

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF COSMOS TECHNOLOGY INTERNATIONAL BERHAD (“COSMOS” OR “COMPANY”) DATED 14 SEPTEMBER 2022 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at www.bursamalaysia.com (“**Website**”).

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, Mercury Securities Sdn Bhd (“**Mercury Securities**”), or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, Mercury Securities and Cosmos take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from 10.00 a.m. on 14 September 2022 and will close at 5.00 p.m. on 22 September 2022. In the event there is any change to the timetable, the Company will advertise the notice of the change in widely circulated daily English and Bahasa Malaysia newspaper within Malaysia.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the Website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.



COSMOS TECHNOLOGY INTERNATIONAL BERHAD



COSMOS TECHNOLOGY INTERNATIONAL BERHAD

(Registration No. 201901017221 (1326549-P))
(Incorporated in Malaysia under the Companies Act 2016)



INITIAL PUBLIC OFFERING OF 64,125,300 NEW ORDINARY SHARES IN COSMOS TECHNOLOGY INTERNATIONAL BERHAD ("COSMOS" OR "COMPANY") ("SHARES") IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED TOTAL NUMBER OF 256,501,300 SHARES ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING A PUBLIC ISSUE OF 64,125,300 NEW SHARES IN THE FOLLOWING MANNER:

- (A) 12,825,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- (B) 7,880,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF COSMOS AND ITS SUBSIDIARIES;
- (C) 11,357,600 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND
- (D) 32,062,700 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

AT AN ISSUE PRICE OF RM0.35 PER NEW SHARE, PAYABLE IN FULL UPON APPLICATION.

Principal Adviser, Sponsor, Underwriter and Placement Agent



MERCURY SECURITIES SDN BHD
Registration No. 198401000672 (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET OF BURSA SECURITIES. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET OF BURSA SECURITIES. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 171.

This Prospectus has been registered by Bursa Securities. The registration of this Prospectus should not be taken to indicate that Bursa Securities recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. Bursa Securities has not, in any way, considered the merits of the securities being offered for investment.

Bursa Securities is not liable for any non-disclosure on the part of Cosmos and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.



COSMOS TECHNOLOGY INTERNATIONAL BERHAD

(Registration No. 201901017221 (1326549-P))

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Kawasan Perindustrian Mega 2
43500 Semenyih
Selangor Darul Ehsan

TEL : +603 87276029

FAX : +603 89623353

EMAIL : customer.service@ctib.com.my

www.ctib.com.my



PROSPECTUS

All defined terms used in this Prospectus are defined under “Definitions” commencing on page xi, “Glossary of Technical Terms” commencing on page xvii and “Presentation of Information” commencing on page viii.

RESPONSIBILITY STATEMENTS

Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Mercury Securities Sdn Bhd, being the Principal Adviser, Sponsor, Underwriter and Placement Agent to our IPO acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

STATEMENTS OF DISCLAIMER

Our Company has obtained the approval of Bursa Securities for the listing of and quotation for our Shares. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

This Prospectus, together with the Application Forms, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

OTHER STATEMENTS

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission, or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Our Shares are offered in Malaysia solely based on the contents of this Prospectus. This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection with it. It is your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of this Prospectus and to consult your legal and/or other professional advisers as to whether your application for our IPO would result in the contravention of any law of the country or jurisdiction which you may be subject to.

We will further assume that you have accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

This Prospectus is prepared and published solely for our IPO under the laws of Malaysia. Our Directors, Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone and take no responsibility for the distribution of this Prospectus outside Malaysia. Our Directors, Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Directors, Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent, any of their respective directors, or any other persons involved in our IPO. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase of our Shares in any jurisdiction or in any circumstances in which such an offer is not authorised or is unlawful or to any person to whom it is unlawful to make such offer or invitation.

ELECTRONIC PROSPECTUS

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with Bursa Securities are the same.

The internet is not a fully secured medium. Your Internet Share Application may be subject to risks of data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or integrity of the Electronic Prospectus, you should immediately request a paper/printed copy of this Prospectus from us, our Principal Adviser or the Issuing House. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with Bursa Securities, will prevail.

In relation to any reference in this Prospectus to third party internet sites ("**Third Party Internet Sites**") whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites. Accordingly, we are not responsible for the availability of, or the content or any data, files, information or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, files, information or other material provided on the Third Party Internet Sites; and
- (iii) any data, files, information or other materials downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, files, information or other materials.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the Electronic Prospectus, i.e. to the extent that the content of the Electronic Prospectus on the web server of the Internet Participating Financial Institutions may be viewed via web browser or other relevant software. The Internet Participating Financial Institutions are not responsible for the integrity of the contents of the Electronic Prospectus, which has been obtained from the web server of the Internet Participating Financial Institutions and subsequently communicated or disseminated in any manner to you or other parties;
- (iii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium; and
- (iii) the Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

An indicative timetable of our IPO is set out below:

<u>Events</u>	<u>Indicative time/date</u>
Issuance of this Prospectus/Opening of Application	10.00 a.m. / 14 September 2022
Closing of Application	5.00 p.m. / 22 September 2022
Balloting of Applications	27 September 2022
Allotment of our IPO Shares to successful applicants	4 October 2022
Listing	6 October 2022

In the event there is any change to the timetable, we will advertise a notice of change in widely circulated English and Bahasa Malaysia daily newspaper within Malaysia.

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PRESENTATION OF INFORMATION

All references to “our Company” or “Cosmos” in this Prospectus are to Cosmos Technology International Berhad. All references to “Cosmos Group” or “our Group” in this Prospectus are to our Company and our subsidiaries taken as a whole. All references to “we”, “us”, “our” or “ourselves” are to our Company and where the context otherwise requires, our Group. Unless the context otherwise requires, references to “Management” are to our Directors and Key Senior Management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Directors and Key Senior Management.

All references to “you” are to our prospective investors.

In this Prospectus, all references to “Government” are to the Government of Malaysia and references to “RM” and “sen” are to the lawful currency of Malaysia. Certain amounts and percentage figures included in this Prospectus have been subjected to rounding adjustments. Any discrepancy in the tables or charts between the amounts listed and the total amount in this Prospectus are due to rounding. Other abbreviations and acronyms used in this Prospectus are defined in the “Definitions” section and technical terms used in this Prospectus are defined in the “Glossary of Technical Terms” section. Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons, where applicable, include natural persons, firms, companies, bodies corporate and corporations.

References to any provisions of the statutes, rules, regulations, enactments, guidelines or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments, guidelines or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments, guidelines or rules of stock exchange for the time being in force.

References to a date and time shall be a reference to a date and time in Malaysia, unless otherwise stated.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originated from us. We have appointed Infobusiness to provide an independent market and industry review of the industry in which we operate in. In compiling their data for the review, Infobusiness relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry. Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We cannot assure you that the projections will be achieved and you should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

The information on our website or any website directly or indirectly linked to our website does not form part of this Prospectus and you should not rely on such information for the purposes of your decision whether or not to invest in our Shares. If there is any discrepancy between the contents of the English and Bahasa Malaysia versions of this Prospectus, the English version of this Prospectus shall prevail.

References to the “LPD” in this Prospectus is to 16 August 2022, being the latest practicable date prior to the registration of this Prospectus with Bursa Securities.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, future plans and prospects, and objectives of our Group for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminologies including words such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “aim”, “forecast”, “may”, “will”, “would”, and “could” or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) our business strategies, trends and competitive position;
- (ii) demand for our products and services;
- (iii) our plans and objectives for future operations;
- (iv) potential growth opportunities;
- (v) our future financial position, earnings, cash flows and liquidity;
- (vi) our ability to pay future dividends; and
- (vii) the regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (i) general economic, business, social, political and investment environment in Malaysia and globally;
- (ii) government policy, legislation and regulation;
- (iii) interest rates, tax rates and foreign exchange rates;
- (iv) the competitive environment in the industry in which we operate;
- (v) reliance on approvals, licenses and permits;
- (vi) availability and fluctuations in prices of raw materials; and
- (vii) fixed and contingent obligations and commitments.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 9 of this Prospectus on “Risk Factors” and Section 12 of this Prospectus on “Management’s Discussion and Analysis of Financial Information and Results of Operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

FORWARD-LOOKING STATEMENTS (CONT'D)

Should we become aware of any subsequent material change or development affecting matters disclosed in the Prospectus arising from the date of registration of this Prospectus with Bursa Securities but before the date of allotment of our IPO Shares, we will issue a supplementary or replacement prospectus, as the case may be, in accordance with the provisions of Rule 3.12D of the Listing Requirements and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

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DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the terms are defined otherwise or the context requires otherwise:

COMPANIES WITHIN OUR GROUP:

Cosmos or Company	:	Cosmos Technology International Berhad (Registration No. 201901017221 (1326549-P))
Cosmos Group or Group	:	Collectively, our Company and our Subsidiaries
Cosmos Instruments	:	Cosmos Instruments Sdn Bhd (Registration No. 200401022411 (660916-X))
MCI	:	Marc Conleth Industries Sdn Bhd (Registration No. 201001027440 (911359-A))
Subsidiaries	:	Collectively, Cosmos Instruments and MCI

GENERAL:

ACE Market	:	ACE Market of Bursa Securities
Act	:	Companies Act 2016
ADA	:	Authorised depository agent
Air Selangor	:	Pengurusan Air Selangor Sdn Bhd (Registration No. 201401006213 (1082296-U))
Application	:	Application for our IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application
Application Form	:	Printed application form for the application of our IPO Shares accompanying this Prospectus
ATM	:	Automated teller machine
Authorised Financial Institution	:	Authorised financial institution participating in the Internet Share Application with respect to payments for our IPO Shares
Board	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CAGR	:	Compound annual growth rate
CDS	:	Central depository system
CDS Account	:	An account established by Bursa Depository for a depositor for the recording of securities and for dealing in such securities by the depositor

DEFINITIONS (CONT'D)

Channel Partner Agreement	: Channel Partner Agreement entered into between Cosmos Instruments and LACROIX Sofrel dated 17 January 2022
CIDB	: Construction Industry Development Board
CMSA	: Capital Markets and Services Act 2007
Constitution	: Constitution of our Company
Cosmos Share(s) or Share(s)	: Ordinary share(s) in our Company
COVID-19	: An infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
Dato' Chong	: Dato' Chong Toh Wee
Director(s)	: Director(s) of our Company
EBIT	: Earnings before interest and taxation
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	: A copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium including, but not limited to, CD-ROMs (<i>compact disc read-only memory</i>)
Electronic Share Application	: Application for our IPO Shares under the Public Issue through a Participating Financial Institution's ATM
Eligible Persons	: Collectively, our Directors, employees of our Group and persons who have contributed to the success of our Group who are eligible to participate in the Public Issue
EPF	: Employees Provident Fund
EPS	: Earnings per Share
Equity Guidelines	: Equity Guidelines issued by the SC
FYE	: Financial year ended or ending 30 April, as the case may be
FYE Under Review	: FYE 2019, FYE 2020, FYE 2021 and FYE 2022
Government	: Government of Malaysia
GP	: Gross profit
IFRS	: International Financial Reporting Standards
IMR or Infobusiness	: Infobusiness Research & Consulting Sdn Bhd (Registration No. 199901024026 (498926-P))
IMR Report	: Independent market research report titled "The Fluid Control Industry in Malaysia" prepared by Infobusiness

DEFINITIONS (CONT'D)

Internet Participating Financial Institution(s)	: Participating financial institution(s) for the Internet Share Application
Internet Share Application	: Application for our IPO Shares under the Public Issue through an Internet Participating Financial Institution
IPO	: Our initial public offering comprising the Public Issue
IPO Price	: Issue price of RM0.35 per IPO Share
ISSET	: I.S.E.T. Engineering Sdn Bhd (Registration No. 199701040188 (455688-H))
Issue Share(s) or IPO Share(s)	: New Share(s) to be issued by our Company pursuant to the Public Issue
Issuing House or Share Registrar	: Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
Key Senior Management	: Key senior management personnel of our Group comprising Lai Khar Khei, Syahdan Bin Ab Samad and Goh Choon Hoong
LEAP Market	: LEAP Market of Bursa Securities
Listing	: Admission to the Official List and the listing of and quotation for our entire enlarged total number of 256,501,300 Shares on the ACE Market
Listing Requirements	: ACE Market Listing Requirements of Bursa Securities
LPD	: 16 August 2022, being the latest practicable date prior to the registration of this Prospectus with Bursa Securities
Malaysian Public	: Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	: Any day between Monday and Friday (both days inclusive) which is not a public holiday and a day on which Bursa Securities is open for trading of securities
MCCG	: Malaysian Code on Corporate Governance issued by the SC as at 28 April 2021
MCO	: Movement control order imposed by the Government under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which was in effect from 18 March 2020 and unless otherwise specified, includes all its subsequent phases
Mercury Securities or Principal Adviser or Sponsor or Underwriter or Placement Agent	: Mercury Securities Sdn Bhd (Registration No. 198401000672 (113193-W))
MFRS	: Malaysian Financial Reporting Standards
MIA	: Malaysian Institute of Accountants

DEFINITIONS (CONT'D)

MIDA	:	Malaysian Investment Development Authority
MITI	:	Ministry of International Trade and Industry
MOF	:	Ministry of Finance
MSM	:	MSM International Limited (Registration No. 200918800R), a company which is listed on the Catalist of Singapore Exchange Securities Trading Limited
NA	:	Net assets
NBV	:	Net book value
National Recovery Plan	:	A four-phase exit strategy from the COVID-19 crisis announced by the Government in 2021
New Building	:	A piece of leasehold land known as PT 59919, Pekan Cheras, Daerah Ulu Langat, Negeri Selangor held under H.S.(D) 174625, measuring approximately 36,860 square feet in area together with a factory cum office and warehouse erected thereon and bearing postal address of PT 59919, H.S.(D) 174625, Jalan KPB 6, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan
Official List	:	A list specifying all securities listed on Bursa Securities
Oil and Gas Customer(s)	:	Customer(s) in the oil and gas industry, such as oilfield equipment and service company(ies)
Participating Financial Institution	:	Participating financial institution for the Electronic Share Application
PAT	:	Profit after taxation
PAAB	:	Pengurusan Aset Air Berhad (Registration No. 200601012793 (732544-D)), also known as Water Asset Management Company
PBT	:	Profit before taxation
Pink Application Form	:	Application form for the application of our Issue Shares by the Eligible Persons accompanying this Prospectus
Pink Form Shares	:	The allocation of 7,880,000 Issue Shares to the Eligible Persons pursuant to the Public Issue
Promoters or Specified Shareholders	:	Collectively, Dato' Chong and MSM
Prospectus	:	This prospectus dated 14 September 2022 issued by our Company
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
Public Issue	:	The public issue of 64,125,300 Issue Shares at our IPO Price

DEFINITIONS (CONT'D)

QC	: Quality control
Reporting Accountants	: Nexia SSY PLT (Registration No. 201906000679 (LLP0019490-LCA) & AF 002009)
ROC	: Registrar of Companies
Rules of Bursa Depository	: Rules of Bursa Depository as issued pursuant to the SICDA
SAMB	: Syarikat Air Melaka Berhad (Registration No. 200501030101 (712238-W))
SC	: Securities Commission Malaysia
SICDA	: Securities Industry (Central Depositories) Act 1991
Siemens Malaysia	: Siemens Malaysia Sdn Bhd (Registration No. 198201013259 (93008-X)), an affiliate company of Siemens AG
SOCSSO	: Social security organisation
Solution Partner Contract	: Solution partner contract entered into between Cosmos Instruments and Siemens Malaysia for Cosmos Instruments' participation in the solution partner program, including all subsequent renewal(s), since 1 October 2018
SOP	: Standard operating procedures
SPAN	: Suruhanjaya Perkhidmatan Air Negara also known as National Water Services Commission
Specified Shareholders	: Specified shareholders of Cosmos as set out in Section 2.4 of this Prospectus
SST	: Sales and Service Tax
Triumphant Hope	: Triumphant Hope Sdn Bhd (Registration No. 200901038266 (881398-W))
Underwriting Agreement	: Underwriting agreement dated 22 August 2022 entered into between our Company and Mercury Securities for the underwriting of 20,705,000 Issue Shares under the Public Issue
US	: United States of America
Vendor	: Jemco Venture Sdn Bhd (Registration No. 200201017179 (584842-X))
Water Authorities	: Government agencies which are involved in the water industry such as Air Selangor, SAMB, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (Registration No. 199901001061 (475961-X))
Water Customers	: Customers in the water and wastewater industries, which include Water Authorities, Water Operators, wastewater treatment plant operators, and industrial and commercial customers, contractors and sub-contractors.

DEFINITIONS (CONT'D)

- Water Operators** : Water operators are water utility companies (i.e., water plant operators and water distributors) which are involved in the operations and maintenance of water assets.
- White Application Form** : Application form for the application of our Issue Shares by the Malaysian Public accompanying this Prospectus

CURRENCIES AND UNITS:

- EUR** : Euro
- RM and sen** : Ringgit Malaysia and sen
- SGD** : Singapore Dollar
- USD** : US Dollar
- %** : Per centum

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GLOSSARY OF TECHNICAL TERMS

This glossary contains explanation of certain technical terms used in this Prospectus in connection with our Group and business. The terminologies and their meanings may not correspond to the standard industry meanings or usage of these terms.

Computer numerical control (CNC)	:	An automated control of machining tools by means of a computer. A CNC machine processes a piece of material to meet specifications by following a coded programmed instruction and without a manual operator directly controlling the machining operation
Datalogger(s)	:	An electronic device that records, stores and transmits data generated from electronic flowmeters to its receiving equipment for monitoring
Electromagnetic flowmeter(s)	:	An electronic flowmeter which uses magnetic field to measure fluid flow through a pipe
Electronic flowmeter(s)	:	An industrial digital flowmeter for fluid flow rate measurement which converts the monitored fluid flow into electronic signals
Fabricated metal products	:	Metal parts that are combined, shaped or otherwise processed into a by-product for specific application usage.
Fluids	:	Substances that have no fixed shape and yield easily to external pressure, such as a liquid or a gas
General Packet Radio Service (GPRS)	:	A packet-switching technology that enables data transfers through cellular networks. It is used for mobile internet, multimedia messaging service and other data communications
Geographic information system (GIS)	:	A computer system for capturing, storing, checking and displaying data related to positions on the earth's surface
Global System for Mobile (GSM)	:	The second-generation (2G) digital cellular networks used by mobile devices
Instrumentation services	:	Consultation and advice, design and integration of telemetry solutions, installation and commissioning, calibration and testing, maintenance and training of fluid control products as provided by Cosmos
Level transducer	:	A sensor using ultrasonic technology to detect the level of water in contained spaces such as container, tank, dams and river
Metal fabrication	:	Metal working processes which include but not limited to rolling, punching, stamping, sintering, welding and machining
NRW	:	Non-revenue water, being the difference between the volume of treated water produced and the water billed. It is measured in percentages as an indicator of the efficiency of a water distribution network
Petrochemicals	:	Organic chemicals which are derived from crude oil or natural gas
Petroleum	:	A naturally occurring complex liquid hydrocarbon such as crude oil and natural gas
Petroleum reservoir	:	A subsurface body of rock having sufficient porosity and permeability to store and transmit crude oil and/or natural gas

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Pressure transmitter	:	An industrial pressure measuring instrument that measures the pressure in fluids
Process instrumentation	:	The equipment used in controlling, measuring and analysing variables such as temperature, pressure, humidity, fluid flow rates and fluid levels
Remote terminal unit (RTU)	:	A microprocessor that remote monitors digital and analog data and transmits them to a SCADA system
Rig	:	A machine used to drill a well (also known as a borehole or a drillhole)
SCADA	:	Supervisory control and data acquisition, which is a control system that is designed to collect and analyse critical data from industrial equipment
Shaker filter	:	A component of a shale shaker. It is a metal frame that encloses a screen or a sieve and is used to remove cuttings from the circulatory fluids during drilling operations
Shale shaker	:	A piece of equipment attached to a rig
Telemetry	:	A collection of measurements or other data at remote points and their automatic transmission to receiving equipment for monitoring
Ultrasonic flowmeters	:	An electronic flowmeter which uses sound waves to measure fluid flow through a pipe
Workover	:	The process of performing major maintenance or remedial treatments on a crude oil or natural gas well

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Nationality/Gender	Designation	Address
Datuk Phang Ah Tong	Malaysian/Male	Independent Non-Executive Chairperson	21, Jalan SS 21/8, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan
Dato' Chong Toh Wee	Malaysian/Male	Managing Director	20, Jalan Aman Sutera 8, Alam Sutera, Bukit Jalil, 57000 Kuala Lumpur
Ng Boon Keong	Malaysian/Male	Executive Director	47, Jalan SL 9/10C, Bandar Sungai Long, 43000 Kajang, Selangor Darul Ehsan
Mok Tuck Meng	Malaysian/Male	Independent Non-Executive Director	10, Jalan SCI 5/2, Country Homes, Sunway City Ipoh, 31150 Ulu Kinta, Perak Darul Ridzuan
Chong Kur Sen	Malaysian/Female	Independent Non-Executive Director	12-15-3 Robson Condominium, Persiaran Syed Putra 2, 50460 Kuala Lumpur
Chua Hui Chen	Malaysian/Female	Independent Non-Executive Director	24, Jalan SS2/98, 47300 Petaling Jaya, Selangor Darul Ehsan

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1. CORPORATE DIRECTORY (CONT'D)

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Mok Tuck Meng	Chairperson	Independent Non-Executive Director
Chong Kur Sen	Member	Independent Non-Executive Director
Chua Hui Chen	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Chong Kur Sen	Chairperson	Independent Non-Executive Director
Mok Tuck Meng	Member	Independent Non-Executive Director
Chua Hui Chen	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Chua Hui Chen	Chairperson	Independent Non-Executive Director
Mok Tuck Meng	Member	Independent Non-Executive Director
Chong Kur Sen	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (CONT'D)

- COMPANY SECRETARIES** : Pauline Ng Peck Kun (MAICSA 7029550) (SSM PC No. 201908002573)
Tan Ai Peng (MAICSA 7018419) (SSM PC No. 201908003179)

Level 13A-6, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
- REGISTERED OFFICE** : Level 13A-6, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

Tel. No.: +603 9212 0978
- HEAD OFFICE** : No. 11, Jalan Mega 2/1
Kawasan Perindustrian Mega 2
43500 Semenyih
Selangor Darul Ehsan

Tel. No.: +603 8727 6029
Fax. No.: +603 8962 3353
Email: customer.service@ctib.com.my
Website: <https://www.ctib.com.my>
- PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT** : Mercury Securities Sdn Bhd
L-7-2, No. 2, Jalan Solaris
Solaris Mont' Kiara
50480 Kuala Lumpur

Tel. No.: +603 6201 1088
- AUDITORS AND REPORTING ACCOUNTANTS** : Nexia SSY PLT
(201906000679 (LLP0019490-LCA) & AF 002009)
UOA Business Park, Tower 3
5th Floor, K03-05-08
1, Jalan Pengaturcara U1/51A, Section U1
40150 Shah Alam
Selangor Darul Ehsan

Tel. No.: +603 5039 1811

Partner-in-charge: Michelle Yong Voon Sze
(Approval Number: 02864/07/2024 J)
(MIA Member No. CA 25252)
(Chartered Accountant, Member of the Malaysian Institute of Accountants and Fellow Member of the Association of Chartered Certified Accountants)
- SOLICITORS FOR OUR LISTING** : Wong Beh & Toh
Level 19, West Block
Wisma Golden Eagle Realty
142-C, Jalan Ampang
50450 Kuala Lumpur

Tel. No.: +603 2713 6050

1. CORPORATE DIRECTORY (CONT'D)

INDEPENDENT MARKET RESEARCHER	: Infobusiness Research & Consulting Sdn Bhd C4-3A-3, Solaris Dutamas No. 1, Jalan Dutamas 1 50480 Kuala Lumpur Tel. No.: +603 6205 3930 Research Director: Leow Hock Bee (B.Sc. (Hons) Geology from the University of Western Ontario and Masters of Business Administration from Massey University)
ISSUING HOUSE AND SHARE REGISTRAR	: Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3 Bangsar South 8, Jalan Kerinchi 59200 Kuala Lumpur Tel No.: 03-2783 9299
LISTING SOUGHT	: ACE Market

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2. APPROVALS AND CONDITIONS

2.1 BURSA SECURITIES

Bursa Securities had, via its letter dated 8 July 2022, approved our admission to the Official List and our Listing subject to compliance with the following conditions:

No.	Conditions imposed by Bursa Securities	Status of compliance
1.	Submit the following information in respect of the moratorium on the shareholdings of promoters to Bursa Depository (i) Name of shareholders; (ii) Number of Shares; and (iii) Date of expiry of the moratorium for each block of Shares.	Complied
2.	Confirmation that approvals from other relevant authorities have been obtained for implementation of the Listing;	Complied
3.	The Bumiputera equity requirements for public listed companies as approved/exempted by the SC including any conditions imposed thereon;	To be complied
4.	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements;	To be complied
5.	Furnish to Bursa Securities with a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Cosmos on the first day of Listing;	To be complied
6.	In relation to the Public Issue to be undertaken by Cosmos, to announce at least 2 market days prior to the Listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche; and (iv) Disclosure of placees who become substantial shareholders of Cosmos arising from the Public Issue, if any.	To be complied
7.	Cosmos or Mercury Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Cosmos to the Official List of the ACE Market.	To be complied

2. APPROVALS AND CONDITIONS (CONT'D)

2.2 SC

Our IPO is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, via its letter dated 8 July 2022, approved our resultant equity structure under the equity requirements for public listed companies pursuant to our Listing, subject to compliance with the following conditions:

No.	Conditions imposed by the SC	Status of compliance
1.	Cosmos allocating Shares equivalent to 12.50% of its enlarged number of issued Shares at the point of Listing to Bumiputera investors to be approved by the MITI; and	To be complied
2.	Cosmos is to make available at least 50.00% of the Shares offered to the Malaysian Public via balloting to Bumiputera public investors at the point of Listing.	To be complied

The effects of our Listing on our equity structure are as follows:

Category of shareholders	As at 31 December 2021		After the Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Bumiputera investors to be approved by MITI	-	-	32,062,700 ⁽²⁾	12.5
- Bumiputera public investors via balloting	-	-	6,412,500 ⁽²⁾	2.5
- Others ⁽¹⁾	1,000,000	0.5	1,000,000	0.4
Total Bumiputera	1,000,000	0.5	39,475,200	15.4
Non-Bumiputera	122,121,600	63.5	147,771,700	57.6
Malaysians	123,121,600	64.0	187,246,900	73.0
Foreigner	69,254,400	36.0	69,254,400	27.0
Total	192,376,000	100.0	256,501,300	100.0

Notes:

(1) Bumiputera investors which are not recognised or approved by MITI.

(2) Based on the assumption that Shares offered to Bumiputera investors to be approved by MITI and to Bumiputera public investors via balloting shall be fully subscribed.

2.3 MITI

The MITI has, via its letter dated 21 March 2022, stated it has taken note and has no objection to our Listing.

2. APPROVALS AND CONDITIONS (CONT'D)

2.4 MORATORIUM ON OUR SHARES

Pursuant to Rule 3.19(1) of the Listing Requirements and the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Specified Shareholders as follows:

- (i) the moratorium applies to our Specified Shareholders' entire shareholdings for a period of 6 months from the date of our admission to the ACE Market ("**First 6 Months Moratorium**");
- (ii) upon expiry of the First 6 Months Moratorium, we must ensure that our Specified Shareholders' aggregate shareholdings amounting to at least 45.00% of our issued share capital remain under moratorium for a further 6 months ("**Second 6 Months Moratorium**"); and
- (iii) upon the expiry of the Second 6 Months Moratorium, our Specified Shareholders may sell, transfer or assign up to a maximum of one-third (1/3) per annum (on a straight-line basis) of their Shares held under moratorium.

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2. APPROVALS AND CONDITIONS (CONT'D)

Details of our Shares held by our Specified Shareholders which will be subject to moratorium are as follows:

Specified Shareholders	Year 1				Year 2		Year 3	
	Shares under moratorium for the First 6 Months Moratorium		Shares under moratorium for the Second 6 Months Moratorium		Shares under moratorium		Shares under moratorium	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Dato' Chong	103,881,600	40.50	69,255,351	27.00	46,170,234	18.00	23,085,117	9.00
MSM	69,254,400	27.00	46,170,234	18.00	30,780,156	12.00	15,390,078	6.00
Total	173,136,000	67.50	115,425,585	45.00	76,950,390	30.00	38,475,195	15.00

Note:

(1) Computed based on our enlarged total number of 256,501,300 Shares after our IPO.

The moratorium restrictions, which are fully acknowledged and accepted by our Specified Shareholders, are specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any sale, transfer or assignment that contravenes the moratorium restrictions.

In addition, our Specified Shareholders have also provided their respective undertakings that they will comply with the said moratorium restrictions relating to the sale of their Shares as mentioned above.

3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

3.1 PRINCIPAL DETAILS OF OUR IPO

Our IPO entails an offering of 64,125,300 IPO Shares at an IPO Price of RM0.35.

In summary, our IPO Shares will be allocated in the following manner, as set out in Section 4 of this Prospectus:

	Public Issue	
	No. of Shares	% ⁽¹⁾
Malaysian Public (via balloting)	12,825,000	5.00
Eligible Persons	7,880,000	3.07
Private placement to selected investors	11,357,600	4.43
Private placement to selected Bumiputera investors approved by MITI	32,062,700	12.50
Total	64,125,300	25.00

Note:

(1) Based on the enlarged total number of 256,501,300 Shares after our IPO.

Enlarged total number of Shares upon Listing	256,501,300
IPO Price	RM0.35
Market capitalisation upon Listing (calculated based on our IPO Price and the enlarged total number of 256,501,300 Shares upon Listing)	RM89,775,455
Total gross proceeds to be raised by our Company from the Public Issue	RM22,443,855

Please refer to Section 4.1 of this Prospectus for further details on our IPO.

A moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Specified Shareholders. Further information on moratorium restrictions is disclosed under Section 2.4 of this Prospectus.

3.2 INFORMATION ON OUR GROUP AND BUSINESS

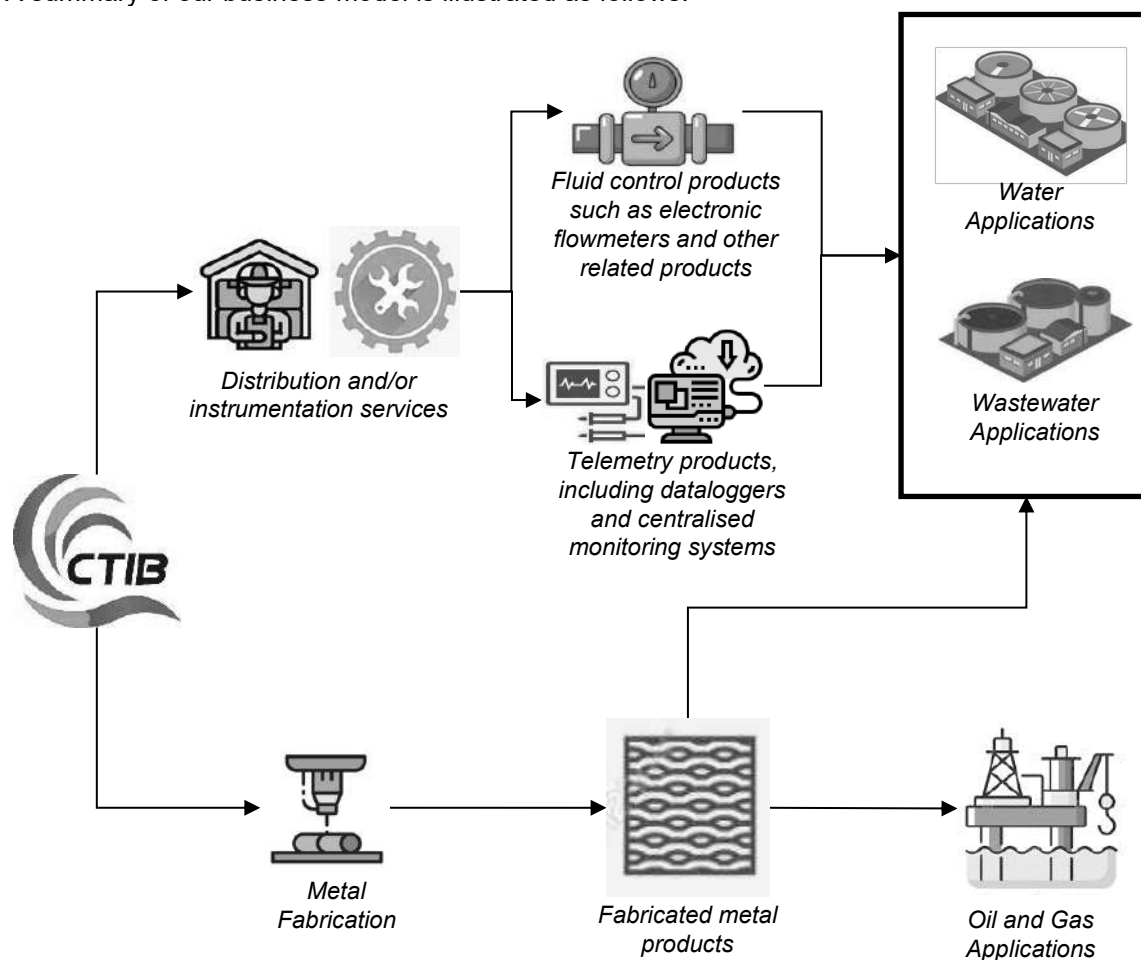
Our Company was incorporated on 14 May 2019 under the Act as a private limited company under the name Cosmos Technology International Sdn Bhd. On 30 September 2019, our Company was converted to a public limited company and assumed its present name, Cosmos Technology International Berhad.

Our Company is an investment holding company and through our Subsidiaries, we are an integrated water technology solutions provider principally involved in the distribution and instrumentation services of fluid control products and manufacturing of fabricated metal products for industrial applications used in the water, wastewater and oil and/or gas industries.

Our Company was listed on the LEAP Market on 9 March 2020. Pursuant to our listing on LEAP Market, we issued 19,240,000 Shares representing approximately 10.00% of our enlarged issued share capital at RM0.28 per Share to sophisticated investors as specified in Part I of Schedule 7 of the CMSA pursuant to Section 230 of the CMSA. Subsequently, our Company was delisted from the LEAP Market on 10 November 2021 pursuant to the withdrawal of the listing from the LEAP Market to facilitate the listing on the ACE Market.

3. PROSPECTUS SUMMARY (CONT'D)

A summary of our business model is illustrated as follows:



We generated our revenue mainly from Malaysia and the US for the FYE Under Review.

Further details on our Group and business are set out in Sections 6 and 7 of this Prospectus.

3.3 COMPETITIVE STRENGTHS AND ADVANTAGES

Our competitive strengths and advantages are as follows:

- (i) Cosmos Instruments is the certified partner and solution partner of Siemens Malaysia and official partner of Lacroix Sofrel;
- (ii) MCI possesses the competency and capability in fabricating and customising a diverse range of fabricated metal products for its customers in the water, wastewater and oil and gas industries;
- (iii) Our Group is managed by an experienced management team, thus, enabling us to provide the service that is expected by our customers in these industries; and
- (iv) Our Group has established ourselves as a reliable distributor of fluid control products for the water and wastewater industries in Malaysia and has good track record in manufacturing metal frames for shaker filters for the oil and gas industry.

Further details on our competitive strengths are set out in Section 7.7 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

3.4 BUSINESS STRATEGIES AND FUTURE PLANS

Our Group's business strategies and future plans are set out below:

(i) Acquisition of the New Building

Cosmos Instruments had, on 14 January 2022, entered into the sale and purchase agreement with the Vendor for the acquisition of the New Building for a purchase consideration of RM11.80 million on a willing-buyer willing-seller basis. As at the LPD, we have paid a total of RM1.77 million being 15% of the purchase consideration which comprised of the 10% deposit under the sale and purchase agreement and the differential sum between the purchase consideration and term loan facility for the acquisition of the New Building of RM0.59 million. The purchase of the New Building is our Group's strategy to consolidate Cosmos Instruments' and MCI's management, operations and production space in the New Building at one location. MCI intends to transfer its manufacturing operations and production space to the New Building. This will enable our Group to streamline all the internal administrative and finance processes, increase efficiency, improve and expedite decision making and reduce travel time and costs by our staff and employees. In addition, it will also enhance our Group's corporate image among the customers, suppliers, employees and other stakeholders. Further to the above, Cosmos intends to carry out renovations on the interior of the New Building without affecting its external structure. The renovations are estimated to cost approximately RM1.00 million, which will be funded by our Group's internally-generated funds.

(ii) Purchase of new machineries

In the last 12 months, MCI's production orders for the new and existing products (e.g., metal frame for shaker filters) have increased progressively. Therefore, MCI anticipates that we will be facing limitation in our production capacity for the fabrication of MCI's fabricated metal products in the near future. MCI intends to purchase several new machineries to increase MCI's manufacturing output in order to meet the anticipated increase in demand from our Oil and Gas Customers and expand MCI's manufacturing capability to produce metal body frames for shale shakers and other fabricated metal products internally. The purchase and installation of new and improved machineries, such as high-power laser cutting machines, press brake machines, and robotic welding machines has higher efficiency through improved specifications which include higher output and increased automation. The increased automation through the use of new machineries is also expected to have higher precision and enable our Group to reduce our reliance on trained workers.

Further details on our business strategies and future plans are set out in Section 7.11 of this Prospectus.

3.5 RISK FACTORS

Our business is subject to a number of risk factors, many of which may have a material adverse impact on our business operations, financial position and performance. A summary of the key risk factors is set out below:

(i) **We may be materially and adversely affected by events relating to the ongoing COVID-19 pandemic or other similar future outbreaks, epidemics or pandemics**

The outbreak of pandemics of infectious diseases or other health epidemics may create substantial economic uncertainty and global instability, which may adversely affect business operations and overall economic activity globally. Please refer to Section 7.8.2 of the Prospectus for the impact of COVID-19 to our business and operations and the measures and precautions taken by us to continue our operations.

3. PROSPECTUS SUMMARY (CONT'D)

During the COVID-19 pandemic, our Group recorded an increase in revenue from RM25.19 million in FYE 2020 to RM33.72 million in FYE 2021 mainly due to increased orders secured and delivered due to increased orders for flowmeters from different states' water authorities for upgrading and replacing existing flowmeters including the postponement of delivery of orders received for flowmeters between 19 March 2020 and 30 April 2020 which were fulfilled between May 2020 and September 2020. Further, our Group had recorded an increase in revenue from RM33.72 million in FYE 2021 to RM49.12 million in FYE 2022 mainly due to, among others, the higher demand from our Oil and Gas Customers as a result of the global recovery of average crude oil price in 2021. We have not experienced any termination or cancellation of any of the contracts with our customers and we were still able to procure new contracts with our customers during the MCO period. In addition, we have not experienced any shortage in inventory and product supply. Nevertheless, if there is any tightening of movement restriction in the future which results in reduction of workforce or closure of our operations, there can be no assurance that our manufacturing or distribution schedule will not be materially impacted and that we will be able to fulfil our orders in a timely manner.

(ii) We are materially dependent on Siemens Malaysia for the supply of fluid control products that we distribute

We are dependent on Siemens Malaysia for the distribution of fluid control products to our Water Customers. For FYE Under Review, Siemens Malaysia contributed approximately 24.54%, 46.09%, 62.45% and 38.18% of our Group's total purchases respectively. Presently, Siemens Malaysia is our main supplier of the fluid control products that we distribute. If Siemens Malaysia terminates the Solution Partner Contract and cease supplying fluid control products to us, the loss of supply may have a negative impact on our financial performance.

(iii) We are dependent on our major customers

Presently, the majority of our Group's revenue is derived from the manufacturing of fabricated metal products for the Oil and Gas Customers. For FYE Under Review, our major customers are NOV (Malaysia) Sdn Bhd and National Oilwell Varco, Inc., which in aggregate contributed 71.79%, 56.18%, 26.62% and 33.64% of our Group's total revenue respectively. Further, in FYE 2022, NOV Process & Flow Technologies Malaysia Sdn Bhd had become one of our Group's major customers and contributed 15.50% of our Group's total revenue in FYE 2022.

Notwithstanding that the revenue from NOV (Malaysia) Sdn Bhd and National Oilwell Varco, Inc. has decreased over the FYEs 2019 to 2021, we expect that these 3 major customers will continue to contribute significantly to our Group's revenue in the future in light of the improving crude oil prices as evident in FYE 2022 which they contributed, in aggregate, 49.14% of our Group's total revenue. Any loss of these major customers and our inability to replace these customers with new customers or with additional orders from existing customers in a timely manner, could result in a loss of revenue and may have an adverse impact on our financial performance.

(iv) We may experience delays or disruptions in supply from our suppliers

Presently, we are largely dependent on our suppliers, particularly Siemens Malaysia, for the supply of the fluid control products that we distribute. In the event our suppliers experience delays or disruptions in the production of the fluid control products, it would directly affect our supplies to our customers. Such delays or disruptions in the supply of fluid control products may materially and adversely impact our Group's business operations and financial performance.

3. PROSPECTUS SUMMARY (CONT'D)

(v) We rely on our subcontractors for some processes of our manufacturing

There are certain processes of the manufacturing of our products that are outsourced to our subcontractors. Our reliance on our subcontractors will persist until we are able to expand our operations with higher production capacity or procure the required machineries. For the FYE Under Review, the total subcontractor fees incurred by our Group are between 5.57% and 10.94% of our total cost of sales. Although we have long-term business relationships with our subcontractors, there are no formal agreements or contracts signed with the subcontractors, and engagements with our subcontractors are based on purchase orders. In the event our subcontractors are unable to accept our purchase orders, we will need to engage other subcontractors to assist us in the fulfilment of the manufacturing processes required. Any unsuccessful attempt to engage subcontractor services to fulfil the manufacturing processes required in a timely manner may result in delays in project deliverables to our customers, which will subsequently affect our industry reputation.

(vi) We are subject to the availability and volatility in prices of our raw materials and supplies

Our Group's raw materials mainly consist of steel materials used in the manufacturing of our fabricated metal products. Our raw materials are mainly sourced locally. The price of our raw materials fluctuates in accordance with the global steel prices in the market. Global steel prices are, among others, subject to the demand and supply conditions of steel in the global market and are also subject to the prices of raw materials to produce steel, such as iron ore, coal, and steel scraps, as well as the prevailing energy costs associated with its production. Any changes in the above conditions may cause a material increase in the price of steel, which consequently may lead to an increase in our cost of production. If we are unable to pass on such increase in cost to our customers by raising the selling price of our products, it may adversely affect our cost of operations which in turn could adversely affect our operating results and financial condition.

Nevertheless, we have been able to renegotiate the selling prices of our fabricated metal products based on global steel prices which allows us to pass on the purchase costs of materials with our Oil and Gas Customers during the FYE Under Review. In view of the above, our financial performance during the FYE Under Review was not materially affected by the fluctuation of raw materials arising from the global steel prices in the market.

(vii) We are subject to the risk of termination or non-renewal of partnership agreements

Our Group has entered into partnership agreements with 2 of our major suppliers, namely Siemens Malaysia and LACROIX Sofrel for the distribution of Siemens and Sofrel products, respectively, in Malaysia. These partnership agreements provide us with preferential terms for our purchases and technical support when we require it. In the event of termination or non-renewal of the partnership agreements, we may not be able to enjoy competitive pricing for the products we purchase or receive technical support from our suppliers. We may be required to purchase the products of these brands from other authorised partners, which may result in a higher cost of sales for our Group. Furthermore, we may not be able to source for the specific products in our desired quantity and hence restrict our ability to fulfil our customers' orders, which may cause delays to our customers' projects.

3. PROSPECTUS SUMMARY (CONT'D)

(viii) The continued growth and success of our Group is dependent on existing Directors and key management personnel

Our Group's continued success depends on the continuous efforts of Dato' Chong, Ng Boon Keong and our key management team who are directly responsible for our Group's daily operations. Should any of them leave our Group, we may not be able to find suitable and timely replacements for them. Accordingly, their departure could have a material adverse impact on our business operations, financial condition and operational results.

(ix) We are dependent on trained workers at our manufacturing facility

Our manufacturing facility requires trained workers to carry out the manufacturing and fabrication processes and we are dependent on these workers to operate our machineries to produce fabricated metal products according to our customers' specifications and requirements. If we are unable to hire and train these workers, there is a risk that we may not have sufficient workers to take over or replace our trained workers if they resign or leave their employment. Accordingly, the business operations at our manufacturing facility may be materially and adversely affected.

(x) We are exposed to the credit risks of our customers

We provide our customers with credit terms ranging between 30 to 90 days. However, we may extend the credit terms on a case-to-case basis depending on, among others, the length of business relationship with our customers, payment track record and creditworthiness of our customers. We are exposed to credit risks arising from our Group's trade receivables which may arise from events or circumstances beyond our Group's control. Our trade receivables for the FYE Under Review are RM15.30 million, RM5.21 million, RM9.80 million and RM15.10 million respectively and our trade receivables' turnover period for the FYE Under Review were 135 days, 149 days, 81 days and 93 days respectively.

(xi) We are exposed to foreign exchange fluctuation risks

We are exposed to foreign exchange fluctuation risks for our manufacturing segment, as the export sales for our fabricated metal products are mainly quoted in USD. For the FYE Under Review 47.11%, 35.09%, 12.57% and 15.63% of our Group's revenues are generated in USD. Further, under our distribution segment, our purchases of Sofrel products are denominated in EUR. Our Group does not hedge our exposure to fluctuations in foreign currency exchange rates. As such, we are subject to the risk arising from fluctuations in the exchange rate between USD and RM for the revenue generated from our export sales and exchange rate between EUR and RM for our purchases of Sofrel products.

We are exposed to foreign currency exchange gains or losses arising from the timing of billing or invoices and actual payments to our suppliers or from our customers. Any unfavourable fluctuations in these foreign exchange rates may have an adverse impact on our financial performance and profitability.

(xii) We may not have adequate insurance coverage

As the insurance coverages (i.e. personal accident policies for our employees, burglary insurance, fire insurance, forklift insurance, and goods in transit insurance) are subject to exclusions and limitations of liability both in amount and with respect to the insured events, we are unable to guarantee that the insurance coverage will be adequate in all circumstances to cover the losses, damages or liabilities which we may incur, in the event that any of the incidences take place or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. To the extent that any such risks are uninsured, not covered under our insurance policies, or where the insurance protection is insufficient to cover such risks, we may have to bear such losses,

3. PROSPECTUS SUMMARY (CONT'D)

damages or liabilities and consequently our business and financial performance may be materially and adversely affected.

(xiii) We depend on our ability to secure new projects and customers

Our future profitability and financial performance depend on our ability to secure new projects and customers. The orders for our fluid control and other related products and fabricated metal products secured by our Group are generally on a purchase order basis and we generally do not have long-term contracts with our customers save for the framework agreements with Air Selangor. We secure our sales from our customers when they place a purchase order to our sales department. If we were to lose any of our customers, particularly our major customers, and are unable to secure sales from new customers or additional sales from existing customers in a timely manner, our business and financial performance may be adversely affected.

(xiv) We are dependent on certain licences, certifications, registrations, permits and approvals

We are required to obtain and hold valid licences, certifications, registrations, permits and approvals granted by local authorities such as local municipal council (such as Majlis Perbandaran Kajang), CIDB, SPAN, MITI and MOF for the continuity of our business. Failure in keeping or renewing the requisite licences, certifications, registrations, permits and approvals may result in the suspension or restriction of our business operations, where we may be unable to participate in tenders or carry out ongoing works, which will adversely affect our business and financial performance.

Further details on the risks faced by our business and operations, the industry we operate in and our Shares are set out in Section 9 of this Prospectus.

3.6 BUSINESS INTERRUPTION AND IMPACT OF COVID-19

Our Group has experienced interruptions to our business operations due to the various MCOs and National Recovery Plan imposed by the Government to curb the spread of the COVID-19 pandemic in Malaysia from 18 March 2020 till to-date.

Throughout the various MCOs and National Recovery Plan period, our Group had operated based on the capacity permitted by MITI. Our Group had also experienced the following throughout the abovementioned period:

- (i) Cosmos Instruments experienced minor disruptions in the supply of fluid control and telemetry products between March 2020 to May 2020 as our office and our customers' offices were closed and all staff worked from home. We were not able to carry out deliveries of our fluid control and telemetry products to several of our Water Customers and there were no staff available to accept our deliveries at their respective premises. This also resulted in delays in our ability to bill our customers and collection of payments.
- (ii) Our manufacturing activities were partially disrupted and we experienced order backlogs and delivery delays for our metal fabricated products, as well as delays in our raw materials supply. Nevertheless, we were still able to secure new manufacturing orders from our customers as well as extend delivery timeframes for our metal fabricated products. Hence, we did not incur any penalties on late product deliveries as we worked together with our customers to understand the challenges posed by the various MCOs.
- (iii) 9 of our MCI employees tested positive for COVID-19 resulting in a shutdown of our manufacturing factory for 7 days (from 10 February 2021 to 16 February 2021) for deep sanitisation procedures. After the quarantined period of the infected employees, all of them recovered and returned to work. There was no order backlog because the quarantined period was during the Chinese New Year period.

3. PROSPECTUS SUMMARY (CONT'D)

Nevertheless, our Group did not experience any significant negative impact on our operations and financial performance during the various series of the MCO and the various phases of the NRP. We recorded an increase in revenue by 33.88% to RM33.72 million in FYE 2021 from RM25.19 million in FYE 2020. Further, we also recorded an increase in revenue by 45.66% to RM49.12 million in FYE 2022 from RM33.72 million in FYE 2021. We also have not experienced any termination or cancellation of customer contracts, as well as any shortage in inventory for our manufacturing operation and fluid control and telemetry products.

Further to be above, we have also taken the necessary precautionary measures to safeguard the health and safety of our employees working in our factory and office.

Further details on the timeline, measures and steps taken to commence and continue our manufacturing and office operations as well as impact of COVID-19 on our manufacturing operations and our supply chain resulting from the various MCOs are set out in Section 7.8.2 of this Prospectus.

3.7 DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, our Directors and Key Senior Management are as follows:

Name	Designation
Directors	
Datuk Phang Ah Tong	Independent Non-Executive Chairperson
Dato' Chong Toh Wee	Managing Director
Ng Boon Keong	Executive Director
Mok Tuck Meng	Independent Non-Executive Director
Chong Kur Sen	Independent Non-Executive Director
Chua Hui Chen	Independent Non-Executive Director
Key Senior Management	
Lai Khar Khei	Financial Controller
Syahdan Bin Ab Samad	Sales and Marketing Manager
Goh Choon Hoong	Technical Manager

Further details on our Directors and Key Senior Management are set out in Section 5 of this Prospectus.

3.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

Details of our Promoters and substantial shareholders before and after our IPO are as follows:

Name	Nationality/ Country of incorporation	As at the LPD and before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of shares	%(¹)	No. of shares	%(¹)	No. of shares	%(²)	No. of shares	%(²)
Promoters and Substantial Shareholders									
Dato' Chong	Malaysian	103,881,600	54.00	-	-	103,881,600	40.50	-	-
MSM ⁽³⁾	Singapore	69,254,400	36.00	-	-	69,254,400	27.00	-	-
Substantial Shareholders									
Triumphant Hope ⁽⁶⁾	Malaysia	-	-	69,254,400 ⁽⁴⁾	36.00	-	-	69,254,400 ⁽⁴⁾	27.00
Chan Kee Sieng ⁽⁶⁾	Malaysian	-	-	69,254,400 ⁽⁵⁾	36.00	-	-	69,254,400 ⁽⁵⁾	27.00
Chan Kit Moi ⁽⁶⁾	Malaysian	-	-	69,254,400 ⁽⁵⁾	36.00	-	-	69,254,400 ⁽⁵⁾	27.00

3. PROSPECTUS SUMMARY (CONT'D)

Notes:

- (1) Based on the total number of 192,376,000 Shares before our IPO.
- (2) Based on the total enlarged number of 256,501,300 Shares after our IPO.
- (3) MSM is a public company listed on the Catalist of Singapore Exchange Securities Trading Limited. As at the LPD, the shareholders of MSM are as follows:

Name	Direct shareholdings in MSM	
	No. of shares	%
Triumphant Hope*	76,955,933	73.02
CGS-CIMB Securities (Singapore) Pte Ltd	7,449,906	7.07
Chan Wen Chau**	2,785,186	2.64
Chan Wen Yee**	883,810	0.84
Chan Kee Sieng**	187,000	0.18
Chan Kit Moi**	130,000	0.12
Others	16,999,351	16.13
Total	105,391,186	100.00

* As at the LPD, the entire issued shares of Triumphant Hope are held by Chan Kee Sieng and Chan Kit Moi.

** Chan Kee Sieng and Chan Kit Moi are brothers. Chan Wen Chau is the son of Chan Kee Sieng. Chan Wen Yee is the son of Chan Kit Moi. Chan Wen Chau and Chan Wen Yee are cousins. Chan Wen Chau is the nephew of Chan Kit Moi. Chan Wen Yee is the nephew of Chan Kee Sieng.

- (4) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding interest in MSM.
- (5) Deemed interest pursuant to Section 8 of the Act by virtue of their shareholding interest in Triumphant Hope.
- (6) Chan Kee Sieng and Chan Kit Moi each holds 50.00% of the shareholdings in Triumphant Hope.

Further details on our Promoters and substantial shareholders and their shareholdings in our Company are set out in Section 5 of this Prospectus.

3.9 UTILISATION OF PROCEEDS

The total gross proceeds of approximately RM22.44 million to be raised by our Company from the Public Issue will be utilised by our Group in the following manner:

Utilisation of proceeds	Amount of proceeds		Estimated timeframe for utilisation from the date of our Listing
	RM'000	%	
Acquisition of New Building	10,000	44.56	Within 24 months
Purchase of new machineries	3,500	15.59	Within 24 months
Repayment of bank borrowing	1,500	6.68	Within 6 months
Working capital	4,444	19.80	Within 12 months
Estimated listing expenses	3,000	13.37	Within 1 month
Total	22,444	100.00	

There is no minimum subscription to be raised from our IPO. Further details on the utilisation of proceeds are set out in Section 4.5 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

3.10 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table sets out a summary of the combined and consolidated financial information of our Group for the FYE Under Review.

	Audited			
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Combined and consolidated statements of profit or loss				
Revenue	44,078	25,189	33,723	49,120
GP	10,860	7,684	11,822	13,649
PBT	6,186	1,969	7,430	8,208
PAT attributable to owners of the company	5,280	1,218	5,588	5,787
Combined and consolidated statements of cash flow				
Net cash generated from / (used in) operating activities	2,910	2,542	(456)	3,387
Net cash generated from / (used in) investing activities	15,857	223	549	(298)
Net cash (used in) / generated from financing activities	(18,357)	4,141	(547)	(972)
Net increase / (decrease) in cash and cash equivalents	410	6,906	(454)	2,117
Cash and cash equivalents at the beginning of the financial year	711	1,121	8,027	7,573
Cash and cash equivalents at the end of the financial year	1,121	8,027	7,573	9,690
Other selected financial information				
EBITDA (RM'000)	7,737	3,419	8,557	9,369
GP margin (%)	24.64	30.51	35.06	27.79
PBT margin (%)	14.03	7.82	22.03	16.71
PAT margin (%)	11.98	4.84	16.57	11.78
Gearing ratio (times)	0.88	0.25	0.25	0.31

Further details on the financial information relating to our Group are set out in Sections 12 to 14 of this Prospectus.

3.11 DIVIDEND POLICY

Our Company presently does not have a fixed dividend policy. As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends we receive from our Subsidiaries from time to time. The payment of dividends or other distributions by our Subsidiaries will depend upon their operating results, level of cash, retained earnings and gearing, capital expenditure and working capital requirements, business expansion and investment plans and other relevant factors. The dividends paid by our Group for the FYE Under Review are as follows:

	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Dividends paid	8,325 ⁽¹⁾	.(2)	-	-

Notes:

- (1) The dividend payout rate during the FYE 2019 is 157.68%. The dividend of RM8.33 million declared in October 2018 – December 2018 for the FYE 2019 was made after taking into consideration our Group's audited PAT for the FYE 2019 of RM5.28 million and the proceeds from the disposal of lands and buildings amounting to RM15.60 million undertaken as part of the Restructuring Exercise.
- (2) The dividend declared on 23 August 2019 by MCI of RM6.88 million in the FYE 2020 was applied towards full settlement of the amount due from our Company for the acquisition of Cosmos Instruments.

No dividend was declared and paid in FYE 2021 and FYE 2022.

Further details on our dividend policy are set out in Section 12.15 of this Prospectus.

4. DETAILS OF OUR IPO

4.1 DETAILS OF OUR IPO

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, our IPO Shares are expected to be allocated in the manner described below.

4.1.1 Public Issue

A total of 64,125,300 Issue Shares representing approximately 25.00% of the enlarged total number of Shares are offered at our IPO Price. Our Issue Shares will be allocated in the following manner:

(i) Malaysian Public

12,825,000 Issue Shares, representing 5.00% of the enlarged total number of Shares will be made available for application by the Malaysian Public through a balloting process as follows:

- (a) 6,412,500 Issue Shares, representing 2.50% of our enlarged share capital, made available to public investors; and
- (b) 6,412,500 Issue Shares, representing 2.50% of our enlarged share capital, made available to Bumiputera public investors.

(ii) Eligible Persons

7,880,000 Pink Form Shares, representing 3.07% of the enlarged total number of Shares will be made available for application by eligible Directors, employees and persons who have contributed to the success of our Group.

A summary of the allocation of the Pink Form Shares to our eligible Directors, employees and persons who have contributed to the success of our Group is set out below:

<u>Eligibility</u>	<u>No. of persons</u>	<u>Aggregate no. of Pink Form Shares allocated</u>
Eligible Directors ⁽¹⁾	4	1,000,000
Eligible employees ⁽²⁾	13	2,880,000
Persons who have contributed to the success of our Group ⁽³⁾	15	4,000,000
Total	32	7,880,000

4. DETAILS OF OUR IPO (CONT'D)**Notes:**

(1) Eligible Directors

The criteria for allocation to our Directors is based on, among others, their respective roles and responsibilities in, and contribution to our Group. The number of Pink Form Shares to be allocated to our Directors are set out as follows:

Name	Designation	No. of Pink Form Shares allocated
Datuk Phang Ah Tong	Independent Non-Executive Chairperson	500,000
Ng Boon Keong	Executive Director	380,000
Chong Kur Sen	Independent Non-Executive Director	20,000
Chua Hui Chen	Independent Non-Executive Director	100,000
Total		1,000,000

(2) Eligible employees

(a) Key Senior Management

The criteria for allocation to our Key Senior Management are based on their respective roles and responsibilities in our Group, their performance, seniority within our Group as well as contributions leading up to our Listing and they will be allocated Pink Form Shares as follows:

Name	Designation	No. of Pink Form Shares allocated*
Lai Khar Khei	Financial Controller	700,000
Goh Choon Hoong	Technical Manager	300,000
Total		1,000,000

Note:

* *Syahdan Bin Ab Samad (our Sales and Marketing Manager) has opted not to participate in the allocations of the Pink Form Shares.*

(b) Other eligible employees

The criteria for allocation to our other eligible employees (save for our Key Senior Management) are that they must be confirmed and employed on a full-time basis, length of service, seniority and job responsibility as well as past contribution to our Group's success.

4. DETAILS OF OUR IPO (CONT'D)

(3) Persons who have contributed to the success of our Group

The criteria for allocation to persons who have contributed to the success of our Group are based on their contribution to the success of our Group and length of business relationship with us. The persons who have contributed to the success of our Group include our suppliers, customers and business associates.

Save for the allocation made available for Application as disclosed in Section 4.1.1(ii) of this Prospectus, it is not known to our Company as to whether any of the Directors or Key Senior Management have the intention to subscribe for the Issue Shares allocated under Section 4.1.1(i) of this Prospectus for the Malaysian Public. Our Company is also not aware as to whether there is any person intending to subscribe for more than 5% of the Issue Shares allocated under Section 4.1.1(i) of this Prospectus for the Malaysian Public.

(iii) Private placement to selected investors

11,357,600 Issue Shares, representing 4.43% of our enlarged total number of Shares will be made available by way of private placement to selected investors.

(iv) Private placement to Bumiputera Investors approved by MITI

32,062,700 Issue Shares, representing 12.50% of our enlarged total number of Shares will be made available by way of private placement to Bumiputera investors approved by MITI.

Upon completion of our Public Issue, our total number of issued Shares will increase from 192,376,000 Shares to 256,501,300 Shares.

4.1.2 Summary of our IPO Shares to be allocated, underwriting arrangement and reallocation provision

A summary of our IPO Shares to be allocated is as follows:

	Public Issue	
	No. of Shares	%
Malaysian Public (via balloting)	12,825,000	5.00
Eligible Persons	7,880,000	3.07
Private placement to selected investors	11,357,600	4.43
Private placement to Bumiputera investors approved by MITI	32,062,700	12.50
Total	64,125,300	25.00

The 12,825,000 Issue Shares made available for Application by the Malaysian Public and the 7,880,000 Pink Form Shares made available to the Eligible Persons under Sections 4.1.1(i) and 4.1.1(ii) of this Prospectus, respectively are fully underwritten by our Underwriter.

4. DETAILS OF OUR IPO (CONT'D)

All the 11,357,600 IPO Shares made available to selected investors and 32,062,700 IPO Shares made available to Bumiputera investors approved by MITI (“**MITI Tranche**”) by way of private placement under Sections 4.1.1(iii) and 4.1.1(iv) of this Prospectus, respectively, are not underwritten by our Underwriter. Irrevocable undertakings will be obtained from these selected investors to subscribe for our IPO Shares made available under the private placement.

If there is an under-subscription of the MITI Tranche, the unsubscribed MITI Tranche shall be offered to Bumiputera institutional investors. Any unsubscribed MITI Tranche not taken up by the Bumiputera institutional investors will be allocated firstly to Bumiputera public investors and thereafter to the other Malaysian Public via the balloting process under the Application by the Malaysian Public as mentioned in Section 4.1.1(i) of this Prospectus.

If there is an under-subscription of Issue Shares in respect of the allocation to private placement to selected investors, any unsubscribed Issue Shares will be made available for Application by the Malaysian Public.

Any unsubscribed Pink Form Shares (“**Excess Issue Shares**”) will be re-offered to other Eligible Persons (excluding our Directors) who have applied for excess on top of their pre-determined allocation and allocated on a fair and equitable basis in the following priority:

- (i) firstly, allocation on a pro-rata basis to the eligible employees of our Group who have applied for the Excess Issue Shares based on the number of Excess Issue Shares applied for;
- (ii) secondly, allocation of any surplus Excess Issue Shares after (i) above on a pro-rata basis to persons who have contributed to the success of our Group who have applied for the Excess Issue Shares based on the number of Excess Issue Shares applied for; and
- (iii) thirdly, to minimise odd lots.

Our Board reserves the right to allot Excess Issue Shares applied in such manner as it may deem fit and expedient in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (i) to (iii) above is achieved. Our Board also reserves the right to accept or reject any Excess Issue Shares application in full or in part, without assigning any reason.

Once completed, the steps involving items (i) to (iii) above will not be repeated. Should there be any balance of Excess Issue Shares thereafter, such balance will be made available to the Malaysian Public and/or selected investors via private placement.

Any unsubscribed Issue Shares allocated for Application by the Malaysian Public will be reallocated to selected investors via private placement. Any remaining Issue Shares not taken up by the selected investors after being reallocated from the Malaysian Public and/or Eligible Persons shall be taken up by our Underwriter in accordance with the terms and conditions of the Underwriting Agreement.

The allocation of our IPO Shares shall be on a fair and equitable manner and shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public shareholding spread requirements of Bursa Securities and to establish a liquid market for our Shares.

The number of IPO Shares offered under the Public Issue will not be increased via any over-allotment or “greenshoe” option.

Details on the underwriting arrangement are set out in Section 4.7 of this Prospectus.

4. DETAILS OF OUR IPO (CONT'D)

4.1.3 Minimum subscription

There is no minimum level of proceeds to be raised by us under our IPO. However, in order to comply with the public shareholding spread requirement of the Listing Requirements or as approved by Bursa Securities, the minimum subscription level will be the number of Shares required to be held by public shareholders of our Company to comply with the minimum public shareholding spread requirement under the Listing Requirements.

Under the Listing Requirements, we are required to have a minimum of 25.00% of our Shares held by at least 200 public shareholders, each holding not less than 100 Shares at the point of our Listing. If the above requirement is not met, we may not be able to proceed with our Listing. Please refer to Section 9.3.2 of this Prospectus for details in the event our Listing is delayed or aborted.

4.2 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

Upon completion of our IPO, our enlarged issued share capital would be as follows:

Details	No. of Shares	RM
Total number of Shares as at the date of this Prospectus	192,376,000	13,962,515
New Shares to be issued pursuant to the Public Issue	64,125,300	22,443,855
Enlarged total number of Shares upon Listing	256,501,300	36,406,370
IPO Price		0.35
Pro forma consolidated NA (attributable to the owners of our Group) per Share as at 30 April 2022 (based on the enlarged issued share capital of 256,501,300 Shares after the Public Issue and the intended use of proceeds)		0.19
Market capitalisation upon Listing (based on our IPO Price and the enlarged issued share capital of 256,501,300 Shares upon Listing)		89,775,455

As at the date of this Prospectus, we have only one class of shares, being ordinary shares. Our Issue Shares will, upon allotment and issuance, rank equally in all respects with our then existing Shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of our Issue Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders shall, in proportion to the amount paid by them, be entitled to share the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At any general meeting of our Company, each of our shareholders shall be entitled to vote in person, by proxy, by attorney or by duly authorised representative. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy.

4. DETAILS OF OUR IPO (CONT'D)

On a show of hands, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one vote. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one vote for each Share held.

4.3 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price was determined and agreed upon between our Directors and our Promoters, together with Mercury Securities, being our Principal Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration the following factors:

- (i) our pro forma consolidated NA per Share of approximately RM0.19 as at 30 April 2022 based on the enlarged issued share capital of 256,501,300 Shares in our Company after the IPO and utilisation of proceeds from our Public Issue as set out in Section 4.5 of this Prospectus;
- (ii) price-to-earnings multiple of approximately 15.51 times based on our Group's EPS of 2.26 sen for the FYE 2022 after taking into account the enlarged total number of 256,501,300 Shares and PAT attributable to owners of our Company of RM5.79 million. Our PAT after adjusting for the Listing expenses incurred in FYE 2022 of RM1.67 million would be RM7.46 million, which translates into an adjusted EPS of 2.91 sen for the FYE 2022 and a price-to-earnings multiple of approximately 12.04 times;
- (iii) our historical financial track record as summarised below:

	<u>FYE 2019</u> <u>RM'000</u>	<u>FYE 2020</u> <u>RM'000</u>	<u>FYE 2021</u> <u>RM'000</u>	<u>FYE 2022</u> <u>RM'000</u>
Revenue	44,078	25,189	33,723	49,120
GP	10,860	7,684	11,822	13,649
PAT attributable to owners of our Company	5,280	1,218	5,588	5,787

- (iv) our competitive strengths and advantages as set out in Section 7.7 of this Prospectus;
- (v) our Group's business strategies and future plans as described in Section 7.11 of this Prospectus;
- (vi) overview and outlook of the industry in which our Group operates, as well as the prevailing market conditions as described in Section 8 of this Prospectus; and
- (vii) the market performance of Bursa Securities and anticipated demand for our IPO Shares.

Prospective investors should note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the market price of our Shares. Prospective investors should form your own views on the valuation of our IPO Shares and reasonableness of the bases used before deciding to invest in our IPO Shares. You are also reminded to consider carefully the risk factors as set out in Section 9 of this Prospectus.

4. DETAILS OF OUR IPO (CONT'D)

4.4 DILUTION

Dilution is the amount by which the price paid by you for our Issue Shares (i.e. the IPO Price) exceeds our pro forma consolidated NA per Share immediately after the implementation of our IPO. The following table illustrates such dilution on a per Share basis:

	<u>RM</u>
IPO Price	0.35
Audited consolidated NA per Share as at 30 April 2022 before our Public Issue	0.14
Pro forma consolidated NA per Share as at 30 April 2022 after the Public Issue and the intended use of proceeds	0.19
Increase in the pro forma consolidated NA per Share attributable to our existing shareholders	0.05
Dilution in the pro forma consolidated NA per Share to new investors	0.16
Dilution in the pro forma consolidated NA per Share to new investors as a percentage of our IPO Price	45.71%

Please refer to Section 13 of this Prospectus for further details of our Group's pro forma consolidated NA per Share as at 30 April 2022.

Save as disclosed below, there is no substantial disparity between our IPO Price and effective cash cost of our Shares acquired by our Promoters, Directors, substantial shareholders or Key Senior Management, or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares from the date of our incorporation to the date of this Prospectus:

<u>Name</u>	<u>No. of Shares held before our IPO</u>	<u>Total consideration RM</u>	<u>Average effective cost for each Share RM</u>
<u>Promoter, Director and substantial shareholder</u>			
Dato' Chong	103,881,600	5,194,080	0.05
<u>Promoter and substantial shareholder</u>			
MSM	69,254,400	3,462,720	0.05
<u>Director</u>			
Mok Tuck Meng	1,000,000	280,000	0.28
Total	<u>174,136,000</u>	<u>8,936,800</u>	

4. DETAILS OF OUR IPO (CONT'D)

4.5 UTILISATION OF PROCEEDS

The total gross proceeds of approximately RM22.44 million from the Public Issue will be utilised by our Group in the following manner:

Utilisation of proceeds	Note	Amount of proceeds		Estimated timeframe for utilisation from the date of our Listing
		RM'000	%	
(i) Acquisition of New Building	i	10,000	44.56	Within 24 months
(ii) Purchase of new machineries	ii	3,500	15.59	Within 24 months
(iii) Repayment of bank borrowing	iii	1,500	6.68	Within 6 months
(iv) Working capital	iv	4,444	19.80	Within 12 months
(v) Estimated expenses listing	v	3,000	13.37	Within 1 month
Total		22,444	100.00	

Notes:

Further details of the utilisation of proceeds are set out in the ensuing paragraphs:

(i) Acquisition of New Building

We have earmarked RM10.00 million or 44.56% of the total proceeds from our Public Issue to acquire the New Building which is a piece of industrial land with existing and ready built factory as well as office in Balakong industrial area. The New Building has a land area of approximately 36,860 square feet with a semi-detached factory erected thereon comprising factory area on part of the ground floor, office area on the ground floor, levels 1 and 2 and an open utility area on the rooftop. The New Building has a built-up area of approximately 27,782 square feet. Cosmos Instruments had, on 14 January 2022, entered into the sale and purchase agreement with the Vendor for the acquisition of the New Building for a purchase consideration of RM11.80 million on a willing-buyer willing-seller basis. As at the LPD, we have paid a total of RM1.77 million being 15% of the purchase consideration which comprised of the 10% deposit under the sale and purchase agreement and the differential sum between the purchase consideration and term loan facility for the acquisition of the New Building (as detailed below in this section) of RM0.59 million.

Presently, our employees and operations are housed in 2 different locations, that is our management office located in Semenyih, Selangor and MCI's manufacturing facility located in Balakong, Selangor. Our Group plans to consolidate and centralise both Cosmos Instruments' and MCI's management, operations and production space in the New Building at one location. MCI intends to transfer its manufacturing operations and production space to the New Building. This will enable our Group to streamline all our internal administrative and finance processes, increase efficiency, improve and expedite decision making and reduce travel time and costs by our staff and employees and other stakeholders. In addition, it will also enhance our corporate image among our customers, suppliers, employees and other stakeholders.

4. DETAILS OF OUR IPO (CONT'D)

Our Group does not expect the lower built-up area of the New Building as compared to our existing manufacturing in Balakong to constrain our Group's plan to expand our manufacturing capability and capacity after taking into consideration the following:

- (i) the purchase and installation of new and improved machineries, such as high-power laser cutting machines, press brake machines, and robotic welding machines, as detailed in Note (ii) below, has higher efficiency through improved specifications which include higher output and increased automation. Increased automation through the use of new machineries is also expected to have higher precision and enable our Group to reduce our reliance on trained workers; and
- (ii) the relocation of our Group's operations provides an opportunity for our Group to re-design our manufacturing processes and systems at the New Building.

This is to improve our efficiency in the use of our production space by identifying and reducing inefficiencies such as, among others, reducing storage space and maintaining optimum level of inventory with improved supply chain management by leveraging our established business relationships with our suppliers through shorter delivery time.

The New Building will also be used by Cosmos Instruments to set up a product showroom and service and maintenance centre and store its inventories. Cosmos Instruments intends to showcase our range of fluid control products, flowmeters, RTUs and other products distributed by Cosmos Instruments and to demonstrate their functions and potential benefits and advantages to our future or potential customers. Cosmos intends to carry out renovations on the interior of the New Building without affecting its external structure. The renovations are estimated to cost approximately RM1.00 million, which will be funded by our Group's internally-generated funds. The renovations will not be subject to approval from any relevant authority.

The cost of acquiring the New Building is RM11.80 million (excluding stamp duty, legal fees and other miscellaneous charges). Pending the receipt of the proceeds from the Public Issue, our Group intends to fund the acquisition of the New Building via bank borrowings and/or internally-generated funds. Pursuant to a letter of offer dated 3 March 2022, our Group was offered a term loan facility of RM10.03 million by Public Islamic Bank Berhad for the acquisition of the New Building with a tenure of 20 years. Upon receipt of the proceeds from the Public Issue, our Company will use the RM10.00 million allocated for the acquisition of the New Building to repay the bank borrowings taken to fund the acquisition of the New Building with the remaining RM0.03 million to be financed by our Group's internally-generated funds. The intended repayment of bank borrowing will result in an estimated annual interest savings of approximately RM0.318 million based on the effective interest rate of approximately 3.17% per annum.

We intend to complete the acquisition of the New Building within 24 months from the date of our Listing.

4. DETAILS OF OUR IPO (CONT'D)

(ii) Purchase of new machineries

We intend to allocate RM3.50 million or 15.59% of the total proceeds from our Public Issue to MCI for our purchase of new machineries to be located at the New Building to expand our manufacturing operations.

Details of the new machineries proposed to be acquired are as follows:

Type of machinery	Description (Purpose)	No. of unit(s)	Estimated cost (RM'000)
Laser cutting machine	To obtain higher powered laser from 1,500 watts to 3,000 watts	2	1,600
Tube/pipe laser cutting machine	To automatically cut any size of metal pipes into desired lengths with clean and accurate cut to produce pipes used in the production.	1	650
Press brake machine	To bend the metal sheet into the desired form.	2	1,000
Robotic welding machine	To perform fast welding, which completely automates the welding process without any reliance on personnel to weld the materials.	3	600
Total		8	3,850

The estimated cost for the purchase of machineries is inclusive of the installation cost and was derived based on quotations. All the machineries will be purchased locally.

As at the LPD, we have 1 unit of laser cutting machine, 1 unit of tube/pipe cutting machine, 2 units of press brake machines and 16 units of robotic welding machines. We intend to purchase new laser cutting machines, tube/pipe laser cutting machine, press brake machines and robotic welding machines as additional machineries to increase our production and manufacturing capacity in order to meet the anticipated increase in demand from our Oil and Gas Customers and our plan to grow our customer base from the water and wastewater industry. With these additional machineries, we are also able to reduce our dependency on our subcontractors for laser cutting and bending services.

The purchase of these new machineries is in line with our Group's future plans to further expand MCI's manufacturing operations. Please refer to Section 7.11 of the Prospectus for our Group's future plans.

We intend to complete the purchase of the new machineries within 24 months from the date of our Listing.

The excess cost for the purchase of machineries will be funded from our internally-generated funds and/or bank borrowings.

4. DETAILS OF OUR IPO (CONT'D)

(iii) Repayment of bank borrowing

We have earmarked RM1.50 million or 6.68% of the total proceeds from our Public Issue to repay part of the Group's bank borrowings. MCI has an overdraft facility of RM1.50 million with United Overseas Bank (Malaysia) Bhd. As at the LPD, the amount outstanding under the overdraft facility is RM1.49 million. We intend to repay the entire amount outstanding under the abovementioned overdraft facility to reduce our financing cost. The repayment is expected to result in interest savings of approximately RM0.06 million per year based on the weighted average interest rate of 5.76% per annum. However, the actual interest savings may vary depending on the then applicable interest rate.

We intend to fully repay the entire amount outstanding under the overdraft facility within 6 months from the date of our Listing.

Any excess from the proceeds allocated for the repayment of bank borrowing will be adjusted to our working capital.

(iv) Working capital

We intend to allocate RM4.44 million or 19.80% of the total proceeds from our Public Issue to supplement our general working capital requirements. The following is a breakdown of the expected utilisation for our working capital:

Details	RM'000
Purchase of goods and settlement of trade payables ⁽¹⁾	2,500
General working capital ⁽²⁾	1,944
Total	4,444

Notes:

- (1) Includes purchase of fluid control products (i.e. electronic flowmeters, level transducers, pressure transmitters) and telemetry products (i.e. datalogger and RTU) as well as steel materials.

The settlement of trade payables refers to the payments to be made to our suppliers for the future purchase of goods which includes purchase of fluid control products (i.e. electronic flowmeters, level transducers, pressure transmitters) and telemetry products (i.e. datalogger and RTU) as well as steel materials from the proceeds raised from our Public Issue. Hence, the purchase of goods and settlement of trade payables are inter-related.

In view of the above, our Company is unable to segregate the allocation of proceeds to be utilised for purchase of goods and settlement of trade payables at this juncture.

- (2) Includes payment of wages, salaries, medical expenses and benefits to our employees and payment of administration and operational expenses such as for the upkeep of offices, office utilities and related expenses.

4. DETAILS OF OUR IPO (CONT'D)

(v) Estimated listing expenses

Our listing expenses are estimated to be approximately RM3.00 million or 13.37% of the total proceeds from our Public Issue. The details of which are as follows:

Estimated listing expenses	RM'000
Professional fees ⁽¹⁾	2,100
Estimated brokerage, underwriting and placement fees	401
Other fees and expenses such as printing, advertising, travel and roadshow expenses	320
Miscellaneous expenses and contingencies ⁽²⁾	179
Total	3,000

Notes:

- (1) Includes professional fees payable to, among others, our Principal Adviser, Solicitors, Reporting Accountants, IMR and Issuing House.
- (2) This includes other incidental charges or related expenses in connection with our IPO, such as fees to be paid to the translator, media or investor relation consultant and funds reserved for contingency purposes.

If our actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our working capital requirements. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised for our working capital requirements.

We intend to utilise the proceeds allocated for the listing expenses within 1 month from the date of our Listing.

Pending the eventual utilisation of proceeds from our Public Issue for the above intended purposes, we intend to place the proceeds (including accrued interest, if any) or the balance thereof in interest bearing deposits and/or money market instruments with licensed financial institutions in Malaysia.

4. DETAILS OF OUR IPO (CONT'D)

4.6 UNDERWRITING COMMISSION, BROKERAGE FEES AND PLACEMENT FEES

4.6.1 Underwriting commission

We have entered into the Underwriting Agreement with Mercury Securities, our Underwriter for the underwriting of 20,705,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations (“**Underwritten Shares**”). We will pay an underwriting commission of 2.5% of the total value of the Underwritten Shares based on the IPO Price.

4.6.2 Brokerage fee

We will pay the brokerage fee in respect of our 12,825,000 Issue Shares available for application by the Malaysian Public and Pink Form Shares under the Public Issue, at the rate of 1.00% of our IPO Price in respect of all successful applications which bear the stamp of either the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

Mercury Securities, being our Placement Agent is entitled to charge brokerage commission to successful applicants for the IPO Shares made available to selected investors and Bumiputera investors approved by MITI by way of private placement. For the avoidance of doubt, such brokerage commission under the abovementioned successful applications will not be payable by us.

4.6.3 Placement fee

Our Placement Agent has agreed to place out 43,420,300 Issue Shares to selected investors and Bumiputera investors approved by MITI. Our Company will pay a placement fee of up to 2.50% of the total value of Issue Shares successfully placed out by our Placement Agent.

4.7 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement entered on 22 August 2022, the Underwriter has agreed to underwrite 20,705,000 Underwritten Shares for an underwriting commission of 2.5% of the total value of the Underwritten Shares based on the IPO Price and on the terms and conditions as set out in the Underwriting Agreement.

The following are the salient terms of the Underwriting Agreement. The capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement:

- (i) The obligation of our Underwriter to underwrite the Underwritten Shares under the Underwriting Agreement is conditional on the performance by our Company of our obligations under the Underwriting Agreement and is conditional on the following:
 - (a) our Underwriter receiving the certificate in the form or substantially in the form contained in Schedule 3 (Certificate by the Company) of the Underwriting Agreement, one dated the date of registration of the Prospectus and the other dated the Closing Date, both of which are to be signed by a director of our Company (on behalf of our Board) stating that, to the best of his knowledge and belief, after having made all reasonable enquiries with the Directors and management of our Company, there has been no such change, development or occurrence as set out in the Underwriting Agreement and being provided with the reports or confirmation and being satisfied at the date of registration of the Prospectus and Closing Date respectively that:

4. DETAILS OF OUR IPO (CONT'D)

- there is no occurrence of any change or any development likely to result in a prospective change in the financial position, business operations or conditions (financial or otherwise) of our Group taken as a whole and from that set out in the Prospectus which would have or is likely to have a material adverse effect;
 - there is no occurrence of any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings set out in the Underwriting Agreement to be untrue or inaccurate, misleading or incorrect, not complied with, failure to be performed in any respect or result in a breach of the Underwriting Agreement by our Company;
 - there is no occurrence of any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or fiscal or economic conditions or exchange control or currency exchange rates which in the opinion of our Underwriter would have or is likely to have a material adverse effect (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day, on or after the date of the Underwriting Agreement and prior to the Closing Date, lower than 90% of the level of Index at the last close of normal trading on Bursa Securities on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;
 - there is no breach by our Company of any of its obligations under the Underwriting Agreement;
 - all undertakings, representations, warranties and covenants of our Company under the Underwriting Agreement has been complied with and not breached; and
 - our Company has satisfied all the conditions as set out in the Underwriting Agreement on its part to be performed.
- (b) the Underwriting Agreement being signed by the relevant authorised signatories to the Underwriting Agreement and stamped within the statutory time frame;
- (c) the Prospectus being in the form and substance satisfactory to our Underwriter;
- (d) the issue of the Prospectus not later than one (1) month from the date of the Underwriting Agreement or such later date as our Underwriter and our Company may from time to time agree in writing;
- (e) the registration of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the IPO with Bursa Securities and its lodgement with the ROC by the Issue Date;
- (f) all necessary approvals including, but not limited to, the approvals as set out in the Underwriting Agreement remaining in full force and effect and that all conditions to the approvals (except for any which can only be complied with after the IPO has been completed) have been complied with;

4. DETAILS OF OUR IPO (CONT'D)

- (g) the approval of Bursa Securities for the admission of our Company to the Official List and the Listing being obtained on terms acceptable to our Underwriter and the approvals of Bursa Securities and all such approvals stated in the Underwriting Agreement remaining in full force and effect and that all conditions (except for any which can only be complied with after the IPO has been completed) have been complied with to our Underwriter's reasonable satisfaction;
- (h) our Underwriter being satisfied that our Company will, following completion of the IPO, be admitted to the Official List and its Enlarged Shares quoted on the ACE Market no later than two (2) months from the date of the Underwriting Agreement unless mutually agreed to in writing by the parties;
- (i) the execution of the Placement Mandate and such agreement(s) as may be determined by the Placement Mandate are in force and not having been terminated or rescinded pursuant to the provisions thereof (whereby for the avoidance of doubt, the execution of the Placement Mandate by our Underwriter in its capacity as the placement agent shall be at the sole discretion of our Underwriter);
- (j) our Underwriter receiving a copy duly certified by a director or secretary of our Company to be a true and accurate copy and in full force and effect, of a resolution of the Directors:
- approving the Prospectus (including a confirmation that the Directors, collectively and individually, accept full responsibility for the accuracy of all information stated in the Prospectus), the Underwriting Agreement and the transactions contemplated by it;
 - authorising the issuance of the Prospectus;
 - authorising a Director to sign and deliver the Underwriting Agreement on behalf of our Company;
 - approving the IPO and the Listing and the transactions contemplated by each of the same; and
 - approving the allotment and issue of the IPO Shares under the IPO.
- (k) all the resolutions referred to in Section 4.7(j) remaining in full force and effect as at the Closing Date and none having been rescinded or revoked or varied;
- (l) the IPO and/or the Listing not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia and all consents, approvals, authorisations or other orders required by our Company under such laws for or in connection with the IPO and/or the Listing have been obtained and are in force up to and including the Trading Date;
- (m) our Company and/or any of our Subsidiaries does not have any actual or contingent liability under applicable laws or regulations concerning human health and safety, pollution or protection of the environment or in relation to any interest in land which would have a material effect on the IPO and/or the Listing;
- (n) our Underwriter being satisfied that our Company has complied with and that the IPO and the Listing is in compliance with the policies, guidelines and requirements of the Bursa Securities, SC and all other applicable securities laws and regulations, including all revisions, amendments and/or supplements to it;

4. DETAILS OF OUR IPO (CONT'D)

- (o) there being no occurrence of any event which occurs after the date of the Underwriting Agreement and on or prior to the Trading Date which if it had occurred before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings as set out in the Underwriting Agreement untrue or inaccurate;
 - (p) there not having occurred on or prior to the Closing Date any breach of and/or failure to perform any of the undertakings by our Company contained in the Underwriting Agreement;
 - (q) there not being any investigation, directions or actions by any judicial, governmental or regulatory authority in relation to the Listing or in connection with our Group which is still subsisting or unresolved to the satisfaction of our Underwriter;
 - (r) there having been, as at Closing Date, no registration or lodgement of any amendment, supplement, or replacement to the Prospectus with Bursa Securities or the ROC without the prior written approval of our Underwriter;
 - (s) the obligations of our Underwriter to subscribe for and/or procure subscriptions for the Underwritten Shares not being prohibited by any statute, order, external rule, directive or regulation amended, supplemented or introduced after the date of the Underwriting Agreement by any legislative, executive or regulatory body or authority in Malaysia at any time on or before the Trading Date; and
 - (t) our Underwriter being satisfied with the arrangements of our Company to pay the expenses as set out in the Underwriting Agreement.
- (ii) Notwithstanding anything contained in the Underwriting Agreement, our Underwriter may at its sole and absolute discretion terminate the Underwriting Agreement and withdraw its obligations upon the occurrence of any of the following:
- (a) there is any breach by our Company of any of the representations, warranties or undertakings as set out in the Underwriting Agreement or which is contained in any certificate, statement or notice under or in connection with the Underwriting Agreement; or
 - (b) there is failure on the part of our Company to perform any of its obligations contained in the Underwriting Agreement; or
 - (c) there is withholding of information from our Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of our Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group, the success of the IPO, or the distribution or sale of the Shares issued or offered under the IPO; or
 - (d) there shall have occurred, or happened any material and adverse change in the business or financial condition of our Group; or
 - (e) the closing date of the application of the IPO Shares does not occur within three (3) months from the date of the Underwriting Agreement, subject to the extension of the Closing Date which is approved by our Underwriter in consultation with Bursa Securities and/or the SC; or

4. DETAILS OF OUR IPO (CONT'D)

- (f) the occurrence of any force majeure event or any event or series of events beyond the reasonable control of our Underwriter including (without limitation) acts of government, acts of God (including, without limitation, the occurrence of a tsunami and/or earthquakes), pandemic, epidemic, acts of terrorism, strikes, national disorder, declaration of a state of emergency, lock outs, fire, explosion, flooding, landslide, civil commotion, sabotage, acts of war, diseases or accidents which would have or can reasonably be expected to have a material adverse effect or which has or is likely to have the effect of making any obligation under the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the IPO or pursuant to the underwriting of the Underwritten Shares; or
- (g) there shall have occurred any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or fiscal or economic conditions or exchange control or currency exchange rates which in the opinion of our Underwriter would have or is likely to have a material adverse effect (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the Index is at the close of normal trading on Bursa Securities, on any Market Day, on or after the date of the Underwriting Agreement and prior to the Closing Date, lower than 90% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition; or
- (h) any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court/authorities which has/likely to have material adverse effect on our Group and/or materially prejudice the business or the operations of our Group, the success of the IPO, or the Listing or market conditions generally or which has or is likely to have the effect of making the Underwriting Agreement incapable of performance in accordance with its terms; or
- (i) any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities; or
- (j) any government requisition or occurrence of any other nature which would have or is likely to have a material adverse effect on the business, operations and/or financial position or prospects of our Group or the success of the IPO; or
- (k) the Public Issue is stopped or delayed by our Company, the Selling Shareholder or any relevant authorities for any reason whatsoever (unless such delay has been approved by our Underwriter); or
- (l) any commencement of legal proceedings or action against any member of our Group or the Selling Shareholder or any of their directors, which in the opinion of our Underwriter, would have or is likely to have a material adverse effect or make it impracticable to market the IPO or to enforce contracts to allot and/or transfer the Shares; or

4. DETAILS OF OUR IPO (CONT'D)

- (m) any one of the Issue Documents (i) having been terminated or rescinded in accordance with its terms; (ii) ceased to have any effect whatsoever, or (iii) varied or supplemented upon terms and such variation or supplementation would have or likely to have a material adverse effect; or
- (n) any of the resolutions or approvals referred to in Section 4.9(i)(j) is revoked, suspended or ceases to have any effect whatsoever, or is varied or supplemented upon terms that would have or is likely to have a material adverse effect; or
- (o) if Bursa Securities, the SC or any other relevant authority issues an order pursuant to any Malaysian law such as to make it impracticable to market the IPO or to allot and/or transfer the IPO Shares; or
- (p) any other event in which a material adverse effect has occurred or which in the opinion of our Underwriter is likely to occur; or
- (q) if the obligations of our Underwriter to subscribe for and/or procure subscriptions for the Underwritten Shares is or becomes prohibited by any statute, order, rule, directive or regulation amended, supplemented or introduced after the date of the Underwriting Agreement by any legislative, executive or regulatory body or authority of any jurisdiction; or
- (r) in the event that the Listing is withdrawn or not procured or procured but subject to conditions not acceptable to our Underwriter or does not take place within two (2) months from the date of the Underwriting Agreement or such other extended date as may be agreed in writing by our Underwriter in consultation with Bursa Securities and/or the SC.

4.8 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- (i) to establish liquidity for our Shares by the listing of and quotation for our entire issued share capital of 256,501,300 Shares on the ACE Market;
- (ii) to enable us to access the equity capital market and to provide us the financial flexibility to pursue growth opportunities;
- (iii) to enable our Group to raise funds for the purposes as set out in Section 4.5 of this Prospectus;
- (iv) to enable our Group to gain recognition through our listing status which will further enhance our corporate reputation and brand name which is aimed at expanding our customer base; and
- (v) to provide an opportunity for the Malaysian Public, our eligible Directors and employees as well as persons who have contributed to the success of our Group to participate in our equity.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.1 OUR PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Shareholdings of our Promoters and substantial shareholders

Details of our Promoters' and substantial shareholders' shareholdings in our Company before and after our IPO are as follows:

Name	Nationality/ Country of incorporation	As at the LPD and before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of shares	% ⁽¹⁾	No. of shares	% ⁽¹⁾	No. of shares	% ⁽²⁾	No. of shares	% ⁽²⁾
<u>Promoters and Substantial Shareholders</u>									
Dato' Chong	Malaysian	103,881,600	54.00	-	-	103,881,600	40.50	-	-
MSM ⁽³⁾	Singapore	69,254,400	36.00	-	-	69,254,400	27.00	-	-
<u>Substantial Shareholders</u>									
Triumphant Hope ⁽⁶⁾	Malaysia	-	-	69,254,400 ⁽⁴⁾	36.00	-	-	69,254,400 ⁽⁴⁾	27.00
Chan Kee Sieng ⁽⁶⁾	Malaysian	-	-	69,254,400 ⁽⁵⁾	36.00	-	-	69,254,400 ⁽⁵⁾	27.00
Chan Kit Moi ⁽⁶⁾	Malaysian	-	-	69,254,400 ⁽⁵⁾	36.00	-	-	69,254,400 ⁽⁵⁾	27.00

Notes:

(1) Based on the total number of 192,376,000 Shares before our IPO.

(2) Based on the enlarged total number of 256,501,300 Shares after our IPO.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(3) MSM is a public company listed on the Catalist of Singapore Exchange Securities Trading Limited. As at the LPD, the shareholders of MSM are as follows:

Name	Direct shareholdings in MSM	
	No. of shares	%
Triumphant Hope*	76,955,933	73.02
CGS-CIMB Securities (Singapore) Pte Ltd	7,449,906	7.07
Chan Wen Chau**	2,785,186	2.64
Chan Wen Yee**	883,810	0.84
Chan Kee Sieng**	187,000	0.18
Chan Kit Moi**	130,000	0.12
Others	16,999,351	16.13
Total	105,391,186	100.00

* As at the LPD, the entire issued shares of Triumphant Hope are held by Chan Kee Sieng and Chan Kit Moi.

** Chan Kee Sieng and Chan Kit Moi are brothers. Chan Wen Chau is the son of Chan Kee Sieng. Chan Wen Yee is the son of Chan Kit Moi. Chan Wen Chau and Chan Wen Yee are cousins. Chan Wen Chau is the nephew of Chan Kit Moi. Chan Wen Yee is the nephew of Chan Kee Sieng.

- (4) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding interest in MSM.
- (5) Deemed interest pursuant to Section 8 of the Act by virtue of their shareholding interest in Triumphant Hope.
- (6) Chan Kee Sieng and Chan Kit Moi each holds 50.00% of the shareholdings in Triumphant Hope.

The Shares held by our Promoters and substantial shareholders do not have and will not have different voting rights from the other shareholders of our Company.

Save for our Promoters and substantial shareholders named above, we are not aware of any other persons who is able to, directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, there is no arrangement between our Company and our Promoters, with any third parties, which may at a subsequent date result in the change in control of our Company.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.2 Profiles of Promoters and substantial shareholders

(i) Dato' Chong Toh Wee

Dato' Chong Toh Wee, a Malaysian, aged 53, is our Promoter, substantial shareholder, and Managing Director. He was appointed to our Board on 14 May 2019. He is responsible for steering the overall strategic direction and vision as well as formulating the business growth of our Cosmos Group.

He graduated with a Diploma in Computer Studies from Sedaya College, Malaysia, in August 1991.

Upon his graduation, he began his career in September 1991 as a Technical Assistant in Salcon Engineering Sdn Bhd ("**Salcon Engineering**") whose principal activities were then providing engineering services, operation, maintenance and investing in privatised projects in palm oil and water industries. He assisted in site supervision for the installation works, testing and commissioning of complete mechanical and electrical engineering services. He was responsible for the project implementation of several water treatment plants in Kedah, Perak, Sabah, Langkawi, Johor, Melaka, Selangor and overseas in China and Vietnam.

He founded ISET in 1997 with the intention of forming a company specialising in engineering and contractual works for projects involving mechanical and electrical works for the water and wastewater industry in Malaysia. He then left Salcon Engineering in June 1999 and joined ISET full time thereafter as a Sales and Marketing Director, securing engineering works and contractual works for water and wastewater industries in Malaysia for ISET.

During his tenure with ISET, he co-founded Cosmos Instruments with 2 other investors, namely, Tan Tong Huat and Siaw Poon Keong, in July 2004 to distribute fluid control products for the water and wastewater industries and was appointed as the Managing Director, a position he continues to hold presently. Siaw Poon Keong and Tan Tong Huat resigned as director and sold their shares in Cosmos Instruments in 2006 and 2017 respectively.

Dato' Chong Toh Wee has 30 years of experience in the water and wastewater industries. His past experiences within the industry include supervision of installation, testing and commissioning of SCADA, instrumentation, mechanical and electrical equipment and tender evaluations, marketing plan and strategy, plants process logic automation, SCADA system and networking solution, and project implementation, mechanical and electrical works, manpower management, planning and training.

Please refer to Section 5.2.3(ii) of this Prospectus for details of Dato' Chong Toh Wee's principal directorships in other corporations and principal business activities performed outside our Group as at the LPD.

(ii) MSM

MSM is a company listed on the Catalist of Singapore Exchange Securities Trading Limited on 7 May 2010. MSM was incorporated on 8 October 2009 under the name Mann Seng Metal International Limited and assumed its present name, MSM International Limited, since 24 April 2015. MSM is incorporated in Singapore. The registered office address of MSM is 8 Robinson Road, #03-00, ASO Building, Singapore, 048544.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

As at the LPD, the issued share capital of MSM is SGD13.70 million. The principal activity of MSM is that of investment holding for a group of companies involved in integrated metal engineering in the business of OEM contract manufacturing and provision of standard, and customised kitchen appliances, equipment, cleanroom laboratories and related services.

As at the LPD, the substantial shareholders of MSM are as follows:

	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Triumphant Hope	76,955,933	73.02	-	-
Chan Kee Sieng	187,000	0.18	76,955,933	73.02
Chan Kit Moi	130,000	0.12	76,955,933	73.02

As at the LPD, the directors of MSM are Chan Kee Sieng, Chan Kit Moi, Chan Wen Chau, Leow Wee Kia, Clement, Wong Kok Seong and Lee Kean Cheong.

(iii) Triumphant Hope

Triumphant Hope was incorporated in Malaysia under the Companies Act 1965 on 3 December 2009 as a private limited company and deemed registered under the Act. The principal activity of Triumphant Hope is investment holding of shares in MSM.

As at the LPD, the issued share capital of Triumphant Hope is RM300 comprising 300 ordinary shares. As at the LPD, the shareholders of Triumphant Hope are as follows:

	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Chan Kee Sieng	150	50.00	-	-
Chan Kit Moi	150	50.00	-	-

As at the LPD, the directors of Triumphant Hope are Chan Kee Sieng, Chan Kit Moi, Chan Wen Chau and Chan Wen Yee.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iv) Chan Kee Sieng

Chan Kee Sieng, a Malaysian, aged 70, is a substantial shareholder of Cosmos.

Upon leaving Tsun Jin High School in 1966, he started his career in Loon Sunn Engineering Sdn Bhd ("**Loon Sunn Engineering**"), a company which manufactures turning and milling machinery, as an Engineering Technician in 1967. He was then promoted to the position of Senior Engineering Technician in 1970. Subsequently, in 1981, he left Loon Sunn Engineering. He became involved in two family businesses with Chan Kit Moi, namely Ban Seng Trading Company and Chan Brothers Metal Trading Co. Ban Seng Trading Company is a partnership dealing in trading and supply of cooking oil and gas which he joined in 1979 and left in 2008. Chan Brothers Metal Trading Co. is a partnership dealing in steel trading which was set up in 1984 and terminated on 31 December 1985. In 1985, he co-founded MSM Metal Industries Sdn Bhd, a wholly-owned subsidiary of MSM whose principal activities are manufacturing, trading and servicing of all types of steel equipment, with Chan Kit Moi.

Chan Kee Sieng was a Director of Mann Seng Sdn Bhd, a company whose principal activities are provider of transport services dealer on electronic appliances, apparatus systems, cassettes and projection general merchant, from 1991 to 2010. Chan Kee Sieng also holds directorships and shareholdings in various private limited companies. He has over 40 years of experience in the manufacturing of semi-conductor components such as, amongst others, control box, console systems as well as precision fittings and kitchen equipment industries.

He is the elder brother of Chan Kit Moi.

(v) Chan Kit Moi

Chan Kit Moi, a Malaysian, aged 69, is a substantial shareholder of Cosmos.

Upon leaving Tsun Jin High School in 1968, he was involved in livestock farming for a period of 3 years. In 1972, he started his career as an Engineering Technician in Loon Sunn Engineering which manufactures turning and milling machinery, and left Loon Sunn Engineering in 1981. Subsequently, he became involved in family businesses with Chan Kee Sieng, namely Ban Seng Trading Company, a partnership dealing in trading and supply of cooking oil and gas in 1979 and left in 2008, and Chan Brothers Metal Trading Co., a partnership dealing in steel trading which was set up in 1984 and terminated on 31 December 1985. In 1985, he co-founded MSM Metal Industries Sdn Bhd, a wholly-owned subsidiary of MSM whose principal activity is manufacturing, trading and servicing of all types of steel equipment, with Chan Kee Sieng.

Chan Kit Moi was a Director of Mann Seng Sdn Bhd, a company whose principal activities are provider of transport services dealer on electronic appliances, apparatus systems, cassettes and projection general merchant, from 1991 to 2010. Chan Kit Moi also holds directorships and shareholdings in various private limited companies. He has over 40 years of experience in the manufacturing of semi-conductor components such as, amongst others, control box, console systems as well as precision fittings and kitchen equipment industries.

He is the younger brother of Chan Kee Sieng.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.3 Changes in our Promoters' and substantial shareholders' shareholdings in our Company for the past 3 years

Details of changes in our Promoters' and substantial shareholders' shareholdings in our Company for the past 3 years is as follows:

Name	Nationality/ Country of incorporation	As at incorporation				After transfer of 2 shares from MSM to Dato' Chong and subdivision of 20 shares into 40 shares				After issuance of shares in conjunction with the acquisition of Cosmos Instruments and MCI			
		Direct		Indirect		Direct		Indirect		Direct		Indirect	
		No. of shares	% ⁽¹⁾	No. of shares	% ⁽¹⁾	No. of shares	% ⁽²⁾	No. of shares	% ⁽²⁾	No. of shares	% ⁽³⁾	No. of shares	% ⁽³⁾
Promoters and Substantial Shareholders													
Dato' Chong	Malaysian	10	50.00	-	-	24	60.00	-	-	103,881,600	60.00		
MSM	Singapore	10	50.00	-	-	16	40.00	-	-	69,254,400	40.00		
Substantial Shareholders													
Triumphant Hope	Malaysia	-	-	10 ⁽⁶⁾	50.00	-	-	16 ⁽⁶⁾	40.00	-		69,254,400 ⁽⁶⁾	40.00
Chan Kee Sieng	Malaysian	-	-	10 ⁽⁷⁾	50.00	-	-	16 ⁽⁷⁾	40.00	-		69,254,400 ⁽⁷⁾	40.00
Chan Kit Moi	Malaysian	-	-	10 ⁽⁷⁾	50.00	-	-	16 ⁽⁷⁾	40.00	-		69,254,400 ⁽⁷⁾	40.00

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Nationality/ Country of incorporation	After listing on the LEAP Market				After the IPO			
		Direct		Indirect		Direct		Indirect	
		No. of shares	% ⁽⁴⁾	No. of shares	% ⁽⁴⁾	No. of shares	% ⁽⁵⁾	No. of shares	% ⁽⁵⁾
Promoters and Substantial Shareholders									
Dato' Chong	Malaysian	103,881,600	54.00	-	-	103,881,600	40.50	-	-
MSM	Singapore	69,254,400	36.00	-	-	69,254,400	27.00	-	-
Substantial Shareholders									
Triumphant Hope	Malaysia	-	-	69,254,400 ⁽⁶⁾	36.00	-	-	69,254,400 ⁽⁶⁾	27.00
Chan Kee Sieng	Malaysian	-	-	69,254,400 ⁽⁷⁾	36.00	-	-	69,254,400 ⁽⁷⁾	27.00
Chan Kit Moi	Malaysian	-	-	69,254,400 ⁽⁷⁾	36.00	-	-	69,254,400 ⁽⁷⁾	27.00

Notes:

- (1) Based on the total number of 20 Shares as at the date of incorporation of Cosmos (i.e. 14 May 2019).
- (2) Based on the total number of 40 Shares after transfer of 2 Shares from MSM to Dato' Chong and subdivision of 20 Shares into 40 Shares.
- (3) Based on the total number of 173,136,000 Shares after the issuance of Shares in conjunction with the acquisition of Cosmos Instruments and MCI.
- (4) Based on the total number of 192,376,000 Shares before our IPO.
- (5) Based on the enlarged total number of 256,501,300 Shares after our IPO.
- (6) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding interest in MSM.
- (7) Deemed interest pursuant to Section 8 of the Act by virtue of their shareholding interest in Triumphant Hope.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.4 Promoters and/or substantial shareholders' remuneration and benefits-in-kind

Save for the dividends paid to our Promoters for the FYE 2019 and FYE 2020 as disclosed below and remuneration and benefits-in-kind paid or to be paid to Dato' Chong in his capacity as our Managing Director as disclosed in Section 5.2.4 of this Prospectus, there are no other amounts or benefits paid and intended to be paid or given to our Promoters and/or substantial shareholders within the 2 years preceding the date of this Prospectus:

Name	Dividend declared				
	FYE 2019	FYE 2020 ⁽¹⁾	FYE 2021	FYE 2022	1 May 2022 up to the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Dato' Chong Toh Wee	3,140	4,126	-	-	-
MSM	5,185	2,750	-	-	-

Note:

(1) *The dividend declared on 23 August 2019 by MCI of RM6.88 million in the FYE 2020 was applied towards full settlement of the amount due from our Company for the acquisition of Cosmos Instruments.*

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5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2 BOARD OF DIRECTORS

5.2.1 Shareholdings of our Directors

The following table sets out the direct and indirect shareholdings of our Directors before and after our IPO:

Director	As at the LPD and before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of shares	% ⁽¹⁾	No. of shares	% ⁽¹⁾	No. of shares	% ⁽²⁾	No. of shares	% ⁽²⁾
Datuk Phang Ah Tong	-	-	-	-	500,000 ⁽³⁾	0.19	-	-
Dato' Chong Toh Wee	103,881,600	54.00	-	-	103,881,600	40.50	-	-
Ng Boon Keong	-	-	-	-	380,000 ⁽³⁾	0.15	-	-
Mok Tuck Meng	1,000,000	0.52	-	-	1,000,000	0.39	-	-
Chong Kur Sen	-	-	-	-	20,000 ⁽³⁾	0.01	-	-
Chua Hui Chen	-	-	-	-	100,000 ⁽³⁾	0.04	-	-

Notes:

- (1) Based on the total number of 192,376,000 Shares before our IPO.
- (2) Based on the enlarged total number of 256,501,300 Shares after our IPO.
- (3) Assuming full subscription to the Issue Shares allocated to the Eligible Persons pursuant to the Public Issue.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.2 Profiles of Directors

The profiles of our Directors are as follows:

(i) **Datuk Phang Ah Tong**

Datuk Phang Ah Tong, a Malaysian, aged 65, is our Independent Non-Executive Chairperson. He was appointed to our Board on 1 December 2021.

He graduated with a Bachelor of Arts (Economics) (Honours) from University of Malaya in 1981. Upon his graduation, he joined the civil service of Malaysia, where began his service as an economist in the Malaysian Investment Development Authority (“MIDA”). Throughout his tenure in MIDA, he was actively involved in promoting foreign and domestic investments and assisted in developing the manufacturing and services sectors in Malaysia under MIDA, including in the capacity as the Assistant Trade Commissioner for MIDA office in London from 1989 to 1993 and Director of MIDA office in New York from 2001 to 2006. Upon his return to Malaysia in 2006, he was appointed as the Director of Foreign Direct Investment (“FDI”), overseeing the promotion of global FDI into Malaysia.

He was actively involved in formulating the First Industrial Master Plan (1986-1995), the 10th and 11th Malaysian Plan for the manufacturing sector, the Economic Transformation Programme as well as various industrial roadmaps and blueprints. His last held position in MIDA was Deputy Chief Executive Officer before his retirement in 2017.

Currently, he is the Chairman of Malaysia Automotive, Robotics and IoT Institute, an agency under the MITI.

He is also an Independent Non-Executive Chairman of JF Technology Berhad and an Independent Non-Executive Director of Apex Healthcare Berhad, Inari Amertron Berhad, Media Prima Berhad, United Overseas Bank (Malaysia) Berhad, and UMS Holdings Limited (Singapore).

Please refer to Section 5.2.3(i) of this Prospectus for details of Datuk Phang Ah Tong’s principal directorships in other corporations and principal business activities performed outside our Group as at the LPD.

(ii) **Dato’ Chong Toh Wee**

Dato’ Chong Toh Wee is our Promoter, substantial shareholder and Managing Director. The profile of Dato’ Chong Toh Wee is set out in Section 5.1.2(i) of this Prospectus.

(iii) **Ng Boon Keong**

Ng Boon Keong, a Malaysian, aged 48, is our Executive Director. He was appointed to our Board on 14 May 2019. He is responsible for the business development and overall management and operations of MCI.

He graduated with a Diploma in Mechatronics Engineering from Perak Institute of Engineering Technology in October 1995.

He began his career as a Mechanical Designer in April 1996 with Wemark Engineering Services Pte Ltd (Singapore), where he was responsible for costing calculations and mechanical design. In June 2001, he left Wemark Engineering Services Pte Ltd and joined Pentamaster Engineering Sdn Bhd (“Pentamaster”) in July 2001 as a Senior Design Engineer, where he was responsible for the mechanical engineering design works for factory automation.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

He left Pentamaster in March 2013 and joined MCI in the same month as General Manager, where he was responsible for the daily manufacturing and quality control activities. In March 2018, he was promoted to Vice President of MCI in charge of MCI's overall manufacturing, quality control, product development and sales and marketing activities. He was then appointed as Executive Director of MCI in September 2019. He has 26 years of experience in mechanical design, process engineering, lean manufacturing and project management.

Please refer to Section 5.2.3(iii) of this Prospectus for details of Ng Boon Keong's principal directorships in other corporations and principal business activities performed outside our Group as at the LPD.

(iv) Mok Tuck Meng

Mok Tuck Meng, a Malaysian, aged 57, is our Independent Non-Executive Director. He was appointed to our Board on 1 December 2021.

He graduated with a Bachelor of Science with Honours in Mathematics in August 1989 from Universiti Sains Malaysia, Penang.

Upon graduation, he joined Micro Computers Sdn Bhd as a Sales Executive where he was involved in retailing computers and accounting software. He left Micro Computers Sdn Bhd in May 1990 and joined KYM Holdings Berhad as an Executive, where he was responsible for technical services on the consumer packaging for corrugated cartons.

He was then transferred to Hasrat Meranti Sdn Bhd, a subsidiary of KYM Holdings Berhad, in September 1991 as a Manager, where he was responsible for starting the industrial bags business. He was subsequently promoted to the position of General Manager of the Multiwall Industrial Paper Sacks Division in May 1999. He was appointed to be the Managing Director of Hasrat Meranti Sdn Bhd in May 2012, a position where he remains presently. His responsibilities as Managing Director include managing the overall operations of the Multiwall Industrial Paper Sacks Division.

In conjunction with his position within KYM Holdings Berhad, he was appointed as a director of Hasrat Meranti Sdn Bhd in September 1998, Hasrat Meranti (Chemor) Sdn Bhd in September 1999, and Hasrat Meranti (Tapah) Sdn Bhd in June 2012 where he leads the management of these companies and is responsible for their overall operations.

Please refer to Section 5.2.3(iv) of this Prospectus for details of Mok Tuck Meng's principal directorships in other corporations and principal business activities performed outside our Group as at the LPD.

(v) Chong Kur Sen

Chong Kur Sen, a Malaysian, aged 46, is our Independent Non-Executive Director. She was appointed to our Board on 1 December 2021.

She graduated with a Bachelor of Laws with Honours from Universiti Malaya in April 2001. In March 2002, she was admitted as an Advocate and Solicitor in the High Court of Malaya and has been a member of the Bar Council Malaysia since then.

She has over 19 years of experience in the legal profession. Upon her graduation, she commenced her pupillage in Messrs Tan Chuan Yong & S.M. Chan in June 2001, where she was exposed to conveyancing and litigation matters. After being admitted as an Advocate and Solicitor in the High Court of Malaya, she continued practicing in Messrs Tan Chuan Yong & S.M. Chan as a legal assistant until February 2004.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

She left Messrs Tan Chuan Yong & S.M. Chan and then joined Messrs Abraham Ooi & Partners as a legal assistant in February 2004 and was subsequently made partner of the firm in June 2006. Throughout her time with the firm, she was involved in handling sales and purchase of real property matters, preparing loan documentation and advising financial institutions, overseeing project based legal documents for major developments and management of legal assistants and secretaries of the firm.

Upon her resignation from Messrs Abraham Ooi & Partners in June 2011, she then set up her own legal firm, Messrs Kur Sen Chong & Co. in July 2011. Being the Managing Partner of the firm, her expertise spans from drafting of sale and purchase agreements, loan agreements, and corporate and commercial contracts, land dealings, and family and estate matters.

She is also an Independent Non-Executive Director of JF Technology Berhad.

Please refer to Section 5.2.3(v) of this Prospectus for details of Chung Kur Sen's principal directorship in other corporations and principal business activities performed outside our Group as at the LPD.

(vi) Chua Hui Chen

Chua Hui Chen, a Malaysian, aged 45, is our Independent Non-Executive Director. She was appointed to our Board on 1 December 2021.

She was admitted as an affiliate of the Association of Chartered Certified Accountants ("ACCA") in December 2001. She became a Member of ACCA in April 2003 and was subsequently made a Fellow Member of ACCA in April 2008. She has also been a member of the Malaysian Institute of Accountants since May 2006. She then graduated and became a member of the Chartered Tax Institute of Malaysia (formerly known as the Malaysian Institute of Taxation) in June 2007, where she was then admitted as an Associate in July 2015.

She began her career as an Accounts Executive in Video Edit Productions Sdn Bhd in March 1996, where she was responsible for human resources management and handling of the accounts of the company. She left the company in November 2002 and joined K.S. Hoo & Co. as an Audit Associate in December 2002, where she was involved in auditing and taxation.

She was subsequently promoted to the position of Senior Audit Manager in January 2010, where she was responsible for monitoring and leading the team on auditing and taxation assignments. She was further promoted in January 2015 to the position of Head of the Audit Department, a position she assumes to present date. Her responsibilities at K.S. Hoo & Co and K.S. Hoo Taxation Services include planning the company's business strategy, setting business direction managing the operations of the firm, and being accountable for the firm's profit and loss.

She is also an Independent Non-Executive Director of JF Technology Berhad.

Please refer to Section 5.2.3(vi) of this Prospectus for details of Chua Hui Chen's principal directorships in other corporations and principal business activities performed outside our Group as at the LPD.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.3 Involvement of our Directors in other businesses/ corporations outside our Group

The following table sets out other principal directorships of our Directors outside our Group and the principal business activities performed by our Directors outside our Group as at the LPD (“**Present Involvement**”) and those other principal directorships and involvement of our Directors outside our Group that were held within the past 5 years up to the LPD (“**Past Involvement**”):

(i) Datuk Phang Ah Tong

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present Involvement</u>						
APEX Healthcare Berhad	Investment holding and provision of management services. Its subsidiaries are involved in the development, manufacturing, wholesaling, marketing and distribution of pharmaceuticals, consumer healthcare products, diagnostics and orthopaedic devices.	Independent Non-Executive Director	21 May 2018	-	-	-
Inari Amertron Berhad	Investment holding and provision of management services. Its subsidiaries are involved in Outsourced Semiconductor Assembly and Test service providers for the semiconductor industry.	Independent Non-Executive Director	8 February 2018	-	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
JF Technology Berhad	Investment holding. Its subsidiaries are involved in the manufacturing and trading of electronic products and components, design, development, custom manufacture and sale of integrated circuit test sockets, interconnect, test solutions and equipment for the semi-conductor and electronic assembly markets, investment holding, test development engineering services, talent development and sales of test interface solutions.	Independent Non-Executive Chairman	1 January 2018	-	-	-
Kiswire Sdn Bhd	Investment holding and manufacturing and sales of wire ropes and other related steel wire products	Director	2 May 2018	-	-	-
Malaysia Automotive Robotics And IOT Institute	To assist the government in setting the frameworks and direction for the development of the local automotive industry especially in the areas of research, planning and policy advice	Director	23 October 2013	-	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
Media Prima Berhad	Investment holding and leading fully-integrated media company with a complete repertoire of media-related businesses in television, print, radio, out-of-home advertising, content creation and digital media	Independent Non-Executive Director	3 June 2022	-	-	-
Nouvegen Pharma Sdn Bhd	Manufacturer of pharmaceutical products	Director	1 March 2018	-	-	-
Nouvegen Oncology Sdn Bhd	Manufacturer of pharmaceutical products	Director	1 March 2018	-	-	-
Pat Advisory Sdn Bhd	Business management consultancy services	Director	26 October 2017	-	100.0	-
UMS Holdings (Singapore) Limited	Equipment manufacturing and engineering services to original equipment manufacturers (OEMs) of semiconductors and related products	Independent Non-Executive Director	1 October 2017	-	-	-
United Overseas Bank (Malaysia) Bhd	Banking and related financial services	Independent Non-Executive Director	2 January 2019	-	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
Past Involvement						
Jerasia Capital Berhad ⁽¹⁾	Investment holding and provision of management consultancy services. Its subsidiaries are involved in manufacturing and retailing of fashion apparel	Independent Non-Executive Director	29 November 2018	26 April 2022	-	-

Note:

- (1) Jerasia Capital Berhad ("**JCB**") had on, 13 January 2022 announced that JCB is an affected listed issuer under Practice Note 17 ("**PN17**") of the Main Market Listing Requirements of Bursa Securities ("**MMLR**") as JCB has triggered the prescribed criteria pursuant to Paragraph 8.04 of the MMLR and Paragraph 2.1(f) of PN17 of the MMLR, where JCB defaulted in payment pursuant to Paragraph 9.19A of the MMLR and is unable to provide a solvency declaration to Bursa Securities.

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5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) Dato' Chong Toh Wee

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present Involvement</u>						
Great Eastern Traders (M) Sdn Bhd	Trading, supply & installation of LED lights	Director	1 June 2017	-	40.0	-
Ski Pipe & Fitting (Malaysia) Sdn Bhd	Supplying stainless steel water pipes and fittings (dormant company)	Director	13 February 2013	-	70.0	-
I.S.E.T. Engineering Sdn Bhd	Designing, supplying, installation, testing and commissioning of complete mechanical and electrical works	Director	5 August 1999	24 June 2019	85.0	15.0
<u>Past Involvement</u>						
Coopers Kitchen Sdn Bhd	Wholesale and retailers of fertilizers and agrochemical products, investment holding	Director	3 September 2019	15 November 2019	-	-
Max Ventures (M) Sdn Bhd	Export and import, wholesale or trading of metal and non-metal waste and scrap and materials for recycling	Director	14 August 2014	21 February 2019	-	-
Moscoss Services Sdn Bhd	Servicing of industrial and automation equipment (Winding Up)	Director	19 February 2016	28 May 2019	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) Ng Boon Keong

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present Involvement</u>						
Plustech Engineering and Construction Sdn Bhd	Investment holding with principal activities in commercial renovation and construction works	Director	5 January 2015	-	80.0	-
<u>Past Involvement</u>						
Amazon Kitchen Sdn Bhd	To carry on business of convenience store and restaurant with dine in and delivery services and supply of ingredient, packing materials and rental of kitchen space and related activities	Director	18 August 2015	12 October 2020	-	-
Kurosaki Resources Sdn Bhd	To carry on business for mobile food carts, provision of educational training, trading of food and beverage related products	Director	10 February 2015	14 June 2018	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iv) Mok Tuck Meng

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present Involvement</u>						
Hasrat Meranti Sdn Bhd	Manufacturing and sale of multi wall industrial paper bags	Director	10 September 1998	-	-	-
Hasrat Meranti (Chemor) Sdn Bhd	Manufacturing and sale of multi wall industrial paper bags	Director	1 September 1999	-	-	-
Hasrat Meranti (Tengah) Sdn Bhd	Manufacturing and sale of multi wall industrial paper bags	Director	12 June 2012	-	-	-
<u>Past Involvement</u>						
None						

(v) Chong Kur Sen

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present Involvement</u>						
Circle International Holdings Limited (Cayman Islands)	Media technology	Director	2 May 2020	-	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
JF Technology Berhad	Investment holding. Its subsidiaries are involved in the manufacturing and trading of electronic products and components, design, development, custom manufacture and sale of integrated circuit test sockets, interconnect, test solutions and equipment for the semiconductor and electronic assembly markets, investment holding, test development engineering services, talent development and sales of test interface solutions.	Independent Non-Executive Director	1 August 2022	-	Neg	-

Past Involvement

None

Note:

Neg Negligible, being less than 0.01%.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(vi) **Chua Hui Chen**

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present Involvement</u>						
K. S. Hoo Taxation Services Sdn Bhd	Provide tax services	Director	1 March 2016	-	-	-
JF Technology Berhad	Investment holding. Its subsidiaries are involved in the manufacturing and trading of electronic products and components, design, development, custom manufacture and sale of integrated circuit test sockets, interconnect, test solutions and equipment for the semi-conductor and electronic assembly markets, investment holding, test development engineering services, talent development and sales of test interface solutions.	Independent Non-Executive Director	1 August 2022	-	-	0.01
<u>Past Involvement</u>						
None						

The involvement of our Directors in those business activities outside our Group will not affect their commitment and responsibilities to our Group in their respective roles as our Directors. The involvement of our Executive Directors in those business activities does not require significant amount of time, and hence does not affect their ability to perform their executive roles and responsibilities to our Group.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.4 Directors' remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for their services rendered in all capacities within our Group for the FYE 2022 and FYE 2023 are set out below:

FYE 2022 (Paid)	Salaries RM'000	Directors' fees RM'000	Bonus RM'000	EPF and SOCSO RM'000	Allowances and benefits- in-kind RM'000	Total RM'000
Datuk Phang Ah Tong	-	20.0	-	-	-	20.0
Dato' Chong Toh Wee	360.0	-	60.0	53.2	15.6	488.8
Ng Boon Keong	142.7	-	12.0	19.5	36.0	210.2
Mok Tuck Meng	-	12.5	-	-	-	12.5
Chong Kur Sen	-	12.5	-	-	-	12.5
Chua Hui Chen	-	12.5	-	-	-	12.5

FYE 2023 (Proposed)	Salaries RM'000	Directors' Fees RM'000	Bonus RM'000	EPF and SOCSO RM'000	Allowances and benefits- in-kind RM'000	Total RM'000
Datuk Phang Ah Tong	-	48.0	-	-	4.0	52.0
Dato' Chong Toh Wee	381.6	-	63.6	56.2	15.6	517.0
Ng Boon Keong	240.0	-	40.0	34.5	36.0	350.5
Mok Tuck Meng	-	30.0	-	-	-	30.0
Chong Kur Sen	-	30.0	-	-	-	30.0
Chua Hui Chen	-	30.0	-	-	-	30.0

Our Directors' remuneration must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. Our Directors' fees and any benefits payable to Directors shall be subject to further approval by our shareholders pursuant to an ordinary resolution passed at a general meeting in accordance with our Constitution.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3 BOARD PRACTICES**5.3.1 Board**

Our Board assumes the responsibility for the overall direction, strategy, performance and management of our Group. Our Board has adopted the following responsibilities for effective discharge of its functions:

- (a) Understand shareholders' expectations and contribute to the development of strategies of our Group in their best interest to enhance shareholders' value including taking into consideration the integration of strategies on environmental, social and governance;
- (b) Oversee the conduct of our Group's businesses to evaluate whether the businesses are properly managed;
- (c) Identify the principal risks and key performance indicators of our Group's businesses and ensuring that appropriate systems are implemented, and steps are taken to manage these risks;
- (d) Review the adequacy and the integrity of our Group's risk management framework, internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (e) Establish an effective risk management and internal control framework, determine our Group's level of risk tolerance and actively identify, assess and monitor key business risks;
- (f) Develop succession plan for our Board members and key management;
- (g) Review and approve annual budget and projection submitted by management;
- (h) Ensure key management has the necessary skills and experience;
- (i) Ensure that financial statements are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements and approve financial statements for declaration to Bursa Securities on quarterly and annual basis;
- (j) Oversee corporate governance and compliance matters;
- (k) Delegate the above-mentioned matters to the relevant committee or personnel where appropriate;
- (l) Adopt performance measures to monitor implementation and performance of the strategy, policies, plans, legal and fiduciary obligations that affect our Group's business;
- (m) Review and address sustainability risks including climate-related risks and opportunities in an integrated and strategic manner to support our Group's long-term strategy and success;
- (n) Ensure our Group's sustainability strategies, priorities and targets as well as performance against these targets are communicated to stakeholders;
- (o) Develop and implement an investor relations programme or shareholder communication policy for our Group;

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (p) Set corporate values and clear lines of responsibility and accountability that are communicated throughout our Group;
- (q) Ensure that the operations of our Group are conducted prudently within the framework of laws and policies;
- (r) Ensure that adequate framework and control systems are in place to safeguard the interests of our Group;
- (s) Establish and review the Code of Conduct and Ethics, and together with management implements its policies and procedures, which include measures in managing conflict of interest, preventing the abuse of power, corruption, insider trading and money laundering to ensure high standards of integrity, ethics and corporate behavior in the conduct of business;
- (t) Establish, review and together with management implements Policies and Procedures on Whistleblowing; and
- (u) Initiate a Board self-evaluation program and follow-up action to deal with issues arising and arrange for directors to attend courses, seminars and participate in development programs as our Board judges appropriate.

According to our Constitution, an election of Directors shall take place each year at the annual general meeting of our Company, where one-third of our Directors for the time being, or, if the number is not 3 or a multiple of 3, then the number nearest to one-third shall retire from office. This is provided always that all Directors shall retire from office at least once in every 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

The details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office are as follows:

<u>Directors</u>	<u>Age</u>	<u>Nationality</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of expiration of current term of office</u>	<u>No. of year(s) in office</u>
Datuk Phang Ah Tong	65	Malaysian	Independent Non-Executive Chairperson	1 December 2021	Subject to retirement at the annual general meeting in year 2023	< 1
Dato' Chong Toh Wee	53	Malaysian	Managing Director	14 May 2019	Subject to retirement by rotation at the annual general meeting in year 2023	< 3

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Directors</u>	<u>Age</u>	<u>Nationality</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of expiration of current term of office</u>	<u>No. of year(s) in office</u>
Ng Boon Keong	48	Malaysian	Executive Director	14 May 2019	Subject to retirement by rotation at the annual general meeting in year 2025	< 3
Mok Tuck Meng	57	Malaysian	Independent Non-Executive Director	1 December 2021	Subject to retirement at the annual general meeting in year 2024	< 1
Chong Kur Sen	46	Malaysian	Independent Non-Executive Director	1 December 2021	Subject to retirement at the annual general meeting in year 2024	< 1
Chua Hui Chen	45	Malaysian	Independent Non-Executive Director	1 December 2021	Subject to retirement at the annual general meeting in year 2025	< 1

5.3.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee was established by our Board on 1 December 2021 and currently comprises the following members:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Mok Tuck Meng	Chairperson	Independent Non-Executive Director
Chong Kur Sen	Member	Independent Non-Executive Director
Chua Hui Chen	Member	Independent Non-Executive Director

The terms of reference of our Audit and Risk Management Committee include, among others, the following:

- (a) To review the audit plan and audit report with the external auditors;
- (b) To review the assistance given by our Company's employees to the external auditors and to meet with the external auditors without executive Board members' presence at least twice a year;
- (c) To review the quarterly results and year-end financial statements of our Company and our Group, prior to the approval by our Board, focusing particularly on:

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (i) changes in or implementation of major accounting policies changes;
 - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - (iii) compliance with accounting standards, regulatory and other legal requirements.
- (d) To review any related party transaction and conflict of interest situation that may arise within our Company and our Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (e) To review the adequacy of the scope, functions, competency and resources of our internal audit functions including appointment and removal, scope of work, performance evaluation and budget relating thereto, and to ensure that we have the necessary authority to carry out our work;
 - (f) To review any internal audit plan, processes, the results of the internal audit assessments, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of our internal audit function;
 - (g) To review any evaluation made on the systems of internal controls with our internal and external auditors;
 - (h) To review and approve non-audit services before services are rendered by our external auditors and our affiliates;
 - (i) To recommend to our Board the appointment or re-appointment of our external auditors at the general meeting, after taking into consideration the independence objective and suitability of our external auditors and the appropriateness of audit fees to support a quality audit, and matters relating to the resignation or removal of our external auditors;
 - (j) To consider any resignation or removal of our external auditors, and to furnish such written explanation or representation from our external auditors to Bursa Securities;
 - (k) To review whether there is reason (supported by grounds) to believe that our external auditors are not suitable for re-appointments;
 - (l) Our Chairperson of our Audit and Risk Management Committee should engage on a continuous basis with key management, our internal audit and our external auditors in order to be kept informed of matters affecting our Group;
 - (m) To prepare and review the audit committee report in accordance with Rule 15.15 of the Listing Requirements;
 - (n) To report promptly to Bursa Securities on any matter reported by it to our Board, which has not been satisfactorily resolved resulting in a breach of the Listing Requirements;
 - (o) To undertake such other functions as may be agreed by our Audit and Risk Management Committee and our Board;
 - (p) Determine that there is a robust process in place for identifying, managing, and monitoring critical risks; oversee execution of that process; and ensure it is continuously improved as the business environment changes;

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (q) Determine that there are policies and procedures established and in place for whistleblowing and to prevent bribery and corruption; and to ensure that each of the policies will be continuously reviewed;
- (r) Provide timely input to management on critical risk issues;
- (s) Engage management in an ongoing risk appetite dialogue as conditions and circumstances change and new opportunities arise;
- (t) Oversee the conduct, and review the results, of company-wide risk assessments, including the identification and reporting of critical risks;
- (u) Oversee the management of certain risks, with regard to the complexity and significance of these risk exposures;
- (v) Provide advice to our Board on risk strategies and coordinate the activities of the various standing board committees for risk oversight;
- (w) Promote a healthy risk culture and watch for dysfunctional behaviour that could undermine the effectiveness of the risk management process (e.g. excessive risk-taking due to misaligned key performance indicators and remuneration schemes); and
- (x) To consider other matters as may be directed by our Board from time to time.

5.3.3 Remuneration Committee

Our Remuneration Committee was established by our Board on 1 December 2021 and currently comprises the following members:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Chong Kur Sen	Chairperson	Independent Non-Executive Director
Mok Tuck Meng	Member	Independent Non-Executive Director
Chua Hui Chen	Member	Independent Non-Executive Director

The terms of reference of our Remuneration Committee include, among others, the following:

- (a) To formulate and review the policy framework and making recommendations to our Board on the annual remuneration packages, performance bonus, incentives, and benefits extended to our Executive Directors and key management, taking into account the performance of each individual as well as our Group's performance;
- (b) To review the remuneration and benefits accorded to our Non-Executive Directors to ensure that the level of remuneration commensurate with the experience and level of responsibilities undertaken;
- (c) To ensure the fees and benefits payable to our Non-Executive Directors, fees and any non-contractual benefits payable to our Executive Directors (if any), and any compensation for loss of employment of an Executive Director or former Director of our Group (if any) shall be approved at a general meeting;
- (d) To review our Group's compensation policy and ensure alignment of compensation to corporate performance, and compensation offered in line with market practice;

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (e) To recommend the engagement of external professional advisors to assist and/or advise our Remuneration Committee and our Board, on remuneration matters, where necessary;
- (f) To provide a report summarising its activities for the year in compliance with the MCGG, Listing Requirements and any relevant regulations; and
- (g) To consider other matters as may be directed by our Board from time to time.

5.3.4 Nomination Committee

Our Nomination Committee was established by our Board on 1 December 2021 and currently comprises the following members:

Name	Designation	Directorship
Chua Hui Chen	Chairperson	Independent Non-Executive Director
Mok Tuck Meng	Member	Independent Non-Executive Director
Chong Kur Sen	Member	Independent Non-Executive Director

The terms of reference of our Nomination Committee include, amongst others, the following:

- (a) To recommend and nominate new candidate(s) to our Board and key senior management, contingent on satisfactory evaluation of the candidates based on our Company's Fit and Proper Policy and in the case of candidates for the position of Independent Non-Executive Directors of our Company, our Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;
- (b) To make appropriate recommendations to our Board on matters of renewal or extension of Directors' term and re-election of retiring Directors, contingent on satisfactory evaluation of the Directors based on our Company's Fit and Proper Policy, and taking into consideration the current composition and the tenure of each Director on our Board;
- (c) To recommend to our Board, directors to fill the seats on our Board Committees;
- (d) To assess directors and key senior management on an ongoing basis, taking into account the performance of each individual in managing our Group's material sustainability risks and opportunities;
- (e) To review and assess performance of Non-Executive Directors annually based on skills, experience and core competencies which Non-Executive Directors should bring to our Board and submit its recommendations to our Board;
- (f) To review the structure, size, diversity (including gender diversity) and composition of our Board at least once in a year, and make recommendations to our Board on any adjustments that are deemed necessary;
- (g) To assess the effectiveness of our Board as a whole, our Board Committees and the contribution of each individual Director via a formal and objective annual evaluation;
- (h) To assess the independence of the Independent Non-Executive Directors and their length of tenure in office in line with the recommendations of the MCGG on an annual basis;

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (i) To review succession planning of our Board, our Board Committees and key senior management;
- (j) To appraise each individual Director in terms of his experience, knowledge, credibility and credentials, and assess their effectiveness and contribution in carrying out their obligations and duties as a Board member;
- (k) To examine the ability of each Director in contributing to the effective decision-making process of our Board and ensure that our Board is functioning actively, efficiently and effectively in all its decision making;
- (l) To review the term of office and performance of our Audit and Risk Management Committee and each of its members annually to determine whether Audit and Risk Management Committee members have carried out their duties in accordance with the Terms of Reference;
- (m) To identify and recommend the appropriate continuing education/training programmes for our Board members and key senior management, and facilitate induction programmes for newly appointed Board members;
- (n) Our Board, subject to the assessment of our Nomination Committee, shall provide justification and seek annual shareholders' approval at an annual general meeting through a two-tier voting process in accordance with Practice 5.3 of MCCG in the event it intends to retain an Independent Director, a person who has served in that capacity for a cumulative term of nine (9) years;
- (o) To prepare and review the report of our Nomination Committee in accordance with Rule 15.08A(3) of the Listing Requirements; and
- (p) To consider other matters as may be directed by our Board from time to time.

5.4 KEY SENIOR MANAGEMENT

5.4.1 Particulars and shareholdings

Our Key Senior Management is set out below:

Name	Age	Designation
Lai Khar Khei	32	Financial Controller
Syahdan Bin Ab Samad	37	Sales and Marketing Manager
Goh Choon Hoong	42	Technical Manager

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

The following table sets out the direct and indirect shareholdings of our Key Senior Management before and after our IPO assuming that our Key Senior Management fully subscribe for their respective allocations under the Pink Form Allocations are as follows:

	As at the LPD and before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	% ⁽¹⁾	No. of shares	% ⁽¹⁾
Key Senior Management								
Lai Khar Khei	-	-	-	-	700,000	0.27	-	-
Syahdan Bin Ab Samad	-	-	-	-	-(2)	-	-	-
Goh Choon Hoong	-	-	-	-	300,000	0.11	-	-

Notes:

(1) Based on the enlarged total number of 256,501,300 Shares after our IPO.

(2) Syahdan Bin Ab Samad (our Sales and Marketing Manager) has opted not to participate in the allocations of the Pink Form Shares.

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5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.2 Management reporting structure

The management reporting structure of our Group is as follows:



5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.3 Profiles of our Key Senior Management

The profiles of our Key Senior Management are as follows:

(i) Lai Khar Khei

Lai Khar Khei, a Malaysian, aged 32, is our Financial Controller. She is responsible for overseeing and monitoring accounting compliance and financial reporting of our Group.

She graduated with a Bachelor of Commerce (Financial Accounting) from Tunku Abdul Rahman University College in May 2012. She was admitted as an affiliate of the ACCA in January 2015. She became a Member of ACCA in January 2017.

She began her career as an Audit Assistant in Nexia SSY in September 2012 where she was involved in assisting the planning, monitoring and reviewing of audit processes. Subsequently, she was promoted to the position of Senior Audit Assistant, where her responsibilities include reviewing, monitoring and planning audits and finalising audit reports for private and public listed companies in Malaysia.

She left Nexia SSY in June 2015 and joined MSM International Limited as an Assistant Finance Manager in July 2015 where she was responsible for the finance and accounting functions of the company. She was then promoted to Finance Manager in June 2017. In July 2021, she joined Cosmos and assumed her current position as Financial Controller of our Group.

Please refer to Section 5.4.4(i) of this Prospectus for details of Lai Khar Khei's principal directorships in other corporations and principal business activities performed outside our Group as at the LPD.

(ii) Syahdan Bin Ab Samad

Syahdan Bin Ab Samad, a Malaysian, aged 37, is our Sales and Marketing Manager. He is responsible for the sales and marketing strategy of Cosmos Instruments.

He obtained a diploma in Engineering Technology in Automated System and Maintenance from Kuala Lumpur University in November 2010.

He began his career as a Technical Executive in Nuha Tech Sdn Bhd in April 2011, where he was involved in technical maintenance of the company's machinery. He left Nuha Tech Sdn Bhd in June 2013 and joined Essmart Systems Sdn Bhd in August 2013 as a Sales Engineer, where he was responsible for the company's sales of oil and gas lubrication systems.

He left Essmart Systems Sdn Bhd in February 2014 and immediately joined Progard Sdn Bhd as a Sales Engineer, where he was responsible for the sales of firefighting supplies and services. In August 2014, upon leaving Progard Sdn Bhd, he joined Cosmos Instruments as a Sales Engineer, where he was responsible for sales of instrumentation products. In June 2017, he was subsequently promoted to the position of Assistant Manager. In October 2017, he was appointed as a Director of Cosmos Instruments and subsequently resigned as a Director of Cosmos Instruments in April 2018. He was then further promoted to Sales and Marketing Manager in July 2019, where he assumes his current responsibilities.

Please refer to Section 5.4.4(ii) of this Prospectus for details of Syahdan Bin Ab Samad's principal directorships in other corporations and principal business activities performed outside our Group as at the LPD.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) Goh Choon Hoong

Goh Choon Hoong, a Malaysian, aged 42, is our Technical Manager. He is responsible for monitoring and managing the technical aspects of the implementation of water projects by Cosmos Instruments and providing after-sales service to customers of Cosmos Instruments.

He obtained a diploma in Engineering from the Federal Institute of Technology Malaysia in November 2001.

He began his career as a Technician in Western Digital Malaysia Sdn Bhd, where he was responsible for the maintenance and repairing of the machinery that manufacture hard disks. He was subsequently promoted to the positions of Senior Technician in July 2003 and Technical Specialist in July 2006, respectively.

He resigned from Western Digital Malaysia Sdn Bhd in May 2009 and joined Wasserwelt Sdn Bhd as a Sales Engineer, where he was responsible for the sales of the company's products. He was subsequently promoted to the position of Project Engineer in June 2010 and Project Manager in January 2012, respectively, where he was responsible for managing mechanical and electrical engineering projects.

He then left Wasserwelt Sdn Bhd in May 2014 and joined Techelec Automation & Engineering Sdn Bhd in June 2014 as a Senior Engineer, where he was responsible for the implementation of projects involving programmable logic controller ("PLC") & SCADA engineering.

He then joined I.S.E.T. Engineering Sdn Bhd in May 2019 as an Assistant Manager and was responsible for the implementation of PLC and SCADA engineering projects. He subsequently joined Cosmos Instruments in July 2019 and assumed the role of Assistant Service Manager, where he was responsible for resolving technical issues for service projects involving Siemens instrument products. He was then promoted in January 2020 to the role of Technical Manager, where he assumes his current responsibilities.

Please refer to Section 5.4.4(iii) of this Prospectus for details of Goh Choon Hoong's principal directorships in other corporations and principal business activities performed outside our Group as at the LPD.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.4 Involvement of our Key Senior Management in other businesses/ corporations outside our Group

Save for the involvement of Dato' Chong and Ng Boon Keong which are detailed in Section 5.2.3, the following table sets out other principal directorship(s) of our Key Senior Management outside our Group and the principal business activities performed by our Key Senior Management outside our Group as at the LPD ("**KSM Present Involvement**") and those other principal directorship(s) and involvement of our Key Senior Management outside of our Group that were held within the past 5 years up to the LPD ("**KSM Past Involvement**"):

(i) Lai Khar Khei

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>KSM Present Involvement</u>						
Amazon Kitchen Sdn Bhd	To carry on business of convenience store and restaurant with dine in and delivery services and supply of ingredient, packing materials and rental of kitchen space and related activities	Director	12 October 2020	-	25.0	-

KSM Past Involvement

None

Her involvement in the business activity outside our Group will not affect her commitment and responsibilities to our Group in her respective roles as our Key Senior Management in view that her involvement in the business activity does not require significant amount of time, and hence does not affect her ability to perform her roles and responsibilities to our Group.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) Syahdan Bin Ab Samad

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
KSM Present Involvement						
None						
KSM Past Involvement						
Techelec Automation & Engineering Sdn Bhd	Designing, supplying, contracting for instrumentation, control system, telemetry, SCADA system, industrial automation, electrical cabling and installation	Director	30 December 2015	18 June 2019	-	-

(iii) Goh Choon Hoong

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
KSM Present Involvement						
None						
KSM Past Involvement						
Moscoss Services Sdn Bhd	Servicing of industrial and automation equipment (Winding Up)	Director	28 May 2019	-	100.0	-
Techelec Automation & Engineering Sdn Bhd	Design, supply, and instrumentation, control system, telemetry, SCADA system, industrial automation, electrical	Director	18 June 2019	7 January 2020	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct	Indirect
	cabling and installation					

5.4.5 Key Senior Management's remuneration and benefits-in-kind

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Key Senior Management for their services rendered in all capacities within our Group for the FYE 2022 and FYE 2023 are as follows:

Key Senior Management	Remuneration ⁽¹⁾ (in bands of RM50,000)	
	FYE 2022 (Paid)	FYE 2023 (Proposed) ⁽²⁾
	RM'000	RM'000
Lai Khar Khei	100 – 150	100 – 150
Syahdan Bin Ab Samad	100 – 150	100 – 150
Goh Choon Hoong	100 – 150	100 – 150

Key Senior Management	Material benefits-in-kind	
	FYE 2022 (Paid)	FYE 2023 (Proposed)
	RM'000	RM'000
Lai Khar Khei	0 – 50	0 – 50
Syahdan Bin Ab Samad	0 – 50	0 – 50
Goh Choon Hoong	0 – 50	0 – 50

Notes:

- (1) The remuneration for key senior management includes salaries, commissions, other allowances and benefits-in-kind.
- (2) The bonuses for FYE 2023 are not included. Such bonuses, if any, will be determined at a later date based on our Group's performance, and will be subject to recommendation of our Remuneration Committee and approval by our Board.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.5 DECLARATION FROM OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, none of our Promoters, Directors and Key Senior Management is or has been involved in any of the following events (whether within or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against him/her or any partnership in which he was a partner or any corporation of which he was a director or key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgment was entered against him/her, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, being subject to any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (vi) being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him/her from engaging in any type of business practice or activity;
- (vii) in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) any unsatisfied judgment against him/her.

5.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save for the family relationship of Chan Kee Sieng and Chan Kit Moi as stated in their profiles in Sections 5.1.2(iv) and (v) respectively and Triumphant Hope as stated in Section 5.1.2(iii), there are no family relationships or associations between our Promoters, substantial shareholders, Directors and Key Senior Management.

5.7 EXISTING OR PROPOSED SERVICE AGREEMENT

As at the LPD, there are no existing or proposed service agreement(s) between the companies within our Group and our Directors or our Key Senior Management that provide for benefits upon termination of employment.

6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

Our Company was incorporated on 14 May 2019 under the Act as a private limited company under the name Cosmos Technology International Sdn Bhd. On 30 September 2019, our Company was converted to a public limited company and assumed its present name, Cosmos Technology International Berhad.

Our Company is an investment holding company and through our subsidiaries, we are an integrated water technology solutions provider principally involved in the distribution and instrumentation services of fluid control products and manufacturing of fabricated metal parts for industrial applications used in the water, wastewater and oil and/or gas industries.

Our Company was listed on the LEAP Market on 9 March 2020. Pursuant to our listing on LEAP Market, we issued 19,240,000 Shares representing approximately 10.00% of our enlarged issued share capital at RM0.28 per Share to sophisticated investors as specified in Part I of Schedule 7 pursuant to Section 230 of the CMSA. Our Company raised total gross proceeds of RM5.39 million of which a remaining RM1.10 million is unused as at the LPD.

We intend to utilise the remaining unused RM1.10 million to partly fund the acquisition of 2 units of press brake machine, 2 units of spot welding machine and 1 unit of laser cutting machine by March 2023 which will be installed in the New Building.

Subsequently, our Company was delisted from the LEAP Market on 10 November 2021 pursuant to the withdrawal of the listing from the LEAP Market to facilitate the listing on the ACE Market.

6.2 SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

As at the LPD, our issued share capital is RM13,962,515 comprising 192,376,000 Shares.

Details of changes to our issued share capital since incorporation up to the LPD are shown below:

Date of transaction	No. of Shares	Nature of transaction	Consideration	Cumulative issued share capital	
				RM	No. of Shares
14 May 2019	20	Subscribers' Shares	Cash	2	20
19 July 2019	20	Subdivision of Shares	-	2	40
24 September 2019	173,135,960	Shares issued in conjunction with the acquisition of Cosmos Instruments and MCI	Cash	8,656,800	173,136,000
2 March 2020	19,240,000	Shares issued in conjunction with the listing on the LEAP Market of Cosmos	Cash	13,962,515	192,376,000

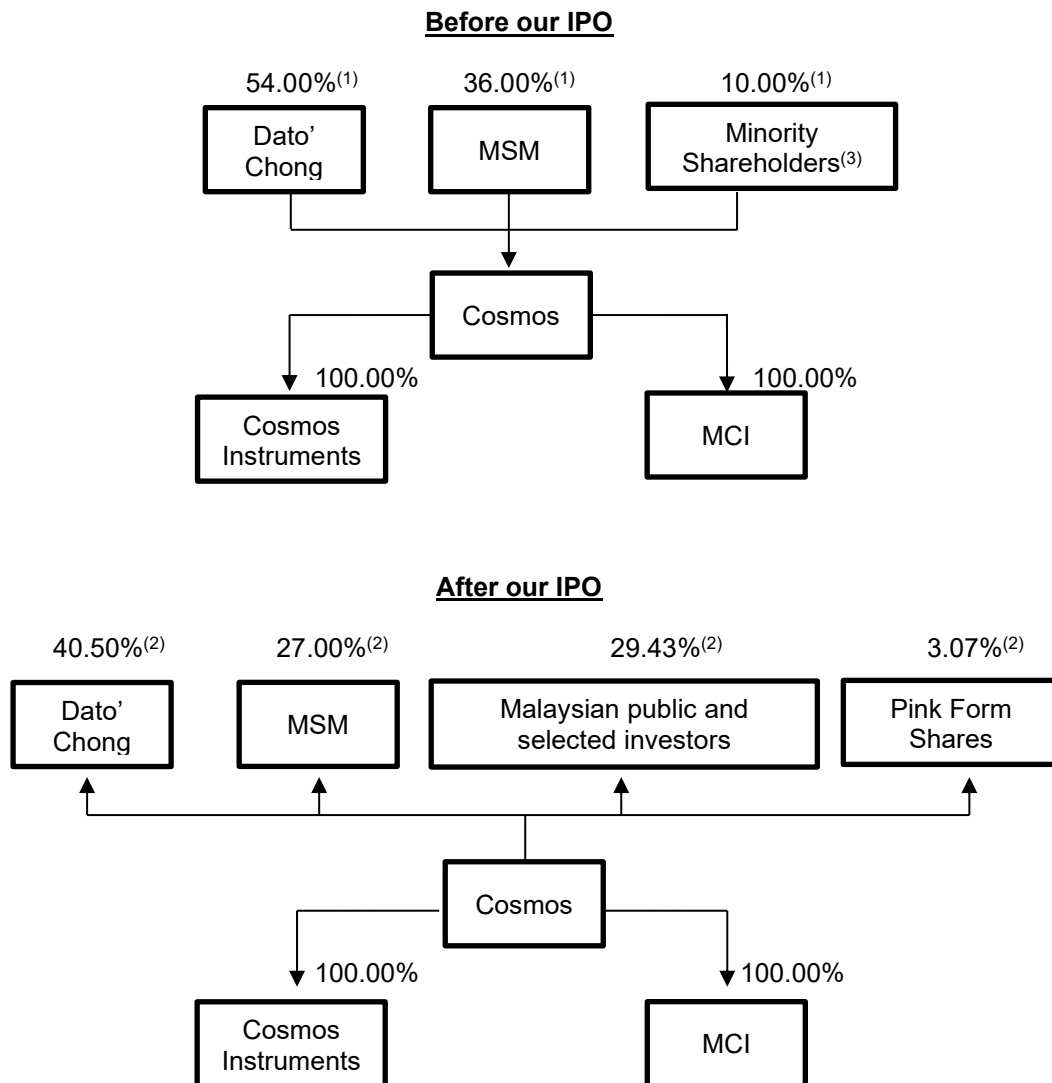
6. INFORMATION ON OUR GROUP (CONT'D)

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in our Company. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotments.

Upon our Listing, our issued share capital will increase from RM13,962,515 comprising 192,376,000 Shares to RM36,406,370 comprising 256,501,300 Shares.

6.3 OUR SHAREHOLDERS AND GROUP STRUCTURE

Our shareholders and Group structure before our IPO, and after our IPO is set out below:



Notes:

- (1) Based on the total number of 192,376,000 Shares before our IPO.
- (2) Based on the enlarged total number of 256,501,300 Shares after our IPO.
- (3) The minority shareholders before our IPO refers to the minority shareholders who invested in our Shares when our Company was listed on the LEAP Market.

6. INFORMATION ON OUR GROUP (CONT'D)

6.4 SUBSIDIARIES

Our Subsidiaries as at the LPD are as follows:

Company name and registration number	Date / Place of incorporation	Principal place of business	Principal activities	Issued share capital (RM)	Effective interest held by our Company (%)
Cosmos Instruments 200401022411 (660916-X)	27 July 2004 / Malaysia	Malaysia	Distribution of industrial automation and control instrumentation and servicing of fluid control products	400,000	100.00
MCI 201001027440 (911359-A)	11 August 2010 / Malaysia	Malaysia	Manufacturing of fabricated metal parts used in water, wastewater and oil and gas applications	1,000,000	100.00

As at the LPD, our Group does not have any jointly controlled entity or associate company.

6.4.1 Share capital and changes in share capital of Cosmos Instruments

Cosmos Instruments' share capital as at the LPD is RM400,000 comprising 400,000 ordinary shares. There were no changes to Cosmos Instruments' issued share capital for the past 3 financial years up to the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Cosmos Instruments. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

6.4.2 Share capital and changes in share capital of MCI

MCI's share capital as at the LPD is RM1,000,000 comprising 1,000,000 ordinary shares. There were no changes to MCI's issued share capital for the past 3 financial years up to the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in MCI. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

6.5 PUBLIC TAKE-OVER

Since our incorporation up to the LPD, there were no:

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by our Company in respect of shares in other companies.

7. BUSINESS OVERVIEW

7.1 HISTORY AND MILESTONES

7.1.1 HISTORY

The history of our Group began back in 2004 when Cosmos Instruments was cofounded by Dato' Chong with 2 other investors, namely, Tan Tong Huat and Siaw Poon Keong, whereby each co-founder held one subscribers' share. Cosmos Instruments was incorporated to be involved in the distribution of fluid control products which include mainly electronic flowmeters sourced from Siemens Malaysia, in particular electromagnetic and ultrasonic flowmeters, for the water and wastewater industries in Malaysia. Cosmos Instruments has only sourced and distributed fluid control products from Siemens Malaysia since it commenced operations until to-date.

In 2004, Cosmos Instruments started selling Siemens' fluid control products to our customers, who were mainly contractors for water and wastewater treatment plants. Notwithstanding the fact that Cosmos Instruments sourced and distributed fluid control products from Siemens Malaysia in 2004, Cosmos Instruments did not enter into a distributorship agreement with Siemens in 2004. In Malaysia, water supply, wastewater treatment, and other related projects are awarded by the Government to contractors with relevant licenses, such as the water supply permit from SPAN and MOF licenses. As Cosmos Instruments did not have the relevant licenses in the early years of our business operations, Cosmos Instruments would supply our fluid control products to contractors who were licensed to participate in tenders for water and wastewater projects and who were awarded water and wastewater projects from the Government, including ISET. At the time, ISET was co-owned by our founder, Dato' Chong. Since then until to-date, we have been supplying Siemens' fluid control products to ISET and other contractors via tenders.

In 2005, Cosmos Instruments expanded our business activity to include the provision of instrumentation services for our Water Customers, as value-added services to complement our distribution business. When we started in 2005, Cosmos Instruments was only offering selected instrumentation services such as calibration, testing, commissioning, and training of new electronic flowmeters for water supply and wastewater treatment plants. Our installation works were outsourced to external contractors including ISET, which had the experience and expertise. At the time, Cosmos Instruments secured its instrumentation services works directly from Water Customers.

In 2007, Cosmos Instruments was appointed as an authorised process instrumentation distributor for Siemens Malaysia Automation and Drives Group. Siemens Malaysia is the representative company for Siemens AG (Germany) in Malaysia, whereas Siemens Malaysia Automation and Drives Group and Siemens Malaysia Digital Factory are divisions within Siemens Malaysia. This appointment enabled Cosmos Instruments to participate in selected tenders from Water Customers which require distributorship of process instrumentation. After being appointed as an authorised process instrumentation distributor of Siemens Malaysia, Cosmos Instruments began to secure new water and wastewater projects through direct engagements with our Water Customers such as water operators, wastewater treatment plant operators, contractors and sub-contractors for water supply and wastewater treatment applications.

Between 2004 and 2014, Cosmos Instruments distributed and installed many electronic flowmeters in the water supply, water treatment, water distribution, wastewater treatment applications across Malaysia via projects secured directly from its Water Customers. The installation works for these projects were outsourced to external contractors including ISET. We saw a demand for replacement services for our electronic flowmeters. Therefore, in 2014, Cosmos Instruments expanded our instrumentation services to include testing and inspecting of old electronic flowmeters and replacing defective flowmeters and/or wear and tear parts to ensure our customers' water monitoring and measurement processes are operating accurately.

In 2016, Cosmos Instruments obtained the G4 licence from CIDB which permits Cosmos Instruments to carry out installation work in Malaysia. In 2017, Cosmos Instruments also obtained the Type C3 water supply permit from SPAN, which enabled us to participate in tenders for water

7. BUSINESS OVERVIEW (CONT'D)

projects in Malaysia, with contract value between RM200,000 and RM2.00 million. Arising from this, Dato' Chong formed a service team to undertake installation works for water projects by Cosmos Instruments under our instrumentation services business activity. Since obtaining the G4 licence from CIDB and the Type C3 water supply permit from SPAN, we had started to carry out installation works internally which enable our Group to reduce its reliance on external contractors and ISET. Nevertheless, Cosmos Instruments may engage services of external contractors (including ISET) for projects which may require additional manpower or other expertise to meet the deadlines and requirements set by our Water Customers. In 2018, Cosmos Instruments upgraded our water supply permit to Type C2 which enables Cosmos Instruments to operate higher value water projects not exceeding RM10.00 million in Malaysia. In 2019, Cosmos Instruments also upgraded to a G5 licence from CIDB to secure higher value installation work for water projects in Malaysia, of up to RM5.00 million in value.

Occasionally, Cosmos Instruments would receive requests from our Water Customers to assist them in sourcing and supplying of fabricated metal products such as earthing rings, pedestal panels, metal brackets and metal floor panels, for their water and wastewater treatment plants. Being a business-oriented company and to strengthen our relationship with our Water Customers, Cosmos Instruments had assisted them to source these products locally and internationally. In 2016, Cosmos Instruments sourced these fabricated metal products from MCI through MSM's marketing arm, Toyomi Engineering Sdn Bhd.

Dato' Chong recognised the advantages to be gained from the manufacturing of fabricated metal products which could complement Cosmos Instruments' existing distribution service segment. He envisaged the potential in the water and wastewater industries following the Government's efforts to improve the existing water and wastewater facilities in Malaysia. Recognising the manufacturing capabilities of MCI and its potential in the water and wastewater industries, Dato' Chong approached MSM in 2017 to pursue a working partnership with MCI to achieve a backward integration particularly in the water and wastewater industries by combining the expertise and resources from both entities. MCI was incorporated in 2010 with its principal activity being metal engineering work for oil and gas and environmental-related industries. MCI had been operating since its incorporation under MSM and was mainly servicing customers in the oil and gas industry.

On 26 March 2018, Dato' Chong entered into a conditional sale and purchase agreement with MSM to acquire 60.00% of MSM's equity interest in MCI, whilst MSM still held 40.00% equity interest in MCI. On the same day, MCI entered into a conditional sale and purchase agreement with Dato' Chong to acquire 100% equity interest of Cosmos Instruments. On 18 December 2018, Cosmos Instruments became a wholly-owned subsidiary of MCI. On 23 August 2019, Cosmos entered into a share sale agreement with MSM and Dato' Chong to acquire their respective equity interests in MCI. On the same day, Cosmos had also entered into a share sale agreement with MCI to acquire its 100% equity interest of Cosmos Instruments. On 24 September 2019, both Cosmos Instruments and MCI became the wholly-owned subsidiaries of Cosmos.

As a result of the above, our combined group comprising Cosmos Instruments and MCI enables our Group to develop and manufacture a wider range of fabricated metal products for our Water Customers while benefiting from cost savings as certain fabricated metal products can be manufactured internally by MCI. Further, it also enables MCI to mitigate its dependency on the Oil and Gas Customers and Cosmos Instruments to utilise MCI's manufacturing capability to produce fabricated metal products for our Water Customers.

In 2018, Cosmos Instruments further strengthened our business relationship and position with Siemens Malaysia as Cosmos Instruments was appointed as a Process Instrumentation Solution Partner for Siemens Malaysia Digital Factory and Process Industries and Drives Division. As the certified partner and solution partner of Siemens Malaysia, we are able to access to Siemens' complete portfolio of customised solutions, systems, and products, access to their exclusive partner portal information, to obtain their technical support and training, to increase our visibility in their media and on sales platforms, including branding, and certifications; and to undertake joint

7. BUSINESS OVERVIEW (CONT'D)

marketing efforts to develop solutions for our customers to grow our markets. Please refer to Section 7.7.1 of this Prospectus for more information.

In 2018, Cosmos Instruments also secured our first long-term contract (e.g., framework agreements) from Syarikat Bekalan Air Selangor Sdn Bhd (“**SYABAS**”)[#] to supply, deliver and troubleshoot Siemens’ electromagnetic flowmeter and spare parts for district metering zone operation and maintenance works for a period of 3 years which has been fulfilled and completed in December 2020. As at the LPD, we have 3 long-term contracts from Air Selangor (with expiry dates between December 2022 and December 2023) and a long-term contract from SAMB (with expiry date in March 2023) to supply, deliver and troubleshoot Siemens’ electromagnetic flowmeter and spare parts for district metering zone operation and maintenance works.

Note:

[#] *Following the acquisition of SYABAS by Air Selangor in April 2019, Air Selangor became the party to the Framework Agreement in place of SYABAS.*

In 2019, Cosmos Instruments expanded our product offering to include a range of telemetry products from LACROIX Sofrel to complement our distribution of fluid control products for our Water Customers. In the same year, Cosmos Instruments was appointed as the official partner of LACROIX Sofrel to sell and provide support for its range of telemetry products in Malaysia and started to distribute our first telemetry product which was the Sofrel’s dataloggers to our Water Customers. Since the appointment, Cosmos Instruments is now able to offer the integration of Sofrel’s dataloggers with our Siemens’ electronic flowmeters to our Water Customers to remotely monitor their water networks, such as water flow in their water supply and water treatment plants, water distribution and billing systems as well as monitoring of NRW.

After Cosmos Instruments obtained the MOF licence in 2019, Cosmos Instruments began to participate in tenders for Government-linked projects from Water Authorities, such as Air Selangor and SAMB, independently from ISET for the supply of fluid control products and instrumentation services. Further, on 24 June 2019, Dato’ Chong resigned from the board of directors of ISET to focus on managing the operations of our Group.

On 9 March 2020, Cosmos was listed on the LEAP Market.

In 2020 and 2021, we secured our first production orders for 2 new fabricated metal products, namely lamella plates for lamella clarifiers and metal body frames for shale shakers respectively. These new fabricated metal products are supplied for water, and oil and gas applications, respectively. The lamella plates were produced internally whereas the metal body frames for shale shakers were sub-contracted to external sub-contractors. However, we intend to acquire and install high power laser cutting machines in the New Building to produce the metal body frames for shale shakers internally after our Listing.

In 2021, Cosmos Instruments expanded our Sofrel’s range of products to include its centralised monitoring systems comprised of Sofrel’s RTUs for telemetry networks and PCWin2 centralisation software, which can help plant operators to monitor, supervise and manage their water/wastewater networks remotely and effectively from a centralised location. Since then, Cosmos Instruments have set up several centralised monitoring systems for our Water Customers’ water and wastewater treatment plants in Kedah, Selangor, Melaka and Johor.

On 10 November 2021, Cosmos was delisted from the LEAP Market pursuant to the withdrawal of its listing from the LEAP Market to facilitate our Listing.

7. BUSINESS OVERVIEW (CONT'D)

7.1.2 KEY ACHIEVEMENTS AND MILESTONES

Our Group's key achievements and milestones are listed in the table below.

Year	Key achievements and milestones
2004	<ul style="list-style-type: none"> • Cosmos Instruments was incorporated to distribute fluid control products used in the water and wastewater industries in Malaysia.
2005	<ul style="list-style-type: none"> • Cosmos Instruments expanded its service offering to include selected instrumentation services for our Water Customers.
2007	<ul style="list-style-type: none"> • Cosmos Instruments was appointed as an authorised process instrumentation distributor for Siemens Malaysia Automation and Drives Group.
2010	<ul style="list-style-type: none"> • MCI was incorporated to manufacture fabricated metal products for oil and gas application under its then holding company, MSM.
2012	<ul style="list-style-type: none"> • MCI obtained the ISO 9001:2008 certification for the recognition of its quality management system ("QMS") in the customised fabrication work of steel material for the oil and gas industry.
2016	<ul style="list-style-type: none"> • Cosmos Instruments obtained the G4 licence from CIDB.
2017	<ul style="list-style-type: none"> • Dato' Chong initiated a working partnership with MCI through MSM to achieve backward integration and combine the expertise and resources of Cosmos Instruments and MCI to service the water and wastewater industries. • Cosmos Instruments obtained the Type C3 water supply permit from SPAN.
2018	<ul style="list-style-type: none"> • MCI upgraded its ISO certification to ISO 9001:2015. • Cosmos Instruments obtained the ISO 9001:2015 certification. • Cosmos Instruments was appointed as a process instrumentation Solution Partner for Siemens Malaysia Digital Factory and Process Industries and Drives Division. • Cosmos Instruments upgraded to Type C2 water supply permit from SPAN.
2019	<ul style="list-style-type: none"> • Cosmos Instruments was appointed as the official partner for LACROIX Sofrel to sell and provide support for its range of products in Malaysia, starting with the distribution of Sofrel's dataloggers. • Cosmos Instruments was granted the G5 CIDB licence. • Cosmos Instruments obtained the MOF licence from MOF.
2020	<ul style="list-style-type: none"> • Cosmos was listed on the LEAP Market. • MCI received our first order to produce and supply the lamella plates for lamella clarifiers for our Water Customers.
2021	<ul style="list-style-type: none"> • MCI received our first order to produce and supply metal body frames for shale shakers for our Oil and Gas Customers. • Cosmos Instruments expanded our range of Sofrel's products to include centralised monitoring systems for our Water Customers. These centralised monitoring systems enable our Water Customers to monitor, supervise, and manage their water and wastewater networks in their water and wastewater treatment plants. • Cosmos was delisted from the LEAP Market to facilitate our Listing.

7. BUSINESS OVERVIEW (CONT'D)

7.1.3 AWARDS

Our Group's awards are listed in the table below:

Awarded to	Awards	Awarded by
Cosmos Instruments	<ul style="list-style-type: none"> • Outstanding Achievement Award (2008) • Top Performance Award (2009, 2010, 2011, 2013, 2015, and 2016) • Million Club Award (2011, 2013, 2015, 2016, 2017, and 2018) • ASEAN Performance Excellence Award (2016, 2017, 2018, 2019, 2020 and 2021) • Achievers Award (2019, 2020 and 2021) 	Siemens Malaysia
Cosmos Instruments	<ul style="list-style-type: none"> • ASEAN Partners Excellence Award 2016 	Siemens Pte Ltd
Cosmos Instruments	<ul style="list-style-type: none"> • Top Sales Performer Award 2014 	Siemens Malaysia with approved partner, Sensors

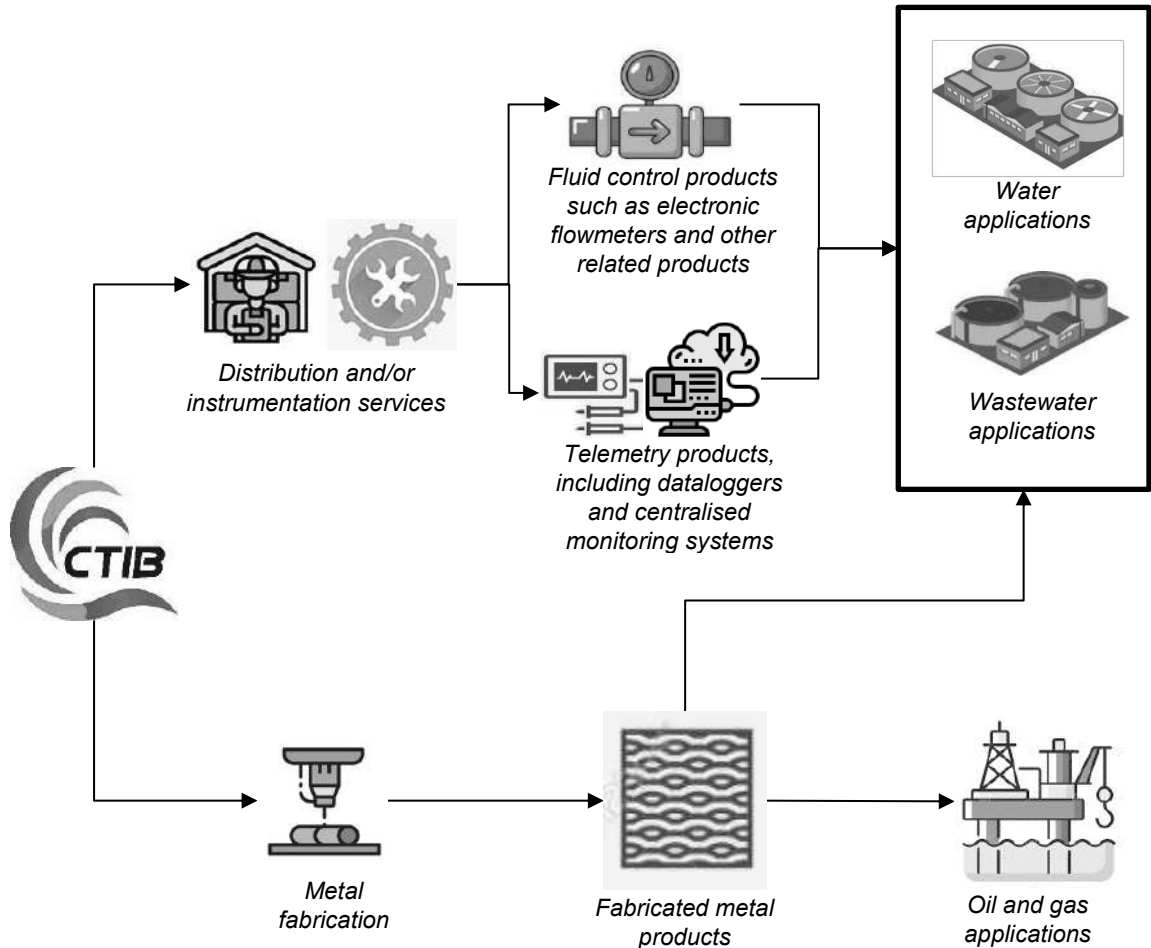
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7. BUSINESS OVERVIEW (CONT'D)

7.2 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS

7.2.1 BUSINESS MODEL

Our Group's business model is illustrated below:



Our Group's principal activities are segmented into the following:

- A. **Distribution and instrumentation services of fluid control and telemetry products** such as Siemens' electronic flowmeters and related products, Sofrel's dataloggers and centralised monitoring systems used in the water and wastewater applications; and
- B. **Manufacturing of fabricated metal products** used in mainly water, wastewater, and oil and gas applications.

7. BUSINESS OVERVIEW (CONT'D)

A. Distribution and instrumentation services of fluid control and telemetry products

Cosmos Instruments specialises in the distribution and instrumentation services of fluid control and telemetry products such as Siemens' electronic flowmeters and related products, Sofrel's dataloggers and centralised monitoring systems for our Water Customers in the Malaysian market. Our distribution and instrumentation services activities contributed 25.81%, 41.59%, 53.42% and 38.80% of our Group's total revenue for the FYE Under Review, respectively.

Our instrumentation services include, but are not limited to, consultation and advice, design and integration of telemetry systems, installation and commissioning of instruments, calibration and testing of instruments, maintenance, training, and after sales services for our fluid control and telemetry systems and equipment as detailed below:

- **Consultation and advice** - Cosmos Instruments provides consultation and advice to our Water Customers on their fluid control and telemetry needs and requirements using Siemens Malaysia and LACROIX Sofrel's fluid control and telemetry products, respectively. Our technical team is able to identify the issues faced in our customers' existing plants, evaluate the situation and provide recommendations to improve their fluid control efficiency and effectiveness.
- **Design and integrate of telemetry solutions** – Cosmos Instruments provides design and integration of telemetry solutions for our Water Customers to improve their water and/or wastewater networks efficiency. Currently, we offer Sofrel's telemetry products (e.g., dataloggers and centralised monitoring systems), which utilises SCADA system to collect water/wastewater information and transmit them remotely to a centralised control centre. Our technical team is able to plan and recommend, design and integrate suitable telemetry solutions for Water Customers to effectively monitor and manage their water/wastewater networks for their treatment plants operations. By integrating our telemetry products (e.g., dataloggers and related accessories) with our fluid control products (e.g., electronic flowmeters and other related products), we can seamlessly and remotely transmit data through wireless networks including GSM communication, GPRS, 3rd Generation Communication (“3G”), and 4th Generation Communication (“4G”) connections.
- **Installation and commissioning of instruments** - Cosmos Instruments provides complete installation of fluid control and telemetry products at our customers' sites. Our technicians are trained by Siemens Malaysia and LACROIX Sofrel and have the competency to carry out and complete the jobs.
- **Calibration and testing of instruments** - Cosmos Instruments provides calibration of Siemens Malaysia and LACROIX Sofrel's fluid control and telemetry products to achieve the required measurements, data communication, and data centralisation according to the device technical standards.
- **Maintenance of our instruments** - Cosmos Instruments provides scheduled preventive maintenance to minimise equipment breakdown at our Water Customers' sites. Our maintenance services include the replacement of broken or faulty products that are distributed by us.
- **Training** - Cosmos Instruments also offers training seminars to our customers and educate them on how to use, operate, check and inspect our fluid control and telemetry products that are installed at their sites.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, Cosmos Instruments has been appointed by Siemens Malaysia and LACROIX Sofrel for the following:

No.	Particulars of appointment	Principal	Year obtained
1.	Authorised process instrumentation distributor for Siemens Malaysia Automation and Drives Group ⁽¹⁾	Siemens Malaysia	2007
2.	Process instrumentation Solution Partner for Siemens Malaysia Digital Factory and Process Industries and Drives Division ⁽¹⁾	Siemens Malaysia	2018
3.	Official partner for LACROIX Sofrel to sell and provide support for its range of products in Malaysia ⁽²⁾	LACROIX Sofrel	2019
4.	Channel Partner Agreement with LACROIX Sofrel to distribute the products pertaining to the business of LACROIX Sofrel in Malaysia ⁽³⁾	LACROIX Sofrel	2022

Notes:

- (1) *In 2007, Cosmos Instruments was appointed as an authorised process instrumentation distributor for Siemens Malaysia Automation and Drives Group which is a division within Siemens Malaysia. For information purpose, Siemens Malaysia is the representative company for Siemens AG (Germany) in Malaysia, whereas Siemens Malaysia Automation and Drives Group and Siemens Malaysia Digital Factory are divisions within Siemens Malaysia. Subsequently in 2018, Cosmos Instruments was appointed as the Solution Partner of Siemens Malaysia, pursuant to a solution partner contract signed with Siemens Malaysia which was most recently renewed in 2022.*

The Solution Partner Contract between Cosmos Instruments and Siemens Malaysia is in relation to the participation of Cosmos in the Solution Partner Program with regards to, amongst others, sale and marketing of Siemens' products, systems, applications and software. Cosmos Instruments as the partner of Siemens Malaysia may enjoy the marketing support provided by Siemens Malaysia. Furthermore, Cosmos Instruments will be published as a Solution Partner in Siemens (AG) Germany's website, which enables foreign clients who wish to engage in process instrumentation services in Malaysia to contact Cosmos Instruments.

The abovementioned appointments of Cosmos Instruments are not exclusive.

The Solution Partner Contract does not have any restriction for Cosmos Instruments to sell competing products in Malaysia. Nonetheless, Cosmos Instruments will only distribute fluid control products from Siemens Malaysia to our Water Customers due to factors as set out in Section 7.7.1 of this Prospectus.

- (2) *Cosmos Instruments' support activities include installation, calibration, testing and commissioning of the telemetry products on site, as well as product training for customers. Please refer to Section 7.2.1(A) of this Prospectus for the list of telemetry products under Sofrel's range of products.*
- (3) *The Channel Partner Agreement sets out the terms and conditions, and commitments which Cosmos Instruments must comply and achieve in order to maintain its status as LACROIX Sofrel's distributor. In exchange, LACROIX Sofrel will allow Cosmos Instruments access to its full range of products, obtain technical support and training, and receive marketing support to grow our business for Sofrel's products in Malaysia. The Channel Partner Agreement has also imposed a restriction for Cosmos Instruments to sell competing products in Malaysia.*

7. BUSINESS OVERVIEW (CONT'D)

Fluid control and telemetry products

The fluid control and telemetry products distributed by Cosmos Instruments consist of the following:

(a) Electronic flowmeters

At present, there are various types of flowmeters available in the market. Cosmos Instruments focuses on the distribution of electronic flowmeters. Electronic flowmeters are widely used in the industrial and commercial sectors to monitor water distribution, water usage and managing NRW, as it provides accurate measurement of flow rate. Since inception, we have been sourcing our fluid control products from Siemens Malaysia and redistribute them to our Water Customers.

As at the LPD, Cosmos Instruments distributes 2 key electronic flowmeters, namely the electromagnetic flowmeter and the ultrasonic flowmeter.

A complete electronic flowmeter system consists of a primary device (i.e., electromagnetic flowmeter or ultrasonic flowmeter) plus a level transducer and a pressure transmitter as detailed below:

(i) Electromagnetic flowmeters

The electromagnetic flowmeters provide high-precision volume measurement for electrically conductive fluids such as water. Our Siemens Malaysia's electromagnetic flowmeters can provide accurate measurement of $\pm 0.2\%$ of the flow rate.

The electromagnetic flowmeter creates a magnetic field across a section of water pipe. As the water flows through the magnetic field, conductive particles in the water create changes in voltage across the magnetic field. This variation can be measured and is used to calculate the velocity of water flow.

During installation, water flow must be stopped to allow the water pipe to be cut so that the electromagnetic flowmeter is then installed at the joint where the pipe is cut.

(ii) Ultrasonic flowmeters

Ultrasonic flowmeters use sound waves to determine the speed of a fluid flowing in a pipe. Based on the speed, the ultrasonic flowmeter will be able to calculate the quantity of water flowing through the pipe. The ultrasonic flowmeter is easy to install as it uses clamp-on installation technique which does not require pipe cutting and stopping water flow during installation.

(iii) Level transducers

Level transducers use ultrasonic technology to measure flow level in contained spaces such as chemical storage and liquid tanks.

(iv) Pressure transmitters

Pressure transmitter is an industrial pressure measuring instrument that measures the pressure in fluids. Pressure transmitters are used in any fluid applications which require accurate electronic measurement of pressure.

7. BUSINESS OVERVIEW (CONT'D)

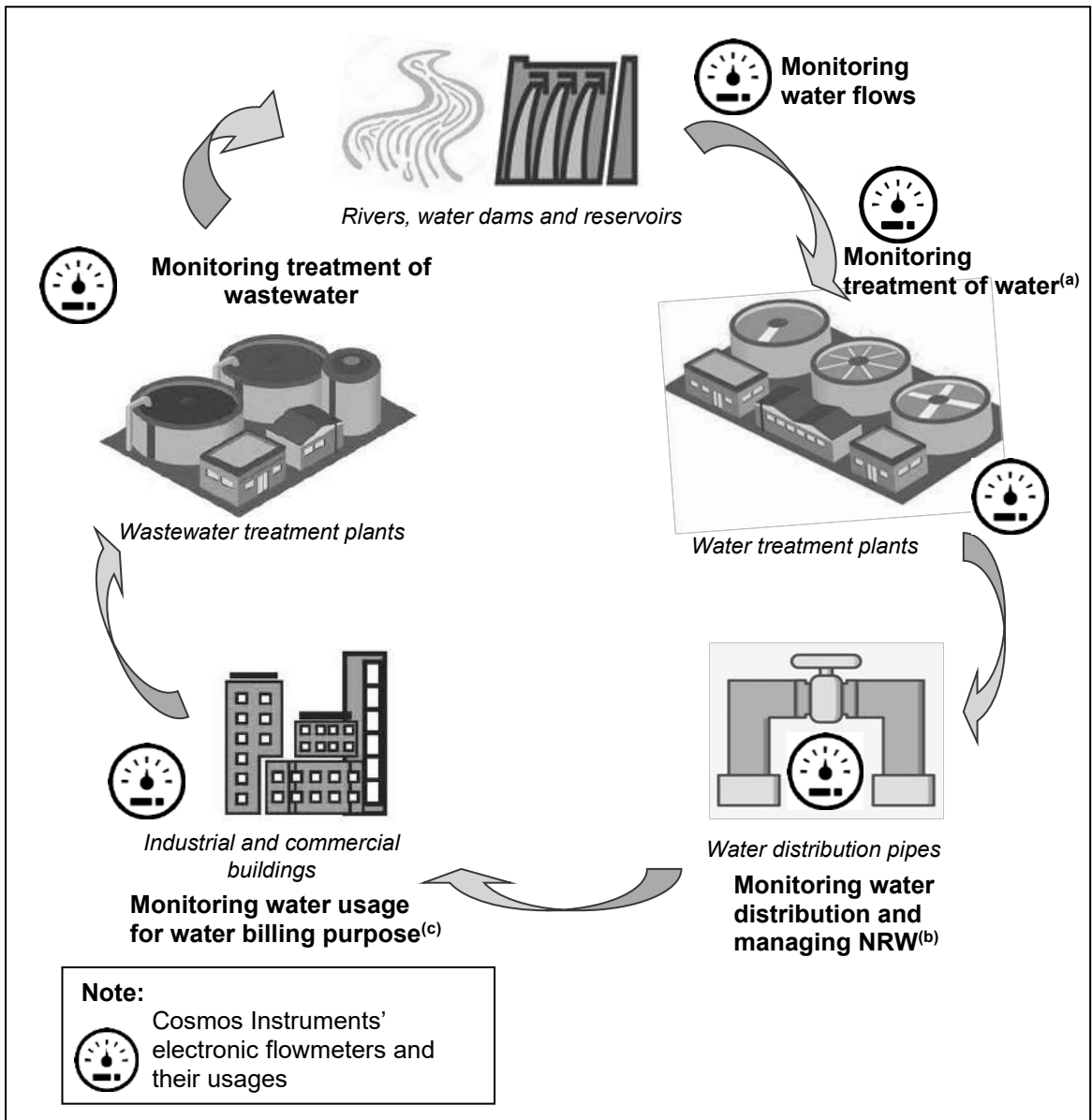
The fluid control products distributed by Cosmos Instruments are employed in 4 key areas of the water industry, namely:

- monitoring the treatment of water-by-water treatment plants and wastewater by wastewater treatment plants;
- monitoring of water distribution;
- water billing/usage; and
- managing NRW.

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7. BUSINESS OVERVIEW (CONT'D)

This is depicted in the diagram below:



Notes:

- (a) **Monitoring the treatment of water and wastewater for industrial and commercial purposes**

Flowmeters are installed at the inflow pipes to measure the amount of raw water flow from the rivers, reservoirs and water dams to the water treatment plant. Flowmeters are also installed at water pipes in the water and wastewater treatment plants to measure the amount of water treated, water produced as well as water outflow from the water and wastewater treatment plants to the main water pipes and rivers respectively.

7. BUSINESS OVERVIEW (CONT'D)

(b) **Monitoring water distribution and managing NRW**

Flowmeters are installed across the water distribution pipes to measure any water loss when water is flowing through them.

NRW is the amount of water that has been treated by a water supply company but does not generate revenue because of losses during the distribution process to the end-customers.

Such water loss includes:

- (i) **real losses** – which include leakage on transmission and/or distribution mains, leakage and overflows at utility's storage tanks, leakage on service connections up to customers' meters; and
- (ii) **apparent losses** – which include water thefts and metering inaccuracies.

NRW is measured in percentages as an indicator of the efficiency of a water distribution network.

(c) **Monitoring water usage for water billing purpose**

Our flowmeters are installed at industrial and commercial buildings to record water usage and for water billing purposes.

Water authorities and water operators install and use our flowmeters to record the amount of water being distributed to end-users, such as commercial and industrial sectors for water billing purposes. Employing electronic flowmeters, as opposed to mechanical flowmeters provides more reliable, improved and precise readings in commercial and industrial applications, which will in turn improve billing accuracy.

By adopting the use of electronic flowmeters, our Water Customers can effectively measure and monitor the water distribution in the water network to reduce NRW. As more of our Water Customers began to realise the efficiency and accuracy of using electronic flowmeters, we have experienced the growth in the demand for our electronic flowmeters. Our Water Customers began to replace their old mechanical flowmeters with electronic flowmeters to measure and monitor fluids in areas, such as:

- (a) **District metering zone** – measuring the amount of water distributed and monitoring of water leakage in specific zoning areas;
- (b) **Production meter** – measuring the amount of potable water/drinking water generated from the water treatment plants; and
- (c) **Consumer billing meter** – measuring the amount of water consumed by the end-users for billing purpose.

(b) **Telemetry Products**

Cosmos Instruments is the official partner for LACROIX Sofrel to market and distribute its range of telemetry products, including Sofrel's dataloggers and centralised monitoring systems to our Water Customers. Cosmos Instruments started distributing Sofrel's dataloggers and centralised monitoring systems to our Water Customers in 2020 and 2021, respectively. Sales of Sofrel's products accounted for 0.69%, 2.15% and 2.65% of our Group's total revenues for FYE 2020, FYE 2021 and FYE 2022, respectively.

On 17 January 2022, Cosmos Instruments has entered into a Channel Partner Agreement with LACROIX Sofrel to distribute the products pertaining to the business of LACROIX Sofrel in Malaysia pursuant to the Channel Partner Agreement. The Channel Partner Agreement sets out the terms and conditions, and commitments which Cosmos Instruments has to comply and achieve in order to maintain as LACROIX Sofrel's distributor. In

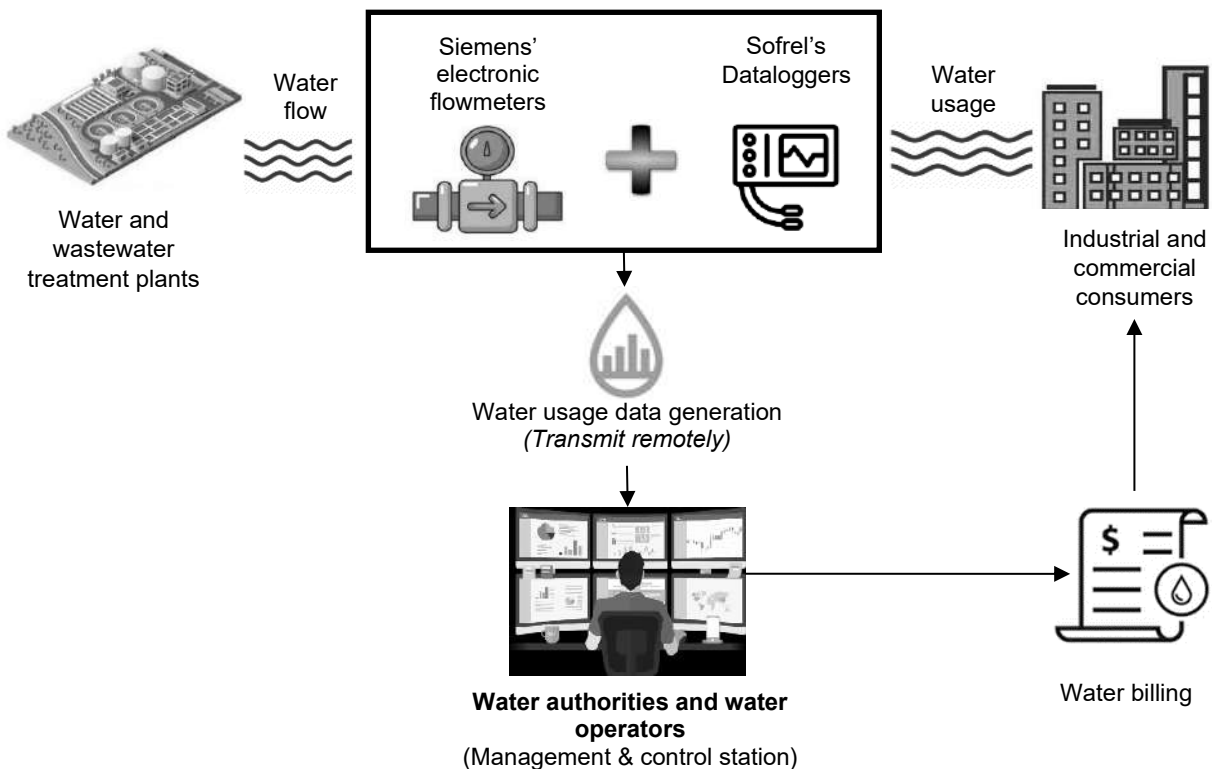
7. BUSINESS OVERVIEW (CONT'D)

exchange, LACROIX Sofrel will allow Cosmos Instruments to access to its full range of products, obtain technical supports and training, and receive marketing support to grow our business for Sofrel's products in Malaysia.

(i) Dataloggers

Sofrel's datalogger is an electronic device that records and stores data generated from the electronic flowmeters and transmits the recorded data to receiving equipment for monitoring purposes. Our Sofrel's dataloggers can be integrated with third-parties electronic flowmeter to monitor water usage remotely at the water treatment plants, industrial and commercial water applications. The integration between Sofrel's dataloggers and Siemens' electronic flowmeters is to complement and improve the effectiveness of our electronic flowmeters measurement and generate real-time data communication.

Sofrel's dataloggers have auto meter reading and data acquisition capabilities, telemetric and SCADA monitoring system to record water data generated from the electronic flowmeters without the need to be physically present and transmit the water data back to the central monitoring stations. Water authorities and water operators using our datalogging systems with electronic flowmeters can study progress patterns, analyse optimisation rates, and check for any problems that might arise from the system and perform troubleshooting procedures immediately.



(ii) Centralised monitoring system

Sofrel's centralised monitoring system uses Sofrel's telemetry and SCADA solutions, comprising technological hardware (e.g., RTUs for telemetry networks) and software (e.g., PCWin2 centralisation software) to automate, operate, manage and monitor the performance and efficiency of the water and wastewater treatment plants' instrumentation and equipment.

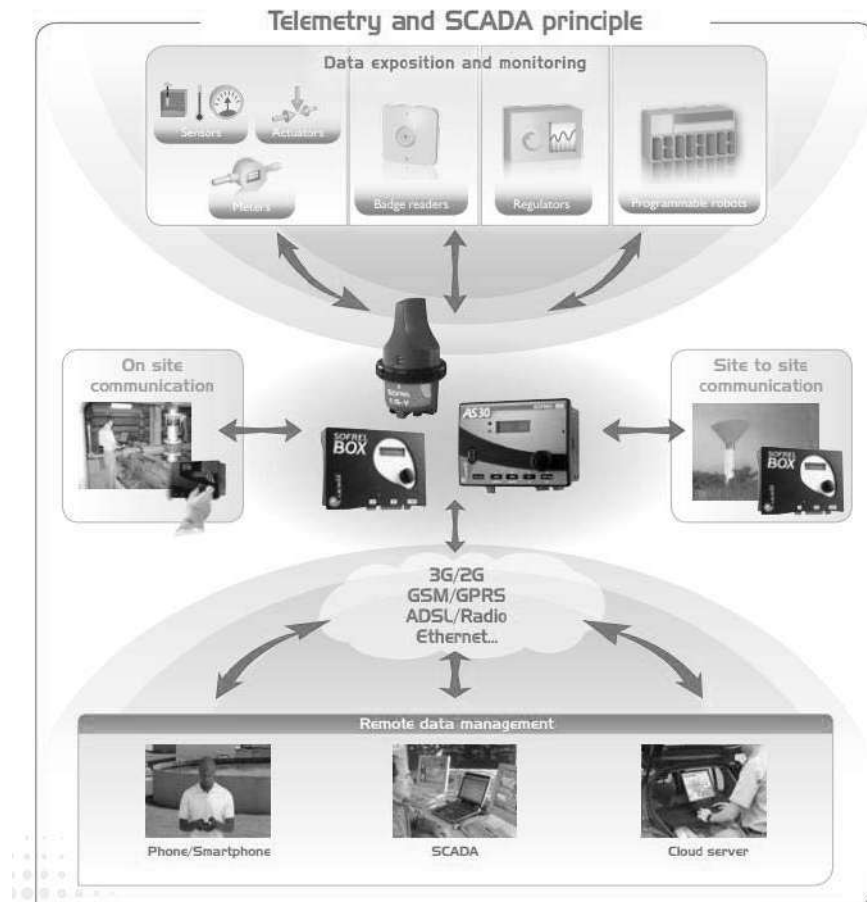
7. BUSINESS OVERVIEW (CONT'D)

The primary objectives of these centralised monitoring systems are to help our Water Customers to:

- monitor and enhance water and wastewater treatment plant operation efficiency;
- better measure the efficiency of water pump motor;
- improve the measurement of performance of water pipes and monitoring water leakages; and
- reduce electricity costs.




Cosmos Instruments has an experienced technical team who are competent to design, develop, integrate and implement suitable telemetry solutions for Water Customers to effectively monitor and supervise their entire chain of water and wastewater networks.

A sample of our centralised monitoring system can be illustrated in the diagrams below:





7. BUSINESS OVERVIEW (CONT'D)




The details of the electronic flowmeters system and dataloggers distributed by our Group are shown below:

Product category	Type of product and image	Product description	Application
Electronic flowmeters			
<p>(i) Electromagnetic flowmeters</p>	<p>Electric-powered electromagnetic flowmeter</p>  <p>Flow transmitter</p>  <p><i>(Wall-mounted unit)</i></p>  <p><i>(Standard unit)</i></p>	<p>Our electromagnetic flowmeters can be segregated into 2 main types, namely electric-powered and battery-powered electromagnetic flowmeters.</p> <p><u>Electric-powered electromagnetic flowmeter</u></p> <p>The electric-powered electromagnetic flowmeter uses electromagnetic sensor which must be connected to a power supply. This electromagnetic flowmeter uses electromagnetic induction to determine the fluid flow inside the pipes. As fluids flow through the electromagnetic field, it induces voltage.</p> <p>Hence, it measures the velocity of conductive fluids in the pipe such as water, chemical, acid, waste and slurry. Electromagnetic flowmeters are commonly used in water and wastewater, food and beverage, and power plant industries.</p> <p>In water and wastewater applications, the electromagnetic flowmeters are installed, amongst others at raw water inflow, treated water flow and distribution flow as depicted by the diagram in <i>Section 7.2.1 of this Prospectus</i>.</p> <p>Our electric-powered electromagnetic flowmeter comes in a variety of sizes ranging between 1 inch and 78 inches.</p> <p><u>Flow transmitter</u></p> <p>Our electromagnetic sensors must be paired with transmitters. The function of a transmitter is to convert the sensor voltage generated from the electromagnetic sensor into flow readings.</p>	<ul style="list-style-type: none"> • Rivers, water dams, reservoirs, water treatment plants, water distribution pipes, industrial and commercial buildings


7. BUSINESS OVERVIEW (CONT'D)

Product category	Type of product and image	Product description	Application
<p>(i) Electromagnetic flowmeters (cont'd)</p>	<p>Battery-powered electromagnetic flowmeter</p> 	<p>A battery-powered electromagnetic flowmeter is similar to an electric-powered flowmeter, with an additional advantage that gives customers the flexibility to install the flowmeter at remote areas where power supply is not available. Depending on the selection of battery, these battery-powered electromagnetic flowmeters have a long battery life of 6 to 10 years.</p> <p>Battery-powered flowmeters are widely used for monitoring of NRW and water billing applications in the water industry.</p> <p>Our electromagnetic flowmeter comes in variety of sizes between 1 inch and 48 inches.</p>	<ul style="list-style-type: none"> • Rivers, water dams, reservoirs, water treatment plants, water distribution pipes, industrial and commercial buildings
<p>(ii) Ultrasonic flowmeters</p>	<p>Inline ultrasonic flowmeter</p> 	<p>Ultrasonic flow measurement offers an advantage over other flow technologies as it can be carried out from outside of the pipe. We distribute 3 types of ultrasonic flowmeters:</p> <ul style="list-style-type: none"> • Inline ultrasonic flow measurement; • Clamp-on ultrasonic flow measurement; and • Open-channel flow measurement. <p><u>Inline ultrasonic flowmeter</u></p> <p>An inline ultrasonic flowmeter consists of a sensor and transmitter. It is designed to measure the flow velocity of liquid using ultrasound to calculate volume flow in the pipes.</p> <p>The ultrasonic flowmeter is mainly used in water and wastewater industries, especially for bigger pipe sizes above 40 inches in diameter as it is more cost effective as compared to using electromagnetic flowmeter for our Water Customers.</p> <p>We distribute inline ultrasonic flowmeter in variety of sizes between 4 and 120 inches.</p>	<ul style="list-style-type: none"> • Rivers, water dams, reservoirs, water treatment plants, water distribution pipes, industrial and commercial buildings




7. BUSINESS OVERVIEW (CONT'D)

Product category	Type of product and image	Product description	Application
	<p data-bbox="593 359 1030 383">Digital clamp-on ultrasonic flowmeter</p>   <p data-bbox="593 885 907 909">Ultrasonic level transmitter</p> 	<p data-bbox="1126 331 1556 355"><u>Digital clamp-on ultrasonic flowmeter</u></p> <p data-bbox="1126 387 1756 550">Our clamp-on ultrasonic flowmeter offers reliable flow measurement at a much lower cost than inline ultrasonic flowmeters. The ultrasonic flowmeter is strapped or clamped onto the outer part of pipe without the need to cut into the pipe or to shut down the process, thus saving time and money for our Water Customers.</p> <p data-bbox="1126 582 1756 715">This makes them suitable for fast installations, or for situations where cutting into a pipe is impractical. The clamp-on ultrasonic flowmeter can be left in place for fixed installations or portable for moving around to different measurement points.</p> <p data-bbox="1126 885 1438 909"><u>Ultrasonic level transmitter</u></p> <p data-bbox="1126 941 1756 1050">The ultrasonic level transmitter is used to measure liquid flow in open channels. The ultrasonic level transmitter provides continuous monitoring of wet wells, flumes, and weirs to provide reliable level-to-flow measurement.</p> <p data-bbox="1126 1082 1756 1190">The ultrasonic level transmitter is a cost-effective, compact, intelligent level solution for liquid chemical inventory, monitoring small process vessels, and level measurement in the environmental industry.</p>	

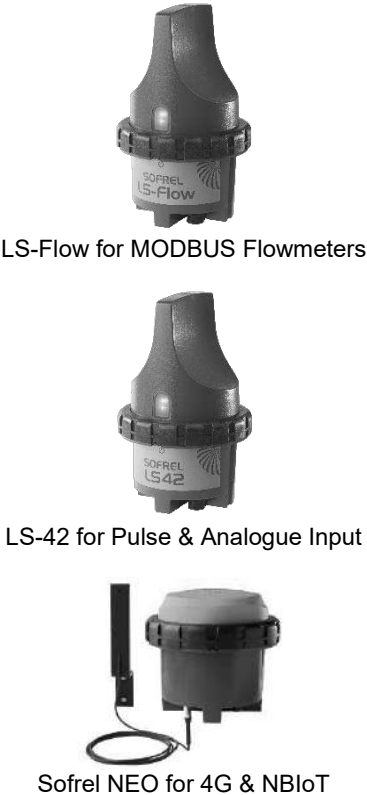
7. BUSINESS OVERVIEW (CONT'D)

Product category	Type of product and image	Product description	Application
(iii) Level transducers	<p data-bbox="595 331 730 352">Transducer</p> 	<p data-bbox="1128 331 1751 464">A transducer is a level measurement sensor which uses ultrasonic technology to measure the level in a wide range of liquids and solids. It measures levels within a specified range and determines the exact amount of substance in a certain place.</p> <p data-bbox="1128 499 1751 603">During operations, the transducer emits acoustic pulses in a narrow beam. The level monitor measures the transmission time between pulse emission and its echo to calculate the distance.</p> <p data-bbox="1128 638 1751 826">The enclosures of the transducers are designed for maximum resistance to methane, saltwater, caustics and harsh chemicals common in wastewater installations. With a waterproofing protection, this rugged sensor is fully submersible in the event of flood conditions. A submergence shield will maintain a high-level reading output during submerged conditions.</p>	<ul data-bbox="1778 331 2069 496" style="list-style-type: none"> • Rivers, water dams, reservoirs, water treatment plants, water distribution pipes, industrial and commercial buildings




7. BUSINESS OVERVIEW (CONT'D)

Product category	Type of product and image	Product description	Application
<p>(iv) Pressure transmitters</p>	<p>Digital pressure transmitter</p>  <p><i>(Transmitter for general requirement)</i></p>  <p><i>(Transmitter for applications with advanced requirements)</i></p> <p>Submersible sensor transmitter</p>  <p><i>(Single-range transmitter for applications with advanced requirements)</i></p>	<p>We supply 2 types of pressure transmitters, namely digital pressure transmitter and submersible sensor transmitter.</p> <p>Digital pressure transmitters are used for measuring gauge pressure, absolute pressure, differential pressure, level, volume level, mass level, volume flow and mass flow. They are commonly used in industrial applications, particularly water and wastewater applications. The transmitters are installed in water and wastewater treatment plants in the areas of chemical tanks, pressure vessels, filter bed, etc.</p> <p>The submersible sensor transmitter is for hydrostatic level measurement. The pressure transmitter measures the liquid levels in tanks, containers, channels and dams. This transmitter is commonly used in shipbuilding, water and wastewater supply, and for use in unpressurised/open vessels and wells.</p>	<ul style="list-style-type: none"> Rivers, water dams, reservoirs, water treatment plants, water distribution pipes, industrial and commercial buildings



7. BUSINESS OVERVIEW (CONT'D)

Product category	Type of product and image	Product description	Application
Telemetry products			
(i) Dataloggers	 <p>LS-Flow for MODBUS Flowmeters</p> <p>LS-42 for Pulse & Analogue Input</p> <p>Sofrel NEO for 4G & NBIoT</p>	<p>LACROIX Sofrel's datalogger is an electronic device that records, stores and transmits data from electromagnetic flowmeters & other devices such as level and pressure sensors. It is integrated to provide periodical readings from flowmeters and transmits to a centralised station (e.g., Sofrel PCWin2) via GPRS, 3G and 4G networks.</p> <p>All data generated from Sofrel's datalogger are archived to the centralised station for further analysis and water management, which includes data obtained from the electronic flowmeter such as total water consumption, flow rate and flowmeter working status. The reliability of dataloggers is crucial for water authorities to monitor water consumption, managing NRW and for billing purposes.</p> <p>Besides connecting to the electronic flowmeters, Sofrel's datalogger can also be implemented for reservoir level monitoring, pipe pressure and chlorine level monitoring.</p>	<ul style="list-style-type: none"> Rivers, water dams, reservoirs, water treatment plants, water distribution pipes, industrial and commercial buildings

7. BUSINESS OVERVIEW (CONT'D)

Product category	Type of product and image	Product description	Application
	 <p>SOFREL ChloRIN Logger & Chlorine analyser</p>		
<p>(ii) Modular telemetry and SCADA remote terminal units for remote control and management</p>	<p><u>Telemetry & Centralisation</u></p>  <p>AS Series Modular Remote Terminal Units for SCADA centralisation & management</p>  <p>PCWin2 Centralisation Software</p>	<p>LACROIX Sofrel's telemetry and centralisation system includes AS series RTU, PCWin2 & Sofrel YDRIX RTU. RTUs are being utilised in process control, data archiving, data transmission and remote control / access in water and/or wastewater treatment plants.</p> <p>Sofrel's RTU are able to form networks between stations using 2nd Generation Communication/3G communication, Ethernet LAN and Modbus, which is convenient for monitoring multiple stations in a treatment plant or transmit data from remote reservoirs far away.</p> <p>All RTU data is archived to a centralised station (Sofrel's PCWin2 Centralisation Software) that can be accessed locally on the server desktop or through internet by smart phones. PCwin2 Centralisation Software allows more flexible data/status access of the treatment plant system. Administrators can assign specific login ID for operators to limit access by hierarchy thus offering better security.</p> <p>The modular telemetry and SCADA remote terminal units offer an industrial solution combining performance, ease of implementation and usability for all monitoring, process control and remote management applications used on technical installations of water and wastewater treatment networks, boiler rooms and air-conditioning</p>	<ul style="list-style-type: none"> Rivers, water dams, reservoirs, water treatment plants, water distribution pipes, industrial and commercial buildings

7. BUSINESS OVERVIEW (CONT'D)

Product category	Type of product and image	Product description	Application
	 <p data-bbox="607 608 1093 687">Sofrel YDRIX Smart Remote Terminal Unit for telemetry and process control of water networks</p>	<p data-bbox="1128 331 1751 384">installations, industrial and commercial refrigeration units, utilities in industry, and more.</p> <p data-bbox="1128 411 1751 520">The modular telemetry and SCADA remote terminal units also provide amongst others, remote alarming, telemetry, remote counting, telecontrol, archives, reports, process control and network communication.</p> <p data-bbox="1128 547 1751 627">It also safeguards and automates isolated or dispersed technical sites, and offers users shorter response times while cutting operating and running costs.</p> <p data-bbox="1128 654 1751 791">Managing a telemetry network involves centralisation of all information from the sites. The SCADA central station thus serves as a gateway between the devices spread across the terrain and the operator responsible for analysing and running the network.</p>	
(iii) Sensors and accessories	 <p data-bbox="712 1174 981 1198">Sensors and accessories</p>	<p data-bbox="1128 831 1751 884">We also sell various sensors for LACROIX Sofrel. It has different sensors which are used for different applications.</p> <p data-bbox="1128 911 1751 1161">Level and pressure sensors for drinking water networks - This ACS-certified sensor measures the water level in reservoirs, tanks and drill holes. It determines the water level by measuring the difference in pressure between the surface of the liquid and the bottom of the reservoir in which it is submerged. It also measures the pressure on hydraulic or pneumatic pipes. It connects to a standard thread and delivers a signal proportionate to the pressure in the pipe.</p> <p data-bbox="1128 1189 1751 1355">Level and pressure sensors for wastewater treatment networks – This sensor detects overflows in sewer overflows either downstream of the overflow, on the bottom of the pipe, or upstream of the overflow, at the weir. Its reliable detection delivers accurate readings when it is covered by effluents.</p>	<ul data-bbox="1778 831 2065 997" style="list-style-type: none"> • Rivers, water dams, reservoirs, water treatment plants, water distribution pipes, industrial and commercial buildings

7. BUSINESS OVERVIEW (CONT'D)

B. Manufacturing of fabricated metal products

MCI specialises in the manufacturing of fabricated metal products. Our manufacturing activity contributed 74.19%, 58.41%, 46.58% and 61.20% of our Group's total revenues for the FYE Under Review, respectively.

MCI possesses the technical knowledge, experience and capabilities in metal fabrication to produce quality fabricated metal products. Our manufacturing facility is equipped with high precision manufacturing technologies, including robotic welding machines to carry out our manufacturing and fabrication processes. We are capable of customising fabricated metal products according to our customers' application needs.

As at the LPD, MCI fabricates metal products for various industries such as water, wastewater, and oil and gas, of which majority of our manufactured products are produced for the oil and gas industry (which accounted for 72.99%, 57.91%, 35.70% and 57.66% of our Group's total revenues for the FYE Under Review).

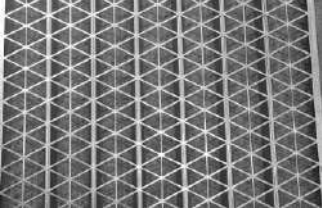




For the FYE Under Review, our key fabricated metal product was the metal frame for shaker filters. In FYE 2021, we secured our first order for the metal body frame for shale shakers. The metal frame for shaker filters and metal body frame for shale shakers are inter-related, whereby the shaker filter is a filtration component used in a shale shaker.

Apart from our metal frame for shaker filters and metal body frame for shale shakers, MCI also produces other metal products such as wall mount, pedestal panels, metal enclosures, stainless-steel earthing rings, mild steel and stainless-steel brackets, and lamella plate used in water and wastewater applications. MCI commenced the manufacturing of metal products used in water and wastewater applications in August 2019. These products have extended our market presence, and also as part of our strategy to reduce our dependency on the oil and gas industry.

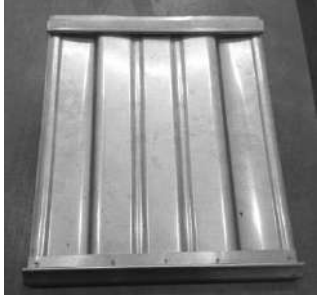
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7. BUSINESS OVERVIEW (CONT'D)

The details of the fabricated metal products manufactured by MCI are as follows:

Type of products	Product description	Application
<p>Metal frames for shaker filters</p> 	<p>The metal frames MCI produces will be sent to our customers to be attached to a metal screen to form a complete shaker filter.</p> <p>A shaker filter is a component of a shale shaker that is used as part of the drilling rig equipment to filter rock cuttings during drilling operations in oil and gas explorations and field developments.</p>	<p>Oil and gas industry</p>
<p>Metal body frame for shale shakers</p> 	<p>A shale shaker is a piece of drilling rig equipment that are used to remove cuttings from circulating fluids in rotary drilling operations.</p> <p>This product is also produced for our existing customers who are using our metal frames for our shaker filters.</p>	<p>Oil and gas industry</p>
<p>Wall mount, pedestal panels and metal enclosures</p> 	<p>The metal enclosures are wall mounted and/or standalone container used mainly to house switches, sockets and cabling. The metal enclosures are designed to house electrical, electronic, hydraulic or pneumatic controls/instrumentation.</p>	<p>Water and wastewater industries</p>
<p>Stainless steel earthing rings</p> 	<p>The earthing ring is used for grounding electrical equipment, such as electromagnetic flowmeters, to prevent from damages due to electrical surges.</p>	<p>Water and wastewater industries</p>
<p>Mild steel and stainless-steel bracket</p> 	<p>The mild steel and stainless-steel brackets are used to hold and support our fluid control products such as level transmitter, differential pressure transmitter, analytical instrument racks and etc.</p>	<p>Water and wastewater industries</p>

7. BUSINESS OVERVIEW (CONT'D)

Type of products	Product description	Application
<p>Lamella plate</p> 	<p>The lamella plate is one of the key components of a lamella plate clarifier. Lamella plate clarifier is widely used in the water and wastewater treatment processes to remove unwanted particulates from liquid. It is a key component part used for water filtration process.</p> <p>Our lamella plate is mainly made of stainless steel and comes in various designs and sizes.</p> <p>The lamella plate is one of the key components of a lamella plate clarifier. Lamella plate clarifier is widely used in the water and wastewater treatment processes to remove unwanted particulates from liquid. It is a key component part used for water filtration process.</p>	<p>Water and wastewater industries</p>

7.3 GEOGRAPHIC AND ACTIVITY SEGMENTATION

Our Group generates our revenues from 2 business segments, namely:

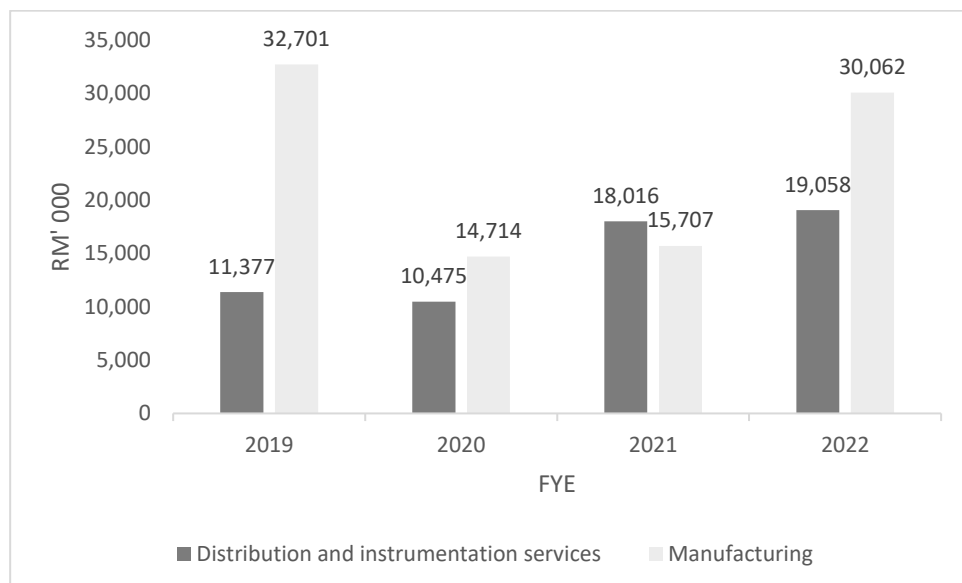
- Distribution and instrumentation services of fluid control and telemetry products used in water and wastewater applications; and
- Metal fabrication of fabricated metal products used in water, wastewater, and oil and gas applications.

Below are the revenue contribution and segmentation of our Group:

7.3.1 REVENUE CONTRIBUTION BY BUSINESS ACTIVITIES AND GEOGRAPHICAL MARKETS

Our Group's revenue contributions by business activities and geographical markets for the FYE Under Review are depicted by the charts below:

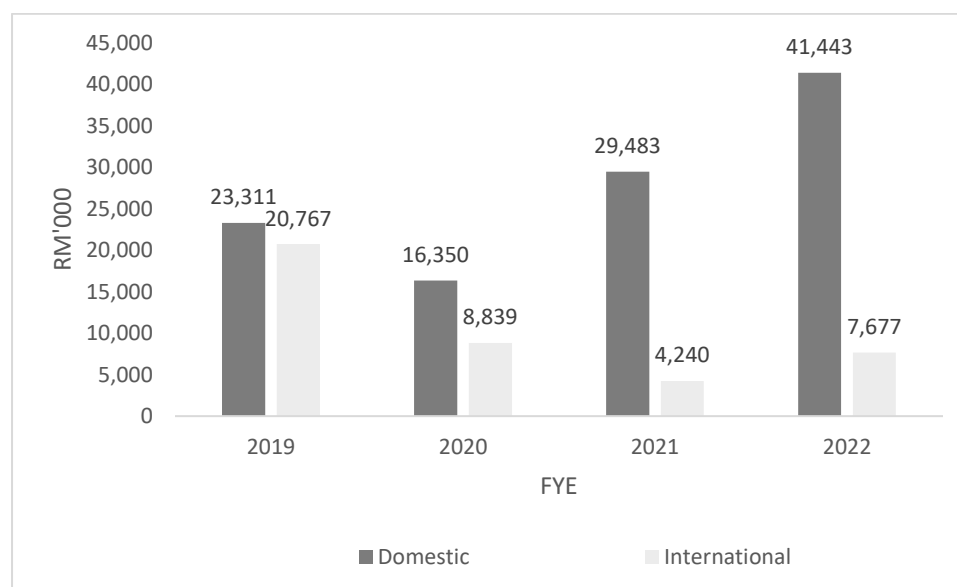
Cosmos Group's revenue segmentation by business activities (RM'000)



7. BUSINESS OVERVIEW (CONT'D)

Our distribution and instrumentation services segment contributed 25.81%, 41.59%, 53.42% and 38.80% of our Group's total revenue for the FYE Under Review, respectively, while our manufacturing segment contributed the remaining revenue of 74.19%, 58.41%, 46.58% and 61.20% of our Group's total revenue for the FYE Under Review, respectively.

Cosmos Group's revenue segmentation by geographical markets (RM'000)



Our Group's revenue was mainly generated from the domestic market which accounted for 52.88%, 64.91%, 87.43% and 84.37% of our Group's total revenue for the FYE Under Review, respectively. The remaining revenue was generated from overseas market which accounted for 47.12%, 35.09%, 12.57% and 15.63% of our Group's total revenue for the FYE Under Review, respectively. Save for the FYE 2019 where Singapore contributed approximately 0.01% of our Group's total revenue, the revenue from overseas market for the FYE Under Review was entirely from US.

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7. BUSINESS OVERVIEW (CONT'D)

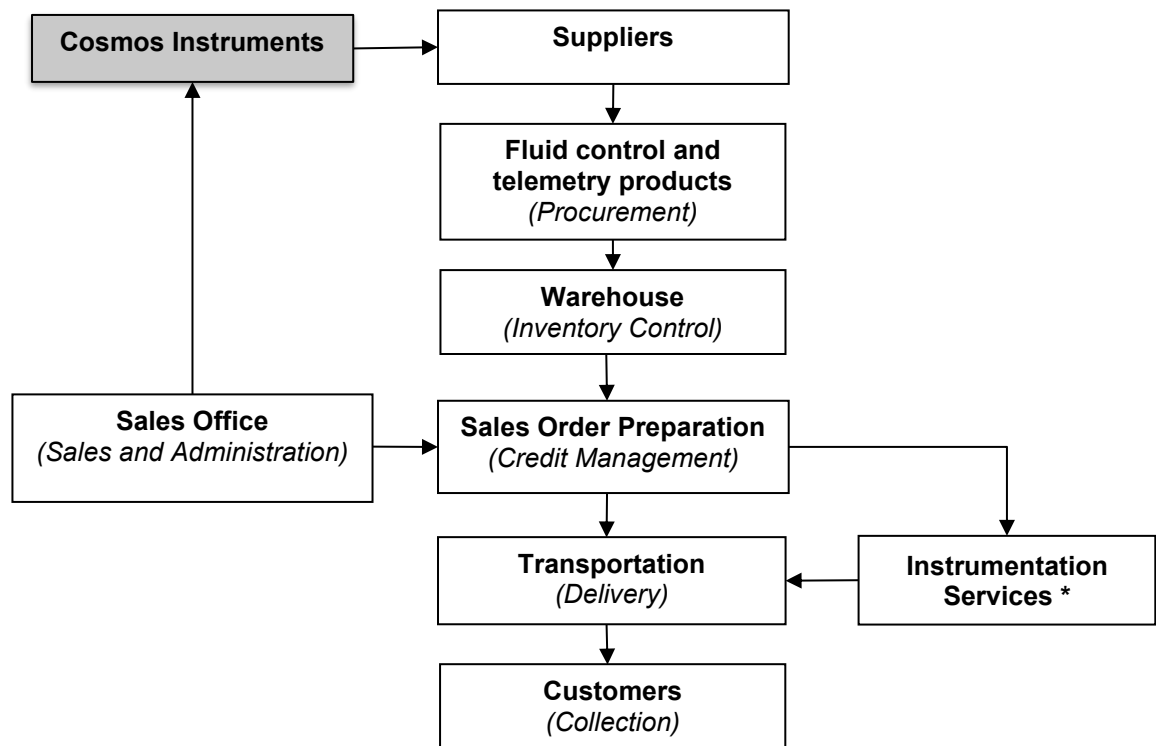
7.4 BUSINESS OPERATIONS

The operation flowcharts and detail description of our activities are illustrated as follows:

A. Distribution and instrumentation services workflows

Distribution activity

Cosmos Instruments' distribution workflow is outlined in the diagram below:



Note:

* Please refer to instrumentation services workflow below.

Procurement

Cosmos Instruments specialises in the distribution of fluid control and telemetry products, such as electronic flowmeters, dataloggers, centralised monitoring systems, and other related products. Currently, Cosmos Instruments is the certified partner and solution partner as well as the official partner for 2 major brands of fluid control and telemetry products, namely Siemens and Sofrel for 14 years and 2 years, respectively. As their certified partner, solution partner and/or official partner, Cosmos Instruments is able to source our fluid control and telemetry products from Siemens Malaysia and LACROIX Sofrel in Malaysia and France, respectively.

Inventory Control

We have an inventory control procedure where we maintain adequate inventory in our warehouse to serve our customers' orders. In practice, we conduct periodical sales forecasts and monitor our inventory level. We generally maintain our stock level at approximately RM4.00 million worth of inventory in our warehouse to avoid disruption in our products supply to our Water Customers. When there is a low level of inventory, we will replenish our inventory level from our suppliers.

7. BUSINESS OVERVIEW (CONT'D)

Upon receiving our products from our suppliers, we will conduct a visual inspection on the physical condition of the products and the quantity count against the delivery order. Any discrepancies are reported for follow up action. After the products are received, we will input and record the data into our inventory system and store them in their designated storage areas according to the product category, for easy and speedy retrieval.

Sales and Administration

Our sales and marketing team is responsible for promoting and marketing our products as well as maintaining and building good working relationships with our existing customers and securing new customers. We practice a proactive marketing strategy whereby we constantly communicate with our Water Customers to secure direct sales contracts. In addition, Cosmos Instruments also participate in tenders by water authorities and water operators for their projects. Our team is constantly looking out for new tenders by our Water Customers, as well as working with external contractors for water supply projects to secure new sales.

When Cosmos Instruments receives incoming purchase order from our customer, our sales and marketing department will process the incoming purchase order by checking the price, stock availability and delivery time in our sales order system. If there are any discrepancies or lead-time issues, they will notify the relevant customer immediately for further adjustment. Once our customer agrees to the price, and terms and conditions of the order, Cosmos Instruments will generate a delivery order for the warehouse to arrange for delivery.

Delivery

Our warehouse department will arrange for delivery of our products when they receive the delivery order from our sales and marketing department. Currently, we utilise external logistics companies to handle all our delivery services. We have goods-in-transit insurance to cover for any loss of or damages to our products during delivery. Prior to delivery, we will conduct a quantity inspection to ensure the stock matches the delivery order before handing the products over to our transporters.

When the products are delivered to our customer, they will be installed at the specified water and wastewater supply systems and plants. As an integrated water technology solutions provider, we can also offer our instrumentation services to assist them in the installation, calibration, testing and commissioning of the fluid control systems. Please refer to Section 7.2.1(A) of this Prospectus and the instrumentation services workflow below in relation to our instrumentation services.

We provide manufacturer warranty for our fluid control products and telemetry products, which ranges between 1 and 3 years. If the products that we supply to our customers are faulty within the warranty period, we will assist our customers to claim for the replacement products from Siemens Malaysia and Lacroix Sofrel.

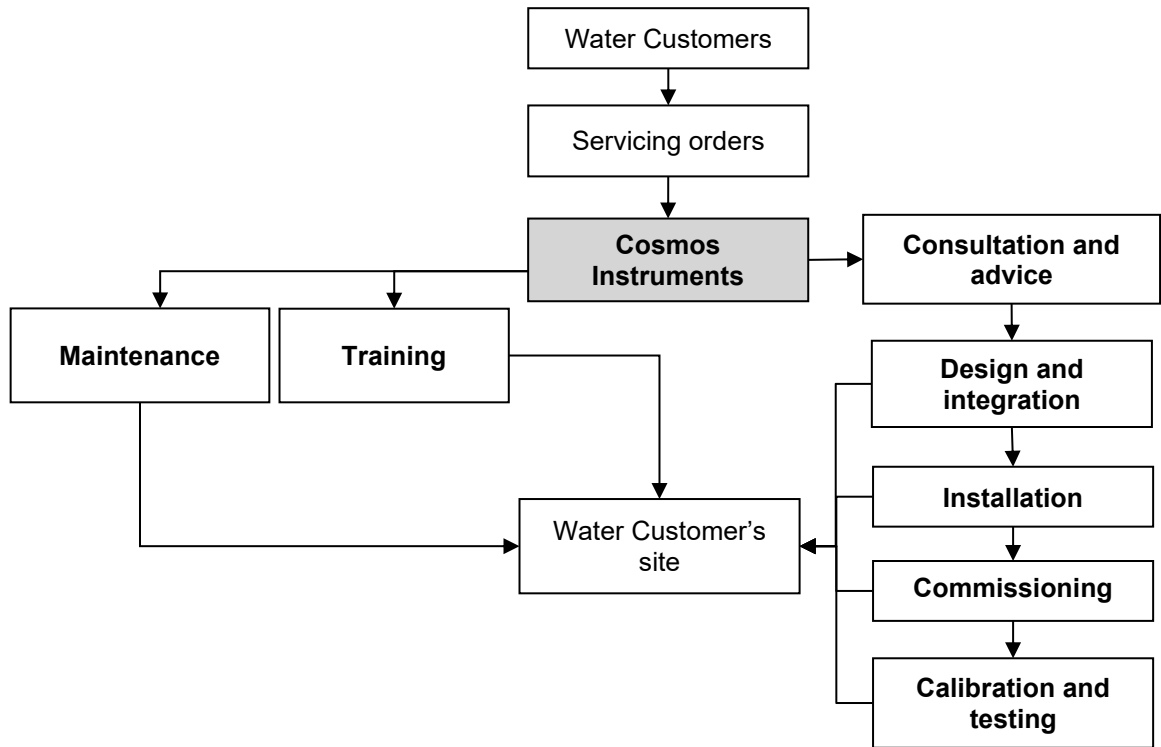
Collection

Once the products are delivered and/or accepted by our customer, we will issue an invoice to them. Our collections department will regularly follow up on payments with our customer based on the invoice. Currently, we do not experience any significant collection issues with our customers, and we do not have provision on doubtful debt for FYE 2022.

7. BUSINESS OVERVIEW (CONT'D)

Instrumentation services workflow

Cosmos Instruments' instrumentation services workflow is outlined in the diagram below:



Cosmos Instruments offers instrumentation services, such as design, integration, installation, calibration, testing, commissioning and training, as well as after sales services, for the fluid control and telemetry products that are distributed by our Group. Our technical staff are trained and certified by Siemens Malaysia and LACROIX Sofrel to provide our instrumentation services.

Our instrumentation services are value-added services, where Cosmos Instruments provides an end-to-end solution to our Water Customers' fluid control and telemetry needs in their water and/or wastewater applications. Our instrumentation services process starts from system assessment; identifying system drawback; proposing a working solution; procurement and supply of fluid control and telemetry software and hardware; system engineering, integration, installation and calibration works; to testing and commissioning of a working fluid control and telemetry system and solution for their water supply and/or wastewater network applications.

Consultation and Advice

Our sales and marketing team proactively promotes and markets our products and services to Water Customers through direct engagement. Cosmos Instruments also participates in tenders to secure contracts from Water Customers. When we secure orders or are awarded with a tender from our Water Customers, we will begin liaising with the respective project management team to start our instrumentation services. We will conduct multiple consultations with their project management team to understand and identify the issues faced in their existing water supply and plants operations, assessing the situation and provide recommendations to improve their fluid control efficiency for their equipment in their water supply and/or wastewater treatment plants.

7. BUSINESS OVERVIEW (CONT'D)

Our technical staff work closely with the project management team to develop and design a fluid control and telemetry plan utilising advanced electronic flowmeters coupled with uniform communication technologies to provide accurate measurement and real-time data communication. The plan will then be submitted to their management for approval. When our customer approves and confirms our plan, we will then prepare a working order, method of statement, work program, and schedule for our technical team and construction workers to carry out the works.

Design and integration

Cosmos Instruments started to offer telemetry products to our Water Customers when Cosmos Instruments was appointed as the official partner of LACROIX Sofrel to sell its range of telemetry products in Malaysia in 2019. Our first telemetry product was Sofrel's dataloggers, where we supply and integrate it with Siemens' electronic flowmeters at our Water Customers' sites. In 2021, Cosmos Instruments expanded our range of telemetry products to include Sofrel's centralised monitoring systems. Since our appointment in 2019, Cosmos Instruments is actively promoting our telemetry products to our Water Customers. Cosmos Instruments has a technical team who is involved in the design of telemetry systems which enables our Water Customers to remotely monitor and manage their water and wastewater networks in their water supply and wastewater treatment plants. Our technical team will design a plan and prepare a proposal for the project management team for approval. When our customer approves and confirms our plan, our technical team will execute the plan which include the installation, integration and implementation our telemetry products (e.g., dataloggers, RTUs, data centralisation, etc.) at our Water Customers' sites and plants.

Installation and commissioning of instruments

Currently, Cosmos Instruments has an inhouse construction team to carry out installation of fluid control and telemetry products at our customers' sites. Cosmos Instruments is a G5 CIDB certified contractor to carry out construction work in Malaysia. Our installation work includes trenching and excavation, which involves digging a narrow trench in the ground for the installation, maintenance, or inspection of our electronic flowmeters, dataloggers, and other related products at our customers' water and wastewater pipelines.

Our construction team will follow the assigned plan to install the fluid control devices and dataloggers.

Calibration and testing of electronic flowmeters and/or dataloggers

Once the electronic flowmeters and/or dataloggers are installed at the site, our technical team will conduct calibration works to the electronic flowmeter and/or datalogger to ensure they are working according to their specifications and standards. We will also conduct testing on the fluid control and telemetry systems to ensure they are performing effectively and efficiently.

Training

We also provide training seminars to our customers and educate them on how to use, operate, check and inspect our fluid control and telemetry products that are installed at their sites.

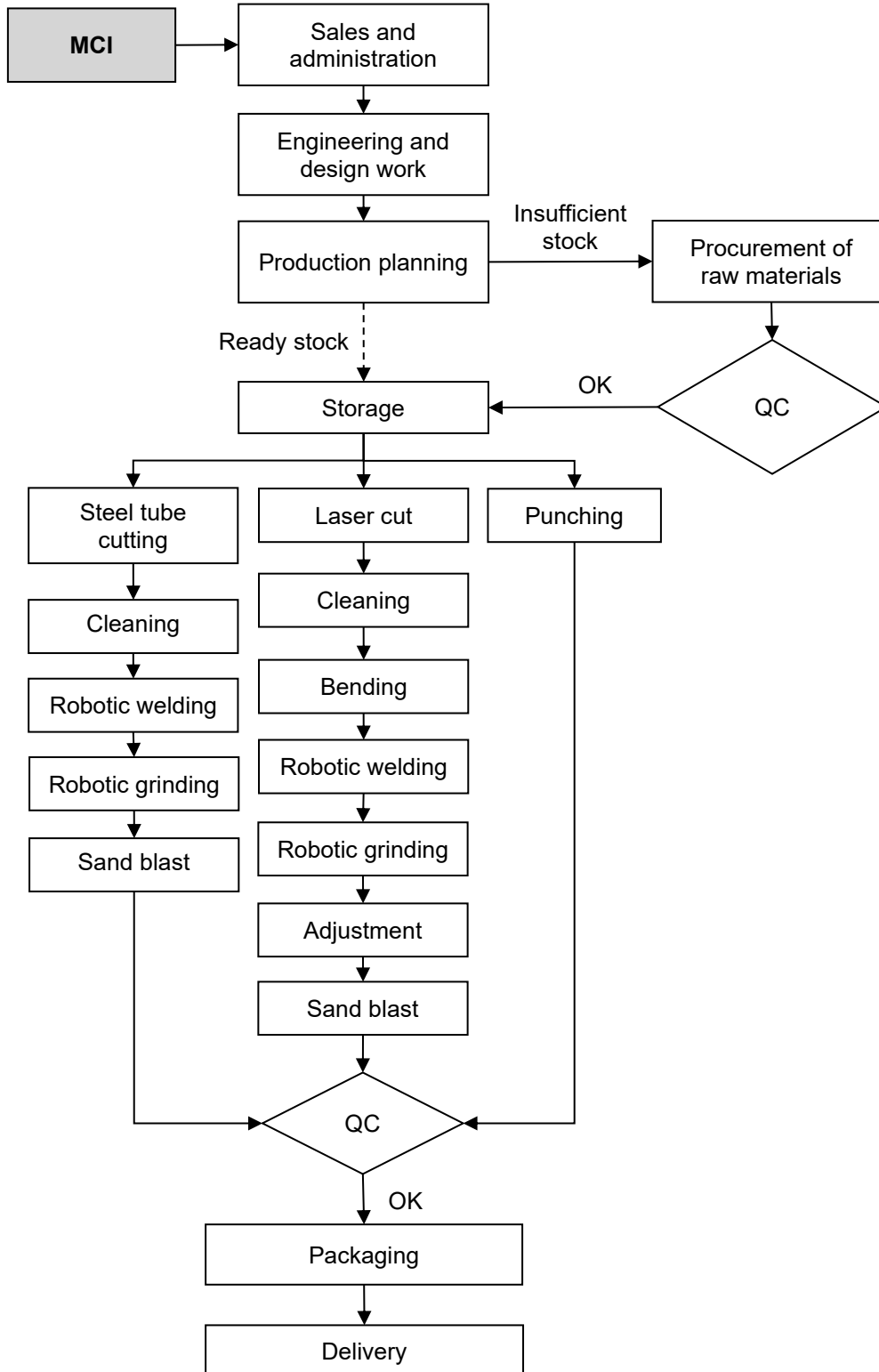
Maintenance

We provide scheduled preventive maintenance to minimise equipment breakdown and to ensure they are operating at their exact parameters. We will replace any broken or faulty products for our customers on their sites. If there is any occurrence of equipment breakdown, our technical staff can identify and rectify any issues to prevent any further interruptions to our Water Customer's operations.

7. BUSINESS OVERVIEW (CONT'D)

B. Manufacturing workflow

MCI's manufacturing workflow is outlined in the diagram below:



7. BUSINESS OVERVIEW (CONT'D)

MCI is involved in the metal fabrication of metal products for our customers in the water, wastewater, and oil and gas applications. For the FYE Under Review, our key fabricated metal product was metal frames for shaker filters used in the oil and gas industries. In FYE 2021, MCI secured our first production order for the metal body frames for shale shakers from our Oil and Gas Customers. Currently, the manufacturing of our metal body frames for shale shakers are sub-contracted to external sub-contractors. We intend to manufacture the metal body frames for shale shakers in our New Building after our Listing.

Sales and Administration

MCI secures sales from our customers when they place a purchase order to our sales department. Generally, MCI does not have any long-term contract with our customers for the production and supply of our manufacturing products. Our sales and marketing team is constantly communicating with our existing customers to obtain new orders. Our sales and marketing team is actively searching for new customers to increase our sales.

Engineering and Design Work

Generally, our customers will provide their product design and specification for us to manufacture. MCI has an internal technical team with the capabilities and technical know-how to design, customise, re-engineer and fabricate metal components and parts for our customers' application usages. We also assist our customers to refine their fabricated metal products to enhance their performance. These are the value-added services we can offer our customers and to differentiate ourselves from our competitors.

Prior to commencement of the production planning, we will need to obtain confirmation on the product design and specification. Once it is approved by our customer, we will get the production department to prepare the production order.

Production planning

Next, a production order will be issued by the production floor to commence production operation. The production order will outline the quantity of products to be produced within a timeframe. The production department will conduct inspection on the raw materials to ensure we have the required raw materials for production. If there is deficiency in our raw materials, we will inform the purchasing department to replenish our stock. Otherwise, the production department can proceed to begin production.

Procurement of raw materials

The main raw materials used to produce our fabricated metal products are steel materials. We source our steel materials mainly from local suppliers.

When the raw materials shipment arrives at our manufacturing facility, we will conduct random inspection on incoming raw materials (i.e., check for dents, scratches, etc.) before acceptance from our suppliers. The raw materials which do not meet our Group's standard of quality will be returned to the suppliers for replacement.

All the raw materials which have passed our quality inspection will be accepted and sent to the warehouse. Subsequently, the raw materials are then sent to the production floor for production.

7. BUSINESS OVERVIEW (CONT'D)

Manufacturing processes

MCI has the capability to provide metal fabrication and manufacturing of fabricated metal products. As at the LPD, our key fabricated metal products are metal frames for shaker filters and metal body frames for shale shakers as well as other customised metal products such as metal wall mounts, pedestal panels, metal enclosures, earthing rings and metal brackets used in oil and gas, and water and wastewater industries. Please refer to Section 7.2.1(B) of this Prospectus for the list of fabricated metal products manufactured by MCI.

We are capable of customising and producing fabricated metal products to meet the requirements in terms of safety, cost, ease and efficiency of operations in water, wastewater and oil and gas facilities. We have the capability to conduct metal fabrication works such as cutting, laser cutting, punching, welding, grinding, sand blasting, bending, and cleaning to produce fabricated metal products. We are also able to provide fabrication and pre-fabrication work on steel tubes and pipes, and sheet metals.

To ensure high quality standards in our fabricated metal products, our production workers must ensure that the product designs satisfy the given design criteria, based on safety, process parameters, serviceability, and performance considerations. We have manufacturing capabilities, and we utilise advanced technologies, such as robotic welding and grinding machineries, which can achieve high precision welding, grinding accuracy and operational efficiencies. With these advanced technologies, we are able to maintain the quality of our products as well as minimise human involvement and errors in production processes.

Quality controls

We conduct QC inspections in various stages of our production processes including the final products. Please refer to Section 7.6 of this Prospectus for detailed information on our quality control processes. We conduct quality inspections at every step of our fabrication processes to ensure we achieve and deliver high precision and quality products to our customers.

As our key fabricated metal products (e.g., metal frames for shaker filters, and metal body frames for shale shakers) are used in the oil and gas industry, they must comply with the international quality standards such as the American Society of Mechanical Engineers and American Society for Testing and Materials standards. In connection with this, we have established a QMS which is certified according to the ISO 9001:2015 requirements. This is to ensure we conduct proper QC procedures during the entire manufacturing processes.

During the manufacturing processes, any products or semi-finished products which do not meet our quality control standards will be sent for corrective action (i.e., rework). If rework cannot be done, those products or semi-finished products will be scrapped.

For the final products, we will conduct dimension checks. Once they pass our final QC, our products will be packed for delivery.

Packaging and Delivery

Products which pass our internal QC will be packed and delivered to our customers. We will prepare the necessary paperwork and arrange for transporters to ship our products to our customers according to the purchase orders and delivery orders. Our job is completed when our customer receives our order by signing and returning the acknowledgement form. We will also follow up with our customers to obtain feedback and promote further sales and services to them.

7. BUSINESS OVERVIEW (CONT'D)

7.5 TECHNOLOGY AND RESEARCH AND DEVELOPMENT

7.5.1 TECHNOLOGY

The technologies adopted by our Group are as follows:

Cosmos Instruments

Cosmos Instruments focuses on the distribution and instrumentation services of fluid control and telemetry products for our Water Customers. As at the LPD, Cosmos Instruments sources our fluid control and telemetry products from Siemens Malaysia and LACROIX Sofrel, respectively.

Siemens' Fluid Control Products

Water is one of the most valuable resources on the planet. Therefore, ensuring efficiency of water supply and quality of water are top priorities in the water industry. These goals are increasingly difficult to achieve as operation costs are rising due to inefficient performance in the water supply system (e.g., inaccurate measurement of waterflow rate, loss of NRW, etc.). Our aim is to provide advance technologies which can consistently provide accurate data of water distributions (i.e., raw water distribution from reservoirs, production of treated/clean water at water treatment plants, and clean water distribution to users) for our Water Customers. As a result, we have been sourcing our fluid control products from our reputable supplier, Siemens Malaysia, since 2004.

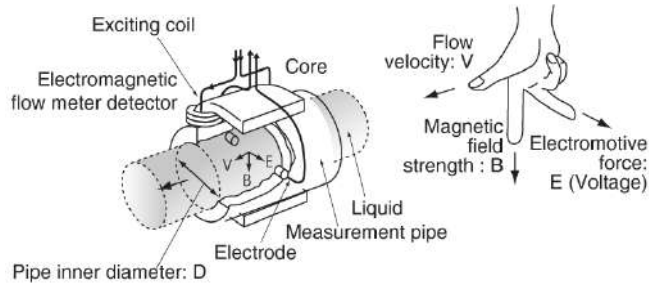
Siemens Malaysia possesses technology that is embedded in a wide range of control instruments that provides innovative, single-source measurement solutions to increase our customers' water and wastewater treatment plants efficiency. Siemens' electronic flowmeters utilise its own propriety software and hardware combining with own transmitters, sensors, and other components, to accurately measure fluid flows electrically. We source and supply 2 types of electronic flowmeters from Siemens, namely the electromagnetic and ultrasonic flowmeters, for our Water Customers.

Electromagnetic flowmeters



Electromagnetic flowmeter uses Faraday's Law of Electromagnetic Induction to determine the flow of liquid in a pipe. In an electromagnetic flowmeter, a magnetic field is generated and channelled into the liquid flowing through the pipe. Following Faraday's Law, flow of a conductive liquid through the magnetic field will cause a voltage signal to be sensed by electrodes located on the flow tube walls. When the fluid moves faster, more voltage is generated. We use electronic transmitter, which will process the voltage signal to determine and measure the liquid flow.

7. BUSINESS OVERVIEW (CONT'D)



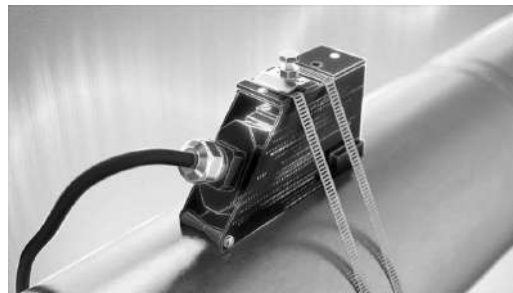
Our electromagnetic flowmeters are used to measure the velocity of conductive liquids in pipes, such as water and wastewater. In water and wastewater applications, electromagnetic flowmeters are used in water treatment plants to measure treated and untreated sewage, process water, water and chemicals.

Ultrasonic Flowmeters

An ultrasonic flowmeter utilises ultrasound to measure the velocity of a fluid and is used in a variety of fluid applications. Ultrasonic flowmeters are ideal for water and other liquids. Clamp-on ultrasonic flowmeters achieve high accuracy at low and high flows, save time with no pipe cutting or process shutdown, and are not affected by external noise.



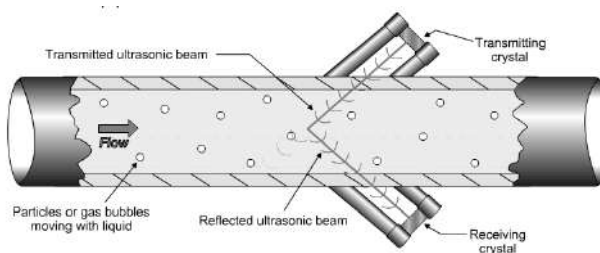
In-line ultrasonic



Clamp-on ultrasonic

Ultrasonic flowmeters use sound waves at a frequency to measure flows. This ultrasound signal is sent into a stream of flowing liquid by using wetted (insertion) transducers that make direct contact with the liquid or external (clamp-on) transducers that send the ultrasound through the pipe wall. Clamp-on ultrasonic flowmeters allow users to measure the volumetric flow rate of a fluid in a pipe without having to penetrate the pipe which decreases installation and maintenance costs.

A typical transit-time ultrasonic liquid flowmeter utilises two ultrasonic transducers that function as both ultrasonic transmitter and receiver. The ultrasonic flowmeter operates by alternately transmitting and receiving a burst of ultrasound between the two transducers by measuring the transit time that it takes for sound to travel between the two transducers in both directions. The difference in the transit time measured is directly proportional to the velocity of the liquid in the pipe.



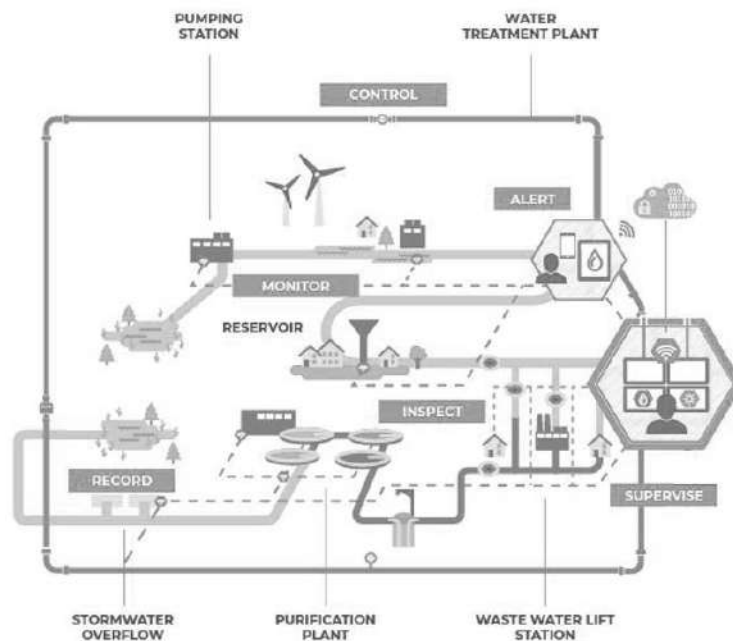
7. BUSINESS OVERVIEW (CONT'D)

There are several benefits of using ultrasonic flowmeters as compared to other electronic flowmeters in the market:

- **Ease-of-Installation:** The installation process does not require a shut down of the system, making maintenance and upkeep of ultrasonic flowmeters much more attractive.
- **Low maintenance:** There are not many parts which are subject to wear and tear, therefore, it does not require frequent replacement of parts.

LACROIX Sofrel's Telemetry Products

LACROIX Sofrel specialises in the provision of telemetry solutions for water and wastewater network operations, from alarm transmission to data recording, process automation, and communication between stations. LACROIX Sofrel's range of products include dataloggers, remote terminal units, SCADA central stations, web servers and communication gateways, sensors and other related accessories.



The telemetry technology enables operating data to be collected, archived and transmitted to a central control station, using the communication medium that best adapts to the technical, geographical and economic constraints of the facility. RTU is used for communicating with field teams, performing centralised archiving and data processing, and displaying these data in mimic diagrams, curve charts and reports, providing users with smart, and effective network management. Telemetry is a flexible and adaptable solution that reduces infrastructure operation and management costs.

The benefits of telemetry for water and wastewater networks include, but not limited to the following:

- Permanent remote monitoring of equipment;
- Improved energy efficiency;
- To carry out network diagnostics;
- Improved service quality; and
- Optimisation of operator time.

7. BUSINESS OVERVIEW (CONT'D)

Dataloggers

Sofrel's dataloggers are specifically designed for water and wastewater networks. By combining with Sofrel PCWin2 and WEB LS software, Sofrel dataloggers are able to facilitate communication with all commercially available SCADA monitoring systems remotely. Totally dedicated to the continuous monitoring and improvement of network performance, Sofrel's dataloggers offer water operators an optimal solution for 24-hour monitoring of installations without electricity.



Some of the key characteristics of Sofrel's dataloggers include:

- **Better performance and build quality** – the datalogger can be used in robust environment which means the device is capable of withstanding against intrusion, dust, accidental contact, and water.
- **Long battery life** – the battery of the datalogger only needs to be replaced after it has been used for 10 years.
- **Strong communication** – the datalogger has a built-in GSM communication / GPRS modem with a high-performance antenna for transmitting data, even if used in underground manholes.
- **Easy to use** – The datalogger is easy to install. It has a user-friendly interface for configuration. It also provides easy accessibility as replacement parts can be changed on-site.
- **Additional features** - the datalogger can be used to monitor water flow and pressure for leak detection, remote reading of network metering and management of water consumption, and control of pressure regulation valves.

Combining performance, robustness, simplicity and durability, the Sofrel's dataloggers are part of the transformation towards intelligent water and wastewater networks. They allow operators and local authorities to optimise resource management, network performance or control waste release into the environment so as to comply with smart city initiatives.

Centralised Monitoring System


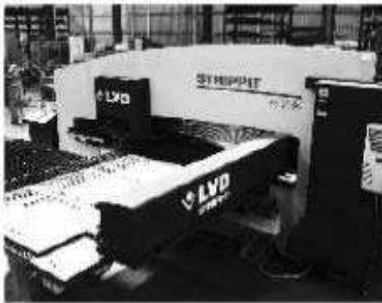

There is great potential for savings in water distribution and wastewater treatment systems through efficiency measurement and control management. Our centralised monitoring system has constant monitoring capability to help water operators to remotely and effectively monitor, control and manage their water and wastewater networks from a centralised control station. By implementing Sofrel's telemetry technologies in their water and wastewater networks, water operators can improve their water control management processes through real-time data collection, instant water leakage detection, to help minimise the loss of NRW, which means saving on resources. There are several ways to directly reduce water losses in water supply systems, while better serving the consumer and protecting the environment. Through effective monitoring,

7. BUSINESS OVERVIEW (CONT'D)




water operators can immediately respond and resolve any water distribution and treatment problems arise from the water and wastewater networks to reduce NRW and eliminate water losses caused by operation inefficiencies.

MCI

MCI manufactures fabricated metal products for the water and wastewater, and oil and gas industries. Fabricated metal products used in these industries require quality, precision and durability to withstand heavy duty operations. The fabricated metal products manufactured by us must meet the stringent and precise specification and standards. Therefore, MCI employ the following advanced manufacturing technologies including robotic systems in our metal fabrication activities. Such technologies include:

Key manufacturing technology	Description	No of Units	NBV FYE 2022 (RM'000)
Robotic welding 	We source our robotic technology from Germany, Japan and the People's Republic of China. Our robotic welding machinery uses mechanised programmable tools which completely automate our welding process. The entire welding process is automated, except for loading and unloading of raw materials and workpieces.	16	317
Turret punching machine 	This is a programmable punching press used for metal forming using the punching process. The machine can form and bend sheet metal into the desired structure automatically. The turret punching machine has high punching speed and at the same time can achieve a high precision level.	2	1,042
Tube/pipe cutting machine 	This is an automatic tube/pipe cutting machine which can cut any sizes of metal tube/pipe into the desired lengths with clean and accurate cut to produce tube/pipe used in our production.	1	263
Bandsaw machine	The bandsaw machine is a power saw with a long, sharp blade consisting of a continuous band of toothed metal stretched between two or more	2	26

7. BUSINESS OVERVIEW (CONT'D)

Key manufacturing technology	Description	No of Units	NBV FYE 2022 (RM'000)
	wheels to cut metals. This bandsaw machine enables us to saw more metal parts at a time as compared to the conventional sawing method.		
<p>Laser cutting machine</p> 	The laser cutting machine uses a laser to cut metals. This machine works by directing the output of a high-power laser through optics which is controlled by a computer numerical control (“CNC”) to ensure high precision. The CNC will direct the laser to cut the metals according to the patterns inputted into the system. The laser beam is directed at the material, which either melts, burns, vaporises away, or is blown away by a jet of gas, leaving an edge with a high-quality surface finish. Our laser cutting machine is used to cut flat sheet metal as well as structural and piping materials.	1	313
<p>Press brake machine</p> 	The press brake machine is a forming machine which bends sheet metal into the desired form.	2	65

MCI is committed to continuously enhance our production processes to achieve better operational efficiency. This is evident in the use of automated technologies such as robotic systems in our processes. These robotic systems enable us to achieve high accuracy and precision level and standards of ± 0.05 mm.

7.5.2 RESEARCH AND DEVELOPMENT (“R&D”)

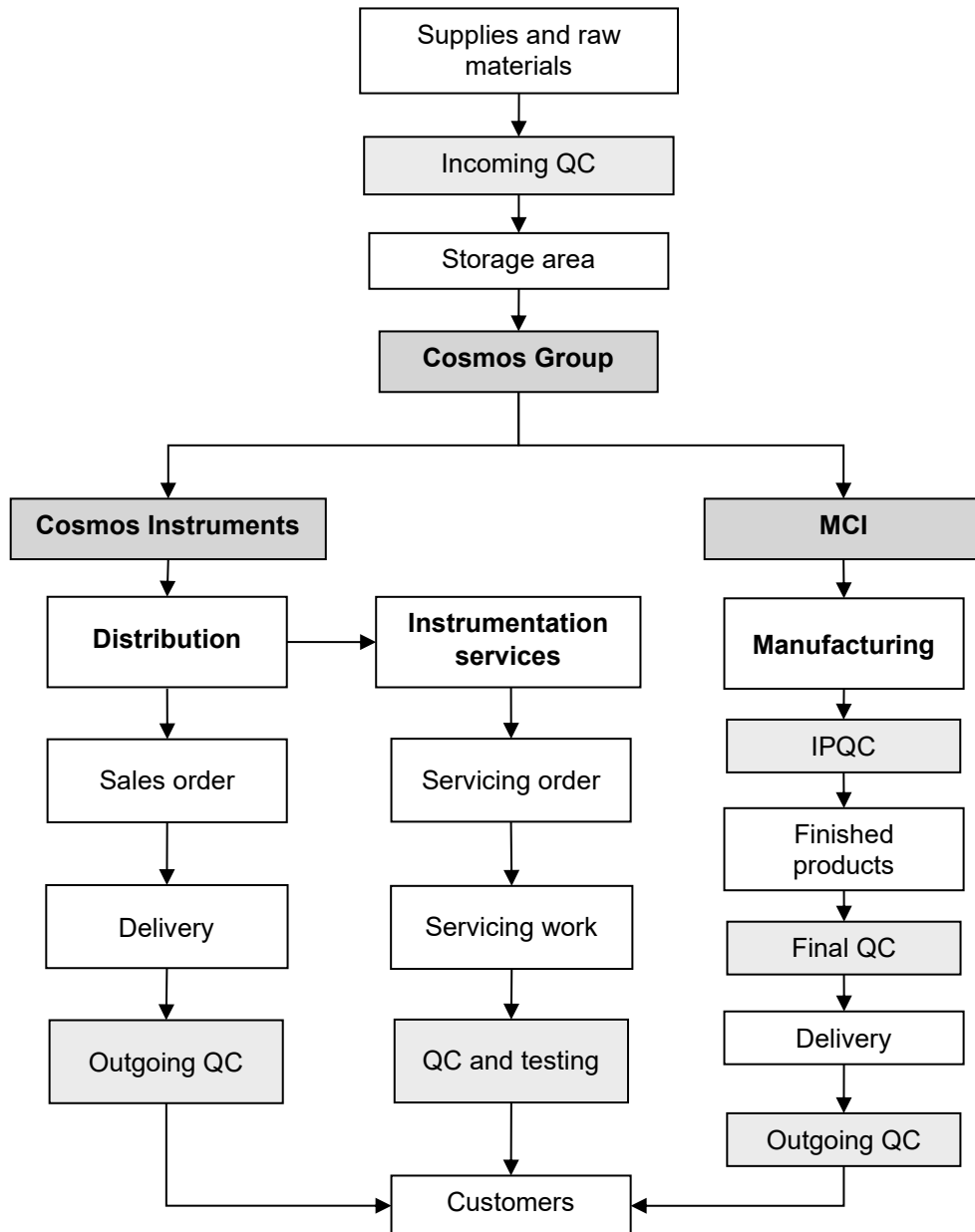
We do not have a R&D department that specialises in R&D activities. However, we apply our technical know-how and manufacturing experience to assist our customers in metal fabrication activities. Our technical team continuously communicates with our customers to share ideas to customise and engineer our customers’ products in different ways and/or using different materials to enhance the finished quality and performance of our customers’ products. We have received positive responses from our customers for our advice and ideas, that has helped strengthened our business relationship with them (e.g., our 12 years relationship with NOV (Malaysia) Sdn Bhd).

7. BUSINESS OVERVIEW (CONT'D)

7.6 QUALITY MANAGEMENT SYSTEM

We emphasise on providing quality products and services to our customers. In order to maintain high quality standards of our products and services, we have established structured QMS in various areas of our manufacturing, distribution and servicing activities. As at the LPD, Cosmos Instruments and MCI are certified with ISO 9001:2015 certifications for the recognition of our quality management and control activities. We believe that the ability to offer quality and reliable products and services translates to customer satisfactions and retentions.

Our Group's QC processes are illustrated in the diagram below:



7. BUSINESS OVERVIEW (CONT'D)

Cosmos Instruments

All our Siemens Malaysia and LACROIX Sofrel's products must be quality checked and approved by the respective suppliers before being delivered to us. Cosmos Instruments will also conduct visual inspection and quantity checks prior to acceptance of inventory.

For our instrumentation services, Cosmos Instruments carries out progress QC and testing on the instrumentation work done by our technicians at our customers' premises. Before project hand-over, Cosmos Instruments must ensure our fluid control instruments are fully tested and functional. Cosmos Instruments has a set of testing parameters to check and certify that the instruments are installed properly, and they are operating smoothly and accurately.

Since we started distributing our suppliers' products to our Water Customers, we have not encountered any major complaints and product claims from our customers on the durability and functionality of our fluid control products.

MCI

To achieve the desired QC levels, MCI conducts various stages of QC checks from incoming raw materials right up to the final products which are ready for delivery. In order to provide high quality products, all manufactured products by MCI must pass a stringent inspection process through our internal QMS and procedures, which is part of the requirements set in the ISO 9001:2015 certification, before they are delivered to our customers.

7.7 COMPETITIVE STRENGTHS AND ADVANTAGES

Our business is supported by the following competitive strengths and advantages:

7.7.1 COSMOS INSTRUMENTS IS THE CERTIFIED PARTNER AND SOLUTION PARTNER OF SIEMENS MALAYSIA, AND OFFICIAL PARTNER OF LACROIX SOFREL

Cosmos Instruments is the certified partner and solution partner of Siemens Malaysia in Malaysia. Please refer to Section 7.2.1 of this Prospectus for information on our appointment as the Authorised Process Instrumentation Distributor for Siemens Malaysia Automation and Drives Group and Process Instrumentation Solution Partner for Siemens Malaysia Digital Factory and Process Industries and Drives Division. To be the certified partner and solution partner of Siemens Malaysia, Cosmos Instruments must be able to consistently achieve their sales targets and maintain positive customer services that meet Siemens Malaysia's standards and requirements. In return, Siemens Malaysia provides Cosmos Instruments with the assistance and support, including allowing Cosmos Instruments to:

- access to their complete portfolio of customised solutions, systems, and products;
- access to their exclusive partner portal information;
- to obtain their technical support and training;
- to increase our visibility in their media and on sales platforms, including branding, and certifications; and
- to undertake joint marketing efforts to develop solutions for our customers to grow our markets.

As part of Siemens Malaysia's systematic skills management to its certified partner and solution partner, our sales and technical staff are given training courses by Siemens Malaysia to educate and update Cosmos Instruments on new technological changes in Siemens Malaysia's existing and new products. In this manner, Siemens Malaysia will ensure that Cosmos Instruments maintains a high level of knowledge of technological advancements in the industry, whereby our staff will be equipped with up-to-date industry standards and best practices which makes us competitive and ensure our ability to provide best solutions to our customers with high quality of service.

7. BUSINESS OVERVIEW (CONT'D)

Notwithstanding that the Solution Partner Contract does not have any restriction for Cosmos Instruments to sell competing products in Malaysia, Cosmos Instruments will only distribute Siemens' electronic flowmeters and other related products to our Water Customers. One of the key reasons is that Siemens produces quality and advanced electronic flowmeters in the market. Cosmos Instruments believes by offering quality products to our Water Customers, it promotes customer satisfaction and retention. Over the years, we have also established market recognition as Siemens' certified partner and solution partner for Siemens' electronic flowmeters and other related products in the water and wastewater industries, developed extensive product knowledge, technical know-how, and supply chain management with Siemens Malaysia for its electronic flowmeters and other related products.

In 2019, Cosmos Instruments was also appointed as an official partner of LACROIX Sofrel to sell and to support its range of products for our Water Customers in Malaysia. In 2021, Cosmos Instruments has also expanded the distribution of its other telemetry products, such as centralised monitoring systems to our Water Customers. On 17 January 2022, Cosmos Instruments has further strengthened our business relationship with LACROIX Sofrel and entered into a Channel Partner Agreement to become its distributor for the products pertaining to the business of LACROIX Sofrel as listed in the Channel Partner Agreement. Through this Channel Partner Agreement, Cosmos Instruments will be able to receive new products information, marketing materials, technical support, and training from LACROIX Sofrel. The Channel Partner Agreement has imposed a restriction for Cosmos Instruments to sell competing products in Malaysia.

7.7.2 MCI POSSESSES METAL FABRICATION AND CUSTOMISATION CAPABILITIES

MCI possesses the competency and capability in fabricating and customising a diverse range of fabricated metal products for its customers in the water, wastewater and oil and gas industries. Since inception, MCI has invested in automated technologies to carry out its manufacturing processes. Please refer to Section 7.5 of this Prospectus for our list of key manufacturing technologies.

By investing in and utilising automated and precision technologies (robotic welding arms, laser cutting machines, turret punching machines, and pipe/tube cutting machine and so forth), MCI can meet the specifications set by its customers. The fabricated metal products produced by MCI are mainly used in demanding operating environments, such as the shaker filters used in the oil and gas industry. As a Group, Cosmos Instruments has been utilising the manufacturing strength of MCI to produce other fabricated metal products for Cosmos Instruments' customers in the water and wastewater industries.

In our expansion plan, we intend carry out the full range of our manufacturing operations, including manufacturing of the metal body frame for shaker filters and have the flexibility to produce other metal products in the New Building. We intend to install new and improved machineries, such as high-power laser cutting machines, press brake machines, and robotic welding machines to increase our manufacturing capability and capacity. Please refer to Section 7.11 of this Prospectus for further details on our business strategies and future plans.

7.7.3 OUR GROUP'S BUSINESS IS RUN BY AN EXPERIENCED MANAGEMENT TEAM

In order to stay competitive in our industries, our ability to provide good quality services is of utmost importance. Our Group is managed by experienced management team, thus, enabling us to provide the service that is expected by our customers in these industries.

Our Managing Director, namely Dato' Chong, has been servicing the water and wastewater industries since 1991, and has played an instrumental role in charting the strategic direction of our Group for 18 years. With his experience and business network in the water and wastewater industry in Malaysia, he has provided positive business strategic direction and a strong business foundation in the operation and expansion of our Group's business.

7. BUSINESS OVERVIEW (CONT'D)

Our Executive Director, namely Mr Ng Boon Keong also plays a significant role in our Group's business, specifically in manufacturing activities for 9 years. He has 28 years of experience in sheet metal fabrication and is responsible for overseeing, managing and monitoring our Group's overall manufacturing activities, including quality control and product development.

Our key senior management, Lai Khar Khei (Financial Controller), Syahdan Bin Ab Samad (Sale and Marketing Manager) and Goh Choon Hoong (Technical Manager) also possess the relevant skills, knowledge and experience to carry out their roles and responsibilities. They have been with our Group for 1 year, 8 years and 3 years, respectively. In the past, we have not encountered any major interruption in our operations under the leadership of our directors and key senior management. We believe they will continue to play important roles in our daily operations as well as our future expansions. Please refer to Section 5.4 of this Prospectus for information on our key senior management personnel.

We also recognise the importance of grooming younger talent within our Group to expand and grow in the industries. We provide our young management personnel the opportunity to attend relevant training programmes and on-job training to groom the next generation of talents to assist in running and growing our business. We will continue to develop talent from within the organisation as well as scout new talent to take on important roles in our Company's management and operation activities as part of our succession planning exercise.

7.7.4 PROVEN TRACK RECORD

With an 18-year track record, our Group has established ourselves as a reliable distributor of fluid control products for the water and wastewater industries in Malaysia. Furthermore, we source our fluid control products from international and reputable supplier such as Siemens Malaysia in order to meet our customers' stringent quality requirements. Our services include routine visits, scheduled preventive maintenance and site inspections.

In addition, MCI has been in the metal fabrication and manufacturing business for 12 years. Over the years, it has established a good track record in manufacturing metal frames for shaker filters for the oil and gas industry. MCI has a long relationship with its customers, National Oilwell Varco, Inc. and NOV (Malaysia) Sdn Bhd which have business dealings with us since MCI's inception. Hence, the recurring orders from our customers is a testament of MCI's reputation in providing quality and reliable products. The revenues from National Oilwell Varco, Inc. and NOV (Malaysia) Sdn Bhd decreased in FYE 2020 and FYE 2021 and subsequently increased in FYE 2022. They remain as our Group's major customers during the FYE Under Review.

7.8 SEASONALITY AND BUSINESS INTERRUPTIONS**7.8.1 SEASONALITY**

We are not subjected to any cyclical demand in the distribution of our fluid control products and manufacturing of our fabricated metal products. However, the demand for our fluid control products and fabricated metal products are reliant on the economic conditions of the oil and gas, water and wastewater sectors.

The slowdown in the overall economy may reduce the Government's spending on water and wastewater infrastructures in the country, hence, reduce national budget for the purchase of new and replacement of old fluid control products as well as instrumentation services.

Also, an economic downturn in the oil and gas industry may also cause a reduction in the production and investment in the oil and gas sector, hence, reduce the demand for shale shakers (which use our fabricated metal products, such as shaker filters and metal body frames for shale shakers).

7. BUSINESS OVERVIEW (CONT'D)

7.8.2 BUSINESS INTERRUPTIONS AND IMPACT OF COVID-19

Malaysia imposed the MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 to curb the spread of COVID-19 pandemic in Malaysia on 18 March 2020. COVID-19 cases have fluctuated since the first MCO, Malaysia has been put under various MCOs such as the conditional MCO (“**CMCO**”), recovery MCO (“**RMCO**”), enhanced MCO (“**EMCO**”), full MCO (“**FMCO**”), and National Recovery Plan.

As a result, we have experienced interruptions to our business operations. Below is the timeline and the impact on our operations from the MCO, CMCO, RMCO, FMCO, EMCO and National Recovery Plan.

Event	Date	Impact on our operations
<ul style="list-style-type: none"> MCO 1.0 	18 March to 3 May 2020	<p><u>MCI</u></p> <ul style="list-style-type: none"> - Obtained MITI letter dated 18 April 2020 to operate. - Our factory was operating with 50% capacity. <p><u>Cosmos Instruments</u></p> <ul style="list-style-type: none"> - Office was closed and all staff were working from home.
<ul style="list-style-type: none"> CMCO 	4 May to 9 June 2020	<p><u>MCI</u></p> <ul style="list-style-type: none"> - Our factory was operating with 100% capacity. <p><u>Cosmos Instruments</u></p> <ul style="list-style-type: none"> - All work resumed in the office. 100% staff return to work in the office.
<ul style="list-style-type: none"> RMCO 	10 June 2020 to 31 March 2021	<p><u>MCI</u></p> <ul style="list-style-type: none"> - Our factory was operating with 100% capacity. <p><u>Cosmos Instruments</u></p> <ul style="list-style-type: none"> - Our office was operating with 100% capacity.
<ul style="list-style-type: none"> MCO 2.0 	13 January 2021 to 31 May 2021	<p><u>MCI</u></p> <ul style="list-style-type: none"> - Obtained MITI letter dated 12 January 2021 to operate - Production staff were operating at 100% capacity. - Management staff were operating at 30% capacity. <p><u>Cosmos Instruments</u></p> <ul style="list-style-type: none"> - Obtained MITI letter dated 12 January 2021 to operate - All staff were operating at 100% capacity.
<ul style="list-style-type: none"> FMCO 	1 June 2021 to 2 July 2021	<p><u>MCI</u></p> <ul style="list-style-type: none"> - Obtained MITI letter dated 5 June 2021 to operate - All staff were operating at 60% capacity. <p><u>Cosmos Instruments</u></p> <ul style="list-style-type: none"> - Obtained MITI letter dated 10 June 2021 to operate - All staff were operating at 60% capacity (our technical team was on standby and proceeded to work at site if requested by authorities/customers). - Administration staff worked from home.
<ul style="list-style-type: none"> EMCO 	3 July 2021 to 16 July 2021	<p><u>MCI</u></p> <ul style="list-style-type: none"> - Obtained MITI letter dated 7 July 2021 to operate - All staff were operating at 60% capacity. <p><u>Cosmos Instruments</u></p> <ul style="list-style-type: none"> - Office was closed due to EMCO

7. BUSINESS OVERVIEW (CONT'D)

Event	Date	Impact on our operations
<ul style="list-style-type: none"> National Recovery Plan 	17 July 2021 and on-going	<p><u>MCI</u></p> <ul style="list-style-type: none"> Obtained MITI letter dated 16 August 2021 to operate Our operation capacity increased progressively when our staff were vaccinated as illustrated below: <ul style="list-style-type: none"> Vaccination 40% - capacity 60% Vaccination 60% - capacity 80% Vaccination 80% - capacity 100% <p><u>Cosmos Instruments</u></p> <ul style="list-style-type: none"> Obtained MITI letter dated 4 July 2021 to operate All staff were operating at 60% capacity (technical team were on standby and proceeded to work at site if requested by authorities/customers). Administration staff worked from home. Started on 1 September 2021, all staff returned to work in the office.

Impact of COVID-19 and various MCOs on our businesses

The Government imposed a MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 to curb the spread of COVID-19 in Malaysia. The 1st MCO (“**MCO 1.0**”), from 18 March 2020 to 3 May 2020, required all businesses, social and recreational activities to cease, except for those that were classified as “essential services” or for those with an approval from MITI to operate. MCO 1.0 also restricted the movement of people in Malaysia, including international and regional inbound and outbound as well as the travel into, and from Malaysia.

During MCO 1.0, the operations of MCI and Cosmos Instruments were suspended from 18 March 2020 until 17 April 2020. MCI resumed operations at 50% capacity on 18 April 2020 after we obtained a letter from MITI to operate. However, the operations of Cosmos Instruments were not allowed to resume, and all our staff continued to work from home.

A conditional MCO (“**CMCO**”) was then imposed from 4 May 2020 until 9 June 2020 by the Government. On 4 May 2020, MCI and Cosmos Instruments resumed full operations as permitted by MITI. Our manufacturing division operated at 100% capacity and all our staff at MCI returned to work at the office.

Following the CMCO, as more economic sectors were allowed to operate and further relaxation of movement of people within Malaysia, the recovery MCO (“**RMCO**”) was imposed from 10 June 2020 to 31 March 2021. During the RMCO period, MCI and Cosmos Instruments continued to operate at 100% capacity.

The continual increase in COVID-19 cases in the 2nd half of 2020 and subsequently the 1st 3 months of 2021, led the Government to announce a second (“**MCO 2.0**”) and third MCO (“**MCO 3.0**”) effective from 13 January 2021 to 31 May 2021 for the whole country. Respective transitions to CMCO or RMCO by state were introduced depending on their respective COVID-19 situations. MCI and Cosmos Instruments obtained letters from MITI dated 12 January 2021 to resume operations. For MCI, 100% of our production staff and 30% of our management staff were allowed to work. For Cosmos Instruments, all staff were allowed to work.

7. BUSINESS OVERVIEW (CONT'D)

With COVID-19 cases remaining persistently high, on 1 June 2021, the Government reimposed a full lockdown (“**FMCO**”) of all businesses, social and recreational activities and imposed a movement restriction of people in Malaysia. Only selected industries were allowed to continue to operate. During FMCO, MCI and Cosmos Instruments obtained letters from MITI dated 5 June 2021 and 10 June 2021 respectively to operate at 60% capacity. At Cosmos Instruments, the majority of the allowable staff capacity was allocated to our technical team so that they remain on standby and are able to proceed to work at project sites if requested by our customers.

On 15 June 2021, the Government announced the National Recovery Plan, a four-phased plan to ease the country out from the MCO, the gradual reopening of different economic and business sectors and the measured relaxation of the movement of people and interstate travel. Cosmos Instruments and MCI obtained letters dated 4 July 2021 and 16 August 2021 respectively from MITI to operate based on a 60% staff capacity.

On 3 July 2021, the Government placed an EMCO on most of the districts in the state of Selangor due to the rising daily cases. The EMCO was then lifted for most districts on 17 July 2021 with the exception of the districts of Damansara, Ampang, Klang and Batu. Due to the EMCO, the office of Cosmos Instruments was closed and all staff worked from home. MCI’s operation was temporarily suspended until it obtained a letter from MITI dated 7 July 2021 to resume operations at 60% capacity. In September 2021, all Cosmos Instruments staff returned to work at the office. The staff capacity for MCI increased progressively from 60% to 100% as the staff vaccinated rates rose from 40% to 80%.

Measures and steps taken to commence and continue our manufacturing and office operations

We have taken the following precautionary measures to safeguard the health and safety of our employees working in our factory and office and implemented the following standard operating procedures:

- We require all employees to declare their travel history and health status before returning to work.
- We require all visitors to declare their health status before entering the premises of MCI and Cosmos Instruments.
- We implemented a contact tracing and temperature measurement system and require all employees and visitors to record their temperatures before entering the office or factory.
- All employees and visitors are required to wear face masks, regularly sanitise their hands and practise social distancing when on our premises.
- We regularly provide information and updates on COVID-19 to create awareness among all our employees.
- We conduct regular sanitisation, especially at the common areas and touch points around our office and factory.

(i) Impact of COVID-19 on our manufacturing operation

MCI experienced operation disruptions when the Government implemented various MCOs to limit the spread of COVID-19. During the various series of MCOs, between 30% and 100% of our employees were allowed to return to work. As such, our manufacturing activities were partially disrupted and we experienced order backlogs and delivery delays for our metal fabricated products, as well as delays in our raw materials supply.

Throughout the duration of the various phases of MCO implemented in Malaysia as set out above, 9 of our MCI employees tested positive for COVID-19 resulting in a shutdown of our manufacturing factory for 7 days (from 10 February 2021 to 16 February 2021) for deep sanitisation procedures. After the quarantined period of the infected employees, all of them recovered and returned to work. There was no order backlog because the quarantined period was during the Chinese New Year period.

7. BUSINESS OVERVIEW (CONT'D)

We have received a wage subsidy from the Malaysian Government amounting to RM112,850.

(ii) Impact of COVID-19 on our supply chain

Cosmos Instruments experienced minor disruptions in the supply of fluid control and telemetry products between March 2020 to May 2020 due to the MCO 1.0 imposed by the Government. Our office and our customers' offices were closed and all staff worked from home. We were not able to carry out deliveries of our fluid control and telemetry products to several of our Water Customers and there were no staff available to accept our deliveries at their respective premises. This also resulted in delays in our ability to bill our customers and collection of payments. Cosmos Instruments resumed operations at 100% capacity on 4 May 2020 when Malaysia transitioned to the CMCO phase.

We did not experience any significant negative impact on our operations and financial performance during the various series of the MCO and the various phases of the NRP. We recorded an increase in revenue by 33.88% to RM33.72 million in FYE 2021 from RM25.19 million in FYE 2020. Further to the above, we also recorded an increase in revenue by 45.66% to RM49.12 million in FYE 2022 from RM33.72 million in FYE 2021.

We were able to secure new manufacturing orders from our customers as well as extend delivery timeframes for our metal fabricated products. We were able to secure new water contracts and new product orders from several of our Water Customers. We have not experienced any termination or cancellation of customer contracts, as well as any shortage in inventory for our manufacturing operation and fluid control and telemetry products. We did not incur any penalties on late product deliveries as we worked together with our customers to understand the challenges posed by the various MCOs.

From September 2021 up to the LPD, in view of the measures and steps taken by our Group, we have been able to operate without restrictions or interruptions due to the subsisting COVID-19 pandemic.

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7. BUSINESS OVERVIEW (CONT'D)

7.9 AVAILABILITY OF RAW MATERIALS AND INVENTORIES

Our Group's main raw materials and inventories are Siemens Malaysia's fluid control products which are supplied to the water and wastewater industries and steel materials used in the manufacturing of our fabricated metal products. Our Group's total purchases for the FYE Under Review were RM28.45 million, RM15.74 million, RM17.83 million and RM28.81 million, respectively.

The breakdown of the major raw materials and inventories procured by our Group, together with their respective sources of supply are as follows:

Type of raw materials and inventories	Country of origin	% of our Group's total purchases									
		FYE 2019		FYE 2020		FYE 2021		FYE 2022		Local (%)	Import (%)
		RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Electronic flowmeters	Malaysia	6,073	21.35	5,926	37.66	9,392	52.68	9,189	31.89	100	-
Level transducers	Malaysia	393	1.38	715	4.54	1,135	6.36	685	2.38	100	-
Pressure transmitters	Malaysia	208	0.73	254	1.61	434	2.43	391	1.36	100	-
Dataloggers and RTUs	France	-	-	190	1.21	554	3.11	875	3.04	-	100
Other accessories	Malaysia	543	1.91	583	3.71	706	3.96	972	3.37	100	-
Steel materials	Malaysia	21,234	74.63	8,067	51.27	5,609	31.46	16,701	57.96	100	-
Total purchases		28,451	100.00	15,735	100.00	17,830	100.00	28,813	100.00		

For FYE 2021 and FYE 2022, our fluid control and telemetry products were sourced from Siemens Malaysia and LACROIX Sofrel, respectively. Presently, we are the certified partner and solution partner of Siemens Malaysia and official partner of LACROIX Sofrel's products and services in Malaysia. As such, we rely on Siemens Malaysia and LACROIX Sofrel for the consistent supply of fluid control and telemetry products for our distribution business. Please refer to Section 9.1.2 of this Prospectus for the risk factor in relation to our dependency on Siemens Malaysia.

In respect of the supply of steel materials used in our manufacturing activities, there are numerous suppliers available in Malaysia. In addition, as these steel materials are easily available both locally and globally, we do not foresee any major supply problems that would have material adverse effect on our manufacturing operations.

Our raw materials and inventories are subject to price fluctuations. For example, the price of our raw materials (i.e., steel materials) fluctuates in accordance with the global steel prices in the market. Global steel prices are, amongst others, subject to the demand and supply conditions of steel in the global market and are also subject to the prices of raw materials to produce steel, such as iron ore, coal, and steel scraps, as well as the prevailing energy costs associated with its production. Any changes in the above conditions may cause a material increase in the price of steel, which consequently may lead to an increase in our cost of production.

7. BUSINESS OVERVIEW (CONT'D)

Furthermore, the cost of our inventories (i.e., fluid control and telemetry products) is also subject to our suppliers' cost of production. They may raise the selling price of their fluid control and telemetry products periodically due to factors such as inflation, increase in logistic cost, and/or increase in cost of production. If such matter arises, we will pass on the increase cost of inventories to our Water Customers by increasing our selling price. Please refer to Section 9.1.6 of this Prospectus for the risk factor in relation to the availability and volatility in prices of our raw materials and supplies.

7.10 MARKET ACCESS

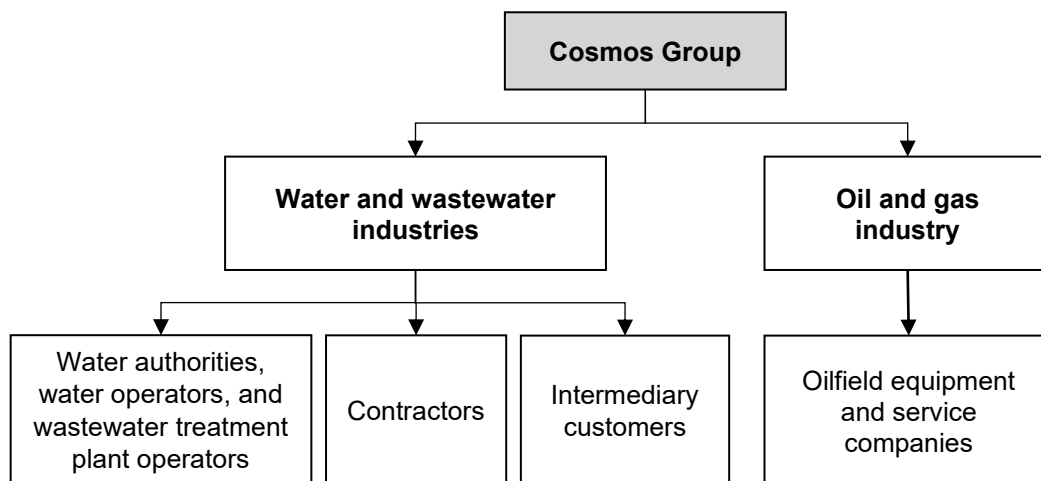
7.10.1 PRINCIPAL MARKETS

We generated our revenue from Malaysia and US for the FYE Under Review. Please refer to Section 7.3.1 of this Prospectus for further details on our Group's revenue contribution by geographical markets.

7.10.2 MARKETING STRATEGIES

Distribution strategies and channels

Our products and services are distributed to the following customers in the water, wastewater and oil and gas industries, as illustrated below:



Currently, we have 2 sales and marketing teams for our respective segments, where each marketing team is responsible for the sales and marketing and business development activities of their own products and services to their respective markets, as well as maintaining and building relationships with their customers. We constantly strive to provide quality products and services to meet our customers' expectations and requirements.

Currently, we have a corporate website, namely <https://www.ctib.com.my/> to market and promote our products and services. Our Group's profiles, products and services can be viewed on our website.

7. BUSINESS OVERVIEW (CONT'D)

We also adopt the following sales and marketing strategies:

Water and Wastewater Industries

Our Water Customers are water authorities, water operators, wastewater treatment plant operators, contractors for water and wastewater treatment plants, and intermediary customers.

- (a) **Water authorities, water operators and wastewater treatment plant operators -** Cosmos Instruments participates in tenders to secure contracts from water authorities, water operators and wastewater treatment operators (which are Government-linked and/or privately-owned and operated water and wastewater utility companies). Water treatment plants in Malaysia are operated by water authorities and/or water operators. Our marketing department in Cosmos Instruments is responsible for the continuous monitoring and sourcing of new water projects for our Group. Potential projects could come in the form of open tenders for public sector projects and/or invited tenders for private sector projects. Information on open tenders is available through notices published in websites of relevant Government agencies. Invited tenders are typically initiated through invitation by water authorities, water operators and wastewater treatment plant operators. Our marketing department will also approach and submit proposals for any potential projects identified on a proactive basis to prospective customers. We perform routine follow-ups on tender release dates and their requirements so as to ensure that we are pre-qualified to participate. Once we have become their approved suppliers, our marketing team will work closely with them to introduce suitable electronic flowmeters which meet their fluid control requirements and application usage.
- (b) **Contractors –** We also work with contractors for water and wastewater treatment plants to offer our products and services. Our sales and marketing team will proactively communicate with the contractors to be updated on any new projects. We also provide support to the contractors for their tender submissions for water and wastewater treatment plants. Once they are awarded with the project contracts, we will act as their sub-contractors/suppliers to provide them with the required fluid control products as well as installation, calibration, maintenance and after sales services of the fluid control products. We also help to identify and evaluate the situations, provide suggestions and recommendations to our Water Customers to help them achieve higher accuracies in measuring water flow in their water and wastewater treatment plants.
- (c) **Intermediary customers -** We also distribute our fluid control products to intermediary customers such as sub-distributors, traders and resellers. They will resell our products to their customers. Our marketing team will work with these customers to update them with our latest products and fulfil their sales orders.

Exhibitions

We participated in AsiaWater Expo & Forum organised by UBM Asia and Malaysian Water Association in 2014, 2016, 2018 and 2020 to promote and market our Group's fluid control products and services. The AsiaWater Expo & Forum is held every 2 years together with Siemens Malaysia in Malaysia. The AsiaWater Expo & Forum is the longest running and the leading biennial trade event for the water and wastewater industries in Asia. Such participation is significant as our Group is able to demonstrate and present our full range of products to the attendees effectively via direct face-to-face communication.

7. BUSINESS OVERVIEW (CONT'D)

Oil and Gas Industry

MCI specialises in the manufacturing of fabricated metal products. For the FYE 2021 and FYE 2022, our main fabricated metal products are metal frames for shaker filters used in the oil and gas industry. Our Oil and Gas Customers are oilfield equipment and service companies. For the FYE Under Review, National Oilwell Varco, Inc. and its subsidiary company, NOV (Malaysia) Sdn Bhd were our major Oil and Gas Customers and for the FYE 2022, NOV Process & Flow Technologies Malaysia Sdn Bhd had become one of our Group's major Oil and Gas Customer.

We have built a long-term business relationship with National Oilwell Varco, Inc. and NOV (Malaysia) Sdn Bhd since 2011. Our marketing and manufacturing teams are constantly collaborating with National Oilwell Varco Inc. and NOV (Malaysia) Sdn Bhd to provide quality products to accommodate their rig requirements. We started by producing the metal frames for their shaker filters, and through our years of quality product offering and manufacturing capabilities, we were able to secure new manufacturing contracts to produce new product (metal body frames for shale shakers) for their oil and gas application usage. Since then, our sales order for the metal body frames for shale shakers are increasing.

7.11 BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are as follows:

- (i) Acquisition of a New Building to consolidate our Group's business operation, manufacturing and storage activities; and
- (ii) Purchase of new machineries.

We set out below our business plans which are our current measures and action plan that we will implement to achieve our business strategies:

7.11.1 Acquisition of the New Building

Cosmos Instruments had, on 14 January 2022, entered into the sale and purchase agreement with the Vendor for the acquisition of the New Building for a purchase consideration of RM11.80 million on a willing-buyer willing-seller basis. As at the LPD, we have paid a total of RM1.77 million being 15% of the purchase consideration which comprised of the 10% deposit under the sale and purchase agreement and the differential sum between the purchase consideration and term loan facility for the acquisition of the New Building (as detailed below in this section) of RM0.59 million.

Presently, our employees and operations are housed in 2 different locations, that is our management office located in Semenyih, Selangor and MCI's manufacturing facility located in Balakong, Selangor. The purchase of the New Building is our Group's strategy to consolidate Cosmos Instruments and MCI's management, operations and production space in the New Building at one location. MCI intends to transfer its manufacturing operations and production space to the New Building. This will enable our Group to streamline all the internal administrative and finance processes, increase efficiency, improve and expedite decision making and reduce travel time and costs by our staff and employees. In addition, it will also enhance our Group's corporate image among our customers, suppliers, employees and other stakeholders.

MCI intends to transfer its manufacturing operations and production space to the New Building. Our Group does not expect the lower built-up area of the New Building as compared to our existing manufacturing in Balakong to constrain our Group's plan to expand our manufacturing capability and capacity after taking into consideration the following:

7. BUSINESS OVERVIEW (CONT'D)

- (i) the purchase and installation of new and improved machineries, such as high-power laser cutting machines, press brake machines, and robotic welding machines, as detailed in Section 7.11.2 below, has higher efficiency through improved specifications which include higher output and increased automation. Increased automation through the use of new machineries is also expected to have higher precision and enable our Group to reduce our reliance on trained workers; and
- (ii) the relocation of our Group's operations provides an opportunity for our Group to re-design our manufacturing processes and systems at the New Building.

This is to improve our efficiency in the use of our production space by identifying and reducing inefficiencies such as, amongst others, reducing storage space and maintaining optimum level of inventory with improved supply chain management by leveraging our established business relationships with our suppliers through shorter delivery time.

The New Building will also be used by Cosmos Instruments to set up a product showroom and service and maintenance centre and store the fluid controls inventories. Cosmos Instruments intends to showcase our range of fluid control products, flowmeters, RTUs and other related products distributed by Cosmos Instruments and to demonstrate their functions and potential benefits and advantages to our future or potential customers. Cosmos intends to carry out renovations on the interior of the New Building without affecting its external structure. The renovations are estimated to cost approximately RM1.00 million, which will be funded by our Group's internally-generated funds. The renovations will not be subject to approval from any relevant authority.

Our Group intends to allocate RM10.00 million of the total proceeds from the Public Issue to finance the acquisition of the New Building. The estimated cost of acquiring the New Building is RM11.80 million (excluding stamp duty, legal fees and other miscellaneous charges). Pending the receipt of the proceeds from the Public Issue, our Group intends to fund the acquisition of the New Building via bank borrowings and internal generated funds. Pursuant to a letter of offer dated 3 March 2022, our Group was offered a term loan facility of RM10.03 million by Public Islamic Bank Berhad for the acquisition of the New Building. Upon receipt of the proceeds from the Public Issue, our Group will use the RM10.00 million allocated for the acquisition of the New Building to repay the bank borrowings taken to fund the acquisition of the New Building.

Cosmos would be required to obtain new licences and permits to enable the Group to operate from the New Building ("**New Licences**") including updating the relevant authorities of the change in business location, where required.

The express condition on the land title for the New Building states that the land is to be used for "Light Industry". In view that MCI proposes to shift its entire manufacturing operations for fabricated metal products to the New Building and intends to produce metal body frames for shale shakers and other fabricated metal products internally, our Group intends to convert the express condition from "Light Industry" to "Medium Industry" ("**Conversion**"). As at the LPD, the application for Conversion submitted by the Vendor of the New Building has been approved by the Hulu Langat Land Office.

Further to the above, our Group is required to obtain the New Licences for our Group to operate its business activities at the New Building.

In this regard, in the unlikely event that Cosmos Instruments is unable to obtain the New Licences in the manner intended due to whatsoever reasons including failure or inability to obtain the New Licences, Dato' Chong, being a Promoter, has provided an unconditional and irrevocable undertaking that he shall:

7. BUSINESS OVERVIEW (CONT'D)

- (1) procure Cosmos Instruments to dispose the New Building to a third party as soon as possible;
- (2) purchase the New Building from Cosmos Instruments at a price not lower than the Purchase Price and shall compensate Cosmos Instruments for all costs and expenses associated with the acquisition of the New Building by Cosmos Instruments (the Purchase Price and associated costs and expenses shall hereinafter be referred to as "**Acquisition Costs**") if Cosmos Instruments is unable to successfully dispose the New Building within 18 months from the completion of their acquisition of the New Building; and
- (3) compensate Cosmos Instruments the difference between the Acquisitions Costs and the costs of disposal of the New Building and all costs and expenses associated with the disposal of the New Building.

7.11.2 Purchase of new machineries

In FYE 2021, MCI secured orders for metal body frames for shale shakers from our Oil and Gas Customers. Currently, the production of metal body frames for shale shakers is sub-contracted to external sub-contractors. Also, in the last 12 months, MCI's production orders for the new and existing product (e.g., metal frame for shaker filters) have increased progressively. Therefore, MCI anticipates that we will be facing limitation in our production capacity for the fabrication of MCI's fabricated metal products in the near future.

In view of the above, MCI intends to purchase several new machineries for the following purposes:

- increase MCI's manufacturing output, such as metal frames for shaker filters and other fabricated metal products, in order to meet the anticipated increase in demand from our Oil and Gas Customers and reduce reliance on sub-contractors due to our Group's limited production capacity.

MCI expects that the purchase of the new machineries will increase its maximum capacity by approximately 42.86% (i.e. approximately 65,700 machine hours per year as compared to the machine hours for the FYE 2022 of 45,990 machine hours per year) and by approximately 27.78% (i.e. approximately 151,110 machine hours per year as compared to the machine hours for the FYE 2022 of 118,260 machine hours per year) for its primary processes and secondary processes, respectively; and

- expand MCI's manufacturing capability to produce metal body frames for shale shakers and other fabricated metal products internally in order to reduce reliance on sub-contractors for the production of the said products.

Additionally, the purchase and installation of new and improved machineries, such as high-power laser cutting machines, press brake machines, and robotic welding machines, as detailed below, has higher efficiency through improved specifications which include higher output and increased automation. Increased automation through the use of new machineries is also expected to have higher precision and enable our Group to reduce our reliance on trained workers.

As a result, our Group intends to allocate RM3.50 million of the total proceeds from the Public Issue for the purchase of new machineries to be located at the New Building to expand our manufacturing operations.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, MCI has 1 unit of laser cutting machine, 1 unit of tube/piping cutting machine, 2 units of press brake machines and 16 units of robotic welding machines. We intend to purchase the proposed new machineries as detailed below:

Type of Machinery and Equipment	No. of units	Estimate Cost (RM)
Laser cutting machine	2	1,600,000
Tube/pipe laser cutting machine	1	650,000
Press brake machine	2	1,000,000
Robotic welding machine	3	600,000
Total		3,850,000

The estimated cost for the purchase of machineries is inclusive of the installation cost and was derived based on quotations. All the machineries will be purchased locally.

Our Group plans to purchase these new machineries upon receiving the proceeds from the Public Issue. The purchase of these new machineries is estimated to cost RM3.85 million. The expected shortfall from the allocated proceeds will be financed through our Group's internally-generated funds and/or bank borrowings.

We intend to utilise the remaining proceeds from our LEAP listing amounting to RM1.3 million to partly fund the acquisition of 2 units of press brake machines, 2 units of spot-welding machines* and 1 unit of laser cutting machine by March 2023.

Note:

- * The spot-welding machines are used for pre-welding process which is to join and hold two metal workpieces temporarily prior to undergoing the robotic welding process to join them together permanently via high precision welding. The spot weld process is mainly to improve the production time and product quality of the production of fabricated metal products.

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7. BUSINESS OVERVIEW (CONT'D)

7.12 PROPERTY, PLANT AND EQUIPMENT

7.12.1 PROPERTY OWNED BY OUR GROUP

Our Subsidiary, Cosmos Instruments had on 14 January 2022 entered into a sale and purchase agreement with the Vendor to acquire the New Building for a purchase consideration of RM11.8 million. As at the LPD, the acquisition of the New Building has yet to be completed. The details of the New Building are as follows:

Registered proprietor	Title details	Description/ Category of land use/ Tenure	Express condition/ Restriction in interest/ Encumbrances	Approximate land area/ Built-up area	Date of issuance of CCC
Jemco Venture Sdn Bhd	PT 59919, Pekan Cheras, Daerah Ulu Langat, Negeri Selangor held under H.S.(D) 174625	<p>Description:</p> <p>A semi-detached factory erected thereon comprising factory area on part of the ground floor, office area on the ground floor, levels 1 and 2 and an open utility area on the rooftop</p> <p>Category of land use:</p> <p>Industry</p> <p>Tenure:</p> <p>Leasehold land of 77 years expiring on 29 November 2093</p>	<p>Express condition:</p> <p>Light industry⁽¹⁾</p> <p>Restriction in interest:</p> <p>The land cannot be transferred, leased or charged without obtaining the State authority's consent</p> <p>Encumbrances:</p> <p>Charged to Hong Leong Bank Berhad</p>	<p>Land area: 3,424.38 square meter</p> <p>Built-up area: Approximately 26,000 square feet</p>	24 July 2019

Note:

- (1) The Hulu Langat Land Office had on 22 July 2022 approved the application made by Jemco Venture Sdn Bhd to convert the express condition from "Light Industry" to "Medium Industry".

Our Group intends to relocate to the New Building once the transfer of ownership and renovation is completed. The transfer of ownership and renovation is expected to be completed by the fourth quarter of 2022.

7. BUSINESS OVERVIEW (CONT'D)

7.12.2 BUSINESS LOCATION

Our Group's principal business operations are situated at the following locations:

Address	Activity/ Purpose of location	Land area/ Built-up area	Rented or owned	Tenant	Terms
No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor ⁽¹⁾	<p>Description: Office located at the 1st floor</p> <p>Existing usage: Use for sales, marketing, administrative and support purposes</p>	<p>Built-up area 2,000 sq. ft.</p>	Sub-rented from Flexacon Automation System Sdn. Bhd., a subsidiary company of MSM	MCI	<p>2 years (with option to renew for another 2 years)</p> <p>1 July 2021 to 30 June 2023</p> <p>Monthly rental fee: RM3,000</p>
Lot 24645, Jalan KPB 5 Kawasan Perindustrian Kampung Baru Balakong 43300 Seri Kembangan, Selangor ⁽²⁾	<p>Description: Single-storey detached factory and warehouse</p> <p>Existing usage: Use for manufacturing and storage purposes</p>	<p>Land area 52,958 sq. ft.</p> <p>Built-up area 42,000 sq. ft.</p>	Rented from MSM Metal Industries Sdn. Bhd., a subsidiary company of MSM	MCI	<p>2 years (with option to renew for another 2 years)</p> <p>1 July 2021 to 30 June 2023</p> <p>Monthly rental fee: RM15,000</p>

Our Group had previously rented the following factories for our business operations:

- (i) rental of factory located at Lot 3195 Jalan KPB 11, Kawasan Perindustrian Kampung Baru Balakong, 43000 Seri Kembangan of which the tenancy agreement had ceased in April 2019; and
- (ii) rental of factory located at HS(D) 132878 PT 51414, Pekan Cheras, Daerah Ulu Langat, Selangor of which the tenancy agreement had ceased in April 2019.

Notes:

- (1) Our Group had commenced tenancy for the property located at No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor on 1 July 2019.
- (2) Our Group had commenced tenancy for the property located at Lot 24645, Jalan KPB 5 Kawasan Perindustrian Kampung Baru Balakong 43300 Seri Kembangan, Selangor on 1 January 2011.

As at the LPD, the locations of our Group's principal business operations are not in breach of any land use or regulatory requirements.

7. BUSINESS OVERVIEW (CONT'D)

7.12.3 PRODUCTION CAPACITY

MCI is involved in the manufacturing of fabricated metal products for the oil and gas and water and wastewater industries. Our production capacity in respect of the manufacturing of fabricated metal products is outlined in the table below:

Production process	FYE 2019		FYE 2020		FYE 2021	
	Maximum capacity ^{(1) (2)}	Utilisation rate (%)	Maximum capacity ^{(1) (2)}	Utilisation rate (%)	Maximum capacity ^{(1) (2)}	Utilisation rate (%)
Primary processes	72,270	85.68	55,908	54.77	46,008	54.77
Secondary processes	137,970	76.71	118,260	43.84	118,260	49.32

Production process	FYE 2022		1 May 2022 - LPD	
	Maximum capacity ⁽¹⁾	Utilisation rate (%)	Maximum capacity ⁽¹⁾	Utilisation rate (%)
Primary processes	46,008	87.64	13,608	87.24
Secondary processes	118,260	81.58	34,992	81.18

Notes:

- (1) Maximum capacity is calculated based on machine hours per year.
- (2) The changes in the maximum capacity of our manufacturing facility during the FYE Under Review were mainly attributable to the rental of several machinery and equipment from MSM Metal Industries Sdn Bhd. For FYE 2020 and FYE 2021, in view of the economic downturn of the oil and gas industry and decrease in demand for metal frames for the shaker filters from our Oil and Gas Customers, we ceased the rental of certain machinery and equipment in 1st quarter of 2021 which resulted in the decrease of our maximum capacity in the said financial years.

The computation of our manufacturing capacity is based on the following assumptions:

Primary processes include laser cutting, turret punch, and cutting machines. The maximum capacity of these machines are estimated based on the number of machines and assuming operations of 18 hours per day, 30 days per month and 12 months per year. Utilisation rates are computed based on the number of hours the machines are in operation obtained from our production report. As our products are not homogeneous and differ in types and sizes according to our customers' requirements, the utilisation rates may not be reflective of the actual production rate of our production facilities.

Secondary processes include bending and robotic welding. The maximum capacity of these machines are estimated based on the number of machines and assuming operations of 18 hours per day, 30 days per month and 12 months per year. Utilisation rates are computed based on the number of hours the machines are in operation which are only estimates. As our products are not homogeneous and differ in types and sizes according to our customers' requirements, the utilisation rates may not be reflective of the actual production rate of our production facilities.

7. BUSINESS OVERVIEW (CONT'D)

7.13 MAJOR CUSTOMERS

Our products and services are distributed to the water, wastewater and oil and gas industries. Our customers include:

- Water authorities, water operators and wastewater treatment operators;
- Contractors for water and wastewater treatment plants;
- Intermediary customers; and
- Oilfield equipment and service companies.

Our top 5 major customers for the FYE Under Review are as follows:

No.	Customers	Country of Origin	Types of Products Sold	Length of Relationship (Years)	RM'000	%
FYE 2019						
1	National Oilwell Varco, Inc.	US	Fabricated metal products	3	20,765	47.11
2	NOV (Malaysia) Sdn Bhd	Malaysia	Fabricated metal products	9	10,877	24.68
3	ISET	Malaysia	Fluid control products	15	1,233	2.80
4	Ranhill Water Services Sdn Bhd	Malaysia	Fluid control products	2	963	2.18
5	Hydro-Trent Automation Sdn Bhd	Malaysia	Fluid control products	10	922	2.09
	Sub-total				34,760	78.86
	Total Sales (FYE 2019)				44,078	100.00
FYE 2020						
1	National Oilwell Varco, Inc.	US	Fabricated metal products	4	8,839	35.09
2	NOV (Malaysia) Sdn Bhd	Malaysia	Fabricated metal products	10	5,312	21.09
3	Ranhill Water Services Sdn Bhd	Malaysia	Fluid control products	3	1,190	4.72
4	Air Selangor	Malaysia	Fluid control products	3	1,172	4.65
5	Vector R Asia Sdn Bhd	Malaysia	Fluid control products	2	970	3.85
	Sub-total				17,483	69.41
	Total Sales (FYE 2020)				25,189	100.00
FYE 2021						
1	NOV (Malaysia) Sdn Bhd	Malaysia	Fabricated metal products	11	4,739	14.05
2	National Oilwell Varco, Inc.	US	Fabricated metal products	5	4,240	12.57
3	Air Selangor	Malaysia	Fluid control products	4	2,389	7.08
4	Ranhill Water Services Sdn Bhd	Malaysia	Fluid control products	4	1,847	5.48
5	Mastersteel Medical Sdn Bhd	Malaysia	Fabricated metal products	5	1,729	5.13
	Sub-total				14,944	44.31
	Total sales (FYE 2021)				33,723	100.00
FYE 2022						
1	NOV (Malaysia) Sdn Bhd	Malaysia	Fabricated metal products	12	8,846	18.01
2	National Oilwell Varco, Inc.	US	Fabricated metal products	6	7,677	15.63

7. BUSINESS OVERVIEW (CONT'D)

No.	Customers	Country of Origin	Types of Products Sold	Length of Relationship (Years)	RM'000	%
3	NOV Process & Flow Technologies Malaysia Sdn Bhd	Malaysia	Fabricated metal products	1	7,615	15.50
4	Air Selangor	Malaysia	Fluid control products	5	4,835	9.84
5	M8 Machinery Sdn Bhd	Malaysia	Fabricated metal products	4	3,882	7.90
	Sub-total				32,855	66.88
	Total sales (FYE 2022)				49,120	100.00

For the FYE Under Review, our top 5 customers collectively contributed 78.86%, 69.40%, 44.31% and 66.88% of our total Group's revenue, respectively. Our Oil and Gas Customers, namely NOV (Malaysia) Sdn Bhd and National Oilwell Varco, Inc. and our Water Customers, namely Air Selangor and Ranhill Water Services Sdn Bhd have been our Group's long term and repeat customers, which span between 4 and 12 years. We enjoy close and long-standing business relationships with our Oil and Gas Customers and Water Customers, and we place a significant emphasis on developing and maintaining customer satisfaction, goodwill and rapport.

We are also mindful of the risk of reliance on a handful of major customers, and we are implementing strategies to diversify our customer base. For example, we are working to improve the design and quality of our lamella plates to increase the customers' confidence in our products, emphasising on research and development efforts to introduce new fabricated metal products for existing and new customers, increasing our marketing efforts to secure more instrumentation services projects as well as increasing our sales for telemetry products. Therefore, through our customers' diversification plans, our revenues contribution from top 5 customers were decreasing in the FYE 2019, FYE 2020 and FYE 2021, as we were able to secure more sales from other new and existing customers.

Further to the above, the decrease in sales to NOV (Malaysia) Sdn Bhd and National Oilwell Varco, Inc. from FYE 2019 to FYE 2021 was mainly contributed by the decrease in demand from these customers as a result of continuing global downtrend in average crude oil prices in FYE 2020 and FYE 2021. Nevertheless, our revenue contribution from top 5 customers increased in FYE 2022 due to increase in sales to NOV (Malaysia) Sdn Bhd and National Oilwell Varco, Inc. as well as sales to our new customers, namely NOV Process & Flow Technologies Malaysia Sdn Bhd as a result of increase in demand for fabricated metal products amid the global recovery in average crude oil prices in FYE 2022.

7.14 MAJOR SUPPLIERS

Our top 5 major suppliers for the FYE Under Review are as follows:

No.	Suppliers	Country of Origin	Types of Products Purchased	Length of Relationship (Year(s))	RM'000	%
FYE 2019						
1	Siemens Malaysia	Malaysia	Fluid control products	15	6,983	24.54
2	Leform Sdn Bhd	Malaysia	Steel materials	1	4,832	16.98
3	Waynum Hardware Sdn Bhd	Malaysia	Steel materials	9	3,719	13.07
4	MSM Metal Industries Sdn Bhd	Malaysia	Steel materials and processed steel materials*	9	3,491	12.27
5	Century Steel Sdn Bhd	Malaysia	Steel materials	7	2,652	9.32
	Sub-total				21,677	76.19

7. BUSINESS OVERVIEW (CONT'D)

No.	Suppliers	Country of Origin	Types of Products Purchased	Length of Relationship (Year(s))	RM'000	%
Total Purchases (FYE 2019)					28,451	100.00
FYE 2020						
1	Siemens Malaysia	Malaysia	Fluid control products	16	7,252	46.09
2	Leform Sdn Bhd	Malaysia	Steel materials	2	3,579	22.75
3	Japmas Steel Sdn Bhd	Malaysia	Steel materials	8	997	6.34
4	Century Steel Sdn Bhd	Malaysia	Steel materials	8	789	5.01
5	LACROIX Sofrel	France	Telemetry products	1	190	1.21
Sub-total					12,807	81.39
Total Purchases (FYE 2020)					15,735	100.00
FYE 2021						
1	Siemens Malaysia	Malaysia	Fluid control products	17	11,134	62.45
2	Simmsion Engineering Sdn Bhd	Malaysia	Steel materials and processed steel materials*	3	947	5.31
3	LACROIX Sofrel	France	Telemetry products	2	546	3.06
4	M8 Machinery Sdn Bhd	Malaysia	Steel materials and processed steel materials*	3	478	2.68
5	Leform Sdn Bhd	Malaysia	Steel materials	3	400	2.24
Sub-total					13,505	75.74
Total purchases (FYE 2021)					17,830	100.00
FYE 2022						
1	Siemens Malaysia	Malaysia	Fluid control products	18	11,002	38.18
2	Simmsion Engineering Sdn Bhd	Malaysia	Steel materials and processed steel materials*	4	5,674	19.69
3	Leform Sdn Bhd	Malaysia	Steel materials	4	2,557	8.87
4	Century Steel Sdn Bhd	Malaysia	Steel materials	10	1,527	5.30
5	Waynum Hardware Sdn Bhd	Malaysia	Steel materials	12	956	3.32
Sub-total					21,716	75.36
Total purchases (FYE 2022)					28,813	100.00

Note:

* *The processed steel materials are steel materials which have undergone processes such as, amongst others, bending, laser-cutting and punching.*

We purchased our raw materials and inventories mainly from local suppliers. For the FYE Under Review, Siemens Malaysia was our largest suppliers for fluid control products which accounted for 24.54%, 46.09%, 62.45% and 38.18% of our Group's total purchases, respectively. We are the certified partner and solution partner to Siemens Malaysia in Malaysia. The increase in purchases of fluid control products by our Group from Siemens Malaysia in FYE 2021 as compared to FYE 2020 was mainly contributed by the increased orders for flowmeters in FYE 2021 as evident by the increase in the number of flowmeters sold in FYE 2021 of 805 units from 522 units in FYE 2020. In FYE 2022, the number of flowmeters sold was 910 units.

7. BUSINESS OVERVIEW (CONT'D)

Based on the above, we are dependent on Siemens Malaysia for the supply of its fluid control products for our distribution segment. If Siemens Malaysia decides to terminate our partnership in the future, it will have a material impact and effect on our Group's distribution business performance and financial conditions. Notwithstanding this, we have built a strong working relationship with Siemens Malaysia since 2004 and we were appointed as its authorised distributor since 2007. Throughout our 18 years of business relationship with Siemens Malaysia, we have not experienced any major supply interruption from Siemens Malaysia. We will continue to strengthen our relationship with Siemens Malaysia and grow our business together with them. Please refer to Section 9.1.2 of this Prospectus in relation to the risk factor on our dependency on Siemens Malaysia.

Additionally, the decrease of purchases of steel materials and processed steels materials from Leform Sdn Bhd, Waynum Hardware Sdn Bhd, MSM Metal Industries Sdn Bhd and Century Steel Sdn Bhd throughout the FYE 2019 to FYE 2021 was mainly due to the lower demand for fabricated metal products from our Oil and Gas Customers as a result of global downtrend in average crude oil price in FYE 2020 and FYE 2021.

In FYE 2022, the purchases of steel materials and processed steel materials from Simmson Engineering Sdn Bhd, Leform Sdn Bhd, Century Steel Sdn Bhd and Waynum Hardware Sdn Bhd had increased in order to meet the increase in demand of fabricated metal products from our Oil and Gas Customers.

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7. BUSINESS OVERVIEW (CONT'D)

7.15 LICENCES, CERTIFICATIONS, REGISTRATIONS, PERMITS, APPROVALS AND TRADEMARKS

7.15.1 LICENCES, CERTIFICATIONS, REGISTRATIONS, PERMITS AND APPROVALS

Our Group has obtained all the major approvals, licences and permits for the operations of our businesses from the respective authorities, which are outlined as follows:

Granted to Cosmos

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
Majlis Perbandaran Kajang	Trade, business and industries licence for management office and illuminated advertisement at No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500, Semenyih, Selangor	MPKJ/CL/2/354/2019*	30 October 2021/ 29 October 2022	Nil	Not applicable

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7. BUSINESS OVERVIEW (CONT'D)

Granted to Cosmos Instruments

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
CIDB	<p>CIDB certificate of registration in respect of:</p> <p>a. Grade G5⁽¹⁾, Category Building Construction, registration specialisation B04;</p> <p>b. Grade G5, Category Civil Engineering Construction, registration specialisation CE20 and CE21;</p> <p>c. Grade G5, Category Mechanical and Electrical, registration specialisation M15</p> <p>This certificate allows Cosmos Instruments to carry out the following work scope:</p> <p>B04: general building construction works</p> <p>CE20: water supply system</p> <p>CE21: construction of civil engineering</p> <p>M15: installation, testing and commissioning of various mechanical system</p>	<p>Registration no. 0120161007-SL180011</p>	<p>22 June 2022/ 28 January 2024</p>	<p>1. General conditions</p> <p>(i) This certificate is non-transferable</p> <p>(ii) CIDB reserves the right to review the registration grade of Cosmos Instruments from time to time</p> <p>2. Responsibilities and obligations</p> <p>(i) Cosmos Instruments shall comply with the provisions of the Construction Industry Development Board Act 1994 (“CIDB Act”), the regulations made thereunder and any terms, conditions or restrictions imposed by CIDB from time to time</p> <p>(ii) Cosmos Instruments shall not participate in any tender or execute any construction works after this certificate has expired and unless it is renewed</p> <p>(iii) Cosmos Instruments shall not undertake any construction project which exceeds the value of construction works specified under the registration grade and shall not execute any construction works which is outside its registered category</p> <p>(iv) Cosmos Instruments shall submit information regarding any new construction works or contracts within fourteen days of the award or before the commencement or work, whichever is earlier</p> <p>(v) Cosmos Instruments shall submit any information required from CIDB from time to time</p>	<p>Noted</p> <p>Noted</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p>

7. BUSINESS OVERVIEW (CONT'D)

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
	M19: installation of plant equipment M20: general mechanical maintenance M23: pump system			(vi) Cosmos Instruments shall display the certificate of registration issued by CIDB or a certified true copy of the certificate by CIDB at the place of business (vii) Cosmos Instruments shall display its registration number on the signboard at each construction site (viii) Cosmos Instruments shall apply for renewal of registration at any time within 60 days before the expiry date specified in this certificate (ix) Cosmos Instruments shall comply with all requirements and stipulations in Contractor's Code of Ethics (x) Cosmos Instruments shall appoint skilled construction workers and accredited site supervisors who are certified by CIDB (xi) All workers on the construction site must have a valid Construction Personnel Card 3. Disciplinary actions The registration of Cosmos Instruments shall be cancelled or suspended if: (i) Cosmos Instruments fails to comply with the requirement of any other written law (ii) Cosmos Instruments has been adjudicated a bankrupt (iii) A winding up petition in relation to Cosmos Instruments has been presented	Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted Noted Noted

7. BUSINESS OVERVIEW (CONT'D)

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
				(iv) Cosmos Instruments contravenes or fails to comply with any provision of the CIDB Act 1994 (v) Cosmos Instruments has obtained the certificate by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise (vi) Cosmos Instruments has abandoned any construction undertaken without any good reason (vii) Cosmos Instruments is found negligent by the court or by any board of enquiry established under any written law in connection with any construction works undertaken (viii) Cosmos Instruments contravenes any of the terms and conditions of the contractor's Responsibilities and Obligations as specified in paragraph 2 above	Noted Noted Noted Noted Noted
SPAN	Akta Industri Perkhidmatan Air 2006 (Akta 655) ("IPA") Permit Type C2 (water supply for contract value from RM2.00 million to RM10.00 million) to carry out works in Peninsular Malaysia, Wilayah-Wilayah Persekutuan Putrajaya and Labuan	Permit no. SPAN/EKS/(PT)/800-2C/1/17/458	30 September 2020/ 29 September 2022^ Note: ^ Cosmos Instruments had renewed its SPAN license prior to the expiry date as set out above.	1. General conditions (i) Cosmos Instruments shall only carry out the works, and in the state or states, specified in the permit (ii) Cosmos Instruments shall notify SPAN of any change of particulars of the permit holder (iii) Cosmos Instruments shall provide information, in the format and at intervals, as required by SPAN	Noted and complied Noted and complied Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
			The effective date and expiry date of the renewed SPAN license are 30 September 2022 and 29 September 2025 respectively.	<ul style="list-style-type: none"> <li data-bbox="1198 432 1825 635">(iv) The employees and servants of Cosmos Instruments shall be authorised to carry out for Cosmos Instruments' works authorised under the permit provided that Cosmos Instruments shall at all times be responsible for all acts or omissions of its employees and servants <li data-bbox="1198 635 1825 746">(v) Cosmos Instruments shall at all times maintain the requisite certificate of registration as a registered contractor issued by the CIDB, if necessary <li data-bbox="1198 746 1825 858">(vi) Cosmos Instruments shall at all times have and maintain the qualification to hold a permit as may be specified by the SPAN from time to time <li data-bbox="1198 858 1825 970">(vii) Cosmos Instruments shall at all times deal with consumers fairly and reasonably and where applicable, comply with the consumer standards <li data-bbox="1198 970 1825 1129">(viii) Cosmos Instruments shall at all times safeguard the safety of the public and its employees and shall at all times comply with relevant occupational, health and safety procedures and regulations imposed by the relevant authority <li data-bbox="1198 1129 1825 1241">(ix) Cosmos Instruments, its employees and servants shall at all times comply with the applicable health requirements by the relevant health authorities <li data-bbox="1198 1241 1825 1415">(x) Cosmos Instruments shall observe and comply with the obligations of the permit and the provisions of the Water Services Industry Act 2006 ("Act") and any subsidiary legislation made or other instruments issues under the Act 	<ul style="list-style-type: none"> <li data-bbox="1825 432 1998 635">Noted and complied <li data-bbox="1825 635 1998 746">Noted and complied <li data-bbox="1825 746 1998 858">Noted and complied <li data-bbox="1825 858 1998 970">Noted and complied <li data-bbox="1825 970 1998 1129">Noted and complied <li data-bbox="1825 1129 1998 1241">Noted and complied <li data-bbox="1825 1241 1998 1415">Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
				<p>(xi) Cosmos Instruments shall comply with such other conditions as may be imposed by the SPAN from time to time</p> <p>2. Special conditions</p> <p>(i) Cosmos Instruments shall ensure that qualified persons are employed to run the operations of the company at all times</p> <p>(ii) Cosmos Instruments shall ensure that all works which are subcontracted to sub-contractors are carried out by sub-contractors who hold the requisite SPAN permits.</p> <p>(iii) Cosmos Instruments shall have an employee or use a plumber service that holds a Type A permit to carry out the related works.</p> <p>(iv) Cosmos Instruments is reminded to ensure it always holds a valid CIDB licence and submit a copy of the renewed CIDB licence to SPAN upon expiration of the CIDB licence.</p> <p>(v) Cosmos Instruments is reminded to carry out works involving water supply system or sewage system not exceeding the CIDB grade value.</p> <p>(vi) If Cosmos Instruments submitted the receipt for the registration of the Permit C (Pipe & Reticulation) Water Supply System Revision Course ("RCPC") during the application of the permit, Cosmos Instruments shall submit a copy of the certificate of attendance for the RCPC issued by CIDB latest by 31</p>	<p>Noted and complied</p> <p>Noted and complied</p> <p>Not applicable</p> <p>Not applicable</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p>

7. BUSINESS OVERVIEW (CONT'D)

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
				<p>December 2021. Failure to submit such certificate will result in the revocation of the permit.</p> <p>(vii) If Cosmos Instruments submitted the receipt for the registration of the Water Reticulation Piping Course Grade 2 during the application of the permit, Cosmos Instruments shall submit a copy of the Certificate of Competency of Skills in Piping (Water Reticulation) Grade 2 issued by CIDB latest by 31 December 2021. Failure to submit such certificate will result in the revocation of the permit.</p>	Not applicable as the condition is only applicable to Type A permit holder
SPAN	IPA Permit Type C3 (water supply for contract value from RM0.20 million to RM2.00 million) to carry out works in Peninsular Malaysia, Wilayah-Wilayah Persekutuan Putrajaya and Labuan	Permit no. SPAN/EKS/(PT)/800-2C/1/17/ 458	8 June 2021/ 7 June 2024	<p>1. General conditions</p> <p>(i) Cosmos Instruments shall only carry out the works, and in the state or states, specified in the permit</p> <p>(ii) Cosmos Instruments shall notify SPAN of any change of particulars of the permit holder</p> <p>(iii) Cosmos Instruments shall provide information, in the format and at intervals, as required by SPAN</p> <p>(iv) The employees and servants of Cosmos Instruments shall be authorised to carry out for Cosmos Instruments' works authorised under the permit provided that Cosmos Instruments shall at all times be responsible for all acts or omissions of its employees and servants</p> <p>(v) Cosmos Instruments shall at all times maintain the requisite certificate of registration as a registered contractor issued by the CIDB, if necessary</p>	<p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p>

7. BUSINESS OVERVIEW (CONT'D)

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
				(vi) Cosmos Instruments shall at all times have and maintain the qualification to hold a permit as may be specified by the SPAN from time to time	Noted and complied
				(vii) Cosmos Instruments shall at all times deal with consumers fairly and reasonably and where applicable, comply with the consumer standards	Noted and complied
				(viii) Cosmos Instruments shall at all times safeguard the safety of the public and its employees and shall at all times comply with relevant occupational, health and safety procedures and regulations imposed by the relevant authority	Noted and complied
				(ix) Cosmos Instruments, its employees and servants shall at all times comply with the applicable health requirements by the relevant health authorities	Noted and complied
				(x) Cosmos Instruments shall observe and comply with the obligations of the permit and the provisions of Water Services Industry Act 2006 (" Act ") and any subsidiary legislation made or other instruments issues under the Act	Noted and complied
				(xi) Cosmos Instruments shall comply with such other conditions as may be imposed by SPAN from time to time	Noted and complied
				2. Special conditions	
				(i) Cosmos Instruments shall ensure that qualified persons are employed to run the operations of the company at all times	Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
				(ii) Cosmos Instruments shall ensure that all works which are subcontracted to sub-contractors are carried out by sub-contractors who hold the requisite SPAN permits. (iii) Cosmos Instruments shall have an employee or use a plumber service that holds a Type A permit to carry out the related works. (iv) Cosmos Instruments is reminded to ensure it always holds a valid CIDB licence and submit a copy of the renewed CIDB licence to SPAN upon expiration of the CIDB licence (v) Cosmos Instruments is reminded to carry out works involving water supply system or sewage system not exceeding the CIDB grade value.	Not applicable Not applicable Noted and complied Noted and complied
MOF	Certificate of registration – Provision of supply and service under the following codes: 210202: Information Communication Technology (ICT) / telecommunication equipment/ communication system/ telecommunication 220507: Service/ maintenance/ engineering and communication	Certificate no. K10140128633 190543 Registration reference no. 357-0002307669	31 March 2022/ 24 June 2025	1. General conditions (i) This approval is given based on the information provided by Cosmos Instruments (ii) Any changes to the said information should be updated online in the Profile Update Module at www.eperolehan.gov.my within 21 days from the date of such change and failure to do so may result in action being taken as described in paragraph (v) below (iii) Cosmos Instruments must submit all such information within the stipulated time as requested by the MOF. Failure to do so will result in action being taken as described in paragraph (v) below	Noted Noted and complied Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
				<p>2. Suspension/revocation of registration</p> <p>(i) Cosmos Instruments' registration will be suspended/revoked in the event that Cosmos commits the following offences:</p> <ul style="list-style-type: none"> a. Company/ owner/ partnership/ director/ any of the management team commits a crime and is found guilty by the court in Malaysia or overseas or undertaking civil liability b. Cosmos Instruments withdraws its offer before the tender is considered or rejects once offer is made c. Cosmos Instruments fails to fulfil its contractual obligations signed with the Government d. Cosmos Instruments is found to amend the Certificate of Registration of Company for the purpose of deception or other purposes e. Cosmos allows its Certificate of Registration of Company to be misused by another individual/company f. Cosmos Instruments if found to have entered into bargains with other companies upon entering into a Government tender or subcontract without prior consent of the Government agency involved 	Noted

7. BUSINESS OVERVIEW (CONT'D)

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
				<p>3. Renewal</p> <p>(i) Cosmos Instruments must submit the renewal application 3 months prior to the expiry date</p> <p>(ii) Applications received after the expiry date are considered renewal registration</p> <p>4. Government's rights</p> <p>The Certificate of Registration of Company issued in Virtual is a Government Right. The Government reserves the right to withdraw registrations/ suspension/ revocation if Cosmos is subject to disciplinary action in accordance with 1PP/PK8 (Pekeliling Perbendaharaan/Perolehan Kerajaan 8)</p> <p>5. Participation of government procurement</p> <p>(i) With the issuance of the Virtual Certificate, this certificate will no longer be required to be shown when collecting Government procurement documents (direct purchase, tender/quotes and other procurement methods) except for Government Agencies that do not have internet access</p> <p>(ii) Cosmos Instruments must ensure that the registration with the MOF is valid throughout the contractual period</p>	<p>Noted and complied</p> <p>Noted</p> <p>Noted</p> <p>Noted and complied</p>

7. BUSINESS OVERVIEW (CONT'D)

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
				<p>6. Reminder regarding the offence of corruption</p> <p>Any act or attempt to offer to corrupt or provide, request or accept any bribe to and from any person in connection with the Government procurement is a criminal offence under the Malaysian Anti-Corruption Commission Act 2009 [Act 694]</p>	Noted
Majlis Perbandaran Kajang	Trade, business and industries licence for management office and non-illuminated advertisement at No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500, Semenyih, Selangor.	Fail No. MPKJ/CL/2/35 3/2019*	30 October 2021/ 29 October 2022	Nil	Not applicable

Note:

(1) Grade G5 allows Cosmos Instruments to tender or undertake jobs not more than RM5 million in value.

7. BUSINESS OVERVIEW (CONT'D)

Granted to MCI

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
Majlis Perbandaran Kajang	Trade, business and industries licence to carry out steel engineering and as management office at Lot 24645, Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, 43300, Seri Kembangan, Selangor	File No. MPKJ/CL/6/548/2011	3 January 2022/ 2 January 2023	Nil	Not applicable
Majlis Perbandaran Kajang	Trade, business and industries licence for management office and non-illuminated advertisement and to carry out steel engineering at No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500, Semenyih, Selangor.	File No. MPKJ/CL/2/355/2019*	30 October 2021/ 29 October 2022	Nil	Not applicable
MITI	Manufacturing Licence	Licence No. A022117 Serial No. A037392	4 July 2019/ Not stated	(i) Any sales or disposal of shares of MCI must be notified to the MITI and MIDA (ii) MCI shall train Malaysian citizens so that the technology and skills can be transmitted at all levels of employment (iii) MCI must adhere to the terms of the Capital Investment Per Employee (CIPE) of at least RM140,000.00	Noted and complied Noted and complied Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

Approving authority	Type of approvals/ licences/permits	Licences/ certification/ reference no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance with major conditions imposed
				<p>(iv) The total employment force of the company was 73⁽¹⁾ when the application was submitted to MIDA. The total number of additional full-time employees of the company must be at least 80%. The employment of foreigners including outsourced workers in subject to current policy</p> <p>(v) The total full-time employee of MCI should comprise of at least 80% of Malaysians by 31 December 2022⁽²⁾. Employment of foreign employees including outsourced employees are subject to current policy</p> <p>(i) The company must submit information on investment performance and project implementation under the Industrial Co-ordination Act 1975 (Act 156) and MIDA Act 1965 as required by MIDA. Failure to provide such information, MCI may result in the following:</p> <ul style="list-style-type: none"> (i) being guilty of an offence and may be liable to a fine not exceeding RM1,000.00 or imprisonment for a term not exceeding 3 months or both, and a further fine not exceeding RM500.00 for each day of the continuing offence; or (ii) commit an offence if any false or misleading statements or information is provided or which is confusing in any material manner and may be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding six months or both. <p>(ii) The company must execute its project as approved and in accordance with other laws and regulations in Malaysia.</p>	<p>Noted and to be complied</p> <p>Noted and to be complied</p> <p>Noted and complied</p> <p>Noted and complied</p>

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) *The total employment force of 73 when the application was submitted to MIDA represents the total employment force of MCI at that point in time as well as the outsourced workers as required by MIDA.*

MCI was required to fulfil the condition by 2020. MCI had on 26 October 2021 written to MIDA to request for an extension of time to fulfil the condition. MIDA had on 12 January 2022 vide its letter granted MCI an extension of time until 31 December 2022 to fulfil the condition.

- (2) *The percentage of full-time Malaysian employees of MCI is 65% as of 31 December 2021.*

Further to the above, the percentage of full-time Malaysian employees of MCI is 76% as of 23 March 2022 and 83% as of the LPD.

The steps taken by MCI to comply to this condition are as follows:


- (a) *job advertising; and*
- (b) *approaching vocational and technical university, colleges, technical centre (academy) to recruit skilled employees.*

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7. BUSINESS OVERVIEW (CONT'D)

7.15.2 TRADEMARK

As at the LPD, save as disclosed below, we do not have any other trademarks submitted for registration with Intellectual Property Corporation of Malaysia:

Trademark	Registrant/company	Application no.	Class	Date of application	Place of application	Status of registration
	Cosmos	TM2019031033	35*	Application date: 21 August 2019 Legal status date: 9 December 2020 Date Gazetted: 1 October 2020 Expiry Date: 21 August 2029	Malaysia	Registered

Note:

- * Our Group submitted its application for registration of trademark under Class 35: The bringing together, for the benefit of others, of a variety of goods enabling customers to conveniently view and purchase those goods in a retail stores, wholesale outlets, of from a general merchandise web site provided on the global communication network; pharmacy retail services; presentation of goods on communication media; for retail purposes; advertising; distribution of samples; import-export agencies; marketing; publicity; demonstration of goods; business inquiries; business information; on-line advertising on a computer network; all included in Class 35.

7. BUSINESS OVERVIEW (CONT'D)

7.16 EMPLOYEES

The following depicts the breakdown of our full-time employees for the FYE Under Review and as at the LPD:

Category	Number of employees				As at the LPD
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	
Executive Directors	2	2	2	2	2
Administration	11	11	10	19	20
Sales and marketing	8	8	8	6	6
Services	5	5	8	10	10
Production	14	13	21	45	39
	40	39	49	82	77

The breakdown of our local and foreign employees are outlined in the table below;

Category	Number of employees				As at the LPD
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	
Malaysian	29	29	31	69	64
Foreigner	11	10	18	13	13
	40	39	49	82	77

As at the LPD, we have a workforce of 77 employees, of which 64 and 13 are local and foreign workers respectively. All our foreign workers are working in our manufacturing department and have valid working permits of which the validity of the working permits is 1 year and we renew the working permit of our foreign workers on a yearly basis.

None of our employees are members of any labour union nor have we been involved in any major industrial dispute pertaining to our employees in the past.

7.17 MATERIAL DEPENDENCY ON COMMERCIAL CONTRACTS, AGREEMENTS AND OTHER ARRANGEMENTS

Cosmos Instruments is largely dependent on the Solution Partner Contract entered into with Siemens Malaysia since 1 October 2018 which was most recently renewed on 26 May 2022 for its appointment as the solution partner in Malaysia. The Solution Partner Contract provides that Siemens Malaysia will assist and support Cosmos Instruments in the distribution of its products. The scope of Cosmos Instruments' appointment as the solution partner of Siemens Malaysia includes allowing Cosmos Instruments to:

- access to their complete portfolio of customised solutions, systems, and products;
- access to their exclusive partner portal information;
- to obtain their technical support and training;
- to increase our visibility in their media and on sales platforms, including branding, and certifications; and
- to undertake joint marketing efforts to develop solutions for our customers to grow our markets.

7. BUSINESS OVERVIEW (CONT'D)

The salient terms of the Solution Partner Contract are set out below:

SCOPE OF THE CONTRACT

The scope of the solution partner contract is the participation of Cosmos Instruments in the solution partner program for the sale and marketing of products, systems, applications, software and services of Siemens Malaysia. Cosmos Instruments is required to create an installed base for such products and systems by actively promoting and integrating them into its systems and solutions to the best of its abilities. In return, Siemens Malaysia will provide to Cosmos Instruments the services and trainings as further detailed in Section 7.7.1 of this Prospectus.

PRINCIPLES

- (a) Cosmos Instruments may advertise its participation in the solution partner program of Siemens Malaysia in Malaysia.
- (b) Cosmos Instruments is responsible to ensure that its employees have and will continue to have throughout its participation in the solution partner program, the qualifications required for the professional expert advice and application support, engineering and integration concerning the products set out in the solution partner contract.

LIABILITY

Unless otherwise agreed in this solution partner contract and to the fullest extent permitted by the applicable laws, any right of a party to claim damages, regardless of the legal basis, but in particular resulting from any breach of duty under the Contract or as a result of any tortious act, is hereby excluded.

EFFECTIVENESS AND TERM

- (a) The latest solution partner contract is effective until 30 September 2022.
- (b) The solution partner contract will be automatically extended by further 12 months at a time, if it is not terminated by either party pursuant to the termination clause.

TERMINATION

- (a) Either party may terminate the solution partner contract or the selection of a portfolio module on 30 September provided it gives at least three (3) months prior written notice to the other party.
- (b) Either party may terminate the solution partner contract with immediate effect by written notice, if the other party becomes bankrupt or insolvent, has a receiving order made against it or has entered into an arrangement with its creditors, or carries on business under a receiver, trustee or manager for the benefit of its creditors or goes into liquidation.
- (c) Notwithstanding any other rights it may have under the solution partner contract, Siemens Malaysia may terminate the solution partner contract with immediate effect by written notice, if Cosmos Instruments:
 - (i) comes under the direct or indirect control of any competitor of Siemens Malaysia, or
 - (ii) breaches the solution partner contract and does not remedy the breach within a reasonable period after a notification by Siemens Malaysia, or
 - (iii) is in delay of the payment of the fee to Siemens Malaysia for more than sixty days, or

7. BUSINESS OVERVIEW (CONT'D)

- (iv) Cosmos Instruments makes unauthorized use of the name or logo of “Siemens” or uses the term “Siemens Solution Partner” or similar terms for purposes other than as permitted by the solution partner contract.

7.18 GOVERNING LAWS AND REGULATIONS

The following is an overview of the regulatory requirements governing our Group which are material to our business operation, which is not intended to be an exhaustive description of all laws and regulations to which our business is subject to:

(i) Industrial Co-ordination Act 1975 (“ICA”)

Pursuant to the ICA, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. The ICA defines “manufacturing activity” as the “making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade”. Manufacturing companies with shareholders’ funds of RM2.50 million and above or engaging 75 or more full-time paid employees are required to apply for a manufacturing licence.

As MCI’s principal activity is manufacturing of fabricated metal parts for industrial applications used in the water, wastewater, and oil and/or gas industries, MCI has applied for and been issued a manufacturing licence. MCI’s shareholder funds exceeded RM2.50 million in 2012 but they were unaware of the requirement to obtain a manufacturing licence. MCI proceeded to apply for a manufacturing licence in 2019 and currently has a valid manufacturing licence.

As at the LPD, MCI has not received any notices, penalties, or compounds from MITI for operating its manufacturing activities without a manufacturing licence prior to the issuance of its manufacturing licence. Our Directors are of the view that the risk of being charged, convicted, penalised and/or compounded retrospectively for the abovementioned provisions of the ICA is low in view that MCI has already been issued the manufacturing licence.

(ii) Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 (“CIDB Act”)

The CIDB Act which applies throughout Malaysia, regulates the establishment of the CIDB, and provides for its function relating to the construction industry and for matters connected therewith.

Pursuant to the CIDB Act, a contractor is a person who carries out or completes or undertakes to carry out or complete any construction works and for the purpose of the CIDB Act, any person who has been awarded or executed any contracts for construction works, or has undertaken to carry out, manage or complete any construction works, or has carried out, managed or completed any construction works, shall be deemed to be a contractor unless proven otherwise.

In Malaysia, a contractor must register with the CIDB and hold a valid certificate of registration issued by the CIDB under the CIDB Act in order to carry out or complete, undertake to carry out or complete any construction works or hold himself as a contractor. Failure to register with the CIDB constitutes an offence and on conviction, the party in breach of the CIDB Act may be liable to a fine of not less than RM10,000.00 but not more than RM100,000.00.

As at the LPD, Cosmos Instruments holds and maintains a valid CIDB licence issued by the CIDB.

7. BUSINESS OVERVIEW (CONT'D)

(iii) **Water Services Industry Act 2006 ("WSIA")**

WSIA provides for the regulation of water supply services and sewerage services and for the matters incidental thereto.

Under section 4 of WSIA, no person shall undertake, provide or make available any water supply services or sewerage services or part of the services by means of operating a public water supply system or public sewerage system unless he holds an individual licence granted under WSIA. As Cosmos Instruments' principal activity is the distribution of industrial automation and control instrumentation and servicing of fluid control products, Cosmos Instruments is therefore required to have the necessary licences as prescribed in WSIA.

As at the LPD, Cosmos Instruments, has obtained Type C2 permit from SPAN which allows Cosmos Instruments to supply water and wastewater services with a contracting value of between RM2.00 million and RM10.00 million.

Cosmos Instruments has also obtained Type C3 permit from SPAN which allows Cosmos Instruments to supply water and wastewater services with a contracting value of between RM0.20 million and RM2.00 million.

(iv) **Local Government Act 1976 ("LGA")**

Section 102 of the LGA provides that local authorities are empowered to make, amend and revoke the by-laws.

As Cosmos Group primarily carries out its business in Kajang, Selangor, Cosmos Group is under the jurisdiction of the Kajang Municipal Council ("**MPKj**") and the relevant by-laws governing the conduct of Cosmos Group's business would be the Licensing, Business Trade and Industrial By-Law (MPKj) 2007 ("**By-laws**"). The By-laws provide that no person shall operate any activity of trade, business and industry or use any place or premise in the local area of MPKj for any activity of trade, business and industry without a licence issued by the Licensing Authority of MPKj. A contravention of the By-laws would result in an offence, which upon conviction, would result in a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 1 year or to both.

As at the LPD, our Group holds and maintains valid industrial licences and business licences issued by the MPKj.

(v) **Worker's Minimum Standards of Housing and Amenities (Amendment) Act 2019 ("WMSHA")**

Pursuant to the WMSHA, which amended the Worker's Minimum Standards of Housing and Amenities Act 1990 and the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 that came into force on 1 September 2020, employers must comply with the WMSHA, which includes providing minimum space requirement for workers' accommodation, basic facilities as well as safety and hygiene standards.

The WMSHA further provides that no employer or centralised accommodation provider shall use any buildings as accommodation if the building is unfit for human habitation in accordance with the relevant written laws. The employer or centralised accommodation provider shall ensure that every accommodation provided for employees complies with the minimum standards required under WMSHA or any regulations made thereunder. As at the LPD, our accommodation complies with the minimum standards required under WMSHA.

7. BUSINESS OVERVIEW (CONT'D)

Pursuant to the WMSHA, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation. WMSHA provides that an employer who contravenes the WMSHA commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.

As at the LPD, MCI has obtained the Certificate for Accommodation for its workers' accommodations.

(vi) **Street, Drainage and Building Act 1974 ("SDBA") and Uniform Building By-Laws 1984 ("UBBL")**

Section 70(27)(f) of the SDBA provides that any person who occupies or permits to be occupied any building or any part thereof without a certificate of fitness for occupation ("**CF**") or certificate of completion and compliance ("**CCC**"), shall be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years, or to both.

By-Law 28 of the UBBL provides that no person shall occupy or permit to be occupied any building or any part thereof, unless a certificate of fitness for occupation, a partial certificate of fitness for occupation or a temporary certificate of fitness for occupation has been issued under the UBBL for such building and any failure to comply with the UBBL shall render such person liable to prosecution under the SBDA.

As at the LPD, all our rented properties are in compliance with relevant/applicable laws, rules and regulations for the occupation of the said properties.

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8. IMR REPORT

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16 AUG 2022

The Board of Directors
Cosmos Technology International Berhad
Level 13A-6, Menara Millennium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia

Dear Sirs/Madam,

INDEPENDENT MARKET RESEARCH REPORT (“IMR REPORT”) ON THE FLUID CONTROL INDUSTRY FOR COSMOS TECHNOLOGY INTERNATIONAL BERHAD (“CTIB”)

This IMR Report has been prepared for inclusion in the Prospectus pursuant to the listing of CTIB on the ACE Market of Bursa Malaysia Securities Berhad.

Mr Leow Hock Bee is the Research Director of Infobusiness Research & Consulting Sdn Bhd (“Infobusiness Research”). For more than 15 years, Infobusiness Research has been providing independent market research reports on corporate exercises, including initial public offerings and reverse takeovers. He has about 30 years of experience in market research, starting his career at Ban Hin Lee Bank Berhad where he spent 10 years. He has been involved in the research of a wide range of industries such as electronics, engineering supporting, furniture, rubber gloves, retreaded tyres, plastics packaging, oil and gas, oil-palm based, construction and property development, predominantly in corporate exercises for public listed companies.

This research is undertaken with the purpose of providing a strategic and competitive analysis of the fluid control industry in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, government literatures, in-house databases, Internet research and online databases.

The report contains information supplied by and analysis based on public and private sources. To the extent such sources have been cited herein, we hereby confirm that we are allowed to make reference to such sources. We believe that they are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information.

Infobusiness Research has prepared the IMR Report in an independent and objective manner and has taken all reasonable consideration and care to ensure its accuracy and completeness. This IMR Report should not be taken as recommendation to buy or not to buy the shares of any company.

for and on behalf of
INFOBUSINESS RESEARCH & CONSULTING SDN BHD



Leow Hock Bee
Research Director

8. IMR REPORT (CONT'D)

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IMR REPORT ON FLUID CONTROL INDUSTRY IN MALAYSIA

1.0 Overview of the Industrial Automation Industry

Industrial automation is the use of both software and hardware, such as control systems and equipment to control industrial machinery and processes, with little or no human interventions. The primary purpose of industrial automation is to increase productivity and reduce costs, as well as increase quality and flexibility in the production process. Industrial automation is often accomplished by mechanical (operated by machines with moving parts), hydraulic (operated by water or liquid pressure), pneumatic (operated by air or gas pressure) and digital systems (operated by electronics technology).

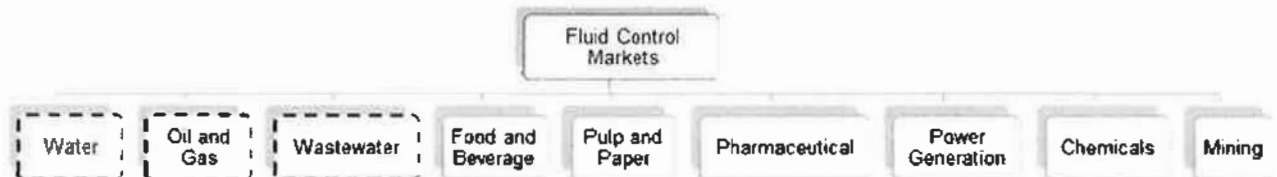
2.0 Introduction to the Fluid Control Industry

Fluid controls are widely used in industrial automation. The fluid control industry encompasses the manufacture and/or distribution of products and solutions that manage, measure, or control the flow of fluids. It provides engineered and specialised equipment, machinery and solutions that assist to control the flow of fluids (liquids and gases) in industrial applications. Fluid control equipment form an integral part of many plants and installations as they can operate more effectively, efficiently, economically and safely. Fluid control products such as electronic flowmeters are used in flow control in the water industry while shake filters are utilised for contaminant control in the oil and gas industry.

3.0 Segmentation of Fluid Control Markets

Fluid control equipment are needed in many markets. They also assist to monitor, prevent contamination and ensure product safety and quality during operational processes, as illustrated in the diagram below (Figure 1).

Figure 1: Segmentation of the Fluid Control Markets



Note:

Cosmos Group is involved in the water, oil and gas, and wastewater markets of the fluid control industry, as indicated by the dotted boxes. It is involved in the oil and gas industry through the manufacturing of metal frames for shaker filters used in the exploration and development of crude oil and natural gas fields (please refer to figure 4).

Source: Infobusiness Research

4.0 Government Policies and Regulations

The Suruhanjaya Perkhidmatan Air Negara Act 2006 provides for the establishment of the National Water Services Commission (also known as SPAN) as the technical and economic regulator of the water and sewerage service industries. The Water Services Act 2006, on the other hand, provides the legal framework required for their regulations and the Water Asset Management Company (also known as PAAB) was established to streamline the industry due to the escalating costs of developing water infrastructure. The two Acts were enforced in 2007 and 2008, respectively, and are applicable in Peninsular Malaysia and Labuan.

8. IMR REPORT (CONT'D)

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PAAB, designated a water asset holding company or water asset owner, is responsible for building new water infrastructure, while the state water operators of the different states which are licensed by the regulator, SPAN, will become asset-light and be responsible for the operations and maintenance of water assets, as well as the provision of water supply services.

5.0 Overview of the Water Industry

Though Malaysia is blessed with abundant water resources, the country has been experiencing an alarming increase in demand for water supply in recent years. The water authorities in the country are facing many challenges in ensuring consumers have continuous access to clean water and in ensuring a sustainable water future. Climate change has also impacted on the complexity of water treatment, through altering the availability, quantity and quality of global water supply and cycle.

Similar to other utilities, the equipment of water authorities are constantly undergoing upgrades on aging equipment and software systems in order to remain operable. Venturing into the water industry requires enormous initial investment for building treatment plants and reservoirs, as well as laying down a distribution network with pipes and pumping stations. For example, the estimated cost to replace a kilometre of pipe is approximately RM1 million. The National Water Services Commission estimated in 2019 that around RM76.9 billion in infrastructure spending was needed in the water industry in both the upstream and downstream sectors of the water infrastructure system, so as to avoid uninterrupted water supply over the next 30 years.

Under the Water Sector Transformation 2040 agenda which covers the period between 2021-2040, the Government is positioning the water industry as a dynamic growth engine, while ensuring water security and sustainability in the country. Under the Twelfth Malaysia Plan 2021-2025, smart technologies such as digital meters and sensors, GIS and SCADA systems will be incorporated to improve water management and service efficiency.

The water industry in Malaysia comprises several segments providing vital goods and services as illustrated and described below (Figure 2):

Figure 2: The Structure of the Water Industry in Malaysia



Note:

Cosmos Group is involved in the instruments and monitoring services segment as indicated by the dotted box above.

Source: Infobusiness Research

- Instruments and monitoring services – distributing monitoring equipment such as water flowmeters, sensors and software;

8. IMR REPORT (CONT'D)

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- Water utilities and sewerage services - water plant operators and water distributors, and sewerage service providers;
- Water equipment and chemicals – distributing products such as pumps, valves, pipes, chemicals, etc;
- Consulting services – designs of water projects, project engineering, laboratory services, etc;
- Waste management equipment – distributing various types of filters, membranes, etc; and
- Remediation services -ancillary services such as environment remediation, etc.

6.0 Introduction to Flowmeters

A flowmeter (also known as a flow gauge or a flow indicator) is a device used to measure or quantify the flow rate of moving fluids such as gases or liquids. The basic functions of flowmeters are in improving the accurate monitoring of fluids. Flowmeters serve in a wide range of applications; whether in determining the proper concentrations of ingredients in manufacturing, measuring fuel usage, or monitoring municipal water and sewer services, etc.

Most water flowmeters used in residential buildings in Malaysia are the mechanical type (also known as turbine flowmeters). However, impurities, such as grit or air can get into the water network and cause problems with mechanical flowmeters. As a result, mechanical meters eventually lose accuracy over the medium and long term, depending upon grit and the volume of air in the water supply. As the main challenge facing the water authorities is the ability to operate on a firm, financial basis, they must ensure that bills sent to customers are accurate, resulting in minimum disputes and the correct charges collected.

In contrast to mechanical flowmeters in widespread use in residential properties, electronic flowmeters (also known as digital flowmeters) provide more reliable, improved and precise readings in the various facilities of the water authorities, as well as in commercial and industrial applications. Accurate flow measurements also play a critical role in many commercial and industrial processes, as water often constitute a major portion of the costs of raw materials.

Electronic flowmeters are placed at every stage throughout the water infrastructure system between the water catchment areas and end-users (*Figure 3*). They assist to locate differences in the volumetric flow rates between two points, which aid to pinpoint the location of water leaks or other inaccuracies. The usage of electronic flowmeters will also enable more accurate monitoring of NRW.

Figure 3: The Water Infrastructure System



Source: Infobusiness Research

7.0 Demand and Supply Conditions of Electronic Flowmeters

Demand Conditions

Level of NRW

In general, water management inefficiency can be indicated by NRW. It refers to the difference between the volume of water distributed into the water distribution system and the volume that is billed to customers. As such the NRW is an indicator of the efficiency of a water distribution network.

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Most of the NRW is accounted by the water lost in the distribution system before it can be sold to customers to generate revenue. Therefore, NRW has led to lower revenue collection by the water authorities and subsequently affected the maintenance of water assets, which in turn, increased the risk of water supply disruptions. The national NRW level increased from 35.2% in 2016 to 36.4% in 2020 and in order to reduce it further, electronic flowmeters play a crucial role.

Metered Water Consumption

Water consumption is divided into domestic and non-domestic. Domestic water use refers to water used for both indoor and outdoor household purposes such as drinking, preparing food, bathing, washing clothes and dishes, and watering the garden. Meanwhile, non-domestic water are used by consumers in commercial establishments, industries, construction sites and offices. The major water consumption comes from the domestic water segment. Electronic flowmeters are critical in measuring the exact water consumption in both the domestic and non-domestic segments.

Water Treatment Plants

There are numerous electronic flowmeters installed for monitoring purposes in water treatment plants. Besides being calibrated according to schedules to ensure the accuracy of the results, they are also replaced periodically due to wear and tear. There were 330 water treatment plants operating in Peninsular Malaysia and Labuan in 2020.

Supply Conditions

In the distribution of electronic flowmeters, skilled workers such as mechanical and electronic engineers and technicians are needed in the fields of calibration, testing, installation, commissioning and training, as well as after sales services (such as repairs and maintenances). Similar to other industries, the electronic flowmeter industry faces a shortage of skilled workers such as mechanical and electronic engineers and technicians. In addition, there is a need to attract and retain such skilled workers in a highly mobile labour market.

8.0 Overview of the Oil and Gas Industry

A majority of the large oil and gas entities are fully integrated MNCs that are geographically diversified and engaged in exploration and production activities (upstream activities), and refining and distribution activities (downstream activities), including ownership or partial ownership of petrochemical plants. Supporting these integrated oil and gas companies are oilfield equipment and service companies providing a wide range of support services such as consultancy, engineering, fabrication and construction, pipeline maintenance and repair, marine transportation, drilling and well services, environment and safety, equipment repair and service, quality assurance / quality control and others.

As plant and equipment become more sophisticated, it has become imperative for the oil and gas companies to outsource their requirements to the oilfield equipment and service companies, rather than operating the plant and equipment in-house. Outsourcing allows the oil and gas companies to focus on the core business and assists to reduce fixed capital costs by letting external suppliers handle non-core functions. Few, if any, companies have either the time or resources to be best-in-class in every aspect of their businesses. In return, the oilfield equipment and service companies can provide both cost-effective and flexible services to meet the growth aspirations of their clients.

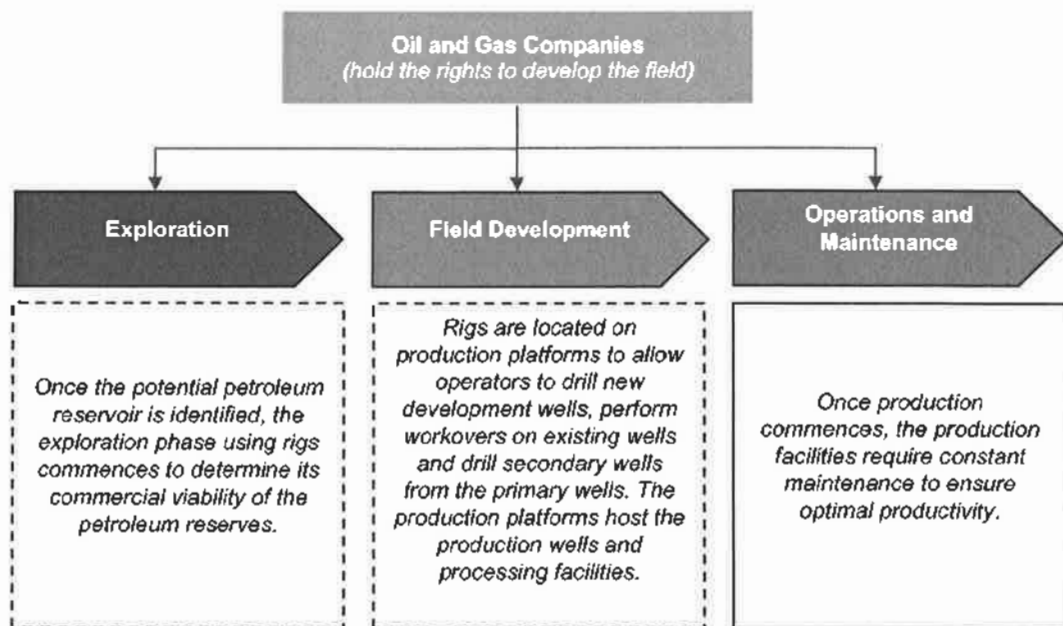
8. IMR REPORT (CONT'D)

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9.0 Introduction to Shaker Filters

Rigs, which are operated by oilfield equipment and service companies, are machines used to drill wells (also known as boreholes or drillholes). The only way to confirm the presence of crude oil and natural gas in an identified promising geological structure is to drill wells. Rigs are used during the exploration and field development phases of the oil and gas industry value chain (upstream sector), as indicated by the dotted boxes in the following diagram (Figure 4).

Figure 4: Oil and Gas Industry Value Chain (Upstream Sector)



Note:

Cosmos Group is involved in the manufacturing of metal frames for shaker filters used in the exploration and field development segments of the oil and gas industry value chain (upstream sector), as indicated by the dotted boxes.

Source: Infobusiness Research

A shale shaker, which is an equipment attached to a rig, uses a shaker filter (a vibrating screen or sieve) to remove rock cuttings from the circulating drilling mud (also known as drilling fluids) in rotary drilling operations. In turn, a shaker filter comprises a metal frame that encloses the screen or sieve. Shaker filters should remove as many drilled solids and as little drilling mud as possible. The shaker filter is critical because it allows well operators to clean and reuse the drilling mud, which is a valuable and expensive resource. The drilling mud carries the drill cuttings up to the surface, which is where the shale shaker comes into play.

The shale shaker separates the cuttings from the drilling mud by running it through a shaker filter, allowing the drilling mud to be pumped back into the well and reused. In addition to saving money, reusing the drilling mud means it doesn't have to be disposed of, reducing regulatory and compliance costs. Much of the chemicals in the disposed drilling mud can be toxic to the environment, both onshore and offshore.

8. IMR REPORT (CONT'D)

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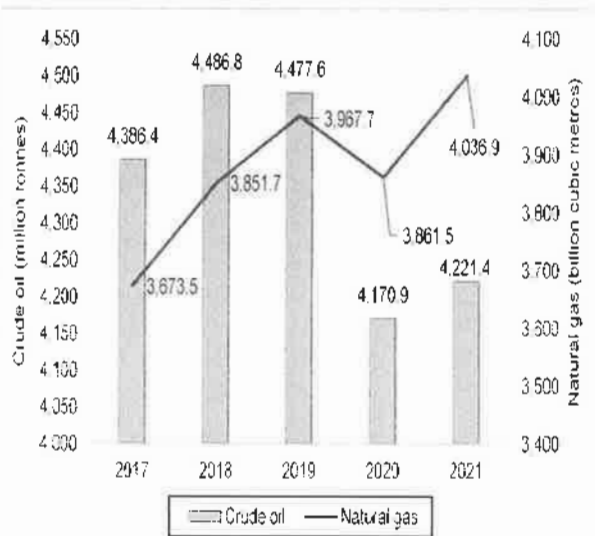
Drilling mud are carefully designed to exhibit certain qualities that optimise the drilling process. The drilling mud often requires a formulation customised to a given well and can involve the use of expensive chemicals as well as certain types of clay. Therefore, the shale shaker is a crucial piece of equipment because it allows well operators to reuse and re-circulate the drilling mud.

10.0 Demand and Supply Conditions of Shaker Filters

Demand Conditions

Production of Crude Oil and Natural Gas

Figure 5: Global Production of Crude Oil and Natural Gas

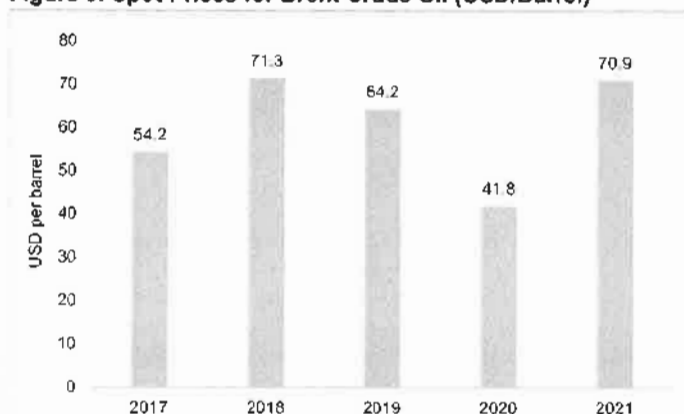


Source: Infobusiness Research

The global production of crude oil and natural gas were recorded at CAGRs of -1.0% and 2.4% between 2017 and 2021, respectively (Figure 5). Crude oil production peaked in 2018 while natural gas production peaked in 2019. Both crude oil and natural gas production were impacted by the COVID-19 pandemic in 2020 as many countries underwent lockdowns. They subsequently recovered in 2021.

Fluctuating Crude Oil Prices

Figure 6: Spot Prices for Brent Crude Oil (USD/Barrel)



Note: Brent is a major trading classification and grade of crude oil often referenced in news reports on crude oil prices.

Source: Infobusiness Research

Being commodities, the prices of crude oil and natural gas are subject to fluctuations due to a number of factors such as geopolitics, economics, weather, changes in inventories and industrial growth. Between 2017 and 2021, the spot prices for Brent crude oil increased by a CAGR of 6.9% (figure 6). The spot prices started to decrease in 2019 due to fears that the escalation of the trade war between the US and the People's Republic of China may impact on the global economy.

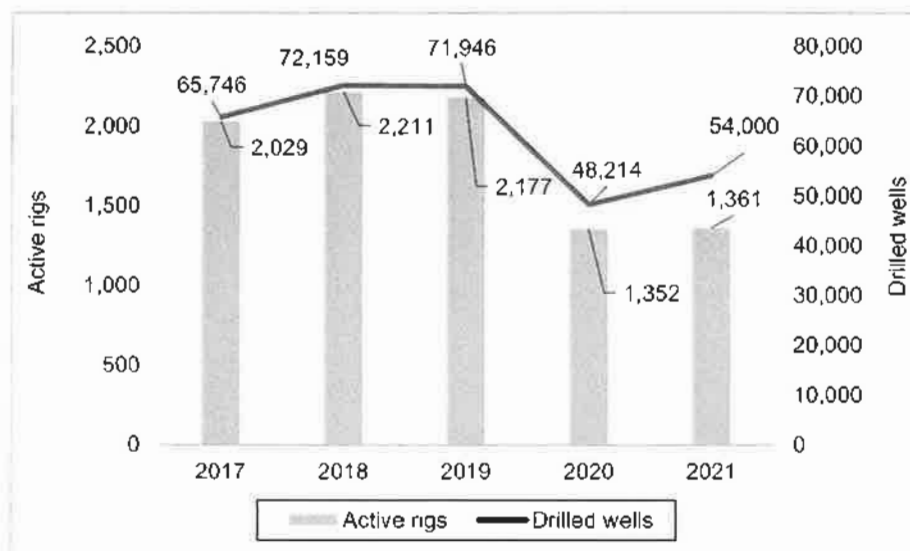
8. IMR REPORT (CONT'D)

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Active Rig Count and Drilled Wells

Active rig count is an important business indicator in the upstream sector of the oil and gas industry. When rigs are active, they consume products and services generated by the oil and gas industry. The number of global active rigs peaked in 2018, before decreasing in 2019 and 2020. Subsequently, it rebounded in 2021 (Figure 7). Similar to the active rig count, the number of drilled wells peaked in 2018, before decreasing in the subsequent two years. Wells are mainly drilled to gather subsurface geological information for analysis and interpretation, appraisal of reserves and to extract crude oil and natural gas. There is a firm correlation between the active rig count and the number of drilled wells. In turn, the number of drilled wells has a direct impact on the demand for shaker filters.

Figure 7: Global Active Rig Count and Drilled Wells



Source: Infobusiness Research

Supply Conditions

In the manufacturing of the metal frames for shaker filters, both cold rolled tubes and hot rolled tubes made from carbon steel are purchased from domestic steel fabricators, depending on the required technical specifications of the end-users.

Skilled workers such as mechanical engineers and technicians are needed for the operations and maintenances of machinery and equipment such as the robotic welding machines, turret punching machines, automatic pipe cutting machines, laser cutting machines and bending machines. Although modern machines are highly automated, human expertise is still needed in their planning, monitoring and control. Mechanical engineers and technicians are also needed to design and fabricate production devices such jigs and fixtures which facilitate the production of articles in large quantities with a high degree of accuracy, uniform quality and interchangeability.

8. IMR REPORT (CONT'D)

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11.0 Competitive Landscape

11.1 Electronic Flowmeters

Substitute Products

There are no substitutes to electronic flowmeters, although mechanical flowmeters can be used to measure water consumption. However, as mechanical flowmeters tend to lose their accuracies in measurements over the medium and long term, they are not favoured for installations in the premises of non-domestic customers as well as in the plants of the water authorities.

Industry Reliance on and Vulnerability to Imports

Electronic flowmeters can be sourced from several countries such as the People's Republic of China, Germany Japan, France and the US. The presence of numerous sources of supply means that any interruptions in imports from a particular country can be offset by imports from an alternative country. As such, the electronic flowmeter industry in Malaysia is not vulnerable to the interruptions of such imports.

11.2 Metal Frames for Shaker Filters

Substitute Products

There are no substitutes to the metal frames for shaker filters used in the oil and gas industry. Metal frames possess a high strength to weight ratio as compared to other materials such as plastics. Crude oil from the ground contains chemicals such as sulphur and hydrogen sulphides that induce corrosions. The carbon steel is an alloy of iron with up to two percent carbon that increases the strength of the material and its corrosion resistance, in addition to trace quantities of other metals such as nickel or chromium that resist corrosion and oxidation. Besides providing adequate structural and thermal strengths, metal frames are also more cost-effective.

Industry Reliance on and Vulnerability to Imports

Carbon steel tubes are the main materials used in the manufacturing of metal frames for shaker filters and as they are easily available in Malaysia, there is no reliance on their imports. The machinery and equipment for the manufacturing process are imported from countries with strengths in machinery and equipment, such as Germany and Japan; and as such, the metal frame manufacturers for shaker filters in Malaysia are not vulnerable to such imports.

12.0 Comparable Companies

Cosmos Group is involved in the distribution and instrumentation services of fluid control equipment for the water and wastewater industries, and manufacturing of fabricated metal parts for the oil and gas, water and wastewater industries. It competes with companies distributing electronic flowmeters and in the manufacturing of metal frames for shaker filters, although they may be also involved in the distribution and manufacturing of other products and services. They are selected as comparable companies on the basis that they are also involved in the distribution of electronic flowmeters and in the manufacturing of metal frames for shaker filters (table 1).

8. IMR REPORT (CONT'D)

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Table 1: Business Activities and Financial Comparisons of Comparable Companies (RM '000)

Company	Business Activities	Latest FYE	Revenue	GP	GP Margin (%)	PAT / LAT	PAT / LAT Margin (%)
Cosmos Group	Distribution and instrumentation services of fluid control equipment for the water and wastewater industries, and manufacturing of fabricated metal parts for the oil and gas, water and wastewater industries.	30/04/22	49,120.2	13,648.5	27.8	5,787.2	11.8
Cergas Proses Sdn Bhd	It is a distributor of instrumentation products, including electronic flowmeters, for the water and wastewater industries.	31/12/20	1,311.2	695.6	53.1	41.5	3.2
Delta Perdana Sdn Bhd	It focusses on the distribution of instrumentation products for the water industry, such as electronic flowmeters. It is also involved in the manufacturing of mechanical flowmeters.	31/12/20	6,231.0	302.5	4.9	(261.0)	(4.2)
Mimtech Technology Sdn Bhd	It is involved in metal fabrication and the distribution of electronic flowmeters for the water industry.	31/12/21	3,121.9	N. A.	N. A.	125.0	4.0
Premier Water Services Sdn Bhd	It is a distributor of electronic flowmeters and other types of instrumentation products for the water industry.	31/12/20	17,383.6	4,432.4	25.5	1,648.3	9.5
SVS Engineering Sdn Bhd	It is involved in the distributor of electronic flowmeters and other types of instrumentation products for the water industry.	30/06/21	3,763.2	2,105.8	55.9	363.1	9.7
S. Kian Seng Sdn Bhd	It is a metal fabrication company involved in a diverse range of products for the kitchen, medical, office, hotel and oil and gas industries, including metal frames for shaker filters.	30/06/21	48,694.4	19,024.4	39.1	15,106.5	31.0

Notes:

GP = gross profit

PAT = profit after taxation

LAT = loss after taxation

N. A. = Not Available.

As segmented revenues are not available, the revenues of the comparable companies also include revenues generated from other industries.

Source: Companies Commission of Malaysia and Cosmos Group

8. IMR REPORT (CONT'D)

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13.0 Market Share

As electronic flowmeters are not manufactured in Malaysia and based on the national import statistics for 2021 which amounted to RM99.8 million (source: Department of Statistics), Cosmos Group which registered a revenue of RM14.9 million in 2021 (inclusive of installation, testing and commissioning work of electronic flowmeters), recorded a market share of 15.0% in Malaysia in the same year. In the case of the metal frames for shaker filters, as the global demand for shaker filters amounted to 6,210,000 pieces in 2021 and Cosmos Group recorded sales of 118,399 metal frames for shaker filters in the same year, it registered a market share of 1.9% in 2021 (source: Infobusiness Research).

14.0 Outlook and Prospects

Electronic Flowmeters

The demand for water has increase in tandem with the growth of the population in the country and improvements in the standards of living, as well as expanding agriculture and industrial developments. Opportunities are present for suppliers of electronic flowmeters when more water projects such as the upgrading and building of water treatment plants and the replacement of aging water pipes are commissioned, as well as the Government's intention to lower the national NRW level to 25% by 2025. Both capital expenditure spending and the flow of water contracts should regain momentum once the COVID-19 pandemic has been overcome and the national fiscal position has improved. Rapid urbanisation across the country has driven the need for adequate water management. At the same time, water availability and quality are also under growing stress from climate change, land use decisions and the requirements of industry. Also, rising income level may generate rising water consumption as the higher income group tends to consume more.

In addition to the electronic flowmeters for the original equipment market, which refers to the equipment installed during the construction of new water infrastructure facilities and new commercial and industrial properties; demand is also generated in the replacement market, as electronic flowmeters also have a finite lifespan. The market size for electronic flowmeters in Malaysia is anticipated to increase from RM99.8 million in 2021 to RM190.7 million in 2025, generating a CAGR of 17.6%.

Metal Frames for Shaker Filters

The level and direction of crude oil and natural gas prices are key determinants of performance for shaker filters. The supply chain disruptions as a result of the Russian-Ukraine conflict that broke out in early 2022, have also led petroleum companies to increase their exploration and production activities. The substantial capital expenditures required to monetise new oil and gas discoveries have generated opportunities for companies in the oil and gas industry value chain, including those involved in supplying metals frames for shaker filters. Globally, the market size for metal frames for shaker filters are expected to expand from 6,210,000 pieces in 2021 to 7,544,418 pieces in 2025, yielding a CAGR of 4.9%.

As more and more governments around the world are focusing on a low carbon future, the outlook for crude oil demand has shifted lower. However, it is still crucial to invest in the upstream sector even during transitions to a low carbon future, as it would still take many years to shift global transport fleets to electric vehicles and other low carbon alternatives. Some end-user industries such as aviation, shipping and petrochemicals will continue to rely on crude oil for some time due to a lack of viable and cost-effective alternatives. Both crude oil and natural gas are widely used in the manufacturing of petrochemicals, which cover than 8,000 compounds in commercial production. In turn, petrochemicals are precursors to manufacture a wide range of products such as plastic resins, synthetic rubber, synthetic fibres, adhesives, fertilisers, paints, pharmaceuticals, etc. These products are integral parts of modern life and the demand for petrochemicals is ever expanding due to new technological discoveries. The manufacturing of petrochemicals remains a pillar of growth in the oil and gas industry.

9. RISK FACTORS

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS**9.1.1 We may be materially and adversely affected by events relating to the ongoing COVID-19 pandemic or other similar future outbreaks, epidemics or pandemics**

The outbreak of pandemics of infectious diseases or other health epidemics may create substantial economic uncertainty and global instability, which may adversely affect business operations and overall economic activity globally.

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. The COVID-19 pandemic has disrupted the global economy and resulted in travel and transportation restrictions, prolonged closures of workplaces, businesses and schools, significant strains on national health systems, social distancing measures and many other, related consequences. Given the uncertainties as to the development of the COVID-19 pandemic, it is difficult to predict how long these conditions will persist and the extent to which we may be affected by these conditions.

Please refer to Section 7.8.2 of the Prospectus for the impact of COVID-19 to our business and operations and the measures and precautions taken by us to continue our operations.

During the COVID-19 pandemic, our Group recorded an increase in revenue from RM25.19 million in FYE 2020 to RM33.72 million in FYE 2021 mainly due to increased orders secured and delivered due to increased orders for flowmeters from different states' water authorities for upgrading and replacing existing flowmeters including the postponement of delivery of orders received for flowmeters between 19 March 2020 and 30 April 2020 which were fulfilled between May 2020 and September 2020. Further, our Group had recorded an increase in revenue from RM33.72 million in FYE 2021 to RM49.12 million in FYE 2022 mainly due to, among others, the higher demand from our Oil and Gas Customers as a result of the global recovery of average crude oil price in 2021. We have not experienced any termination or cancellation of any of the contracts with our customers and we were still able to procure new contracts with our customers during the MCO period. In addition, we have not experienced any shortage in inventory and product supply.

Nevertheless, if there is any tightening of movement restriction in the future which results in reduction of workforce or closure of our operations, there can be no assurance that our manufacturing or distribution schedule will not be materially impacted and that we will be able to fulfil our orders in a timely manner. Further, there can be no assurance that our customers will not initiate any penalty claims against our Group arising from the delay, which may result in adverse impact on our financial performance.

As a result of the outbreak of COVID-19 and since the implementation of the MCO, we have been required to implement various restrictions and other obligations on our operations at our manufacturing facility and workers' accommodation to combat the spread of COVID-19, such as social distancing measures and strict hygiene requirements.

Throughout the duration of the various phases of MCO implemented in Malaysia, a total of 9 of our employees tested positive for COVID-19, all of whom have since recovered and returned to work and there were no material disruptions to our business operations.

Notwithstanding that our Group has taken all necessary precautionary measures and steps in response to the COVID-19 situation, there can be no assurance that our employees will not be infected by the COVID-19 virus in future. A spread of such infection among our employees as well as the resulting quarantine and closure of offices and manufacturing facility may affect our ability to carry out our business. These disruptions to our business operations may in turn delay our supply and delivery of products to our customers, which may consequently result in adverse impact on our financial performance. Further, as the employer, we will need to bear all the costs associated with the swab test and quarantine cost of our employees as well as the cost of sanitisation and disinfection works at the affected premises.

9. RISK FACTORS (CONT'D)

Although the roll-out of vaccines has started in Malaysia since December 2020, there is no assurance that the COVID-19 pandemic will not persist or that there will not be another resurgence of the COVID-19 virus or other contagious or virulent diseases. If adverse events materialise and persists for an extended period of time together with movement and business operation restrictions, our business operations and financial performance may be adversely affected.

9.1.2 We are materially dependent on Siemens Malaysia for the supply of fluid control products that we distribute

We are dependent on Siemens Malaysia for the distribution of fluid control products to our Water Customers. For FYE Under Review, Siemens Malaysia contributed approximately 24.54%, 46.09%, 62.45% and 38.18% of our Group's total purchases, respectively.

Presently, Siemens Malaysia is our main supplier of the fluid control products that we distribute. If Siemens Malaysia terminates the Solution Partner Contract and cease supplying fluid control products to us, the loss of supply may have a negative impact on our financial performance.

We have been an authorised distributor for Siemens Malaysia since 2007. In 2018, we were appointed as the solution partner for Digital Factory and Process Industries and Drives Division by Siemens Malaysia because of their confidence in our capabilities to represent their brand and products through our proven track record and sales performance.

We had entered into the Solution Partner Contract with Siemens Malaysia to govern our business relationship. Notwithstanding that we have developed a long-term business relationship with Siemens Malaysia, if we breach any clauses in the Solution Partner Contract without remedy, Siemens Malaysia would have the right to terminate the Solution Partner Contract in which event, we would lose the support and assistance from Siemens Malaysia, which is a crucial element to our operations, marketing and profitability, lose the incentives and benefits that we enjoy and the right to brand ourselves as the Solution Partner of Siemens Malaysia. The termination of the Solution Partner Contract could also have a material adverse impact on our relationship with our customers as we may be unable to provide and secure the same level of support and assistance to our customers. We may lose our customers as a result, which will cause a material adverse effect to our operations and profitability especially if it relates to our major customers.

Notwithstanding we have a strong working partnership with Siemens Malaysia, there is no assurance that they will continue to appoint us as their authorised distributor or supply products to us. Any changes in our business relationship may have an adverse effect on our Group's future operations and financial performance.

9.1.3 We are dependent on our major customers

Our Group's major customers are NOV (Malaysia) Sdn Bhd and National Oilwell Varco, Inc., for FYE Under Review, these major customers in aggregate contributed 71.79%, 56.18%, 26.62% and 33.64% of our Group's total revenue respectively. Further, in FYE 2022, NOV Process & Flow Technologies Malaysia Sdn Bhd had become one of our Group's major customers and contributed 15.50% of our Group's total revenue in FYE 2022.

National Oilwell Varco, Inc., a company listed on the New York Stock Exchange, is the parent company of NOV (Malaysia) Sdn Bhd and NOV Process & Flow Technologies Malaysia Sdn Bhd. National Oilwell Varco, Inc. is principally involved in the provision of equipment and components used in oil and gas drilling and production operations, oilfield services, and supply chain integration services to the upstream oil and gas industry while NOV (Malaysia) Sdn Bhd and NOV Process & Flow Technologies Malaysia Sdn Bhd are principally involved in the manufacturing of machinery for the oil and gas industry.

9. RISK FACTORS (CONT'D)

Notwithstanding that the revenue from NOV (Malaysia) Sdn Bhd and National Oilwell Varco, Inc. has decreased over the FYEs 2019 to 2021, we expect that these 3 major customers will continue to contribute significantly to our Group's revenue in the future in light of the improving crude oil prices as evident in FYE 2022 which they have contributed, in aggregate, 49.14% of our Group's total revenue. Any loss of these major customers and our inability to replace these customers with new customers or with additional orders from our existing customers in a timely manner, could result in a loss of revenue and may have an adverse impact on our financial performance. Further, even though we may be able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and maintain and/or improve our profit margins as our Group may be required to be price competitive when securing new customers. If such adverse events occur, our financial performance will be adversely affected.

In 2020, we have expanded our fabricated metal products for the water and wastewater industries by producing lamella plates and are leveraging on our established working relationships with our Water Customers to promote and market our fabricated metal products to them. In addition, we have been expanding our sales of fluid control products and instrumentation services to our Water Customers. For the FYE Under Review, our Group's revenue from the distribution of fluid control products and instrumentation services amounted to RM11.38 million, RM10.48 million, RM18.02 million and RM19.06 million, respectively.

Nevertheless, there is no assurance that sales to our Water Customers will be able to mitigate our dependency on these major customers.

9.1.4 We may experience delays or disruptions in supply from our suppliers

Presently, we are largely dependent on our suppliers, particularly Siemens Malaysia, for the supply of the fluid control products that we distribute. In the event our suppliers experience delays or disruptions in the production of the fluid control products, it would directly affect our supplies to our customers. Such delays or disruptions in the supply of fluid control products may materially and adversely impact our Group's business operations and financial performance. As at the LPD, we have not experienced any major disruptions in supply from our suppliers.

For our fabricated metal products, we are not dependent on any single supplier in the supply of metal-based raw materials and we do not enter into long term agreements or contracts with any of our suppliers as metal-based raw materials are easily sourced locally and internationally. However, there is no assurance that we will be able to procure the metal-based raw materials from other suppliers at a favourable price in a timely manner which may affect our production schedule and/or financial performance. Any major disruption or cessation of supply from our suppliers may result in a shortage of supply of raw materials which may affect our production schedule and operations and consequently, our financial performance.

9.1.5 We rely on our subcontractors for some processes of our manufacturing

There are certain processes of the manufacturing of our products that are outsourced to our subcontractors, either due to the limited production capacity of our Group when our Group receives large number of orders or due to the requirement for specific machinery or process to manufacture certain products as specified by our customers such as heat treatment, punching, and laser services. Our reliance on our subcontractors will persist until we are able to expand our operations with higher production capacity or procure the required machineries. From this perspective, we are dependent on our subcontractors to perform their works and deliver their services in a timely manner.

For the FYE Under Review, the total subcontractor fees incurred by our Group are between 5.57% and 10.94% of our total cost of sales.

9. RISK FACTORS (CONT'D)

As we are accountable to our customers to provide quality products, our Group manages the overall project planning and management of the subcontracted services. As we rely on our subcontractors to complete the processes of our manufacturing currently, we ensure that our customers will obtain the products in accordance with the project schedule. In the event the products do not meet the necessary requirements upon completion of the processes, we are entitled to reject the products processed by our subcontractors and will require rectification or replacement of the affected products from our subcontractors.

Although we have long-term business relationships with our subcontractors, there are no formal agreements or contracts signed with the subcontractors, and engagements with our subcontractors are based on purchase orders. In the event our subcontractors are unable to accept our purchase orders, we will need to engage other subcontractors to assist us in the fulfilment of the manufacturing processes required. Any unsuccessful attempt to engage subcontractor services to fulfil the manufacturing processes required in a timely manner may result in delays in project deliverables to our customers, which will subsequently affect our industry reputation. Additionally, we may experience cost overruns as we may have to engage other new subcontractors at a higher cost. Further, should our subcontractors face any disruptions to their business operations resulting in a delay in completing the processes required for our products, it may result in delays to our project delivery schedule.

As at the LPD, we have not experienced any major disruptions to our business operations arising from the reliance on our subcontractors. Nevertheless, there is no assurance that we can always procure such services in a timely manner for our future projects, our financial performance and business operations will not be adversely affected due to the need to change subcontractors, and there will not be any delays in our project delivery caused by prolonged unexpected delays by our subcontractors.

9.1.6 We are subject to the availability and volatility in prices of our raw materials and supplies

Our Group's raw materials mainly consist of steel materials used in the manufacturing of our fabricated metal products. Our raw materials are mainly sourced locally. The price of our raw materials fluctuates in accordance with the global steel prices in the market.

Global steel prices are, among others, subject to the demand and supply conditions of steel in the global market and are also subject to the prices of raw materials to produce steel, such as iron ore, coal, and steel scraps, as well as the prevailing energy costs associated with its production. Any changes in the above conditions may cause a material increase in the price of steel, which consequently may lead to an increase in our cost of production. If we are unable to pass on such increase in cost to our customers by raising the selling price of our products, it may adversely affect our cost of operations which in turn could adversely affect our operating results and financial condition.

Conversely, decreasing steel prices will result in a similar drop in our selling prices and affect the net realisable value of our inventories produced by MCI. This may have an adverse impact on our financial performance if we had purchased steel inventories at a higher cost. Nevertheless, we have been able to renegotiate our selling prices of our fabricated metal products based on global steel prices which allows us to pass on the purchase costs of materials with our Oil and Gas Customers during the FYE Under Review. In view of the above, our financial performance during the FYE Under Review were not materially affected by the fluctuation of raw materials arising from the global steel prices in the market.

As at the LPD, we have not faced any difficulties in purchasing our raw materials which have had any material effect on our operations. In addition, we have not experienced any major disruptions in supply of raw materials for our operations. However, there can be no assurance that any shortages of raw materials or any increase in raw material prices will not have any adverse effect on our financial performance.

9. RISK FACTORS (CONT'D)

9.1.7 We are subject to the risk of termination or non-renewal of partnership agreements

Our Group has entered into partnership agreements with 2 of our major suppliers, namely Siemens Malaysia and LACROIX Sofrel for the distribution of Siemens and Sofrel products, respectively, in Malaysia.

The partnership agreement entered into by Cosmos Instruments with Siemens Malaysia refers to the Solution Partner Contract. The Solution Partner Contract between Cosmos Instruments and Siemens Malaysia is in relation to the participation of Cosmos in the Solution Partner Program with regards to, amongst others, sale and marketing of Siemens' products, systems, applications and software. Cosmos Instruments as the partner of Siemens Malaysia may enjoy the marketing support provided by Siemens Malaysia. Furthermore, Cosmos Instruments will be published as a Solution Partner in Siemens (AG) Germany's website, which enables foreign clients who wish to engage in process instrumentation services in Malaysia to contact Cosmos Instruments. The latest Solution Partner Contract is effective until 30 September 2022, with an automatic extension until 30 September 2023. Both Siemens Malaysia and Cosmos Instruments may terminate the Solution Partner Contract provided it gives at least 3 months prior written notice is given to the other party.

The partnership agreement entered into by Cosmos Instruments with LACROIX Sofrel refers to the Channel Partner Agreement. Under the Channel Partner Agreement, Cosmos Instruments shall market and sell the LACROIX products in Malaysia in accordance with the terms and conditions of the Channel Partner Agreement. The Channel Partner Agreement will expire on 31 December 2023, unless terminated earlier by Cosmos Instruments giving 2 months' notice in writing to LACROIX Sofrel. Nevertheless, the Channel Partner Agreement may also be terminated at any time if it is mutually consented by both parties. There is no renewal clause provided in the Channel Partner Agreement.

These partnership agreements provide us with preferential terms for our purchases and technical support which includes prices and credit terms in respect of the products purchased from Siemens Malaysia and LACROIX Sofrel as well as technical training (product/technology knowledge transfer) provided to the employees of Cosmos Instruments, when required.

We have developed continuous business relationships with Siemens Malaysia and LACROIX Sofrel, and we have good payment track records for our purchases. We have never experienced any non-renewal of the partnership agreements with Siemens Malaysia and/or termination of the partnership agreements with Siemens Malaysia and LACROIX Sofrel. However, in the event of termination or non-renewal of the partnership agreements, we may not be able to enjoy competitive pricing for the products we purchase or receive technical support from our suppliers. We may be required to purchase the products of these brands from other authorised partners, which may result in a higher cost of sales for our Group. Furthermore, we may not be able to source for the specific products in our desired quantity and hence restrict our ability to fulfil our customers' orders, which may cause delays to our customers' projects.

Our partnership agreements with Siemens Malaysia and LACROIX Sofrel are not exclusive. We may face increasing levels of competition in the trading activities of these brands if our suppliers decide to grant further distributorships to other industry players in the water and wastewater industries. As such, our business and financial performance may be adversely affected due to increased competition.

9.1.8 The continued growth and success of our Group is dependent on existing Directors and key management personnel

Our Group's continued success depends on the continuous efforts of Dato' Chong, Ng Boon Keong and our key management team who are directly responsible for our Group's daily operations. Should any of them leave our Group, we may not be able to find suitable and timely replacements for them. Accordingly, their departure could have a material adverse impact on our business operations, financial condition and operational results.

9. RISK FACTORS (CONT'D)

We recognise the importance of attracting and retaining our executive directors and key management team, and have in place competitive remuneration packages, especially for our executive directors and key management, as well as providing a good working environment which promotes productivity and loyalty. In addition, efforts are constantly made to continuously attract new skilled personnel to strengthen our Group's management team. We are also making an effort to groom the next generation of management personnel as part of our succession planning efforts.

Nevertheless, there is no assurance that any change in the executive directors and key management team will not have an adverse effect on our Group's business and future performance.

9.1.9 We are dependent on our trained workers at our manufacturing facility

Our manufacturing facility requires trained workers to carry out the manufacturing and fabrication processes and we are dependent on these workers to operate our machineries to produce fabricated metal products according to our customers' specifications and requirements. The required skillsets to be a trained worker for the manufacturing and fabrication processes as well as for operating the machineries to produce fabricated metals products refer to handling and/or programming of machineries as well as changing the tools and jigs of the machineries.

If we are unable to hire and train these workers, there is a risk that we may not have sufficient workers to take over or replace our trained workers if they resign or leave their employment. Accordingly, the business operations at our manufacturing facility may be materially and adversely affected.

As at the LPD, we have employed 39 trained workers, consisting local and foreign permanent workers, to carry out the manufacturing and fabrication processes in our manufacturing facility. Any disruption or scarcity in supply of trained workers may adversely affect our business operations. Although we have not experienced any major shortage of trained workers that has materially disrupted our business in the past, there can be no assurance that we will not face shortage of trained workers in the future. Due to the COVID-19 pandemic outbreak and the closing of international borders, we have experienced difficulties in hiring trained workers and have had to, among others, subcontract certain production processes to other third parties. We have taken steps to reduce our reliance on trained workers by automating a substantial part of our welding process by using robotic welding machines.

There is no assurance that we will be able to hire trained workers in a timely manner and our business and financial conditions and prospects will not be affected due to any difficulties or delay in hiring trained workers.

9.1.10 We are exposed to the credit risks of our customers

Generally, we provide our customers with credit terms ranging between 30 to 90 days. However, we may extend the credit terms on a case-to-case basis depending on, among others, the length of business relationship with our customers, payment track record and creditworthiness of our customers. We are exposed to credit risks arising from our Group's trade receivables which may arise from events or circumstances beyond our Group's control. Our trade receivables for the FYE Under Review are RM15.30 million, RM5.21 million, RM9.80 million and RM15.10 million, respectively and our trade receivables' turnover period for the FYE Under Review were 135 days, 149 days, 81 days and 93 days, respectively.

9. RISK FACTORS (CONT'D)

We have not experienced any significant credit issues with our customers during the FYE Under Review and up to the LPD and these customers have maintained good payment records in their past dealings with us. In addition, we have established credit management policies and procedures to maintain healthy financial status. We will also conduct credit risk assessment on our new customers to assess their creditworthiness and we will continuously monitor the outstanding balance and collection of our trade receivables.

Nevertheless, there can be no assurance that all our trade receivables will be collected in full as and when they fall due. In the event we are not able to collect payments from our customers, we may have to make allowance for doubtful debts or may be required to write-off the uncollectible trade receivables as bad debts and should such events occur, our cash flows and financial performance may be adversely affected.

9.1.11 We are exposed to foreign exchange fluctuation risks

We are exposed to foreign exchange fluctuation risks for our manufacturing segment, as the export sales for our fabricated products are mainly quoted in USD. For the FYE Under Review 47.11%, 35.09%, 12.57% and 15.63% of our Group's revenues are generated in USD. Further, under our distribution segment, our purchases of Sofrel products are denominated in EUR. Our Group does not hedge our exposure to fluctuations in foreign currency exchange rates. As such, we are subject to the risk arising from fluctuations in the exchange rate between USD and RM for the revenue generated from our export sales and exchange rate between EUR and RM for our purchases of Sofrel products.

Our contract prices are quoted based on exchange rates that are reviewed from time to time to match the current exchange rate.

As such, we are exposed to foreign currency exchange gains or losses arising from the timing of billing or invoices and actual payments to our suppliers or from our customers. Any unfavourable fluctuations in these foreign exchange rates may have an adverse impact on our financial performance and profitability.

There is no assurance that any fluctuation in the exchange rate of RM against the USD and/or EUR will not have a material adverse impact on our financial performance in the future. In addition, there can be no assurance that any other foreign exchange administrative rule imposed or varied by any relevant authority from time to time will not materially affect the business and/or financial performance of our Group.

9.1.12 We may not have adequate insurance coverage

We have several insurance policies including personal accident policies for our employees, burglary insurance, fire insurance, forklift insurance, and goods in transit insurance to ensure that we have adequate insurance coverage for our distribution and manufacturing operations. For the FYE Under Review and up to the LPD, we have not encountered any events that resulted in any insurance claims of a material nature.

As these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events, we are unable to guarantee that the insurance coverage will be adequate in all circumstances to cover the losses, damages or liabilities which we may incur, in the event that any of the abovementioned incidences take place or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all.

To the extent that any such risks are uninsured, not covered under our insurance policies, or where the insurance protection is insufficient to cover such risks, we may have to bear such losses, damages or liabilities and consequently our business and financial performance may be materially and adversely affected.

9. RISK FACTORS (CONT'D)

Further, the insurance coverage will be reviewed by our Group on a yearly basis and there can be no assurance that such insurance policies will continue to be available on terms and prices acceptable to us.

9.1.13 We depend on our ability to secure new projects and customers

Our future profitability and financial performance depend on our ability to secure new projects and customers. The orders for our fluid control and other related products and fabricated metal products secured by our Group are generally on a purchase order basis and we generally do not have long-term contracts with our customers save for the framework agreements with Air Selangor. We secure our sales from our customers when they place a purchase order to our sales department.

Our sales and marketing teams are constantly communicating with our existing customers to obtain new orders, securing new customers as well as looking out for new tenders to participate in. The absence of long-term contracts poses a risk of losing our existing customers since they are not obliged to continue engaging us for our products and services. If we were to lose any of our customers, particularly our major customers, and are unable to secure sales from new customers or additional sales from our existing customers in a timely manner, our business and financial performance may be adversely affected.

9.1.14 We are dependent on certain licences, certifications, registrations, permits and approvals

We are required to obtain and hold valid licences, certifications, registrations, permits and approvals granted by local authorities such as local municipal council (such as Majlis Perbandaran Kajang), CIDB, SPAN, MITI and MOF for the continuity of our business as set out in Section 7.15 of this Prospectus. We must comply with the conditions and restrictions that are imposed by the relevant local authorities to maintain such licences, certifications, registrations, permits and approvals. Our licences, certifications, registrations, permits and approvals may be suspended or cancelled if we fail to comply with the applicable requirements or any required conditions. There is also a risk of delay or refusal to grant the renewal of such licences, certifications, registrations, permits and approvals.

Failure in keeping or renewing the requisite licences, certifications, registrations, permits and approvals may result in the suspension or restriction of our business operations, where we may be unable to participate in tenders or carry out ongoing works, which will adversely affect our business and financial performance.

9.2 RISKS RELATING TO OUR INDUSTRY**9.2.1 We depend on the performance of the oil and gas industry as well as the water and wastewater industries**

As our major customers operate in the oil and gas industry as well as the water and wastewater industries, any adverse economic conditions in these industries as well as the decline in crude oil prices may cause our customers to postpone their investments, delay the commencement or implementation of their projects or initiate other cost-cutting initiatives to improve their financial positions. This could potentially result in a reduction for the demand of fluid control products and instrumentation services and fabricated metal products for shale shakers. If our customers' demand for our products decline, our Group's business and financial performance may be materially and adversely affected.

9. RISK FACTORS (CONT'D)

9.2.2 We face competition risk from other competitors

We face competition from other competitors offering other brands of fluid control products for water and wastewater industries. A highly competitive market may result in competitive pricing. If our competitors reduce the price for their products, we may lose business from our customers, and this may have a material adverse effect on our business and financial performance.

We also face competition from other manufacturers of fabricated metal products which serve the water, wastewater, and oil and gas industries. Other competitors may be able to provide better quality fabrication or solutions to our customers.

Whilst we compete based on the product features, quality of our products, service rendered, reliability and technical expertise, there is no assurance that we will be able to compete effectively with our competitors. If we are not able to compete in an effective manner, our business and financial performance may be adversely affected.

9.2.3 We are subject to economic, social, political and regulatory risks in Malaysia

Our operations are concentrated in Malaysia and are governed by the terms of the licences awarded by relevant local authorities including MITI, CIDB and SPAN. As such, the business prospects and financial performance of our Group depend on the political, economic and regulatory conditions in Malaysia. Any adverse developments or uncertainties in political, economic or regulatory conditions could unfavourably affect our financial position and business prospects.

Any other adverse change in the economic conditions of Malaysia including any unfavourable change in inflation rates, interest rates and foreign exchange rates, expropriation, changes in political leadership, unfavourable change in government policies and regulations such as introduction of new regulations and changes in accounting and tax policies may have an adverse impact on our business, financial performance and prospects.

9.3 RISKS RELATING TO OUR SHARES**9.3.1 The offering of our Shares may not result in an active liquid market for our Shares**

Prior to our Listing, we were listed on the LEAP Market on 9 March 2020 until we were delisted on 10 November 2021. Our Listing does not guarantee that an active market for the trading of our Shares will develop, or if developed, such market can be sustained. There is also no assurance as to the liquidity of the market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

9.3.2 Our Listing may be delayed or aborted

Our Listing may be delayed or aborted should any of the following occurs:

- (i) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein;
- (ii) we are unable to meet the public shareholding spread requirement under the Listing Requirements, whereby at least 25.00% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares at the point of our Listing; and
- (iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

9. RISK FACTORS (CONT'D)

Where prior to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall refund all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which our Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA upon expiration of that period until full refund is made; or
- (ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, our Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA upon expiration of that period until full refund is made; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
 - (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Cosmos Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the IPO Price upon or subsequent to our Listing.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes on Bursa Securities, thus, the market price of our Shares may be subject to fluctuations.

9. RISK FACTORS (CONT'D)

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold approximately 67.50% of our enlarged issued share capital upon Listing. Therefore, our Promoters will be able to effectively control the business direction and management of our Group and may have significant influence on the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting either by law and/or by the relevant regulations and/or authorities.

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10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions

Save as disclosed below, there are no other material related party transactions entered by our Group which involved the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the FYE Under Review and from 1 May 2022 up to the LPD:

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD		
			RM	%	RM	%	RM	%	RM	%	RM	%	
FIC Kitchen Technology Sdn Bhd ⁽¹⁶⁾ and MCI	FIC Kitchen Technology Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM. Chan Wen Chau is a director of MSM and our subsidiary, MCI.	Sales of metal products by MCI to FIC Kitchen Technology Sdn Bhd. This is a recurrent transaction and will not subsist after our listing.	46,850	0.11 ⁽¹⁾	-	-	-	-	-	-	-	-	
		Sub-let of property to FIC Kitchen Technology Sdn Bhd for use as factory. ⁽⁶⁾ This was a recurrent transaction and did not subsist since MCI novated their rights, title, interests and obligations to MSM Equipment Manufacturer Sdn Bhd. ⁽⁶⁾	120,000	4.90 ⁽²⁾	-	-	-	-	-	-	-	-	-
		Purchases of fabricated metal products by MCI from FIC Kitchen Technology Sdn Bhd.	-	-	184	0.001 ⁽³⁾	-	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
			RM	%	RM	%	RM	%	RM	%	RM	%
		This is a recurrent transaction and will not subsist after our listing.										
Globalink Metal Sdn Bhd ⁽¹⁶⁾ and MCI	Major shareholder of Globalink Metal Sdn Bhd is an immediate family member of Chan Wen Chau, the director of MSM and our subsidiary, MCI.	Payment by MCI for metal fabrication subcontracting services provided by Globalink Metal Sdn Bhd. This is a recurrent transaction and will not subsist after our listing.	123,465	0.37 ⁽³⁾	-	-	-	-	122,446	0.35 ⁽³⁾	-	-
Globalink Metal Stamping Sdn Bhd ⁽¹⁶⁾ and MCI	Major shareholder of Globalink Metal Stamping Sdn Bhd is an immediate family member of Chan Wen Chau, the director of MSM and our subsidiary, MCI.	Sales of metal fabrication parts and installation services to Globalink Metal Stamping Sdn Bhd. This is a recurrent transaction and will not subsist after our listing.	-	-	3,142	0.01 ⁽¹⁾	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
			RM	%	RM	%	RM	%	RM	%	RM	%
ISET ⁽¹⁶⁾ and Cosmos Instruments	Our promoter, substantial shareholder and Managing Director namely Dato' Chong, is the substantial shareholder of ISET.	Sales of instrumentations by Cosmos Instruments to ISET. This is a recurrent transaction and will subsist after our listing.	1,233,207	2.80 ⁽¹⁾	284,464	1.13 ⁽¹⁾	554,404	1.64 ⁽¹⁾	42,361	0.09 ⁽¹⁾	-	-
		Purchase of hardware accessories by Cosmos Instruments from ISET. This is a recurrent transaction and will not subsist after our listing.	3,514	0.01 ⁽³⁾	-	-	18,750	0.09 ⁽³⁾	-	-	-	-
		Payment by Cosmos Instruments for sub-contractor's works provided by ISET. This is a recurrent transaction and will subsist after our listing.	700	0.002 ⁽³⁾	14,098	0.08 ⁽³⁾	163,169	0.75 ⁽³⁾	64,172	0.18 ⁽³⁾	-	-
		Rental of property to Cosmos Instruments for use as office. ⁽⁷⁾ This was a recurrent transaction and did not subsist since the	96,000	3.08 ⁽⁴⁾	16,000	0.36 ⁽⁴⁾	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
			RM	%	RM	%	RM	%	RM	%	RM	%
		tenancy agreement was terminated. ⁽⁷⁾										
		Rental of motor vehicles to Cosmos Instruments from ISET. This is a recurrent transaction and will not subsist after our listing.	-	-	7,345	0.16 ⁽⁴⁾	24,400	0.73 ⁽⁴⁾	21,700	0.40 ⁽⁴⁾	-	-
		Purchase of motor vehicles by Cosmos Instruments from ISET. ⁽¹⁷⁾ This is a one-off transaction.	-	-	-	-	-	-	76,000	0.29 ⁽⁵⁾	-	-
ISET ⁽¹⁶⁾ and MCI	ISET is owned by our promoter, substantial shareholder and Managing Director, namely Dato' Chong	Sales of fabricated metal products by MCI to ISET. This is a recurrent transaction and will not subsist after our listing.	63,802	0.14 ⁽¹⁾	16,819	0.07 ⁽¹⁾	-	-	-	-	-	-
MSM Equipment Manufacturer Sdn Bhd ⁽¹⁶⁾ and MCI	MSM Equipment Manufacturer Sdn Bhd is a subsidiary company of our promoter	Purchases of fabricated metal products by MCI from MSM Equipment Manufacturer Sdn Bhd. ⁽¹⁹⁾ This is a recurrent transaction and will	205,130	0.62 ⁽³⁾	8,732	0.05 ⁽³⁾	19,056	0.09 ⁽³⁾	4,797	0.01 ⁽³⁾	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
			RM	%	RM	%	RM	%	RM	%	RM	%
	and substantial shareholder, namely MSM.	subsist after our listing.										
	Our substantial shareholders namely Chan Kee Sieng and Chan Kit Moi, are the directors of MSM and MSM Equipment Manufacturer Sdn Bhd.	Sales of fabricated metal parts by MCI to MSM Equipment Manufacturer Sdn Bhd. ⁽¹⁹⁾ This is a recurrent transaction and will not subsist after our listing.	-	-	-	-	21,321	0.06 ⁽¹⁾	-	-	-	-
	Chan Wen Chau is also a director of MSM, MSM Equipment Manufacturer Sdn Bhd and our subsidiary, MCI.	Sub-let of property to MSM Equipment Manufacturer Sdn Bhd for use as factory ⁽⁸⁾ . This was a recurrent transaction and did not subsist since the tenancy agreement was terminated. ⁽⁸⁾	10,000	0.41 ⁽²⁾	-	-	-	-	-	-	-	-
		Outsourcing of welding and assembly jobs to MSM Equipment Manufacturer Sdn Bhd. This is a recurrent transaction and will not subsist after our listing.	-	-	-	-	7,545	0.03 ⁽³⁾	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD		
			RM	%	RM	%	RM	%	RM	%	RM	%	
MSM Kitchen Sdn Bhd ⁽¹⁶⁾ and MCI	MSM Kitchen Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM. Our substantial shareholders namely Chan Kee Sieng and Chan Kit Moi, are the directors of MSM and MSM Kitchen Sdn Bhd. Chan Wen Chau is also a director of MSM, MSM Kitchen Sdn Bhd and our subsidiary, MCI.	Sales of fabricated metal products by MCI to MSM Kitchen Sdn Bhd. This is a recurrent transaction and will subsist after our listing.	14,500	0.03 ⁽¹⁾	37,700	0.15 ⁽¹⁾	14,588	0.04 ⁽¹⁾	-	-	-	-	
		Purchases of raw materials and fabricated metal products by MCI from MSM Kitchen Sdn Bhd. This is a recurrent transaction and will not subsist after our listing.	956,321	2.88 ⁽³⁾	-	-	-	-	-	-	-	-	-
		Rental of property to MSM Kitchen Sdn Bhd for use as factory. ⁽⁹⁾ This was a recurrent transaction and did not subsist since the tenancy agreement was terminated. ⁽⁹⁾	90,000	3.67 ⁽²⁾	-	-	-	-	-	-	-	-	-
		Subcontract fee paid by MCI for fabrication services provided by MSM Kitchen Sdn Bhd.	6,160	0.02 ⁽³⁾	-	-	-	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
			RM	%	RM	%	RM	%	RM	%	RM	%
		This is a recurrent transaction and will not subsist after our listing.										
		Disposal of leasehold land and building by MCI to MSM Kitchen Sdn Bhd. ⁽¹⁰⁾ This is a one-off transaction.	11,597,951	100.96 ⁽⁵⁾	-	-	-	-	-	-	-	-
MSM Metal Industries Sdn Bhd ⁽¹⁶⁾ and MCI	MSM Metal Industries Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM. Our substantial shareholders namely Chan Kee Sieng and Chan Kit Moi, are the directors of MSM and MSM Metal Industries Sdn Bhd.	Sales of fabricated metal products by MCI to MSM Metal Industries Sdn Bhd. This is a recurrent transaction and will subsist after our listing.	21,686	0.05 ⁽¹⁾	15,728	0.06 ⁽¹⁾	294	0.001 ⁽¹⁾	58,341	0.12 ⁽¹⁾	-	-
		Purchases of raw materials and fabricated metal products by MCI from MSM Metal Industries Sdn Bhd. This is a recurrent transaction and will subsist after our listing.	3,491,013	10.51 ⁽³⁾	44,182	0.25 ⁽³⁾	15,077	0.07 ⁽³⁾	26,975	0.08 ⁽³⁾	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
			RM	%	RM	%	RM	%	RM	%	RM	%
	Chan Wen Chau is also a director of MSM, MSM Metal Industries Sdn Bhd and our subsidiary, MCI.	Rental paid by MCI to MSM Metal Industries Sdn Bhd for machineries used for production purposes, from May 2018 to April 2019, at a monthly rental of RM27,000. This is a recurrent transaction and will not subsist after our listing.	324,000	0.98 ⁽³⁾	216,000	1.23 ⁽³⁾	-	-	-	-	-	-
		Management fee charged by MSM Metal Industries Sdn Bhd to MCI. This is a recurrent transaction and will not subsist after our listing.	-	-	104,391	2.33 ⁽⁴⁾	-	-	-	-	-	-
		Rental of property to MCI for use as factory. ⁽¹¹⁾ This is a recurrent transaction and will subsist after our listing.	180,000	0.54 ⁽³⁾	180,000	1.03 ⁽³⁾	180,000	0.82 ⁽³⁾	180,000	0.51 ⁽³⁾	45,000	0.43 ⁽³⁾
		Subcontract fee paid by MCI for fabrication services provided by MSM Metal Industries Sdn Bhd.	25,000	0.08 ⁽³⁾	-	-	2,442	0.01 ⁽³⁾	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
			RM	%	RM	%	RM	%	RM	%	RM	%
		This is a recurrent transaction and will not subsist after our listing.										
Moscoss Services Sdn Bhd ⁽¹²⁾ ⁽¹⁶⁾ and Cosmoss Instruments	Our promoter, substantial shareholder and Managing Director namely Dato' Chong, was a director and shareholder of Moscoss Services Sdn Bhd ⁽¹³⁾	Subcontract charges incurred by Cosmoss Instruments for flowmeter verification test ⁽¹⁸⁾ performed by Moscoss Services Sdn Bhd. This is a recurrent transaction and will not subsist after our listing.	2,910	0.01 ⁽³⁾	-	-	-	-	-	-	-	-
OMS Technology Sdn Bhd ⁽¹⁶⁾ and MCI	OMS Technology Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM. Chan Wen Yee is the director for both OMS Technology Sdn Bhd and our subsidiary, MCI.	Sales of cleanroom products to OMS Technology Sdn Bhd by MCI. This is a recurrent transaction and will not subsist after our listing.	68,720	0.16 ⁽¹⁾	72,375	0.29 ⁽¹⁾	43,945	0.13 ⁽¹⁾	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
			RM	%	RM	%	RM	%	RM	%	RM	%
	Chan Wen Chau is a director of MSM, OMS Technology Sdn Bhd and our subsidiary, MCI.											
Toyomi Engineering Sdn Bhd ⁽¹⁶⁾ and MCI	<p>Toyomi Engineering Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM.</p> <p>Our substantial shareholders namely Chan Kee Sieng and Chan Kit Moi, are the directors of MSM and Toyomi Engineering Sdn Bhd.</p> <p>Chan Wen Chau is also a director of MSM and our</p>	<p>Purchases of fabricated metal products by MCI from Toyomi Engineering Sdn Bhd.</p> <p>This is a recurrent transaction and will not subsist after our listing.</p>	353,195	1.06 ⁽³⁾	148,540	0.85 ⁽³⁾	100,901	0.46 ⁽³⁾	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
			RM	%	RM	%	RM	%	RM	%	RM	%
	subsidiary, MCI.											
Marc16 Equipment Manufacturing Sdn Bhd ⁽¹⁶⁾ and MCI	Marc16 Equipment Manufacturing Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM ⁽¹⁴⁾ . Chan Wen Chau and Chan Wen Yee are directors of both Marc16 Equipment Manufacturing Sdn Bhd and our subsidiary, MCI.	Payment by MCI to Marc16 Equipment Manufacturing Sdn Bhd for machine repairing works. This is a recurrent transaction and will not subsist after our listing.	-	-	-	-	10,500	0.05 ⁽³⁾	-	-	-	-
Flexacon Automation System Sdn Bhd ⁽¹⁶⁾ and MCI	Flexacon Automation System Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM.	Acquisition of machinery by MCI from Flexacon Automation System Sdn Bhd. This is a one-off transaction.	170,000	1.48 ⁽⁵⁾	-	-	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
			RM	%	RM	%	RM	%	RM	%	RM	%
	Chan Wen Chau and Chan Wen Yee are the directors of both Flexacon Automation System Sdn Bhd and our subsidiary, MCI.	Payment by MCI to Flexacon Automation System Sdn Bhd for engineering services. This is a one-off transaction.	-	-	-	-	35,485	0.16 ⁽³⁾	-	-	-	-
		Rental of property to MCI for use as office. ⁽¹⁵⁾ This is a recurrent transaction and will subsist after our listing.	-	-	30,000	0.67 ⁽⁴⁾	33,000	0.99 ⁽⁴⁾	39,000	0.72 ⁽⁴⁾	9,000	0.72 ⁽⁴⁾

Notes:

- (1) Computed based on our Group's revenue for the financial year/period.
- (2) Computed based on our Group's other income for the financial year/period.
- (3) Computed based on our Group's cost of sales for the financial year/period.
- (4) Computed based on our Group's administrative expenses for the financial year/period.
- (5) Computed based on our Group's NA for the financial year/period.
- (6) MCI and Hew Fook had on 12 February 2014 entered into a tenancy agreement pursuant to which MCI rented the factory located at PT 51414 Pekan Cheras, Daerah Ulu Langat, Selangor ("**Property**") from Hew Fook from 20 January 2014 to 19 January 2017. MCI further sub-let a section of the Property to FIC Kitchen Technology Sdn Bhd for a period of 1 year commencing from 1 April 2018 to 31 March 2019 at a monthly rental of RM10,000. On 11 September 2019, MCI, Hew Fook and MSM Equipment Manufacturer Sdn Bhd entered into a novation agreement where MCI novated their rights, title, interests and obligations to MSM Equipment Manufacturer Sdn Bhd.
- (7) ISET and Cosmos Instruments had on 1 October 2018 entered into a tenancy agreement pursuant to which Cosmos Instruments rented the office building located at No. 9, Jalan PPU 3A, Pusat Teknologi Sinar Puchong, 47150 Puchong, Selangor Darul Ehsan from ISET. The tenancy was for a period of 2 years commencing from 1 October 2018 to 30 September 2020 at a monthly rental of RM8,000. The tenancy agreement was terminated on 30 June 2019.

10. RELATED PARTY TRANSACTIONS (CONT'D)

- (8) MSM Equipment Manufacturer Sdn Bhd and MCI had on 1 January 2018 entered into a tenancy agreement pursuant to which MSM Equipment Manufacturer Sdn Bhd rented the factory located at Lot 1801, Jalan KPB 1, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan from MCI. The tenancy was for a period of 1 year from 1 January 2018 to 31 December 2018 at a monthly rental of RM2,000. The tenancy agreement was terminated on 30 September 2018.
- (9) MSM Kitchen Sdn Bhd and MCI had on 1 January 2018 entered into a tenancy agreement pursuant to which MSM Kitchen Sdn Bhd rented the factory located at Lot 1801, Jalan KPB 1, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan from MCI. The tenancy was for a period of 1 year from 1 January 2018 to 31 December 2018 at a monthly rental of RM18,000. The tenancy agreement was terminated on 30 September 2018.
- (10) MCI had on 11 April 2018 and 1 October 2018 entered into a sale and purchase agreement and a supplemental agreement with MSM Kitchen Sdn Bhd for the disposal of all that piece of leasehold land held under individual title H.S.(M) 14012, PT 1801, Mukim Cheras, Daerah Hulu Langat, Negeri Selangor ("**Land**") measuring approximately 7332.9031 sq. m. in area together with a factory erected thereon and bearing the postal address of Lot 1801, Jalan KPB 1, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor for a disposal price of RM11,597,951 ("**Disposal of Land**"). The disposal price transacted was based on MCI's net book value. The sale and purchase of the Land has been completed on 11 October 2018.
- (11) MSM Metal Industries Sdn Bhd and MCI dated 1 July 2019 entered into a tenancy agreement pursuant to which MCI rented the factory located at Lot 24645, Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan ("**Existing Factory**") from MSM Metal Industries Sdn Bhd. The tenancy is for a period of 2 years commencing from 1 July 2019 to 30 June 2021 at a monthly rental of RM15,000 with an option to renew for 2 years. Upon expiration of the tenancy agreement, MSM Metal Industries Sdn Bhd and MCI had on 1 July 2021 entered into a new tenancy agreement for the rental of the Existing Factory. The new tenancy is for a period of 2 years commencing from 1 July 2021 to 30 June 2023 at a monthly rental of RM15,000 with an option to renew for 2 years.
- (12) Moscos Services Sdn Bhd has been struck off the Register of Companies by CCM on 22 September 2021.
- (13) Dato' Chong resigned as the director of Moscos Services Sdn Bhd on 28 May 2019 and ceased to be the shareholder of Moscos Services Sdn Bhd on 14 June 2019.
- (14) MSM disposed Marc16 Equipment Manufacturing Sdn Bhd on 8 September 2021.
- (15) Flexacon Automation System Sdn Bhd and MCI had on 1 July 2021 entered into a tenancy agreement pursuant to which MCI rents the first floor office located at No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor Darul Ehsan from Flexacon Automation System Sdn Bhd. The tenancy is for a period of 2 years commencing from 1 July 2021 to 30 June 2023 at a monthly rental of RM3,000 with an option to renew for 2 years.
- (16) The following are the principal business activity for each of the related parties as follows:

Related Party	Nature of Business
FIC Kitchen Technology Sdn Bhd	Manufacturing, trading and servicing of stainless steel equipment
Globalink Metal Sdn Bhd	Metal engineering works
Globalink Metal Stamping Sdn Bhd	Metal engineering works
ISET	Designing, supplying, installation, testing and commissioning of complete mechanical and electrical works
MSM Equipment Manufacturer Sdn Bhd	Manufacturing, trading and servicing of all types of steel equipment
MSM Kitchen Sdn Bhd	Manufacturing, trading and servicing of all types of steel equipment
MSM Metal Industries Sdn Bhd	Manufacturing, trading and servicing of all types of steel equipment

10. RELATED PARTY TRANSACTIONS (CONT'D)

Related Party	Nature of Business
Moscoss Services Sdn Bhd	Provides service of industrial and automation equipment
OMS Technology Sdn Bhd	Design, build and validate for clean environment
Toyomi Engineering Sdn Bhd	Trading and servicing of all types of steel equipment
Marc16 Equipment Manufacturing Sdn Bhd	Trading, design and supply of machine
Flexacon Automation System Sdn Bhd	Manufacturing, trading, installation, consultation and servicing of industrial automation systems, equipment and machinery and other information technology products and systems

- (17) Cosmos Instruments had purchased 2 motor vehicles from ISET amounting to RM76,000 for our Group's business operations purposes. Previously, Cosmos Instruments had been renting motor vehicles from ISET as Cosmos Instruments did not have sufficient motor vehicles to perform instrumentation services which consist of consultation and advice, design and integration of telemetry solutions, installation and commissioning, calibration and testing, maintenance and training of fluid control products. In view of the rental costs and increasing usage of the motor vehicles, Cosmos Instruments had subsequently decided to purchase the abovementioned motor vehicles from ISET as it is more cost-effective.
- (18) The verification test refers to one of the standard tests which was set by Siemens Malaysia as and when required to confirm the functionality of the flowmeters. The standard test includes measuring actual parameters for the flowmeter system, verifying the test results against original defined parameters as well as measuring parameters from the wet calibration.
- (19) The fabricated metal products MCI purchased and/or sold from and/or to MSM Equipment Manufacturer Sdn Bhd are different products whereby, the fabricated metal products purchased by MCI from MSM Equipment Manufacturer Sdn Bhd are stainless steel parts and components whereas, the fabricated metal products sold by MCI to MSM Equipment Manufacturer Sdn Bhd are metal parts.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.1.2 Summary of related party transactions entered by our Group

Below is a summary of the related party transactions listed in Section 10.1.1 of this Prospectus aggregated on the basis that such transactions have been entered into by our Group with the same related party:

Transacting parties	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
		RM	%	RM	%	RM	%	RM	%	RM	%
ISET	Sales of instrumentations by Cosmos Instruments	1,233,207	2.80 ⁽¹⁾	284,464	1.13 ⁽¹⁾	554,404	1.64 ⁽¹⁾	42,361	0.09 ⁽¹⁾	-	-
	Purchase of hardware accessories by Cosmos Instruments	3,514	0.01 ⁽³⁾	-	-	18,750	0.09 ⁽³⁾	-	-	-	-
	Payment by Cosmos Instruments for sub-contractor's works provided by ISET	700	0.002 ⁽³⁾	14,098	0.08 ⁽³⁾	163,169	0.75 ⁽³⁾	64,172	0.18 ⁽³⁾	-	-
	Rental of property to Cosmos Instruments for use as office	96,000	3.08 ⁽⁴⁾	16,000	0.36 ⁽⁴⁾	-	-	-	-	-	-
	Purchase of motor vehicles by Cosmos Instruments	-	-	-	-	-	-	76,000	0.29 ⁽⁵⁾	-	-
	Rental of motor vehicles to Cosmos Instruments from ISET	-	-	7,345	0.16 ⁽⁴⁾	24,400	0.73 ⁽⁴⁾	21,700	0.40 ⁽⁴⁾	-	-
	Sales of fabricated metal parts by MCI	63,802	0.14 ⁽¹⁾	16,819	0.07 ⁽¹⁾	-	-	-	-	-	-
MSM group of companies	Sales of fabricated metal products by MCI to MSM's subsidiaries	83,036	0.19 ⁽¹⁾	53,428	0.21 ⁽¹⁾	36,203	0.10 ⁽¹⁾	58,341	0.12 ⁽¹⁾	-	-
	Purchases of fabricated metal products by MCI from MSM's subsidiaries	5,005,659	15.07 ⁽³⁾	201,638	1.15 ⁽³⁾	135,034	0.62 ⁽³⁾	31,772	0.09 ⁽³⁾	-	-
	Sub-let and rental payment by MSM's subsidiaries for use as factory	220,000	8.98 ⁽²⁾	-	-	-	-	-	-	-	-
	Subcontract/outsourcing fees paid by MCI for fabrication services provided by MSM's subsidiaries	31,160	0.10 ⁽³⁾	-	-	9,987	0.04 ⁽³⁾	-	-	-	-
	Disposal of leasehold land and building by MCI to MSM Kitchen Sdn Bhd	11,597,951	100.96 ⁽⁵⁾	-	-	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of transaction	FYE 2019		FYE 2020		FYE 2021		FYE 2022		From 1 May 2022 up to the LPD	
		RM	%	RM	%	RM	%	RM	%	RM	%
	Rental paid by MCI to MSM Metal Industries Sdn Bhd for machineries used for production purposes, from May 2018 to April 2019, at a monthly rental of RM27,000.	324,000	0.98 ⁽³⁾	216,000	1.23 ⁽³⁾	-	-	-	-	-	-
	Management fee charged by MSM Metal Industries Sdn Bhd to MCI	-	-	104,391	2.33 ⁽⁴⁾	-	-	-	-	-	-
	Rental of property by MSM Metal Industries Sdn Bhd to MCI for use as factory	180,000	0.54 ⁽³⁾	180,000	1.03 ⁽³⁾	180,000	0.82 ⁽³⁾	180,000	0.51 ⁽³⁾	45,000	0.43 ⁽³⁾
	Sales of cleanroom products to OMS Technology Sdn Bhd by MCI	68,720	0.16 ⁽¹⁾	72,375	0.29 ⁽¹⁾	43,945	0.13 ⁽¹⁾	-	-	-	-
	Payment by MCI to Marc16 Equipment Manufacturing Sdn Bhd for machine repairing works	-	-	-	-	10,500	0.05 ⁽³⁾	-	-	-	-
	Acquisition of machinery by MCI from Flexacon Automation System Sdn Bhd	170,000	1.48 ⁽⁵⁾	-	-	-	-	-	-	-	-
	Payment by MCI to Flexacon Automation System Sdn Bhd for engineering services	-	-	-	-	35,485	0.16 ⁽³⁾	-	-	-	-
	Rental of property by Flexacon Automation System Sdn Bhd to MCI for use as office	-	-	30,000	0.67 ⁽⁴⁾	33,000	0.99 ⁽⁴⁾	39,000	0.72 ⁽⁴⁾	9,000	0.72 ⁽⁴⁾

10. RELATED PARTY TRANSACTIONS (CONT'D)

Notes:

- (1) *Computed based on our Group's revenue for the financial year/period.*
- (2) *Computed based on our Group's other income for the financial year/period.*
- (3) *Computed based on our Group's cost of sales for the financial year/period.*
- (4) *Computed based on our Group's administrative expenses for the financial year/period.*
- (5) *Computed based on our Group's NA for the financial year/period.*

Our Directors are of the opinion that, save for the Disposal of Land, the related party transactions were carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties. The Disposal of Land, which was transacted based on its net book value, was carried out as part of the internal restructuring exercise undertaken by MSM and its subsidiaries (including MCI) prior to its disposal of 60% equity interest in MCI to Dato' Chong. Based on the foregoing, our Board is of the view that the conflict of interest situations arising from the related party transactions as set out above are mitigated.

Further to the above, our Directors confirm that, save for the rental of property by ISET to Cosmos Instruments for use as office and rental of property by MSM Metal Industries Sdn Bhd to MCI for use as factory, our Group is not reliant on ISET and MSM group of companies for the other transactions as detailed above. Notwithstanding the above, our Group had on 14 January 2022, entered into the sale and purchase agreement with the Vendor for the acquisition of the New Building which will enable our Group to consolidate Cosmos Instruments' and MCI's management, operations and production space in the New Building at one location. Upon completion of the acquisition of the New Building, our Group will not be reliant on ISET and MSM Metal Industries Sdn Bhd for the rental of the office and factory.

Our Directors also confirm that there are no other material related party transactions that have been entered by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them but not yet effected up to the date of this Prospectus.

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek our shareholders' approval each time our Company enters into a material related party transaction. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time it wishes to enter into such recurrent related party transactions during the validity period of the mandate.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, among others, supervise and monitor any related party transactions and the terms thereof and report to our Board for further action, as set out in Section 10.2.1 of this Prospectus. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

In the event there are any proposed related party transactions that require the prior approval of our shareholders, the Directors, substantial shareholders, and/or persons connected with them which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Such interested Director and/or substantial shareholder will also undertake to ensure that the person connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.1.3 Transactions that are unusual in their nature or conditions

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and/or any of our Subsidiaries was a party for the FYE Under Review and up to the LPD.

10.1.4 Outstanding loans and/ or financial assistance to or for the benefit of related parties (including guarantees of any kind)

There are no outstanding loans and/or financial assistance (including guarantees of any kind) that have been granted or made by our Company and/or any of our Subsidiaries to or for the benefit of the related parties for the FYE Under Review and up to the LPD.

10.1.5 Outstanding loans and/or financial assistance by our related parties (including guarantees of any kind)

Save as disclosed below, there are no outstanding loans and/or financial assistance (including guarantees of any kind) that have been granted or made by our related parties to or for the benefit of our Company and/or Subsidiaries for the FYE Under Review and up to the LPD.

Our Director, namely, Dato' Chong has provided personal guarantees for the banking facilities and hire purchase facilities extended by Alliance Bank Malaysia Berhad, Public Bank Berhad, and Public Islamic Bank Berhad, respectively ("**Financiers**") to Cosmos Instruments.

In addition, our Director, namely Ng Boon Keong, and directors of MCI, namely Chan Wen Chau and Chan Wen Yee have provided personal guarantees for the banking facilities and hire purchase facilities extended by AmBank (M) Berhad and Public Bank Berhad ("**MCI Financiers A**") to MCI.

Further, our Promoter, MSM, has provided corporate guarantees for the banking facilities and hire purchase facilities extended by United Overseas (Malaysia) Bank Berhad, AmBank (M) Berhad and Alliance Bank Malaysia Berhad ("**MCI Financiers B**") to MCI.

(MCI Financiers A and MCI Financiers B are collectively known as "**MCI Financiers**")

Our Director, namely Ng Boon Keong, directors of MCI, namely Chan Wen Chau and Chan Wen Yee and our Promoter, MSM have provided joint and several guarantee and corporate guarantee, respectively ("**Guarantees**") for the banking facilities extended by Alliance Bank Malaysia Berhad to MCI. The Guarantees are allowed to be lifted upon successful listing of our Company on the ACE Market.

In conjunction with our Listing, we have applied to the Financiers and MCI Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to the Financiers and MCI Financiers. Until such release and/or discharge are obtained from the Financiers and MCI Financiers, Dato' Chong, Ng Boon Keong, Chan Wen Chau and Chan Wen Yee will continue to guarantee the banking facilities extended to our Group.

As at the date of this Prospectus, we have received approvals from all our Financiers and MCI Financiers to discharge the above guarantees subject to the conditions, amongst others, that we substitute the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to the Financiers and MCI Financiers upon our successful Listing.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS**10.2.1 Audit and Risk Management Committee review**

Our Audit and Risk Management Committee reviews related party transactions to ensure that there is no conflicts of interest situation that may arise within our Group. The Audit and Risk Management Committee reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of conduct. In reviewing the related party transactions, the following, among other things, will be considered:

- (i) the rationale and the cost/benefit to our Company or our Group is first considered;
- (ii) where possible, comparative quotes will be taken into consideration;
- (iii) that the transactions are carried out on an arm's length basis and based on normal commercial terms which are not more favourable to the related parties than those generally available to third parties; and
- (iv) that the transactions are not detrimental to our Company's non-interested shareholders.

All reviews by our Audit and Risk Management Committee are reported to our Board for its further action.

10.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and in some cases, shareholders of the related parties of our Group and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions shall be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Group, and carried out on arm's length basis and are based on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and are not detrimental to our Company's non-interested shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situation and intend for the framework to be guided by the Listing Requirements and MCGG upon our Listing. The procedures which may form part of the framework include, among others, the following:

- (i) our Board shall ensure that majority of our Board members are independent directors and will undertake an annual assessment of our independent Directors;
- (ii) our Directors will be required to immediately make full disclosure of any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

11. CONFLICT OF INTEREST

11.1 INTEREST IN ENTITIES WHICH CARRY ON SIMILAR TRADE AS THAT OF OUR GROUP OR WHICH ARE OUR CUSTOMERS AND/OR OUR SUPPLIERS

As at the LPD, save as disclosed below and in Section 10.1 of this Prospectus, none of our Directors and substantial shareholders has any interest, direct or indirect, in any entity which is:

- (a) carrying on a similar trade as our Group; or
- (b) a customer and/or supplier of our Group.

No.	Entity	Principal activities	Nature	Interested Directors and substantial shareholders	Nature of interest in the entity
1.	ISET	Designing, supplying, installation, testing and commissioning of complete mechanical and electrical works	Our customer	Dato' Chong	Dato' Chong is our Promoter, substantial shareholder and Managing Director. He is the shareholder of ISET holding 85% direct equity interest in ISET and his spouse holds the balance 15% direct equity interest in ISET.
2.	MSM group	MSM is an investment holding company. Its subsidiaries' are principally involved in: (i) Contract manufacturing of all metal products;	Our customer/supplier	<ul style="list-style-type: none"> • MSM; • Chan Kee Sieng; • Chan Kit Moi; • Chan Wen Yee; and • Chan Wen Chau 	The following companies are subsidiaries of our Promoter and substantial shareholder, namely MSM: (i) FIC Kitchen Technology Sdn Bhd; (ii) MSM Equipment Manufacturer Sdn Bhd; (iii) MSM Kitchen Sdn Bhd; (iv) MSM Metal Industries Sdn Bhd; (v) OMS Technology Sdn Bhd; (vi) Toyomi Engineering Sdn Bhd; (vii) Flexacon Automation System Sdn Bhd; and (viii) Marc16 Equipment Manufacturing Sdn Bhd*

11. CONFLICT OF INTEREST (CONT'D)

No.	Entity	Principal activities	Nature	Interested Directors and substantial shareholders	Nature of interest in the entity
		(ii) Contract manufacturing of kitchen equipment and sale of standard kitchen equipment; (iii) Sale and servicing of standard kitchen equipment products; (iv) Sale and servicing of metal parts and kitchen equipment, and design consultancy and installation works; (v) Manufacturing, sale and servicing of refrigeration appliances; (vi) Design, consultancy and installation works for cleanrooms and laboratories; and (vii) Trading, design and supply of machine and conveyor system			<p>* Marc16 Equipment Manufacturing Sdn Bhd was a subsidiary of our promoter and substantial shareholder, MSM until its disposal on 8 September 2021.</p> <p>Our substantial shareholder, Chan Kee Sieng, is a director of the following companies:</p> <ul style="list-style-type: none"> (i) MSM; (ii) MSM Equipment Manufacturer Sdn Bhd; (iii) MSM Kitchen Sdn Bhd; (iv) MSM Metal Industries Sdn Bhd; and (v) Toyomi Engineering Sdn Bhd <p>Our substantial shareholder, Chan Kit Moi, is a director of the following companies:</p> <ul style="list-style-type: none"> (i) MSM; (ii) MSM Equipment Manufacturer Sdn Bhd; (iii) MSM Kitchen Sdn Bhd; (iv) MSM Metal Industries Sdn Bhd; and (v) Toyomi Engineering Sdn Bhd <p>Chan Wen Yee is a director of the following companies:</p> <ul style="list-style-type: none"> (i) MCI; (ii) OMS Technology Sdn Bhd; (iii) Marc16 Equipment Manufacturing Sdn Bhd; and (iv) Flexacon Automation System Sdn Bhd <p>Chan Wen Chau is a director of the following companies:</p> <ul style="list-style-type: none"> (i) MSM; (ii) MCI; (iii) MSM Equipment Manufacturer Sdn Bhd;

11. CONFLICT OF INTEREST (CONT'D)

No.	Entity	Principal activities	Nature	Interested Directors and substantial shareholders	Nature of interest in the entity
					(iv) MSM Kitchen Sdn Bhd; (v) MSM Metal Industries Sdn Bhd; (vi) OMS Technology Sdn Bhd; (vii) Marc16 Equipment Manufacturing Sdn Bhd; and (viii) Flexacon Automation System Sdn Bhd.

Notwithstanding the above, our Board is of the view that the interests of Dato' Chong and MSM in the companies as described above do not give rise to any existing or potential conflict of interest situation after taking into consideration the following:

11.1.1 ISET

- (i) although Cosmos Instruments and ISET are involved in the water industry, they are not carrying on a similar nature of business. Cosmos Instruments supplies industrial automation and control instrumentation and services of fluid control products from Siemens Malaysia and LACROIX Sofrel and they have been appointed as the certified partner and solution partner as well as official partner by Siemens Malaysia and LACROIX Sofrel respectively. ISET is a mechanical and electrical (M&E) contractor that carries out the complete range of mechanical and electrical services. The principal activities of Cosmos Instruments and ISET are as set out below:

Principal activities	
Cosmos Instruments	ISET
Distribution of industrial automation and control instrumentation and servicing of fluid control products	Designing, supplying, installation, testing and commissioning of complete mechanical and electrical works

If the projects carried out by ISET require fluid control or instrumentation products from Siemens Malaysia and LACROIX Sofrel, ISET would have to purchase these products from Cosmos Instruments as they are the certified partner and solution partner of Siemens Malaysia and official partner of LACROIX Sofrel in Malaysia.

11. CONFLICT OF INTEREST (CONT'D)

Cosmos Instruments' customers include Water Authorities, Water Operators, wastewater treatment plant operators, and industrial and commercial customers and contractors (including ISET) which are involved in water and wastewater industries in Malaysia. ISET's customers include Water Authorities and water and wastewater treatment plant owners;

- (ii) we are not dependent on ISET as our customer as our sales to ISET represents approximately 0.09% of our Group's revenue for the FYE 2022. In addition, we are also not dependent on purchases or services from ISET as there are other suppliers of hardware accessories and sub-contractors available. Our purchases from ISET and payment for sub-contractor works to ISET in aggregate represent approximately 0.18% of our Group's cost of sales for the FYE 2022;
- (iii) all sales to ISET and/or purchases from and rental payments to ISET are transacted on normal commercial terms and on arm's length basis as disclosed in Section 10.1.1 of this Prospectus; and
- (iv) Dato' Chong is not a director of ISET. He does not have any executive role in ISET and is not involved in the day-to-day management of ISET. Furthermore, ISET has its own management team.

11.1.2 MSM group of companies ("MSM Group")

- (i) MCI produces mainly fabricated metal products related to oil and gas industry whereas MSM Group produces fabricated metal products related to kitchen appliances and equipment, customised equipment, precision engineering services, cleanroom and laboratories.

MCI's key customers are National Oilwell Varco, Inc. and NOV (Malaysia) Sdn Bhd, which are involved in the oil and gas industry. MSM Group's customers are mainly involved in semiconductor, power generator, conveyor systems, automotive, agriculture, furniture, food and beverage, cleanroom and laboratory;

- (ii) we are not dependent on MSM Group as our customer as our sales to MSM Group represents approximately 0.12% of our Group's revenue for the FYE 2022. In addition, we are also not dependent on purchases or services from MSM Group as there are other suppliers of fabricated metal products and sub-contractors available. Our purchases from MSM Group and payment for sub-contractor works to MSM Group in aggregate represent approximately 0.09% of our Group's cost of sales for the FYE 2022; and
- (iii) all sales to MSM Group and/or purchases from and rental payments to MSM Group are transacted on normal commercial terms and on arm's length basis as disclosed in Section 10.1.1 of this Prospectus.

Moving forward, our Audit and Risk Management Committee will supervise any actual conflict of interest or potential conflict of interest situations.

In order to mitigate any possible conflict of interest situation, our Directors will declare to our Audit and Risk Management Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group.

11. CONFLICT OF INTEREST (CONT'D)

Our Audit and Risk Management Committee will first then evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Audit and Risk Management Committee will then:

- (a) immediately inform our Board of the conflict of interest situation;
- (b) make recommendations to our Board to direct the conflicted Director to:
 - (i) withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
 - (ii) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Audit and Risk Management Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairperson of the Board, be present at the Board meeting for the purposes of answering any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Audit and Risk Management Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

11.2 DECLARATION BY THE ADVISERS ON CONFLICT OF INTERESTS

(i) Mercury Securities Sdn Bhd

Mercury Securities Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO.

(ii) Wong Beh & Toh

Wong Beh & Toh has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interests in its capacity as Solicitors for our IPO.

(iii) Nexia SSY PLT

Nexia SSY PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interests in its capacity as the auditors and the Reporting Accountants for our IPO.

(iv) Infobusiness Research & Consulting Sdn Bhd

Infobusiness Research & Consulting Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interests in its capacity as the Independent Market Researcher for our IPO.

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated on 14 May 2019 as an investment holding company to facilitate the listing of our Company on the LEAP Market. On 24 September 2019, we completed the acquisition of the entire equity interests in MCI and Cosmos by our Company (“**Acquisition**”) which resulted in Cosmos and MCI becoming our wholly-owned subsidiaries. As such, the pro forma financial information for the FYE 2019 and FYE 2020 were prepared in a manner as if Cosmos and MCI are assumed to be under common control and were operating as a single economic enterprise from 1 May 2018 and prior to the completion of the Acquisition (“**Combined Financial Statements**”), and the financial information for the FYE 2021 and FYE 2022 are presented based on the consolidated audited financial statements of our Group (“**Consolidated Financial Statements**”).

Our historical financial information throughout the FYE 2019 to FYE 2022 have been prepared in accordance with MFRS and IFRS. The following historical combined and consolidated financial information for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022 have been extracted from the Accountants’ Report as set out in Section 14 of this Prospectus.

The historical financial information presented below should be read in conjunction with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Section 12.2 of this Prospectus, our historical Combined Financial Statements and the Consolidated Financial Statements as well as the accompanying notes as set out in the Accountants’ Report included in Section 14 of this Prospectus.

12.1.1 Historical audited combined and consolidated statements of profit or loss and other comprehensive income

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM’000	RM’000	RM’000	RM’000
Revenue	44,078	25,189	33,723	49,120
Cost of sales	(33,218)	(17,505)	(21,901)	(35,471)
GP	10,860	7,684	11,822	13,649
Other income	2,451	1,453	296	759
Administrative expenses	(3,115)	(4,484)	(3,329)	(5,396)
Selling and distribution expenses	(3,235)	(2,134)	(973)	(545)
Profit from operations	6,961	2,519	7,816	8,467
Finance costs	(775)	(550)	(386)	(259)
PBT	6,186	1,969	7,430	8,208
Taxation	(906)	(751)	(1,842)	(2,421)
PAT	5,280	1,218	5,588	5,787
Other selected financial data:				
GP margin (%) ⁽¹⁾	24.64	30.51	35.06	27.79
EBITDA (RM’000) ⁽²⁾	7,737	3,419	8,557	9,369
EBITDA margin (%) ⁽³⁾	17.55	13.57	25.37	19.07
PBT margin (%) ⁽⁴⁾	14.03	7.82	22.03	16.71
PAT margin (%) ⁽⁵⁾	11.98	4.84	16.57	11.78
Basic EPS (sen) ⁽⁶⁾	2.74	0.63	2.90	3.01
Diluted EPS (sen) ⁽⁷⁾	2.06	0.47	2.18	2.26

12. FINANCIAL INFORMATION (CONT'D)**Notes:**

- (1) GP margin is computed based on GP over revenue of our Group.
- (2) EBITDA is computed as follows:

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
PBT	6,186	1,969	7,430	8,208
Add: Finance costs	775	550	386	259
Add: Depreciation	881	1,008	849	1,004
Add: Impairment loss on non-current assets held for sale	6	-	-	-
Less: Interest income	(111)	(108)	(108)	(102)
EBITDA	7,737	3,419	8,557	9,369

- (3) EBITDA margin is computed based on EBITDA over revenue of our Group.
- (4) PBT margin is computed based on PBT over revenue of our Group.
- (5) PAT margin is computed based on PAT over revenue of our Group.
- (6) Calculated based on PAT divided by 192,376,000 number of Shares in issue before the IPO.
- (7) Calculated based on PAT divided by 256,501,300 enlarged number of Shares in issue after the IPO.

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12. FINANCIAL INFORMATION (CONT'D)**12.1.2 Historical audited combined and consolidated statements of financial position**

	Audited			
	As at 30 April 2019	As at 30 April 2020	As at 30 April 2021	As at 30 April 2022
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	4,435	3,967	3,766	4,215
Right-of-use assets	-	429	231	239
Total non-current assets	4,435	4,396	3,997	4,454
Current assets				
Inventories	7,887	10,918	10,394	10,718
Trade receivables	15,296	5,208	9,801	15,104
Other receivables	3,707	1,114	1,629	239
Other current assets	2,166	2,186	751	1,922
Fixed deposits with licensed banks, cash and bank balances	4,251	10,618	10,972	13,393
Total current assets	33,307	30,044	33,547	41,376
Total assets	37,742	34,440	37,544	45,830
EQUITY AND LIABILITIES				
Equity				
Share capital	1,400	13,963	13,963	13,963
Retained earnings	10,087	1,213	6,801	12,588
Total equity	11,487	15,176	20,764	26,551
Non-current liabilities				
Borrowings	1,484	-	199	246
Lease liabilities	-	1,674	1,814	2,093
Deferred tax liabilities	105	113	64	36
Total non-current liabilities	1,589	1,787	2,077	2,375
Current liabilities				
Trade payables	8,707	6,813	5,179	8,723
Other payables	6,983	8,287	5,609	1,338
Borrowings	8,675	1,385	2,188	4,916
Lease liabilities	-	806	927	848
Provision for taxation	301	186	800	1,079
Total current liabilities	24,666	17,477	14,703	16,904
Total liabilities	26,255	19,264	16,780	19,279
Total equity and liabilities	37,742	34,440	37,544	45,830

12. FINANCIAL INFORMATION (CONT'D)**12.1.3 Historical audited combined and consolidated statements of cash flows**

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	6,186	1,969	7,430	8,208
Adjustments for:				
Bad debts written off	-	188	-	-
Depreciation of property, plant and equipment	881	815	651	800
Depreciation of right-of-use assets	-	193	198	204
(Gain)/Loss on disposal of property, plant and equipment	(873)	132	(6)	-
Impairment loss on non-current assets held for sale	6	-	-	-
Gain on lease liabilities written off	-	-	-	(12)
Interest expense	775	550	386	259
Interest income	(111)	(108)	(108)	(102)
Property, plant and equipment written off	-	-	17	1
Rental income	(368)	(5)	-	-
Unrealised foreign exchange loss	-	-	42	-
Operating profit before working capital changes	6,496	3,734	8,610	9,358
(Increase)/Decrease in inventories	(2,830)	(3,031)	523	(324)
Decrease/(Increase) in trade and other receivables	1,801	10,482	(5,151)	(3,913)
(Increase)/Decrease in other current assets	(307)	(19)	1,434	(1,170)
Decrease in trade and other payables	(2,328)	(1,410)	(4,312)	(727)
Increase/(Decrease) in bills payables	1,758	(5,955)	(20)	2,450
Cash generated from operations	4,590	3,801	1,084	5,674
Interest paid	(520)	(400)	(264)	(117)
Tax paid	(1,160)	(1,005)	(1,276)	(2,170)
Income tax refund	-	146	-	-
Net cash generated from / (used in) operating activities	2,910	2,542	(456)	3,387
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	15,598	665	707	-
Purchase of property, plant and equipment	(220)	(555)	(266)	(400)
Interest received	111	108	108	102
Rental income	368	5	-	-
Net cash generated from / (used in) investing activities	15,857	223	549	(298)
Cash flows for financing activities				
Dividend paid	(8,325)	-	-	-
Proceeds from issuance of shares	-	5,306	-	-
Drawdown of term loan	-	-	300	60

12. FINANCIAL INFORMATION (CONT'D)

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Repayment of term loan	(9,314)	-	(59)	(15)
Payment of term loan interest	(174)	-	(5)	(10)
Repayment of finance lease liabilities	(795)	-	-	-
Payment of finance lease interest	(81)	-	-	-
Repayment of obligation under lease liabilities	-	(973)	(640)	(850)
Payment of lease liabilities interest	-	(150)	(117)	(132)
Decrease/(Increase) in fixed deposits held under lien	332	(42)	(26)	(25)
Net cash (used in) / generated from financing activities	(18,357)	4,141	(547)	(972)
Net increase/(decrease) in cash and cash equivalents	410	6,906	(454)	2,117
Cash and cash equivalents at the beginning of the financial year	711	1,121	8,027	7,573
Cash and cash equivalents at the end of the financial year	1,121	8,027	7,573	9,690

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our Group's financial performance and results of operations should be read in conjunction with the Accountants' Report as set out in Section 14 of this Prospectus and the Reporting Accountants' Report on the pro forma statements of financial position as set out in Section 13 of this Prospectus.

This discussion and analysis contains data derived from our historical combined and consolidated financial statements as well as forward-looking statements reflecting our current views with respect to future events and our financial performance. Our actual results may differ significantly from those anticipated in the forward-looking statements as a result of a number of factors, including those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

12.2.1 Overview of our operations

Our Group is principally involved in the business of providing integrated water technology solutions which comprise of the following:

- (i) Distribution and instrumentation services of fluid control and other related products used in the water and wastewater applications; and
- (ii) Manufacturing of fabricated metal products used in mainly water, wastewater, and oil and gas applications.

Our sales transactions are mainly settled in RM with certain sales to a customer outside of Malaysia settled in USD. Approximately 52.88%, 64.91%, 87.43% and 84.37% of our revenue were denominated in MYR for FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively, with the remainder denominated mainly in USD.

Please refer to Section 7 of this Prospectus for further information of our services and products.

12. FINANCIAL INFORMATION (CONT'D)

12.2.2 Review of financial performance

(a) Revenue

Our Group recognises revenue at the point in time at which the performance obligation is satisfied, whereby, our Group's performance:

- (i) does not create an asset with an alternative use to our Group and has an enforceable right to payment for performance completed to-date;
- (ii) creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (iii) provides benefits that the customer simultaneously receives and consumes as our Group performs.

The revenue from contracts with our customers is recognised by reference to each distinct performance obligation promised in the contracts with our customers when or as our Group transfers controls of the goods or services promised in the contracts and our customers obtain controls of the goods and services. Revenue from contracts with our customers is measured at its transaction price, being the amount of consideration to which our Group expects to be entitled in exchange for transferring promised goods or services to the customers, net of indirect taxes, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Our Group's revenue for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022 are analysed as follows:

Revenue segmented by business activities, products and services

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution:								
- Flowmeters and its accessories including installation and other services ⁽¹⁾	9,673	21.94	8,222	32.64	14,098	41.80	14,511	29.54
- Level transducers	496	1.13	602	2.39	1,297	3.85	1,236	2.51
- Pressure transmitters	268	0.61	369	1.47	507	1.50	647	1.32
- Dataloggers	-	-	175	0.69	725	2.15	1,300	2.65
- Other accessories ⁽²⁾	940	2.13	1,107	4.40	1,389	4.12	1,364	2.78
	11,377	25.81	10,475	41.59	18,016	53.42	19,058	38.80
Manufacturing:								
- Oil and Gas related products	32,171	72.99	14,589	57.91	12,037	35.70	28,325	57.66
- Others ⁽³⁾	530	1.20	125	0.50	3,670	10.88	1,737	3.54
	32,701	74.19	14,714	58.41	15,707	46.58	30,062	61.20
Total	44,078	100.00	25,189	100.00	33,723	100.00	49,120	100.00

Notes:

- (1) Other services refer to instrumentation services such as consultation and advice, design and integration of telemetry solutions, installation and commissioning, calibration and testing, maintenance and training of fluid control products.
- (2) Other accessories consist of amongst others, accessories of the flowmeters such as sensorprom, replacement kits, remote cables set and panels, brackets.

12. FINANCIAL INFORMATION (CONT'D)

- (3) *Others consist of metal parts, mild steel and stainless-steel bracket as well as healthcare furniture and equipment such as furniture, cabinets, medical beds and metal parts.*

Revenue segmented by geographical markets

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Domestic:								
- Malaysia	23,311	52.88	16,350	64.91	29,483	87.43	41,443	84.37
International:								
- US	20,765	47.11	8,839	35.09	4,240	12.57	7,677	15.63
- Singapore	2	0.01	-	-	-	-	-	-
	20,767	47.12	8,839	35.09	4,240	12.57	7,677	15.63
Total	44,078	100.00	25,189	100.00	33,723	100.00	49,120	100.00

Comparison between FYE 2020 and FYE 2019

Our revenue decreased by RM18.89 million or 42.85% from RM44.08 million in FYE 2019 to RM25.19 million in FYE 2020. This was mainly due to the following:

- (i) decrease in the sales arising from the distribution segment by RM0.90 million or 7.93% from RM11.38 million in FYE 2019 to RM10.48 million in FYE 2020 because of a decrease in the sales from distribution, installation and services of flowmeters and its accessories by RM1.45 million from RM9.67 million in FYE 2019 to RM8.22 million in FYE 2020 as the implementation of MCO by the Government had inevitably resulted in the lower level of activities or orders by our Water Customers during the period in which the MCO was in effect and postponement of our delivery of flowmeters to our Water Customers with orders worth approximately RM1.31 million received by our Group were only fulfilled between May 2020 and September 2020 (i.e., in FYE 2021);
- (ii) decrease in the sales from the manufacturing segment by RM17.99 million or 55.00% from RM32.70 million in FYE 2019 to RM14.71 million in FYE 2020 because of a decrease in the sales of fabricated metal products by RM17.58 million from RM32.17 million in FYE 2019 to RM14.59 million in FYE 2020 due to lower demand for fabricated metal products from our Oil and Gas Customers as a result of global downtrend in average crude oil prices in FYE 2020, whereby, the average crude oil prices for Brent crude oil in 2019 is approximately USD64.2 per barrel as compared to USD71.3 per barrel in 2018 based on the IMR Report as set out in Section 8 of this Prospectus; and
- (iii) decrease in the sales generated in March 2020 and April 2020 as a result of the implementation of MCO by the Government during which our Group was only allowed to operate at a limited capacity in order to comply with the conditions as set out by the MITI in the letter allowing our Group to operate during the MCO.

For FYE 2019 and FYE 2020, export sales accounted for approximately RM20.77 million or 47.12% of the total revenue and RM8.84 million or 35.09% of the total revenue, respectively which were mainly generated from our Oil and Gas Customer in US. The significant decrease in the revenue from US by RM11.93 million or 57.43% from RM20.77 million in FYE 2019 to RM8.84 million in FYE 2020 was mainly due to the global downtrend in average crude oil prices in FYE 2020 as explained above. The decrease in the sales from the domestic market of RM6.96 million or 29.86% from RM23.31 million in FYE 2019 to RM16.35 million in FYE 2020 was mainly attributable to the decrease in the sales to the local Oil and Gas Customer by RM5.65 million from RM11.40 million in FYE 2019 to RM5.75 million in FYE 2020 which was also due to the global downtrend in average crude oil prices in FYE 2020 as explained above and our

12. FINANCIAL INFORMATION (CONT'D)

Water Customers by RM0.90 million from RM11.38 million in FYE 2019 to RM10.48 million in FYE 2020 due to the reason as detailed in item (i) above.

Comparison between FYE 2021 and FYE 2020

Our revenue increased by RM8.53 million or 33.88% from RM25.19 million in FYE 2020 to RM33.72 million in FYE 2021. This was mainly due to the following:

- (i) increase in sales from our distribution segment of RM7.54 million or 71.99% from RM10.48 million in FYE 2020 to RM18.02 million in FYE 2021 due to, amongst others, the following:
- increase in sales from the distribution, installation and services of flowmeters and its accessories of RM5.88 million or 71.47% from RM8.22 million in FYE 2020 to RM14.10 million in FYE 2021 resulting from higher customers' demand as evident by the increase in the number of flowmeters sold in FYE 2021 of 805 units from 522 units in FYE 2020. This was mainly due to increased orders secured and delivered due to increased orders for flowmeters from different states' water authorities for upgrading and replacing existing flowmeters including the postponement of delivery of orders received for flowmeters between 19 March 2020 and 30 April 2020 which were fulfilled between May 2020 and September 2020;
 - increase in sales from the distribution of level transducers of RM0.70 million or 115.45% from RM0.60 million in FYE 2020 to RM1.30 million in FYE 2021 as a result of the increased orders from our Water Customers due to increased orders for level transducers from different states' water authorities;
 - increase in sales from the distribution of dataloggers of RM0.55 million or 314.29% from RM0.18 million in FYE 2020 to RM0.73 million in FYE 2021 mainly due to the increased orders for flowmeters as detailed above. Additionally, our Group has also started to expand the sales of the dataloggers to other states such as Melaka, Negeri Sembilan and Kedah in FYE 2021;
 - increase in sales of other accessories by RM0.28 million or 25.47% from RM1.11 million in FYE 2020 to RM1.39 million in FYE 2021 mainly due to the increase in demand for, amongst others, the pedestal panel and transmitter remote replacement kits from our existing and new Water Customers; and
- (ii) increase in sales from the manufacturing segment of RM1.00 million or 6.75% from RM14.71 million in FYE 2020 to RM15.71 million in FYE 2021 was mainly contributed by the increase in sales from manufacturing and distribution of healthcare furniture and equipment of RM3.55 million from RM3,900 in FYE 2020 to RM3.56 million in FYE 2021 which was partially offset by the decrease in sales of fabricated metal products to our Oil and Gas Customers of RM2.55 million from RM14.59 million in FYE 2020 to RM12.04 million in FYE 2021. Our Group had manufactured and distributed healthcare furniture and equipment due to a shortage of the abovementioned products in the hospitals in Malaysia resulting from the COVID-19 pandemic. Our Group however does not intend to continue with the manufacturing of these products in the future. Further to the above, there was no investment incurred in undertaking the manufacturing and distribution of healthcare furniture and equipment.

12. FINANCIAL INFORMATION (CONT'D)

For FYE 2021, export sales, which was entirely from US, accounted for approximately RM4.24 million or 12.57% of the total revenue. The significant decrease in the revenue arising from US by RM4.60 million or 52.03% from RM8.84 million in FYE 2020 to RM4.24 million in FYE 2021 was mainly due to the decrease in demand by our Oil and Gas Customer as a result of continuing global downtrend in average crude oil price in FYE 2021, whereby, the average crude oil prices for Brent crude oil in 2020 is approximately USD41.8 per barrel as compared to USD64.2 per barrel in 2019 based on the IMR Report as set out in Section 8 of this Prospectus, and had affected the demand conditions such as production of crude oil and natural gas as well as active rig count and drilled wells. The fabricated metal products manufactured by our Group are mainly used as part of the drilling rig equipment to filter rock cuttings during the drilling operations in oil and gas explorations and field development as disclosed in Section 7.2.1(B) of the Prospectus. Notwithstanding the above, there was an increase in sales from the domestic market of RM13.13 million or 80.32% from RM16.35 million in FYE 2020 to RM29.48 million in FYE 2021 which was mainly contributed by the increase in sales from the distribution of flowmeters and manufacturing and distribution of the healthcare furniture and equipment as detailed in items (i) and (ii) above respectively, which were entirely in Malaysia, as well as increase in revenue from our local Oil and Gas Customer for our fabricated metal products.

Comparison between FYE 2022 and FYE 2021

Our revenue increased by RM15.40 million or 45.66% from RM33.72 million in FYE 2021 to RM49.12 million in FYE 2022. This was mainly due to the following:

- (i) increase in sales from the manufacturing segment of RM14.35 million or 91.39% from RM15.71 million in FYE 2021 to RM30.06 million in FYE 2022 was mainly contributed by the increase in sales of fabricated metal products to our Oil and Gas Customers of RM16.29 million or 135.32% from RM12.04 million in FYE 2021 to RM28.33 million in FYE 2022 due to higher demand for fabricated metal products from our Oil and Gas Customers as a result of the global recovery of average crude oil price in 2021 as compared to 2020, whereby, the average crude oil prices for Brent crude oil in 2021 is approximately USD70.9 per barrel as compared to USD41.8 per barrel in 2020 based on the IMR Report as set out in Section 8 of this Prospectus; and
- (ii) increase in sales from our distribution segment of RM1.04 million or 5.78% from RM18.02 million in FYE 2021 to RM19.06 million in FYE 2022 due to the increased orders from our Water Customers which contributed to the increase in sales from the distribution, installation and services of flowmeters and its accessories of RM0.41 million or 2.93% from RM14.10 million in FYE 2021 to RM14.51 million in FYE 2022, whereby there was an increase in the number of flowmeters sold in FYE 2022 of 910 units from 805 units in FYE 2021, increase in sales from the distribution of pressure transmitters of RM0.14 million or 27.61% from RM0.51 million in FYE 2021 to RM0.65 million in FYE 2022 and increase in sales from the distribution of dataloggers of RM0.57 million or 79.31% from RM0.73 million in FYE 2021 to RM1.30 million in FYE 2022.

For FYE 2022, export sales, which was entirely from US, accounted for approximately RM7.68 million or 15.63% of the total revenue. The significant increase in the revenue arising from US by RM3.44 million or 81.06% from RM4.24 million in FYE 2021 to RM7.68 million in FYE 2022 was mainly due to the higher demand for fabricated metal products from our Oil and Gas Customers as a result of the global recovery of average crude oil price in 2021 as compared to 2020, as detailed in item (i) above. The increase in the sales from the domestic market of RM11.96 million or 40.57% from RM29.48 million in FYE 2021 to RM41.44 million in FYE 2022 was mainly contributed by the increase in sales to our local Oil and Gas Customers by RM12.85 million or 164.82% from RM7.80 million in FYE 2021 to RM20.65 million in FYE 2022 as a result of the

12. FINANCIAL INFORMATION (CONT'D)

global recovery of average crude oil price in 2021 as compared to 2020, as detailed in item (i) above, and sales to our Water Customers increased by RM1.04 million or 5.78% from RM18.02 million in FYE 2021 to RM19.06 million in FYE 2022 due to the increased orders from our Water Customers as detailed in item (ii) above.

(b) Cost of sales, GP and GP margin
Analysis of cost of sales by cost items

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Cost of inventories	25,620	77.13	12,705	72.58	18,354	83.80	28,489	80.32
Staff costs ⁽¹⁾	2,267	6.82	576	3.29	481	2.20	1,193	3.36
Subcontractor costs	1,850	5.57	1,915	10.94	1,339	6.11	3,455	9.74
Depreciation of property, plant and equipment	629	1.89	703	4.02	537	2.45	694	1.96
Upkeep of machineries	828	2.49	494	2.82	439	2.01	526	1.48
Rental of machineries	343	1.03	236	1.35	28	0.13	47	0.13
Rental of factory	551	1.66	-	-	-	-	-	-
Utilities and others	1,130	3.41	876	5.00	723	3.30	1,067	3.01
Total	33,218	100.00	17,505	100.00	21,901	100.00	35,471	100.00

Note:

(1) Staff costs comprise staff salaries, allowances, overtime costs, bonuses, statutory contributions and other staff related expenses for our manufacturing segment (i.e. staff categorised under the production department as detailed in Section 7.16 of this Prospectus).

Analysis of cost of sales by business activities

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution:								
- Flowmeters and its accessories including installation and other services ⁽¹⁾	6,190	18.63	5,132	29.32	8,709	39.77	10,035	28.29
- Level transducers	407	1.23	472	2.70	1,019	4.65	974	2.75
- Pressure transmitters	225	0.68	248	1.42	357	1.63	469	1.32
- Dataloggers	-	-	146	0.83	539	2.46	1,029	2.90
- Other accessories ⁽²⁾	611	1.84	730	4.17	1,073	4.90	1,065	3.00
	7,433	22.38	6,728	38.44	11,697	53.41	13,572	38.26
Manufacturing:								
- Oil and Gas related products	25,329	76.25	10,670	60.95	7,432	33.93	20,414	57.55
- Others ⁽³⁾	456	1.37	107	0.61	2,772	12.66	1,485	4.19
	25,785	77.62	10,777	61.56	10,204	46.59	21,899	61.74
Total	33,218	100.00	17,505	100.00	21,901	100.00	35,471	100.00

12. FINANCIAL INFORMATION (CONT'D)

Notes:

- (1) *Other services refer to instrumentation services such as consultation and advice, design and integration of telemetry solutions, installation and commissioning, calibration and testing, maintenance and training of fluid control products.*
- (2) *Other accessories consist of amongst others, accessories of the flowmeters such as sensorprom, replacement kits, remote cables set and panels, brackets.*
- (3) *Other consist of metal parts, mild steel and stainless-steel bracket as well as healthcare furniture and equipment such as furniture, cabinets, medical beds and metal parts.*

The main components of the costs of sales incurred by our Group in the FYE Under Review are as follows:

(i) Cost of inventories

The cost of inventories constitutes the largest portion of our costs of sales, representing 77.13%, 72.58%, 83.80% and 80.32% of our total costs of sales for the FYEs 2019, 2020, 2021 and 2022 respectively.

Cost of inventories comprise of cost of purchase of raw materials such as steel materials for our manufacturing of fabricated metal parts and trading goods which consist of mainly flowmeters and dataloggers.

Comparison between FYE 2020 and FYE 2019

The cost of inventories incurred by our Group decreased by RM12.91 million or 50.41% from RM25.62 million in FYE 2019 to RM12.71 million in FYE 2020 was mainly due to the following:

- decrease in the purchases of flowmeters and related products by our Group in line with the lower demand from our Water Customers in FYE 2020 due to the implementation of MCO in March 2020; and
- decrease in the purchases of steels by our Group due to the lower demand for fabricated metal products from our Oil and Gas Customers as a result of global downtrend in average crude oil price in FYE 2020 as detailed in Section 12.2.2(a) of this Prospectus.

Comparison between FYE 2021 and FYE 2020

The cost of inventories incurred by our Group increased by RM5.64 million or 44.46% from RM12.71 million in FYE 2020 to RM18.35 million in FYE 2021 mainly due to the following:

- increase in purchases of flowmeters and related products by our Group in tandem with the increased orders for flowmeters in FYE 2021 as evident by the increase in the number of flowmeters sold in FYE 2021 of 805 units from 522 units in FYE 2020; and
- increase in purchases of steels for the manufacturing of healthcare furniture and equipment such as hydraulic hospital beds and other equipment which is in line with the increase in sales of healthcare furniture and equipment in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)

However, the increase in cost of inventories was offset by the decrease in purchase of steels for the manufacturing of fabricated metal products.

Comparison between FYE 2022 and FYE 2021

The cost of inventories incurred by our Group increased by RM10.14 million or 55.22% from RM18.35 million in FYE 2021 to RM28.49 million in FYE 2022 mainly due to the following:

- increase in purchases of flowmeters and related products by our Group in tandem with the increased orders for flowmeters in FYE 2022 as evident by the increase in the number of flowmeters sold in FYE 2022 of 910 units from 805 units in FYE 2021; and
- increase in the purchase of steels due to higher demand for the manufacturing of fabricated metal products from our Oil and Gas Customers as a result of the global recovery of average crude oil price in 2021 as detailed in Section 12.2.2(a) of this Prospectus.

(ii) **Staff costs**

Staff costs comprise staff salaries, allowances, overtime costs, bonuses, statutory contributions and other staff related expenses for our manufacturing segment.

Comparison between FYE 2020 and FYE 2019

The staff costs incurred by our Group decreased by RM1.69 million or 74.59% from RM2.27 million in FYE 2019 to RM0.58 million in FYE 2020 mainly due to the following:

- (a) re-allocation of certain staff from MCI to MSM in the 3rd quarter of FYE 2019 as a result of the restructuring exercise undertaken by MSM and its subsidiaries as well as MCI prior to the disposal by MSM of its 60.00% equity interest in MCI to Dato' Chong to facilitate the listing of our Company on the LEAP Market ("**Restructuring Exercise**") which were completed on 18 December 2018; and
- (b) decrease in the orders placed by our Oil and Gas Customers for fabricated metal products in FYE 2020 as compared to FYE 2019.

Comparison between FYE 2021 and FYE 2020

The staff costs incurred by our Group decreased by RM0.10 million or 16.49% from RM0.58 million in FYE 2020 to RM0.48 million in FYE 2021 despite our Group's revenue from our manufacturing segment increased by 6.75% for the FYE 2021 as compared to the FYE 2020 mainly due to the decrease in the staff overtime costs incurred in FYE 2021 as compared to FYE 2020 resulting from better control and limitation on the workforce as well as the working hours incurred by our staff during the MCO period in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2022 and FYE 2021**

The staff costs incurred by our Group increased by RM0.71 million or 148.02% from RM0.48 million in FYE 2021 to RM1.19 million in FYE 2022 mainly due to the increase in the number of employees from 21 employees in FYE 2021 to 45 employees in FYE 2022 for our manufacturing segment as detailed in Section 7.16 of this Prospectus and increase in overtime incurred by our employees as a result of higher demand for fabricated metal products from our Oil and Gas Customers as a result of the global recovery of average crude oil price in 2021 as compared to 2020, as detailed in Section 12.2.2 (a) of this Prospectus, which was evident by the increase in the utilisation rate of our Group's production capacity in FYE 2022 as compared to FYE 2021, of which, the utilisation rate for the primary processes based on the maximum capacity of 46,008 machine hours per year had increased to 87.64% in the FYE 2022 as compared to 54.77% in the FYE 2021 and the utilisation rate for the secondary processes based on the maximum capacity of 118,260 machine hours per year had increased to 81.58% in the FYE 2022 from 49.32% in the FYE 2021, as detailed in Section 7.12.3 of this Prospectus.

(iii) Subcontractor costs

Subcontractor costs include subcontractor wages and subcontractor charges in relation to, among others, machining, heat treatment and wet painting services for our manufacturing segment.

Comparison between FYE 2020 and FYE 2019

The subcontractor costs incurred by our Group increased by approximately RM0.07 million or 3.51% from RM1.85 million in FYE 2019 to RM1.92 million in FYE 2020 mainly due to the re-allocation of certain staff from MCI to MSM in FYE 2020 as a result of the Restructuring Exercise as detailed in Section 12.2.2(b)(ii) above.

Comparison between FYE 2021 and FYE 2020

The subcontractor costs incurred by our Group decreased by RM0.58 million or 30.08% from RM1.92 million in FYE 2020 to RM1.34 million in FYE 2021 mainly due to lower level of manufacturing activities outsourced to the subcontractors in view of the decrease in orders for fabricated metal products from our Oil and Gas Customer in US which were partly fulfilled with our Group's ready stocks on hand.

Further to the above, our Group did not outsource the manufacturing of healthcare furniture and equipment to its subcontractor in the FYE 2020 and FYE 2021.

Comparison between FYE 2022 and FYE 2021

The subcontractor costs incurred by our Group increased by RM2.12 million or 158.03% from RM1.34 million in FYE 2021 to RM3.46 million in FYE 2022 due to higher level of manufacturing activities outsourced to the subcontractors as a result of the increase in orders for fabricated metal products, such as metal body frames for shale shakers whereby the production is currently sub-contracted to external sub-contractors, from our Oil and Gas Customers.

12. FINANCIAL INFORMATION (CONT'D)**(iv) Depreciation of property, plant and equipment**

The depreciation of property, plant and equipment includes depreciation of plant and machineries, tools and implements as well as right-of-use assets.

Comparison between FYE 2020 and FYE 2019

The depreciation of property, plant and equipment increased by RM0.07 million or 11.76% from RM0.63 million in FYE 2019 to RM0.70 million in FYE 2020 mainly due to depreciation of right-of-use assets arising from the adoption of MFRS 16 amounting to RM0.16 million in FYE 2020 which was not incurred in FYE 2019 and was partially offset by the decrease in depreciation of plant and machinery and tools and implements by RM0.09 million as a result of disposal of a laser cutting machine in FYE 2020.

Comparison between FYE 2021 and FYE 2020

The depreciation of property, plant and equipment decreased by RM0.16 million or 23.61% from RM0.70 million in FYE 2020 to RM0.54 million in FYE 2021 mainly due to the decrease in depreciation of plant and machinery of RM0.17 million as a result of disposal of a turret punching machine in FYE 2021.

Comparison between FYE 2022 and FYE 2021

The depreciation of property, plant and equipment increased by RM0.15 million or 29.24% from RM0.54 million in FYE 2021 to RM0.69 million in FYE 2022 mainly due to the increase in depreciation of plant and machinery of RM0.11 million as a result of purchase of a turret punching in April 2021 and a weld heat treatment machine in FYE 2022.

(v) Upkeep of machineries

The costs incurred for the upkeep of machineries consist of maintenance costs for our machineries including, but not limited to, the laser cutting machines, turret punching machines and robotic welding machines.

Comparison between FYE 2020 and FYE 2019

The costs incurred by our Group for the upkeep of machineries decreased by RM0.34 million or 40.34% from RM0.83 million in FYE 2019 to RM0.49 million in FYE 2020 mainly due to lower production activities of our manufacturing segment in line with the lower demand for fabricated metal products from our Oil and Gas Customers as a result of global downtrend in average crude oil prices in FYE 2020 as compared to FYE 2019 as detailed in Section 12.2.2(a) of this Prospectus.

Comparison between FYE 2021 and FYE 2020

Despite the increase in the revenue generated by our Group in FYE 2021 as compared to FYE 2020, the costs incurred by our Group for the upkeep of machineries decreased by RM0.05 million or 11.13% from RM0.49 million in FYE 2020 to RM0.44 million in FYE 2021 due to a non-recurring replacement cost of approximately RM0.07 million for a component of the turret punching machine which was incurred in FYE 2020. Further to the above, our Company had also disposed the turret punching machine in FYE 2021, hence no further replacement costs on the component of the said machine was incurred in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2022 and FYE 2021**

The costs incurred by our Group for the upkeep of machineries increased by RM0.09 million or 19.82% from RM0.44 million in FYE 2021 to RM0.53 million in FYE 2022 mainly due to the higher production activities of our manufacturing segment in line with the higher demand for fabricated metal products from our Oil and Gas Customers as a result of global recovery of the average crude oil prices in 2021 as compared to 2020 as detailed in Section 12.2.2 (a) of this Prospectus.

(vi) Rental of machineries

Rental of machineries includes rental of turret punching machines.

Comparison between FYE 2020 and FYE 2019

The rental of machineries incurred by our Group decreased by RM0.10 million or 31.20% from RM0.34 million in FYE 2019 to RM0.24 million in FYE 2020. The decrease was mainly due to the cessation of rental for some of the machineries by our Group from February 2020 as the machineries owned by our Group were sufficient to cope with the orders from our Oil and Gas Customers in view of the decrease in demand for the fabricated metal products in FYE 2020.

Comparison between FYE 2021 and FYE 2020

The rental of machineries incurred by our Group decreased by RM0.21 million or 88.14% from RM0.24 million in FYE 2020 to RM0.03 million in FYE 2021. The decrease was mainly due to the cessation of the rental for some of the machineries by our Group from February 2020 as the machineries owned by our Group were sufficient to cope with the orders from our Oil and Gas Customers in view of the decrease in demand for the fabricated metal products in FYE 2021.

Notwithstanding the anticipated increase in demand from our Oil and Gas Customers, the intended purchase of new machineries as detailed in Sections 4.5(ii) and 7.11.2 of this Prospectus is expected to reduce the need for rental of machineries by our Group.

Comparison between FYE 2022 and FYE 2021

The rental of machineries incurred by our Group increased by RM0.02 million or 67.86% from RM0.03 million in FYE 2021 to RM0.05 million in FYE 2022. The increase was mainly due to the rental of an additional forklift by our Group in FYE 2022 in order to cope with the higher production activities of our Group's manufacturing segment in view of the increase in demand for the fabricated metal products from our Oil and Gas Customers in FYE 2022.

(vii) Rental of factory

Our Group did not recognise rental of factory in FYE 2020, FYE 2021 and FYE 2022 due to the following:

- MCI had ceased the rental of the factory located at Lot 3195 Jalan KPB 11, Kawasan Perindustrian Kampung Baru Balakong, 43000 Seri Kembangan, Selangor in April 2019;
- MCI had ceased the rental of the factory located at HS(D) 132878 PT 51414, Pekan Cheras, Daerah Ulu Langat, Selangor in April 2019; and

12. FINANCIAL INFORMATION (CONT'D)

- our Group had adopted MFRS 16 in FYE 2020, FYE 2021 and FYE 2022, whereby, our Group had recognised the rental obligations of Lot 24645, Jalan KP5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor under rights-of-use assets and lease liabilities.

(viii) Utilities and others

Utilities include water and electricity, whereas, others consist of, among others, security charges, insurance, foreign worker permit renewal fee, upkeep of factory, fuel and gas, carriage inwards and custom duties.

Comparison between FYE 2020 and FYE 2019

The costs in relation to utilities and others (as detailed above) incurred by our Group decreased by RM0.25 million or 22.48% from RM1.13 million in FYE 2019 to RM0.88 million in FYE 2020 mainly due to the decrease in the costs incurred for the fuel and gas and utilities by RM0.15 million and RM0.06 million respectively.

Comparison between FYE 2021 and FYE 2020

The costs in relation to utilities and others (as detailed above) incurred by our Group decreased by RM0.16 million or 17.47% from RM0.88 million in FYE 2020 to RM0.72 million in FYE 2021 mainly due to the decrease in the costs incurred for the utilities by RM0.08 million as a result of utilities rebates and limited operation hours due to implementation of MCO by the Government.

Comparison between FYE 2022 and FYE 2021

The costs in relation to utilities and others (as detailed above) incurred by our Group increased by RM0.35 million or 47.58% from RM0.72 million in FYE 2021 to RM1.07 million in FYE 2022 mainly due to the increase in the costs incurred for the utilities by RM0.06 million, fuel and gas by RM0.08 million and carriage inwards and custom duties incurred for our Group's purchases of raw materials and telemetry products by RM0.21 million.

12. FINANCIAL INFORMATION (CONT'D)**Analysis of GP and GP margin by business activities**

	FYE 2019			FYE 2020			FYE 2021			FYE 2022		
	GP		GP margin	GP		GP margin	GP		GP margin	GP		GP margin
	RM'000	%	%	RM'000	%	%	RM'000	%	%	RM'000	%	%
Distribution:												
- Flowmeters and its accessories including installation and other services ⁽¹⁾	3,483	32.07	36.01	3,090	40.21	37.58	5,389	45.59	38.23	4,476	32.79	30.85
- Level transducers	89	0.82	17.94	130	1.69	21.59	278	2.35	21.43	262	1.92	21.20
- Pressure transmitters	43	0.40	16.04	121	1.57	32.79	150	1.27	29.59	178	1.30	27.51
- Dataloggers	-	-	-	29	0.38	16.57	186	1.57	25.66	271	1.99	20.85
- Other accessories ⁽²⁾	329	3.03	35.00	377	4.91	34.06	316	2.67	22.75	299	2.19	21.92
	3,944	36.32	34.67	3,747	48.76	35.77	6,319	53.45	35.07	5,486	40.19	28.79
Manufacturing:												
- Oil and Gas related products	6,842	63.00	21.27	3,919	51.00	26.86	4,605	38.95	38.26	7,911	57.96	27.93
- Others ⁽³⁾	74	0.68	13.96	18	0.24	14.40	898	7.60	24.47	252	1.85	14.51
	6,916	63.68	21.15	3,937	51.24	26.76	5,503	46.55	35.04	8,163	59.81	27.15
Total	10,860	100.00	24.64	7,684	100.00	30.51	11,822	100.00	35.06	13,649	100.00	27.79

Notes:

- (1) Other services refer to instrumentation services such as consultation and advice, design and integration of telemetry solutions, installation and commissioning, calibration and testing, maintenance and training of fluid control products.
- (2) Other accessories consist of amongst others, accessories of the flowmeters such as sensorprom, replacement kits, remote cables set and panels, brackets.
- (3) Other consist of metal parts, mild steel and stainless-steel bracket as well as healthcare furniture and equipment such as furniture, cabinets, medical beds and metal parts.

12. FINANCIAL INFORMATION (CONT'D)

Comparison between FYE 2020 and FYE 2019

Our Group's GP decreased by RM3.18 million or 29.24% from RM10.86 million in FYE 2019 to RM7.68 million in FYE 2020 mainly due to the decrease in revenue as detailed in Section 12.2.2(a) of this Prospectus.

Notwithstanding the above, our Group's GP margin increased from 24.64% in FYE 2019 to 30.51% in FYE 2020. This was mainly contributed by the following:

- (i) absence of rental of factory in FYE 2020 as compared to the rental of factory amounting to RM0.55 million incurred in FYE 2019 as our Group had ceased the rental of 2 factories as well as adoption of MFRS 16 in FYE 2020;
- (ii) higher GP margin arising from the manufacturing segment due to the decrease in the cost of purchase of the various types of steels for manufacturing of the fabricated metal products in FYE 2020 as compared to FYE 2019. This is mainly due to Group's lower reliance on outsourced parties for certain fabricated metal parts such as processed steel materials which are more expensive as compared to our Group producing the processed steel materials in-house;
- (iii) staff costs incurred by our Group decreased by RM1.69 million or 74.59% from RM2.27 million in FYE 2019 to RM0.58 million in FYE 2020 mainly due to the re-allocation of certain staff from MCI to MSM in the 3rd quarter of FYE 2019 as a result of the Restructuring Exercise; and
- (iv) the weakening of RM against USD in FYE 2020 as compared to FYE 2019 whereby the sales of the fabricated metal products to the Oil and Gas Customer in US are in USD and the cost of sales incurred are in RM.

Comparison between FYE 2021 and FYE 2020

Our GP increased by RM4.14 million or 53.85% from RM7.68 million in FYE 2020 to RM11.82 million in FYE 2021 mainly due to the increase in revenue of RM8.53 million or 33.88% from RM25.19 million in FYE 2020 to RM33.72 million in FYE 2021 as detailed in Section 12.2.2(a) of this Prospectus.

The GP margin also increased from 30.51% in FYE 2020 to 35.06% in FYE 2021 mainly attributable to the improved GP margin for our manufacturing segment from 26.76% in FYE 2020 to 35.04% in FYE 2021 as a result of the following:

- (i) decrease in the subcontractor costs incurred and cost of purchase of the various types of steels for manufacturing of the fabricated metal products in FYE 2021 as compared to FYE 2020. This is mainly due to Group's lower reliance on outsourced parties for certain fabricated metal; and
- (ii) decrease in staff costs incurred by RM0.10 million or 16.49% from RM0.58 million in FYE 2020 to RM0.48 million in FYE 2021 mainly due to the decrease in the staff overtime costs incurred in FYE 2021 as compared to FYE 2020 resulting from better control and limitation on the workforce as well as the working hours incurred by our staff during the MCO period in FYE 2021.

Comparison between FYE 2022 and FYE 2021

Our GP increased by RM1.83 million or 15.45% from RM11.82 million in FYE 2021 to RM13.65 million in FYE 2022 mainly due to the increase in revenue of RM15.40 million or 45.66% from RM33.72 million in FYE 2021 to RM49.12 million in FYE 2022 as detailed in Section 12.2.2(a) of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

Notwithstanding the above, our Group's GP margin decreased from 35.06% in FYE 2021 to 27.79% in FYE 2022 mainly due to the following:

- (i) lower GP margin arising from the distribution segment in FYE 2022 as compared to FYE 2021 mainly contributed by the increase in the cost of purchase of the fluid control products in FYE 2022 as compared to FYE 2021 resulting from the price adjustments made by our suppliers on the fluid control products purchased by our Group in FYE 2022 ("**Price Adjustments**"). Further to the above, our Group was unable to pass on the increase in the cost of purchase of the fluid control products to some of our Water Customers which have entered into long-term contract with us prior to the Price Adjustments. Notwithstanding the above, our Group will incorporate the Price Adjustments for future long-term contracts to be entered into between our Group and our Water Customers after the expiration of the abovementioned long-term contracts.
- (ii) lower GP margin arising from the manufacturing segment in FYE 2022 as compared to FYE 2021 mainly contributed by the following:
- increase in the cost of purchase of the various types of steels for manufacturing of the fabricated metal products in FYE 2022 as compared to FYE 2021 due to increase in the prices of the materials purchased in view of the higher steel price in FYE 2022 as compared to FYE 2021;
 - increase in the subcontractor costs incurred due to higher level of manufacturing activities outsourced to the subcontractors as a result of the increase in orders for fabricated metal products, such as metal body frames for shale shakers whereby the production is currently sub-contracted to external sub-contractors, from our Oil and Gas Customers; and
 - staff costs incurred by our Group increased by RM0.71 million or 148.02% from RM0.48 million in FYE 2021 to RM1.19 million in FYE 2022 mainly due to the increase in the number of employees and overtime incurred by our employees as detailed in Section 12.2.2(b)(ii) of this Prospectus.

(c) Other income

The table below provides the breakdown of our other income:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of property, plant and equipment	873	35.62	-	-	6	2.03	-	-
Rental income	368	15.01	5	0.34	-	-	-	-
Incentive received	315	12.85	641	44.12	106	35.81	619	81.55
Fixed deposit interest	111	4.53	108	7.43	108	36.49	102	13.44
Insurance claim	-	-	536	36.89	10	3.38	-	-
Gain on foreign exchange	776	31.66	111	7.64	-	-	-	-
Gain on lease liabilities written off	-	-	-	-	-	-	12	1.58
Miscellaneous income	8	0.33	52	3.58	66	22.29	26	3.43
Total	2,451	100.00	1,453	100.00	296	100.00	759	100.00

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2020 and FYE 2019**

Our Group's other income decreased by RM1.00 million or 40.72% from RM2.45 million in FYE 2019 to RM1.45 million in FYE 2020. The decrease was mainly due to the following:

- (i) absence of any gain on disposal of property, plant and equipment in FYE 2020 as compared to the gain on disposal of property, plant and equipment recorded by our Group of RM0.87 million in FYE 2019 arising from the disposal of the freehold land and building located at No. 6, Jalan IMP 1/3, Pusat Teknologi Sinar Meranti, Taman Industri Meranti Perdana, 47120 Puchong, Selangor by Cosmos Instruments to a third party, namely Techkem Utilities Sdn Bhd, at a purchase consideration of RM4.00 million in FYE 2019 as part of the Restructuring Exercise;
- (ii) decrease in rental income by RM0.36 million as our Group did not generate rental income from the following sublease and rental of factories in FYE 2020:
 - a sublease of factory space at its rented property at Lot 3195 Jalan KPB 11, Balakong, Selangor to a third party, namely Boxup Solutions Sdn Bhd, which MCI had since novated the rights, title, interests and obligations under the tenancy agreement with Hew Fook, being the landlord of the said factory, to MSM Metal Industries Sdn Bhd following the cessation of the rental of the said factory by MCI in April 2019;
 - a sublease of factory space at its rented property at HS(D) 132878 PT 51414, Pekan Cheras, Daerah Ulu Langat, Selangor to FIC Kitchen Technology Sdn Bhd, which MCI had since novated the rights, title, interests and obligations under the tenancy agreement with Hew Fook, being the landlord of the said factory, to MSM Equipment Manufacturer Sdn Bhd following the cessation of the rental of the said factory by MCI in April 2019; and
 - rental of the factory located at Lot 1801, Jalan KPB 1, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan to MSM Kitchen Sdn Bhd whereby the tenancy agreement was terminated on 30 September 2018 of which in FYE 2019, our Company had disposed the leasehold land and building located at Lot 1801, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor by MCI to MSM Kitchen Sdn Bhd which was undertaken pursuant to the Restructuring Exercise.
- (iii) decrease in gain on foreign exchange of RM0.67 million or 85.70% from RM0.78 million in FYE 2019 to RM0.11 million in FYE 2020 in view of the weakening of RM against USD for the sales of the fabricated metal products to the Oil and Gas Customer in US.

The decrease in other income was mitigated by the following:

- (i) increase in the incentive received by Cosmos Instruments from Siemens of RM0.32 million from RM0.32 million in FYE 2019 to RM0.64 million in FYE 2020 which was derived from the achievement of sales targets by Cosmos Instruments; and
- (ii) insurance claim received by our Group pertaining to a resonator component for the laser cutting machine which was damaged during installation amounting to RM0.54 million in FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2021 and FYE 2020**

Our Group's other income decreased by RM1.15 million or 79.63% from RM1.45 million in FYE 2020 to RM0.30 million in FYE 2021. The decrease was mainly due to the following:

- (i) decrease in the incentive received by Cosmos Instruments from Siemens of RM0.53 million from RM0.64 million received in FYE 2020 to RM0.11 million received in FYE 2021 due to a revised incentive scheme set out by Siemens in FYE 2021; and
- (ii) decrease in the insurance claim of RM0.53 million from RM0.54 million in FYE 2020 to RM0.01 million in FYE 2021 as the occurrence resulting from the insurance claim in FYE 2020 was an isolated event and there was no major insurance claim made by our Group in FYE 2021.

Comparison between FYE 2022 and FYE 2021

Our Group's other income increased by RM0.46 million or 156.42% from RM0.30 million in FYE 2021 to RM0.76 million in FYE 2022. The increase was mainly due to the increase in the incentive received by Cosmos Instruments from Siemens of RM0.51 million from RM0.11 million received in FYE 2021 to RM0.62 million received in FYE 2022 as Cosmos Instruments achieved the sales target set by Siemens Malaysia.

(d) Administrative expenses

The table below provides the breakdown of our administrative expenses:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs ⁽¹⁾	1,912	61.38	1,737	38.74	1,504	45.18	1,774	32.87
Consultancy fee ⁽²⁾	76	2.44	191	4.26	98	2.94	85	1.58
Depreciation of property, plant and equipment	252	8.09	305	6.80	312	9.37	309	5.73
Listing expenses	-	-	809	18.04	-	-	1,669	30.93
Loss on disposal of property, plant and equipment	-	-	157	3.50	-	-	-	-
Loss on foreign exchange	-	-	-	-	165	4.96	24	0.44
Property, plant and equipment written off	-	-	-	-	17	0.51	1	0.02
Directors' remuneration	216	6.93	653	14.56	748	22.47	767	14.21
Professional fees	63	2.02	88	1.96	111	3.34	314	5.82
Bank charges	188	6.04	28	0.63	17	0.51	17	0.32
Rental of office/hostel	101	3.24	53	1.18	31	0.93	42	0.78
Auditor remuneration	57	1.83	115	2.57	65	1.95	77	1.43
Real property gain tax	55	1.77	-	-	-	-	-	-
Impairment loss on non-current assets held for sale	6	0.19	-	-	-	-	-	-
Upkeep of office, hostel, computer equipment	41	1.32	23	0.51	34	1.02	59	1.09
Stamp duty	33	1.06	78	1.74	6	0.18	(20)	(0.37)
Others ⁽³⁾	115	3.69	247	5.51	221	6.64	278	5.15
Total	3,115	100.00	4,484	100.00	3,329	100.00	5,396	100.00

Notes:

- (1) *Comprising salaries, bonuses, allowances, overtime costs, statutory contributions and staff welfare of the staff categorised under administration, sales and marketing as well as services department as detailed in Section 7.16 of this Prospectus.*

12. FINANCIAL INFORMATION (CONT'D)

- (2) *Comprising amongst others, the fees in relation to consultancy fees in relation to the listing exercise undertaken by Cosmos of our listing on the LEAP Market, audit in relation to international organisation for standardisation (ISO), customer credit check and web-hosting.*
- (3) *Other administrative expenses mainly consist of quit rent and assessment, telephone and fax charges and others.*

Comparison between FYE 2020 and FYE 2019

Our Group's administrative expenses increased by RM1.36 million or 43.95% from RM3.12 million in FYE 2019 to RM4.48 million in FYE 2020. The increase was mainly attributable to the following:

- (i) listing expenses incurred by our Group in FYE 2020 amounting to RM0.81 million comprising the professional fees, fees to the authorities and other miscellaneous fees and expenses in relation to the listing of our Company on the LEAP Market;
- (ii) increase in the directors' remuneration by RM0.43 million from RM0.22 million in FYE 2019 to RM0.65 million in FYE 2020 due to the payment of directors' remuneration to a director of our Company in FYE 2020 which was previously not incurred by Cosmos in FYE 2019 as well as the payment of directors' remuneration to an independent director of Cosmos arising from his appointment to our Board in August 2019 pursuant to the requirements under the LEAP Market Listing Requirements of Bursa Securities upon the listing of our Company on the LEAP Market; and
- (iii) loss on disposal of a laser cutting machine of RM0.28 million in FYE 2020 which was not incurred in FYE 2019. The loss on disposal of the laser cutting machine was partially offset by the gain on disposal of a motor vehicle of RM0.12 million in FYE 2020.

Further to the above, the increase in administrative expenses was offset by the decrease in rental of office/hostel by RM0.05 million or 47.52% from RM0.10 million in FYE 2019 to RM0.05 million in FYE 2020 as our Group had adopted MFRS 16 in FYE 2020, whereby, our Group had recognised the rental obligations of the office located at No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor under rights-of-use assets and lease liabilities.

Comparison between FYE 2021 and FYE 2020

Our Group's administrative expenses decreased by RM1.15 million or 25.76% from RM4.48 million in FYE 2020 to RM3.33 million in FYE 2021. The decrease was mainly attributable to the following:

- (i) absence of the listing expenses in relation to the listing of our Company on the LEAP Market in FYE 2021 of which RM0.81 million were incurred in FYE 2020;
- (ii) no loss on disposal of property, plant and equipment being recorded in FYE 2021 as compared to the loss on disposal of a laser cutting machine of RM0.28 million in FYE 2020 as explained above; and
- (iii) decrease in staff costs by RM0.24 million or 13.41% from RM1.74 million in FYE 2020 to RM1.50 million in FYE 2021 as there was a subsidy by the Social Security Organisation amounting to RM0.08 million and decrease in staff's welfares of RM0.10 million resulting from MCO.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2022 and FYE 2021**

Our Group's administrative expenses increased by RM2.07 million or 62.09% from RM3.33 million in FYE 2021 to RM5.40 million in FYE 2022. The increase was mainly attributable to the following:

- (i) listing expenses incurred by our Group in FYE 2022 amounting to RM1.67 million comprising professional fees, fees to authorities and other miscellaneous fees and expenses in relation to the Listing;
- (ii) increase in staff costs by RM0.27 million or 17.95% from RM1.50 million in FYE 2021 to RM1.77 million in FYE 2022 mainly due to the increase in number of staff and salary increment; and
- (iii) increase in professional fees by RM0.20 million or 182.88% from RM0.11 million in FYE 2021 to RM0.31 million in FYE 2022 mainly due to the professional fees incurred for the purchase of New Building, such as legal fees for the preparation of the relevant agreements and/or documents and valuation fee of RM0.12 million in FYE 2022.

(e) Selling and distribution expenses

The table below provides the breakdown of our selling and distribution expenses:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Accommodation	39	1.20	22	1.03	22	2.26	15	2.75
Advertisement	3	0.09	2	0.09	21	2.16	12	2.20
Carriage outwards	2,780	85.93	1,484	69.54	651	66.91	176	32.29
Commission	43	1.33	32	1.50	-	-	-	-
Donation and gifts	39	1.21	8	0.38	1	0.10	10	1.84
Entertainment	46	1.42	76	3.56	35	3.60	34	6.24
Exhibitions	7	0.22	14	0.66	4	0.41	-	-
Hire of machinery	4	0.12	-	-	-	-	-	-
Insurance	31	0.96	53	2.48	65	6.68	103	18.90
Petrol and diesel	91	2.81	89	4.17	75	7.71	86	15.78
Road tax	6	0.19	8	0.38	6	0.62	6	1.10
Toll and parking	29	0.90	28	1.31	20	2.05	24	4.40
Travelling expenses	63	1.95	59	2.76	39	4.01	23	4.22
Upkeep of motor vehicles	54	1.67	71	3.33	34	3.49	56	10.28
Bad debt written off	-	-	188	8.81	-	-	-	-
Total	3,235	100.00	2,134	100.00	973	100.00	545	100.00

Comparison between FYE 2020 and FYE 2019

Our Group's selling and distribution expenses decreased by RM1.11 million or 34.03% from RM3.24 million in FYE 2019 to RM2.13 million in FYE 2020. The decrease was mainly attributable to the decrease in the carriage outwards incurred by our Group of RM1.30 million from RM2.78 million in FYE 2019 to RM1.48 million in FYE 2020 in tandem with the decrease in our export of fabricated metal products to our Oil and Gas Customer in US in FYE 2020 as evident by the decrease of 57.43% in sales to the US market from RM20.77 million in FYE 2019 to RM8.84 million in FYE 2020 as detailed in Section 12.2.2(a) of this Prospectus.

However, the abovementioned decrease in the selling and distribution expenses was partially offset by the bad debt written off by our Group in FYE 2020 amounting to RM0.19 million mainly due to the outstanding rental owing by Boxup Solutions Sdn Bhd in respect of Lot 3195, Jalan KP B 11, Balakong, Selangor and HS(D) 132878 PT

12. FINANCIAL INFORMATION (CONT'D)

51414, Pekan Cheras, Daerah Ulu Langat, Selangor which, in our management's opinion, is not collectible in view that the said debtor has ceased their operations.

Comparison between FYE 2021 and FYE 2020

Our Group's selling and distribution expenses decreased by RM1.16 million or 54.40% from RM2.13 million in FYE 2020 to RM0.97 million in FYE 2021. The decrease was mainly due to the following:

- (i) decrease in the carriage outwards incurred by our Group of RM0.83 million from RM1.48 million in FYE 2020 to RM0.65 million in FYE 2021 in tandem with the decrease in our export of fabricated metal products to our Oil and Gas Customer in US in FYE 2020 as evident in the decrease of 52.03% in sales to the US market from RM8.84 million in FYE 2020 to RM4.24 million in FYE 2021 as detailed in Section 12.2.2(a) of this Prospectus; and
- (ii) no bad debt written off in FYE 2021 as compared to the bad debt written off by our Group amounting to RM0.19 million in FYE 2020 in respect of the outstanding rental owing by Boxup Solutions Sdn Bhd in respect of Lot 3195, Jalan KP B 11, Balakong, Selangor and HS(D) 132878 PT 51414, Pekan Cheras, Daerah Ulu Langat, Selangor as detailed above.

Comparison between FYE 2022 and FYE 2021

Our Group's selling and distribution expenses decreased by RM0.42 million or 43.99% from RM0.97 million in FYE 2021 to RM0.55 million in FYE 2022. The decrease was mainly due to the decrease in the carriage outwards incurred by our Group of RM0.47 million from RM0.65 million in FYE 2021 to RM0.18 million in FYE 2022 as most of the carriage outwards costs in relation to the export sales arising from the manufacturing segment in FYE 2022 were borne by our Oil and Gas Customers.

(f) Finance costs

The table below provides the breakdown of our finance costs:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bank overdraft interest	142	18.32	141	25.63	128	33.16	108	41.70
Bills payable interest	378	48.78	259	47.09	136	35.23	9	3.47
Term loan interest	174	22.45	-	-	5	1.30	10	3.86
Hire purchase interest	81	10.45	124	22.55	99	25.65	116	44.79
Lease liabilities interest	-	-	26	4.73	18	4.66	16	6.18
Total	775	100.00	550	100.00	386	100.00	259	100.00

Comparison between FYE 2020 and FYE 2019

Our Group's finance costs decreased by RM0.23 million or 29.03% from RM0.78 million in FYE 2019 to RM0.55 million in FYE 2020 mainly due to the following:

- (i) no interests on term loans incurred in FYE 2020 as compared to the interests on term loans amounting to RM0.17 million in FYE 2019 following the full settlement of the outstanding term loans with United Oversea Bank (Malaysia) Berhad and Hong Leong Bank Berhad upon disposal of the leasehold land and building located at Lot 1801, Kawasan Perindustrian Kampung Baru Balakong, 43300

12. FINANCIAL INFORMATION (CONT'D)

Seri Kembangan, Selangor by MCI to MSM Kitchen Sdn Bhd, and freehold land and building located at No. 6, Jalan IMP 1/3, Pusat Teknologi Sinar Meranti, Taman Industri Meranti Perdana, 47120 Puchong, Selangor by Cosmos Instruments to a third party, namely Techkem Utilities Sdn Bhd, in FYE 2019 as detailed in Section 12.2.2(c) of this Prospectus; and

- (ii) decrease in the interests on bills payable of RM0.12 million from RM0.38 million in FYE 2019 to RM0.26 million in FYE 2020 due to lower utilisation of bills payable facilities by our Group for the payment to our suppliers which was in line with the decrease of purchase of raw materials for the manufacturing of fabricated metal products.

The decrease in finance costs was partially offset by the following:

- (i) increase in interests on hire purchase of RM0.04 million from RM0.08 million in FYE 2019 to RM0.12 million in FYE 2020 arising from the drawdown of hire purchase loan to finance the acquisition of motor vehicles as well as the renovation of MCI's office in the 3rd quarter of the FYE 2019 and the drawdown of hire purchase loan for the acquisition of a motor vehicle in FYE 2020; and
- (ii) recognition of lease liabilities interest in respect of right-of-use assets amounting to RM0.03 million arising from our Group's adoption of the MFRS 16 in FYE 2020.

Comparison between FYE 2021 and FYE 2020

Our Group's finance costs decreased by RM0.16 million or 29.82% from RM0.55 million in FYE 2020 to RM0.39 million in FYE 2021 mainly due to the following:

- (i) decrease in the interests on bills payable of RM0.12 million from RM0.26 million in FYE 2020 to RM0.14 million in FYE 2021 due to lower utilisation bills payable facilities by our Group for payment to our suppliers which was in line with the decrease of purchase of raw materials for the manufacturing of fabricated metal products;
- (ii) decrease in the interests on hire purchase of RM0.02 million from RM0.12 million in FYE 2020 to RM0.10 million in FYE 2021 following our Group's utilisation of the 6-month bank loan moratorium in FYE 2021 as part of the COVID-19 relief measures implemented by the Government; and
- (iii) decrease in the interests on bank overdraft of RM0.01 million from RM0.14 million in FYE 2020 to RM0.13 million in FYE 2021 due to lower utilisation of bank overdraft facilities by our Group in FYE 2021.

Comparison between FYE 2022 and FYE 2021

Our Group's finance costs decreased by RM0.13 million or 32.90% from RM0.39 million in FYE 2021 to RM0.26 million in FYE 2022 despite the higher borrowings and lease liabilities outstanding as at 30 April 2022 as compared to 30 April 2021 mainly due to the decrease in the interests on bills payable of RM0.13 million from RM0.14 million in FYE 2021 to RM0.01 million in FYE 2022 due to lower utilisation of the bills payable facility by our Group throughout FYE 2022, whereby the outstanding bills payable of RM2.45 million as at 30 April 2022 were utilised in March 2022.

12. FINANCIAL INFORMATION (CONT'D)**(g) PBT, PAT and effective tax rate**

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
PBT (RM'000)	6,186	1,969	7,430	8,208
PBT margin (%)	14.03	7.82	22.03	16.71
Taxation (RM'000)	906	751	1,842	2,421
Effective tax rate (%)	14.65	38.14	24.79	29.50
Statutory tax rate (%)	24.00	24.00	24.00	24.00
PAT (RM'000)	5,280	1,218	5,588	5,787
PAT margin (%)	11.98	4.84	16.57	11.78

Comparison between FYE 2020 and FYE 2019

Our Group's PBT decreased by RM4.22 million or 68.17% from RM6.19 million in FYE 2019 to RM1.97 million in FYE 2020. The decrease was mainly due to the decrease in our GP for the FYE 2020 as detailed in Section 12.2.2(b) of this Prospectus.

Our Group's PBT margin decreased from 14.03% for the FYE 2019 to 7.82% for the FYE 2020 mainly attributable to the following:

- (i) increase in the administrative expenses as a result of the listing expenses in relation to the listing of our Company on the LEAP Market amounting to RM0.81 million, increase in the Directors' remuneration of RM0.43 million and the loss on disposal of a laser cutting machine of RM0.28 in FYE 2020 as detailed in Section 12.2.2(d) of this Prospectus; and
- (ii) decrease in the other income as there was no gain on disposal of property, plant and equipment in FYE 2020 as compared to the gain on disposal of property, plant and equipment of RM0.87 million in FYE 2019 and decrease in rental income of RM0.36 million as detailed in Section 12.2.2(c) of this Prospectus.

For the FYE 2019, our Group's effective tax rate was 14.65% which was lower than the statutory tax rate of 24.00%. This was mainly due to the gain on disposal of property which is not subject to tax, tax incentive of reinvestment allowance, income tax relief of disposal of factory and overprovision of income tax in prior years.

For the FYE 2020, our Group's effective tax rate was 38.14% which was higher than the statutory tax rate of 24.00% and the effective tax rate of 14.65% in FYE 2019. This was mainly attributable to the listing expenses in relation to the listing of our Company on the LEAP Market amounting to RM0.81 million incurred by our Group in FYE 2020 which were not tax-deductible and under-provision of income tax in prior year amounting to RM0.04 million.

As a result of the foregoing, the PAT of our Group decreased by RM4.06 million or 76.93% from RM5.28 million in FYE 2019 to RM1.22 million in FYE 2020.

Comparison between FYE 2021 and FYE 2020

Our Group's PBT increased by RM5.46 million or 277.35% from RM1.97 million in FYE 2020 to RM7.43 million in FYE 2021. The increase was mainly due to the increase in our GP from both our distribution and manufacturing segments for the FYE 2021 as explained in Section 12.2.2(b) of this Prospectus.

Our Group's PBT margin increased from 7.82% for the FYE 2020 to 22.03% for the FYE 2021. This was mainly attributable to the following:

12. FINANCIAL INFORMATION (CONT'D)

- (i) decrease in administrative expenses of RM1.15 million mainly due to the absence of listing expenses in relation to the listing of our Company on the LEAP Market in FYE 2021 of which RM0.81 million were incurred in FYE 2020, no loss on disposal of property, plant and equipment being recorded in FYE 2021 as compared to the loss on disposal of a laser cutting machine of RM0.28 million in FYE 2020 and decrease in staff costs of RM0.24 million in FYE 2021 as detailed in Section 12.2.2(d) of this Prospectus; and
- (ii) decrease in selling and distribution expenses of RM1.16 million mainly due to the decrease in carriage outwards incurred by our Group of RM0.83 million and the absence of bad debt written off in FYE 2021 as compared to the bad debt written off by our Group of RM0.19 million in FYE 2020 as detailed in Section 12.2.2(e) of this Prospectus.

For the FYE 2021, our Group's effective tax rate was 24.79% which was marginally higher than the statutory tax rate of 24.00%. This was mainly attributable to the expenses incurred by our Company being the holding company in FYE 2021 which are not tax-deductible and under-provision of income tax in prior year amounting to RM0.02 million.

As a result of the foregoing, the PAT of our Group increased by RM4.37 million or 358.78% from RM1.22 million in FYE 2020 to RM5.59 million in FYE 2021.

Comparison between FYE 2022 and FYE 2021

Our Group's PBT increased by RM0.78 million or 10.47% from RM7.43 million in FYE 2021 to RM8.21 million in FYE 2022. The increase was mainly due to the increase in our GP from our manufacturing segment for the FYE 2022 as explained in Section 12.2.2(b) of this Prospectus.

Our Group's PBT margin decreased from 22.03% for the FYE 2021 to 16.71% for the FYE 2022. This was mainly attributable to the decrease in GP margin from 35.06% in FYE 2021 to 27.79% in FYE 2022 as detailed in Section 12.2.2(b) of this Prospectus, increase in administrative expenses of RM2.07 million mainly due to the listing expenses incurred by our Group in FYE 2022 in relation to the Listing amounting to RM1.67 million, increase in staff costs and professional fees of RM0.27 million and RM0.20 million, respectively, as detailed in Section 12.2.2(d) of this Prospectus.

For the FYE 2022, our Group's effective tax rate was 29.50% which was higher than the statutory tax rate of 24.00%. This was mainly attributable to the listing expenses in relation to the Listing incurred by our Group amounting to RM1.67 million in FYE 2022 which were not tax-deductible.

As a result of the increase in our Group's PBT as detailed above, the PAT of our Group increased by RM0.20 million or 3.56% from RM5.59 million in FYE 2021 to RM5.79 million in FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

Our business has been financed by a combination of internal and external sources of funds. Internal sources of funds comprise shareholders' equity and cash generated from our business operations, while our external sources of funds mainly consist of banking facilities from financial institutions. These funds have mainly been used to finance our business operations and growth.

Based on the audited financial statements of our Group for the FYE 30 April 2022, we had cash and cash equivalents (net of bank overdraft and fixed deposits pledged to licensed banks) of RM9.69 million as well as total borrowings and lease liabilities of RM8.10 million, which had taken into account of bank overdrafts, term loans, bills payables and lease liabilities. As at 30 April 2022, our gearing ratio was 0.31 times and current ratio was 2.45 times.

As at the LPD, we have credit facilities available amounting to RM6.50 million, of which RM1.26 million has yet to be utilised.

Our Directors are of the opinion that we will have adequate working capital to meet our present and foreseeable requirements for a period of at least 12 months from the date of this Prospectus after taking into consideration the following factors:

- our cash and cash equivalents;
- profits and cash flows that we expect to generate from our business operations; and
- borrowings that we can raise from the unutilised portion of our existing banking facilities and new banking facilities that may be granted to us as well as the proceeds that we expect to raise from our Public Issue.

12.3.2 Cash flows

The following table summarises our audited combined and consolidated financial statements of cash flows for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022.

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Net cash generated from/(used in) operating activities	2,910	2,542	(456)	3,387
Net cash generated from/(used in) investing activities	15,857	223	549	(298)
Net cash (used in)/generated from financing activities	(18,357)	4,141	(547)	(972)
Net increase/(decrease) in cash and cash equivalents	410	6,906	(454)	2,117
Cash and cash equivalents at the beginning of the financial year	711	1,121	8,027	7,573
Cash and cash equivalents at the end of the financial year*	1,121	8,027	7,573	9,690

12. FINANCIAL INFORMATION (CONT'D)**Note:**

* Cash and cash equivalents as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 comprised the following:

	<i>As at 30 April</i>			
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<i>Fixed deposits with licensed banks</i>	2,821	2,921	4,984	5,042
<i>Cash and bank balances</i>	1,430	7,697	5,988	8,351
	4,251	10,618	10,972	13,393
<i>Less:</i>				
<i>Bank overdraft</i>	(1,945)	(1,365)	(2,147)	(2,426)
<i>Fixed deposits pledged to licensed banks</i>	(1,185)	(1,226)	(1,252)	(1,277)
	(3,130)	(2,591)	(3,399)	(3,703)
<i>Cash and cash equivalents</i>	<i>1,121</i>	<i>8,027</i>	<i>7,573</i>	<i>9,690</i>

Most of our cash and cash equivalents are held in RM and USD. There are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to the availability of distributable reserves, any applicable financial covenants and the Act.

FYE 2019**(a) Net cash generated from operating activities**

In FYE 2019, our Group recorded net cash generated from operating activities of RM2.91 million. We have collected RM46.18 million from our customers which was partially offset by cash payments of RM43.27 million. Such cash payments were mainly for:

- payment to suppliers of RM37.19 million;
- staff costs and directors' remuneration of RM4.40 million;
- income tax paid of RM1.16 million; and
- bank overdraft and bills payable interest paid of RM0.52 million.

(b) Net cash generated from investing activities

For the FYE 2019, our Group's net cash generated from investing activities was RM15.86 million after taking into account the following:

- proceeds from the disposal of lands and buildings as follows:
 - RM11.60 million proceeds from the disposal of the leasehold land and building located at Lot 1801, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor by MCI to MSM Kitchen Sdn Bhd at net book value. This disposal forms part of the Restructuring Exercise; and
 - RM4.00 million proceeds from the disposal of the freehold land and building located at No. 6, Jalan IMP 1/3, Pusat Teknologi Sinar Meranti, Taman Industri Meranti Perdana, 47120 Puchong, Selangor by Cosmos Instruments to a third party, namely Techkem Utilities Sdn Bhd, during the year as part of the Restructuring Exercise.

12. FINANCIAL INFORMATION (CONT'D)

- proceeds from rental income from MSM Equipment Manufacturer Sdn Bhd, MSM Kitchen Sdn Bhd, Boxup Solutions Sdn Bhd and FIC Kitchen Sdn Bhd amounting to RM0.37 million and fixed deposit interest received amounting to RM0.11 million.

(c) Net cash used in financing activities

For the FYE 2019, our Group's net cash used in financing activities was RM18.36 million after taking into consideration the following:

- repayment of term loan amounting to RM9.31 million and the payment of interest expense amounting to RM0.17 million in respect of the term loan;
- repayment of finance lease liabilities amounting to RM0.80 million and the payment of interest expenses of RM0.08 million in respect of the finance lease liabilities;
- payment of dividends to MSM and Dato' Chong as part of the Restructuring Exercise amounting to RM8.33 million; and
- decrease in fixed deposit pledged by RM0.33 million.

FYE 2020**(a) Net cash generated from operating activities**

In FYE 2020, our Group recorded net cash generated from operating activities amounting to RM2.54 million. We have collected RM35.28 million from our customers which was partially offset by cash payments of RM32.74 million. Such cash payments were mainly for:

- payment to suppliers of RM28.16 million;
- staff costs and directors' remuneration of RM3.18 million;
- income tax paid of RM1.00 million; and
- bank overdraft and bills payable interest paid of RM0.40 million.

(b) Net cash generated from investing activities

For the FYE 2020, our Group's net cash generated from investing activities was RM0.22 million after taking into account the following:

- proceeds from the disposal of a plant and machinery and motor vehicles of approximate RM0.67 million arising from the following:
 - proceeds from the disposal of a laser cutting machine amounting to RM0.50 million due to poor performance of the laser cutting machine after replacement of the resonator which was damaged during the installation of the machine; and
 - proceeds from the disposal of the 2 units of motor vehicles amounting to RM0.17 million;

12. FINANCIAL INFORMATION (CONT'D)

- purchase of plant and machinery, motor vehicles, computer and office equipment and tools and implement amounting to approximately RM1.15 million, of which RM0.59 million were financed with hire purchase arrangements.

The purchases of the plant and machinery, motor vehicles, computer and office equipment and tools and implement were as follows:

- purchase of a resonator for laser cutting machine after receiving the insurance claim amounting to RM0.45 million;
 - purchase of 3 units of motor vehicles to replace the motor vehicles disposed for business operations purposes amounting to RM0.67 million; and
 - purchase of computer and office equipment as well as tools and implement for the use of business operations and production purposes amounting to RM0.03 million.
- proceeds from fixed deposit interest received amounting to RM0.11 million.

(c) Net cash generated from financing activities

For the FYE 2020, our Group's net cash generated from financing activities was RM4.14 million after taking into consideration the following:

- proceeds from the issuance of shares arising from the listing of our Company on the LEAP Market and Restructuring Exercise amounting to RM5.30 million;
- repayment of lease liabilities amounting to RM0.97 million and the payment of lease liabilities interest of RM0.15 million; and
- increase in fixed deposit pledged by RM0.04 million.

FYE 2021

(a) Net cash used in operating activities

In FYE 2021, our Group recorded net cash used in operating activities amounting to RM0.46 million. We have collected RM29.13 million from our customers which was offset by cash payments of RM29.59 million. Such payments were mainly for:

- payment to suppliers of RM25.32 million;
- staff costs and directors' remuneration of RM2.73 million;
- income tax paid of RM1.28 million; and
- bank overdraft and bills payable interest paid of RM0.26 million.

(b) Net cash generated from investing activities

For the FYE 2021, our Group's net cash generated from investing activities was RM0.55 million after taking into account the following:

- proceeds from the disposal of plant and machinery, furniture and fittings, computer and office equipment as follows:

12. FINANCIAL INFORMATION (CONT'D)

- RM0.70 million proceeds from the disposal of a turret punching machine due to poor condition and performance; and
- RM6,992 proceeds from the disposal of the furniture and fittings, computer and office equipment due to closure of the office located in Kuching, Sarawak;
- purchase of plant and machinery, computer and office equipment and tools and implement amounting to approximately RM1.16 million, of which RM0.90 million were financed with hire purchase arrangements.

The purchases of the plant and machinery, computer and office equipment and tools and implement are as follows:

- purchase of a turret punching machine for production usage amounting to RM0.90 million;
- purchase of tools and implements for replacement and production usage amounting to RM0.22 million; and
- purchase of furniture and fittings, computer and office equipment for operation use amounting to RM0.04 million.
- proceeds from fixed deposit interest received amounting to RM0.11 million.

(c) Net cash used in financing activities

For the FYE 2021, our Group's net cash used in financing activities was RM0.55 million after taking into consideration the following:

- drawdown of term loan amounting to RM0.30 million;
- repayment of term loan amounting to RM0.06 million;
- repayment of lease liabilities amounting to RM0.64 million and the payment of lease liabilities interest of RM0.12 million; and
- increase in fixed deposit pledged by RM0.03 million.

FYE 2022

(a) Net cash generated from operating activities

In FYE 2022, our Group recorded net cash generated from operating activities amounting to RM3.39 million. We have collected RM43.82 million from our customers which was partially offset by cash payments of RM40.43 million. Such cash payments were mainly for:

- payment to suppliers of RM34.41 million;
- staff costs and directors' remuneration of RM3.73 million;
- income tax paid of RM2.17 million; and
- bank overdraft and bills payable interest paid of RM0.12 million.

12. FINANCIAL INFORMATION (CONT'D)

(b) Net cash used in investing activities

For the FYE 2022, our Group's net cash used in investing activities was RM0.30 million after taking into account the following:

- purchase of plant and machinery, motor vehicles, computer equipment, and tools and implements amounting to approximately RM1.25 million, of which RM0.85 million were financed with hire purchase arrangements.

The purchases of plant and machinery, computer and office equipment and tools and implement are as follows:

- purchase of a unit of weld heat treatment machine and a unit of transformer for production usage amounting to RM1.03 million;
 - purchase of tools and implements for replacement and production usage amounting to RM0.13 million;
 - purchase of motor vehicles for operation use amounting to RM0.08 million;
 - purchase of computer equipment for operation use amounting to RM0.01 million; and
- proceeds from fixed deposit interest received amounting to RM0.10 million.

(c) Net cash used in financing activities

For the FYE 2022, our Group's net cash used in financing activities was RM0.97 million after taking into consideration the following:

- drawdown of term loan amounting to RM0.06 million;
- repayment of term loan amounting to RM0.02 million;
- repayment of lease liabilities amounting to RM0.85 million and the payment of lease liabilities interest of RM0.13 million; and
- increase in fixed deposit pledged by RM0.02 million.

12. FINANCIAL INFORMATION (CONT'D)**12.3.3 Borrowings and lease liabilities**

The table below sets out the details of our Group's bank borrowings and lease liabilities as at 30 April 2022:

Type of borrowings	Note	Remaining tenure	Average effective interest rate	Credit limit	As at 30 April 2022			
					Years	Payable within 12 months	Payable after 12 months	Total amount outstanding
						RM'000	RM'000	RM'000
Bank overdraft (secured)	(1)	N/A	5.62 – 8.95	2,940	2,426	-	2,426	
Term loan (secured)	(2)	7	3.50	300	40	246	286	
Bills payable (secured)	(3)	N/A	3.51 – 4.37	3,900	2,450	-	2,450	
Lease liabilities (partially secured)	(4)	6	2.32 – 4.50	N/A	639	2,057	2,696	
Lease liabilities (MFRS 16)	(5)	N/A	N/A	N/A	209	36	245	
Total					5,764	2,339	8,103	
Gearing ratio (times)	(6)						0.31	

Notes:

N/A Not applicable

- (1) Bank overdraft was mainly used for our Group's working capital purposes and secured by corporate guarantee by MSM, our Company as well as joint and several guarantee by Directors of MCI.
- (2) Term loan was mainly for the working capital and secured by joint and several guarantee by the directors of MCI and our Company.
- (3) Bills payable such as letter of credit, trust receipt, banker acceptance, banker guarantee and shipping guarantee which are mainly used for our Group's working capital purposes and secured by corporate guarantee by Cosmos.
- (4) This refers to the lease liabilities mainly for the hire purchase of plant, machinery and equipment as well as motor vehicles which are secured.
- (5) This refers to the lease liabilities in respect of right-of-use assets pursuant to MFRS 16 for the rental obligations of our factory located at Lot 24645, Jalan KP5, Kawasan Perindustrian Kampung Baru, Balakong, 43300 Seri Kembangan, Selangor and No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor which are unsecured.
- (6) Calculated based on our total borrowings and lease liabilities divided by our shareholders' equity as at 30 April 2022.

All our borrowings are interest-bearing and denominated in RM.

12. FINANCIAL INFORMATION (CONT'D)

As at 30 April 2022, our Group's floating and fixed rate borrowings and lease liabilities are set out below:

	RM'000
Floating rate borrowings ⁽¹⁾	4,876
Fixed rate borrowings and lease liabilities ⁽²⁾	3,227
Total borrowings and lease liabilities	8,103

Notes:

(1) Include bank overdraft and bills payable.

(2) Include term loan and lease liabilities.

Our Group has not defaulted on any payment of either principal sums and/or interest in relation to the borrowings and lease liabilities throughout the FYE Under Review and up to the LPD.

The maturity profile of our borrowings and lease liabilities as at 30 April 2022 is set out below:

	Bank overdraft	Term loans	Lease liabilities (Hire purchase)	Lease liabilities (MFRS 16)	Bills payable	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Within 1 year	2,426	40	639	209	2,450	5,764
More than 1 year but not more than 2 years	-	41	665	36	-	742
More than 2 years but not more than 5 years	-	133	1,359	-	-	1,492
More than 5 years	-	72	33	-	-	105
Total	2,426	286	2,696	245	2,450	8,103

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect our financial position and results of business operations or investments by holders of securities in our Company.

As at the LPD, our Group did not use any other financial instruments.

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12. FINANCIAL INFORMATION (CONT'D)**12.4 CAPITALISATION AND INDEBTEDNESS**

The table below sets out our Group's capitalisation and indebtedness as at 31 July 2022 and is based on the assumption that our IPO, Listing and the use of proceeds from our Public Issue to repay RM1.50 million of our outstanding borrowings as set out in Section 12.3.3 of this Prospectus had occurred on 31 July 2022.

The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 July 2022 and is provided for illustrative purposes only.

	As at 31 July 2022	After our IPO, Listing and use of proceeds
	RM'000	RM'000
Borrowings		
<u>Current</u>		
Secured and guaranteed		
Bank overdrafts	1,706	206
Term loan	40	40
Lease liabilities	659	659
Bills payable	2,917	2,917
Unsecured and unguaranteed		
Lease liabilities	193	193
<u>Non-Current</u>		
Secured and guaranteed		
Term loan	236	236
Lease liabilities	1,985	1,985
Unsecured and unguaranteed		
Lease liabilities	-	-
Total indebtedness	7,736	6,236
Total equity/capitalisation	28,181	50,625
Gearing ratio⁽¹⁾ (times)	0.27	0.12

Note:

(1) Computed based on total indebtedness over our shareholders' equity.

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Financial instruments, from an accounting perspective, may include trade receivables, other receivables and deposits, fixed deposits with licensed banks, cash and bank balances, trade payables, other payables and borrowings as shown on our combined statements of financial position and our consolidated statements of financial position. The aforesaid financial instruments are used in our Group's ordinary course of business.

Our Group has foreign exchange contracts. As at the LPD, we have not utilised the foreign exchange contracts. However, we monitor foreign exchange fluctuations on an on-going basis to ensure that our net foreign currency exposure is at an acceptable level.

Our treasury policies and objectives are to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from our business operations and finance liabilities, if any, by maintaining adequate liquidity and credit facilities.

12. FINANCIAL INFORMATION (CONT'D)

We manage our liquidity to ensure access to sufficient funding at acceptable costs to meet our business operations needs and financial obligations. In the past we have relied on the cash generated from our operations, credit extended by our vendors, bank overdraft facilities, bills payable and the proceeds raised from the listing of our Company on the LEAP Market.

Our funding objective is to obtain the most suitable type of financing at a favourable cost of funding as and when our financing needs arise.

12.6 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITY**12.6.1 Material capital commitments**

Save as disclosed below, as at the date of the LPD, our Group does not have any material capital commitments:

	RM'000
Authorised and contracted for:	
New Building	10,030 ⁽¹⁾
Plant and machinery	1,395 ⁽²⁾

Notes:

- (1) *Being the acquisition of the New Building for a purchase price of RM11.80 million. As at the LPD, a total of RM1.77 million, being 15% of the purchase consideration which comprised of the 10% deposit under the sale and purchase agreement and the differential sum between the purchase consideration and term loan facility for the acquisition of the New Building (as detailed below in this section) of RM0.59 million, has been paid to the Vendor. As such, the remaining purchase sum payable of RM10.03 million has been recorded as a material commitment as at the LPD.*
- (2) *For the purchase of 2 units of press brake machines and 2 units of turret punching machines for our manufacturing segment which will be financed by our Group's internally-generated funds, bank borrowings and/or the unutilised proceeds from the listing of the Company on the LEAP Market.*

12.6.2 Material litigation

As at the date of this Prospectus, our Group is not engaged in any governmental proceedings and/ or any material litigation, claim and/ or arbitration, whether as plaintiff or defendant, which might materially and adversely affect the financial position or profitability of our Group. Our Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or profitability in the 12 months immediately preceding the date of this Prospectus.

12.6.3 Contingent liability

As at the LPD, we do not have any material contingent liability, which may have a substantial impact on the financial position of our Group.

12. FINANCIAL INFORMATION (CONT'D)

12.7 KEY FINANCIAL RATIOS

The following table sets out certain key financial ratios of our Group based on the combined financial statements and consolidated financial statements of our Group for the FYE Under Review:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
Average trade receivables turnover period (days) ⁽¹⁾	135	149	81	93
Average trade payables turnover period (days) ⁽²⁾	128	180	123	88
Average inventory turnover period (days) ⁽³⁾	71	196	178	109
Current ratio (times) ⁽⁴⁾	1.35	1.72	2.28	2.45
Gearing ratio (times) ⁽⁵⁾	0.88	0.25	0.25	0.31

Notes:

- (1) Based on the average trade receivables of the respective financial years over total revenue of the respective financial years, and multiplied by 365 days.
- (2) Based on the average trade payables of the respective financial years over total purchases of the respective financial years, and multiplied by 365 days.
- (3) Based on the average inventory of the respective financial years over total cost of sales of the respective financial years, and multiplied by 365 days.
- (4) Based on current assets over current liabilities.
- (5) Based on our total borrowings and lease liabilities divided by our shareholders' equity as at the end of the respective financial years.

12.7.1 Trade receivables turnover

Our average trade receivables turnover period for the FYE Under Review is as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables	17,394	15,296	5,208	9,801
Closing trade receivables	15,296	5,208	9,801	15,104
Revenue	44,078	25,189	33,723	49,120
Average trade receivables turnover period (days)	135	149	81	93

Generally, our normal trade terms granted to customers ranges from 30 to 90 days. The credit term for each customer may vary depending on various factors including the length of business relationship, their payment track record, creditworthiness and credit limit.

Our average trade receivables turnover period as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 were recorded at 135 days, 149 days, 81 days and 93 days, respectively.

Our average trade receivables turnover as at 30 April 2019 of 135 days exceeded our normal trade terms mainly due to the longer settlement period taken by our Oil and Gas Customers, namely, NOV (Malaysia) Sdn Bhd and National Oilwell Varco, Inc, of approximately 150 days.

Our average trade receivables turnover as at 30 April 2020 of 149 days exceeded our normal credit terms mainly due to the implementation of MCO by the Government which resulted in slower collection towards the end of the FYE 2020 and the high opening trade receivables as well as the decrease in the revenue for the FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)

Our average trade receivables turnover as at 30 April 2022 of 93 days exceeded our normal credit terms marginally due to high closing trade receivables as at 30 April 2022 mainly contributed by the sales recognised in the last quarter of the FYE 2022 (i.e. February 2022 to April 2022) which were not due as at 30 April 2022.

The aging analysis of our trade receivables as at 30 April 2022 is as follows:

	Within normal credit period	Exceeding credit period				Total
		1-60 days	61-120 days	121-150 days	> 150 days	
Trade receivables (RM'000)	4,278	6,290	3,722	581	233	15,104
Percentage of total trade receivables (%)	28.32	41.65	24.64	3.85	1.54	100.00
Subsequent collections up to the LPD (RM'000)	2,787	5,913	3,531	581	58	12,870
Trade receivables net of subsequent collections (RM'000)	1,491	377	191	-	175	2,234
Percentage of total trade receivables (net of subsequent collections) (%)	66.74	16.88	8.55	-	7.83	100.00

As at 30 April 2022, approximately RM10.83 million or 71.68% of our trade receivables exceeded the normal credit period mainly due to temporary delays in payment from certain customers, of which 93.14% was subsequently collected by our Group.

As at the LPD, a total of RM12.87 million was collected, which represent 85.21% from the amount outstanding as at 30 April 2022. For the trade receivables exceeding the credit period, we will actively follow up for the collection and are of the view that such amount outstanding are recoverable after taking into consideration the customers' payment history and relationship with our Group.

12.7.2 Trade payables turnover

Our average trade payables turnover period for the FYE Under Review is as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Opening trade payables	11,208	8,707	6,813	5,179
Closing trade payables	8,707	6,813	5,179	8,723
Purchases	28,451	15,735	17,830	28,813
Average trade payables turnover period (days)	128	180	123	88

Generally, the normal trade payables turnover period granted by our suppliers ranges from 30 and 90 days, depending on the suppliers used for the financial year.

Our Group's average trade payables turnover period as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 were 128 days, 180 days, 123 days and 88 days, respectively.

The increase in our Group's average trade payable turnover period from 128 days in FYE 2019 to 180 days in FYE 2020 was mainly due to purchases made by our Group in the last financial quarter of FYE 2020.

The decrease in average trade payable turnover period from 180 days in FYE 2020 to 123 days for FYE 2021 was mainly due to faster payment made by our Group to our suppliers in line with our improved collection from our customers as explained in Section 12.7.1 of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

The decrease in average trade payable turnover period from 123 days in FYE 2021 to 88 days for FYE 2022 was mainly due to faster payment made by our Group to our suppliers. Notwithstanding that the average receivables turnover period increased from 81 days to 93 days over the same period, our Group is not expected to have difficulty in managing its cashflows considering that the gap between the average trade payable turnover period of 88 days and average receivables turnover period of 93 days in FYE 2022 is not significant and that the trade receivables of our Group are fully recoverable as detailed in Section 12.7.1 above.

The aging analysis of our trade payables as at 30 April 2022 is as follows:

	Within normal credit period	Exceeding credit period				Total
		1-60 days	61-120 days	121-150 days	> 150 days	
Trade payables (RM'000)	3,252	3,751	1,082	296	342	8,723
Percentage of total trade payables (%)	37.28	43.00	12.40	3.39	3.92	100.00
Subsequent payments up to the LPD (RM'000)	1,747	3,392	1,082	296	342	6,859
Trade payables net of subsequent payments (RM'000)	1,505	359	-	-	-	1,864
Percentage of total trade payables (net of subsequent payments) (%)	80.74	19.26	-	-	-	100.00

As at the LPD, a total of RM6.86 million has been paid by our Group, which represent 78.63% from the amount outstanding as at 30 April 2022.

12.7.3 Inventory turnover

Our inventories comprise raw materials, work-in-progress and finished goods. Our average inventory turnover period for the FYE under Review is as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Opening inventories	5,057	7,887	10,918	10,394
Closing inventories	7,887	10,918	10,394	10,718
Cost of sales	33,218	17,505	21,901	35,471
Average inventory turnover period (days)	71	196	178	109

Our inventories mainly comprise the following:

- (i) flowmeters, dataloggers and other related products; and
- (ii) raw materials and work in progress of fabricated metal products.

Our average inventory turnover period as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 were 71 days, 196 days, 178 days and 109 days, respectively.

There was an increase in the inventory turnover period from 71 days for the FYE 2019 to 196 days for the FYE 2020 as our Group maintained a high level inventories with various models of water flowmeters and fabricated metal products to ensure our Group is able to fulfil the orders upon receipt from our Water Customers and Oil and Gas Customers.

There was a decrease in the inventory turnover period from 196 days for the FYE 2020 to 178 days for the FYE 2021. However, the inventory turnover period is still high as our Group had

12. FINANCIAL INFORMATION (CONT'D)

maintained the inventories for the orders scheduled based on the purchase orders received from our Water Customers as well as our Oil and Gas Customers to be fulfilled in FYE 2022.

There was a decrease in the inventory turnover period from 178 days for the FYE 2021 to 109 days for the FYE 2022 mainly due to the faster utilisation of the inventories as a result of the higher demand of fabricated metal products from our Oil and Gas Customers in FYE 2022 as compared to FYE 2021 as detailed in Section 12.2.2(a) of this Prospectus.

12.7.4 Current ratio

Our current ratio for the FYE Under Review is as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Current assets	33,307	30,044	33,547	41,376
Current liabilities	24,666	17,477	14,703	16,904
Current ratio (times)	1.35	1.72	2.28	2.45

Our Group's current ratio improved from 1.35 times for the FYE 2019 to 1.72 times for the FYE 2020. This was mainly due to the increase in cash and bank balances arising from the receipt of funds resulting from the issuance of new Cosmos Shares pursuant to the listing of our Company on the LEAP Market and decrease in borrowings resulting from the repayment of bills payables amounting to RM5.96 million.

Our Group's current ratio improved from 1.72 times for the FYE 2020 to 2.28 times for the FYE 2021. This was mainly due to the faster collection of trade receivables as well as the decrease in trade and other payables due to the faster payment made by our Group to our suppliers.

Our Group's current ratio improved from 2.28 times for the FYE 2021 to 2.45 times for the FYE 2022. This was mainly due to the increase in fixed deposits with licensed bank, cash and bank balances as well as increase in trade receivables which is in line with the increase in revenue generated from both our distribution and manufacturing segments in FYE 2022 as compared to FYE 2021 as detailed in Section 12.2.2(a) of this Prospectus.

12.7.5 Gearing ratio

Our gearing ratio for the FYE Under Review is as follows:

	As at 30 April 2019	As at 30 April 2020	As at 30 April 2021	As at 30 April 2022
	RM'000	RM'000	RM'000	RM'000
Short term				
Bills payable	5,975	20	-	2,450
Bank overdrafts	1,945	1,365	2,147	2,426
Finance lease liabilities	755	-	-	-
Term loan	-	-	41	40
Lease liabilities	-	806	927	848
Total short-term bank borrowings and lease liabilities	8,675	2,191	3,115	5,764
Long term				
Finance lease liabilities	1,484	-	-	-
Term loan	-	-	199	246
Lease liabilities	-	1,674	1,814	2,093
Total long-term bank borrowings and lease liabilities	1,484	1,674	2,013	2,339
Total bank borrowings and lease liabilities	10,159	3,865	5,128	8,103

12. FINANCIAL INFORMATION (CONT'D)

	As at 30 April 2019	As at 30 April 2020	As at 30 April 2021	As at 30 April 2022
	RM'000	RM'000	RM'000	RM'000
Shareholders' funds/net assets				
Share capital	1,400	13,963	13,963	13,963
Retained earnings	10,087	1,213	6,801	12,588
Total shareholders' funds/net assets	11,487	15,176	20,764	26,551
Gearing ratio (times)	0.88	0.25	0.25	0.31

Our gearing ratio ranges from 0.25 times to 0.88 times throughout the FYE Under Review.

Our gearing ratio has improved from 0.88 times as at 30 April 2019 to 0.25 times as at 30 April 2020 mainly due to the increase in shareholders' funds as a result of the issuance of new Shares arising from the listing of our Company on the LEAP Market and decrease in borrowings resulting from the repayment of bills payable amounting to RM5.96 million in the FYE 2020.

Our gearing ratio as at 30 April 2021 of 0.25 times is consistent with the gearing ratio as at 30 April 2020.

Our gearing ratio has increased from 0.25 times as at 30 April 2021 to 0.31 times as at 30 April 2022 mainly due to the increase in the borrowings from the drawdown of hire purchase amounting to RM0.85 million and bills payable amounting to RM2.45 million mainly for the payment to our suppliers which was in line with the increase in purchase of raw materials for our manufacturing segment in FYE 2022.

12.8 SIGNIFICANT FACTORS MATERIALLY AFFECTING OUR OPERATIONS AND FINANCIAL PERFORMANCE

The significant factors affecting our business are as follows:

(a) Foreign currency fluctuation

We are exposed to foreign currency fluctuations as some of our transactions and balances are denominated in foreign currencies. Our proportions of sales transactions denominated in USD and RM are as follows:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales denominated in:								
(i) USD - Export	20,765	47.11	8,839	35.09	4,240	12.57	7,677	15.63
(ii) SGD	2	0.01	-	-	-	-	-	-
(iii) RM	23,311	52.88	16,350	64.91	29,483	87.43	41,443	84.37
Total	44,078	100.00	25,189	100.00	33,723	100.00	49,120	100.00

Our export sales are denominated in USD. Any significant change in foreign currency exchange rate may affect our Group's financial results. Our Group has foreign exchange contracts. As at the LPD, we have not utilised the foreign exchange contracts. However, we monitor foreign exchange fluctuations on an on-going basis to ensure that our net foreign currency exposure is at an acceptable level.

(b) Changes in political, economic and regulatory conditions

Risks relating to political, economic and regulatory conditions which may materially affect our operations are set out in Section 9.2.3 of this Prospectus.

Although we will continue to comply with the legal and regulatory frameworks in Malaysia and the country in which our Oil and Gas Customers operate, there is no assurance that future introduction of new law or other economic, political and regulatory

12. FINANCIAL INFORMATION (CONT'D)

conditions will not have adverse effect on our business, operation achievement and financial performance.

(c) Sudden disruptions caused by outbreak of pandemics such as COVID-19 virus

Risks relating to sudden disruptions which may materially affect our operations are set out in Section 9.1.1 of this Prospectus.

Any future pandemic outbreaks such as the COVID-19 virus, as well as epidemic outbreaks affecting a significantly large but more localised population, may result in similar interruptions to our Group's business and operations, hence, a material adverse impact on our financial performance.

12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance from FYE 2019 to FYE 2022 except for the MCO imposed as detailed in Section 7.8.2 of this Prospectus.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 9 of this Prospectus.

12.10 IMPACT OF INFLATION

Our Group is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation during the FYE Under Review. However, any significant increase in future inflation may adversely affect our Group's operations and financial performance if we are unable to pass on the increase in costs to our customers by increasing our selling prices.

12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES

12.11.1 Impact of foreign exchange rates

We are exposed to foreign currency exchange risks for our manufacturing segment, as the export sales for our fabricated products are mainly quoted in USD. Additionally, some of our purchases of inventories are denominated in EUR.

As a result of the above, our Group is subject to the risk arising from fluctuation in exchange rate between USD and RM for the revenue generated from our export sales and we are exposed to foreign currency exchange gains or losses arising from the timing of billing/invoices and actual payment received from our customers. Our Group has foreign exchange contracts. As at the LPD, we have not utilised the foreign exchange contracts.

Any significant change in foreign exchange rates may affect our Group's financial results.

Notwithstanding the above, we monitor foreign exchange fluctuations on an on-going basis to ensure that our net foreign currency exposure is at an acceptable level.

12. FINANCIAL INFORMATION (CONT'D)

Our foreign currency total sales and purchases for the FYE Under Review are as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Sales denominated in:				
- USD	20,765	8,839	4,240	7,677
- SGD	2	-	-	-
Purchases denominated in:				
- EUR	18	190	546	842
- USD	-	-	53	248
- Chinese Yuan	-	-	-	77

Details of the risk of the foreign exchange fluctuation risks to our business and operations is set out in Section 9.1.11 of this Prospectus.

12.11.2 Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. The interest coverage ratios for the FYE Under Review are as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
EBIT (RM'000)	6,850	2,411	7,708	8,365
Finance costs (RM'000)	775	550	386	259
Interest coverage ratio (times) ⁽¹⁾	8.84	4.38	19.97	32.30

Note:

(1) Computed based on EBIT over finance costs for the FYE Under Review.

Our interest coverage ratio of between 4.38 times and 32.30 times for the FYE Under Review indicates that our Group has been able to generate sufficient EBIT to meet our interest serving obligations.

Our Group's financial results for the FYE Under Review were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings (i.e., finance costs), which may have an adverse effect on the financial performance of our Group.

12.11.3 Impact of commodity prices

Our Group's raw materials mainly consist of steel materials used in the manufacturing of our fabricated metal products. The price of our raw materials fluctuates in accordance with the global steel prices in the market.

Global steel prices are, among others, subject to the demand and supply conditions of steel in the global market and are also subject to the prices of raw materials to produce steel, such as coal, iron ore and steel scraps as well as prevailing energy costs associated with its production. Any changes in the above conditions may cause a material increase in the price of steel, which consequently may lead to an increase in our cost of production. If we are unable to pass on such increase in cost to our customers by raising the selling price of our products, it may adversely affect our cost of operations which in turn could adversely affect our operating results and financial condition.

12. FINANCIAL INFORMATION (CONT'D)

In addition to the above, our major customers, namely National Oilwell Varco, Inc, is principally involved in the provision of equipment and components used in oil and gas drilling and production operations, oilfield services, and supply chain integration services to the upstream oil and gas industry, while NOV (Malaysia) Sdn Bhd and NOV Process & Flow Technologies Malaysia Sdn Bhd is principally involved in the manufacturing of machinery for the oil and gas industry. As such the demand of the fabricated metal products by our abovementioned major customers is influenced by the fluctuation of crude oil price as well as the expectation of future price changes and may significantly affect the performance of our business operation and financial performance in the future. In FYE 2020 and FYE 2021, our sales from the oil and gas related products decreased by 54.65% and 17.50% from FYE 2019 and 2020, respectively, mainly due to lower demand for fabricated metal products from our Oil and Gas Customers as a result of global downtrend in average crude oil price in 2019 and 2020 as detailed in Section 12.2.2(a) of this Prospectus. However, in FYE 2022, our revenue from the manufacturing segment increased by 91.39% mainly as a result of increase in demand from our Oil and Gas Customers due to the global recovery of the average crude oil price in 2021 as detailed in Section 12.2.2(a) of this Prospectus.

Save for the above, we were not directly affected by fluctuations in other commodity prices for the FYE Under Review.

12.12 ORDER BOOK

We do not maintain an order book due to the nature of our business. We generate our revenue as and when we deliver our products based on purchase orders received. Notwithstanding that we do not enter into long term agreements with our customers, our major customers typically place orders that could span up to 6 months.

12.13 CAPITAL EXPENDITURES AND DIVESTITURES**(a) Capital expenditures**

Our capital expenditures for the FYE Under Review up to the LPD are set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022	From 1 May 2022 up to the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Plant and machinery	1,453	450	900	1,026	560
Motor vehicles	36	667	-	77	108
Furniture and fittings	13	-	1	-	-
Computer equipment	68	21	17	15	13
Office equipment	10	2	26	-	-
Renovation and signage	585	-	-	-	-
Tools and implements	41	5	222	132	152
Total	2,206	1,145	1,166	1,250	833

12. FINANCIAL INFORMATION (CONT'D)

Our material capital expenditures were primarily funded via a combination of bank borrowings and internally-generated funds.

- (i) For FYE 2019, our capital expenditure of RM2.21 million mainly comprise purchase of the following:
- 1 unit of bandsaw machine; 2 units of robot welding machines; 1 unit of turret punching machine; 1 unit of laser cutting machine and 1 unit of tube cutting machine;
 - Renovation and signage pertaining to Lot 24645 office and the setup of Kuching office in Sarawak; and
 - 10 units of computers for the new addition for enhancing the business operations and the change of Accounting and Payroll Systems for Cosmos Instruments.
- (ii) For FYE 2020, our capital expenditure of RM1.15 million mainly comprise of the following:
- 1 unit of laser cutting machine after receiving the insurance claimed amounting to RM0.45 million; and
 - 3 units of motor vehicles to replace the motor vehicles disposed for business operations purposes.
- (iii) For FYE 2021, our capital expenditure of RM1.17 million mainly comprise of the following:
- 1 unit of turret punching machine; and
 - 1 unit of amplifier; 1 unit of servomotor; 2 units of gooseneck punch; 2 units of special radius ruler; 2 units of sheet metal die; and 1 unit of metal inert gas/metal active gas welding machine for replacement and production usage.
- (iv) For FYE 2022, our capital expenditure of RM1.25 million mainly comprise of the following:
- 1 unit of weld heat treatment machine and 1 unit of transformer;
 - 2 units of motor vehicles for business operation purpose; and
 - 3 units of side and upper protectors, 1 unit of small manual welding machine, 8 units of punch whippers, 1 unit of clamping piston, 1 unit of punch holder, 1 unit of Teco induction motor, 1 unit of Bosch power module, 1 unit of blade, 1 unit of hemming die, and 2 units of welding positioners.
- (v) For 1 May 2022 up to the LPD, our capital expenditure of RM0.83 million mainly comprise of the following:
- 1 unit of pipe laser machine;
 - 1 unit of motor vehicle for business operation purpose; and
 - 2 units of welding machine wire feeder and 4 units of welding positioners.

12. FINANCIAL INFORMATION (CONT'D)

The above capital expenditures are for our operations and primarily financed by a combination of bank borrowings, hire purchase and internally generated funds.

(b) Capital divestitures

Our capital divestitures for the FYE Under Review up to the LPD are set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022	From 1 May 2022 up to the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold land and building	13,384	-	-	-	-
Plant and machinery	-	1,830	1,500	14	-
Motor vehicles	-	396	-	-	-
Furniture and fittings	-	-	12	-	-
Computer equipment	-	-	4	33	-
Office equipment	4	-	6	11	-
Renovation and signage	-	-	16	-	-
Total	13,388	2,226	1,538	58	-

- (i) For FYE 2019, our capital divestitures of RM13.39 million was mainly attributable to the disposal of the leasehold land and building located at Lot 1801, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor by MCI to MSM Kitchen Sdn Bhd which was undertaken pursuant to the Restructuring Exercise.
- (ii) For FYE 2020, our capital divestitures of RM2.23 million was mainly from the disposal of the following:
- 1 unit of laser cutting machine; and
 - 2 units of motor vehicles.
- (iii) For FYE 2021, our capital divestitures of RM1.54 million was mainly from the disposal of 1 unit turret punching machine.
- (iv) For FYE 2022, our capital divestitures of RM0.06 million was mainly from the disposal of 3 units of computers, old printers and old handphones.
- (v) For 1 May 2022 up to the LPD, there is no capital divestiture by our Group.

12.14 TREND INFORMATION

As at the LPD, our Board confirms that our operations have not been and are not expected to be affected by any of the following, save as disclosed in Section 7 (Business Overview), Section 8 (IMR Report), and Section 9 (Risk Factors) of this Prospectus:

- (i) known factors, trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations;
- (ii) material commitment for capital expenditure, as set out in Section 12.6.1 of this Prospectus;

12. FINANCIAL INFORMATION (CONT'D)

- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position; and
- (vi) known trends, demands, commitments, events or uncertainties that have or that we reasonably expect to have a material favourable or unfavourable impact on our Group's liquidity and capital resources.

Our Board is optimistic about the future prospects of our Group after taking into account the outlook of the fluid control industry in Malaysia as set out in Section 8 of this Prospectus, our competitive strengths and advantages as set out in Section 7.7 of this Prospectus and our business strategies and future plans as set out in Section 7.11 of this Prospectus.

12.15 DIVIDEND POLICY

Our Group presently does not have a fixed dividend policy. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration, amongst others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:

- (i) The availability of adequate reserves and cash flows;
- (ii) Our operating cash flow requirements and financial commitments;
- (iii) Our 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 consent from our banking institutions, if any; and
- (vi) Compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies.

The dividends paid by our Group for the FYE Under Review are as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Dividends paid	8,325 ⁽¹⁾	-(2)	-	-

Notes:

- (1) The dividend payout rate during the FYE 2019 was 157.68%. The dividend of RM8.33 million declared in October 2018 – December 2018 for the FYE 2019 was made after taking into consideration our Group's audited PAT for the FYE 2019 of RM5.28 million and the proceeds from the disposal of lands and buildings amounting to RM15.60 million undertaken as part of the Restructuring Exercise.

12. FINANCIAL INFORMATION (CONT'D)

- (2) *The dividend declared on 23 August 2019 by MCI of RM6.88 million in the FYE 2020 was applied towards full settlement of the amount due from our Company for the acquisition of Cosmos Instruments.*

No dividend was declared and paid in FYE 2021 and FYE 2022.

The level of dividends should also not be treated as an indication of our Group's future dividend policy. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value.

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13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION



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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Board of Directors
Cosmos Technology International Berhad
No. 11, Jalan Mega 2/1
Kawasan Perindustrian Mega 2
43500 Semenyih
Selangor Darul Ehsan
Malaysia

Dear Sirs

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD ("COSMOS" OR THE "COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 30 APRIL 2022**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of the Company and its subsidiaries, namely, Cosmos Instruments Sdn Bhd and Marc Conleth Industries Sdn Bhd (collectively referred to as the "Group") as at 30 April 2022 prepared by the Board of Directors of the Company. The pro forma consolidated statements of financial position of the Group as at 30 April 2022 together with the accompanying notes thereon as set out in Appendix A, for which we have stamped for the purpose of identification. The pro forma consolidated statements of financial position of the Group and related notes have been compiled for inclusion in the prospectus of Cosmos, in connection with its listing of and quotation for the entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Proposed Listing").

The applicable criteria on the basis of which the Board of Directors of the Company have compiled the pro forma consolidated statements of financial position of the Group are set out in Note 2 of Appendix A, and are in accordance with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The pro forma consolidated statements of financial position of the Group has been compiled by the Board of Directors of the Company to illustrate the effects of the events or transactions as set out in Note 2.3 of Appendix A of this letter on the Group's financial position as at 30 April 2022.

As part of this process, information about the Group's financial position has been extracted by the Board of Directors of the Company from the audited consolidated financial statements of the Group for the financial year ended 30 April 2022.

The Board Of Directors' Responsibilities

The Board of Directors of the Company is responsible for compiling the pro forma consolidated statements of financial position of the Group on the basis as described in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

**Reporting Accountants' Independence And Quality Control**

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (Including International Independence Standards)* ("IESBA Code"), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our firm applies International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements issued by The International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines about whether the pro forma consolidated statements of financial position of the Group have been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in Note 2 of Appendix A of the pro forma consolidated statements of financial position of the Group and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the pro forma consolidated statements of financial position of the Group on the basis as described in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position of the Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position of the Group.

The purpose of the inclusion of the pro forma consolidated statements of financial position of the Group in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)



Reporting Accountants' Responsibilities (continued)

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position of the Group has been compiled, in all material respects, on the basis as set out in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the pro forma consolidated statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position of the Group reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated statements of financial position of the Group have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position of the Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated statements of financial position of the Group have been compiled, in all material respects, on the basis as set out in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

This letter has been prepared solely for the purpose of inclusion in the prospectus of Cosmos In connection with the Proposed Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither our firm nor any member or employee of our firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

Handwritten signature of Nexia SSY PLT.

Nexia SSY PLT
201906000679 (LLP0019490-LCA) & AF 002009
Chartered Accountants

Shah Alam
21 August 2022

Handwritten signature of Michelle Yong Voon Sze.

Michelle Yong Voon Sze
No. 02864/07/2024 J
Chartered Accountant

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2022

1. ABBREVIATION

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:-

Bursa Securities	: Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)]
Company or Cosmos	: Cosmos Technology International Berhad [Registration No. 201901017221 (1326549-P)]
Cosmos Instruments	: Cosmos Instruments Sdn Bhd [Registration No. 200401022411 (660916-X)]
FYE	: Financial year ended
Group or Cosmos Group	: Collectively, Cosmos and its subsidiaries
IPO	: Initial public offering comprising the Public Issue
IPO Price	: The indicative issue price of RM0.35 per Issue Share
Issue Share(s)	: 64,125,300 new Cosmos Shares to be issued at the IPO Price pursuant to the Public Issue
LPD	: 16 August 2022, being the latest practicable date prior to the registration of the Prospectus with Bursa Securities
MCI	: Marc Conleth Industries Sdn Bhd [Registration No. 201001027440 (911359-A)]
NA	: Net assets
New Building	: A piece of leasehold land known as PT 59919, Pekan Cheras, Daerah Ulu Langat, Negeri Selangor held under H.S.(D) 174625, measuring approximately 36,860 square feet in area together with a factory cum office and warehouse erected thereon and bearing postal address of PT 59919, H.S.(D) 174625, Jalan KPB 6, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan
Proposed Listing	: Admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Cosmos on the ACE Market of Bursa Securities
Promoters	: Collectively, Dato' Chong Toh Wee and MSM International Limited (200918800R)
Prospectus	: The Prospectus to be issued by the Company in respect of the IPO

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

1. ABBREVIATION (CONTINUED)

Public Issue	:	The public issue of 64,125,300 Issue Shares at the IPO Price
RM and sen	:	Ringgit Malaysia and sen
SC	:	Securities Commission Malaysia
Share(s) or Cosmos Share(s)	:	Ordinary shares in the Company
Subsidiaries	:	Collectively, Cosmos Instruments and MCI

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13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

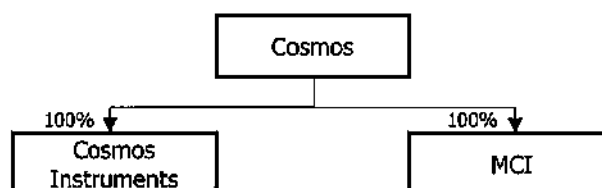
APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

2. PRO FORMA GROUP AND BASIS OF PREPARATION

2.1 Introduction

The corporate structure of the Group is as follows:



2.2 Basis of Preparation

The pro forma consolidated statements of financial position of the Group have been prepared for illustration purposes using the audited consolidated financial statements of the Group as at 30 April 2022 which was prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and are not subject to any qualification, modification or disclaimer.

The pro forma consolidated statements of financial position of the Group have also been compiled in a manner consistent with both the format of the audited consolidated financial statements of the Group and accounting policies of the Group for the FYE 30 April 2022.

2.3 Listing Scheme

The Public Issue will be undertaken in conjunction with and as an integral part of the Proposed Listing, as disclosed in Section 4.1.1 in the Prospectus.

2.3.1 Public Issue

Public issue of 64,125,300 Issue Shares, representing approximately 25.00% of the enlarged total number of Shares at the IPO Price payable in full upon application, subject to the terms and conditions of the Prospectus, to be allocated in the following manner:

- (a) 12,825,000 new Shares available for application by the Malaysian Public;
- (b) 7,880,000 new Shares available for application by our eligible Directors, employees and persons who have contributed to the success of the Group;
- (c) 11,357,600 new Shares by way of private placement to selected investors; and
- (d) 32,062,700 new Shares by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry of Malaysia.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

2. PRO FORMA GROUP AND BASIS OF PREPARATION (CONTINUED)

2.3 Listing Scheme (continued)

2.3.2 Proposed Listing

The Company shall be admitted to the official list and the entire enlarged total number of 256,501,300 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

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13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2022

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 30 APRIL 2022

	Note	As at 30 April 2022 ^ RM	Acquisition of New Building RM	Pro Forma I After the acquisition of New Building RM	Public Issue RM	Pro Forma II After Pro Forma I and the Public Issue RM	The utilisation of proceeds from the Public Issue RM	Pro Forma III After Pro Forma I, II and the utilisation of proceeds from the Public Issue RM
ASSETS								
Non-current assets								
Property, plant and equipment	4.4.1	4,215,250	11,800,000	16,015,250		16,015,250	3,500,000	19,515,250
Right-of-use assets		239,336		239,336		239,336		239,336
		<u>4,454,586</u>		<u>16,254,586</u>		<u>16,254,586</u>		<u>19,754,586</u>
Current assets								
Inventories		10,718,183		10,718,183		10,718,183		10,718,183
Trade and other receivables		15,342,512		15,342,512		15,342,512		15,342,512
Other current assets	4.4.2	1,921,623	(1,180,000)	741,623		741,623		741,623
Fixed deposits with licensed banks, cash and bank balances	4.4.3	13,393,190	(590,000)	12,803,190	22,443,855	35,247,045	(16,331,000)	18,916,045
		<u>41,375,508</u>		<u>39,605,508</u>		<u>62,049,363</u>		<u>45,718,363</u>
TOTAL ASSETS		<u>45,830,094</u>		<u>55,860,094</u>		<u>78,303,949</u>		<u>65,472,949</u>
EQUITY AND LIABILITIES								
Equity attributable to equity holders of the Company								
Share capital	4.4.4	13,962,515		13,962,515	22,443,855	36,406,370		36,406,370
Retained earnings	4.4.5	12,588,710		12,588,710		12,588,710	(1,331,000)	11,257,710
TOTAL EQUITY		<u>26,551,225</u>		<u>26,551,225</u>		<u>48,995,080</u>		<u>47,664,080</u>

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2022

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 30 APRIL 2022 (CONTINUED)

	Note	As at 30 April 2022 ^ RM	Acquisition of New Building RM	Pro Forma I After the acquisition of New Building RM	Public Issue RM	Pro Forma II After Pro Forma I and the Public Issue RM	The utilisation of proceeds from the Public Issue RM	Pro Forma III After Pro Forma I, II and the utilisation of proceeds from the Public Issue RM
Non-current liabilities								
Borrowings		246,010		246,010		246,010		246,010
Lease liabilities		2,093,544		2,093,544		2,093,544		2,093,544
Deferred tax liabilities		35,861		35,861		35,861		35,861
		<u>2,375,415</u>		<u>2,375,415</u>		<u>2,375,415</u>		<u>2,375,415</u>
Current liabilities								
Trade and other payables		10,060,759		10,060,759		10,060,759		10,060,759
Borrowings	4.4.6	4,916,359	10,030,000	14,946,359		14,946,359	(11,500,000)	3,446,359
Lease liabilities		847,955		847,955		847,955		847,955
Provision of taxation		1,078,381		1,078,381		1,078,381		1,078,381
		<u>16,903,454</u>		<u>26,933,454</u>		<u>26,933,454</u>		<u>15,433,454</u>
TOTAL LIABILITIES		<u>19,278,869</u>		<u>29,308,869</u>		<u>29,308,869</u>		<u>17,808,869</u>
TOTAL EQUITY AND LIABILITIES		<u>45,830,094</u>		<u>55,860,094</u>		<u>78,303,949</u>		<u>65,472,949</u>
No. of ordinary shares in issue		192,376,000		192,376,000		256,501,300		256,501,300
NA (RM)		26,551,225		26,551,225		48,995,080		47,664,080
NA per share (RM)		0.14		0.14		0.19		0.19

^ As extracted from the Group's audited statement of financial position as at 30 April 2022.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022****4. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP
AS AT 30 APRIL 2022**

The pro forma consolidated statements of financial position of the Group as at 30 April 2022 have been prepared solely for illustrative purposes only to show the effects of the following transactions based on the assumptions that they had been effected on 30 April 2022:

4.1 Pro Forma I

Pro Forma I takes into consideration the acquisition of New Building to be funded by internally-generated funds and bank borrowings. Cosmos Instruments has on 14 January 2022 entered into a Sale and Purchase Agreement ("SPA") for the acquisition of New Building. The purchase consideration of the New Building is RM11.80 million (excluding stamp duty, legal fees and other miscellaneous charges) and Cosmos Instruments has paid RM1.18 million being the 10% deposit under the SPA. The balance of consideration at 90% amounting to RM10.62 million is to be funded by bank borrowings and cash. On 7 March 2022, Cosmos Instruments has accepted the loan offer from a local bank, and the completion of SPA is pending the conversion of building from light industry to medium industry and the full settlement of consideration.

4.2 Pro Forma II

Pro Forma II takes into consideration the Pro Forma I and the public issue of 64,125,300 Issue Shares at the IPO Price.

In conjunction with the IPO, Cosmos Group shall seek the listing of and quotation for its entire enlarged issued share capital, comprising 256,501,300 Cosmos Shares, on the ACE Market of Bursa Securities.

4.3 Pro Forma III

Pro Forma III takes into consideration the Pro Forma I, Pro Forma II and the utilisation of proceeds from the Public Issue. The gross proceeds from the Public Issue of RM22,443,855 are expected to be utilised as follows:

Utilisation of proceeds	Estimated timeframe for the use of proceeds upon Listing	RM	% of total gross proceeds from the Public Issue
Acquisition of New Building	Within 24 months	10,000,000	44.56%
Purchase of new machineries	Within 24 months	3,500,000	15.59%
Repayment of bank borrowing	Within 6 months	1,500,000	6.68%
Working capital	Within 12 months	4,443,855	19.80%
Estimated listing expenses	Within 1 month	3,000,000	13.37%
Total estimated proceeds		22,443,855	100.00%

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

4. PRO FORMA STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 30 APRIL 2022 (CONTINUED)

4.4 Notes to the Pro Forma Consolidated Statements of Financial Position

4.4.1 Effects on property, plant and equipment

	RM
As audited as at 30 April 2022	4,215,250
<u>Pro Forma I</u>	
- Acquisition of New Building	<u>11,800,000</u>
After effects of Pro Forma I	16,015,250
 <u>Pro Forma III</u>	
Utilisation of proceeds from the Public Issue	
- Purchase of new machineries	<u>3,500,000</u>
After effects of Pro Forma III	<u>19,515,250</u>

4.4.2 Effects on other current assets

	RM
As audited as at 30 April 2022	1,921,623
<u>Pro Forma I</u>	
- Acquisition of New Building	<u>(1,180,000)</u>
After effects of Pro Forma I	<u>741,623</u>

4.4.3 Effects on fixed deposits with licensed banks, cash and bank balances

	RM	RM
As audited as at 30 April 2022		13,393,190
<u>Pro Forma I</u>		
- Acquisition of New Building		<u>(590,000)</u>
After effects of Pro Forma I		12,803,190
 <u>Pro Forma II</u>		
- Public Issue		<u>22,443,855</u>
After effects of Pro Forma II		35,247,045
 <u>Pro Forma III</u>		
Utilisation of proceeds from the Public Issue		
- Acquisition of New Building	10,000,000	
- Purchase of new machineries	3,500,000	
- Repayment of bank borrowing	1,500,000	
- Estimated listing expenses	<u>1,331,000</u>	<u>(16,331,000)</u>
After effects of Pro Forma III		<u>18,916,045</u>

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

4. PRO FORMA STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 30 APRIL 2022 (CONTINUED)

4.4 Notes to the Pro Forma Statements of Financial Position (continued)

4.4.4 Effects of share capital

	Number of Shares	RM
As audited as at 30 April 2022	192,376,000	13,962,515
<u>Pro Forma II</u>		
- Public Issue	64,125,300	22,443,855
After effects of Pro Forma II	<u>256,501,300</u>	<u>36,406,370</u>

4.4.5 Effects of retained earnings

	RM
As audited as at 30 April 2022	12,588,710
<u>Pro Forma III</u>	
Utilisation of proceeds from the Public Issue	
- Estimated listing expenses charged to profit or loss	(1,331,000)
After effects of Pro Forma III	<u>11,257,710</u>

The listing expenses of approximately RM1,669,000 has been included in the financial year ended 30 April 2022.

4.4.6 Effects of borrowings

	RM	RM
As audited as at 30 April 2022		4,916,359
<u>Pro Forma I</u>		
- Acquisition of New Building		10,030,000
After effects of Pro Forma I		<u>14,946,359</u>
<u>Pro Forma III</u>		
Utilisation of proceeds from the Public Issue		
- Acquisition of New Building	(10,000,000)	
- Repayment of bank borrowing	(1,500,000)	(11,500,000)
After effects of Pro Forma III		<u>3,446,359</u>

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13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

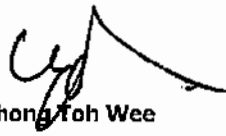
APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

APPROVAL BY THE BOARD OF DIRECTORS OF THE COMPANY

Approved and adopted by the Board of Directors of the Company in accordance with a resolution dated 21 August 2022.

On behalf of the Board of Directors of the Company,



Dato' Chong Toh Wee
Director



Ng Boon Keong
Director



Cosmos Technology International Berhad

Registration No: 201901017221 (1326549-P)
(Incorporated in Malaysia)

Accountants' Report
for the financial years ended
30 April 2022, 30 April 2021,
30 April 2020 and 30 April 2019

14. ACCOUNTANTS' REPORT (CONT'D)



Nexia SSY PLT
(LLP0019490-LCA & AF 002009)
Chartered Accountants
UOA Business Park
Tower 3, 5th Floor, K03-05-08
1 Jalan Pengaturcara U1/51A
Section U1, 40150 Shah Alam
Selangor Darul Ehsan, Malaysia
T: +60 (3) 5039 1811
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www.nexiassy.com

The Board of Directors
Cosmos Technology International Berhad
No. 11, Jalan Mega 2/1
Kawasan Perindustrian Mega 2
43500 Semenyih
Selangor Darul Ehsan
Malaysia

Dear Sirs,

Reporting Accountants' Opinion on the Combined Financial Statements contained in the Accountants' Report of Cosmos Technology International Berhad

Opinion

We have audited the accompanying combined financial statements of Cosmos Technology International Berhad ("Cosmos" or the "Company") and its subsidiaries (collectively referred to as the "Group"), comprising:

- i. The combined statements of financial position as at 30 April 2019 and 30 April 2020, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years then ended;
- ii. The consolidated statements of financial position as at 30 April 2021 and 30 April 2022, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years then ended; and
- iii. Notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 9 to 83.

The historical financial information has been prepared for inclusion in the prospectus of Cosmos in connection with the listing of and quotation for the entire enlarged issued share capital of Cosmos on the ACE Market of Bursa Malaysia Securities Berhad (the "Prospectus"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Guidelines") and is given for the purpose of complying with the Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 and of their financial performance and their cash flows for each of the financial years ended 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 *Reporting Accountants' Responsibilities for the Audit of the Combined 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.

14. ACCOUNTANTS' REPORT (CONT'D)**Independence and Other Ethical Responsibilities**

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

Responsibilities of the Directors for the Combined Financial Statements

The Directors of the Company are responsible for the preparation of the combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. 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 that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 combined financial statements of the Group, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

14. ACCOUNTANTS' REPORT (CONT'D)



Reporting Accountants' Responsibility for the Audit of the Combined Financial Statements (continued)

- 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined financial statements of the Group 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the combined financial statements of the entities or business activities within the Group to express an opinion on the combined 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.

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.

Restriction on Distribution and Use

This report is made solely for inclusion in the Prospectus to be issued in relation to the listing of and quotation for the entire enlarged issued share capital of Cosmos on the ACE Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Nexia SSY PLT

Nexia SSY PLT
201906000679 (LLP0019490-LCA) & AF 002009
Chartered Accountants

Shah Alam
21 August 2022

A handwritten signature in black ink, appearing to read "Michelle Yong Voon Sze", written over a horizontal line.

Michelle Yong Voon Sze
No. 02864/07/2024 J
Chartered Accountant

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Combined Statements of Financial Position
as at 30 April 2022, 30 April 2021, 30 April 2020 and 30 April 2019**

	Note	2022 RM	2021 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	4,215,250	3,765,831	3,967,478	4,434,651
Right-of-use assets	7	239,336	231,212	429,394	-
		<u>4,454,586</u>	<u>3,997,043</u>	<u>4,396,872</u>	<u>4,434,651</u>
Current assets					
Inventories	8	10,718,183	10,394,362	10,917,782	7,886,885
Trade and other receivables	9	15,342,512	11,429,814	6,321,708	19,002,859
Other current assets	10	1,921,623	751,459	2,185,552	2,166,286
Fixed deposits with licensed banks, cash and bank balances	11	13,393,190	10,971,863	10,618,715	4,251,315
		<u>41,375,508</u>	<u>33,547,498</u>	<u>30,043,757</u>	<u>33,307,345</u>
TOTAL ASSETS		<u>45,830,094</u>	<u>37,544,541</u>	<u>34,440,629</u>	<u>37,741,996</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	12	13,962,515	13,962,515	13,962,515	1,400,000
Retained earnings	13	12,588,710	6,801,471	1,213,026	10,087,385
TOTAL EQUITY		<u>26,551,225</u>	<u>20,763,986</u>	<u>15,175,541</u>	<u>11,487,385</u>
Non-current liabilities					
Borrowings	14	246,010	199,476	-	1,483,886
Lease liabilities	15	2,093,544	1,813,915	1,674,978	-
Deferred tax liabilities	16	35,861	63,861	112,861	104,861
		<u>2,375,415</u>	<u>2,077,252</u>	<u>1,787,839</u>	<u>1,588,747</u>
Current liabilities					
Trade and other payables	17	10,060,759	10,787,960	15,099,895	15,690,271
Borrowings	14	4,916,359	2,188,275	1,385,227	8,675,157
Lease liabilities	15	847,955	927,241	806,436	-
Provision of taxation		1,078,381	799,827	185,691	300,436
		<u>16,903,454</u>	<u>14,703,303</u>	<u>17,477,249</u>	<u>24,665,864</u>
TOTAL LIABILITIES		<u>19,278,869</u>	<u>16,780,555</u>	<u>19,265,088</u>	<u>26,254,611</u>
TOTAL EQUITY AND LIABILITIES		<u>45,830,094</u>	<u>37,544,541</u>	<u>34,440,629</u>	<u>37,741,996</u>

The accompanying notes form an integral part of these financial statements.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Combined Statements of Comprehensive Income
for the years ended 30 April 2022, 30 April 2021, 30 April 2020 and
30 April 2019**

	Note	2022 RM	2021 RM	2020 RM	2019 RM
Revenue	18	49,120,187	33,722,821	25,189,167	44,077,651
Cost of sales		<u>(35,471,661)</u>	<u>(21,900,607)</u>	<u>(17,505,069)</u>	<u>(33,217,973)</u>
Gross profit		13,648,526	11,822,214	7,684,098	10,859,678
Other operating income		759,250	295,698	1,452,523	1,578,761
Gain on disposal of property, plant and equipment		-	-	-	873,208
Administrative expenses		(5,396,149)	(3,328,717)	(4,484,623)	(3,115,486)
Selling and distribution expenses		<u>(544,756)</u>	<u>(972,808)</u>	<u>(2,133,729)</u>	<u>(3,234,987)</u>
Profit from operations		8,466,871	7,816,387	2,518,269	6,961,174
Finance costs		<u>(258,888)</u>	<u>(386,359)</u>	<u>(549,726)</u>	<u>(775,174)</u>
Profit before taxation	19	8,207,983	7,430,028	1,968,543	6,186,000
Taxation	21	<u>(2,420,744)</u>	<u>(1,841,583)</u>	<u>(751,303)</u>	<u>(906,439)</u>
Profit for the year		<u>5,787,239</u>	<u>5,588,445</u>	<u>1,217,240</u>	<u>5,279,561</u>
Attributable to:					
Owners of the Company		5,787,239	5,588,445	1,217,240	5,279,561
Non-controlling interest		-	-	-	-
		<u>5,787,239</u>	<u>5,588,445</u>	<u>1,217,240</u>	<u>5,279,561</u>
Earnings per share attributable to equity holders of the Company (sen)	25	<u>3.01</u>	<u>2.90</u>	<u>0.63</u>	<u>377.11</u>

The accompanying notes form an integral part of these financial statements.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Combined Statements of Changes in Equity
for the years ended 30 April 2022, 30 April 2021, 30 April 2020
and 30 April 2019**

	Note	Share capital RM	Retained earnings RM	Total RM
At 1 May 2018		1,400,000	13,132,775	14,532,775
Dividend paid	23	-	(8,324,951)	(8,324,951)
Profit for the year		-	5,279,561	5,279,561
At 30 April 2019		<u>1,400,000</u>	<u>10,087,385</u>	<u>11,487,385</u>
At 30 April 2019		1,400,000	10,087,385	11,487,385
Effects of adoption of MFRS 16		-	(4,237)	(4,237)
Restated as at 1 May 2019		1,400,000	10,083,148	11,483,148
Incorporation during the year	12	2	-	2
Issued during the period	12	14,043,998	-	14,043,998
Share issue expenses	12	(81,485)	-	(81,485)
Acquisition of interests in common controlled entities		(1,400,000)	(3,211,126)	(4,611,126)
Dividend paid	23	-	(6,876,236)	(6,876,236)
Profit for the year		-	1,217,240	1,217,240
At 30 April 2020		<u>13,962,515</u>	<u>1,213,026</u>	<u>15,175,541</u>
At 1 May 2020		13,962,515	1,213,026	15,175,541
Profit for the year		-	5,588,445	5,588,445
At 30 April 2021		<u>13,962,515</u>	<u>6,801,471</u>	<u>20,763,986</u>
At 1 May 2021		13,962,515	6,801,471	20,763,986
Profit for the year		-	5,787,239	5,787,239
At 30 April 2022		<u>13,962,515</u>	<u>12,588,710</u>	<u>26,551,225</u>

The accompanying notes form an integral part of these financial statements.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Combined Statements of Cash Flows
for the years ended 30 April 2022, 30 April 2021, 30 April 2020
and 30 April 2019**

	Note	2022 RM	2021 RM	2020 RM	2019 RM
Cash flows from operating activities					
Profit before taxation		8,207,983	7,430,028	1,968,543	6,186,000
Adjustments for:					
Bad debts written off		-	-	187,890	-
Depreciation of property, plant and equipment		800,121	650,531	815,314	881,301
Depreciation of right-of-use assets		203,984	198,182	192,621	-
(Gain)/loss on disposal of property, plant and equipment – net		-	(6,448)	131,900	(873,208)
Gain on lease liabilities written off		(12,080)	-	-	-
Impairment loss on non-current assets held for sale		-	-	-	6,338
Interest expense		258,888	386,359	549,726	775,174
Interest income		(101,502)	(108,413)	(108,076)	(110,921)
Property, plant and equipment written off		639	16,893	-	-
Rental income		-	-	(5,100)	(368,146)
Unrealised foreign exchange loss/(gain)		-	42,427	(18)	-
Operating profit before working capital changes		9,358,033	8,609,559	3,732,800	6,496,538
(Increase)/decrease in inventories		(323,821)	523,420	(3,030,897)	(2,830,227)
(Increase)/decrease in trade and other receivables		(3,912,698)	(5,150,533)	10,482,304	1,801,475
(Increase)/decrease in other current assets		(1,170,164)	1,434,093	(19,266)	(307,311)
Decrease in trade and other payables		(727,201)	(4,311,935)	(1,409,965)	(2,328,098)
Increase/(decrease) in bills payable		2,450,000	(20,289)	(5,954,506)	1,757,964
Cash generated from operations		5,674,149	1,084,315	3,800,470	4,590,341
Interest paid		(116,974)	(264,481)	(399,380)	(520,174)
Tax paid		(2,170,190)	(1,276,447)	(1,004,713)	(1,160,404)
Tax refunded		-	-	146,665	-
Net cash generated from/ (used in) operating activities		3,386,985	(456,613)	2,543,042	2,909,763

The accompanying notes form an integral part of these financial statements.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Combined Statements of Cash Flows
for the years ended 30 April 2022, 30 April 2021, 30 April 2020 and
30 April 2019 (continued)**

	Note	2022 RM	2021 RM	2020 RM	2019 RM
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		-	706,993	665,000	15,598,231
Purchase of property, plant and equipment	22	(400,179)	(266,322)	(555,541)	(220,296)
Interest received		101,502	108,413	108,076	110,921
Rental received		-	-	5,100	368,146
Net cash (used in)/ generated from investing activities		(298,677)	549,084	222,635	15,857,002
Cash flows from financing activities					
Dividend paid	23	-	-	-	(8,324,951)
Drawdown of term loan		60,000	300,000	-	-
Finance lease liabilities interest paid		-	-	-	(81,269)
(Increase)/decrease in fixed deposits pledged to licensed banks		(24,279)	(25,755)	(41,443)	332,207
Lease liabilities interest paid		(132,313)	(116,730)	(150,346)	-
Net proceeds from issuance of shares	12	-	-	5,305,717	-
Repayment of finance lease liabilities		-	-	-	(794,655)
Repayment of obligation under lease liabilities		(849,685)	(640,258)	(973,323)	-
Repayment of term loan		(15,060)	(58,961)	-	(9,313,877)
Term loan interest paid		(9,601)	(5,148)	-	(173,731)
Net cash (used in)/ generated from financing activities		(970,938)	(546,852)	4,140,605	(18,356,276)
Net increase/(decrease) in cash and cash equivalents					
		2,117,370	(454,381)	6,906,282	410,489
Cash and cash equivalents at beginning of the year		7,573,086	8,027,467	1,121,185	710,696
Cash and cash equivalents at end of the year	11	<u>9,690,456</u>	<u>7,573,086</u>	<u>8,027,467</u>	<u>1,121,185</u>

The accompanying notes form an integral part of these financial statements.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Notes to the Combined Financial Statements
for the years ended 30 April 2022, 30 April 2021, 30 April 2020
and 30 April 2019****1. General information**

The Company was a private limited company, incorporated on 14 May 2019 and domiciled in Malaysia under the name of Cosmos Technology International Sdn. Bhd.. On 30 September 2019, the Company converted from a private limited company to a public limited company and assumed its present name, Cosmos Technology International Berhad.

On 9 March 2020, the Company was successfully listed on the LEAP Market of the Bursa Malaysia Securities Berhad ("Bursa Securities").

Subsequent to the financial year ended 30 April 2021, on 10 November 2021, the Company was delisted from the LEAP Market of the Bursa Securities pursuant to the withdrawal of its listing from the LEAP Market of Bursa Securities to facilitate its proposed listing on the ACE Market of Bursa Securities.

The principal activity of the Company is investment holding.

The details of the operating entities are as follows:

Operating entities	Principal place of business/country of incorporation	Principal activities
Cosmos Instruments Sdn. Bhd.	Malaysia	Distribution of industrial automation and control instrumentation and servicing of fluid control products.
Marc Conleth Industries Sdn. Bhd.	Malaysia	Manufacturing of fabricated metal parts used in water, wastewater and oil and gas applications.

There have been no significant changes in the nature of these activities during the financial years under review.

The registered office of the Company is located at Level 13A-6, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur. The principal place of business of the Company is located at No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor Darul Ehsan.

The combined financial statements were authorised for issue by the Board of Directors of the Company ("Board") in accordance with a resolution of the Directors on 21 August 2022.

2. Basis of preparation of the combined financial statements

Pursuant to the ACE Market Listing Requirements of Bursa Securities, the Company has prepared the combined financial statements of the following entities as if a common control has occurred and the financial information has been compiled as a combined financial information, herein referred to as the Combined Financial Statements.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

2. Basis of the compilation of combined financial statements (continued)

The combined financial statements deal solely with the audited financial statements of the above entities for the financial years ended 30 April 2022, 30 April 2021, 30 April 2020 and 30 April 2019.

The combined financial statements have been prepared using financial information obtained from the records of the entities during the reporting years.

Details of the entities which are deemed to have common control and the relevant financial information used are as follows:

Entities under common control	Financial years ended 30 April			
	2022	2021	2020	2019
Cosmos Technology International Berhad	Yes	Yes	Yes*	Not applicable*
Cosmos Instruments Sdn. Bhd.	Yes	Yes	Yes	Yes
Marc Conleth Industries Sdn. Bhd.	Yes	Yes	Yes	Yes

* No financial statements were available for Cosmos Technology International Berhad as it was incorporated on 14 May 2019 as Cosmos Instruments Sdn. Bhd. and converted on 30 September 2019 to facilitate the previous listing on the LEAP Market of Bursa Securities on 9 March 2020.

On 24 September 2019, the Company acquired all the shares in Cosmos Instruments Sdn. Bhd. and Marc Conleth Industries Sdn. Bhd. for RM6,876,236 and RM1,780,562 respectively, as disclosed in Note 12.

The combined financial statements for the financial years ended 30 April 2019 and 30 April 2020 were prepared in a manner as if the entities under common control were operating as a single economic enterprise from 1 May 2018. Whereas the consolidated financial statements for the financial years ended 30 April 2021 and 30 April 2022 were prepared as a group account under consolidation method. In the compilation, the Company, Cosmos Instruments Sdn. Bhd. and Marc Conleth Industries Sdn. Bhd. are collectively referred to as the Group.

The combined financial statements and consolidated financial statements have been compiled based on the following audited financial statements and restated for the periods indicated.

	Audited Financial Statements for the financial year ended			
	2022	2021	2020	2019
Cosmos Technology International Berhad	1 May 2021 – 30 April 2022	1 May 2020 – 30 April 2021	14 May 2019 – 30 April 2020	Not applicable
Cosmos Instruments Sdn. Bhd.	1 May 2021 – 30 April 2022	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020	1 May 2018 – 30 April 2019
Marc Conleth Industries Sdn. Bhd.	1 May 2021 – 30 April 2022	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020	1 April 2018 – 30 April 2019

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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2. Basis of the compilation of combined financial statements (continued)

	Restated for the financial year ended			
	2022	2021	2020	2019
Cosmos Technology International Berhad	Not applicable	Not applicable	Not applicable	Not applicable
Cosmos Instruments Sdn. Bhd.	Not applicable	Not applicable	Not applicable	Not applicable
Marc Conleth Industries Sdn. Bhd.	Not applicable	Not applicable	Not applicable	1 May 2018 – 30 April 2019

The combined financial statements of the Group have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies (Note 3).

The preparation of the combined financial statements from the compilation of the three operating entities in conformity with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the reported year. Actual results could differ from those estimates.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency.

3. Significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial years, except as disclosed in Note 4.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the financial year end. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same financial year end as the Company. Consistent accounting policies are applied to like transactions and events of similar circumstances.

Subsidiaries are consolidated from the date on which control exists. They are deconsolidated from the date that control ceases.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(a) Basis of consolidation (continued)**

Acquisition of subsidiaries are accounted for using the purchase method except for business combinations arising from common control transfers. Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the entity acquired to the extent that laws or statutes do not prohibit the use of such reserves. The consolidated financial statements reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Under the purchase method of accounting, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. The accounting policy for goodwill is set out in Note 3(b). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

(b) Goodwill or reserve arising on consolidation

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's Cash-Generating Units ("CGUs") that are expected to benefit from the synergies of the combination.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(c) Property, plant and equipment, and depreciation**

All items of property, plant and equipment are initially recorded at cost. Costs include expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use, and the estimated costs of dismantling and removing the items and restoring that site on which they are located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss as incurred.

Subsequent to recognition, property, plant and equipment except for leasehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold land is stated at cost and is depreciated over a period of 94 years, until it was disposed off in the financial year ended 30 April 2019.

Certain tools and equipment are treated on a replacement basis.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Building	2%
Plant and machinery	10% - 20%
Motor vehicles	20%
Furniture and fittings	10%
Computer equipment	20% - 25%
Office equipment	10%
Renovation and signage	10%
Tools and implements	10% - 33%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the period the property, plant and equipment is derecognised, and any unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(d) Inventories**

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress include cost of raw materials, direct labour, other direct costs and appropriate production overheads (based on normal operating capacity).

Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, short-term bank deposits, fixed deposits with licensed banks, demand deposits, bank overdrafts and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Leases

Adoption of the new MFRS 16: Leases with effect on 1 May 2020, which replaces MFRS 117: Leases together with other interpretations.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest methods and by reducing the carrying amount to reflect the lease payments made).

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3. Significant accounting policies (continued)**(f) Leases (continued)**

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137: Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies MFRS 136: Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(g) Interest bearing loans and borrowings**

Borrowings are recognised initially at fair value net of transaction cost incurred. Subsequently, borrowings are stated at amortised cost using the effective interest method. Any difference between the amount recorded as borrowings and the associated redemption value is recognised in the profit or loss over the period of the borrowings. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and are capitalised and amortised over the period of the facility to which it relates. All other borrowing costs are charged to profit or loss. Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the borrowings that have been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred and liabilities assumed, is recognised in profit or loss. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(h) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs, and are classified as equity. Dividends on ordinary shares are recognised in equity in the periods in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(i) Provision for liabilities**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each financial year end and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(j) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial year end.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided for, using the liability method on temporary differences at the financial period end between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each financial year end and reduced to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Unrecognised deferred tax assets are reassessed at each financial year end and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial year end.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(j) Income tax (continued)**

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(k) Employee benefits**i Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or construction obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, the Group makes contributions to the statutory provident fund, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the year as incurred.

iii Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits due more than twelve months after the financial period end are discounted to present value.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(I) Revenue recognition**

The Group recognises revenue from contracts with customers for the sale of goods and provision of services based on the five-step model as set out below:

- i Identifies contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- ii Identifies performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- iii Determines the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- iv Allocates the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- v Recognises revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:

- i Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date;
- ii Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- iii Provides benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(I) Revenue recognition (continued)**

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

i Revenue from contracts with customers**a. Sale of goods/services**

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers controls of the goods or services promised in a contract and the customer obtains control of the goods and services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of indirect taxes, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

ii Other income**a. Interest income**

Interest income is recognised on an accrual basis (taking into account the effective yield on the asset) unless its collectability is in doubt.

b. Rental income

Rental income from operating leases (net of incentives given to leases) is recognised on an accrual basis. This is prior to the adoption of the new MFRS 16: Leases with effect on 1 May 2020.

(m) Foreign currencies transactions**i Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Group's functional currency.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(m) Foreign currencies transactions (continued)****ii Foreign currency transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's reporting currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the date of the transactions. At each financial year end, monetary items denominated in foreign currencies are translated at the rates prevailing at the financial year end. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the year except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operation, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Group's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The principal closing rates used in translation of foreign currency amounts are as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
1 United States Dollar ("USD")	4.3500	4.1010	4.3650	4.1340
1 Singapore Dollar ("SGD")	3.1510	3.0919	3.0544	3.0384
1 Euro ("EUR")	4.5977	4.9534	4.7533	4.6264

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(n) Impairment of non-financial assets**

The Group assesses at each financial year end whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

For goodwill, the recoverable amount is estimated at each financial year end or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each financial year end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss for an asset, other than goodwill, is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, in which case, the carrying amount of the asset is increased to its revised recoverable amount. The increase cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(o) Financial instruments

Financial instruments carried on the statements of financial position include cash and bank balances, deposits with financial institutions, investments, receivables, payables and borrowings. The recognition methods adopted are disclosed in the respective accounting policy statements.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as assets or liabilities, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(o) Financial instruments (continued)****Financial assets**

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

i Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

ii Financial assets measured subsequently at fair value

Financial assets that are debt instruments are measured at fair value through other comprehensive income ("FVTOCI") if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(o) Financial instruments (continued)****Financial assets (continued)****ii Financial assets measured subsequently at fair value (continued)**

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

i Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that does not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

ii Other financial liabilities

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(o) Financial instruments (continued)****Financial liabilities (continued)****ii Other financial liabilities (continued)**

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished.

When an existing financial liability is replaced by another instrument from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

(p) Impairment of financial assets

At each financial year end, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring as at the financial year end with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses external credit rating and other supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cashflows that are due to the Group and all the cash flows that the Group expects to receive.

The Group measures the allowance for impairment loss on trade and other receivables, if any and cash and bank balances based on the two-step approach as follows:

i 12-months expected credit loss

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group measures the allowance for impairment loss for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(p) Impairment of financial assets (continued)****ii Lifetime expected credit loss**

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime expected credit loss for that financial asset is recognised as the allowance for impairment loss by the Group. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group reverts the allowance for impairment loss measurement from lifetime expected credit loss to 12-months expected credit loss.

For trade and other receivables which are financial assets, the Group applies the simplified approach in accordance with MFRS 9: Financial Instruments and measures the allowance for impairment loss based on a 12-months expected credit loss from initial recognition.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

(q) 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(r) Contingencies**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(s) Related parties

Parties are considered to be related to the Group if the Group 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 and the party are subject to common control or common significant influence. Related parties may be individual or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

(t) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segments results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 26, including the factors used to identify the reportable segments and measurement basis of segment information.

14. ACCOUNTANTS' REPORT (CONT'D)

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3. Significant accounting policies (continued)

(u) Earnings per share

i Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

ii Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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4. Adoption of new and revised Malaysian Financial Reporting Standards and interpretations ("MFRSs")**(a) MFRSs that have been issued and effective**

The following new and revised MFRSs issued by MASB, have been adopted, and the adoptions do not have any or significant impact to the financial statements for the financial year ended 30 April 2022:

Title	Effective Date
Amendments to MFRS 16: Leases	1 April 2021
Amendments to MFRS 4: Insurance Contracts	1 May 2021
Amendments to MFRS 7: Financial Instruments: Disclosures	1 May 2021
Amendments to MFRS 9: Financial Instruments	1 May 2021
Amendments to MFRS 16: Leases	1 May 2021
Amendments to MFRS 139: Financial Instruments: Recognition and Measurement	1 May 2021

(b) MFRSs that have been issued but only effective for financial period beginning on 1 January 2022 and onwards

The following new and revised MFRSs issued by MASB, have not been adopted, and the adoptions are not expected to have any significant impact to the financial statements:

Title	Effective Date
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022
Amendments to MFRS 3: Business Combinations	1 January 2022
Amendments to MFRS 9: Financial Instruments	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment	1 January 2022
Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
Amendments to MFRS 141: Agriculture	1 January 2022
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Presentation of Financial Statements	1 January 2023
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
Amendments to MFRS 112: Income Taxes	1 January 2023
Amendments to MFRS 10: Consolidated Financial Statements	Deferred
Amendments to MFRS 128: Investments in Associates and Joint Ventures	Deferred

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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5. Significant accounting judgement and estimatesKey sources of estimation uncertainty

The preparation of financial statements in accordance with MFRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

(a) Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful lives after taking into account their estimated residual values, using the straight-line method. The estimated useful lives applied by the Group as disclosed in Note 3(c) reflect the Directors' estimates of the periods that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment. Technological advancements could impact the useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of property, plant and equipment

The Group carries out the impairment test based on a variety of estimation including the value-in-use of the cash-generating unit (CGU) to which the property, plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Loss allowances for financial assets

The Group recognises impairment losses for 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 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 position and result.

(d) Income tax

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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5. Significant accounting judgement and estimates (continued)Key sources of estimation uncertainty (continued)**(e) Deferred tax assets**

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(f) Provisions

A provision is a liability of uncertain timing or amount. The liability may be a legal obligation or a constructive obligation. The Group has a warranty obligation to replace certain products to customers should the distributor's warranty lapsed.

The Directors are of the opinion that provision is not required in respect of the above instance as it is not probable that a future sacrifice of economic benefits will be required.

(g) Contingent liabilities

A contingent liability is not recognised but is disclosed in the notes to the financial statements and when a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision. If the outflow is not probable, the item is treated as a contingent liability.

The Directors are of the opinion that a contingent liability is not disclosed in the notes to the combined financial statements as the possibility of an outflow of economic resources is not only remote but insignificant.

(h) Fair value estimates of certain financial instruments

The Group carries certain financial assets and liabilities at fair value, which required extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value will differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit or loss/equity.

(i) Coronavirus Disease 2019 ("COVID-19")

The current outbreak of COVID-19 has resulted in the occurrence of a multitude of associated events such as temporarily closing of businesses, travel restrictions and quarantine measures across the globe. These measures and policies affect supply chains and the production of goods and services and lower economic activity which is likely to result in reduced demand for the Group's goods and services. The Group exercises judgement, in light of all facts and circumstances, to assess what event in this series of events provides additional evidence about the condition that existed at the reporting date and therefore affects the recognition and measurement of the Group's assets and liabilities as at 30 April 2022.

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

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6. Property, plant and equipment

	Leasehold land and building RM	Plant and machinery RM	Motor vehicles RM	Furniture and fittings RM	Balance carried forward RM
Cost					
At 1 May 2018	13,384,000	5,077,667	1,018,178	35,029	19,514,874
Additions	-	1,453,000	35,670	13,008	1,501,678
Disposals	(13,384,000)	-	-	-	(13,384,000)
At 30 April 2019	-	6,530,667	1,053,848	48,037	7,632,552
Additions	-	450,000	667,246	-	1,117,246
Disposals	-	(1,830,000)	(396,017)	-	(2,226,017)
At 30 April 2020	-	5,150,667	1,325,077	48,037	6,523,781
Additions	-	900,520	-	594	901,114
Disposals	-	(1,500,000)	-	(8,255)	(1,508,255)
Write offs	-	-	-	(3,761)	(3,761)
At 30 April 2021	-	4,551,187	1,325,077	36,615	5,912,879
Additions	-	1,026,000	77,069	-	1,103,069
Write offs	-	(13,600)	-	-	(13,600)
At 30 April 2022	-	5,563,587	1,402,146	36,615	7,002,348

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

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6. Property, plant and equipment (continued)

	Balance brought forward RM	Computer equipment RM	Office equipment RM	Renovation and signage RM	Tools and implements RM	Total RM
Cost						
At 1 May 2018	19,514,874	78,916	52,656	103,688	183,006	19,933,140
Additions	1,501,678	67,870	9,426	585,370	41,352	2,205,696
Disposals	(13,384,000)	-	(3,800)	-	-	(13,387,800)
At 30 April 2019	7,632,552	146,786	58,282	689,058	224,358	8,751,036
Additions	1,117,246	20,459	2,050	-	5,286	1,145,041
Disposals	(2,226,017)	-	-	-	-	(2,226,017)
At 30 April 2020	6,523,781	167,245	60,332	689,058	229,644	7,670,060
Additions	901,114	17,594	25,513	-	222,101	1,166,322
Disposals	(1,508,255)	(1,429)	(5,627)	-	-	(1,515,311)
Write offs	(3,761)	(2,241)	-	(16,120)	-	(22,122)
At 30 April 2021	5,912,879	181,169	80,218	672,938	451,745	7,298,949
Additions	1,103,069	15,397	-	-	131,713	1,250,179
Write offs	(13,600)	(33,454)	(10,636)	-	-	(57,690)
At 30 April 2022	7,002,348	163,112	69,582	672,938	583,458	8,491,438

14. ACCOUNTANTS' REPORT (CONT'D)
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6. Property, plant and equipment (continued)

	Leasehold land and building RM	Plant and machinery RM	Motor vehicles RM	Furniture and fittings RM	Balance carried forward RM
Accumulated depreciation					
At 1 May 2018	1,684,569	2,493,182	795,948	23,012	4,996,711
Charge for the year	101,480	565,905	98,979	2,956	769,320
Disposals	(1,786,049)	-	-	-	(1,786,049)
At 30 April 2019	-	3,059,087	894,927	25,968	3,979,982
Charge for the year	-	503,754	168,484	3,764	676,002
Disposals	-	(1,046,500)	(382,617)	-	(1,429,117)
At 30 April 2020	-	2,516,341	680,794	29,732	3,226,867
Charge for the year	-	338,297	167,822	2,780	508,899
Disposals	-	(812,500)	-	(1,020)	(813,520)
Write offs	-	-	-	(533)	(533)
At 30 April 2021	-	2,042,138	848,616	30,959	2,921,713
Charge for the year	-	445,710	161,578	2,166	609,454
Write offs	-	(13,600)	-	-	(13,600)
At 30 April 2022	-	2,474,248	1,010,194	33,125	3,517,567
Carrying amount					
At 30 April 2019	-	3,471,580	158,921	22,069	3,652,570
At 30 April 2020	-	2,634,326	644,283	18,305	3,296,914
At 30 April 2021	-	2,509,049	476,461	5,656	2,991,166
At 30 April 2022	-	3,089,339	391,952	3,490	3,484,781

14. ACCOUNTANTS' REPORT (CONT'D)
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6. Property, plant and equipment (continued)

	Balance brought forward RM	Computer equipment RM	Office equipment RM	Renovation and signage RM	Tools and implements RM	Total RM
Accumulated depreciation						
At 1 May 2018	4,996,711	63,684	27,698	39,941	94,461	5,222,495
Charge for the year	769,320	13,587	4,150	25,040	69,204	881,301
Disposals	(1,786,049)	-	(1,362)	-	-	(1,787,411)
At 30 April 2019	3,979,982	77,271	30,486	64,981	163,665	4,316,385
Charge for the year	676,002	24,839	4,841	68,906	40,726	815,314
Disposals	(1,429,117)	-	-	-	-	(1,429,117)
At 30 April 2020	3,226,867	102,110	35,327	133,887	204,391	3,702,582
Charge for the year	508,899	24,966	5,985	67,697	42,984	650,531
Disposals	(813,520)	(506)	(740)	-	-	(814,766)
Write offs	(533)	(2,241)	-	(2,455)	-	(5,229)
At 30 April 2021	2,921,713	124,329	40,572	199,129	247,375	3,533,118
Charge for the year	609,454	27,232	6,411	67,124	89,900	800,121
Write offs	(13,600)	(33,454)	(9,997)	-	-	(57,051)
At 30 April 2022	3,517,567	118,107	36,986	266,253	337,275	4,276,188
Carrying amount						
At 30 April 2019	3,652,570	69,515	27,796	624,077	60,693	4,434,651
At 30 April 2020	3,296,914	65,135	25,005	555,171	25,253	3,967,478
At 30 April 2021	2,991,166	56,840	39,646	473,809	204,370	3,765,831
At 30 April 2022	3,484,781	45,005	32,596	406,685	246,183	4,215,250

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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6. Property, plant and equipment (continued)

The Group leases various motor vehicles, plant and machinery and renovation of which the leasing activities are summarised below:

- (i) Motor vehicles: The Group has leased 6 (2021: 6, 2020: 8, 2019: 7) units of motor vehicles under hire purchase arrangements, as disclosed in Notes 14 and 15. The leases are secured by the leased assets.
- (ii) Plant and machinery: The Group has leased 4 (2021: 5, 2020: 4, 2019: 6) units of plant and machinery under hire purchase arrangements, as disclosed in Notes 14 and 15. The leases are secured by the leased assets.
- (iii) Renovation: The Group has leased Nil (2021: 1, 2020: 1, 2019: 1) unit of renovation under hire purchase arrangements, as disclosed in Notes 14 and 15.

- (a) Included in the carrying amount of property, plant and equipment as at the financial year end are right-of-use assets held under hire purchase arrangements, as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Plant and machinery	2,321,000	1,964,075	1,206,250	2,345,295
Motor vehicles	321,306	476,461	644,283	158,921
Renovation	-	441,169	498,094	555,019
	<u>2,642,306</u>	<u>2,881,705</u>	<u>2,348,627</u>	<u>3,059,235</u>

The correspondence lease liabilities in respect of these right-of-use assets are disclosed in Notes 14 and 15.

- (b) Included in the cost of property, plant and equipment acquired during the year are right-of-use assets (2019: finance lease assets) held under hire purchase arrangements, as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Plant and machinery	1,000,000	900,000	-	1,433,000
Motor vehicles	-	-	667,246	35,670
Renovation	-	-	-	569,250
	<u>1,000,000</u>	<u>900,000</u>	<u>667,246</u>	<u>2,037,920</u>

- (c) The leasehold land has unexpired lease period of more than fifty years, expiring on 30 December 2073. It was subsequently disposed during the financial year ended 30 April 2019.

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7. Right-of-use assets

	Buildings RM	Total RM
Cost		
At 1 May 2018/30 April 2019	-	-
Adoption of MFRS 16	676,953	676,953
Restated at 1 May 2019/30 April 2020	<u>676,953</u>	<u>676,953</u>
Additions	-	-
At 30 April 2021	<u>676,953</u>	<u>676,953</u>
Additions	410,290	410,290
Write offs	(676,953)	(676,953)
At 30 April 2022	<u><u>410,290</u></u>	<u><u>410,290</u></u>
Accumulated depreciation		
At 1 May 2018/30 April 2019	-	-
Adoption of MFRS 16	54,938	54,938
Restated at 1 May 2019	54,938	54,938
Charge for the year	192,621	192,621
At 30 April 2020	<u>247,559</u>	<u>247,559</u>
Charge for the year	198,182	198,182
At 30 April 2021	<u>445,741</u>	<u>445,741</u>
Charge for the year	203,984	203,984
Write offs	(478,771)	(478,771)
At 30 April 2022	<u><u>170,954</u></u>	<u><u>170,954</u></u>
Carrying amount		
At 30 April 2019	-	-
At 30 April 2020	<u>429,394</u>	<u>429,394</u>
At 30 April 2021	<u>231,212</u>	<u>231,212</u>
At 30 April 2022	<u><u>239,336</u></u>	<u><u>239,336</u></u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

8. Inventories

	2022 RM	2021 RM	2020 RM	2019 RM
At cost:				
Raw materials	1,489,865	834,794	1,065,111	1,546,670
Work-in-progress	5,976,869	5,548,695	7,477,198	5,333,431
Finished goods	3,251,449	4,010,873	2,375,473	1,006,784
	<u>10,718,183</u>	<u>10,394,362</u>	<u>10,917,782</u>	<u>7,886,885</u>

The cost of inventories recognised as an expense during the financial year amounted to RM35,471,661 (2021: RM21,900,607, 2020: RM17,505,069, 2019: RM33,217,973).

9. Trade and other receivables

	2022 RM	2021 RM	2020 RM	2019 RM
Trade				
Third parties	15,103,803	9,697,586	5,137,811	13,725,776
Related parties	-	103,407	69,831	1,570,372
	<u>15,103,803</u>	<u>9,800,993</u>	<u>5,207,642</u>	<u>15,296,148</u>
Non-trade				
Other receivables	199,738	726,424	847,580	1,041,791
Staff loan	3,467	412	410	25,331
Amount due from related parties	35,504	901,985	266,076	2,639,589
	<u>238,709</u>	<u>1,628,821</u>	<u>1,114,066</u>	<u>3,706,711</u>
	<u>15,342,512</u>	<u>11,429,814</u>	<u>6,321,708</u>	<u>19,002,859</u>

The amount due from related parties is as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Trade				
FIC Kitchen Technology Sdn. Bhd.	-	-	-	51,899
Globalink Metal Stamping Sdn. Bhd.	-	-	3,142	-
I.S.E.T. Engineering Sdn. Bhd.	-	34,302	35,305	861,015
Moscoss Services Sdn. Bhd.	-	-	-	233,171
MSM Equipment Manufacturer Sdn. Bhd.	-	4,400	-	241,705
MSM Kitchen Sdn. Bhd.	-	638	15,950	151,991
MSM Metal Industries Sdn. Bhd.	-	15,728	15,434	-
OMS Technology Sdn. Bhd.	-	48,339	-	30,591
	<u>-</u>	<u>103,407</u>	<u>69,831</u>	<u>1,570,372</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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9. Trade and other receivables (continued)

The amount due from related parties is as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Non-trade				
FIC Kitchen Technology Sdn. Bhd.	-	-	-	121,980
Globalink Metal Stamping Sdn. Bhd.	-	-	-	19,282
Flexacon Automation System Sdn. Bhd.	8,000	2,000	-	-
I.S.E.T. Engineering Sdn. Bhd.	-	-	11,712	19,867
Marc16 Equipment Manufacturing Sdn. Bhd.	-	156,212	-	8,374
MSM Equipment Manufacturer Sdn. Bhd.	-	-	-	119,443
MSM International Limited	-	-	-	2,010,975
MSM Kitchen Sdn. Bhd.	-	-	145,210	290,612
MSM Metal Industries Sdn. Bhd.	27,504	731,732	51,738	-
MSM Metal (S) Pte. Ltd.	-	12,041	8,360	-
SKI Pipe & Fitting Sdn. Bhd.	-	-	49,056	49,056
	<u>35,504</u>	<u>901,985</u>	<u>266,076</u>	<u>2,639,589</u>

The non-trade amounts due from related parties are unsecured, interest free and are repayable on demand.

The currency exposure profile of trade and other receivables is as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
RM	10,906,773	9,401,432	4,585,151	11,770,370
USD	4,435,739	2,016,341	1,728,197	7,232,489
SGD	-	12,041	8,360	-
	<u>15,342,512</u>	<u>11,429,814</u>	<u>6,321,708</u>	<u>19,002,859</u>

10. Other current assets

	2022 RM	2021 RM	2020 RM	2019 RM
Deposits	1,533,288	64,968	76,458	158,067
Prepayments	<u>388,335</u>	<u>686,491</u>	<u>2,109,094</u>	<u>2,008,219</u>
	<u>1,921,623</u>	<u>751,459</u>	<u>2,185,552</u>	<u>2,166,286</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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10. Other current assets (continued)

An aggregate amount of RM1,181,000 (2021: RMNil, 2020: RMNil, 2019: RMNil) included in the deposits for acquisition of property, plant and equipment has been accounted for in capital commitments, as disclosed in Note 31.

11. Fixed deposits with licensed banks, cash and bank balances

For the purpose of presenting the statement of cash flows, cash and cash equivalents comprise the following:

	2022 RM	2021 RM	2020 RM	2019 RM
Fixed deposits placed with licensed banks	5,041,998	4,984,398	2,921,357	2,821,558
Cash and bank balances	8,351,192	5,987,465	7,697,358	1,429,757
	<u>13,393,190</u>	<u>10,971,863</u>	<u>10,618,715</u>	<u>4,251,315</u>
Less:				
Fixed deposit pledged to licensed banks	(1,276,344)	(1,252,065)	(1,226,310)	(1,184,867)
Bank overdraft (Note 14)	(2,426,390)	(2,146,712)	(1,364,938)	(1,945,263)
	<u>(3,702,734)</u>	<u>(3,398,777)</u>	<u>(2,591,248)</u>	<u>(3,130,130)</u>
Cash and cash equivalents	<u>9,690,456</u>	<u>7,573,086</u>	<u>8,027,467</u>	<u>1,121,185</u>

Fixed deposits with licensed banks of the Group amounting to RM1,276,344 (2021: RM1,252,065, 2020: RM1,226,310, 2019: RM1,184,867) have been charged for banking facilities granted to the Group as disclosed in Note 14.

The currency exposure profile of fixed deposits with licensed banks, cash and bank balances is as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
RM	12,885,468	10,947,363	10,614,569	4,237,250
USD	507,722	24,500	4,146	12,698
SGD	-	-	-	1,367
	<u>13,393,190</u>	<u>10,971,863</u>	<u>10,618,715</u>	<u>4,251,315</u>

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12. Share capital

	2022 Unit	2021 Unit	2020 Unit	2019 Unit
Issued and fully paid ordinary shares				
At beginning of the year	192,376,000	192,376,000	1,400,000	1,400,000
Incorporation of the Company during the year	-	-	20	-
Subdivision of shares of the Company	-	-	20	-
Issued during the year	-	-	192,375,960	-
	<u>192,376,000</u>	<u>192,376,000</u>	<u>193,776,000</u>	<u>1,400,000</u>
Eliminations	-	-	(1,400,000)	-
At end of the year	<u>192,376,000</u>	<u>192,376,000</u>	<u>192,376,000</u>	<u>1,400,000</u>
	2022 RM	2021 RM	2020 RM	2019 RM
Issued and fully paid ordinary shares				
At beginning of the year	13,962,515	13,962,515	1,400,000	1,400,000
Incorporation of the Company during the year	-	-	2	-
Issued during the year	-	-	14,043,998	-
Share issue expenses	-	-	(81,485)	-
	<u>13,962,515</u>	<u>13,962,515</u>	<u>15,362,515</u>	<u>1,400,000</u>
Eliminations	-	-	(1,400,000)	-
At end of the year	<u>13,962,515</u>	<u>13,962,515</u>	<u>13,962,515</u>	<u>1,400,000</u>

For the purpose of the combined financial statements, the share capital as at 30 April 2019 is the aggregate share capitals of Cosmos Instruments Sdn. Bhd. and Marc Conleth Industries Sdn. Bhd., which were then eliminated as at 30 April 2020.

During the financial year ended 30 April 2020, the issued and fully paid-up ordinary share capital of the Company was increased from 20 ordinary shares to 192,376,000 ordinary shares by way of issuance of 192,375,980 new ordinary shares pursuant to the following transactions:

- (i) On 19 July 2019, 20 new ordinary shares were issued from the subdivision of every 1 existing share into 2 split shares;
- (ii) On 24 September 2019, 173,135,960 new ordinary shares were issued at RM0.05 each in satisfaction of the acquisition of subsidiaries; and
- (iii) On 2 March 2020, 19,240,000 new ordinary shares were issued at RM0.28 each for cash pursuant to its listing on the LEAP Market of Bursa Securities.

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12. Share capital (continued)

For the purpose of statement of cash flows' presentation, the net proceeds from issuance of shares is as follows:

	RM
Total share capital as at 30 April 2020	13,962,515
Less:	
- acquisition of Cosmos Instruments Sdn. Bhd. which was settled through application of dividend declared by Marc Conleth Industries Sdn. Bhd. (Note 2 and 23)	(6,876,236)
- acquisition of Marc Conleth Industries Sdn. Bhd. by way of issuance of the Company's shares (Note 2)	(1,780,562)
Net proceeds from issuance of shares	<u>5,305,717</u>

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

13. Retained earnings

The retained earnings of the Company are available for distribution by way of cash dividends or dividends in specie. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences that would result from the payment of dividends to shareholders.

14. Borrowings

	2022 RM	2021 RM	2020 RM	2019 RM
Current				
Bank overdraft (secured)	2,426,390	2,146,712	1,364,938	1,945,263
Bills payable (secured)	2,450,000	-	20,289	5,974,795
Finance lease liabilities (partially secured)		-	-	755,099
Term loan (secured)	39,969	41,563	-	-
	<u>4,916,359</u>	<u>2,188,275</u>	<u>1,385,227</u>	<u>8,675,157</u>
Non-current				
Finance lease liabilities (partially secured)	-	-	-	1,483,886
Term loan (secured)	246,010	199,476	-	-
	<u>246,010</u>	<u>199,476</u>	<u>-</u>	<u>1,483,886</u>
	<u>5,162,369</u>	<u>2,387,751</u>	<u>1,385,227</u>	<u>10,159,043</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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14. Borrowings (continued)

	2022 RM	2021 RM	2020 RM	2019 RM
Total borrowings				
Bank overdraft (secured)	2,426,390	2,146,712	1,364,938	1,945,263
Bills payable (secured)	2,450,000	-	20,289	5,974,795
Finance lease liabilities (partially secured)	-	-	-	2,238,985
Term loan (secured)	285,979	241,039	-	-
	<u>5,162,369</u>	<u>2,387,751</u>	<u>1,385,227</u>	<u>10,159,043</u>

Bank overdraft, bills payable and term loan are secured by the following:

- Fixed deposits with licensed banks, as disclosed in Note 11;
- Corporate guarantee by the Company and a related party; and
- Joint and several guarantees by a Director of the Company and directors of a subsidiary.

The interest rates charged during the financial year for borrowings were as follows:

	2022 Per annum	2021 Per annum	2020 Per annum	2019 Per annum
Bank overdraft	5.62% - 8.95%	6.07% - 6.95%	6.82% - 9.35%	6.81% - 9.10%
Bills payable	3.51% - 4.37%	3.42% - 5.34%	4.63% - 8.57%	4.71% - 6.09%
Finance lease liabilities	Not applicable	Not applicable	Not applicable	2.42% - 4.50%
Term loan	3.50%	3.50%	Not applicable	4.59% - 5.40%

The bank overdraft and bills payable are repayable on demand, whilst the repayment terms of term loan and finance lease liabilities are as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Term loan				
Repayment terms				
- not later than 1 year	39,969	41,563	-	-
- later than 1 year and not later than 5 years	174,553	181,523	-	-
- later than 5 years	71,457	17,953	-	-
	<u>285,979</u>	<u>241,039</u>	<u>-</u>	<u>-</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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14. Borrowings (continued)

	2022 RM	2021 RM	2020 RM	2019 RM
Finance lease liabilities				
Minimum lease payments				
- not later than 1 year	-	-	-	865,866
- later than 1 year and not later than 5 years	-	-	-	1,620,584
Total minimum lease payments	-	-	-	2,486,450
Less: Future finance charges on finance lease liabilities	-	-	-	(247,465)
Present value of finance lease liabilities	-	-	-	<u>2,238,985</u>
Present value of finance lease liabilities				
- not later than 1 year	-	-	-	755,099
- later than 1 year and not later than 5 years	-	-	-	1,483,886
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,238,985</u>
Presented as:				
Current	-	-	-	755,099
Non-current	-	-	-	1,483,886
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,238,985</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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15. Lease liabilities

	2022 RM	2021 RM	2020 RM	2019 RM
At beginning of the year	2,741,156	2,481,414	-	-
Effects of adoption of MFRS 16 using modified retrospective approach	-	-	2,865,237	-
Additions	1,260,290	900,000	589,500	-
Write offs	(210,262)	-	-	-
Interest expense recognised in the statement of comprehensive income	132,313	116,730	150,346	-
Repayment of principal	(849,685)	(640,258)	(973,323)	-
Repayment of interest	(132,313)	(116,730)	(150,346)	-
At end of the year	<u>2,941,499</u>	<u>2,741,156</u>	<u>2,481,414</u>	<u>-</u>
Analysed by:				
Current liabilities	847,955	927,241	806,436	-
Non-current liabilities	<u>2,093,544</u>	<u>1,813,915</u>	<u>1,674,978</u>	<u>-</u>
	<u>2,941,499</u>	<u>2,741,156</u>	<u>2,481,414</u>	<u>-</u>

The repayment terms of lease liabilities is as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Minimum lease payments				
- not later than 1 year	993,444	1,054,639	923,859	-
- later than 1 year and not later than 5 years	2,251,441	1,922,344	1,810,523	-
- later than 5 years	<u>33,770</u>	<u>67,885</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	3,278,655	3,044,868	2,734,382	-
Less: Future finance charges on lease liabilities	<u>(337,156)</u>	<u>(303,712)</u>	<u>(252,968)</u>	<u>-</u>
Present value of lease liabilities	<u>2,941,499</u>	<u>2,741,156</u>	<u>2,481,414</u>	<u>-</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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15. Lease liabilities (continued)

	2022 RM	2021 RM	2020 RM	2019 RM
Present value of lease liabilities				
- not later than 1 year	847,955	927,241	806,436	-
- later than 1 year and not later than 5 years	2,060,254	1,747,718	1,674,978	-
- later than 5 years	33,290	66,197	-	-
	<u>2,941,499</u>	<u>2,741,156</u>	<u>2,481,414</u>	<u>-</u>

Certain lease liabilities of the Group are secured by the Group's motor vehicles and plant and machinery under the hire purchase arrangements, as disclosed in Note 6, with lease terms of 1 to 6 (2021: 1 to 6, 2020: 1 to 8, 2019: Not applicable) years and bear effective interest rates from 2.32% to 4.50% (2021: 2.32% to 4.50%, 2020: 2.32% to 4.50%, 2019: Not applicable) per annum.

16. Deferred taxation

	2022 RM	2021 RM	2020 RM	2019 RM
At beginning of the year	(63,861)	(112,861)	(104,861)	(253,861)
Recognised in the statement of comprehensive income (Note 21)	28,000	49,000	(8,000)	149,000
At end of the year	<u>(35,861)</u>	<u>(63,861)</u>	<u>(112,861)</u>	<u>(104,861)</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	522,000	412,000	333,000	428,000
Deferred tax liabilities	<u>(557,861)</u>	<u>(475,861)</u>	<u>(445,861)</u>	<u>(532,861)</u>
	<u>(35,861)</u>	<u>(63,861)</u>	<u>(112,861)</u>	<u>(104,861)</u>

The components and movements of deferred tax liabilities during the financial year prior to offsetting are as follows:

Deferred tax liabilities

	Excess of capital allowances over depreciation			
	2022 RM	2021 RM	2020 RM	2019 RM
At beginning of the year	(475,861)	(445,861)	(532,861)	(561,861)
Recognised in the statement of comprehensive income				
- current year	<u>(82,000)</u>	<u>(30,000)</u>	<u>87,000</u>	<u>29,000</u>
At end of the year	<u>(557,861)</u>	<u>(475,861)</u>	<u>(445,861)</u>	<u>(532,861)</u>

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16. Deferred taxation (continued)

The components and movements of deferred tax assets during the financial year prior to offsetting are as follows:

Deferred tax assets

	Other deductible temporary difference			
	2022	2021	2020	2019
	RM	RM	RM	RM
At beginning of the year	412,000	333,000	428,000	308,000
Recognised in the statement of comprehensive income				
- current year	<u>110,000</u>	<u>79,000</u>	<u>(95,000)</u>	<u>120,000</u>
At end of the year	<u><u>522,000</u></u>	<u><u>412,000</u></u>	<u><u>333,000</u></u>	<u><u>428,000</u></u>

17. Trade and other payables

	2022	2021	2020	2019
	RM	RM	RM	RM
Trade				
Third parties	8,681,065	3,228,846	4,638,217	5,044,055
Related parties	<u>41,866</u>	<u>1,950,287</u>	<u>2,174,230</u>	<u>3,662,841</u>
	8,722,931	5,179,133	6,812,447	8,706,896
Non-trade				
Sundry payables	335,285	519,891	417,690	793,529
Accruals	321,192	613,605	448,895	365,098
Deposits received	181,532	361,211	2,233,130	2,065,598
Amount due to related parties	<u>499,819</u>	<u>4,114,120</u>	<u>5,187,733</u>	<u>3,759,150</u>
	<u>1,337,828</u>	<u>5,608,827</u>	<u>8,287,448</u>	<u>6,983,375</u>
	<u><u>10,060,759</u></u>	<u><u>10,787,960</u></u>	<u><u>15,099,895</u></u>	<u><u>15,690,271</u></u>

The normal trade credit terms granted to the Group ranged from 30 to 120 (2021: 30 to 120, 2020: 30 to 120, 2019: 30 to 90) days.

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17. Trade and other payables (continued)

The amount due to related parties is as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Trade				
FIC Kitchen Technology Sdn. Bhd.	-	-	-	193
Flexacon Automation System Sdn. Bhd.	-	10,000	-	2,709
I.S.E.T. Engineering Sdn. Bhd.	-	11,600	-	-
Marc16 Equipment Manufacturing Sdn. Bhd.	10,500	10,500	-	-
MSM Equipment Manufacturer Sdn. Bhd.	4,391	14,993	7,392	-
MSM Metal Industries Sdn. Bhd.	26,975	1,887,394	2,139,489	3,337,306
Toyomi Engineering Sdn. Bhd.	-	15,800	27,349	322,633
	<u>41,866</u>	<u>1,950,287</u>	<u>2,174,230</u>	<u>3,662,841</u>
Non-trade				
FIC Kitchen Technology Sdn. Bhd.	-	79,225	192,917	311,154
Flexacon Automation System Sdn. Bhd.	46,000	25,000	27,000	267,330
Globalink Metal Sdn. Bhd.	103,164	-	-	-
I.S.E.T. Engineering Sdn. Bhd.	-	4,961	8,363	14,745
Marc16 Equipment Manufacturing Sdn. Bhd.	-	-	6,482	357,000
MSM Equipment Manufacturer Sdn. Bhd.	35,249	1,824,898	2,543,577	701,276
MSM International Limited	-	-	517,062	-
MSM Kitchen Sdn. Bhd.	286	104,819	131,979	42,375
MSM Metal (S) Pte. Ltd.	-	-	-	122,040
MSM Metal Industries Sdn. Bhd.	310,987	1,407,070	1,321,903	403,448
OMS Technology Sdn. Bhd.	-	332,538	220,000	500,000
Toyomi Engineering Sdn. Bhd.	4,133	335,609	218,450	1,039,782
	<u>499,819</u>	<u>4,114,120</u>	<u>5,187,733</u>	<u>3,759,150</u>

The non-trade amounts due to related parties are unsecured, interest free and are repayable on demand.

The currency exposure profile of trade and other payables is as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
RM	9,939,973	10,704,556	15,041,807	15,557,556
EUR	83,574	51,600	58,088	10,675
USD	37,212	31,804	-	-
SGD	-	-	-	122,040
	<u>10,060,759</u>	<u>10,787,960</u>	<u>15,099,895</u>	<u>15,690,271</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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18. Revenue

Revenue represents invoiced value of sales and services rendered, net of sales and service tax, discounts and returns.

19. Profit before taxation

	2022 RM	2021 RM	2020 RM	2019 RM
Profit before taxation is arrived at after charging:				
Auditors' remuneration				
(i) Statutory audit				
- current year	67,000	57,000	67,000	47,000
- under/(over) provision in prior years	10,000	8,000	19,000	(2,000)
(ii) Non-statutory audit				
- current year	270,000	-	-	-
- underprovision in prior years	-	-	29,200	12,000
Bad debts written off	-	-	187,890	-
Depreciation of property, plant and equipment	800,121	650,531	815,314	881,301
Depreciation of right-of-use assets	203,984	198,182	192,621	-
Finance costs:				
- term loan interest	9,601	5,148	-	173,731
- bills payable interest	8,668	136,668	258,986	377,602
- bank overdraft interest	108,306	127,813	140,394	142,572
- finance lease interest	-	-	-	81,269
- lease liabilities interest	132,313	116,730	150,346	-
Impairment loss on non-current assets held for sale	-	-	-	6,338
Loss on disposal of property, plant and equipment – net	-	-	131,900	-
Property, plant and equipment written off	639	16,893	-	-
Rental of factory – short term	-	-	-	551,500
Rental of hostel – short term	42,440	25,040	18,800	-
Rental of machinery – short term	68,200	54,000	254,145	346,822
Rental of premises – short term	-	5,903	34,000	101,080
Realised foreign exchange loss	24,422	123,170	634	144
Staff costs (Note 20)	3,733,666	2,732,093	2,966,109	4,394,135
Unrealised foreign exchange loss	-	42,427	-	-

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19. Profit before taxation (continued)

	2022 RM	2021 RM	2020 RM	2019 RM
and crediting:				
Gain on disposal of property, plant and equipment – net	-	6,448	-	873,208
Gain on lease liabilities written off	12,080	-	-	-
Interest income	101,502	108,413	108,076	110,921
Realised foreign exchange gain	-	-	111,188	775,890
Rental income	-	-	5,100	368,146
Unrealised foreign exchange gain	-	-	18	-

20. Staff costs

	2022 RM	2021 RM	2020 RM	2019 RM
Salaries, wages, allowances and bonus	2,533,048	1,763,364	1,939,661	3,764,385
Directors' remuneration	767,172	747,739	653,263	216,016
Employees Provident Fund	205,042	168,520	166,290	176,733
Social security contributions	32,156	21,952	17,305	17,017
Other staff related expenses	228,548	111,068	189,590	219,984
Total staff costs	3,765,966	2,812,643	2,966,109	4,394,135
Less: SOCSO's COVID-19 Aid Relief	(32,300)	(80,550)	-	-
Net staff costs	3,733,666	2,732,093	2,966,109	4,394,135

Included in the staff costs are the remuneration of the Directors and key management personnel as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Directors				
Fee, salaries, allowances and bonus	694,490	664,858	577,619	195,000
Employees Provident Fund	70,836	72,720	62,280	20,016
Social security contributions	1,846	1,846	1,769	1,000
Other staff related expenses	-	8,315	11,595	-
	767,172	747,739	653,263	216,016
Key management				
Salaries, allowances and bonus	307,340	443,375	330,303	637,549
Employees Provident Fund	37,166	54,587	40,071	73,641
Social security contributions	2,770	4,555	3,463	3,422
Other staff related expenses	-	1,186	730	13,005
	347,276	503,703	374,567	727,617

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21. Taxation

	2022 RM	2021 RM	2020 RM	2019 RM
<u>Malaysian income tax</u>				
- current year	2,398,000	1,874,000	700,000	1,258,000
- under/(over) provision in prior years	50,744	16,583	43,303	(202,561)
	<u>2,448,744</u>	<u>1,890,583</u>	<u>743,303</u>	<u>1,055,439</u>
<u>Deferred tax (Note 16)</u>				
Relating to origination and reversal of temporary differences				
- current year	(28,000)	(49,000)	8,000	(355,000)
- underprovision in prior years	-	-	-	206,000
	<u>(28,000)</u>	<u>(49,000)</u>	<u>8,000</u>	<u>(149,000)</u>
	<u>2,420,744</u>	<u>1,841,583</u>	<u>751,303</u>	<u>906,439</u>

Reconciliation of income tax expense applicable to the results of the Group at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Profit before taxation	<u>8,207,983</u>	<u>7,430,028</u>	<u>1,968,543</u>	<u>6,186,000</u>
Tax at Malaysian statutory tax rate of 24%	1,969,916	1,783,207	472,450	1,484,640
Tax effects of:				
- expenses not deductible for tax purposes	509,112	101,986	325,550	159,278
- income not subject to tax	-	(22,332)	(6,000)	(209,570)
- tax incentives	(90,923)	(37,861)	-	(130,302)
- income tax reliefs	-	-	-	(366,046)
Tax savings under qualified SME incentives, at 17% for the first RM600,000 (2021: RM600,000, 2020: RM600,000, 2019: RM500,000) on chargeable income	-	-	(84,000)	(35,000)
- timing differences not recognised during the year	(18,105)	-	-	-
Under/(over) provision of income tax in prior years	50,744	16,583	43,303	(202,561)
Underprovision of deferred tax in prior years	-	-	-	206,000
Tax expense for the year	<u>2,420,744</u>	<u>1,841,583</u>	<u>751,303</u>	<u>906,439</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

22. Purchase of property, plant and equipment

During the financial years under review, the Group acquired property, plant and equipment which were satisfied as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Hire purchase arrangements	850,000	900,000	589,500	1,985,400
Cash payments	400,179	266,322	555,541	220,296
	<u>1,250,179</u>	<u>1,166,322</u>	<u>1,145,041</u>	<u>2,205,696</u>

23. Dividend paid

	2022 RM	2021 RM	2020 RM	2019 RM
Marc Conleth Industries Sdn. Bhd. paid the following dividends since the end of the previous financial year:				
Interim single-tier dividend of RM6.876236 per share, on 1,000,000 ordinary shares, declared and paid on 23 August 2019 in respect of financial year ended 30 April 2020.	-	-	6,876,236	-
Interim single-tier dividend of RM5.184951 per share, on 1,000,000 ordinary shares, declared and paid on 7 December 2018 in respect of financial year ended 30 April 2019.	-	-	-	5,184,951
	-	-	6,876,236	5,184,951

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

23. Dividend paid (continued)

	2022 RM	2021 RM	2020 RM	2019 RM
Cosmos Instruments Sdn. Bhd. paid the following dividends since the end of the previous financial year:				
First interim single-tier dividend of RM1.25 per share on 400,000 ordinary shares, was declared and paid on 21 August 2018 to the shareholders who were registered in the Register of Members of the Company as at 17 August 2018, in respect of financial year ended 30 April 2018.	-	-	-	500,000
Second interim single-tier dividend of RM1.25 per share on 400,000 ordinary shares, was declared and paid on 13 September 2018 to the shareholders who were registered in the Register of Members of the Company as at 10 September 2018, in respect of financial year ended 30 April 2018.	-	-	-	500,000
Third interim single-tier dividend of RM1.25 per share on 400,000 ordinary shares, was declared and paid on 10 October 2018 to the shareholders who were registered in the Register of Members of the Company as at 8 October 2018, in respect of financial year ended 30 April 2018.	-	-	-	500,000

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

23. Dividend paid (continued)

	2022 RM	2021 RM	2020 RM	2019 RM
Cosmos Instruments Sdn. Bhd. paid the following dividends since the end of the previous financial year (continued):				
Fourth interim single-tier dividend of RM2.50 per share on 400,000 ordinary shares, was declared and paid on 23 November 2018 to the shareholders who were registered in the Register of Members of the Company as at 20 November 2018, in respect of financial year ended 30 April 2018.	-	-	-	1,000,000
Fifth interim single-tier dividend of RM1.60 per share on 400,000 ordinary shares, was declared and paid on 27 November 2018 to the shareholders who were registered in the Register of Members of the Company as at 20 November 2018, in respect of financial year ended 30 April 2018.	-	-	-	640,000
	-	-	-	3,140,000
	-	-	6,876,236	8,324,951

For the purpose of statement of cash flows' presentation, the dividend paid is as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Dividend paid	-	-	-	8,324,951

The dividend declared on 23 August 2019 by Marc Conleth Industries Sdn. Bhd. in the financial year ended 30 April 2020 was applied towards full settlement of the amount due from the Company for the acquisition of Cosmos Instruments Sdn. Bhd., as disclosed in Note 12.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

24. Significant related party transactions**(a) Transactions with related parties**

Transactions arising from normal business transactions of the Group with its related parties during the financial year are as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Sales and services to related parties				
FIC Kitchen Technology Sdn. Bhd.	-	-	-	46,850
Globalink Metal Stamping Sdn. Bhd.	-	-	3,142	-
I.S.E.T. Engineering Sdn. Bhd.	42,361	554,404	301,283	1,297,009
MSM Equipment Manufacturer Sdn. Bhd.	-	21,321	-	-
MSM Kitchen Sdn. Bhd.	-	14,588	37,700	14,500
MSM Metal Industries Sdn. Bhd.	58,341	294	15,728	21,686
OMS Technology Sdn. Bhd.	-	43,945	72,375	68,720
Purchases from related parties				
Flexacon Automation System Sdn. Bhd.	-	35,485	-	-
FIC Kitchen Technology Sdn. Bhd.	-	-	184	-
I.S.E.T. Engineering Sdn. Bhd.	-	18,750	-	3,514
Marc16 Equipment Manufacturing Sdn. Bhd.	-	10,500	-	-
MSM Equipment Manufacturer Sdn. Bhd.	4,797	19,056	8,732	205,130
MSM Kitchen Sdn. Bhd.	-	-	-	956,321
MSM Metal Industries Sdn. Bhd.	26,975	15,077	44,182	3,491,013
Toyomi Engineering Sdn. Bhd.	-	100,901	148,540	353,195
Rental income from related parties				
FIC Kitchen Technology Sdn. Bhd.	-	-	-	120,000
MSM Equipment Manufacturer Sdn. Bhd.	-	-	-	10,000
MSM Kitchen Sdn. Bhd.	-	-	-	90,000

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

24. Significant related party transactions (continued)**(a) Transactions with related parties (continued)**

	2022 RM	2021 RM	2020 RM	2019 RM
Rental of factory charged by related parties				
I.S.E.T. Engineering Sdn. Bhd.	-	-	16,000	96,000
MSM Metal Industries Sdn. Bhd.	-	-	-	180,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,000</u>
Rental of machineries charged by a related party				
MSM Metal Industries Sdn. Bhd.	-	-	216,000	324,000
	<u>-</u>	<u>-</u>	<u>216,000</u>	<u>324,000</u>
Rental of motor vehicles charged by a related party				
I.S.E.T. Engineering Sdn. Bhd.	21,700	24,400	7,345	-
	<u>21,700</u>	<u>24,400</u>	<u>7,345</u>	<u>-</u>
Lease liabilities and interest charged by related parties				
Flexacon Automation System Sdn. Bhd.	39,000	33,000	30,000	-
MSM Metal Industries Sdn. Bhd.	180,000	180,000	180,000	-
	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	<u>-</u>
Sub-contract charged by related parties				
Globalink Metal Sdn. Bhd.	122,446	-	-	123,465
I.S.E.T. Engineering Sdn. Bhd.	64,172	163,169	14,098	700
MSM Equipment Manufacturer Sdn. Bhd.	-	7,545	-	-
MSM Kitchen Sdn. Bhd.	-	-	-	6,160
MSM Metal Industries Sdn. Bhd.	-	2,442	-	25,000
Moscoss Services Sdn. Bhd.	-	-	-	2,910
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,910</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

24. Significant related party transactions (continued)**(a) Transactions with related parties (continued)**

	2022 RM	2021 RM	2020 RM	2019 RM
Acquisition of plant and machinery from a related party				
Flexacon Automation System Sdn. Bhd.	-	-	-	170,000
Purchase of motor vehicles from a related party				
I.S.E.T. Engineering Sdn. Bhd.	76,000	-	-	-
Management fee charged by a related party				
MSM Metal Industries Sdn. Bhd.	-	-	104,391	-
Disposal of property to a related party				
MSM Kitchen Sdn. Bhd.	-	-	-	11,597,951

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

(b) Compensation of key management personnel and Directors

The remuneration of key management personnel and Directors during the financial year are as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Fee, salaries, allowances and bonus	1,001,830	1,108,233	907,922	832,549
Employees Provident Fund	108,002	127,307	102,351	93,657
Social security contributions	4,616	6,401	5,232	4,422
Other staff related expenses	-	9,501	12,325	13,005
	<u>1,114,448</u>	<u>1,251,442</u>	<u>1,027,830</u>	<u>943,633</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

24. Significant related party transactions (continued)**(b) Compensation of key management personnel and Directors (continued)**

The breakdown of the total remuneration of key management personnel and Directors of the Group are as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Directors				
Fee, salaries, allowances and bonus	694,490	664,858	577,619	195,000
Employees Provident Fund	70,836	72,720	62,280	20,016
Social security contributions	1,846	1,846	1,769	1,000
Other staff related expenses	-	8,315	11,595	-
	<u>767,172</u>	<u>747,739</u>	<u>653,263</u>	<u>216,016</u>
Key management				
Salaries, allowances and bonus	307,340	443,375	330,303	637,549
Employees Provident Fund	37,166	54,587	40,071	73,641
Social security contributions	2,770	4,555	3,463	3,422
Other staff related expenses	-	1,186	730	13,005
	<u>347,276</u>	<u>503,703</u>	<u>374,567</u>	<u>727,617</u>

After analysing the advantages and disadvantages in relation to the disclosure of each key management personnel's and Director's remuneration, the Group is of the view that such disclosures would be prejudicial to their business interest, given the nature of them being in a highly competitive environment. As such, the Group has not disclosed the exact details of the remuneration of each individual key management personnel and Director but instead their total compensation.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

25. Earnings per share

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

	2022 RM	2021 RM	2020 RM	2019 RM
Profit for the year attributable to the owners of the parent	5,787,239	5,588,445	1,217,240	5,279,561
Weighted average number of shares	<u>192,376,000</u>	<u>192,376,000</u>	<u>192,376,000</u>	<u>1,400,000</u>
Basic earnings per share (sen)	<u>3.01</u>	<u>2.90</u>	<u>0.63</u>	<u>377.11</u>

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the financial year.

26. Segment reporting**(a) Business activities**

For management purposes, the Group is organised into the following operating divisions, all of which are conducted predominantly in Malaysia:

- (i) Manufacturing of fabricated metal parts used in water, wastewater and oil and gas applications
- (ii) Distribution of industrial automation and control instrumentation and servicing of fluid control products
- (iii) Investment holding operations

The Group presents its segment information based on local and exports market segments, which is the basis of presenting its monthly management reports. For each of the market segments, the Group Managing Director reviews internal management reports on a regular basis for performance and resource allocation decisions.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

26. Segment reporting (continued)**(a) Business activities (continued)**

The Group's financial information is analysed by operating segments as follows:

	Manufacturing RM	Trading and services RM	Investment holding RM	Elimination RM	Total RM
2022					
Revenue					
Local	22,719,479	19,058,369	-	(334,502)	41,443,346
Export	7,676,841	-	-	-	7,676,841
	<u>30,396,320</u>	<u>19,058,369</u>	<u>-</u>	<u>(334,502)</u>	<u>49,120,187</u>
Results					
Segment results	6,386,802	4,005,995	(1,925,926)	-	8,466,871
Finance costs	(254,477)	(4,411)	-	-	(258,888)
Profit/(loss) before taxation	6,132,325	4,001,584	(1,925,926)	-	8,207,983
Taxation	(1,422,247)	(998,497)	-	-	(2,420,744)
Profit/(loss) for the year	<u>4,710,078</u>	<u>3,003,087</u>	<u>(1,925,926)</u>	<u>-</u>	<u>5,787,239</u>
Net assets/(liabilities) as at 30 April 2022	<u>9,223,035</u>	<u>15,037,064</u>	<u>10,947,924</u>	<u>(8,656,798)</u>	<u>26,551,225</u>
Other information					
Segment assets	<u>28,659,242</u>	<u>16,928,345</u>	<u>11,002,804</u>	<u>(10,760,297)</u>	<u>45,830,094</u>
Segment liabilities	18,374,826	1,838,420	54,880	(2,103,499)	18,164,627
Provision for taxation	1,028,381	50,000	-	-	1,078,381
Deferred taxation	33,000	2,861	-	-	35,861
Consolidated liabilities	<u>19,436,207</u>	<u>1,891,281</u>	<u>54,880</u>	<u>(2,103,499)</u>	<u>19,278,869</u>

14. ACCOUNTANTS' REPORT (CONT'D)
Cosmos Technology International Berhad

(Incorporated in Malaysia)

26. Segment reporting (continued)
(a) Business activities (continued)

	Manufacturing	Trading and services	Investment holding	Elimination	Total
	RM	RM	RM	RM	RM
2022					
Other information (continued)					
Capital expenditure on property, plant and equipment	1,157,596	92,583	-	-	1,250,179
Depreciation of property, plant and equipment	724,058	76,063	-	-	800,121
Depreciation of right-of-use assets	203,984	-	-	-	203,984
Gain on lease liabilities written off	(12,080)	-	-	-	(12,080)
Interest income	(7,418)	(94,084)	-	-	(101,502)
Property, plant and equipment written off	-	639	-	-	639
Realised foreign exchange loss	10,415	14,007	-	-	24,422
2021					
Revenue					
Local	12,159,120	18,016,390	-	(692,499)	29,483,011
Export	4,239,810	-	-	-	4,239,810
	16,398,930	18,016,390	-	(692,499)	33,722,821
Results					
Segment results	3,664,235	4,316,315	(164,163)	-	7,816,387
Finance costs	(382,913)	(3,446)	-	-	(386,359)
Profit/(loss) before taxation	3,281,322	4,312,869	(164,163)	-	7,430,028
Taxation	(843,727)	(997,856)	-	-	(1,841,583)
Profit/(loss) for the year	2,437,595	3,315,013	(164,163)	-	5,588,445
Net assets/(liabilities) as at 30 April 2021	4,512,957	12,033,977	12,873,850	(8,656,798)	20,763,986

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

(Incorporated in Malaysia)

26. Segment reporting (continued)

(a) Business activities (continued)

	Manufacturing RM	Trading and services RM	Investment holding RM	Elimination RM	Total RM
2021					
Other information					
Segment assets	20,793,588	15,971,470	12,893,850	(12,114,367)	37,544,541
Segment liabilities	15,667,804	3,686,632	20,000	(3,457,569)	15,916,867
Provision for taxation	551,827	248,000	-	-	799,827
Deferred taxation	61,000	2,861	-	-	63,861
Consolidated liabilities	16,280,631	3,937,493	20,000	(3,457,569)	16,780,555
Capital expenditure on property, plant and equipment	1,082,814	83,508	-	-	1,166,322
Depreciation of property, plant and equipment	572,061	78,470	-	-	650,531
Depreciation of right-of-use assets	198,182	-	-	-	198,182
(Gain)/loss on disposal of property, plant and equipment	(12,500)	6,052	-	-	(6,448)
Interest income	(7,168)	(101,245)	-	-	(108,413)
Property, plant and equipment written off	-	16,893	-	-	16,893
Realised foreign exchange loss	116,541	6,629	-	-	123,170
Unrealised foreign exchange loss	42,427	-	-	-	42,427

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

(Incorporated in Malaysia)

26. Segment reporting (continued)

(a) Business activities (continued)

	Manufacturing RM	Trading and services RM	Investment holding RM	Elimination RM	Total RM
2020					
Revenue					
Local	6,086,887	10,475,125	-	(212,239)	16,349,773
Export	8,839,394	-	-	-	8,839,394
	<u>14,926,281</u>	<u>10,475,125</u>	<u>-</u>	<u>(212,239)</u>	<u>25,189,167</u>
Results					
Segment results	5,065,784	2,422,659	(924,502)	(4,045,672)	2,518,269
Finance costs	(544,178)	(5,548)	-	-	(549,726)
Profit/(loss) before taxation	4,521,606	2,417,111	(924,502)	(4,045,672)	1,968,543
Taxation	(176,920)	(574,383)	-	-	(751,303)
Profit/(loss) for the year	<u>4,344,686</u>	<u>1,842,728</u>	<u>(924,502)</u>	<u>(4,045,672)</u>	<u>1,217,240</u>
Net assets/(liabilities) as at 30 April 2020	<u>2,075,362</u>	<u>8,718,964</u>	<u>13,038,013</u>	<u>(8,656,798)</u>	<u>15,175,541</u>
2020					
Other information					
Segment assets	<u>20,524,796</u>	<u>12,967,673</u>	<u>13,125,456</u>	<u>(12,177,296)</u>	<u>34,440,629</u>
Segment liabilities	18,233,743	4,165,848	87,443	(3,520,498)	18,966,536
Provision for taxation	105,691	80,000	-	-	185,691
Deferred taxation	110,000	2,861	-	-	112,861
Consolidated liabilities	<u>18,449,434</u>	<u>4,248,709</u>	<u>87,443</u>	<u>(3,520,498)</u>	<u>19,265,088</u>

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

(Incorporated in Malaysia)

26. Segment reporting (continued)

(a) Business activities (continued)

	Manufacturing RM	Trading and services RM	Investment holding RM	Elimination RM	Total RM
2020					
Other information (continued)					
Capital expenditure on property, plant and equipment	1,006,418	138,623	-	-	1,145,041
Depreciation of property, plant and equipment	744,215	71,099	-	-	815,314
Depreciation of right-of-use assets	192,621	-	-	-	192,621
Interest income	(13,466)	(94,610)	-	-	(108,076)
Loss/(gain) on disposal of property, plant and equipment	156,900	(25,000)	-	-	131,900
Realised foreign exchange (gain)/loss	(111,188)	634	-	-	(110,554)
Unrealised foreign exchange gain	(18)	-	-	-	(18)
2019					
Revenue					
Local	12,032,822	11,376,441	-	(98,279)	23,310,984
Export	20,766,667	-	-	-	20,766,667
	32,799,489	11,376,441	-	(98,279)	44,077,651
Results					
Segment results	3,336,940	3,624,234	-	-	6,961,174
Finance costs	(746,521)	(28,653)	-	-	(775,174)
Profit before taxation	2,590,419	3,595,581	-	-	6,186,000
Taxation	(286,442)	(619,997)	-	-	(906,439)
Profit for the year	2,303,977	2,975,584	-	-	5,279,561
Net assets as at 30 April 2019	4,611,149	6,876,236	-	-	11,487,385

14. ACCOUNTANTS' REPORT (CONT'D)

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(Incorporated in Malaysia)

26. Segment reporting (continued)

(a) Business activities (continued)

	Manufacturing RM	Trading and services RM	Investment holding RM	Elimination RM	Total RM
2019					
Other information					
Segment assets	30,772,076	12,967,673	-	(5,997,753)	37,741,996
Segment liabilities	25,836,491	4,165,848	-	(4,153,025)	25,849,314
Provision for taxation	222,436	80,000	-	(2,000)	300,436
Deferred taxation	102,000	2,861	-	-	104,861
Consolidated liabilities	<u>26,160,927</u>	<u>4,248,709</u>	-	<u>(4,155,025)</u>	<u>26,254,611</u>
Capital expenditure on property, plant and equipment	2,075,586	130,110	-	-	2,205,696
Depreciation of property, plant and equipment	841,617	39,684	-	-	881,301
Gain on disposal of property, plant and equipment - net	-	(873,208)	-	-	(873,208)
Interest income	(11,993)	(98,928)	-	-	(110,921)
Impairment loss on non-current assets held for sale	-	6,338	-	-	6,338
Realised foreign exchange (gain)/loss	(775,890)	144	-	-	(775,746)

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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26. Segment reporting (continued)**(b) Industry**

The Group's segment revenue is analysed by industry as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Water and wastewater	19,058,369	18,016,390	10,475,125	11,376,441
Oil and gas	28,324,808	12,036,836	14,714,042	32,701,210
Healthcare	1,635,856	3,556,736	-	-
Others	101,154	112,859	-	-
	<u>49,120,187</u>	<u>33,722,821</u>	<u>25,189,167</u>	<u>44,077,651</u>

(c) Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers.

	2022 RM	2021 RM	2020 RM	2019 RM
Malaysia	41,443,346	29,483,011	16,349,773	23,310,984
United States of America	7,676,841	4,239,810	8,839,394	20,764,581
Singapore	-	-	-	2,086
	<u>49,120,187</u>	<u>33,722,821</u>	<u>25,189,167</u>	<u>44,077,651</u>

(d) Information about major customer

There are three (2021: two, 2020: two, 2019: two) customers whose transactions arising from sales in the manufacturing segment amounted to approximately RM24,138,000 (2021: RM8,979,000, 2020: RM14,152,000, 2019: RM31,642,000) representing more than 10% of the Group's revenue.

27. Financial risk management policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the period under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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27. Financial risk management policies (continued)

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows:

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets except for fixed deposits in licensed banks, where the interest is insignificant, the Group's income in operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Interest rate sensitivity analysis**i Fair value sensitivity analysis for fixed rate instrument**

The Group does not account for any fixed rate financial liabilities at 'fair value through profit or loss' and do not designate derivatives as hedging instrument under fair value hedge accounting method. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

ii Interest rate risk sensitivity analysis

If the interest rates have been higher or lower and all other variables were held constant, the Group's results would decrease or increase accordingly. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings which are not hedged. The Group's floating rate borrowings in RM are exposed to variability in future interest payments. If the Bank's Base Lending Rate (BLR) were to increase/decrease by 1%, it would impact the Group's profit by approximately RM51,620 (2021: RM23,880, 2020: RM13,850, 2019: RM79,200).

The fixed deposits with licensed banks of the Group as at 30 April 2022 have maturity periods ranging from 3 to 12 (2021: 3 to 12, 2020: 3 to 12, 2019: 3 to 12) months, and bear interest at rates ranging from 1.40% to 1.90% (2021: 1.85% to 2.00%, 2020: 2.80% to 3.65%, 2019: 3.10% to 3.80%) per annum.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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27. Financial risk management policies (continued)**(b) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk primarily from their trade receivables, other receivables which are financial assets, deposits placed with licensed banks and cash and bank balances.

As at the current and previous financial year ends, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial asset recognised in the statement of financial position.

For fixed deposits with licensed banks, cash and bank balances, the Group minimises credit risk by adopting an investment policy which allows dealing with counterparties with good credit ratings only. The Group closely monitors the credit worthiness of their counterparties by reviewing their credit ratings and credit profiles on a regular basis. Receivables are monitored to ensure that exposure to bad debts is minimised.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval from the Head of Credit Control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Fixed deposits with licensed banks, cash and bank balances

The Group's fixed deposits with licensed banks, cash and bank balances at the financial year end are as follows:

	Note	2022 RM	2021 RM	2020 RM	2019 RM
Fixed deposits placed with licensed banks	11	5,041,998	4,984,398	2,921,357	2,821,558
Cash and bank balances	11	<u>8,351,192</u>	<u>5,987,465</u>	<u>7,697,358</u>	<u>1,429,757</u>
		<u>13,393,190</u>	<u>10,971,863</u>	<u>10,618,715</u>	<u>4,251,315</u>

No expected credit loss on the Group's balances were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

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Cosmos Technology International Berhad

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27. Financial risk management policies (continued)

(b) Credit risk (continued)

Receivables

The ageing analysis of the Group's gross receivables (before deducting allowance for impairment loss) are as follows:

	Note	Total RM	Credit impaired RM	Not past due RM	Not credit impaired				Total past due RM
					Past due				
					1-60 days RM	61-120 days RM	121-150 days RM	>150 days RM	
2022									
Trade receivables	9	15,103,803	-	4,277,739	6,289,932	3,722,004	579,664	234,464	10,826,064
Other receivables which are financial assets	9	238,709	-	231,311	5,398	2,000	-	-	7,398
Other current assets	10	1,533,288	-	1,479,180	-	-	-	54,108	54,108
		<u>16,875,800</u>	<u>-</u>	<u>5,988,230</u>	<u>6,295,330</u>	<u>3,724,004</u>	<u>579,664</u>	<u>288,572</u>	<u>10,887,570</u>
2021									
Trade receivables	9	9,800,993	-	3,113,981	5,200,383	626,765	26,100	833,764	6,687,012
Other receivables which are financial assets	9	1,628,821	-	1,108,090	71,420	78,893	-	370,418	520,731
Other current assets	10	64,968	-	10,860	-	-	-	54,108	54,108
		<u>11,494,782</u>	<u>-</u>	<u>4,232,931</u>	<u>5,271,803</u>	<u>705,658</u>	<u>26,100</u>	<u>1,258,290</u>	<u>7,261,851</u>

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27. Financial risk management policies (continued)

(b) Credit risk (continued)

Receivables (continued)

	Note	Total RM	Credit impaired RM	Not past due RM	Not credit impaired				Total past due RM
					Past due				
					1-60 days RM	61-120 days RM	121-150 days RM	>150 days RM	
2020									
Trade receivables	9	5,207,642	-	401,110	3,243,353	1,501,061	2,530	59,588	4,806,532
Other receivables which are financial assets	9	1,114,066	-	693,733	1,712	35,170	-	383,451	420,333
Other current assets	10	76,458	-	76,458	-	-	-	-	-
		<u>6,398,166</u>	<u>-</u>	<u>1,171,301</u>	<u>3,245,065</u>	<u>1,536,231</u>	<u>2,530</u>	<u>443,039</u>	<u>5,226,865</u>
2019									
Trade receivables	9	15,296,148	-	4,390,445	6,911,305	2,930,944	297,160	766,294	10,905,703
Other receivables which are financial assets	9	3,303,117	-	2,258,238	109,818	121,765	48,677	764,619	1,044,879
Other current assets	10	158,067	-	158,067	-	-	-	-	-
		<u>18,757,332</u>	<u>-</u>	<u>6,806,750</u>	<u>7,021,123</u>	<u>3,052,709</u>	<u>345,837</u>	<u>1,530,913</u>	<u>11,950,582</u>

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27. Financial risk management policies (continued)

(b) Credit risk (continued)

Receivables (continued)

Receivables that are neither past due nor credit impaired are creditworthy debtors with good payment records with the Group. The Group's trade receivables credit term ranges from 30 to 90 days (2021: 30 to 90 days, 2020: 30 to 90 days, 2019: 30 to 90 days). Certain receivables' credit terms are assessed and approved on a case by case basis.

Other receivables which are financial assets include sundry receivables and amounts due from related parties. Other current assets comprise deposits.

None of the Group's receivables that are neither past due nor credit impaired have been renegotiated during the current and previous financial years. Receivables are not secured by any collaterals or credit enhancements.

The Group's concentration of credit risk relates to the amount owing by three (2021: four, 2020: one, 2019: two) major customers respectively which constituted 72% (2021: 55%, 2020: 33%, 2019: 78%) of its trade receivables at the end of the reporting year.

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

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27. Financial risk management policies (continued)

(b) Credit risk (continued)

Receivables (continued)

Impairment on receivables

The Group applies the simplified approach whereby allowance for impairment are measured at 12-months ECL. The movement of the allowance for impairment loss on receivables is as follows:

	Trade receivables			Other receivables which are financial assets		
	Credit impaired (Note i) RM	12-months ECL allowance RM	Total allowance RM	Credit impaired (Note i) RM	12-months ECL allowance RM	Total allowance RM
At 1 May 2018	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
At 30 April 2019	-	-	-	-	-	-
At 1 May 2019	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
At 30 April 2020	-	-	-	-	-	-
At 1 May 2020	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
At 30 April 2021	-	-	-	-	-	-
At 1 May 2021	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
At 30 April 2022	-	-	-	-	-	-

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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27. Financial risk management policies (continued)**(b) Credit risk (continued)****Receivables (continued)****Impairment on receivables (continued)**

	Credit impaired (Note i) RM	Other current assets 12-months ECL allowance RM	Total allowance RM
At 1 May 2018	-	-	-
Charge for the year	-	-	-
At 30 April 2019	-	-	-
At 1 May 2019	-	-	-
Charge for the year	-	-	-
At 30 April 2020	-	-	-
At 1 May 2020	-	-	-
Charge for the year	-	-	-
At 30 April 2021	-	-	-
At 1 May 2021	-	-	-
Charge for the year	-	-	-
At 30 April 2022	-	-	-

- i Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

The exposure of credit risks for trade receivables as at the end of the reporting year by geographical region is as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Domestic	10,668,064	7,784,652	3,479,445	8,063,659
United States of America	4,435,739	2,016,341	1,728,197	7,232,489
	<u>15,103,803</u>	<u>9,800,993</u>	<u>5,207,642</u>	<u>15,296,148</u>

As at the end of the reporting year, the maximum exposure of credit risk arising from trade receivables is represented by the carrying amount in the statement of financial position.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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27. Financial risk management policies (continued)**(c) Foreign currency risk**

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are USD, EUR and SGD.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, if any.

The following table shows the accumulated amount of financial assets and liabilities in foreign currency:

	Note	USD RM	EUR RM	SGD RM	Total RM
2022					
Financial assets					
Trade and other receivables	9	4,435,739	-	-	4,435,739
Fixed deposits with licensed banks, cash and bank balances	11	507,722	-	-	507,722
		<u>4,943,461</u>	<u>-</u>	<u>-</u>	<u>4,943,461</u>
Financial liabilities					
Trade and other payables	17	37,212	83,574	-	120,786
		<u>4,906,249</u>	<u>(83,574)</u>	<u>-</u>	<u>4,822,675</u>
2021					
Financial assets					
Trade and other receivables	9	2,016,341	-	12,041	2,028,382
Fixed deposits with licensed banks, cash and bank balances	11	24,500	-	-	24,500
		<u>2,040,841</u>	<u>-</u>	<u>12,041</u>	<u>2,052,882</u>
Financial liabilities					
Trade and other payables	17	31,804	51,600	-	83,404
		<u>2,009,037</u>	<u>(51,600)</u>	<u>12,041</u>	<u>1,969,478</u>

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

(Incorporated in Malaysia)

27. Financial risk management policies (continued)

(c) Foreign currency risk (continued)

The following table shows the accumulated amount of financial assets and liabilities in foreign currency (continued):

	Note	USD RM	EUR RM	SGD RM	Total RM
2020					
Financial assets					
Trade and other receivables	9	1,728,197	-	8,360	1,736,557
Fixed deposits with licensed banks, cash and bank balances	11	4,146	-	-	4,146
		<u>1,732,343</u>	<u>-</u>	<u>8,360</u>	<u>1,740,703</u>
Financial liabilities					
Trade and other payables	17	-	58,088	-	58,088
		<u>1,732,343</u>	<u>(58,088)</u>	<u>8,360</u>	<u>1,682,615</u>
Net financial assets/(liabilities)					
2019					
Financial assets					
Trade and other receivables	9	7,232,489	-	-	7,232,489
Fixed deposits with licensed banks, cash and bank balances	11	12,698	-	1,367	14,065
		<u>7,245,187</u>	<u>-</u>	<u>1,367</u>	<u>7,246,554</u>
Financial liabilities					
Trade and other payables	17	-	10,675	122,040	132,715
		<u>7,245,187</u>	<u>(10,675)</u>	<u>(120,673)</u>	<u>7,113,839</u>
Net financial assets/(liabilities)					

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

27. Financial risk management policies (continued)**(c) Foreign currency risk (continued)****Foreign currency risk sensitivity analysis**

The sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting year with all other variables held constant is as follows:

	Increase/(decrease) in the Group's results			
	2022 RM	2021 RM	2020 RM	2019 RM
Effects on profit before taxation:				
USD				
- strengthened by 5%	245,312	100,452	86,617	362,259
- weakened by 5%	<u>(245,312)</u>	<u>(100,452)</u>	<u>(86,617)</u>	<u>(362,259)</u>
EUR				
- strengthened by 5%	(4,179)	(2,580)	(2,904)	(534)
- weakened by 5%	<u>4,179</u>	<u>2,580</u>	<u>2,904</u>	<u>534</u>
SGD				
- strengthened by 5%	-	602	418	(6,034)
- weakened by 5%	<u>-</u>	<u>(602)</u>	<u>(418)</u>	<u>6,034</u>

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

14. ACCOUNTANTS' REPORT (CONT'D)

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(Incorporated in Malaysia)

27. Financial risk management policies (continued)

(d) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's liabilities at the financial year end based on contractual undiscounted repayment obligations.

	Note	Carrying amount RM	Contractual undiscounted cash flow RM	Maturity		
				Less than 1 year RM	Between 1 and 5 years RM	More than 5 years RM
2022						
Borrowings	14	5,162,369	5,196,437	4,925,710	197,280	73,447
Lease liabilities	15	2,941,499	3,278,655	993,444	2,251,441	33,770
Trade and other payables	17	10,060,759	10,060,759	10,060,759	-	-
		<u>18,164,627</u>	<u>18,535,851</u>	<u>15,979,913</u>	<u>2,448,721</u>	<u>107,217</u>
2021						
Borrowings	14	2,387,751	2,411,409	2,196,032	197,280	18,097
Lease liabilities	15	2,741,156	3,044,868	1,054,639	1,922,344	67,885
Trade and other payables	17	10,787,960	10,787,960	10,787,960	-	-
		<u>15,916,867</u>	<u>16,244,237</u>	<u>14,038,631</u>	<u>2,119,624</u>	<u>85,982</u>

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

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27. Liquidity risk management policies (continued)

(d) Liquidity risk (continued)

	Note	Carrying amount RM	Contractual undiscounted cash flow RM	Maturity		
				Less than 1 year RM	Between 1 and 5 years RM	More than 5 years RM
2020						
Borrowings	14	1,385,227	1,385,227	1,385,227	-	-
Lease liabilities	15	2,481,414	2,734,382	923,859	1,810,523	-
Trade and other payables	17	15,099,895	15,099,895	15,099,895	-	-
		<u>18,966,536</u>	<u>19,219,504</u>	<u>17,408,981</u>	<u>1,810,523</u>	<u>-</u>
2019						
Borrowings	14	10,159,043	10,406,508	8,785,924	1,620,584	-
Trade and other payables	17	15,690,271	15,690,271	15,690,271	-	-
		<u>25,849,314</u>	<u>26,096,779</u>	<u>24,476,195</u>	<u>1,620,584</u>	<u>-</u>

Included in other payables are amounts due to related parties, sundry payables, accruals and deposits received.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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27. Financial risk management policies (continued)**(e) Capital management**

The Group objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The debt-to-equity ratios at the end of reporting year was as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
Borrowings	5,162,369	2,387,751	1,385,227	10,159,043
Lease liabilities	2,941,499	2,741,156	2,481,414	-
	<u>8,103,868</u>	<u>5,128,907</u>	<u>3,866,641</u>	<u>10,159,043</u>
Less:				
Fixed deposits with licensed banks (not pledged), cash and bank balances	<u>(12,116,846)</u>	<u>(9,719,798)</u>	<u>(9,392,405)</u>	<u>(3,066,448)</u>
Net (cash)/debt	<u>(4,012,978)</u>	<u>(4,590,891)</u>	<u>(5,525,764)</u>	<u>7,092,595</u>
Total equity	<u>26,551,225</u>	<u>20,763,986</u>	<u>15,175,541</u>	<u>11,487,385</u>
Debt-to-equity ratio	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>61.74%</u>

Not applicable as the fixed deposits with licensed banks (not pledged) and cash and bank balances of the Group are sufficient to settle all the outstanding debts of the Group as at the financial year end.

28. Non-cancellable contracts

At the financial year end, the commitments in respect of non-cancellable operating lease for the rental of premises for a period of less than 12 months subsequent to the financial year end are as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
As lessee				
Future minimum lease payments				
- not later than 1 year	-	-	-	324,000
- later than 1 year and not later than 5 years	-	-	-	214,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>538,000</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

28. Non-cancellable contracts (continued)

At the financial year end, the commitment in respect of non-cancellable operating lease for the rental of equipment and machineries for a period of less than 12 months subsequent to the financial year end are as follows:

	2022 RM	2021 RM	2020 RM	2019 RM
As lessee				
Future minimum lease payments				
- not later than 1 year	-	-	-	327,948
- later than 1 year and not later than 5 years	-	-	-	220,113
	<u>-</u>	<u>-</u>	<u>-</u>	<u>548,061</u>

29. Fair values**(a) Financial instruments that are measured at fair value**

The hierarchies reflect the level of objectiveness of inputs used when measuring the fair value.

- (i) Level 1: Quoted prices (unadjusted) of identical asset in active markets
- (ii) Level 2: Inputs other at quoted prices included within Level 1 that are observable for the asset, either directly (i.e. prices) or indirectly (i.e. derived from prices)
- (iii) Level 3: Inputs for the assets are not based on observable market data (unobservable inputs)

The Group does not have any financial instruments measured at fair value in the current and previous financial years.

(b) Financial instruments that are not measured at fair value

The carrying amount of the financial instruments measured at amortised cost are reasonable approximation of their fair values due to their short term nature.

	Note
Trade and other receivables	9
Other current assets	10
Fixed deposits with licensed banks, cash and bank balances	11
Borrowings – current	14
Lease liabilities – current	15
Trade and other payables	17

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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30. Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised cost ["AC"]
 (b) Fair value through profit or loss ["FVTPL"]

	Carrying amount RM	AC RM	FVTPL RM
2022			
Non-derivative financial assets			
Trade and other receivables	15,342,512	15,342,512	-
Other current assets	1,533,288	1,533,288	-
Fixed deposits with licensed banks, cash and bank balances	13,393,190	13,393,190	-
	<u>30,268,990</u>	<u>30,268,990</u>	<u>-</u>
Non-derivative financial liabilities			
Borrowings	5,162,369	5,162,369	-
Lease liabilities	2,941,499	2,941,499	-
Trade and other payables	10,060,759	10,060,759	-
	<u>18,164,627</u>	<u>18,164,627</u>	<u>-</u>
2021			
Non-derivative financial assets			
Trade and other receivables	11,429,814	11,429,814	-
Other current assets	64,968	64,968	-
Fixed deposits with licensed banks, cash and bank balances	10,971,863	10,971,863	-
	<u>22,466,645</u>	<u>22,466,645</u>	<u>-</u>
Non-derivative financial liabilities			
Borrowings	2,387,751	2,387,751	-
Lease liabilities	2,741,156	2,741,156	-
Trade and other payables	10,787,960	10,787,960	-
	<u>15,916,867</u>	<u>15,916,867</u>	<u>-</u>

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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30. Categories of financial instruments (continued)

	Carrying amount RM	AC RM	FVTPL RM
2020			
Non-derivative financial assets			
Trade and other receivables	6,321,708	6,321,708	-
Other current assets	76,458	76,458	-
Fixed deposits with licensed banks, cash and bank balances	<u>10,618,715</u>	<u>10,618,715</u>	-
	<u>17,016,881</u>	<u>17,016,881</u>	<u>-</u>
Non-derivative financial liabilities			
Borrowings	1,385,227	1,385,227	-
Lease liabilities	2,481,414	2,481,414	-
Trade and other payables	<u>15,099,895</u>	<u>15,099,895</u>	-
	<u>18,966,536</u>	<u>18,966,536</u>	<u>-</u>
2019			
Non-derivative financial assets			
Trade and other receivables	18,599,265	18,599,265	-
Other current assets	158,067	158,067	-
Fixed deposits with licensed banks, cash and bank balances	<u>4,251,315</u>	<u>4,251,315</u>	-
	<u>23,008,647</u>	<u>23,008,647</u>	<u>-</u>
Non-derivative financial liabilities			
Borrowings	10,159,043	10,159,043	-
Trade and other payables	<u>15,690,271</u>	<u>15,690,271</u>	-
	<u>25,849,314</u>	<u>25,849,314</u>	<u>-</u>

31. Capital commitments

	2022 RM	2021 RM	2020 RM	2019 RM
Approved and contracted for:				
Property, plant and equipment*	<u>11,902,638</u>	<u>-</u>	<u>-</u>	<u>-</u>

* Included is an amount of RM1,181,000 (2021: RMNil, 2020: RMNil, 2019: RMNil) which has been recognised in the deposits for acquisition of property, plant and equipment, as disclosed in Note 10.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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32. Significant and subsequent events**(a) COVID-19 outbreak**

The COVID-19 outbreak in early 2020 has reached a pandemic level affecting all businesses and economic activities globally. The Malaysian Government has enforced various measures to curb with the spreading of the virus including travel restrictions, reduced business operating capacity and total prohibition for certain businesses to operate.

There is no material impact of COVID-19 on the Group's results of operations and financial performance during the current financial year, and the Group foresees the same for the financial year ending 30 April 2023. Given the fluidity of the situation, the Group will continuously monitor the impact of COVID-19 on its operations and its financial performance and will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's operations.

(b) Withdrawal of Listing from the LEAP Market of Bursa Securities

On 28 July 2021, the shareholders, Dato' Chong Toh Wee and MSM International Limited has requested the Company to consider undertaking voluntary withdrawal of the Company's listing from the LEAP Market of Bursa Securities. The rationale for undertaking the Proposed Withdrawal of Listing is to facilitate its proposed listing on the ACE Market of Bursa Securities. On 21 September 2021, an Extraordinary General Meeting was held and the shareholders' approval was obtained following which on 25 October 2021, Bursa Securities has also given their approval for the Company's voluntary withdrawal from the LEAP Market of Bursa Securities. The Company was delisted on 10 November 2021.

(c) Acquisition of New Building

On 14 January 2022, Cosmos Instruments Sdn. Bhd. entered into a Sale and Purchase Agreement ("SPA") with Jemco Venture Sdn. Bhd. to purchase a piece of leasehold land known as PT 59919, Pekan Cheras, Daerah Ulu Langat, Negeri Selangor held under H.S.(D) 174625, measuring approximately 36,860 square feet in area together with a factory cum office and warehouse erected thereon and bearing postal address of PT 59919, H.S.(D) 174625, Jalan KPB 6, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan for the purchase consideration of RM11,800,000. The acquisition of new building was not completed as at the date of this report.

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad
(Incorporated in Malaysia)

Statement by Directors

We, Dato' Chong Toh Wee and Ng Boon Keong, being two of the Directors of Cosmos Technology International Berhad, do hereby state that, in the opinion of the Directors, the accompanying combined financial statements set out on pages 4 to 83 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022, and of their financial performance and cash flows for the financial years ended 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 August 2022.



Dato' Chong Toh Wee
Director

Shah Alam



Ng Boon Keong
Director

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (i) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (ii) No securities will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of this Prospectus.
- (iii) None of the share capital of our Company or our Subsidiaries is under option or agreed conditionally or unconditionally to be put under option.
- (iv) As at the date of this Prospectus, save for our Issue Shares reserved for the Eligible Persons as disclosed in Section 4.1.1(ii) of this Prospectus, there is currently no other scheme involving our Directors or employees in the share capital of our Company or our Subsidiaries.
- (v) Save for the issuance of our Shares to the subscribers upon our incorporation and to our Promoters pursuant to the acquisition of our Subsidiaries, 192,376,000 new Shares issued in conjunction with our listing on the LEAP Market and our Public Issue as disclosed in Sections 6.2 and 4.1 of this Prospectus respectively, no shares, stocks or debentures of our Company or our Subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 3 years immediately preceding the LPD.
- (vi) As at the date of this Prospectus, none of our Company or our Subsidiaries has any outstanding warrants, options, convertible securities or uncalled capital.

15.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are reproduced from our Constitution which comply with the Listing Requirements, the Act and the Rules of Bursa Depository.

The words, terms and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

(i) **Transfer of shares**

Clause 23 – Transfer of shares

Subject to the provisions of the Act, this Constitution, the SICDA, and the Rules of Bursa Depository, the transfer of any listed security or class of listed security of the Company, shall be by way of book entry by the Bursa Depository in accordance with the Rules of Bursa Depository and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities which have been deposited with the Bursa Depository by the Company.

15. ADDITIONAL INFORMATION (CONT'D)

(ii) Transmission of shares

Clause 35 – Transmission of shares

Where:

- (a) the securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the SICDA or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the Registrar and vice versa provided that there shall be no change in the ownership of such securities.

(iii) Remuneration of Directors

Clause 104 – Remuneration of Directors

The fees of the Directors of the Company and any benefits payable to the Directors of the Company including any compensation for loss of employment of a Director or a former Director of the Company shall be approved at a meeting of Members annually and shall (unless such resolution otherwise provides) be divisible among the Directors of the Company as they may agree PROVIDED ALWAYS THAT:

- (i) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of a profits or turnover; and
- (ii) salaries payable to executive Directors may not include a commission on or percentage of turnover.

(iv) Voting and borrowing powers of Directors

Clause 107 – Scope of Directors' borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability, or obligation of the Company or of any related party as may be thought fit.

Clause 110 – Directors' interest in contracts

Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in the Company and his interest in any contract or proposed contract with the Company. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

15. ADDITIONAL INFORMATION (CONT'D)

Clause 121 – Chairperson’s casting vote

The Board may elect a chairperson of its meeting and determine the period for which he is to hold office, but if no such chairperson is elected, or if at any meeting the chairperson is not present within fifteen (15) minutes after the time appointed for holding the meeting, the Directors present may choose one (1) of their numbers to be chairperson of the meeting. In case of an equality of votes, the chairperson of meeting shall have a second or casting vote. Where two (2) Directors form a quorum, the chairperson of a meeting at which only such quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, the chairperson shall not have a casting vote.

(v) Share capital and variation of rights**Clause 7 – Allotment of shares**

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the Act, the Listing Requirements, the SICDA and to the conditions, restrictions and limitations expressed in this Constitution, the Directors may allot shares or grant rights to subscribe for or otherwise dispose of the unissued shares in the Company to such persons, at such time and on such terms and conditions, with such preferred or deferred or other special rights, as they may deem proper, but the Directors in making any such issue of shares shall comply with the following conditions:

- (a) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the Members in meeting of Members;
- (b) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution;
- (c) no Director (including a Director not holding office in an executive capacity) shall participate in a scheme that involves a new issuance of shares or other convertible securities to employees unless the Members of the Company have approved the specific allotment to be made to such Director;
- (d) except in the case of an issue of Securities on a pro-rata basis to all Members, placements undertaken in compliance with the Listing Requirements there shall be no issue of Securities to a Director, major shareholder or chief executive or person connected with any Director, major shareholder or chief executive (hereinafter referred to as the “interested Director”, “interested major shareholder”, “interested chief executive” or “interested person connected with a Director, major shareholder or chief executive” respectively) unless the Members in general meeting have approved of the specific allotment to be made to such aforesaid interested Director, interested major shareholder, interested chief executive or interested person connected with a Director, major shareholder or chief executive, as the case may be. In this Constitution, “major shareholder”, “chief executive” and “person connected with any Director, major shareholder or chief executive” shall have the meaning ascribed thereto in the Listing Requirements; and
- (e) in the case of shares offered to the public or offered pursuant to a prospectus that is registered under the CMSA, for subscription the amount payable on application on each share shall not be less than five-percent (5%) of the offer price of the share.

15. ADDITIONAL INFORMATION (CONT'D)

Clause 9 – Issue of new shares to members

Subject to any direction to the contrary that may be given by the Company in meeting of Members, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of meeting of Members in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of the time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the share or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

Clause 11 – Variation of shareholders rights

Subject to the provisions of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class may, whether or not the Company is being wound up, be varied with the consent in writing of the holders representing not less than seventy-five percent (75%) of the total voting rights of the Members in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Clause 12 – No variation of rights by issuance of new shares

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking equally therewith.

(vi) Alteration of capital**Clause 36 – Alteration of Capital**

Subject to the provisions of the Act and the Listing Requirements, the Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
- (ii) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived. Any resolution whereby any share is subdivided may determine that, as between the holders of shares resulting from such subdivision, one (1) or more of such shares may have such preferred or other special rights over, or may be given any preference or advantage as regards to distributions, including dividends, return of capital, voting or otherwise over the other or others of such shares;

15. ADDITIONAL INFORMATION (CONT'D)

- (iii) increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe; or
- (iv) convert all or any of its paid-up capital into stock and may reconvert that stock into paid-up shares; or

The Company may by special resolution reduce its share capital in accordance with Subdivision 4 of Division 1 of Part III of the Act, whether with the confirmation of the court or a solvency statement, or in any other way allowed by the Act.

15.3 LIMITATION ON THE RIGHT TO OWN SECURITIES AND/OR EXERCISE VOTING RIGHTS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to Minister of Finance and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository (“**Depositor**”) by means of entries in the securities account of that Depositor.

A Depositor whose name appears on the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be a shareholder of our Company and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

Save for the above, there is no limitation on the right to own securities, including limitations on the right of non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares which is imposed by Malaysian law or by our Constitution.

15.4 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single tier dividend are not taxable. Further, the Malaysian government does not levy withholding tax on dividend payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian resident companies. There is no Malaysian capital gain tax arising from the disposal of listed shares.

As at the LPD, our Group has not established any other place of business outside Malaysia and is not subject to any governmental laws, decrees, regulations and/or other requirements which may affect repatriation of capital and remittance of profit by or to our Group.

15. ADDITIONAL INFORMATION (CONT'D)

15.5 MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (including contracts not in writing), not being contracts in the ordinary course of business, that have been entered into by our Group during the FYE Under Review, and up to the LPD:

- (i) MCI had on 26 March 2018 entered into a sale and purchase agreement with Dato' Chong to purchase 400,000 ordinary shares comprising all the issued share capital of Cosmos Instruments for a purchase consideration of RM2,830,564.23 to be satisfied in full by transferring 600,000 ordinary shares of MCI held by MSM amounting to 60.00% of the issued share capital in MCI to Dato' Chong. This transaction was completed on 18 December 2018.
- (ii) MCI had on 11 April 2018 entered into a sale and purchase agreement with MSM Kitchen Sdn Bhd as varied by a supplemental sale and purchase agreement dated 1 October 2018 for the disposal of all that piece of leasehold land known as PT 1801, Mukim Cheras, Daerah Hulu Langat, Negeri Selangor held under H.S.(M) 14012, measuring approximately 7,332.9031 square metres in area together with a factory erected thereon and bearing the postal address of Lot 1801, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan for the disposal price of RM11,597,951. This transaction was completed on 11 October 2018.
- (iii) Cosmos Instruments had on 20 April 2018 entered into a sale and purchase agreement with Techkem Utilities Sdn Bhd for the disposal of all that piece of freehold land known as PT 54651, Mukim Dengkil, Daerah Sepang, Negeri Selangor held under H.S.(D) 42111 measuring approximately 815.224 square metres in area together with a unit of 3 storey semi-detached factory distinguished as Lot 19 erected thereon bearing the postal address of No. 6, Jalan IMP 1/3, Pusat Teknologi Sinar Meranti, Taman Industri Meranti Perdana, 47120 Puchong, Selangor Darul Ehsan for the disposal price of RM4,000,000. The transaction was completed on 6 September 2018.
- (iv) Cosmos had on 23 August 2019 entered into 2 separate share sale agreements with the parties as follows:
 - (a) with MCI for the acquisition of Cosmos Instruments for a purchase consideration of RM6,876,236 ("**Purchase Consideration for the Acquisition of Cosmos Instruments**") which was fully satisfied by the issuance of 137,524,720 Cosmos Shares to Dato' Chong and MSM; and
 - (b) with MSM and Dato' Chong for the acquisition of MCI for a purchase consideration of RM1,780,562 ("**Purchase Consideration for the Acquisition of MCI**") which was fully satisfied by the issuance of 35,611,240 Cosmos Shares to Dato' Chong and MSM.

The Purchase Consideration for the Acquisition of Cosmos Instruments and the Purchase Consideration for the Acquisition of MCI were determined on a 'willing buyer, willing seller' basis based on the audited NA of Cosmos Instruments and MCI as at 30 April 2019. The transactions were completed on 24 September 2019.

- (v) Cosmos Instruments had on 14 January 2022 entered into a sale and purchase agreement with the Vendor for the acquisition of the New Building for a purchase consideration of RM11.80 million. As at the LPD, the acquisition of the New Building has yet to be completed.
- (vi) Underwriting agreement dated 22 August 2022 between our Company and Mercury Securities for the underwriting of 20,705,000 Underwritten Shares for an underwriting commission of 2.5% of the IPO Price multiplied by the number of Issue Shares underwritten.

15. ADDITIONAL INFORMATION (CONT'D)

15.6 CONSENTS

- (i) The written consents of our Principal Adviser, Sponsor, Underwriter, Placement Agent, company secretaries, solicitors, Share Registrar and Issuing House as listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of our Auditors and Reporting Accountants for the inclusion of its name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Statements of Financial Position and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.
- (iii) The written consent of our IMR for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

15.7 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Level 13A-6, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara 50490 Kuala Lumpur during normal business hours for a period of 6 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the IMR Report as included in Section 8 of this Prospectus;
- (iii) the Reporting Accountants' Report on the Pro Forma Statements of Financial Position as included to in Section 13 of this Prospectus;
- (iv) the Accountants' Report as included in Section 14 of this Prospectus;
- (v) the material contracts referred to in Section 15.5 of this Prospectus;
- (vi) the letters of consent referred to in Section 15.6 of this Prospectus; and
- (vii) audited financial statements of our Group for the FYE 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022.

15.8 RESPONSIBILITY STATEMENTS

- (i) Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there are no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.
- (ii) Mercury Securities, being the Principal Adviser, Sponsor, Underwriter and Placement Agent to our IPO acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural and vice versa.

16.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 14 SEPTEMBER 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 22 SEPTEMBER 2022

In the event there is any change to the dates stated above, we will advertise a notice of the change in widely circulated daily English and Bahasa Malaysia newspaper within Malaysia.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Application for our Issue Shares by the Malaysian Public and the Eligible Persons

Types of Application and category of investors	Application method
Applications by the Eligible Persons	Pink Application Form
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-individuals	White Application Form only

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.2.2 Application by selected investors and Bumiputera investors approved by MITI via private placement

Types of Application	Application method
Applications by: (a) Selected investors (b) Bumiputera investors approved by the MITI	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions. MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera investors approved by MITI may still apply for our Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfil all of the following:

- (i) you must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the Application for our Issue Shares with a Malaysian address; or
 - (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia,
- (ii) you must not be a director or employee of the Issuing House, or an immediate family member of a director or employee of the Issuing House; and
- (iii) you must submit the Application by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

16.3.3 Application by the Eligible Persons

The Eligible Persons (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated Issue Shares. The Eligible Persons must follow the notes and instructions in the said document and where relevant, in our Prospectus.

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.35 for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. 727**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

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

or

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 22 September 2022 or by such other time and date specified in any notice of change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the respective Participating Financial Institution.

16.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Internet Share Application.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institution.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board, reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER/UNDER SUBSCRIPTION

In the event of over-subscription of our Issue Shares, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of our Issue Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within one (1) Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.00% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon our Listing. We expect to achieve this at the point of our Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangement and reallocation provisions as set out in Section 4.1.2 of our Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner:

16.9.1 For Applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of the Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the National Registration Identity Card or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House, as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House, reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For Applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House, by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially

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successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

- (i) our Issue Shares allotted to you will be credited into your CDS Account;
- (ii) a notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application;
- (iii) in accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our Issue Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository; and
- (iv) in accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the Applications may be directed as follows:

Mode of Application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institutions and Authorised Financial Institution

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House's website <https://tjih.online>, 1 Market Day after the balloting date.

You may also check the status of your Application 5 Market Days after the balloting date at the above website or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.