	Individual impairment RM	Collective impairment RM	Net amount RM
31 December 2019				
Not past due	7,576,631	-	-	7,576,631
Past due 0 - 30 days	3,760,244	-	-	3,760,244
Past due 31 - 120 days	2,278,322	-	-	2,278,322
Past due more than 120 days	3,427,966	(721)	-	3,427,245
Total past due	9,466,532	(721)	-	9,465,811
	17,043,163	(721)	-	17,042,442
31 December 2018				
Not past due	9,074,828	-	-	9,074,828
Past due 0-30 days	654,255	-	-	654,255
Past due 31-120 days	1,921,932	-	-	1,921,932
Past due more than 120 days	4,102,106	(85,548)	-	4,016,558
Total past due	6,678,293	(85,548)	-	6,592,745
	15,753,121	(85,548)	-	15,667,573

There are no individual nor collective impairments on the contract assets.

(b) Liquidity risk

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

The Group and 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management (cont'd)

(b) Liquidity risk (cont'd)

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

GROUP	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
31 December 2019							
Non-derivative financial liabilities							
Trade and other payables (Note 19)	17,787,440	-	17,787,440	17,787,440	-	-	-
Lease liabilities (Note 17)	1,127,817	4.17 – 7.09	1,218,541	413,193	331,406	473,942	-
Loans and borrowings (Note 18)	8,473,762	3.62 – 4.92	10,175,884	4,337,264	417,264	1,251,792	4,169,564
	27,389,019		29,181,865	22,537,897	748,670	1,725,734	4,169,564
31 December 2018							
Non-derivative financial liabilities							
Trade and other payables (Note 19)	7,918,435	-	7,918,435	7,918,435	-	-	-
Finance lease liabilities (Note 16)	923,100	4.23 - 7.09	996,997	339,169	304,001	353,827	-
Loans and borrowings (Note 18)	1,570,606	7.42	2,276,693	141,420	141,420	424,260	1,569,593
	10,412,141		11,192,125	8,399,024	445,421	778,087	1,569,593
COMPANY							
31 December 2019							
Non-derivative financial liabilities							
Other payables and accruals (Note 19)	184,139	-	184,139	184,139	-	-	-
31 December 2018							
Non-derivative financial liabilities							
Other payables and accruals (Note 19)	297,226	-	297,226	297,226	-	-	-

31. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management (cont'd)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

(i) Currency risk

The Group has minimal transactions or balances denominated in foreign currencies but is not material and hence, is not exposed to foreign currency risk.

(ii) Interest rate risk

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

The Group's and the Company's exposure to interest risk arises primarily from cash and cash equivalents, lease liabilities and loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts in a cost-efficient manner.

The following table sets out the carrying amount of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	GROUP		COMPANY	
	2019 RM	2018 RM	2019	2018
Fixed rate instruments:				
Financial assets	2,504,668	3,839,148	-	-
Financial liabilities	(5,047,817)	(923,100)	-	-
	(2,543,149)	2,916,048	-	-
Floating rate instruments:				
Financial assets	3,285,233	-	2,292,939	-
Financial liabilities	(4,553,762)	(1,570,606)	-	-
	(1,268,529)	(1,570,606)	2,292,939	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

Interest on financial instruments subject to floating rates is repriced as and when there is change in the prevailing market interest rate. Interest on financial instruments at fixed rates is fixed until the maturity of the instruments. The other financial instruments of the Group and the Company that are not included in the above table are not subject to interest rate risks.

At the reporting date, if interest rates had been 50 basis points lower/ higher, with all other variables held constant, the Group and Company's profit after tax would have been RM26,367 and RM11,864 (2018: RM28,195 and RMNIL) respectively higher/ lower, arising mainly as a result of lower/ higher interest income from cash and cash equivalents and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iii) Fair value of financial instruments

The carrying amount of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

The following are the classes of financial instruments that are carried at fair value and those not carried at fair value:

	Note
Carried at fair value	
Short term investments	13
Not carried at fair value	
Finance lease liabilities	16
Lease liabilities	17
Loans and borrowings	18

The fair value of short-term investment was determined at their quoted closing bid prices at the end of the reporting period.

32. CAPITAL MANAGEMENT

The Group and the Company manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group and the Company manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group and the Company at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

33. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2019 RM	2018 RM
Profit attributable to owners of the Company	2,421,880	4,721,322
Weighted average number of ordinary shares at 31 December	178,750,000	154,976,026
Basic earnings per ordinary shares (in sen)	1.35	3.05

(b) Diluted earnings per share

The basic and diluted earnings per shares are the same. The warrants are not included in the calculation as the effect is anti-dilutive.

34. SUBSEQUENT EVENTS

(a) On 17 January 2019, Cabnet Systems (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, had initiated legal actions, and the extracts are as below:

(i) Shah Alam High Court (Construction Court) – Suit No. BA-24C-5-01/2019 Between Cabnet Systems (M) Sdn Bhd ("Plaintiff"), Dekad Kaliber Sdn Bhd ("1st Defendant") and Rimarisan Sdn Bhd ("2nd Defendant").

By way of Originating Summons, on 17 January 2019, the Plaintiff had initiated an action under Section 30 of the Construction Industry Payment and Adjudication Act 2012 (CIPAA 2012) against the abovementioned Defendants to obtain full payment of the adjudication sum of RM1,155,874.10.

Prior to this action, the Plaintiff had pursued adjudication proceedings against Synergycentric Sdn Bhd ("Synergycentric") and obtained Adjudication Decision on 1 November 2018 which was in favour of the Plaintiff. However, Synergycentric has gone into liquidation and has not made any settlement to the adjudication sum. As such, the Plaintiff pursues an action against the principals of Synergycentric, i.e. 1st and 2nd Defendants under Section 30 of the CIPAA 2012.

1. On 19 June 2019, the 2nd Defendant has withdrawn its striking out application and the Court has allowed 2nd Defendant to file an affidavit in reply to the Plaintiff's OS with no order to cost.

34. SUBSEQUENT EVENTS (CONT'D)

(a) On 17 January 2019, Cabnet Systems (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, had initiated legal actions, and the extracts are as below (cont'd):

(i) Shah Alam High Court (Construction Court) – Suit No. BA-24C-5 01/2019 Between Cabnet Systems (M) Sdn Bhd ("Plaintiff"), Dekad Kaliber Sdn Bhd ("1st Defendant") and Rimarisan Sdn Bhd ("2nd Defendant"). (cont'd)

2. On 18 December 2019, the Court ruled that the 1st Defendant was liable for the undertaking and is to pay a cost amounting to RM5,000 with the interest of 5% from the date of the Order until full and final settlement to the Plaintiff due to its failure to provide a copy of the Novation Agreement when requested by the Plaintiff's solicitors. The Court has also ruled that the 2nd Defendant, as the principal of Synergycentric, is liable by virtue of the Novation Agreement and that the 2nd Defendant has a mandatory obligation to pay the Adjudicated Sum of RM1,077,326.36 and cost of RM5,000 with interest of 5% from the date of the Order until full and final settlement. During the hearing on 18 December 2019, the 2nd Defendant applied for an interim stay pending the filing of its application and the High Court granted an interim stay that the deadline will lapse on 20 January 2020.

3. On 20 December 2019, the 2nd Defendant proceeded to file an appeal on the decision ruled by Judge on 18 December 2019. On 17 January 2020, the Plaintiff then filed an appeal on the part of the Judge's decision where only the Adjudicated Sum is to be paid excluding the Adjudication cost of RM44,000.90 Both the Plaintiff and the 2nd Defendant's appeal will be heard together on 31 March 2020. Following the case management on 31 March 2020, the Court then set a further case management date on 11 June 2020 for Plaintiff to file a Supplemental Record of Appeal with the Notes of Proceeding.

4. On 15 January 2020, the 2nd Defendant made a formal application to stay of execution for its appeal. On 20 January 2020, the Judge has granted extension of the interim stay until 26 February 2020. Further to the extension of the interim stay, on 26 February 2020 the Judge decided to grant a conditional stay until the disposal of 2nd Defendant's appeal. The condition was to 2nd Defendant to open a joint solicitors account and deposit the sum of RM1,204,547.60 into the said account on or before 8 April 2020. In the event such sum has not been deposited, the conditional stay will lapse on 8 April 2020.

5. On 2 April 2020, 2nd Defendants has written to the Court to request for an extension of the conditional stay for 1 month after the Movement Control Order ("MCO") period. During the hearing held on 8 April 2020, the Court was of the view that the MCO period deems as special circumstances that will lead to an extension and/or alteration of the conditional stay order given previously. However, the Court has denied 2nd Defendant's request and allowed for an extension of 1 month from 8 April 2020 to 8 May 2020 for 2nd Defendant to deposit the said sum into the Plaintiff's solicitor's account. This is to ensure that parties do not have to risk to going to the bank and breaching any MCO regulations. Cost of RM5,000.00 is to follow the cause of events at the Appeal.

6. On 8 May 2020, 2nd Defendents did not deposit the said sum into the Plaintiff's solicitor's account. Accordingly, the Plaintiff is exploring the next course of legal action to enforce the judgement.

34. SUBSEQUENT EVENTS (CONTINUED)

(a) On 17 January 2019, Cabnet Systems (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, had initiated legal actions, and the extracts are as below (cont'd):

(ii) Shah Alam High Court (Civil Division) – Suit No. BA-22NCvC-28-01/2019 Between Cabnet Systems (M) Sdn Bhd ("Plaintiff"), Dekad Kaliber Sdn Bhd ("1st Defendant") and Rimarisan Sdn Bhd ("2nd Defendant").

On 17 January 2019, the Plaintiff had filed an action for breach of contract pursuant to the Sale and Purchase Agreement dated 18 July 2017 ("SPA") between the Plaintiff and Synergycentric Sdn Bhd ("Synergycentric") for a sum amounting to RM1,156,048.18.

The 1st Defendant has acknowledged and undertaken to pay directly to the Plaintiff upon Synergycentric's failure under the SPA. To date, 1st Defendant has not made such payments.

1. The hearing for the 1st Defendant's Striking Out for the Writ Action was held on 21 May 2019. On 16 August 2019, the Court decided that the 1st Defendant's application to strike out was dismissed with cost of RM5,000.00 to be paid by the 1st Defendant. Further to the Court decision on 16 August 2019, the 1st Defendant appealed on the said decision by way of Notice of Appeal dated 4 September 2019 and parties attended the online e-review for case managements. On 18 October 2019, the Record of Appeal was filed and the Supplementary Record of Appeal was filed on 12 November 2019.The case management was held on 24 February 2020 and a further case management date is fixed on 9 July 2020 and the hearing for the appeal is fixed on 22 July 2020.

2. On 17 April 2019, 2nd Defendant had filed an application to amend its defence and the Court has directed Plaintiff to file its reply to 2nd Defendant's amendment application by 3 May 2019 and the Court has fixed the hearing on 3 June 2019. On 3 June 2019, the hearing has been postponed to 29 July 2019 and parties informed the Court that the Plaintiff had filed its reply on 3 May 2019 and the 2nd Defendant had filed its Amendment of Defence on 24 May 2019. Following the hearing held on 29 July 2019, the Plaintiff had agreed and the Court has allowed the 2nd Defendant's amendments with cost amounting to RM2,000.

3. On 3 January 2020, the 1st Defendant had filed for a stay pending appeal application, whereas the 2nd Defendant filed a striking out application on 24 December 2019. The Court has fixed a hearing on 6 April 2020 to determine both the 1st and 2nd Defendant's applications. After which, the Court will only determine the trial dates after the hearing on 6 April 2020. However, in light of the MCO, the Court has adjourned the hearing fixed on 6 April. The Court has now fixed a case management on 15 May 2020 for parties to get directions on the filing of the written submissions for both the applications and to fix new hearing date.

(b) On 18 March 2020, the Government of Malaysia had issued a Federal Government Gazette imposing a Movement Control Order ('MCO') in order to curb the spread of Coronavirus Pandemic ("COVID-19"). The Group's operations have been temporarily shut down pursuant to the MCO from 18 March 2020 to 4 May 2020.

Since these developments occurred subsequent to the end of the reporting period, the financial impacts arising from MCO and COVID-19 are treated as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period and therefore, judgements and assumptions used in the preparation of the financial statements of the Group and of the Company for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The Group anticipates that the effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses of financial assets and fair value measurements of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

35. SIGNIFICANT CHANGES TO ACCOUNTING POLICIES

During the financial year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 4.95%. Right-of-use assets are measured at either:

(a) their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
(b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

(a) applied a single discount rate to a portfolio of leases with similar characteristics;
(b) applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
(c) excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
(d) used hindsight when determining the lease term if the contract contains options to extent or terminate the lease; and

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased assets and lease liability under MFRS 117 immediately before that date.

As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the sublease is an operating lease under MFRS 16.

35. SIGNIFICANT CHANGES TO ACCOUNTING POLICIES (CONT'D)

Impacts on financial statements

Since the Group and the Company applied the requirements to MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	RM
Operating lease commitments at 31 December 2018	212,153
Discounted using the incremental borrowing rate at 1 January 2019	195,270
Lease liabilities recognised at 1 January 2019	195,270

Reconciliation of Statements of Financial Position

	As previously reported RM	MFRS 16 adjustment RM	Reclassification RM	As restated RM
1.1.2019				
Non-current assets				
Property, plant and equipment	8,209,077	177,072	-	8,386,149
Non-current liabilities				
Lease liabilities	-	105,352	620,799	726,151
Finance lease liabilities	620,799	-	(620,799)	-
Current liabilities				
Lease liabilities	-	89,918	302,301	392,219
Finance lease liabilities	302,301	-	(302,301)	-
Equity				
Retained earnings	18,308,619	(18,198)	-	18,290,421

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

36. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:-

	As previously reported RM	Reclassification RM	As restated RM
31 December 2018			
Statement of profit or loss and other comprehensive income (extract)			
Cost of sales	34,025,109	201,673	34,226,782
Administrative expenses	7,114,435	(201,673)	6,912,762

37. OTHER INFORMATION

(a) The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

(b) The registered office of the Company is located at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd Mufti, 80000 Johor Bahru, Johor.

(c) The principal place of business of the Company is located at No.18 (PLO 184) Jalan Angkasa Mas 6, Kawasan Perindustrian Tebrau II, 81100 Johor Bahru, Johor.

(d) The financial statements are presented in Ringgit Malaysia, which is also the Group's functional currency.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 14 May 2020.

LIST OF PROPERTIES

Location	Tenure (approximate age of building)	Description	Area in Square Feet (approximate)	Existing Use	Registered Owner	Carrying amount as at 31.12.2019 (RM)	Date of Purchase
No. 100, Jalan Ros Merah 2/17, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim.	Freehold (25 years)	3-storey intermediate shop house	4,620 (Built-up area)	Vacant	Cabnet Systems (M) Sdn Bhd	512,359	9 Feb 2000
No. G-02, 1-02 and 2-02, Puchong Square, Jalan Layang-Layang 5, Bandar Puchong Jaya, 47170 Puchong, Selangor	Freehold (7 years)	3-storey intermediate shop house	5,727 (Built-up area)	Office	Cabnet Systems (M) Sdn Bhd	1,951,860	27 Aug 2012
No. 182, Jalan Mempelam, Taman Kota Jaya, 81900 Kota Tinggi, Johor Darul Takzim.	Freehold (21 years)	Double-storey intermediate shop house	3,520 (Built-up area)	Warehouse	Cabnet Systems (M) Sdn Bhd	235,336	31 Jul 2003
A-PH-07, Pangsapuri Casa Subang, Jalan Subang 1, USJ 1, 47600 Subang Jaya, Selangor.	Freehold (11 years)	Service apartment	1,555 (Built-up area)	Hostel	Cabnet Systems (M) Sdn Bhd	534,432	27 Dec 2016
#13-11, Tower A Pangsapuri Seri Kencana Setia Jalan Storey, Bukit Senyum, 80300 Johor Bahru, Johor Darul Takzim.	Freehold (2 years)	Service apartment	400 (Built-up area)	Vacant	Cabnet Systems (M) Sdn Bhd	296,310	9 Jun 2016
PTD 11025 H.S.(D) 38609 Mukim Pantai Timur, Daerah Kota Tinggi, (Taman Sri Penawar - Desaru Avenue)	“99 years leasehold expiring on 06.12.2115 (1 year)”	Double-storey corner shop house	1,988 (Built-up area)	Vacant	ITWIN Technology Sdn Bhd	1,011,761	15 May 2017
Parcel No. 2-36-06, M-City Ampang, No. 326, Jalan Ampang, 48020 Kuala Lumpur	Freehold (1 year)	Service apartment	1,084 (Built-up area)	Vacant	Cabnet Systems (M) Sdn Bhd	1,108,495	6 Dec 2017
#29-06, Tower A Pangsapuri Seri Kencana Setia Jalan Storey, Bukit Senyum, 80300 Johor Bahru, Johor Darul Takzim.	Freehold (2 years)	Service apartment	1,145 (Built-up area)	Vacant	Cabnet Systems (M) Sdn Bhd	850,000	3 Sep 2019
No. 18 PLO (184), Jalan Angkasa Mas 6 Taman Perindustrian II, 81100 Johor Bahru, Johor.	“60 years leasehold expiring on 21.05.2053 (26 years)”	Detached factory	18,619 (Built-up area)	Office & Warehouse	Cabnet Systems (M) Sdn Bhd	4,248,463	17 Sep 2019
Total:						**10,749,016**	

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 4 MAY 2020

Issued and paid up capital	:	RM27,678,500-00 comprised of 178,750,000 ordinary shares fully paid
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDERS ACCORDING TO STATISTICAL SUMMARY OF THE RECORD OF DEPOSITORS AS AT 4 MAY 2020

Size of Share Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
1 to 99	32	4.30	1,424	0.00
100 to 1,000	42	5.65	11,209	0.01
1,001 to 10,000	300	40.32	1,572,871	0.88
10,001 to 100,000	277	37.23	9,091,764	5.08
100,001 to 6,499,999 (*)	89	11.96	45,342,732	25.37
6,500,000 and above (**)	4	0.54	122,730,000	68.66
TOTAL	**744**	**100.00**	**178,750,000**	**100.00**

* Less than 5% of Issued Shares
** 5% and above of Issued Shares

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 4 MAY 2020

No.	Name of shareholders	No. of shares held	%
1	KUOPACIFIC STRATEGIC SDN.BHD.	55,412,500	31.00
2	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR DRAGONBAY GLOBAL PTE LTD	35,750,000	20.00
3	TAN BOON SIANG	13,406,250	7.50
4	TAY HONG SING	13,406,250	7.50
5	TAN BOON SIANG	3,712,500	2.08
6	TA NOMINEES (TEMPATAN) SDN BHD PLEGED SECURITIES ACCOUNT FOR TAY HONG SING	3,000,000	1.68
7	SIM YIAN FEI	2,890,000	1.62
8	TAN YING MENG	2,880,000	1.61
9	KONG TZE SENN	2,799,700	1.57
10	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG YOONG NYOCK (MY3272)	1,937,500	1.08
11	RYAN TAN HIAN WHAI	1,664,550	0.93
12	CHIN HOON LIM	1,513,737	0.85
13	HO CHEE HONG	1,512,500	0.85
14	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TNTT REALTY SDN BHD	1,500,000	0.84
15	KOH THAIN LIN	1,411,500	0.79
16	TAN YONG THAI	1,329,062	0.74
17	TAY HONG SING	1,042,500	0.58
18	CHAI TECK GUAN	1,015,800	0.57
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW WEI HONG (E-KUG)	889,800	0.50
20	WILSON THAM WENG MENG	766,312	0.43
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG (6000698)	756,250	0.42
22	LIM LAI AN	747,600	0.42
23	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BAKAT IMPIAN SDN BHD (8124505)	744,500	0.42

ANALYSIS OF SHAREHOLDINGS (CONT'D)

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 4 MAY 2020 (Cont'd)

No.	Name of shareholders	No. of shares held	%
24	NG JUN LIP	684,750	0.38
25	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOR BEE LIN (PENANG-CL)	664,900	0.37
26	JOANNE LEE CHIAO WEY	618,750	0.35
27	LIM YAN BU	618,750	0.35
28	YAP NANG PHOR	618,750	0.35
29	WOO CHIEW LOONG	531,250	0.30
30	YONG MEW SENG	487,400	0.27
	TOTAL	**154,313,361**	**86.35**

SUBSTANTIAL SHAREHOLDERS AS AT 4 MAY 2020
(As per Register of Substantial Shareholders)

		No. of shares held			
No.	**Name of shareholders**	**Direct Interest**	**%**	**Deemed Interest**	**%**
1.	TAY HONG SING	17,448,750	9.76	55,412,500 (1)	31.00
2.	TAN BOON SIANG	17,118,750	9.58	55,412,500 (1)	31.00
3.	KUOPACIFIC STRATEGIC SDN. BHD.	55,412,500	31.00	-	
4.	KUOPACIFIC DEELUCC SDN. BHD.	-	-	55,412,500 (2)	31.00
5.	DENZEL WILSON KUOSASTRA	-	-	55,412,500 (3)	31.00
6.	DRAGONBAY GLOBAL PTE. LTD.	35,750,000	20.00	-	-
7.	VINCENT TAI SEH KIAT	-	-	35,750,000 (4)	20.00

Notes:-

(1) *Deemed interest by virtue of Section 8 of the Companies Act, 2016, through his shareholding in Kuopacific Strategic Sdn. Bhd.*

(2) *Deemed interest by virtue of Section 8 of the Companies Act, 2016 through its shareholding in Kuopacific Strategic Sdn. Bhd.*

(3) *Deemed interest by virtue of Section 8 of the Companies Act, 2016 through his shareholding in Kuopacific Deelucc Sdn. Bhd.*

(4) *Deemed interest by virtue of Section 8 of the Companies Act, 2016 through his shareholding in Dragonbay Global Pte.Ltd.*

DIRECTORS' SHAREHOLDINGS AS AT 4 MAY 2020
(As per Register of Directors' Shareholdings)

		No. of shares held			
No.	**Name of shareholders**	**Direct Interest**	**%**	**Deemed Interest**	**%**
1.	DATUK TAN KOK HONG @ TAN YI	343,750	0.19	-	-
2.	TAY HONG SING	17,448,750	9.76	55,412,500 (1)	31.00
3.	TAN BOON SIANG	17,118,750	9.58	55,412,500 (1)	31.00
4.	YONG THIAM YUEN	158,125	0.09	-	-
5.	DATO' JEFFREY LAI JIUN JYE	-	-	-	-
6.	ABDUL MUTALIB BIN IDRIS	-	-	-	-
7.	MEACHERY JO-ANNE JOSEPH	-	-	-	-
8.	VINCENT WONG SOON CHOY	-	-	-	-

Note:-

(1) *Deemed interest by virtue of Section 8 of the Companies Act, 2016, through his shareholding in Kuopacific Strategic Sdn. Bhd.*

ANALYSIS OF WARRANT HOLDINGS

WARRANTS

Number of Warrants (2018/2021)	:	65,000,000
Exercise Price	:	RM0.50 per ordinary share
Exercise Rights	:	Each Warrant entitles the holder to subscribe for one (1) new Cabnet Share
Exercise Period	:	3 years
Number of Warrants exercised	:	Nil
Maturity Date	:	2 July 2021
Voting rights	:	The Warrant holders are not entitled to any voting rights or to participate in any form of distribution and/or offer of securities in the Company other than on winding-up, compromise or arrangement of the Company until and unless such Warrant holders exercise their Warrants into new Cabnet Shares.

DISTRIBUTION OF WARRANT HOLDINGS ACCORDING TO STATISTICAL SUMMARY OF THE RECORD OF DEPOSITORS AS AT 4 MAY 2020

Size of Holdings	No. of Holders	% of Holders	No. of Warrants	% of Warrants
1 to 99	32	6.13	1,554	0.00
100 to 1,000	83	15.90	55,195	0.08
1,001 to 10,000	243	46.55	1,029,600	1.58
10,001 to 100,000	118	22.61	4,496,551	6.92
100,001 to 6,499,999 (*)	43	8.24	14,407,100	22.17
6,500,000 and above (**)	3	0.57	45,010,000	69.25
TOTAL	**522**	**100.00**	**65,000,000**	**100.00**

* Less than 5% of Issued Shares
** 5% and above of Issued Shares

LIST OF 30 LARGEST WARRANT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 4 MAY 2020

No.	Name of Warrant Holders	No. of Warrants held	%
1	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR DRAGONBAYGLOBAL PTE LTD	13,000,000	20.00
2	TAN BOON SIANG	9,750,000	15.00
3	TAY HONG SING	9,750,000	15.00
4	TAY HONG SING	6,670,000	10.26
5	TAN BOON SIANG	5,840,000	8.98
6	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG YOONG NYOCK (MY3272)	1,250,000	1.92
7	CHOO KIAN LOO	1,150,000	1.77
8	RYAN TAN HIAN WHAI	986,100	1.52
9	YAP SIEW FONG	800,000	1.23
10	NG SOON SIONG	716,500	1.10
11	HO CHEE HONG	550,000	0.85
12	MOHD JEFFRY HEW BIN ABDULLAH	530,000	0.82
13	JIA HONGMEI	518,800	0.80
14	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HAU JANG	500,000	0.77
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN TAI KUAN	400,000	0.62

ANALYSIS OF WARRANT HOLDINGS (CONT'D)

LIST OF 30 LARGEST WARRANT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 4 MAY 2020 (Cont'd)

No.	Name of Warrant Holders	No. of Warrants held	%
16	SIM YIAN FEI	400,000	0.62
17	TAN YING MENG	400,000	0.62
18	WILSON THAM WENG MENG	378,750	0.58
19	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM FOK YUONG	350,100	0.54
20	OH CHIOW SUAN	331,000	0.51
21	WONG CHUN MEI	324,400	0.50
22	KOK POW KEONG	300,000	0.46
23	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	300,000	0.46
24	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG TAK KEONG (6000698)	275,000	0.42
25	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG LAI CHOO	250,000	0.38
26	NG JUN LIP	249,000	0.38
27	JOANNE LEE CHIAO WEY	225,000	0.35
28	LIM YAN BU	225,000	0.35
29	YAP NANG PHOR	225,000	0.35
30	TAN YONG THAI	200,050	0.31
	TOTAL	**56,844,700**	**87.47**

DIRECTORS' WARRANT HOLDINGS AS AT 4 MAY 2020
(As per Register of Directors' Warrant Holdings)

		No. of warrants held			
No.	Name of Warrant Holders	Direct Interest	%	Deemed Interest	%
1.	DATUK TAN KOK HONG @ TAN YI	125,000	0.19	-	-
2.	TAY HONG SING	16,420,000	25.26	-	-
3.	TAN BOON SIANG	15,590,000	23.99	-	-
4.	YONG THIAM YUEN	57,500	0.09	-	-
5.	DATO' JEFFREY LAI JIUN JYE	-	-	-	-
6.	ABDUL MUTALIB BIN IDRIS	-	-	-	-
7.	MEACHERY JO-ANNE JOSEPH	-	-	-	-
8.	VINCENT WONG SOON CHOY	-	-	-	-

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

No. of Shares Held	CDS Account No.

PROXY FORM

I/We ______________________________ (NRIC No. ________________) of (full address)

____

being a member / members of CABNET HOLDINGS BERHAD, hereby appoint:

Name of Proxy (Full Name)	**NRIC No. / Passport No.**	**% of Shareholding to be Represented** *(Refer to Note 2)*
Address		

*and/or failing him/her,

Name of Proxy *(Full Name)*	NRIC No. / Passport No.	**% of Shareholding to be Represented** *(Refer to Note 2)*
Address		

*or failing him/her, the Chairman of the meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the 5th Annual General Meeting of the Company to be held on Friday, the 26th day of June, 2020 at 9.00 a.m. held at the Hop Sing II, Ponderosa Golf & Country Club, No. 3, Jalan Ponderosa 1, Taman Ponderosa, 81100 Johor Bahru, Johor and at every adjournment thereof to vote as indicated below in respect of the following Resolutions:-

ORDINARY BUSINESS		**FOR**	**AGAINST**
Ordinary Resolution 1	Re-election of Mr. Tan Boon Siang		
Ordinary Resolution 2	Re-election of Mr. Abdul Mutalib Bin Idris		
Ordinary Resolution 3	Re-election of Dato' Jeffrey Lai Jiun Jye		
Ordinary Resolution 4	Approval of Directors' Fees (FY2020)		
Ordinary Resolution 5	Approval of Directors' Benefits (for the period from 5th AGM to 6th AGM)		
Ordinary Resolution 6	Re-appointment of Auditors		
SPECIAL BUSINESS			
Ordinary Resolution 7	Authority to allot and issue shares pursuant to Section 75 and 76 of the Companies Act, 2016.		

(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.)

** delete where applicable.*

Signed this ______ day of __________________ 2020

....

*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 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 to the following e-mail address [cabnet-proxy@cisgroup93.com] 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 19 June 2020, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Affix
Stamp

The Company Secretary

CABNET HOLDINGS BERHAD
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

Cabnet Holdings Berhad
(Registration No: 201401045803 (1121987-D))

No.18 (PLO 184) Jalan Angkasa Mas 6,
Kawasan Perindustrian Tebrau II, 81100 Johor Bahru, Johor.
Tel : +607-353 9008   Fax : +607-353 0146
www.cabnet.asia