

CABNET HOLDINGS BERHAD

Registration No: 201401045803 (1121987-D)

(Incorporated in Malaysia)

Appendix A

SUMMARY OF KEY MATTERS DISCUSSED DURING THE 6TH ANNUAL GENERAL MEETING (“6TH AGM”) HELD ON FRIDAY, THE 28TH DAY OF MAY, 2021 AT 9.00 A.M. CONDUCTED BY VIRTUAL MODE THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT THE COMPANY’S CONFERENCE ROOM AT NO.18 (PLO 184) JALAN ANGKASA MAS 6, KAWASAN PERINDUSTRIAN TEBRAU II, 81100 JOHOR BAHRU, JOHOR.

Question submitted before the commencement of 6th AGM

- Q1. Cabnet has not been performing over the past few years. Can you elaborate what is the action taken in expending current business and diversifying to other sector? Every quarter heard the same planning but never see anything materialise.
- A1. The Group revenue compounded annual growth rate (“CAGR”) from 2017 to 2019 was 14.72% which indicates a growth of market share. Nonetheless the Group profit declined in 2019 as the projects secured in the new market segment (e.g. Healthcare segment) came with low profit margin mainly due to strong competitiveness. With a new installed base, the Group anticipate to level back its profitability in the next few years through cross-selling of the group’s other portfolio.

As of year 2020, the Group’s business and operation was inevitably affected by the pandemic and lockdown measures imposed by the Government which were explained during Agenda 1.

The Group believes that the healthcare segment was still needed to further elevate the Group’s future earnings in view of the long-term repeatable business such as maintenance services since hospital is a critical facility that cannot afford any downtime.

The Group has successfully completed projects in healthcare segment such as UiTM Teaching Hospital and Pantai Air Keroh Hospital as to date. Following this, more healthcare projects have been secured in late 2020 such as the Kajang Hospital and the Regency Specialist Hospital.

Other than its new market segment locally in Malaysia, the Group had also planned to expand its business into the overseas market since 2019. Ground work preparation has completed and the Group was ready to execute the expansion plan in 2020, however, the overseas expansion plan was halted due to the pandemic situation. While the Group is ready with its overseas plan, it is unclear on the execution of overseas expansion schedule in view of the on-going pandemic situation and the continual lockdown of the country border.

In light of the suspension of the overseas expansion plan, the Group has change it strategy to further enhancing and strengthening its local market position through the proposed acquisition of a mechanical and electrical (“M&E”) company. The Group envisage that through the proposed acquisition, we would be able to offer our customers greater value propositions as a single provider by way of extension of the existing suite of electrical and mechanical engineering services.

As at end December 2020, the Group recorded a backlog of RM 76.23 Mil which shall continue to contribute to earnings for the year 2021 and 2022.

Save for the above, the Group remain positive on its outlook for 2021 provided the pandemic situation does not further deteriorate.

Question posted during the 6th AGM

- Q2. (a) Please provide progress update on Singapore market penetration. What's the rationale and strategy behind the said penetration?
- (b) Other than steel price, what other key material prices are rising?
- (c) What are the potential key growth drivers for 2021 and 2022?
- (d) How much is the company's cash burn rate per month?
- (e) How do you plan to fund the RM16 million acquisition announced weeks ago?
- (f) By year end 2021, what is management's projected Net Debt to Equity ratio look like?
- A2. (a) At the moment, there is no plan to venture into the Singapore market. The main purpose of setting up a regional office in Singapore was to act as an international market arm in line with the Group's overseas expansion plan in view of the better business environment and recognition as financial hub in Southeast Asia. As of now, our overseas market expansion plan has halted due to the pandemic situation.
- (b) Apart from steel price, the Group observed that the price for other materials like Copper and PVC is also increasing. To-date, it has no material impact to our existing projects because they are either at its completing stages or in the preliminary stages of construction. The Group will continue to observe the movement of the commodity price in the next 12 months and will develop further strategies that the Group deem fit corresponding to the market situation.
- (c) The Group has been affected by the project delays in year 2020 and early of 2021. However, we have backlogged projects that helps our sustainability for the next 12-24 months. During this period, our Group will be aggressively pushing for both short-term (<12 months) and long-term (>12 months) opportunities. The key focus will be on technology driven solution adapted to the new norm of the current pandemic situation.
- (d) The Group's monthly cash burn rate varies depending on the monthly project progress as well as the other operation expenses that are needed such as repayment of external borrowings.
- (e) The Deposit of RM1,629,000 was paid upon execution of the Shares Purchase Agreement via the Group's internally-generated funds. The remaining Purchase Consideration of RM14,661,000 is expected to be financed via a combination of bank borrowings, the Group's internally-generated funds and/ or future fund raising exercises (if necessary), the breakdown of which has yet to be determined at this juncture.
- (f) There is no projected net debt to equity ratio available as of now due to the unclear impact of the on-going pandemic situation in regard to the project progress as well as the customer collection. However, management is doing its best to improve the current gearing ratio.

- Q3. (a) How well-positioned is Cabnet to be involved with building out of datacenters which is a strong growth area?
- (b) With Kuopacific as the major shareholder and being a diversified conglomerate in Indonesia, how come it has not awarded projects to Cabnet, and will Indonesia be a major market for Cabnet?
- A2. (a) With the completion of the proposed acquisition, services provided by the enlarged Group consist of both M&E and Data Centre Solution. The Group is able to offer a direct value-add on of more than 60% content in a Data Centre infrastructure requirement. Compounded, with the Group's experience in Project Management and Construction practices, the Group is well positioned to undertake a Data Centre facility project.
- (b) The Group had planned to expand its business into the overseas market since 2019. Ground work preparation was already completed and the Group was ready to execute the expansion plan in 2020. However, the overseas expansion plan has been halted due to the pandemic situation. While the Group is ready with its overseas expansion plan, it is unclear on the execution of overseas expansion schedule in view of the on-going pandemic situation and the continual lockdown of the country border. Kuopacific Strategic Sdn Bhd will play a major role in the Group's expansion plan to Indonesia. At the moment, we are not able to comment if Indonesia will be a major market to the Group, however, the Group envisage that Indonesia hold more business opportunities in view of the larger geographical coverage and economy capacity.