

## INFORMATION MEMORANDUM

FOR RESTRICTED CIRCULATION ONLY



**COSMOS TECHNOLOGY INTERNATIONAL BERHAD**  
(Registration no.: 201901017221 (1326549-P))  
(Incorporated in Malaysia)

**PROPOSED PLACEMENT OF 19,240,000 ORDINARY SHARES IN COSMOS TECHNOLOGY INTERNATIONAL BERHAD AT A PLACEMENT PRICE OF RM0.28 PER SHARE IN CONJUNCTION WITH OUR PROPOSED LISTING ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD**

**APPROVED ADVISER, PLACEMENT AGENT AND CONTINUING ADVISER**



**MainStreet Advisers Sdn Bhd**  
(Registration no.: 200701032292 (790320-P))

**This Information Memorandum is dated 23 December 2019**

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS (AS DEFINED HEREIN) ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY COSMOS TECHNOLOGY INTERNATIONAL BERHAD. SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

*All defined terms used in this Information Memorandum are defined under “Definitions” and “Glossary of Technical Terms”.*

### **RESPONSIBILITY STATEMENTS**

The Board and Promoters of our Company have seen and approved this Information Memorandum. They collectively and individually accept full responsibility for the accuracy of all the information and statements contained in this Information Memorandum. Having made all reasonable enquiries, and to the best of their knowledge, information and belief, they confirm that there are no false or misleading statements or other material facts which, if omitted, would make any statement in this Information Memorandum false or misleading.

MainStreet, being the Approved Adviser, Placement Agent and Continuing Adviser to our Proposed Listing acknowledges that, based on all available information, and to the best of its knowledge, this Information Memorandum constitutes a full and true disclosure of all material facts concerning the Proposed Listing and the Proposed Placement.

### **STATEMENTS OF DISCLAIMER**

This Information Memorandum has been drawn up in accordance with the LEAP Market Listing Requirements for the Proposed Listing and the Proposed Placement and is not a prospectus and has not been registered, nor will it be registered as a prospectus under the CMSA. The Proposed Placement constitutes an excluded issue within the meaning of Section 230 of CMSA. This Information Memorandum has been prepared in the context of securities offering under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

A copy of this Information Memorandum will be deposited with the SC. Each recipient of this Information Memorandum (“**Recipient**”) acknowledges and agrees that the SC and Bursa Securities take no responsibility for the contents of this Information Memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Information Memorandum. The SC and Bursa Securities do not make any assessment on the suitability, viability or prospects of our Company. Sophisticated Investors are expected to make their own assessment on our Company or seek appropriate advice before making their investment decisions. MainStreet, as our Approved Adviser, has assessed the suitability of our Company for admission to the LEAP Market as per the LEAP Market Listing Requirements.

An application has been made to Bursa Securities for the admission of our Company and the listing of and quotation for the entire enlarged share capital of our Company on the LEAP Market. No monies shall be collected from Sophisticated Investors for the subscription of the Placement Shares, and no new Shares shall be allotted pursuant to the Proposed Placement until Bursa Securities has granted its approval for the admission of our Company to the LEAP Market. Approval from Bursa Securities of the same is not an indication of the merits of our Proposed Listing, Proposed Placement, our Company or our Shares. This Information Memorandum can be viewed or downloaded from Bursa Securities’ website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

**THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY CTI. SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST AFTER DUE AND CAREFUL CONSIDERATIONS AND, IF APPROPRIATE, CONSULTATION WITH STOCKBROKER, MANAGER, SOLICITOR, ACCOUNTANT AND OTHER PROFESSIONAL ADVISERS.**

**THERE ARE CERTAIN RISK FACTORS WHICH SOPHISTICATED INVESTORS SHOULD CONSIDER. PLEASE REFER TO “RISK FACTORS” AS SET OUT IN SECTION 5 OF THIS INFORMATION MEMORANDUM.**

Sophisticated Investors should note that they may seek recourse under Section 248, 249 and 357 of the CMAA for breaches of securities laws and regulations including any statement in this Information Memorandum that is false, misleading, or from which there is a material omission, or for any misleading or deceptive act in relation to this Information Memorandum.

This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of our Shares is not and should not be construed as a recommendation by us and/or the Approved Adviser to subscribe for or purchase our Shares. This Information Memorandum is not a substitute for and should not be regarded as an independent evaluation and analysis and does not purport to be all inclusive. Each Sophisticated Investor should perform and is deemed to have made its own independent investigation, assess the merits and risks of the investment and analysis of our Company and all other relevant matters.

**THIS INFORMATION MEMORANDUM IS INTENDED FOR CIRCULATION ONLY TO PERSONS WHOM AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES OR AN ISSUE OF SECURITIES WOULD CONSTITUTE AN EXCLUDED ISSUE WITHIN THE MEANING OF SECTION 230 OF THE CMAA.**

**THIS INFORMATION MEMORANDUM, IF FURNISHED TO YOU, IS STRICTLY FOR YOUR OWN USE AND IS NOT TO BE CIRCULATED TO ANY OTHER PARTY. INFORMATION IN THIS DOCUMENT IS SUBJECT TO CHANGE FROM TIME TO TIME AS WE AND/OR MAINSTREET SHALL DEEM FIT.**

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## EXPECTED TIMETABLE FOR THE PROPOSED PLACEMENT AND PROPOSED LISTING

All defined terms used in this Information Memorandum are defined under “Definitions” and “Glossary of Technical Terms”.

The indicative timing of events leading to the listing of and quotation for our entire enlarged issued share capital on the LEAP Market is set out below:

Events	Tentative dates
Date of Information Memorandum	23 December 2019
Allotment of the Placement Shares	January 2020*
Listing of our Company on the LEAP Market	January 2020*

**Note:**

\* Subject to receipt of approval from Bursa Securities for our Proposed Listing.

The timetable is indicative and subject to changes which may be necessary to facilitate the implementation procedures. An announcement for the key relevant dates will be made after obtaining Bursa Securities’ approval for our Proposed Listing.

## PLACEMENT STATISTICS

Method of offering	Private placement
Placement Price per Share	RM0.28
Number of existing Shares	173,136,000
Number of Placement Shares being issued pursuant to the Proposed Placement	19,240,000
Number of Shares in issue on Proposed Listing	192,376,000
Percentage of enlarged share capital represented by the Placement Shares	10.00%
Gross proceeds of the Proposed Placement	RM5,387,200
Estimated net proceeds of the Proposed Placement to be received by our Company	RM4,387,200
Market capitalisation of our Company at the Placement Price upon Proposed Listing	RM53,865,280

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## **IMPORTANT INFORMATION**

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*All defined terms used in this Information Memorandum are defined under “Definitions” and “Glossary of Technical Terms”.*

This Information Memorandum shall not be, in whole or in part, reproduced, disclosed or distributed to any other person or used for any other purpose. By accepting this Information Memorandum, Sophisticated Investors agree to be bound by the limitations and restrictions described herein.

This Information Memorandum includes certain historical information, estimates or reports thereon derived from sources mentioned in this Information Memorandum. Such information, estimates or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and or report thereon derived from such and other third-party sources.

### **Presentation of Financial and Other Information**

All references to “our Company” and “CTI” in this Information Memorandum are to Cosmos Technology International Berhad. All references to “CTI Group” and “our Group” in this Information Memorandum are to our Company and our subsidiaries taken as a whole and all references to “we”, “us”, “our” and “ourselves” are to our Company and our subsidiaries, save where the context otherwise requires. Statements as to our beliefs, expectations, estimates and opinions are those of our Company.

In this Information Memorandum, all references to the “Promoters” are referring to Dato’ Chong and MSM and “substantial shareholders” are referring to Dato’ Chong, MSM, Triumphant Hope, Chan Kee Sieng, and Chan Kit Moi.

The word “approximately” used in this Information Memorandum is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest hundredth or one (1) or two (2) decimal place. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Information Memorandum. Words importing the singular shall, where applicable, include the plural and vice-versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice-versa.

Any reference to a time of a day in this Information Memorandum shall be a reference to Malaysian time, unless otherwise stated.

Any reference in this Information Memorandum to any statutory legislation is a reference to that statutory legislation as for the time being amended, modified or re-enacted.

### **Investment Risks**

Investment in our Company carries risk. There can be no assurance that our strategy will be achieved and investment results may vary substantially over time. Sophisticated Investors contemplating an investment in our Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of our Group. No assurance is given, express or implied, that shareholders will receive back the amount of their investment in our Shares.

Sophisticated Investors should carefully consider whether an investment in our Shares is suitable for them in light of their circumstances and financial resources and whether they are able and willing to withstand the potential loss of their entire investment.

This Information Memorandum should be read in its entirety before making any investment in our Company.

## IMPORTANT INFORMATION (CONT'D)

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### Forward-Looking Statements

This Information Memorandum contains forward-looking statements. All statements other than statements of historical facts included in this Information Memorandum, including, without limitation, those regarding our financial position, business strategies, plans and objectives 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, performance or achievements to be materially different from any future results, performance or achievements expected, 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. These forward-looking statements are applicable only as at the date of this Information Memorandum.

Words such as “may”, “will”, “would”, “could”, “expect”, “anticipate”, “should”, “intend”, “plan”, “believe”, “seek”, “estimate”, “project” and variations of such words and similar expressions are intended to identify such forward-looking statements and expectations.

These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Our Company is not under any obligation to update or revise such forward-looking statements in this Information Memorandum. Neither our Company, the Approved Adviser nor any other person represents or warrants that our Group’s actual future results, performances or achievements will be as disclosed in those statements.

Factors that could cause our actual results, performances or achievements to differ materially include, without limitation, those discussed in “Section 8: Historical Financial Information and Management Discussion and Analysis”. We cannot give any assurance that the forward-looking statements made in this Information Memorandum will be realised. Sophisticated Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

### Mode of Communication

In accordance with our constitution, we may send to our shareholders (“**Holders**”), such as but not limited to shareholders’ circular, annual reports, written resolutions and notices as required by LEAP Market Listing Requirements (“**Documents**”) by electronic means to the Holders’ registered email address last maintained with either our Company Secretary or Bursa Malaysia Depository Sdn. Bhd. (“**Bursa Depository**”), as the case may be. However, in the event that the electronic mail address of any of our shareholders is not available, or if our shareholders request for a hardcopy to be sent to them, our Company will forward a copy of the Documents to the Holders as soon as reasonably practicable after the receipt of the request, free of charge by ordinary mail.

We may also publish Documents on our website as a form of electronic communication with our Holders. In such event, we will separately and immediately notify our Holders through the following by way of:

- (i) ordinary mail;
- (ii) electronic means to the Holders’ registered email address;
- (iii) advertisements in English daily newspaper in Malaysia; and/or
- (iv) announcements on Bursa Securities.

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## IMPORTANT INFORMATION (CONT'D)

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### Terms and Conditions Binding all Recipients

By accepting this Information Memorandum, you hereby agree and undertake to be bound by the following terms and conditions:

1. This Information Memorandum is issued by our Company and distributed by us as well as MainStreet. The distribution of this Information Memorandum shall be in paper/printed copy and/or electronic copy upon request by interested Recipients, free of charge. This Information Memorandum is distributed to interested Recipients for information purposes only and upon the express understanding that such Recipients will use it only for the purposes set forth below.
2. The information contained in this Information Memorandum, including any statement or fact or opinion, has been provided by us or on our behalf. It is being furnished solely for use by a limited number of prospective Sophisticated Investors for the purpose of evaluating their interest in investing in our Company ("**Proposed Investment**"). Nothing contained herein shall be taken as a recommendation or invitation by us and/or MainStreet to undertake the Proposed Investment or as a commitment on our part to accept your Proposed Investment.
3. MainStreet does not assume any obligation to provide any Recipient with access to any additional information or to update or revise any information contained herein. Nevertheless, we undertake to inform MainStreet who in turn will inform Recipients in writing of any material development or of any material facts subsequent to the date of this Information Memorandum up to the date of closing of our Proposed Listing that will, directly or indirectly, affect our financial position or business. In all cases, you should rely on your own evaluation of the Proposed Investment.
4. You shall be solely responsible for your investment decision and are advised to seek independent financial, legal, tax or such other professional advice at your own cost and expense when making your independent appraisal, assessment, review and evaluation of our business, financial position, financial performance, prospects, the rights and obligations attaching to the Shares, the merits of investing in our Shares, and the extent of risk involved in doing so.
5. Subject to the provisions of any laws, regulations and guidelines ("**Applicable Laws**"), we and MainStreet each reserve the right to negotiate with one or more prospective Sophisticated Investors at any time. Subject to the Applicable Laws, we and MainStreet each also reserve the right (without notice or recourse) to terminate, at any time, further participation by all or any Recipients without assigning any reasons thereof.
6. You shall not copy, reproduce, distribute, summarise, excerpt from or pass on any part of this Information Memorandum to any person at any time without the prior written consent of MainStreet. You shall at all times keep confidential all information contained herein or any other information relating to the Proposed Investment, whether written, oral or in a visual or an electronic form, transmitted or made available to you in the course of your evaluation of the Proposed Investment. In the event that you do not undertake the Proposed Investment for any reason whatsoever, you shall upon request return all materials received from us or MainStreet, including this Information Memorandum, without retaining any copies.
7. This Information Memorandum may not be distributed in any jurisdiction outside Malaysia except in accordance with the legal requirements applicable in such jurisdiction. No Recipient in any jurisdiction outside Malaysia may take any action upon this Information Memorandum if, in the relevant jurisdiction, such action cannot be taken by the Recipient without contravention of any relevant legal requirements.

## IMPORTANT INFORMATION (CONT'D)

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It is the sole responsibility of any Recipient wishing to take any action upon this Information Memorandum to satisfy themselves as to the full observance of the laws of the relevant jurisdiction and/or Malaysia in connection therewith, including without limitation, the receipt of our securities or cash payments upon the sale of our securities by the Recipients, the repatriation of any money by the Recipients out of Malaysia, the obtaining of any governmental, exchange control or other consents which may be required, and the payment of any tax or duty due in such jurisdiction. We shall be entitled to be fully indemnified by such Recipients for any tax or payment made on behalf, of which the Recipients may be required to pay.

8. This Information Memorandum has not been made and will not be made to ensure that our Proposed Listing complies with the laws of any jurisdiction other than Malaysia. We and MainStreet shall not accept any responsibility or liability in the event that any action taken by any Recipient in any jurisdiction outside Malaysia is or shall become illegal, unenforceable, voidable or void in such jurisdiction.

Such Recipients shall therefore immediately consult their professional advisers in relation to the observance of the relevant legal requirements and shall be responsible for the payment of any tax or other requisite payment due in such jurisdiction and shall keep us and MainStreet fully indemnified for the payment of such taxes or payments.

### Privacy Notice

The Personal Data Protection Act 2010 (“**PDPA**”) was introduced to regulate the processing of personal data in commercial transactions. The PDPA requires us to inform you of your rights in respect of your personal data that is to be collected and processed by us.

Consequently, please be informed that the personal data and other information (collectively, “**Personal Data**”) that you provide will be used and processed by us in connection with our Proposed Listing only (“**Purpose**”), and not for any other purpose.

If required for the Purpose, you hereby give consent that your Personal Data may be transferred to locations outside Malaysia or disclosed to the relevant authorities, our related corporations or our vendor, agent, contractor, service provider, consultant or adviser who provide services to us, including our Placement Agent, which may be located within or outside Malaysia. Save for the foregoing, your Personal Data will not be knowingly transferred to any place outside Malaysia or be knowingly disclosed to any other third party.

Without prejudice to the terms and conditions of our Proposed Listing as contained in this Information Memorandum, you may at any time hereafter make inquiries, complaints and, upon payment of a prescribed fee, request in writing for access to, or correction of, your Personal Data or limit the processing of your Personal Data (as described above) by submitting such request to the following:

Postal address: Cosmos Technology International Berhad  
No. 11, Jalan Mega 2/1  
Kawasan Perindustrian Mega 2  
43500 Semenyih  
Selangor Darul Ehsan  
Malaysia

Kindly be informed that we will assume that you have consented and we will continue to process your Personal Data in accordance with this Privacy Notice unless we hear otherwise from you. You may exercise your rights in respect of your Personal Data in the manner described above.

This Privacy Notice may be amended from time to time and would be in effect on the date as determined by us. Any amendment to this Privacy Notice shall be published on any medium as we deem fit.



## CORPORATE DIRECTORY

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- BOARD OF DIRECTORS** : Dato' Chong Toh Wee  
*Managing Director/Chief Executive Officer*
- Ng Boon Keong  
*Executive Director/Chief Operating Officer*
- Alviedo Rodolfo Jr San Miguel  
*Independent Non-Executive Director*
- REGISTERED OFFICE** : Level 19-1, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Malaysia  
Tel No. : +603 2094 0999  
Fax No.: +603 2094 2992
- HEAD OFFICE** : No. 11, Jalan Mega 2/1  
Kawasan Perindustrian Mega 2  
43500 Semenyih  
Selangor Darul Ehsan  
Malaysia  
Tel No. : +603 8727 6029  
Fax No.: +603 8962 3353
- EMAIL ADDRESS** : customer.service@ctib.com.my
- WEBSITE ADDRESS** : <http://www.ctib.com.my>
- COMPANY SECRETARIES** : Pauline Ng Peck Kun (MAICSA 7029550)  
Tan Hsiao Yuen (MAICSA 7056952)
- Level 19-1, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Malaysia  
Tel No. : +603 2094 0999  
Fax No.: +603 2094 2992
- APPROVED ADVISER,  
PLACEMENT AGENT AND  
CONTINUING ADVISER** : MainStreet Advisers Sdn Bhd (Registration no.:  
200701032292 (790320-P))  
25-7, Block B, Jaya One  
72A Jalan Universiti  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel No. : +603 7968 3398  
Fax No.: +603 7954 2299
- AUDITORS AND  
REPORTING ACCOUNTANTS** : Nexia SSY PLT (LLP0019490-LCA & AF002009)  
UOA Business Park  
Tower 3, 5<sup>th</sup> Floor, K03-05-08  
1, Jalan Pengaturcara U1/51A, Section U1  
40150 Shah Alam  
Selangor Darul Ehsan  
Malaysia  
Tel No. : +603 5039 1811  
Fax No.: +603 5039 1822

**CORPORATE DIRECTORY (CONT'D)**

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- LEGAL ADVISER** : Azman Davidson & Co  
Suite 13.03  
13<sup>th</sup> Floor, Menara Tan & Tan  
207 Jalan Tun Razak  
50400 Kuala Lumpur  
Malaysia  
Tel No. : +603 2164 0200  
Fax No.: +603 2164 0280
- INDEPENDENT MARKET RESEARCHER** : Infobusiness Research & Consulting Sdn. Bhd.  
(Registration no.: 199901024026 (498926-P))  
C4-3A-2, Solaris Dutamas  
No. 1 Jalan Dutamas 1  
50480 Kuala Lumpur  
Malaysia  
Tel No. : +603 6205 3930  
Fax No.: +603 6205 3927
- SHARE REGISTRAR** : ZICO Corporate Services Sdn. Bhd. (Registration no.:  
199201007380 (238884-H))  
Level 19-1, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Malaysia  
Tel No. : +603 2094 0999  
Fax No.: +603 2094 2992
- LISTING SOUGHT** : LEAP Market of Bursa Securities

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## DEFINITIONS

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Except where the context otherwise requires or where otherwise defined herein, the following words and abbreviations shall apply throughout this Information Memorandum and the accompanying appendices and shall have the meanings as set out below:

<b>11MP</b>	: Eleventh Malaysia Plan (2016-2020)
<b>Acquisitions</b>	: The acquisition of the entire equity interest in MCI and Cosmos by CTI
<b>Act</b>	: Companies Act 2016, as amended, modified or re-enacted from time to time
<b>ASEAN</b>	: Association of Southeast Asian Nations
<b>Board</b>	: Board of Directors of CTI
<b>Bursa Securities</b>	: Bursa Malaysia Securities Berhad (Registration no.: 200301033577 (635998-W))
<b>CAGR</b>	: Compounded annual growth rate
<b>CEO</b>	: Chief Executive Officer
<b>CIDB</b>	: Construction Industry Development Board
<b>CMSA</b>	: Capital Markets and Services Act 2007, as amended, modified or re-enacted from time to time
<b>COO</b>	: Chief Operating Officer
<b>Cosmos</b>	: Cosmos Instruments Sdn. Bhd. (Registration no.: 200401022411 (660916-X)), a wholly-owned subsidiary of CTI
<b>Cosmos Vendor or MCI</b>	: Marc Conleth Industries Sdn. Bhd. (Registration no.: 201001027440 (911359-A)), a wholly-owned subsidiary of CTI
<b>CTI Group or Group</b>	: Collectively, CTI and its subsidiary companies, namely Cosmos and MCI
<b>CTI or Company</b>	: Cosmos Technology International Berhad (Registration no.: 201901017221 (1326549-P))
<b>Dato' Chong</b>	: Dato' Chong Toh Wee
<b>Directors</b>	: Members of our Board as defined under Section 2(1) of the CMSA
<b>EBITDA</b>	: Earnings before interest, tax, depreciation and amortisation
<b>EPS</b>	: Earnings per share
<b>FPE</b>	: Financial period ended
<b>FYE</b>	: Financial year ended 30 April
<b>Government</b>	: Government of Malaysia
<b>GP</b>	: Gross profit
<b>IMR Report</b>	: Independent Market Research Report entitled "The Fluid Control Industry in Malaysia" dated 13 December 2019 prepared by INFOBUSINESS

## DEFINITIONS (CONT'D)

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<b>INFOBUSINESS</b>	:	Infobusiness Research & Consulting Sdn. Bhd. (Registration no.: 199901024026 (498926-P)), being the Independent Market Researcher
<b>Information Memorandum</b>	:	This Information Memorandum dated 23 December 2019 in relation to our Proposed Placement and Proposed Listing
<b>IPO</b>	:	Initial public offering
<b>IPQC</b>	:	In-process Quality Control
<b>ISSET</b>	:	I.S.E.T. Engineering Sdn. Bhd. (Registration no.: 199701040188 (455688-H))
<b>ISO</b>	:	International Organization for Standardization
<b>LEAP Market</b>	:	LEAP Market of Bursa Securities
<b>LEAP Market Listing Requirements</b>	:	LEAP Market Listing Requirements of Bursa Securities
<b>LPD</b>	:	13 December 2019, being the latest practicable date prior to the date of this Information Memorandum
<b>MainStreet or Approved Adviser or Placement Agent or Continuing Adviser</b>	:	MainStreet Advisers Sdn Bhd (Registration no.: 200701032292 (790320-P)), being the Approved Adviser, Placement Agent and Continuing Adviser for our Proposed Placement and Proposed Listing
<b>MCI Vendors</b>	:	MSM and Dato' Chong, collectively
<b>MD</b>	:	Managing Director
<b>MOF</b>	:	Ministry of Finance, Malaysia
<b>MSM</b>	:	MSM International Limited (200918800R), an 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, which is listed on the Catalist of Singapore Exchange Securities Trading Limited
<b>MSM Group</b>	:	MSM and its subsidiaries
<b>NA</b>	:	Net assets
<b>NBV</b>	:	Net book value
<b>OEM</b>	:	Original equipment manufacturer
<b>Oil and Gas Customer(s)</b>	:	Customer(s) in the oil and gas industry, such as oilfield equipment and service company(ies)
<b>PAT</b>	:	Profit after tax
<b>PBT</b>	:	Profit before tax
<b>Placement Price</b>	:	RM0.28 per Placement Share, being the price at which each Placement Share is to be issued
<b>Placement Share(s)</b>	:	19,240,000 Shares to be issued pursuant to the Proposed Placement

## DEFINITIONS (CONT'D)

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<b>PLC Products</b>	: Programmable Logic Controller and related products
<b>Promoters</b>	: Dato' Chong and MSM, collectively
<b>Proposed Listing</b>	: Proposed admission to the official list and listing and quotation of our entire enlarged share capital of 192,376,000 Shares on the LEAP Market
<b>Proposed Placement</b>	: Proposed issuance of 19,240,000 Placement Shares representing approximately 10.00% of our entire enlarged share capital of 192,376,000 Shares at the Placement Price to Sophisticated Investors
<b>QC</b>	: Quality control
<b>QMS</b>	: Quality management system
<b>R&amp;D</b>	: Research and development
<b>RM and sen</b>	: Ringgit Malaysia and sen, respectively
<b>SC</b>	: Securities Commission Malaysia
<b>SCADA</b>	: Supervisory Control and Data Acquisition
<b>SEA</b>	: Southeast Asia
<b>SGD</b>	: Singapore Dollar
<b>Share(s)</b>	: Ordinary share(s) in our Company
<b>Siemens Malaysia</b>	: Siemens Malaysia Sdn. Bhd. (Registration no.: 198201013259 (93008-X)), an affiliate company of Siemens AG
<b>Sophisticated Investor(s)</b>	: Any person(s) who falls within any of the categories of investors set out in Part I of Schedule 6 or Part I of Schedule 7 of the CMSA
<b>sq. ft./sq. m.</b>	: Square feet/square metre
<b>SYABAS</b>	: Syarikat Bekalan Air Selangor Sdn. Bhd. (Registration no.: 199601020905 (393257-T))
<b>Triumphant Hope</b>	: Triumphant Hope Sdn. Bhd. (Registration no.: 200901038266 (881398-W))
<b>US</b>	: United States
<b>USD</b>	: US Dollar, being the lawful currency of the US
<b>Water Authorities</b>	: Government agencies which are involved in the water industry
<b>Water Customers</b>	: Customers in the water and wastewater industries, which include Water Authorities, Water Operators, wastewater treatment plant operators, and industrial and commercial customers
<b>Water Operators</b>	: Water treatment plant operators which produce safe water for distribution

## GLOSSARY OF TECHNICAL TERMS

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This glossary contains an explanation of certain terms used throughout this Information Memorandum in connection with our Group's business. The terminologies and their meanings may not correspond to the standard industry usage of these terms.

<b>Datalogger(s)</b>	:	An electronic device that records, stores and transmits data generated from electronic flowmeters to its receiving equipment for monitoring.
<b>Factory automation</b>	:	Refers to the use of computer-aided control systems to operate different industrial processes with minimal human involvement.
<b>Fracking</b>	:	The process of injecting liquid at high pressure into subterranean rocks to force open existing fissures and extract crude oil and/or natural gas.
<b>Fluids</b>	:	Substances that have no fixed shape and yields easily to external pressure, such as a liquid or a gas.
<b>Geological formation</b>	:	A collection of rocks that were horizontally continuous when formed, share a set of characteristics and occur over an area large enough to be mapped.
<b>Instrumentation services</b>	:	Consultation and advice, installation and commissioning, calibration and testing, repair and maintenance and training of fluid control products as provided by Cosmos.
<b>Micron</b>	:	A micron is a millionth of a metre.
<b>NRW</b>	:	Refers to non-revenue water, 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.
<b>Petrochemicals</b>	:	Industrially important organic chemicals which are derived from crude oil or natural gas.
<b>Petroleum</b>	:	A naturally occurring complex liquid hydrocarbon.
<b>Petroleum reserves</b>	:	The identified resources of petroleum-bearing rocks from which crude oil and/or natural gas can be extracted profitably with existing technology and under present economic conditions.
<b>Petroleum reservoir</b>	:	A subsurface body of rock having sufficient porosity and permeability to store and transmit crude oil and/or natural gas.
<b>Process instrumentation</b>	:	Refers to the equipment used in controlling, measuring and analysing variables such as temperature, pressure, humidity, fluid flow rates, fluid levels, etc.
<b>Shale shaker</b>	:	A piece of drilling rig equipment that uses a vibrating screen or sieve to remove cuttings from circulating fluids in rotary drilling operations. The size of the openings in the screen should be carefully selected to allow 100% flow of fluids. The vibrating screen is also called a shaker filter. A shale is a fine-grained sedimentary rock derived from the compaction of mud.

**DEFINITIONS (CONT'D)**

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- System integrator** : Refers to either a person or a company that specialises in combining diverse components into a complete system and ensuring that those components can function together as a whole. In the automation industry, system integrator provides both the hardware and software, as well as application experiences to implement a complex automation solution for the applicant (customer).
- Viscosity** : The measurement of a thickness of a liquid, or scientifically, a fluid's resistance to flow.
- Water reserve margin** : Measured in percentages, it is the difference between water production and design capacities of water treatment plants.
- Workover** : The process of performing major maintenance or remedial treatments on a crude oil or natural gas well.

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**APPENDIX I – COMPILATION OF PRO FORMA FINANCIAL INFORMATION FOR THE FYE 2019 AND FYE 2018**

**APPENDIX II – COMPILATION OF INTERIM PRO FORMA FINANCIAL INFORMATION FOR THE 4-MONTH FPE 31 AUGUST 2019 AND 31 AUGUST 2018**

## 1 DETAILS OF OUR LISTING

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### 1.1 Listing scheme

Pursuant to our listing, we intend to issue 19,240,000 Placement Shares, representing approximately 10.00% of our enlarged issued share capital at RM0.28 per Placement Share within the meaning of Section 230 of the CMSA to Sophisticated Investors.

Our Proposed Listing is subject to the receipt of an approval from Bursa Securities. Thus, we have concurrently made an application to Bursa Securities for the admission of our Company to the Official List and the listing of and quotation for our entire enlarged issued share capital of RM14.04 million comprising 192,376,000 Shares on the LEAP Market and are awaiting Bursa Securities' decision on the same.

In accordance with Rule 3.10 of the LEAP Market Listing Requirements:

- (i) we undertake to open a trust account with a financial institution licensed by Bank Negara Malaysia ("**Trust Account**") where all monies received from the Sophisticated Investors pursuant to subscription of our Shares will be deposited into the Trust Account jointly operated by both our Company and MainStreet;
- (ii) both MainStreet and ourselves undertake that all monies deposited in the Trust Account will not be withdrawn until the date of our Proposed Listing; and
- (iii) we undertake to repay without interest all monies received from the Sophisticated Investors if:
  - (a) our Proposed Listing does not take place within six (6) months from the date of Bursa Securities' approval for our Proposed Listing or such further extension of time as Bursa Securities may allow ("**Period**"); or
  - (b) we abort our Proposed Listing.

In such event, the monies will be repaid within 14 days from the end of the Period or the date when we notify Bursa Securities of our decision to abort our Proposed Listing. Should we fail to do so, in addition to our Company's liability, our Board shall be jointly and severally liable to repay such money with interest at the rate of 10.00% per annum from the end of the period or such other rate as Bursa Securities may prescribe.

### 1.2 Placement price

The Placement Price of RM0.28 per Placement Share was arrived at, after taking into consideration the following:

- (i) our pro forma EPS of approximately 2.30 sen for the FYE 2019 based on our enlarged issued share capital of 192,376,000 Shares upon our Proposed Listing representing a price-to-earnings ratio of approximately 12 times;
- (ii) our operating history and competitive strengths that have been the keys to our achievements, which we believe would continuously contribute to the success and growth of our Group, the details of which are set out in Section 3.13 of this Information Memorandum; and
- (iii) our Group's future plans, strategies and prospects which will focus on the marketing of new technology for water and wastewater industry and expansion of our Group's operation capacity as set out in Section 3.17 of this Information Memorandum.

**1 DETAILS OF OUR LISTING (CONT'D)**

Prior to our Proposed Listing, there was no public market for our Shares within or outside Malaysia. You should take note that the market price of our Shares subsequent to our Proposed Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares being traded. You are reminded to carefully consider the risk factors as set out in Section 5 of this Information Memorandum and form your own views on the valuation of our Shares before deciding to invest in them.

**1.3 Share capital upon listing**

Upon completion of the Proposed Placement, our Company's entire enlarged issued share capital comprising 192,376,000 Shares shall be listed on the LEAP Market. The details of our enlarged issued share capital are as set out below:

	<b>No. of Shares</b>	<b>RM</b>
Existing issued share capital	173,136,000	8,656,800
New Shares to be issued pursuant to our Proposed Placement	19,240,000	5,387,200
Enlarged issued share capital upon Proposed Listing	192,376,000	14,044,000
Placement Price per Share		0.28
Market capitalisation at the Placement Price upon Proposed Listing		53,865,280

We have only one (1) class of shares in our Company, namely ordinary shares. The Placement Shares will, upon allotment and issuance, rank *pari-passu* in all respects with our existing Shares, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the Placement Shares.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid up on the Shares held by them, be entitled to share in the profits paid out by us as dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to any surplus in accordance with our constitution.

At any general meeting of our Company, each shareholder shall be entitled to vote in person or by proxy or by attorney or by duly authorised representative. Each shareholder shall be entitled to appoint one (1) or more proxy to attend and vote at any general meeting of our Company. 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. On a poll, each shareholder present either in person or by proxy or by attorney or by other authorised representative shall have one (1) vote for each Share held.

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**1 DETAILS OF OUR LISTING (CONT'D)****1.4 Utilisation of proceeds**

The gross proceeds arising from the Proposed Placement of RM5.39 million shall accrue entirely to our Company and we intend to utilise the gross proceeds for the following purposes:

No.	Details of utilisation	Amount RM'000	Percentage of gross proceeds %	Estimated timeframe for utilisation
(i)	Business expansion	1,500	27.85	Within 24 months after the date of the Proposed Listing
(ii)	To part finance the acquisition of new machineries	1,500	27.85	Within 36 months after the date of the Proposed Listing
(iii)	Working capital	1,387	25.74	Within 24 months after the date of the Proposed Listing
(iv)	Estimated listing expenses	1,000	18.56	Immediate
		5,387	100.00	

**Notes:****(i) Business expansion**

We intend to utilise approximately RM1.50 million of the proceeds for the following:

Description	Amount RM'000
To conduct pilot study for Siemens Malaysia's energy saving solution	700
To market new product, i.e. dataloggers	800
	1,500

The RM0.70 million allocated will be used to conduct a testing and study of Siemens Malaysia's energy saving solution, particularly in older water treatment plants and booster stations which have been in operation for more than 10 years. Once proven successful, the results will be utilised to market the said energy saving solution to our customers. Please refer to Section 3.17.2 of this Information Memorandum for further details.

The RM0.80 million allocated is to invest and install the datalogging systems in several water treatment plants throughout Malaysia for testing purposes. The dataloggers supplied by LACROIX Sofrel can be integrated with our Siemens Malaysia's electronic flowmeter to monitor water usage remotely at the water treatment plants. These dataloggers can be used for billing and water distribution purposes particularly for NRW. Please refer to Section 3.17.3 of this Information Memorandum for further details.

**(ii) To part finance the acquisition of new machineries**

We intend to allocate RM1.50 million to part finance the acquisition of new machineries to increase our manufacturing capacity for our new products related to the water and wastewater industries. Please refer to Section 3.17.1 of this Information Memorandum for further details.

**(iii) Working capital**

Our working capital requirements are expected to increase in tandem with our intended business expansion as outlined in Section 3.17 of this Information Memorandum. We intend to utilise approximately RM1.39 million for our day-to-day working capital requirements, as follows:

Description	Amount RM'000
Staff cost	800
Advertisement and exhibition	587
	1,387

**1 DETAILS OF OUR LISTING (CONT'D)****(iv) Estimated listing expenses**

We will bear all incidental expenses and fees relating to the listing of and quotation for our Proposed Listing on LEAP Market. The estimated listing expenses for our listing amounted to RM1.00 million. The estimated listing expenses are as set out in the following table:

<b>Description</b>	<b>Amount RM'000</b>
Professional fees	763
Fees payable to relevant authorities	12
Placement fees	60
Miscellaneous	165
	<b>1,000</b>

In the event that the actual amounts vary from the above estimates, the excess or deficit, as the case may be, would be reallocated to/from the amount earmarked for working capital.

Pending the utilisation of proceeds for the above-mentioned purposes, save for the proposed listing expenses of RM1.00 million, the proceeds would be placed as deposits with licensed financial institutions, or used for investments in short-term deposits or money market, as our Board may in their absolute discretion deem appropriate.

**1.5 Dividend policy**

Currently CTI has not formulated a dividend policy or payout ratio.

As an investment holding company, CTI's income and ability to pay dividends is dependent on the dividends receivable from its subsidiaries, which in turn depend on their distributable profits, financial performance, financial condition, capital expenditure plans and other factors that their respective boards of directors may deem relevant to the declaration of dividends.

Although we have not formulated a dividend policy or payout ratio, we recognise the importance of rewarding our investors with dividends. Our Board will determine the declaration and payment of dividends. In doing so, our Board will consider factors including our Group's retained earnings, expected future earnings, operations, cash flows, capital requirements, general business and financing conditions. Our Board intends to retain adequate reserves for our future growth as well as to reward our shareholders with dividends from our Group's profits.

CTI was incorporated on 14 May 2019 and has not declared or paid any dividend since its incorporation up to the LPD.

Save as disclosed below, no dividends were paid by companies within our Group for the last three (3) FYEs, i.e. FYE 2017 up to FYE 2019:

<b>Company</b>	<b>In respect of</b>	<b>Total dividend RM</b>
Cosmos	FYE 2018	3,140,000
MCI	FPE 31 March 2018	12,500,000
MCI	FPE 30 April 2019	5,184,951

## 2 OVERVIEW OF OUR GROUP

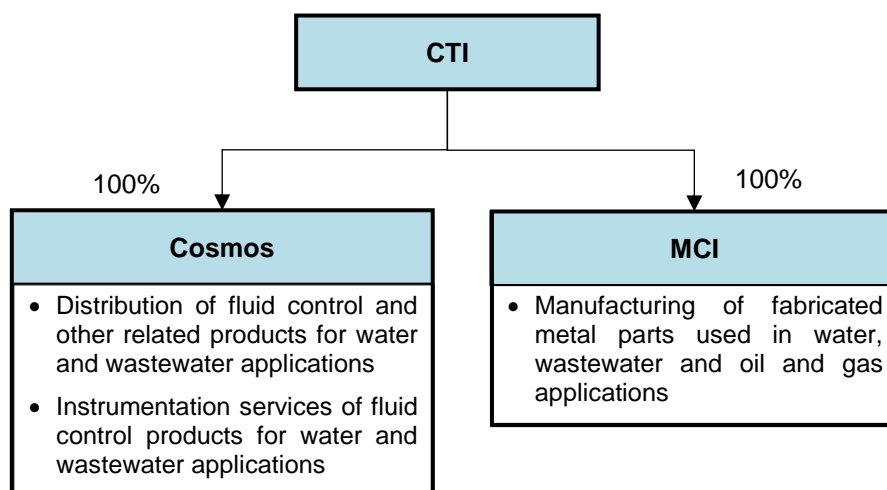
### 2.1 Our history and milestones

#### 2.1.1 Overview

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, CTI was converted to a public limited company and assumed its present name. CTI is an investment holding company and is seeking a listing on the LEAP Market of Bursa Securities.

Our Group is principally involved in the distribution and servicing of fluid control products and manufacturing of fabricated metal parts for industrial applications used in the water, wastewater and oil and gas industries.

On 24 September 2019, we completed the Acquisitions which resulted in Cosmos and MCI becoming our wholly-owned subsidiaries as illustrated below:



#### 2.1.2 History

The history of our Group began in 2004 when Dato' Chong incorporated Cosmos to begin the distribution of fluid control products for the water and wastewater industries in Malaysia. The fluid control products distributed by Cosmos include electronic flowmeters, in particular electromagnetic and ultrasonic flowmeters, and related products supplied by Siemens Malaysia.

When we started our distribution back in 2004, our fluid control products were mainly distributed to contractors for water and wastewater treatment plants, which includes ISET, a company co-owned by Dato' Chong. ISET is a contractor which specialises in mechanical and engineering works for water and wastewater treatment plants.

Majority of water supply and related projects in Malaysia are awarded by the Government. The awarded projects are either carried out by concessionaires or sub-contracted to other private companies. Hence, water supply and sanitation work in Malaysia are considered Government-linked projects, whether directly or indirectly.

## 2 OVERVIEW OF OUR GROUP (CONT'D)

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In the initial years, Cosmos did not have the required licences from MOF and Pusat Khidmat Kontraktor to tender for Government-linked projects. Hence, most of these projects were tendered by ISET and the provision of fluid control products were subcontracted to Cosmos.

In 2005, Cosmos started to offer instrumentation services (excluding installation work) to complement our distribution business for our Water Customers. The installation work of these fluid control products was performed by ISET.

Certain tenders from Water Authorities, Water operators, and wastewater treatment plant operators require distributorship of process instrumentation. Recognising this, Cosmos secured its appointment as an authorised process instrumentation distributor for Siemens Malaysia Automation and Drives Group in 2007. Since then, we have been working closely with Water Authorities, Water Operators and wastewater treatment plant operators through ISET's tenders and direct engagements to secure more sales.

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 experienced 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 generated from the water treatment plants; and
- (c) Consumer billing meter – measuring the amount of water consumed by the end-users for billing purpose.

In 2014, the demand for our instrumentation services grew as we have distributed more than one thousand electronic flowmeters to our customers over the last 10 years. Hence, we began to provide instrumentation services to our customers, which include testing and inspecting the old electronic flowmeters, and to replace any defective flowmeters and/or wear and tear parts to ensure our customers' water monitoring and measurement processes were working efficiently. At the same time, we also expanded to offer installation work for our electronic flowmeters. This is part of Cosmos' strategy to minimise its reliance on ISET to perform installation work for our Water Customers.

In 2016, Cosmos obtained the G4 licence from CIDB which permits Cosmos to participate in tenders for installation work for Government-linked water projects not exceeding RM3 million in Malaysia. Arising from this, Dato' Chong formed a service team to undertake full installation work by Cosmos under the instrumentation services business activity.

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

## 2 OVERVIEW OF OUR GROUP (CONT'D)

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At the same time, Dato' Chong identified the need to expand into other value-added services to complement our existing distribution and servicing businesses. He realised the potential in the water and wastewater industries following the Government's effort to improve the existing water and wastewater facilities in the country. Recognising the manufacturing capabilities of MCI and its potential in the fluid industry, 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 the year 2010 and had been operating since under its holding company, MSM. At that time, the principal activity of MCI was metal engineering work for oil and gas and environmental-related industries.

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. On the same day, MCI entered into a conditional sale and purchase agreement with Dato' Chong to acquire 100.00% equity interest of Cosmos. On 18 December 2018, Cosmos became a wholly-owned subsidiary of MCI.

As a result of the above, Cosmos and MCI have established a working arrangement to develop and manufacture a wider range of products for our Water Customers. This in turn enables our Group to enjoy cost savings as certain products such as fabricated metal parts can be manufactured internally by MCI.

Prior to the acquisition of MCI, MCI was servicing the oil and gas industry. It only has two (2) major customers, namely National Oilwell Varco, Inc. and NOV (Malaysia) Sdn. Bhd., which accumulatively contributed 74.07% and 71.79% of our Group's total revenues for FYE 2018 and FYE 2019 respectively. Dato' Chong acquired MCI with the intention to utilise MCI's manufacturing capability to produce fabricated metal products for the Water Customers. This will mitigate our dependency on the Oil and Gas Customers. With these fabricated metal products, we believe we are able to strengthen our financial performance from contribution from the water industry in the future. As for MCI's existing customers, we will continue to service them as they contribute to the revenues of our Group.

In 2018, we further strengthened our business relationship and position with Siemens Malaysia when Cosmos was appointed as a process instrumentation Solution Partner for Siemens Malaysia Digital Factory and Process Industries and Drives Division. Cosmos was also appointed as an authorised factory automation system integrator for Siemens Malaysia Digital Factory and Process Industries and Drives Division to provide system integration activities for its digital factory and process industries and drives products, which expanded our instrumentation services. As at the LPD, the Group has yet to commence the system integration activities.

In the same year, Cosmos secured the framework agreement for supply, delivery and troubleshooting of Siemens electromagnetic flowmeter and spare parts for district metering zone operation and maintenance works from SYABAS ("**Framework Agreement**"). The Framework Agreement is valid for three (3) years expiring on 31 December 2020. The Framework Agreement and the purchase orders issued by SYABAS from time to time will constitute the terms and conditions of the services.

Following the acquisition of SYABAS by Pengurusan Air Selangor Sdn Bhd ("**Air Selangor**") in April 2019, Air Selangor is now a party to the Framework Agreement in place of SYABAS, with the terms of the agreement remain valid and effective.



## 2 OVERVIEW OF OUR GROUP (CONT'D)

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In early 2019, Cosmos started discussing with Siemens Malaysia to secure a working partnership to distribute Siemens Malaysia's energy saving solution for the water and wastewater industries in the local market. In relation to this, Cosmos has begun discussions with several Water Authorities and Water Operators to conduct pilot projects to study and test the energy saving solution in old water treatment plants and booster stations which have been in operation for more than 10 years. Please refer to Section 3.17.2 of this Information Memorandum for further details on the energy saving solution.

Then, we further expanded our product portfolio to include dataloggers from LACROIX Sofrel. These new products are complementary to our fluid control products. At the same time, LACROIX Sofrel also appointed Cosmos as its official partner to sell and to support its range of products in Malaysia. Subsequently, we began to market our dataloggers to our Water Customers and managed to secure several test sites in Perak, Selangor, Sabah, and Negeri Sembilan. These test sites were to test the integration of LACROIX Sofrel's dataloggers with our Siemens Malaysia's electronic flowmeters to monitor water flow in their water treatment plants, water distribution and billing as well as monitoring of NRW.

In the same year, Cosmos was granted a G5 CIDB licence, which permits Cosmos to secure Government-linked water projects of up to RM5 million in Malaysia. In June 2019, we also obtained a MOF licence which enables us to participate in the public sector and semi-government tenders and contracts.

Since obtaining the MOF licence in 2019, in addition to the G5 CIDB licence and SPAN water supply permit obtained earlier, Cosmos has been tendering for Government-linked projects independently from ISET for the supply of fluid control products and instrumentation services. Further, on 24 June 2019, Dato' Chong has resigned from the board of ISET to focus on managing the operation of our Group.

In the Malaysia Budget 2019, the Government has planned to construct and upgrade the water infrastructures in Sabah and Sarawak. As noted in the IMR Report, Sarawak is one of the highest recipients of Government expenditure for water industry in 2019. In view of this, we have established a new sales and services office in Kuching, Sarawak in early 2019 to offer our products and services to new and existing Water Customers in East Malaysia. Having a sales and services establishment in East Malaysia will enable us to better serve our customers and improve our customer service response time. We believe this will provide a good prospect to our water business and promote growth in our sales.

We will continue to expand our product and service offerings to ensure growth sustainability and improvement in shareholders' value. Please refer to Section 3.17 of this Information Memorandum for further details on our future plans, strategies and prospects.

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## 2 OVERVIEW OF OUR GROUP (CONT'D)

### 2.1.3 Our milestones and key achievements

The table below sets out our milestones and key achievements:

Year	Milestone and key achievements
2004	<ul style="list-style-type: none"> <li>Cosmos was incorporated to distribute fluid control products used in the water and wastewater industries in Malaysia</li> </ul>
2005	<ul style="list-style-type: none"> <li>Cosmos expanded its service offering to include instrumentation services (excluding installation work) for our Water Customers</li> </ul>
2007	<ul style="list-style-type: none"> <li>Cosmos was appointed as an authorised process instrumentation distributor for Siemens Malaysia Automation and Drives Group</li> <li>We began to work with Water Authorities, Water Operators and wastewater treatment plant operators through ISET's tenders and direct engagements</li> </ul>
2010	<ul style="list-style-type: none"> <li>MCI was incorporated to manufacture fabricated metal parts for oil and gas application under its then holding company, MSM</li> </ul>
2012	<ul style="list-style-type: none"> <li>MCI obtained the ISO 9001:2008 certification for the recognition of its QMS in the customised fabrication work of steel material for the oil and gas industry</li> </ul>
2016	<ul style="list-style-type: none"> <li>Cosmos registered for a G4 licence from CIDB</li> </ul>
2017	<ul style="list-style-type: none"> <li>Dato' Chong initiated a working partnership with MCI through MSM to achieve backward integration and combine the expertise and resources of Cosmos and MCI to service the water and wastewater industries</li> </ul>
2018	<ul style="list-style-type: none"> <li>MCI upgraded its ISO certification to ISO 9001:2015</li> <li>Cosmos obtained its ISO 9001:2015 certification</li> <li>Cosmos was appointed as an authorised factory automation system integrator for Siemens Malaysia Digital Factory and Process Industries and Drives Division</li> <li>Cosmos was appointed as a process instrumentation Solution Partner for Siemens Malaysia Digital Factory and Process Industries and Drives Division</li> </ul>
2019	<ul style="list-style-type: none"> <li>Cosmos was appointed as the official partner for LACROIX Sofrel to sell and to support its range of products in Malaysia</li> <li>Cosmos was granted a G5 CIDB licence</li> <li>Cosmos established a new sales and services office in Sarawak to better serve our Water Customers in East Malaysia</li> <li>Cosmos obtained its MOF licence</li> </ul>

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## 2 OVERVIEW OF OUR GROUP (CONT'D)

### 2.1.4 Our awards

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

Year	Awarded to	Awards	Awarded by
2008	Cosmos	Outstanding Achievement Award 2008/2009	Siemens Malaysia
2009	Cosmos	Top Performance Award 2009/2010	Siemens Malaysia
2010	Cosmos	Top Performance Award 2010/2011	Siemens Malaysia
2011	Cosmos	<ul style="list-style-type: none"> <li>• Top Performance Award 2011/2012</li> <li>• Millions Club Award 2011/2012</li> </ul>	Siemens Malaysia
2013	Cosmos	<ul style="list-style-type: none"> <li>• Top Performance Award 2013</li> <li>• The Million Club Award 2013/2014</li> <li>• Top Performer Award 2013/2014</li> </ul>	Siemens Malaysia
2014	Cosmos	Top Sales Performer Award 2014	Siemens Malaysia with approved partner, Sensors
2015	Cosmos	<ul style="list-style-type: none"> <li>• Top Performer Award 2015</li> <li>• The Million Club Award 2015</li> </ul>	Siemens Malaysia
2016	Cosmos	ASEAN Partners Excellence Award 2016	Siemens Pte Ltd
		<ul style="list-style-type: none"> <li>• ASEAN Performance Excellence Award 2016</li> <li>• Top Performer Award 2016</li> <li>• The Million Club Award 2016</li> </ul>	Siemens Malaysia
2017	Cosmos	<ul style="list-style-type: none"> <li>• The Million Club Award 2017</li> <li>• ASEAN Performance Excellence Award 2017</li> </ul>	Siemens Malaysia
2018	Cosmos	<ul style="list-style-type: none"> <li>• The Million Club Award 2018</li> <li>• ASEAN Performance Excellence Award 2018</li> </ul>	Siemens Malaysia

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## 2 OVERVIEW OF OUR GROUP (CONT'D)

### 2.2 Information on subsidiary companies

Our Group is made up of CTI and two (2) subsidiary companies, as listed below:

Company name	Date of incorporation/ Date of commencement of business/ Country of incorporation	Issued share capital as at the LPD RM	Effective equity interest %	Principal activities
Cosmos	27 July 2004/ 27 July 2004/ Malaysia	400,000	100.00	Distribution of industrial automation and control instrumentation and servicing of fluid control products
MCI	11 August 2010/ 11 August 2010/ Malaysia	1,000,000	100.00	Manufacturing of fabricated metal parts used in water, wastewater and oil and gas applications

### 2.3 Shareholding structure

Our Company's shareholding structure before and after the Proposed Placement are as follows:

Shareholders	Before the Proposed Placement				After the Proposed Placement			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Dato' Chong	103,881,600	60.00	-	-	103,881,600	54.00	-	-
MSM	69,254,400	40.00	-	-	69,254,400	36.00	-	-
Triumphant Hope	-	-	69,254,400	40.00 <sup>(2)</sup>	-	-	69,254,400	36.00 <sup>(2)</sup>
Chan Kee Sieng	-	-	69,254,400	40.00 <sup>(3)</sup>	-	-	69,254,400	36.00 <sup>(3)</sup>
Chan Kit Moi	-	-	69,254,400	40.00 <sup>(3)</sup>	-	-	69,254,400	36.00 <sup>(3)</sup>
Public shareholders <sup>(1)</sup>	-	-	-	-	19,240,000	10.00	-	-

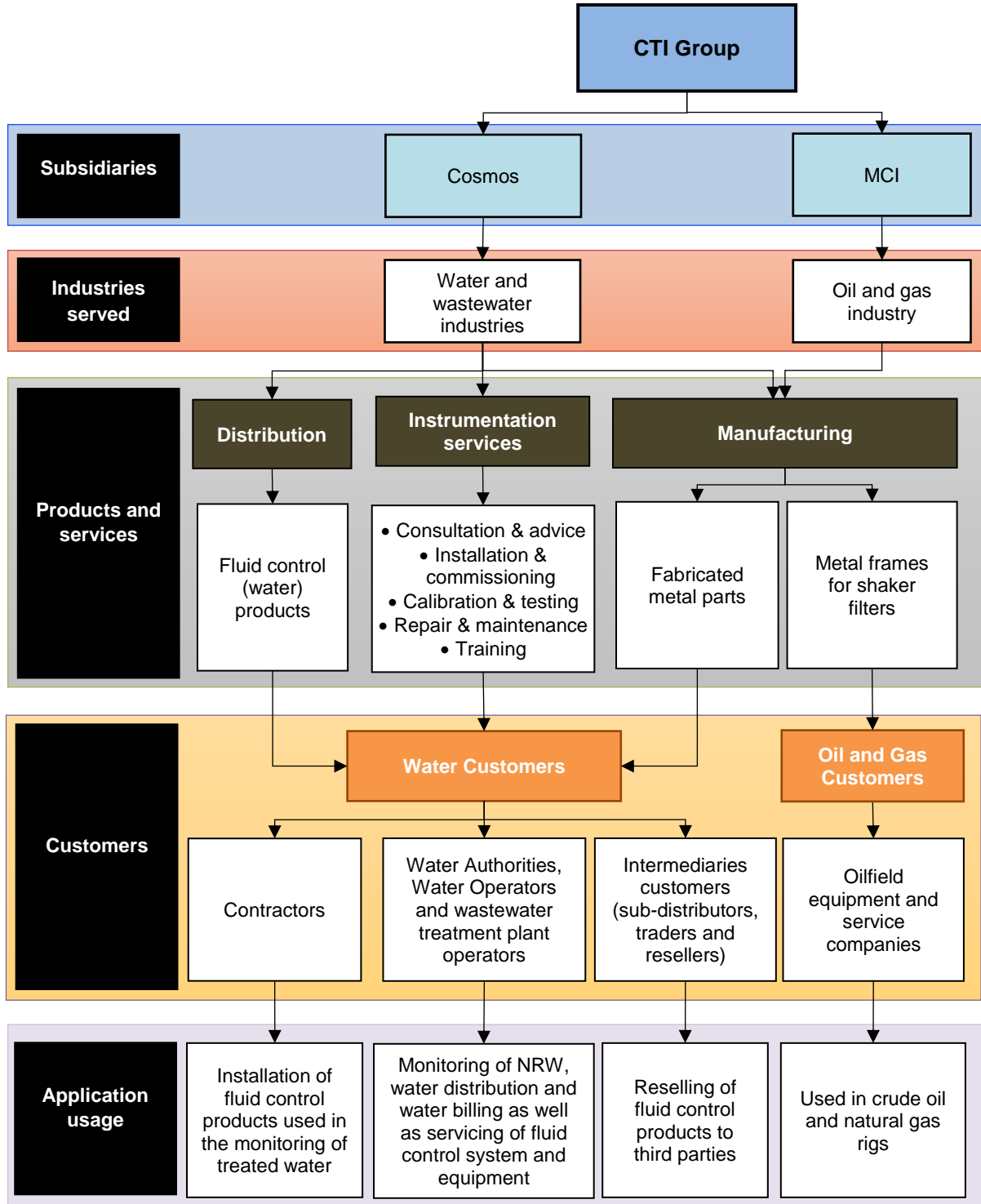
**Notes:**

- (1) Consist of placees of the Proposed Placement.
- (2) Deemed interested by virtue of its direct interest in MSM pursuant to Section 8(4) of the Act.
- (3) Deemed interested by virtue of their direct interests in Triumphant Hope and indirect interests in MSM pursuant to Section 8(4) of the Act.

### 3 BUSINESS OVERVIEW

#### 3.1 Business model

Our business model is illustrated in the following chart:



### 3 BUSINESS OVERVIEW (CONT'D)

#### 3.2 Principal business activities

##### 3.2.1 Distribution of fluid control and other related products

Cosmos specialises in the distribution of fluid control products such as Siemens Malaysia's electronic flowmeters and related products as well as LACROIX Sofrel's dataloggers to our Water Customers in the Malaysian market. Our distribution activity contributed 24.06% and 24.53% of our Group's total revenues for FYE 2018 and FYE 2019, respectively.

Cosmos 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	Siemens Malaysia	2007
2.	Process instrumentation Solution Partner for Siemens Malaysia Digital Factory and Process Industries and Drives Division	Siemens Malaysia	2018
3.	Authorised factory automation system integrator for Siemens Malaysia Digital Factory and Process Industries and Drives Division	Siemens Malaysia	2018
4.	Official partner for LACROIX Sofrel to sell and to support its range of products in Malaysia	LACROIX Sofrel	2019

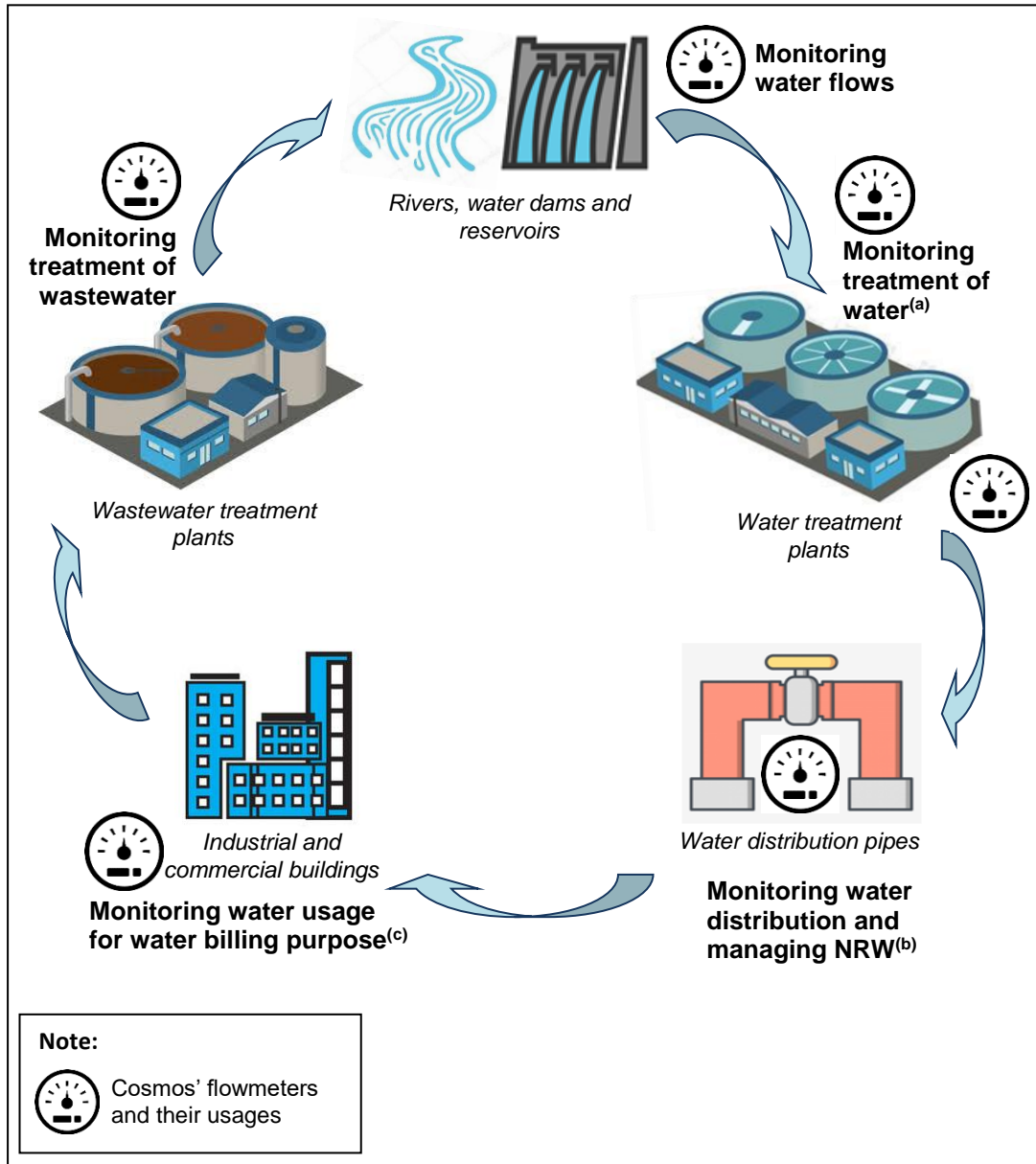
The fluid control products distributed by Cosmos are employed in four (4) key areas of the water industry as follows:

- 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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**3 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.

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

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

### 3 BUSINESS OVERVIEW (CONT'D)

*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 the industrial and commercial buildings to record water usage and for water billing purpose.*

*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.*

The fluid control and other related products distributed by our Group consists of the following:

**(a) Electronic flowmeters**

At present, there are various types of flowmeters available in the markets. Our Group is focusing on electronic flowmeters. We distribute two (2) key electronic flowmeters, namely ultrasonic flowmeter and electromagnetic flowmeter.

A complete electronic flowmeter system consists of a primary device (i.e., electromagnetic flowmeter or ultrasonic flowmeter) plus a transducer and a 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.



### 3 BUSINESS OVERVIEW (CONT'D)

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(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 flowmeters will be able to calculate the quantity of water flowing through the pipe. 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 transducer uses 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.




**(b) Dataloggers**

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. The integration between the datalogger and Siemens' electronic flowmeters is to complement and improve the effectiveness of our principal's products.

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**3 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
<b>Electronic flowmeters</b>			
<p><b>(i) Electromagnetic flowmeters</b></p>	<p><b>Electric-powered electromagnetic flowmeter</b></p>  <p><b>Flow transmitter</b></p>  <p><i>(Wall-mounted unit)</i></p>  <p><i>(Standard unit)</i></p>	<p>Our electromagnetic flowmeters can be segregated into two (2) main types, namely electric-powered and battery-powered electromagnetic flowmeters.</p> <p><b><u>Electric-powered electromagnetic flowmeter</u></b></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, among others at raw water inflow, treated water flow and distribution flow as depicted by the diagram in Section 3.2.1 above.</p> <p>Our electric-powered electromagnetic flowmeter comes in a variety of sizes ranging between 1 and 78 inches.</p> <p><b><u>Flow transmitter</u></b></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"> <li>• Water and wastewater industries</li> <li>• Chemical and pharmaceutical industries</li> <li>• Food and beverage industry</li> <li>• Mining and cements industries</li> <li>• Pulp and paper industry</li> <li>• Steel industry</li> <li>• Power generation, utility and chilled water industries</li> </ul>



**3 BUSINESS OVERVIEW (CONT'D)**

Product category	Type of product and image	Product description	Application
<p><b>(i) Electromagnetic flowmeters (cont'd)</b></p>	<p><b>Battery-powered electromagnetic flowmeter</b></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 six (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 and 48 inches.</p>	<ul style="list-style-type: none"> <li>• Water and wastewater industries</li> <li>• Chemical and pharmaceutical industries</li> <li>• Food and beverage industry</li> <li>• Mining and cements industries</li> <li>• Pulp and paper industry</li> <li>• Steel industry</li> <li>• Power generation, utility and chilled water industries</li> </ul>


**3 BUSINESS OVERVIEW (CONT'D)**

Product category	Type of product and image	Product description	Application
<p><b>(ii) Ultrasonic flowmeters</b></p>	<p><b>Inline ultrasonic flowmeter</b></p>  <p><b>Digital clamp-on ultrasonic flowmeter</b></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 three (3) types of ultrasonic flowmeters:</p> <ul style="list-style-type: none"> <li>• Inline ultrasonic flow measurement;</li> <li>• Clamp-on ultrasonic flow measurement; and</li> <li>• Open-channel flow measurement.</li> </ul> <p><b><u>Inline ultrasonic flowmeter</u></b></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> <p><b><u>Digital clamp-on ultrasonic flowmeter</u></b></p> <p>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>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>	<ul style="list-style-type: none"> <li>• Water and wastewater industries</li> <li>• Heating, Ventilation and Air Conditioning industry</li> <li>• Power industries</li> <li>• Chemical industry</li> <li>• Process control industry</li> </ul>




**3 BUSINESS OVERVIEW (CONT'D)**

Product category	Type of product and image	Product description	Application
<p>(ii) <b>Ultrasonic flowmeters (cont'd)</b></p>	<p><b>Open channel ultrasonic flowmeter</b></p>  <p><i>(open channel ultrasonic flowmeter)</i></p> <p><b>The probe</b></p>  <p><i>(open channel ultrasonic flowmeter)</i></p>	<p><b><u>Open channel ultrasonic flowmeter</u></b></p> <p>The open channel ultrasonic flowmeter is used to monitor and measure the level, volume and flow of liquids in open channels. This flowmeter is generally used in chemical and/or liquid storage vessels, filter beds, reservoirs and water storage tanks.</p> <p>The two (2) types of open channel ultrasonic flowmeters we distribute are as follows:</p> <ul style="list-style-type: none"> <li>• a 2-wire loop powered ultrasonic level transmitter that is ideal for level monitoring in the water and wastewater industries and chemical storage vessels; and</li> <li>• a short-range integrated ultrasonic level transmitter which is ideal for liquids and slurries in open or closed vessels. This is a low cost sensor which is easy to install and maintain.</li> </ul>	<p>Water and wastewater industries</p>




**3 BUSINESS OVERVIEW (CONT'D)**

Product category	Type of product and image	Product description	Application
(iii) Level transducers	<p data-bbox="577 300 712 323">Transducer</p> 	<p data-bbox="1048 300 1760 408">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 level within a specified range and determine the exact amount of substance in a certain place.</p> <p data-bbox="1048 437 1760 520">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="1048 549 1760 711">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>	Water and wastewater industries

3 BUSINESS OVERVIEW (CONT'D)

Product category	Type of product and image	Product description	Application
<p>(iv) Pressure transmitters</p>	<p><b>Digital pressure transmitter</b></p>  <p><i>(Transmitter for general requirement)</i></p>  <p><i>(Transmitter for applications with advanced requirements)</i></p> <p><b>Submersible sensor transmitter</b></p>  <p><i>(Single-range transmitter for applications with advanced requirements)</i></p>	<p>We supply two (2) types of pressure transmitters, namely digital pressure transmitter and submersible sensor transmitter.</p> <p><b>Digital pressure transmitters</b> 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 <b>submersible sensor transmitter</b> 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"> <li>• Chemical and mechanical industries</li> <li>• Water and wastewater industries</li> </ul>

**3 BUSINESS OVERVIEW (CONT'D)**

Product category	Type of product and image	Product description	Application
<p><b>Dataloggers</b></p>	<p><b>Datalogger</b></p>  <p><b>Modular telemetry and SCADA remote terminal units for remote control and management</b></p>  <p><b>Sensors and accessories</b></p> 	<p>The LACROIX Sofrel's datalogger is an electronic device that records and stores data generated from the electromagnetic flowmeters. The datalogger is integrated with communication link to provide periodical reading of the electromagnetic flowmeter's records and transmit these records to the central station via general packet radio service ("GPRS")/third generation (3G) communication. The LACROIX Sofrel's datalogger is also able to archive and calculate daily balances, flow index, volume and parameter data obtained from the electromagnetic flowmeters.</p> <p>The LACROIX Sofrel's datalogger will collect the data and measurement of the flowmeter and protect the reliability of data transmitted back to the centralised system. This enables water authority to monitor daily water flowrates and data, which will be used for water billing purposes.</p>	<p>Water and wastewater industries</p>



### 3 BUSINESS OVERVIEW (CONT'D)

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#### 3.2.2 Instrumentation services of fluid control products

Our instrumentation services provided to our Water Customers in the local market contributed 1.27% and 1.29% of our Group's total revenues for FYE 2018 and FYE 2019, respectively.

To complement our distribution of fluid control products, we also offer instrumentation services to our Water Customers. Our instrumentation services include, but are not limited to, calibration, testing, installation, commissioning and training, as well as after sales services for fluid control system and equipment as detailed below:

- **Consultation and advice** - we provide consultation and advice to our Water Customers on their fluid control needs and requirements using Siemens Malaysia's fluid control products. 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.
- **Installation and commissioning of instruments** - we have qualified technicians who provide complete installation of fluid control products at our customers' sites. Our technicians are trained by Siemens Malaysia and have the competency to carry out and complete the jobs.
- **Calibration and testing of electronic flowmeters** - we provide calibration of Siemens Malaysia's fluid control products to achieve the required measurements according to the device technical standards.
- **Repair and maintenance** - we provide repair services to fix any broken or faulty products. Besides that, we also provide scheduled preventive maintenance to minimise equipment breakdown.
- **Training** - we also offer training seminars to our customers and educate them on how to use, operate, check and inspect our fluid control products that are installed at their sites.

#### 3.2.3 Manufacturing of fabricated metal parts






Our fabricated metal parts are manufactured and distributed to our customers in the local and overseas markets. Our manufacturing activity contributed 74.67% and 74.18% of our Group's total revenues for FYE 2018 and FYE 2019, respectively.

We possess the technical knowledge, experience and capabilities in metal fabrication to produce fabricated metal parts used in the water, wastewater and oil and gas applications. Our manufacturing facility is equipped with high precision manufacturing technologies, including robotic systems to carry out our manufacturing and fabrication processes (please refer to Section 3.5 – Technology used, for more information). We are capable of customising fabricated metal parts according to our customers' application needs.

Currently, our main manufactured products include metal frames for shaker filters used in the oil and gas industries, and other fabricated metal parts such as wall mount, pedestal panels, metal enclosures, earthing rings and metal brackets used in water and wastewater applications.

**3 BUSINESS OVERVIEW (CONT'D)**

The details of the fabricated metal parts manufactured by our Group are as follows:

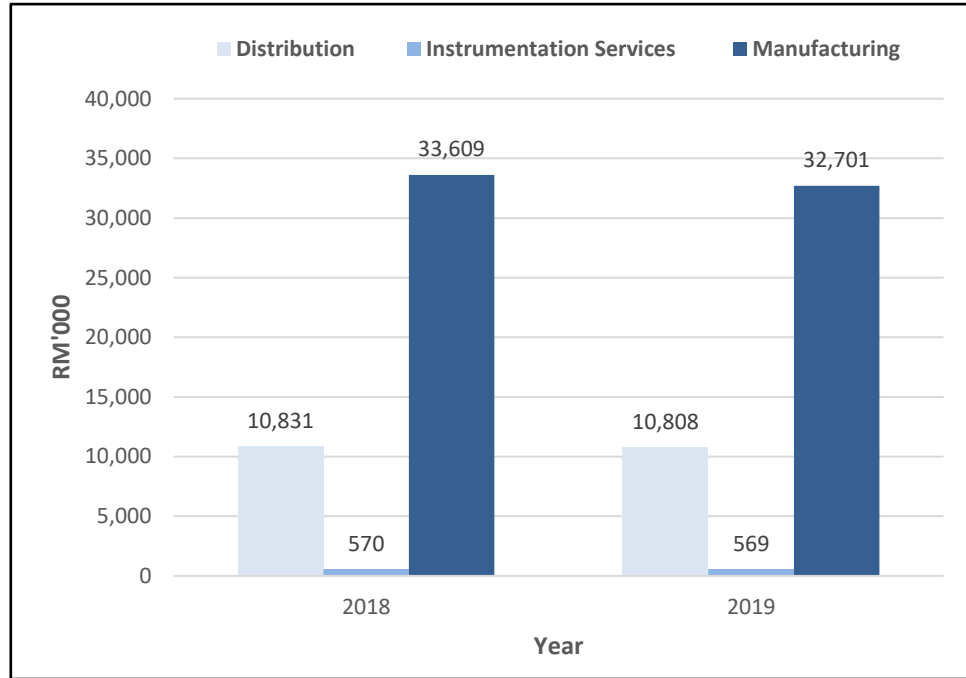
Type of product and image	Product description	Application
<p><b>Metal frames for shaker filters</b></p> 	<p>The metal frames we produced will be sent to our customers to be attached to a metal screen to form a complete shaker filter.</p> <p>A shaker filter is a component of a shale shaker that is being 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><b>Wall mount, pedestal panels and metal enclosures</b></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><b>Stainless steel earthing rings</b></p> 	<p>The earthing ring is to ground electrical equipment, such as electromagnetic flowmeters from damages due to electrical surges.</p>	<p>Water and wastewater industries</p>
<p><b>Mild steel and stainless-steel bracket</b></p> 	<p>These mild steel and/or 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>

### 3 BUSINESS OVERVIEW (CONT'D)

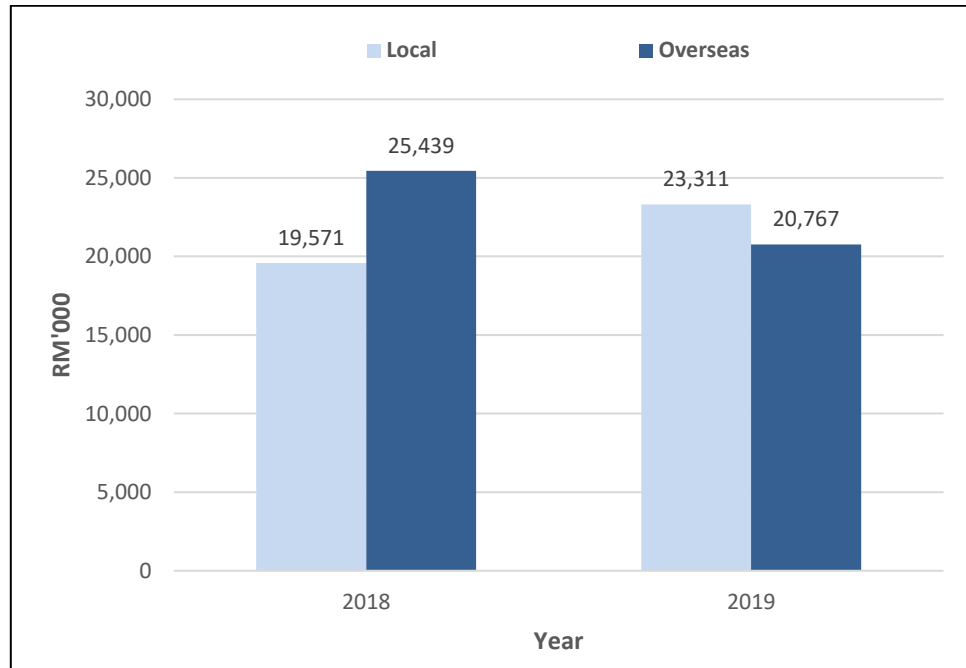
#### 3.3 Principal markets

Our Group's revenue contributions by business activities, geographical markets and industries served for FYE 2018 and FYE 2019 are depicted by the charts below:

##### 3.3.1 CTI Group's revenue segmentation by business activities

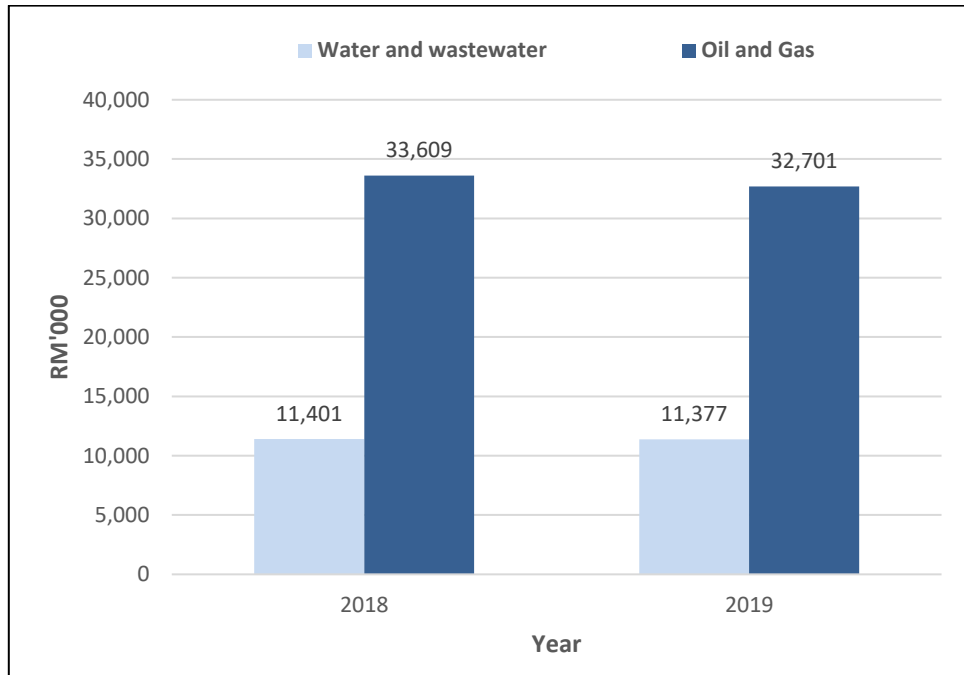


##### 3.3.2 CTI Group's revenue segmentation by geographical markets



**3 BUSINESS OVERVIEW (CONT'D)**

**3.3.3 CTI Group's revenue segmentation by industries served**

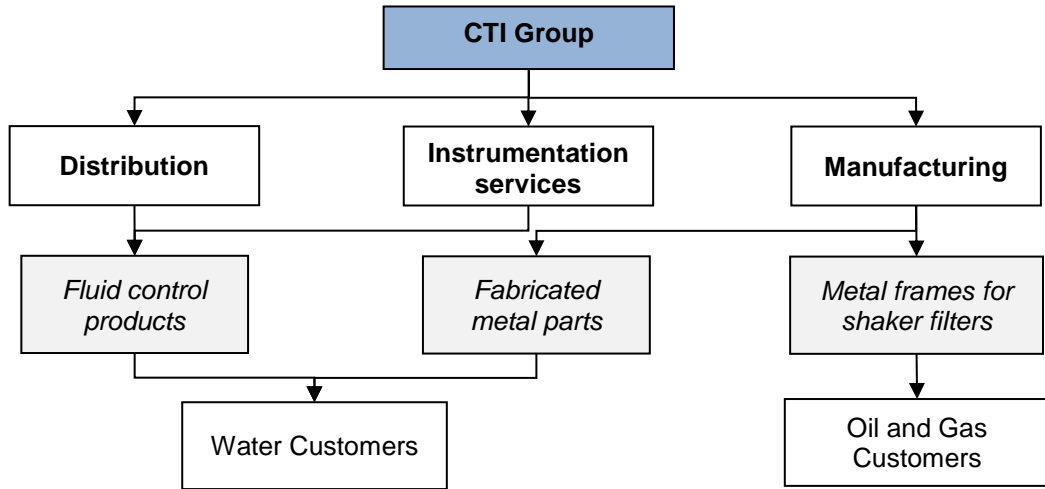


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### 3 BUSINESS OVERVIEW (CONT'D)

#### 3.4 Business operations

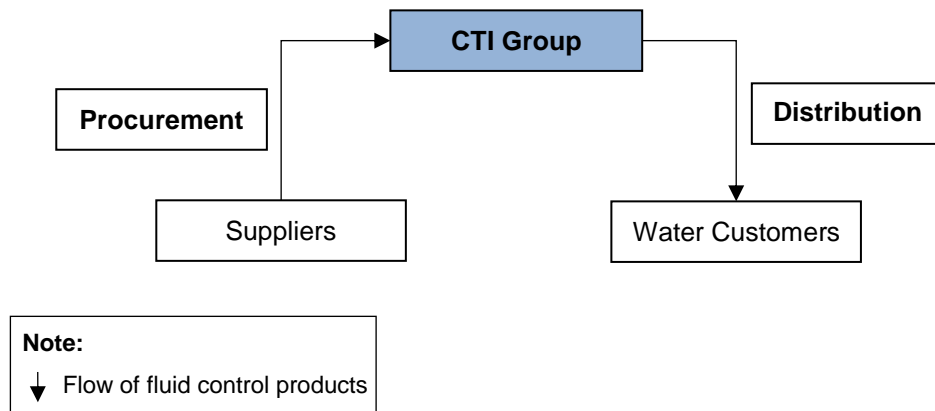
Our Group's overall business operation workflows are detailed below:



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

##### 3.4.1 Distribution workflow

Our Group's distribution workflow is outlined in the diagram below:



##### Procurement

We distribute fluid control products sourced from our suppliers, namely Siemens Malaysia and LACROIX Sofrel. Currently, Siemens Malaysia is one of our major suppliers. We have been an authorised distributor of Siemens Malaysia's fluid control products for approximately 12 years.

Generally, we conduct sales forecasts and we monitor our inventory to ensure we have sufficient products to distribute to our Water Customers. We generally keep over RM1.00 million worth of stocks in our storage to avoid disruption in our products supply for our Water Customers. When there is a low level of inventory, we will replenish stock level from our suppliers.

When inventory arrives at our storage, we will conduct visual inspections on the stock to ensure quality control. Subsequently, the stock is stored safely in our storage waiting delivery to our customers.

### 3 BUSINESS OVERVIEW (CONT'D)

#### Distribution

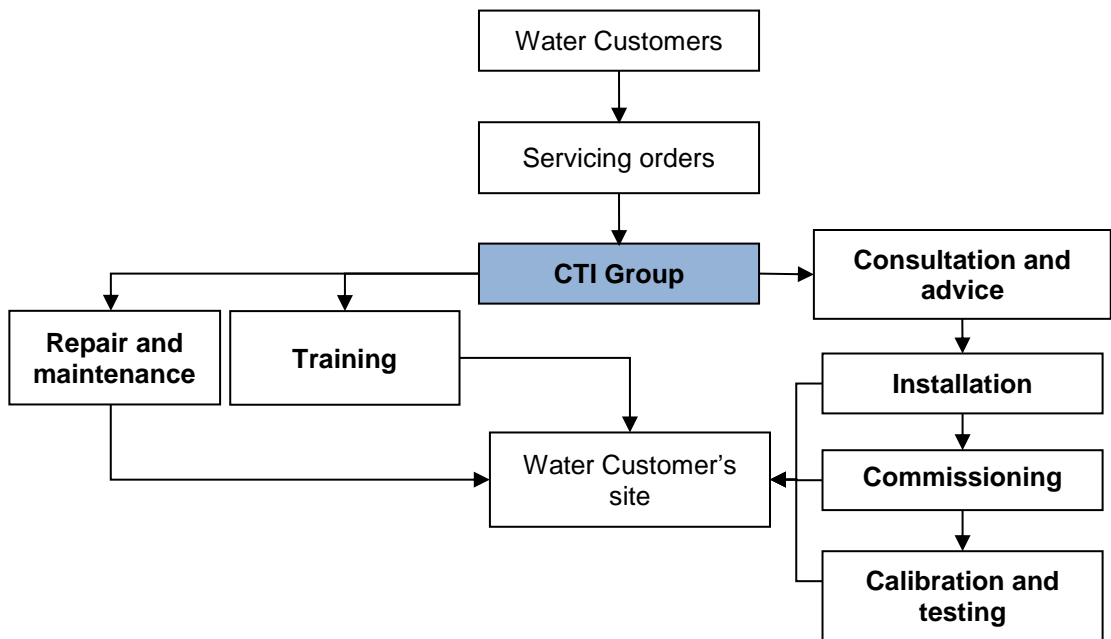
We distribute a wide range of fluid control products from Siemens Malaysia. We are constantly working with our Water Customers to market and promote our fluid control products to them. Currently, we participate in tenders directly with Water Authorities and Water Operators to secure new sales.

When a sale is secured, the marketing department will generate a sales order. Subsequently, we will prepare the delivery orders to our storage department for arrangement of delivery. We utilise external transportation companies to handle all our delivery services. 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 stocks are delivered to our customers, they will be installed at customers' specified water and wastewater treatment plants.

#### 3.4.2 Instrumentation services workflow

Our Group's instrumentation services workflow is outlined in the diagram below:



Our instrumentation services workflow started with customers raising servicing orders specifying the services required.

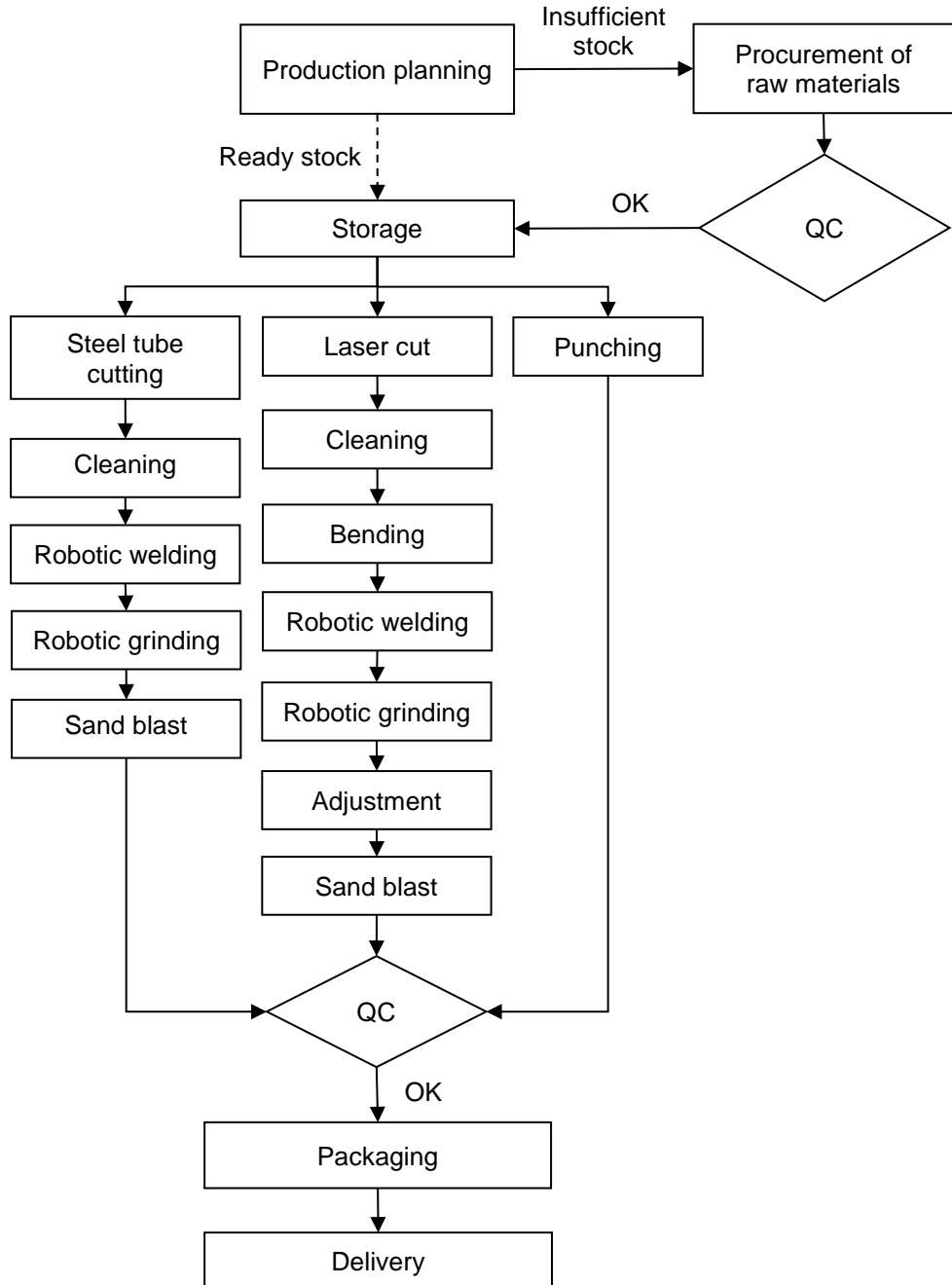
Our technical staff who provide these services are trained and certified by Siemens Malaysia to conduct all necessary quality inspections on their fluid control products.

We also provide scheduled preventive maintenance to our Water Customers for their fluid control products to ensure they are operating at their exact parameters. 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.

**3 BUSINESS OVERVIEW (CONT'D)**

**3.4.3 Manufacturing workflow**

Our Group's manufacturing workflow is outlined in the diagram below:



MCI has the capability to provide metal fabrication and manufacturing of fabricated metal parts. MCI fabricates customised metal parts such as metal frames for shaker filters, wall mounts, pedestal panels, metal enclosures, earthing rings and metal brackets used in oil and gas as well as water and wastewater applications.

We are capable of customising and producing fabricated metal parts 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

**3 BUSINESS OVERVIEW (CONT'D)**

blasting, bending, and cleaning to produce fabricated metal parts. We are also able to provide fabrication and pre-fabrication work on steel tubes and sheet metals.

To ensure high quality standards in our fabricated metal parts, 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.

**3.5 Technology used**

**Cosmos**

Cosmos focuses on the distribution of fluid control products for our Water Customers. As at the LPD, we source our fluid control products from our principals namely Siemens Malaysia and LACROIX Sofrel.


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' treatment plant efficiency.

The LACROIX Sofrel dataloggers has embedded technology that are able to facilitate communication with all commercially available SCADA monitoring systems remotely for water and wastewater applications.

Since we started distributing our principals' 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**

MCI employs several manufacturing technologies including robotic system in our metal fabrication activities. Such technologies include:

Key manufacturing technology	Description
<p>Robotic welding</p> 	<p>We source our robotic technology from Germany, Japan and the People's Republic of China ("PRC"). Our robotic welding machinery uses mechanised programmable tools which completely automate our welding process. The entire welding process is fully automated without any reliance on personnel to prepare the materials to be welded. This allows us to perform fast welding. As at the LPD, we have 17 robotic welding machines in our manufacturing facility.</p>



**3 BUSINESS OVERVIEW (CONT'D)**

Key manufacturing technology	Description
<p>Turret punching machine</p> 	<p>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 without the reliance of human handling. The turret punching machine has high punching speed and at the same time can achieve a high precision level.</p>
<p>Automatic pipe cutting machine</p> 	<p>This is an automatic pipe cutting machine which can cut any sizes of metal pipes into the desired lengths with clean and accurate cut to produce pipes used in our production.</p>
<p>Bandsaw machine</p> 	<p>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 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>
<p>Laser cutting machine</p> 	<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.</p>
<p>Bending machine</p> 	<p>The bending machine is a forming machine which bends sheet metal into the desired form.</p>

We are 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  $\pm 0.05$  mm.

### 3 BUSINESS OVERVIEW (CONT'D)

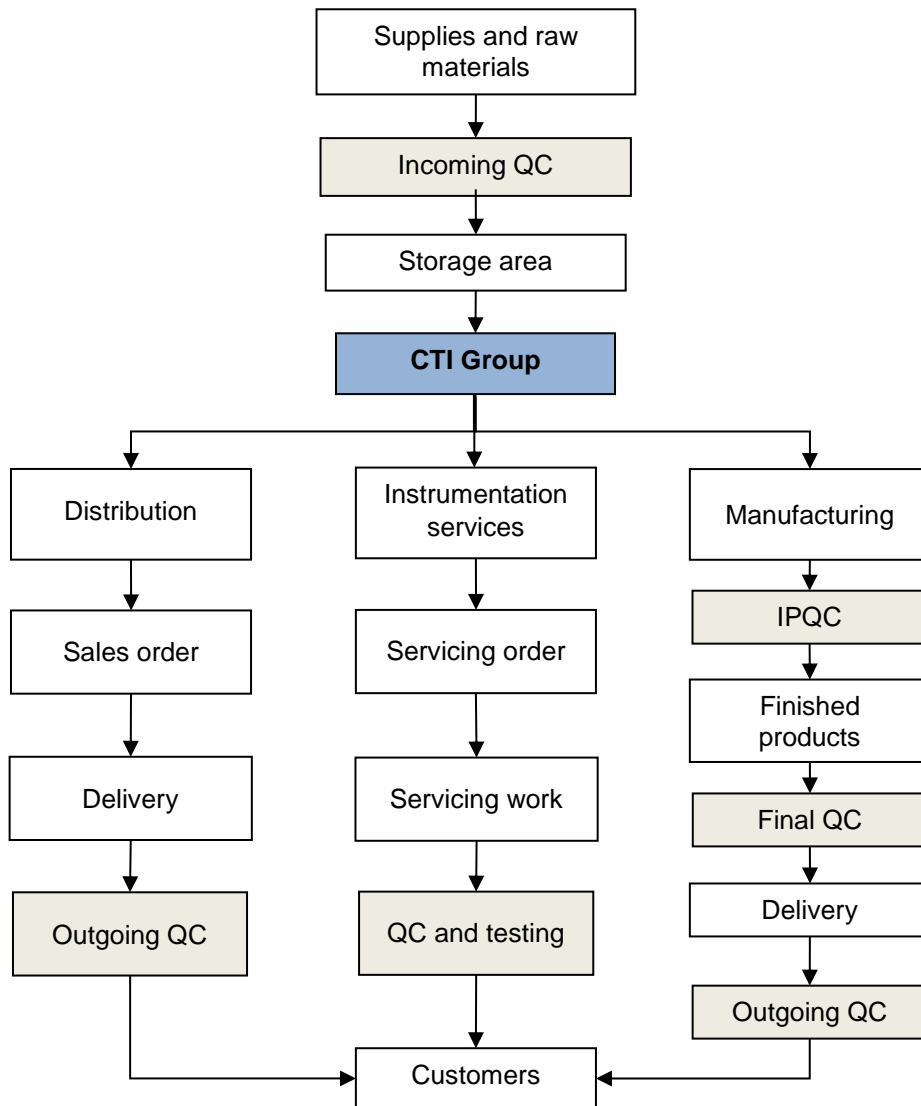
#### 3.6 R&D

The Group is not involved in R&D activities. However, we are applying our technical know-how and manufacturing experience to assist our customers in metal fabrication activities. Our technical team can advise and provide ideas to our customers for their products improvement.

#### 3.7 QMS

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

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



### 3 BUSINESS OVERVIEW (CONT'D)

#### Cosmos

Cosmos specialises in the distribution of fluid control products for the water and wastewater industries. Our business strategy is to offer our Water Customers with the ideal fluid control products for their water and wastewater application usages. Presently, we only source our electronic flowmeters and dataloggers from Siemens AG and LACROIX Sofrel, respectively. We keep abreast with the current technology from Siemens Malaysia so we can recommend and offer the most suitable fluid control products and services to our Water Customers.

All our Siemens Malaysia's products must be quality checked and approved by our principal before being delivered to us. We will also conduct visual inspection and quantity checks prior to acceptance of inventory.

For our instrumentation services, we carry out QC and testing on the instrumentation work done by our technicians at our customers' premises. Before project hand-over, we must ensure our fluid control instruments are fully tested and functional. We have a set of testing parameters to check and certify that the instruments are running smoothly.

#### MCI

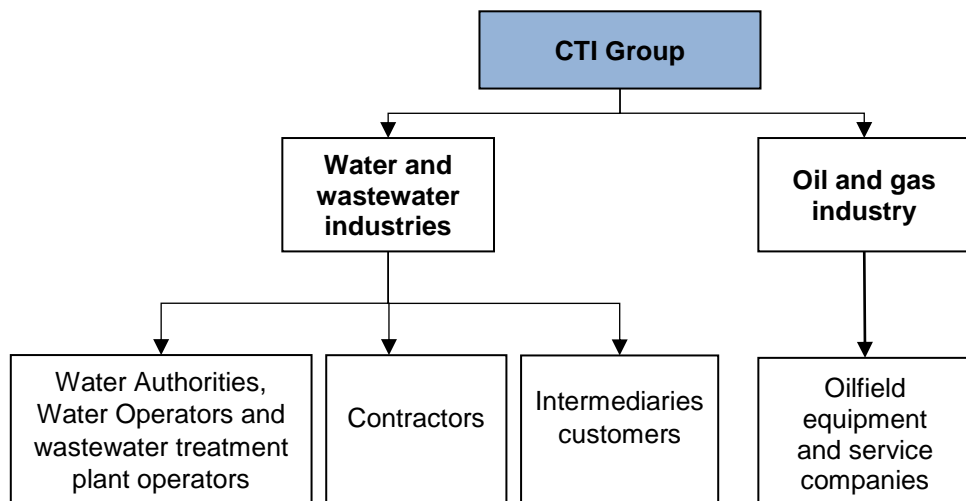
MCI is involved in the manufacturing of fabricated metal parts for the water, wastewater and oil and gas applications. For instance, the metal frames for shaker filters are used in oil and gas explorations and field developments. The metal frames must have the durable build-quality as required by the oil and gas industry. MCI emphasises on product quality, that would ensure customer satisfaction and secure repeat orders. In order to maintain high standards and quality in all our production processes, quality assurance procedures are infused at every step in the production process to monitor the quality of the products manufactured.

To achieve the desired QC levels, we conduct various stages of QC checks from incoming raw materials right up to the final 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 certification, before they are delivered to our customers.

### 3.8 Sales and marketing strategies

#### 3.8.1 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:



### 3 BUSINESS OVERVIEW (CONT'D)

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Currently, we have two (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 <http://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.

We also adopted 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 treatment plants, and intermediaries customers.

- (a) **Water Authorities, Water Operators and wastewater treatment plant operators** - Cosmos 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. According to the IMR Report, there are 529 water treatment plants in Malaysia. Our marketing department in Cosmos 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.

In 2018, Cosmos entered into a Framework Agreement with SYABAS and subsequently vested to Air Selangor following the acquisition of SYABAS by Air Selangor in April 2019. This is our first long term contract between Cosmos and our customer. Moving forward, Cosmos intends to secure more framework agreements from our Water Customers, to ensure sustainability in our business.

- (b) **Contractors** – We also work closely 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 supports 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

### 3 BUSINESS OVERVIEW (CONT'D)

our Water Customers to help them achieve higher accuracies in measuring water flow in their water and wastewater treatment plants.

- (c) **Intermediaries customers** - We also distribute our fluid control products to intermediaries 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 fulfill their sales orders.

#### **Exhibitions**

We have been participating in AsiaWater Expo & Forum since 2014. The AsiaWater Expo & Forum is held every two (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.

Below is the list of exhibitions we have participated in since 2014:

<b>Year</b>	<b>Exhibitions</b>	<b>Country held</b>	<b>Organisers</b>
2014	AsiaWater 2014 Expo & Forum	Malaysia	UBM Asia and Malaysian Water Association
2016	AsiaWater 2016 Expo & Forum	Malaysia	UBM Asia and Malaysian Water Association
2018	AsiaWater 2018 Expo & Forum	Malaysia	UBM Asia and Malaysian Water Association

#### **Oil and Gas Industry**

MCI specialises in the manufacturing and supplying of metal frames for shaker filters in the oil and gas industry. Our Oil and Gas Customers are oilfield equipment and service companies. For the FYE 2019, we only have two (2) major Oil and Gas Customers, namely National Oilwell Varco, Inc. and its subsidiary company, NOV (Malaysia) Sdn Bhd. We have built a long-term business relationship with NOV group of companies 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.

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### 3 BUSINESS OVERVIEW (CONT'D)

#### 3.9 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,
- Intermediaries customers, and
- Oilfield equipment and service companies.

Our top five (5) customers in the last two (2) financial years are as follows:

Customers	Country	Type of products and services supplied	Approximate length of relationship (years)	Revenue	
				RM'000	%
<b>FYE 2018</b>					
National Oilwell Varco, Inc.	US	Metal frame	3	25,439	56.52
NOV (Malaysia) Sdn. Bhd.	Malaysia	Metal frame	9	7,898	17.55
ISET	Malaysia	Fluid control products	15	2,501	5.56
Hydro-Trent Automation Sdn. Bhd.	Malaysia	Fluid control products	10	1,339	2.97
SYABAS	Malaysia	Fluid control products	2	1,056	2.34
Others				6,777	15.06
<b>Total revenue</b>				<b>45,010</b>	<b>100.00</b>
<b>FYE 2019</b>					
National Oilwell Varco, Inc.	US	Metal frame	3	20,765	47.11
NOV (Malaysia) Sdn. Bhd.	Malaysia	Metal frame	9	10,877	24.68
ISET	Malaysia	Fluid control products	15	1,233	2.80
Ranhill Water Services Sdn. Bhd.	Malaysia	Fluid control products	2	963	2.18
Hydro-Trent Automation Sdn. Bhd.	Malaysia	Fluid control products	10	922	2.09
Others				9,318	21.14
<b>Total revenue</b>				<b>44,078</b>	<b>100.00</b>

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### 3 BUSINESS OVERVIEW (CONT'D)

#### 3.10 Major suppliers and raw materials

##### 3.10.1 Major suppliers

Our top five (5) suppliers in the last two (2) financial years are as follows:

Suppliers	Country	Type of products and services sold	Approximate length of relationship (years)	Purchases	
				RM'000	%
<b>FYE 2018</b>					
Siemens Malaysia	Malaysia	Fluid control products	12	6,965	26.64
Waynum Hardware Sdn. Bhd.	Malaysia	Metal tube	9	10,601	40.56
MSM Metal Industries Sdn. Bhd.	Malaysia	Mild steel	9	1,962	7.51
Century Steel Sdn. Bhd.	Malaysia	Mild steel	7	1,920	7.35
Dai Dong Steel Sdn. Bhd.	Malaysia	Mild steel	9	1,696	6.49
Others				2,992	11.45
<b>Total purchases</b>				<b>26,136</b>	<b>100.00</b>
<b>FYE 2019</b>					
Siemens Malaysia	Malaysia	Fluid control products	12	6,983	24.55
Leform Sdn. Bhd.	Malaysia	Metal tube	1	4,832	16.98
Waynum Hardware Sdn. Bhd.	Malaysia	Metal tube	9	3,719	13.07
MSM Metal Industries Sdn. Bhd.	Malaysia	Mild steel	9	3,491	12.27
Century Steel Sdn. Bhd.	Malaysia	Mild steel	7	2,652	9.32
Others				6,774	23.81
<b>Total purchases</b>				<b>28,451</b>	<b>100.00</b>

##### 3.10.2 Raw materials

Our Group's main raw materials and supplies are Siemens Malaysia's fluid control products which are supplied to the water and wastewater industries and metal-based materials used in the manufacturing of our fabricated metal parts. Our Group's total purchases for the last two (2) years were RM26.14 million and RM28.45 million.

Set out below is a breakdown of the major raw materials procured by our Group, together with their respective sources of supply.

Type of raw materials	Country of origin	% of our Group's total purchases					
		FYE 2018		FYE 2019		(Average)	
		RM'000	%	RM'000	%	Local	Import
Fluid control products	Malaysia	7,929	30.34	7,217	25.37	100.00	-
Mild steel plate/hollow	Malaysia	17,785	68.05	19,422	68.26	100.00	-
Other purchases	-	422	1.61	1,812	6.37		
<b>Total purchases</b>		<b>26,136</b>	<b>100.00</b>	<b>28,451</b>	<b>100.00</b>		

### **3 BUSINESS OVERVIEW (CONT'D)**

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For FYE 2019, our main source of fluid control products was from Siemens Malaysia. Presently, we are the authorised distributor, certified partner and solution partner of Siemens Malaysia's products and services in Malaysia. As such, we rely on Siemens Malaysia for the consistent supply of fluid control products for our distribution business. Please see Section 5 of this Information Memorandum for this risk and its mitigating factors.

For the sourcing of metal-based materials used in our manufacturing activity, we have many suppliers in Malaysia. In addition, as these metal-based materials are easily available both locally and globally, we do not foresee any major supply problems that would adversely affect our manufacturing operations.

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**3 BUSINESS OVERVIEW (CONT'D)**

**3.10.3 Agreements with Siemens Malaysia**

Our Group has been granted distributorship rights by Siemens Malaysia as governed by the agreements detailed below:

No.	Agreement	Our status/ rights	Territory	Effective date/ Date of expiry	Salient terms
1.	Distributorship Agreement	Non-exclusive	Northern region, central region, southern region and east region, Malaysia <b>(Contractual Territory)</b>	1 October 2018 to 30 September 2020  Option to extend for a further 2 years at the discretion of Siemens Malaysia	<ul style="list-style-type: none"> <li>(a) Siemens Malaysia grants to Cosmos the non-exclusive right to sell the products, systems and services* of the Siemens Malaysia's divisions known as process industries and drives (limited to process instrument) ("<b>Contractual Products PD</b>") in the Contractual Territory.</li> <li>(b) Cosmos shall not make any active sales of the Contractual Products PD outside Contractual Territory without the prior written consent of Siemens Malaysia.</li> <li>(c) Cosmos is entitled to set its own resale prices and terms.</li> <li>(d) Cosmos shall not:               <ul style="list-style-type: none"> <li>(i) copy or reproduce Contractual Products PD or parts thereof; or</li> <li>(ii) act as intermediary for or distribute products that compete with Contractual Products PD or parts thereof (remain in force for the entire term of the agreement, but no longer than five (5) years subject to negotiations on extension), without the prior written consent of Siemens Malaysia.</li> </ul> </li> <li>(e) Either party may terminate the agreement without cause by giving the other party three (3) months prior written notice.</li> <li>(f) Siemens Malaysia may terminate the agreement prematurely in the event if Cosmos acquires interest in a company competing with Siemens Malaysia or has an agreement with such company (which give Cosmos a dominant influence over such company) or if such company acquires interest in Cosmos.</li> </ul>

**3 BUSINESS OVERVIEW (CONT'D)**

No.	Agreement	Our status/ rights	Territory	Effective date/ Date of expiry	Salient terms
2.	Siemens Solution Partner Automation Drives – Partner Contract	Non-exclusive	N/A	<p>1 October 2018 to 30 September 2019.</p> <p>Extension for a period of twelve (12) months unless there is a written notice from either party of not less than three (3) months prior to the expiration date.</p>	<p>(a) Parties shall cooperate in the marketing of the products and systems* of the Siemens Malaysia’s Divisions Digital Factory (“<b>DF</b>”) and Process Industries and Drives (“<b>PD</b>”) (Program Modules) by integrating them into Cosmos’ system and solutions in the context of Siemens Malaysia’s Totally Integrated Automation.</p> <p>(b) Cosmos may only use the software and hardware packages for internal purposes only and they may not be sold to third parties.</p> <p>(c) Cosmos shall pay his annual partner fee for the value package and also for the follow-up service and for membership in the various program modules.</p> <p>(d) Either party may terminate the agreement at any time without prior written notice in the following events:</p> <ul style="list-style-type: none"> <li>(i) if petition of bankruptcy is filed against or by the party (which petition is not discharge within thirty (30) days after filing);</li> <li>(ii) a party is placed in an insolvency proceeding;</li> <li>(iii) an order is issued appointing a receiver or trustee or a levy or attachment is made against a substantial portion of its assets and such order is not likely to be vacated within thirty (30) days from the date of its entry;</li> <li>(iv) if any assignment for the benefit of such parties’ creditors is made;</li> <li>(v) violation of the conditions of the contract (not remedied within thirty (30) days);</li> <li>(vi) a competitor of Siemens Malaysia has acquired control, by ownership or management rights, of 50% or more over Cosmos;</li> <li>(vii) Cosmos has not paid the annual fee due even two (2) weeks after receiving written reminder from Siemens Malaysia; or</li> <li>(viii) Cosmos makes unauthorised use of Siemens Malaysia’s designations or the partner emblem or the partner sign.</li> </ul>

**3 BUSINESS OVERVIEW (CONT'D)**

No.	Agreement	Our status/ rights	Territory	Effective date/ Date of expiry	Salient terms
3.	System Integrator Agreement <sup>^</sup>	Non-exclusive	Contractual Territory	1 October 2018 to 30 September 2020.	<p>(a) Siemens Malaysia grants to Cosmos the non-exclusive right to sell the products, systems and services of the Siemens Malaysia's divisions known as digital factory (limited to factory automation) ("<b>Contractual Products DF</b>") in the Contractual Territory.</p> <p>(b) Cosmos shall not make any active sales of the Contractual Products DF outside Contractual Territory without the prior written consent of Siemens Malaysia.</p> <p>(c) Cosmos is entitled to set its own resale prices and terms for their own integrated systems that include Contractual Products DF with the customer.</p> <p>(d) Cosmos shall not (i) copy or reproduce or reengineer or modify the Contractual Products DF or parts thereof; or (ii) act as intermediary for or distribute products that compete with Contractual Products DF or parts thereof (remain in force for the entire term of the agreement, but no longer than five (5) years subject to negotiations on extension), without the prior written consent of Siemens Malaysia.</p> <p>(e) Either party may terminate the agreement without cause by giving the other party two (2) months prior written notice.</p> <p>(f) Siemens Malaysia may terminate the agreement prematurely in the event if Cosmos acquires interest in a company competing with Siemens Malaysia or has an agreement with such company (which give Cosmos a dominant influence over such company) or if such company acquires interest in Cosmos.</p>

**Notes:**

\* These include, among others, electric-powered electromagnetic flowmeter and flow transmitter as disclosed in Section 3.2.1 of this Information Memorandum.

<sup>^</sup> As disclosed in Section 2.1.2 of this Information Memorandum, the Group has yet to commence the system integration activities as at the LPD.

### 3 BUSINESS OVERVIEW (CONT'D)

#### 3.11 Property, plant and equipment

##### 3.11.1 Business location

As at the LPD, 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	Terms
No. 11, Jalan Mega 2/1 Kawasan Perindustrian Mega 2 43500 Semenyih Selangor	<b>Description:</b> <ul style="list-style-type: none"> <li>Head office for CTI</li> <li>Administrative office for Cosmos and MCI</li> </ul> <b>Existing usage:</b> Use for sales, marketing, and support purposes	<b>Built-up area</b> 2,000 sq. ft.	Rented from Flexacon Automation System Sdn. Bhd., a subsidiary company of MSM	Two (2) years (with option to renew for another two (2) years) 1 July 2019 to 30 June 2021  <b>Monthly rental fee</b> RM3,000
Lot 24645, Jalan KPB 5 Kawasan Perindustrian Kampung Baru Balakong 43300 Seri Kembangan Selangor	<b>Description:</b> Factory and warehouse  <b>Existing usage:</b> Use for manufacturing and storage purposes	<b>Land area</b> 52,958 sq. ft.  <b>Built-up area</b> 41,017 sq. ft.	Rented from MSM Metal Industries Sdn. Bhd., a subsidiary company of MSM	Two (2) years (with option to renew for another two (2) years) 1 July 2019 to 30 June 2021  <b>Monthly rental fee</b> RM15,000
First Floor, Sublot 5 of Lot 64 Section 44 Kuching Town Land District Tabuan Road Sarawak	<b>Description:</b> Sales and services office  <b>Existing usage:</b> Use for sales, marketing, and support purposes	<b>Built-up area</b> 1,200 sq. ft.	Rented from SNH Property Holding Sdn. Bhd.	Two (2) years (with option to renew for another one (1) year) 1 January 2019 to 31 December 2020  <b>Monthly rental fee</b> RM1,500

### 3 BUSINESS OVERVIEW (CONT'D)

#### 3.12 Operational facilities of our Group

##### 3.12.1 Manufacturing capacity, production output and utilisation rates

We are involved in the manufacturing of fabricated metal parts for the oil and gas and water and wastewater industries. The estimated production capacity in respect of the manufacturing of fabricated metal parts is outlined in the table below:

Production process	FYE 2018		FYE 2019	
	Maximum capacity (machine hours per year)	Utilisation rate %	Maximum capacity (machine hours per year)	Utilisation rate %
Primary processes	52,578	80.79	59,148	86.43
Secondary processes	131,400	74.52	137,970	76.71

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

**Primary processes** include laser cutting, turret punch, and cutting machines. Maximum capacities for these machines are estimated based on the number of machines, running 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 value of our production facilities.

**Secondary processes** include bending and robotic welding. Maximum capacities for these machines are estimated based on the number of machines, running 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 value of our production facilities.

#### 3.13 Our competitive strengths

We believe our key competitive strengths to be the following:

##### 3.13.1 Cosmos is a certified partner and solution partner of Siemens Malaysia

Cosmos is a certified partner and solution partner to Siemens Malaysia in Malaysia. To be a certified partner and solution partner of Siemens Malaysia, we must be able to consistently achieve their sales targets and maintain positive customer services that meet their standards and requirements. In return, Siemens Malaysia provides us with the assistance and support, including allowing us to:

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

### 3 BUSINESS OVERVIEW (CONT'D)

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As part of Siemens Malaysia's systematic skills management, our sales and technical staff will be given training courses by Siemens Malaysia to educate and update us on new technological changes in Siemens Malaysia's existing and new products. In this manner, Siemens Malaysia will ensure that we maintain a high level of knowledge of technological advancements, which makes us competitive and acts as a badge of confidence to our customers with regards to our reputation and quality of service.

#### 3.13.2 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 3.5 of this Information Memorandum for our list of key manufacturing technologies.

By investing in and utilising automated technologies, MCI can meet the specifications set by its customers. The fabricated metal products produced by MCI are mainly used in demanding operating environments, particularly the shaker filters. As a Group, Cosmos can utilise the manufacturing strength of MCI to produce other fabricated metal products for Cosmos' customers in the water and wastewater industries. Please refer to Section 3.17.1 of this Information Memorandum for our future fabricated metal products for the water and wastewater industries.

#### 3.13.3 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 staff, thus, enabling us to provide the service that is expected by our customers in these industries.

Our Group's MD/CEO, 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. 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.

Our Group's Executive Director/COO, Mr Ng Boon Keong also plays a significant role in our Group's business, specifically in manufacturing activities. He has approximately 24 years of experience in sheet metal fabrication and is responsible to oversee, manage and monitor our Group's overall manufacturing activities, including quality control and product development.

Our key management also possesses the relevant skills, knowledges and experiences to carry out their roles and responsibilities. In the past, we have not encountered any major interruption in our operations under the leadership of our directors and key management. We believe they will continue to play important roles in our daily operations as well as our future expansions.

We also recognise the importance of grooming younger talent within our Group to expand and grow in the industries. 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.

### **3 BUSINESS OVERVIEW (CONT'D)**

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#### **3.13.4 Proven track record**

With a 15 years' 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 products from 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 nine (9) years. Over the years, it has established a good track record in manufacturing metal frames for shaker filters for oil and gas applications. MCI has a long relationship with its customers, National Oilwell Varco, Inc. and NOV (Malaysia) Sdn. Bhd. which have business dealings with us since inception. Hence, the recurring orders from our international customers is a testament of MCI's reputation in providing quality and reliable products.

#### **3.13.5 Adequacy of working capital**

To sustain our growth in the competitive market, we undertake various steps to optimise our working capital particularly in the management of inventory and accounts receivables. Our stock control policy and credit control policy are in place to maintain an optimum inventory level and ensure our receivable balances are within the credit period, respectively. Our financial management practices have resulted in minimal stock obsolescence and doubtful debts over the years.

Arising from this, our gearing ratio and current ratio as at 30 April 2019 are 0.88 times and 1.35 times respectively. We also generated positive operating cashflow for FYE 2019 of RM2.91 million. In addition, we have standing banking facilities with our financial institutions to help us better manage our working capital requirements.

#### **3.14 Seasonality**

We are not subjected to any cyclical demand in the distribution of our fluid control products. As for our fabricated metal parts, the production of such products is generally lower in the months of festive seasons and holidays.

#### **3.15 Interruptions to business and operations**

We have not experienced any interruptions to our businesses that have a significant effect on our Group's operations for the past 12 months prior to the LPD.

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### 3 BUSINESS OVERVIEW (CONT'D)

#### 3.16 Approvals, licences, permits, and trademarks

##### 3.16.1 Major approvals, licences and permits

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 CTI

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	31 October 2019/ 29 April 2020	None	Nil

##### 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
CIDB Malaysia	CIDB certificate of registration in respect of Grade G5	Registration no. 0120161007-SL180011	14 February 2019/ 29 January 2021	<b>1. General conditions</b> (i) This certificate is non-transferable (ii) CIDB reserves the right to review the registration grade of Cosmos from time to time	Noted  Noted



**3 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><b>2. Responsibilities and obligations</b></p> <p>(i) Cosmos shall comply with the provisions of the Construction Industry Development Board Act 1994 ("<b>CIDB Act</b>"), the regulations made thereunder and any terms, conditions or restrictions imposed by CIDB from time to time</p> <p>(ii) Cosmos 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 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 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 shall submit any information required from CIDB from time to time</p> <p>(vi) Cosmos shall display the certificate of registration issued by CIDB or a certified true copy of the certificate by CIDB at the place of business</p> <p>(vii) Cosmos shall display its registration number on the signboard at each construction site</p> <p>(viii) Cosmos shall apply for renewal of registration at any time within 60 days before the expiry date specified in this certificate</p>	<p>Noted and complied</p> <p>Noted and to be complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and to be complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and to be complied</p>

**3 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
				(ix) Cosmos shall comply with all requirements and stipulations in Contractor's Code of Ethics (x) Cosmos 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 <b>3. Disciplinary actions</b> The registration of Cosmos shall be cancelled or suspended if: (i) Cosmos fails to comply with the requirement of any other written law (ii) Cosmos has been adjudicated a bankrupt (iii) A winding up petition in relation to Cosmos has been presented (iv) Cosmos contravenes or fails to comply with any provision of the CIDB Act 1994 (v) Cosmos 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 has abandoned any construction undertaken without any good reason	Noted and complied  Noted and complied  Noted and complied  Noted  Noted  Noted  Noted  Noted

**3 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
				(vii) Cosmos 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 contravenes any of the terms and conditions of the contractor's Responsibilities and Obligations as specified in paragraph 2 above	Noted  Noted
NWSC	Water Services Industry Act 2006 (Act 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 2019/ 29 September 2020	<b>1. General conditions</b> (i) Cosmos shall only carry out the works, and in the state or states, specified in the permit (ii) Cosmos shall notify NWSC of any change of particulars of the permit holder (iii) Cosmos shall provide information, in the format and at intervals, as required by NWSC (iv) The employees and servants of Cosmos shall be authorised to carry out for Cosmos the works authorised under the permit provided that Cosmos shall at all times be responsible for all acts or omissions of its employees and servants (v) Cosmos shall at all times maintain the requisite certificate of registration as a registered contractor issued by the CIDB, if necessary (vi) Cosmos shall at all times deal with consumers fairly and reasonably and where applicable, comply with the consumer standards	Noted and complied  Noted and complied  Noted and to be complied  Noted and complied  Noted and complied

**3 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>(vii) Cosmos shall at all times have and maintain the qualification to hold a permit as may be specified by the NWSC from time to time</p> <p>(viii) Cosmos 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</p> <p>(ix) Cosmos, its employees and servants shall at all times comply with the applicable health requirements by the relevant health authorities</p> <p>(x) Cosmos shall observe and comply with the obligations of the permit and the provisions of the Act and any subsidiary legislation made or other instruments issues under the Act</p> <p>(xi) Cosmos shall comply with such other conditions as may be imposed by the Commission from time to time</p> <p><b>2. Special conditions</b></p> <p>(i) Cosmos shall ensure that qualified persons are employed to run the operations of the company</p>	<p>Noted and to be complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and to be complied</p> <p>Noted and complied</p>
NWSC	IPA Permit Type C3 (water supply for contract value from RM0.20 million to RM2.00 million) to carry out works in Peninsular	Permit no. SPAN/EKS/(PT)/800-2C/1/17/458	8 June 2018/ 7 June 2021	<p><b>1. General conditions</b></p> <p>(i) Cosmos shall only carry out the works, and in the state or states, specified in the permit</p>	Noted and complied

**3 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
	Malaysia, Wilayah-Wilayah Persekutuan Putrajaya and Labuan			<ul style="list-style-type: none"> <li>(ii) Cosmos shall notify NWSC of any change of particulars of the permit holder</li> <li>(iii) Cosmos shall provide information, in the format and at intervals, as required by NWSC</li> <li>(iv) The employees and servants of Cosmos shall be authorised to carry out for Cosmos the works authorised under the permit provided that Cosmos shall at all times be responsible for all acts or omissions of its employees and servants</li> <li>(v) Cosmos shall at all times maintain the requisite certificate of registration as a registered contractor issued by the CIDB, if necessary</li> <li>(vi) Cosmos shall at all times have and maintain the qualification to hold a permit as may be specified by the NWSC from time to time</li> <li>(vii) Cosmos shall at all times deal with consumers fairly and reasonably and where applicable, comply with the consumer standards</li> <li>(viii) Cosmos 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> <li>(ix) Cosmos, its employees and servants shall at all times comply with the applicable health requirements by the relevant health authorities</li> </ul>	<ul style="list-style-type: none"> <li>Noted and complied</li> <li>Noted and to be complied</li> <li>Noted and complied</li> <li>Noted and complied</li> <li>Noted and to be complied</li> <li>Noted and complied</li> <li>Noted and complied</li> <li>Noted and complied</li> </ul>

**3 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
				(x) Cosmos shall observe and comply with the obligations of the permit and the provisions of the Act and any subsidiary legislation made or other instruments issues under the Act  (xi) Cosmos shall comply with such other conditions as may be imposed by the Commission from time to time  <b>2. Special conditions</b>  (i) Cosmos shall ensure that qualified persons are employed to run the operations of the company	Noted and complied  Noted and to be 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 repair/pump/water pipe and components	Certificate no. K101401286322 92388  Registration reference no. 357-0002307669	26 June 2019/ 25 June 2022	<b>1. General conditions</b>  (i) This approval is given based on the information provided by Cosmos  (ii) Any changes to the said information should be updated online in the Profile Update Module at <a href="http://www.eperolehan.gov.my">www.eperolehan.gov.my</a> 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 must submit all such information within the stipulated time as requested by the Ministry of Finance of Malaysia. Failure to do so will result in action being taken as described in paragraph (v) below	Noted  Noted. To update the change in shareholders on 26 December 2019  Noted and to be complied

**3 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>140502: Electrical and electronic engineering equipment/ system, electric components, electronic, lights and accessories/ components and electrical accessories/ electronics</p> <p>130301: Engineering equipment and production machine/ sewerage system/ sewerage system equipment and accessories</p> <p>100101: Measuring and measurement equipment/all measuring equipment</p>			<p>(iv) Cosmos must ensure that the fields registered in the certificate do not overlap with the fields approved on any of the companies as follows:</p> <ul style="list-style-type: none"> <li>a. has the same owner or board of directors, directors, management and employees; or</li> <li>b. operating on the same premises</li> </ul> <p>(v) The Ministry of Finance of Malaysia reserves the right to visit or perform audit inspection at any time without prior notice. Failure to comply with the conditions of registration, field code and/or registration may result in suspension/revocation of registration and Cosmos, the owner as well as the board of directors/director are subject to disciplinary action including being blacklisted without any notice if any information provided is found to be incorrect</p> <p>(vi) A newly registered company is not allowed to make any changes to the owner or director during the period of six (6) months from the date the company is registered</p> <p>(vii) Failure of Cosmos to apply for renewal of registration after one (1) year from the expiry date of the registration may result in the registration of Cosmos with the Ministry of Finance of Malaysia to be automatically cancelled and withdrawn from e-Perolehan system. Cosmos must then make a new application</p>	<p>Noted and complied</p> <p>Noted</p> <p>Noted. To update the change in shareholders on 26 December 2019</p> <p>Noted</p>

**3 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><b>2. Suspension/revocation of registration</b></p> <p>(i) Cosmos's registration will be suspended/revoked in the event that Cosmos commits the following offences:</p> <ul style="list-style-type: none"> <li>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</li> <li>b. Cosmos withdraws its offer before the tender is considered or rejects once offer is made</li> <li>c. Cosmos fails to fulfil its contractual obligations signed with the Government</li> <li>d. Cosmos is found to amend the Certificate of Registration of Company for the purpose of deception or other purposes</li> <li>e. Cosmos allows its Certificate of Registration of Company to be misused by another individual/company</li> <li>f. Cosmos 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</li> </ul> <p><b>3. Renewal</b></p> <p>(i) Cosmos must submit the renewal application three (3) months prior to the expiry date</p> <p>(ii) Applications received after the expiry date are considered renewal registration</p>	<p>Noted</p> <p>Noted and to be complied</p> <p>Noted</p>



**3 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><b>4. Government's rights</b></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><b>5. Participation of government procurement</b></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 must ensure that the registration with the Ministry of Finance of Malaysia is valid throughout the contractual period</p> <p><b>6. Reminder regarding the offence of corruption</b></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>	<p>Noted</p> <p>Noted</p> <p>Noted and complied</p> <p>Noted</p>

**3 BUSINESS OVERVIEW (CONT'D)**

<b>Approving authority</b>	<b>Type of approvals/ licences/permits</b>	<b>Licences/ certification/ reference no.</b>	<b>Effective date/ Expiry date</b>	<b>Major conditions imposed</b>	<b>Status of compliance with major conditions imposed</b>
Government of the State of Sarawak	Business licence for the supply of water instrumentations at First floor, Sublot No. 5, Lot 64, Section 44, Kuching Town Land District, Tabuan Road, 93100 Kuching, Sarawak	943715	16 May 2019/ 15 May 2020	None	Nil
Government of the State of Sarawak	Business licence for the services of water instrumentations at First floor, Sublot No. 5, Lot 64, Section 44, Kuching Town Land District, Tabuan Road, 93100 Kuching, Sarawak	945639	30 May 2019/ 30 May 2020	None	Nil
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/2/353/2019	31 October 2019/ 29 April 2020	None	Nil

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**3 BUSINESS OVERVIEW (CONT'D)**

**Granted to MCI**

<b>Approving authority</b>	<b>Type of approvals/licences/permits</b>	<b>Licences/certification/reference no.</b>	<b>Effective date/Expiry date</b>	<b>Major conditions imposed</b>	<b>Status of compliance with major conditions imposed</b>
Majlis Perbandaran Kajang	Trade, business and industries licence to carry out steel engineering and as management office	File No. MPKJ/CL/6/548/2011	3 January 2019/ 2 January 2020	Nil	Nil
Ministry of International Trade and Industry	Approval letter for manufacturing licence to manufacture metal frames for screen filters at Lot 24645, Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan Selangor	MIDA reference no.120/28999/037712/000002ACI	^	(i) Any sales or disposal of shares of MCI must be notified to the Ministry of International Trade and Industry (MITI) and Malaysian Investment Development Authority (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  (iv) The total employment force of the company was 73 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  (v) The total full-time employee of MCI should comprise of at least 80% of Malaysians by 2020. Employment of foreign employees including outsourced employees are subject to current policy	Noted and to be complied  Noted and training for Malaysian citizens is ongoing  Noted and to be complied  Noted and to be complied

**3 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>(vi) 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 may result in the following:</p> <p>(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</p> <p>(ii) Commit an offence if provides any false or misleading statements or information or confusing in any material details 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> <p>(vii) The company must execute its project as approved and in accordance with other laws and regulations in Malaysia.</p>	<p>Noted</p> <p>Noted and complied</p>
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.	File No MPKJ/CL/2/355/2019	31 October 2019/ 29 April 2020	None	Nil


### 3 BUSINESS OVERVIEW (CONT'D)

**Notes:**

- ^ *We have obtained the approval letter for this manufacturing licence and have subsequently submitted the required documents for the issuance of the manufacturing licence. As at the LPD, the manufacturing licence is pending issuance from the authority.*
- \* *Arising from the restructuring, the Group has set up a new office at Semenyih. The Group has obtained the trade, business and industries licences for the relevant companies from Majlis Perbandaran Kajang which were effective on 31 October 2019.*

#### 3.16.2 Trademarks

As at the LPD, we have the following trademark submitted for registration with Intellectual Property Corporation of Malaysia (“**MyIPO**”). Save as disclosed below, our Company does not have any other trademarks:

Trademark	Registrant/company	Application no.	Class	Date of application	Place of application	Status of registration
	CTI	TM2019031033	35*	21 August 2019	Malaysia	Pending registrar’s formality check and examination

**Note:**

- \* *Our Group submitted its application for registration of trademark under the following class:*

*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.*

**3 BUSINESS OVERVIEW (CONT'D)**



**3.17 Future plans, strategies and prospects**

We aim to be a leading and trusted business partner for Siemens Malaysia in fluid control instrumentation through offering complementary fluid control solutions to our customers. We also intend to utilise our manufacturing strength and capability to expand our product range for the water and wastewater industries. To do so, we intend to undertake the following strategies and plans to ensure our growth and sustainability.

**3.17.1 Expand our range of fabricated metal products**

We intend to design and manufacture new fabricated metal products for the water and wastewater industries such as:

- lamella plates for lamella clarifiers; and
- metal railings used in water and wastewater treatment plants.

New products and image	Product description	Application market
<p><b>Lamella plate</b></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>Water and wastewater industries</p>
<p><b>Metal railing</b></p> 	<p>The metal railing produced by us is mainly used as guardrail for safety purposes, mainly at water and wastewater treatment plants.</p>	<p>General application</p>

Currently, we are utilising MCI's existing manufacturing capability and competency to produce the abovementioned products and promote them to our existing and potential customers. We have produced several sample products and started to promote them to our customers.

However, based on our current production order and schedule as well as our utilisation rate as disclosed in Section 3.12.1, we may face limitations in our

### 3 BUSINESS OVERVIEW (CONT'D)

production capacity if the demand for these new products increases. Therefore, we are planning to acquire several new machineries, as disclosed in the table below, to increase our capacity to avoid any manufacturing disruption and delay. We have identified the following machineries which will be purchased within three (3) years after the date of the Proposed Listing.

Type of machinery	No. of unit	Estimated unit price RM	Total cost RM
Shearing machine	2	100,000	200,000
Press brake machine	3	200,000	600,000
Spot welding machine	2	50,000	100,000
Laser cutting machine	1	1,600,000	1,600,000
<b>Total</b>			<b>2,500,000</b>

These machineries are estimated to cost RM2.50 million. We intend to allocate RM1.50 million to partly finance the acquisition of these new machineries. The remaining RM1.00 million will be financed through internally generated fund.

Progress/status	:	Ongoing
Method of financing	:	IPO proceeds amounting to RM1.50 million and internally generated fund of approximately RM1.00 million
Timeframe	:	Within 36 months after the date of the Proposed Listing

#### 3.17.2 To provide energy saving solution for water and wastewater treatment plants

Generally, electricity is one of the major costs for water and wastewater treatment plants due to the lack of monitoring on the performance and efficiency of the plants' mechanical and electrical equipment.

As such, this has given us the opportunity to introduce the energy saving solution from Siemens Malaysia to our Water Customers, particularly in the water and wastewater pump stations.

In early 2019, Cosmos started discussing with Siemens Malaysia to secure a working partnership to distribute Siemens Malaysia's energy saving solution for the water and wastewater industries in the local market.

The Siemens Malaysia's energy saving solution is a software-based solution, which will allow our customers to automate, operate, manage and monitor the performance and efficiency of the water and wastewater treatment plants' instrumentation and equipment. The primary objectives of this energy saving solution 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.

As such, Cosmos has begun discussions with several Water Authorities and Water Operators to conduct pilot projects to study and test the energy saving solution in old water treatment plants and booster stations which have been in operation for more than 10 years.

### 3 BUSINESS OVERVIEW (CONT'D)

This upgrade will be carried out in phases, from conducting operational audits in the existing plant, identifying major energy saving opportunities, and implementing the right mechanical and electrical equipment, automation and software system to achieve optimal cost savings.

We will allocate RM700,000 to implement Siemens Malaysia's energy saving solution at our customers' water and wastewater treatment plants for pilot study purposes. Once proven successful, the results will be utilised to market the said energy saving solution to our Water Customers. Our sales and marketing team will collaborate closely with our Water Customers to promote this energy saving solution to them.

We anticipate a positive demand for such solution from our Water Customers and to secure our first sales in 2020.

Progress/status	:	Ongoing
Method of financing	:	IPO proceeds amounting to approximately RM0.70 million
Timeframe	:	Within 24 months after the date of the Proposed Listing

#### 3.17.3 To distribute new dataloggers to complement our business in the water industry

We have secured a distributorship from LACROIX Sofrel to market and distribute a new and improved datalogging systems for our Water Customers in early 2019. The new dataloggers supplied by LACROIX Sofrel can be integrated with any electronic flowmeter to monitor water usage remotely at the water treatment plants, industrial and commercial water applications. The integration between the dataloggers and electronic flowmeters provides high accuracy in data acquisition and transfer. These dataloggers can be used for billing and water distribution purposes particularly for NRW.

The 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.

As compared to the old datalogger, the new and improved datalogger from LACROIX Sofrel comes with several new improvement such as:

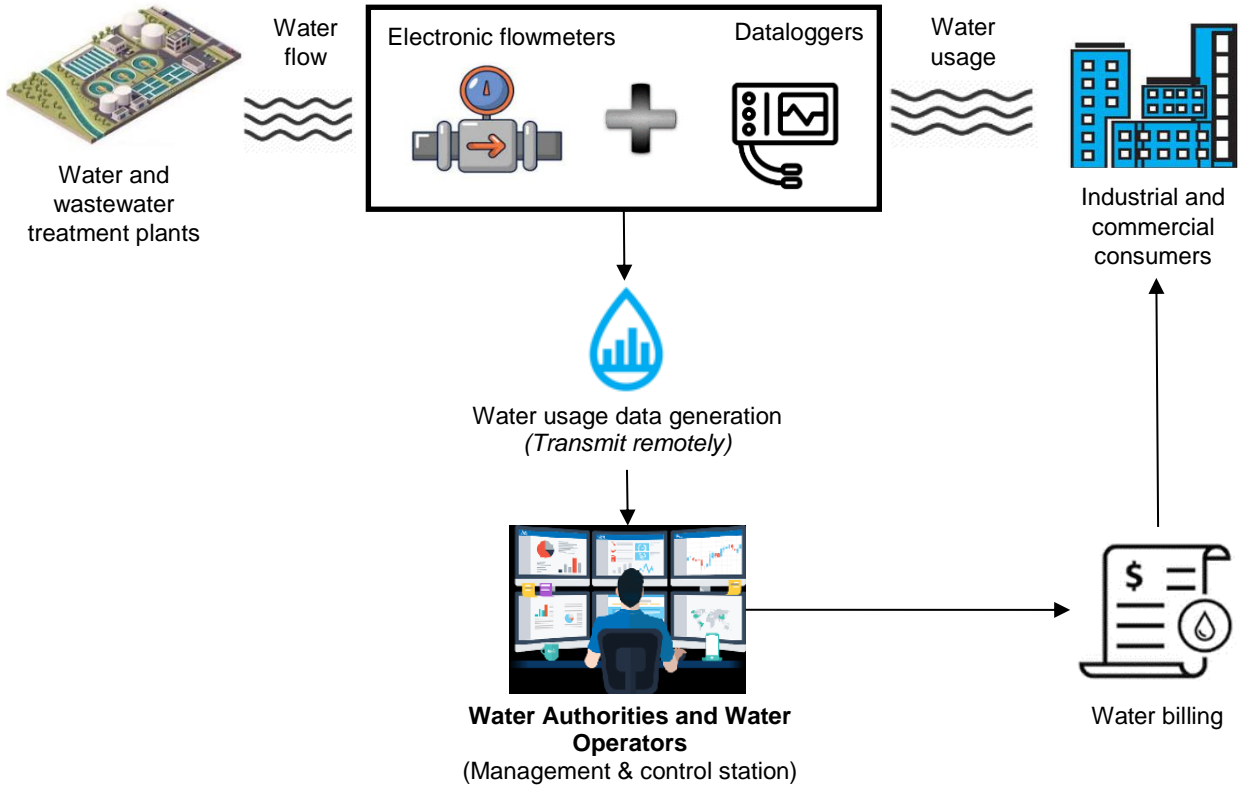
- **Better performance and build quality** – the datalogger can be used in robust environment which means the device is capable to withstand against intrusion, dust, accidental contact, and water.
- **Long battery life** – the battery of the datalogger needs to be replaced after it has been used for 10 years.
- **Strong communication** – the datalogger has a built-in global system for mobile communications (GSM)/GPRS modem with a high-performance antenna for transmitting data, even it is 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 part can be changed on-site.



**3 BUSINESS OVERVIEW (CONT'D)**

- **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.

We intend to allocate RM800,000 to install our datalogging systems in several water treatment plants throughout Malaysia for testing purposes. Once proven successful, the results will be utilised to market the said datalogging systems to our Water Customers.



Progress/status	:	Ongoing
Method of financing	:	IPO proceeds amounting to approximately RM0.80 million
Timeframe	:	Within 24 months after the date of the Proposed Listing

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13 December 2019

The Board of Directors  
Cosmos Technology International Berhad  
Level 19-1, Menara Millennium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Malaysia

Dear Sirs,

**INDEPENDENT MARKET RESEARCH REPORT (“IMR REPORT”) FOR COSMOS TECHNOLOGY INTERNATIONAL BERHAD (“CTI GROUP”)**

This Report has been prepared for inclusion in the Information Memorandum pursuant to the listing of CTI Group on the LEAP Market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an analysis of the fluid control industry in Malaysia. The research methodology includes both primary research, involving 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 Report in an independent and objective manner and has taken all reasonable consideration and care to ensure its accuracy and completeness. In addition, Infobusiness Research acknowledges that if there are significant changes affecting the contents of the Report after the issue of the Information Memorandum and before the issue of securities, then Infobusiness Research has an on-going obligation to either cause the Report to be updated for the changes or withdraw our consent to the inclusion of the Report in the Information Memorandum.

for and on behalf of  
**INFOBUSINESS RESEARCH & CONSULTING SDN BHD**

A handwritten signature in black ink, appearing to read "Leow Hock Bee".

**Leow Hock Bee**  
Research Director



**Notice:**

This Independent Market Research report ("Report") is prepared for inclusion in the Information Memorandum of Cosmos Technology International Berhad ("CTI Group"), which comprises Cosmos Instruments Sdn Bhd ("Cosmos") and Marc Conleth Industries Sdn Bhd ("MCI") for the listing on the LEAP Market of Bursa Malaysia Securities Berhad.

The Report has been prepared in an independent and objective manner and Infobusiness Research & Consulting Sdn Bhd ("Infobusiness Research") has taken all reasonable consideration and care within its capacity to ensure the accuracy and completeness of the Report in relation to the industry under study. It is our opinion that the Report represents a true and fair assessment of the overall industry within the limitations of, among others, secondary data and statistics.

While every attempt has been made to ensure the completeness of the information presented herein, no representation or warranty, expressed or implied, is made in respect of this information. The Report should not be taken as a recommendation for consideration to buy or not to buy the shares of any company or companies.

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No. 1, Jalan Dutamas 1  
50480 Kuala Lumpur  
Malaysia*

# infobusiness

## Research Methodology

This study is undertaken with the purpose of providing an analysis of the fluid control industry in Malaysia and both Cosmos Instruments' and MCI's positioning within it.

The research methodology for this study involves both primary research and secondary research approach. Experts' views and scientific research findings are cited whenever possible and necessary in identifying the opportunities and challenges facing the focus industry under study. The process also involves primary research, i.e. conducting interviews with the major players of the focus industry, trade associations and related government agencies/authorities. Surveys with other relevant parties are conducted through telephone interviews. Primary research is conducted to gain an in-depth understanding of the current supply and demand situations and to provide an overall picture of the market performance and trends.

Secondary research includes gathering of data on statistics of the industry, including reviews on the in-house database of Infobusiness Research as well as various reports from National Water Services Commission, Ministry of Finance, Valuation and Property Services Department, etc.

For and on behalf of Infobusiness Research & Consulting Sdn Bhd,



.....  
Research Director

Leow Hock Bee

# infobusiness

## Introduction

For the purpose of facilitating an independent industry research assessment in relation to the business of Cosmos and MCI, this Report has been prepared to provide an overview of the industry in which they are involved in. This Report focuses on the overview, and outlook and prospects of the fluid control industry in Malaysia.

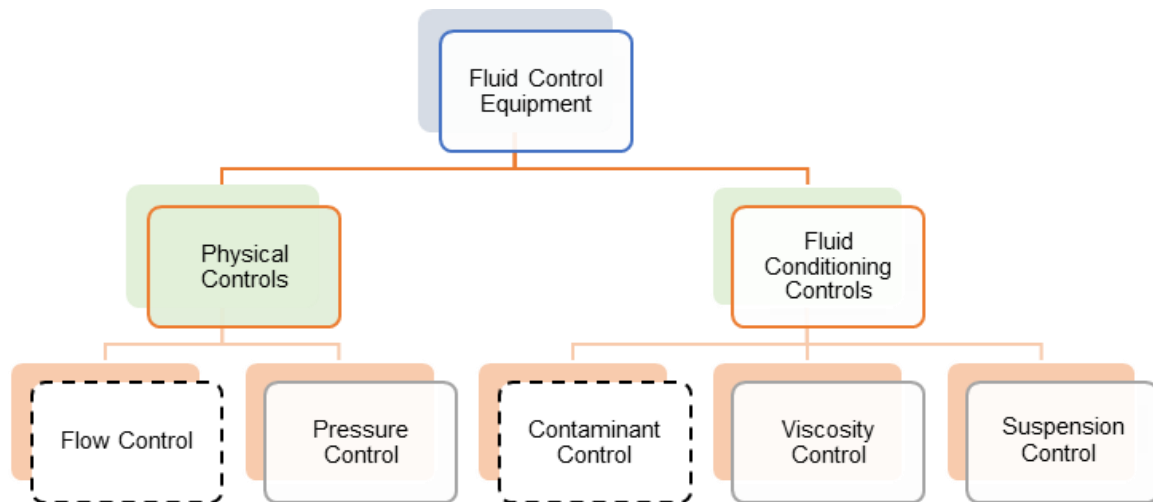
### 1.1 Introduction to the Fluid Control Industry

The flow control industry encompasses the manufacture and/or distributes products that manage, measure, or control the flow of fluids. The installation and commissioning of fluid control equipment increase the value generated in a plant or an installation (including commercial and industrial properties). Fluid control equipment forms an integral part of many plants and installations as they can operate more effectively, efficiently, economically and safely.

### 1.2 Types of Fluid Control Equipment

Fluid control equipment can generally be classified into two segments as illustrated in the following diagram.

**Figure 1: General Classification of Fluid Control Equipment**



**Note:**

Cosmos is involved in flow control as indicated by the dotted box.

MCI is involved in contaminant control as indicated by the dotted box.

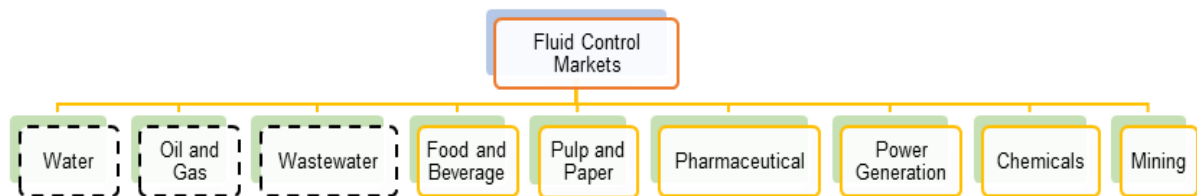
Source: Infobusiness Research

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## 1.3 Segmentation of Fluid Control Markets

Due to the various functions such as flow control, pressure control, contaminant control, viscosity control and suspension control, 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. The process-oriented nature of such industries means that the operations must be meticulously managed, as minute differences in ingredients or a poorly timed mixing step can generate a completely unexpected end product.

**Figure 2: Segmentation of the Fluid Control Markets**



**Note:**

*Cosmos and MCI are involved in the water, oil and gas, and wastewater markets of the fluid control industry, as indicated by the dotted boxes.*

*Source: Infobusiness Research*

## 1.4 Electronic Flowmeters

A flowmeter (also known as a flow gauge, flow indicator or liquid meter) 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 determining the proper concentrations of ingredients in manufacturing, measuring fuel usage, or monitoring municipal water and sewer services, etc.

In contrast to mechanical flowmeters in widespread use in residential properties, electronic 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 are a critical component of many commercial and industrial processes.

There are three different types of electronic flowmeters: electromagnetic flowmeters, ultrasonic flowmeters and vortex flowmeters. Although they are not entirely electronic in nature, their functionality is made possible through highly sophisticated electronic devices and circuits.



### 1.4.1 Government Policies and Regulations

The Water Services Industry Act 2006 which was enforced in 2008, allows the Federal Government to provide and regulate treated water supply services in Peninsular Malaysia and Labuan. Due to the escalating costs of developing new water infrastructure, the Government established the Water Asset Management Company and the National Water Services Commission in 2007 to streamline the water industry.

The Water Asset Management Company, designated a water asset owner, is responsible for building new water infrastructure in Peninsular Malaysia and Labuan, while the water authorities of the different states which are licensed by the regulator, the National Water Services Commission, will become asset-light and be responsible for the operations and maintenance of water assets, as well as the provision of water supply services.

### 1.4.2 Past Performance

Spending by the Federal Government decreased by 30.2% to about RM182.5 million in 2018, from RM261.4 million in the previous year. They were spent on the building of both new water infrastructure and the upgrading of aging water infrastructure. The states of Sarawak and Sabah were the main recipients of these spending in 2018. (table 1).

**Table 1: Federal Government Expenditure for Water industry in 2017 and 2018 (RM)**

	2017	2018
Sarawak	40,948,217	37,274,246
Sabah	35,714,587	36,585,165
Kedah	25,674,569	20,438,475
Johor	3,742,441	0
Penang	54,200,000	16,318,933
Kelantan	17,394,948	12,588,479
Pahang	31,122,991	6,628,000
Selangor, Kuala Lumpur and Putrajaya	9,366,073	17,676,943
Labuan	4,937,695	3,284,949
Negeri Sembilan	682,913	600
Malacca	24,966,924	20,886,520
Perlis	0	0
Perak	0	0
Terengganu	0	0
Inter-state water distribution	11,444,945	4,186,588
National NRW	1,209,198	6,323,907
Miscellaneous	0	286,047
<b>Total</b>	<b>261,405,501</b>	<b>182,478,852</b>

Source: Ministry of Finance



The market size for electronic flowmeters amounted to RM70.2 million in Malaysia in 2018, a decline of 5.9% from RM74.7 million recorded in 2017.

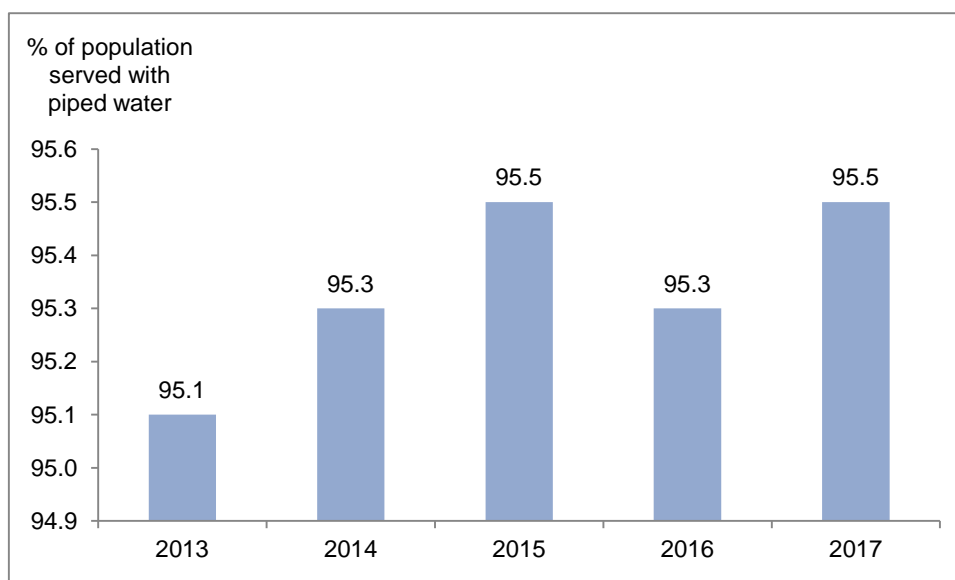
### 1.4.3 Demand and Supply Conditions

#### Demand Conditions

There is the consensus that improving water services is essential in providing a holistic quality infrastructure so as to strengthen economic growth. Besides providing potable water for the general population, water is also needed for agricultural and industrial developments. Periods of hot spell due to climate change have also made the stakeholders realised the importance of water as a critical commodity. Water is scarce and has an economic value to it.

On the national level, around 95.5% of the population in Malaysia were served with piped water in 2017 (figure 3). Although rural water supply projects are viewed as high impact projects in East Malaysia, the high cost of infrastructure remains a challenge. It is recognised that the rural population of the country have less access to fresh and clean water supply as compared to the urban population. The target is to achieve 99% coverage of clean water supply in rural areas.

**Figure 3: Percentage of Population Served with Piped Water**



*Note:*  
Figure for 2018 is not available.

*Source: National Water Services Commission*



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The water industry can be segmented into the upstream sector (raw water source and water treatment) and downstream sector (reservoirs, pumping stations and pipelines). Flowmeters are used in every stage, from the raw water source to the consumers.

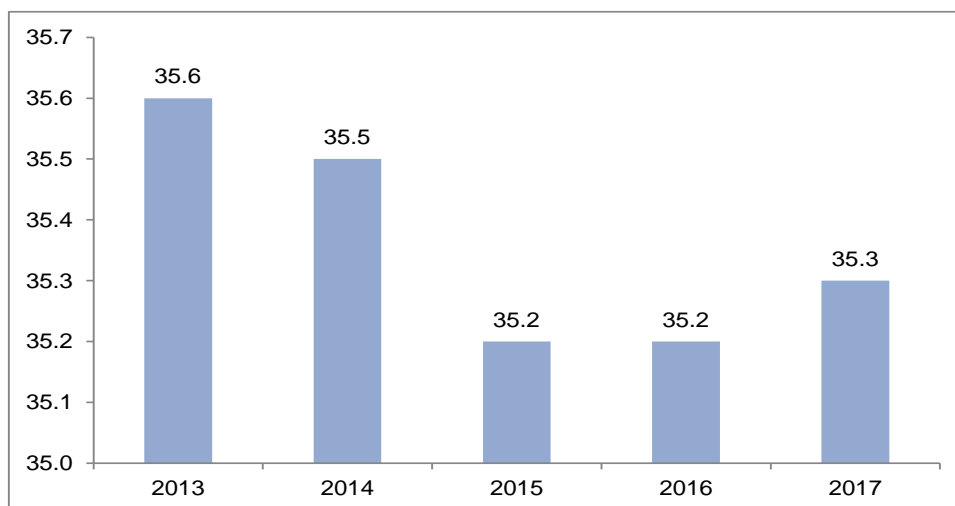
#### NRW

The NRW, an indicator of the efficiency of a water distribution network, refers to leakages in water pipes and unbilled treated water due to water theft, as well as water used by the water authorities for operational purposes and free water supply to certain consumers. NRW may also be caused by faulty flowmeters. These had 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. Under the Mid-Term Review of the 11MP, the Government plans to further reduce NRW from 35.3% in 2017. The programme also involved the replacement of flowmeters, old pipes and tanks, as well as upgrading and constructing water treatment plants.

Around 27.3% (41,500 kilometres) of the water pipes in service today are made with asbestos cement, dating back to the Independence days. In addition to a health hazard, these pipes can no longer withstand water pressure and often break or leak, due to aging and wear and tear. It is estimated that about 75% of NRW in the country is caused by broken and leaking pipes.

NRW represents a waste of critical water resources. Due to droughts at certain times of the year, NRW could also affect water reserve margins and ultimately, the end-users. The NRW is one of the major issues affecting water authorities because it will seriously affect their financial viability through lost revenues and increased operational costs. Between 2013 and 2017, national NRW declined and stabilised in 2015 and 2016, before increasing marginally in 2017 (figure 4).

**Figure 4: The Status of NRW in Malaysia (%)**



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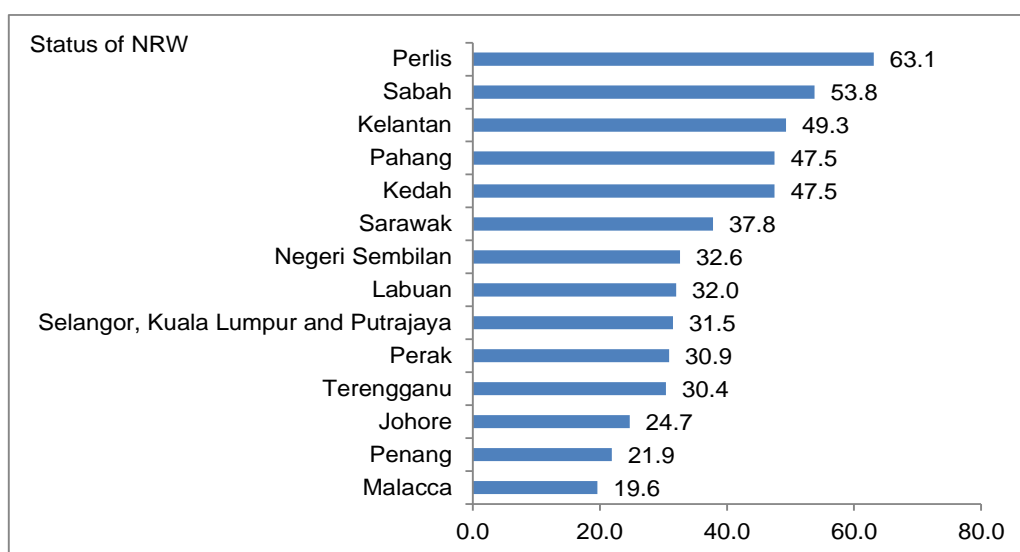
Note:

Figure for 2018 is not available.

Source: National Water Services Commission

The states of Perlis, followed by Sabah and Kelantan, recorded the highest NRW In Malaysia in 2017. In the same year, Malacca registered the lowest NRW (figure 5).

**Figure 5: The Status of NRW in Malaysia, by State in 2017 (%)**



Note:

Figures for 2018 are not available.

Source: National Water Services Commission

The National Water Services Commission recognised that the usage of electronic flowmeters can generate higher accuracy and the ability to transmit the flow data in electronic format, as compared to mechanical flowmeters. Mechanical flowmeters eventually lose accuracy to an unacceptable degree due to the effects of impurities such as grit (small loose particles of sand and stone) or air in the water distribution network. In contrast, electronic flowmeters have no moving parts and measure the water flow by a form of non-mechanical means.

Electronic flowmeters are placed throughout the water infrastructure system between the water catchment areas and end users. They assist to locate differences between volumetric flow rates between two points, which aid to pinpoint the location of water leaks or other inaccuracies. The usage of electronic flowmeters will enable more accurate monitoring of NRW.

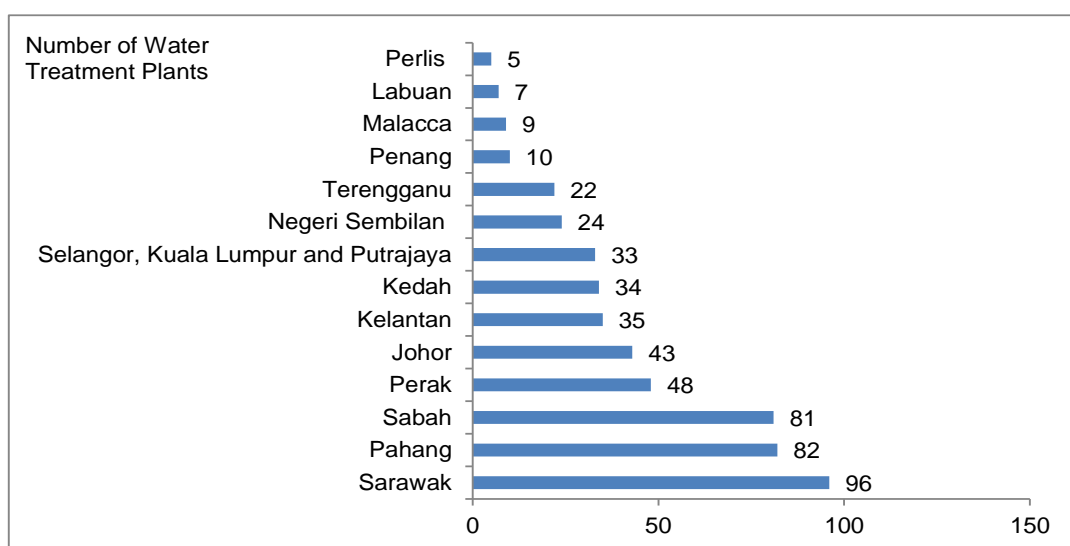
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## Water Treatment Plants

The water industry in Malaysia has experienced dramatic changes over the past few decades. In addition to corporatisations of the state public works departments involved in the water industry, some states have also privatised their water authorities. Presently, there exist about 18 water authorities involved in operating water treatment plants in the country.

There are about 529 water treatment plants in Malaysia. The states of Sarawak, followed by Pahang and Sabah, possessed the largest number of water treatment plants in Malaysia (figure 6).

**Figure 6: Number of Water Treatment Plants in Malaysia, by State**



Source: *Water Map of Malaysia*

Water production by water treatment plants in Malaysia expanded at a faster CAGR of 2.2% between 2013 and 2017, as compared to a CAGR of 1.9% recorded by their design capacities; leading to a declining reserve margin during the corresponding period of time (table 2 and figure 7). The reserve margin will allow treatment plants to cater to any supply disruptions due to unforeseen circumstances such as water pipe bursts. The reserve margin can be increased by either increasing the amount of water production (including expanding the number of water treatment plants) and/or reducing the rate of water consumption. However, the latter is generally not feasible with demand for more treated water by the expanding population and increasing industrialisation.

As such, many of the water treatment plants have to operate above their capacities during peak demands. For instance, a water treatment plant may be able to process only up to 100 million litres daily, but due to rising demand, it may be forced to process in excess of that, causing it to break down or shut down. In turn, this may cause water supply interruptions. The solution is either to

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upgrade them or build new water treatment plants, so as to ensure water security and sufficiency. This also generates the demand for electronic flowmeters.

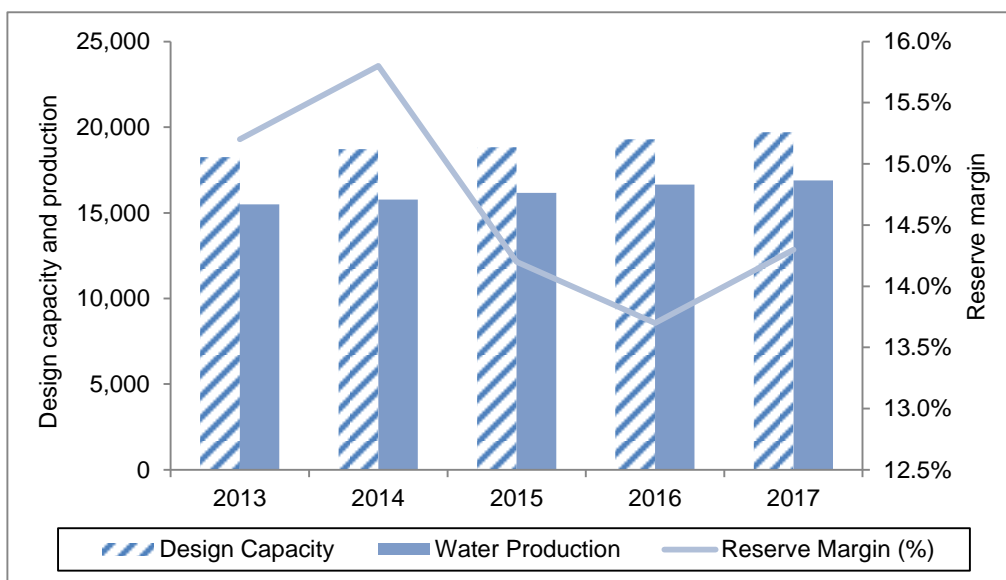
**Table 2: Design Capacity and Water Production of Water Treatment Plants in Malaysia (Million Litres Per Day)**

Year	Design Capacity	Water Production	Reserve Margin (%)
2013	18,264	15,498	15.2%
2014	18,730	15,768	15.8%
2015	18,835	16,159	14.2%
2016	19,296	16,652	13.7%
2017	19,706	16,884	14.3%
CAGR	1.9%	2.2%	-1.5%

Note:  
Figures for 2018 are not available.

Source: National Water Services Commission

**Figure 7: Design Capacity and Water Production by Water Treatment Plants in Malaysia (Million Litres Per Day)**



Note:  
Figures for 2018 are not available.

Source: National Water Services Commission

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## *Commercial and Industrial Properties*

Electronic flowmeters are also installed in commercial (shopping complexes, offices and hotels) and industrial properties as they are large consumers of piped water. The number of industrial units expanded the fastest between 2014 and 2018, followed by the number of hotels and shopping complexes (table 3).

**Table 3: Stock of Properties in Malaysia**

Year	Number of shopping complexes	Industrial (units)	Number of hotels
2014	904	97,704	2,805
2015	932	103,868	2,857
2016	965	110,140	2,879
2017	997	113,173	3,126
2018	1,009	115,397	3,216
CAGR	2.8%	4.2%	3.5%

*Source: Valuation and Property Services Department*

## **Supply Conditions**

In the distribution of electronic flowmeters, 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). Electronic flowmeters can be sourced from a number of countries such as the PRC and France, as well as the US, Germany and Japan, and the fluid control industry in Malaysia is not vulnerable to such imports.

## **1.5 Shaker Filter**

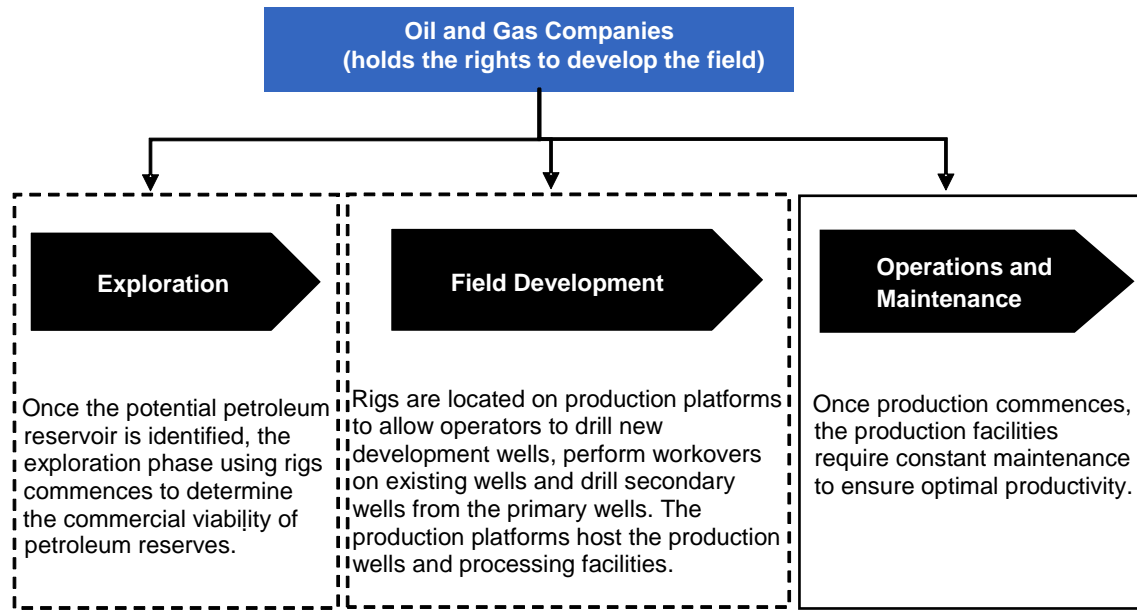
The number of tasks, activities, processes and technologies necessary for the execution of exploration, field development, and operations and maintenance in the upstream sector of the oil and gas industry is daunting. As no single oil and gas company is able to do it, much of the highly specialised work is subcontracted to the oilfield equipment and service companies. Some oilfield equipment and service companies may provide their products and services to another oilfield equipment and service company; while some service companies also design and manufacture the equipment themselves. The oilfield equipment and services companies play a critical role in assisting the oil and gas companies in exploring, developing, producing and managing the crude oil and natural gas fields.

Rigs, which are operated by oilfield equipment and service companies, are machines used to drill wells (also known as drillholes or boreholes). They 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 8: Oil and Gas Industry Value Chain (Upstream Sector)**



*Note:*  
MCT 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).

*Source: Infobusiness Research*

A shale shaker is a piece of drilling rig equipment that 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. Shale shakers remove large solids (typically larger than 75 microns) from drilling fluid. Using a motor to generate vibrations, they are the most important device on the rig for removing drilled rock cuttings from the drilling mud. Shaker filters should remove as many drilled solids and as little drilling muds as possible. Modern rigs have doubled or quadrupled the number of shale shakers used to process drilling mud in order to maximise throughput and efficiency.

Drilling muds are carefully designed to exhibit certain qualities that optimise the drilling process. During the course of drilling operations, different geological formations that exhibit varying pressure characteristics are encountered. If this pressure is not contained, crude oil, natural gas, and/or water would flow out of these geological formations to the surface. In addition to containing geological formation pressure, the drilling mud also assist to lubricate and cool the drill bit. More important, the drilling mud carries the rock cuttings to the surface, which is where the shaker filter comes in.

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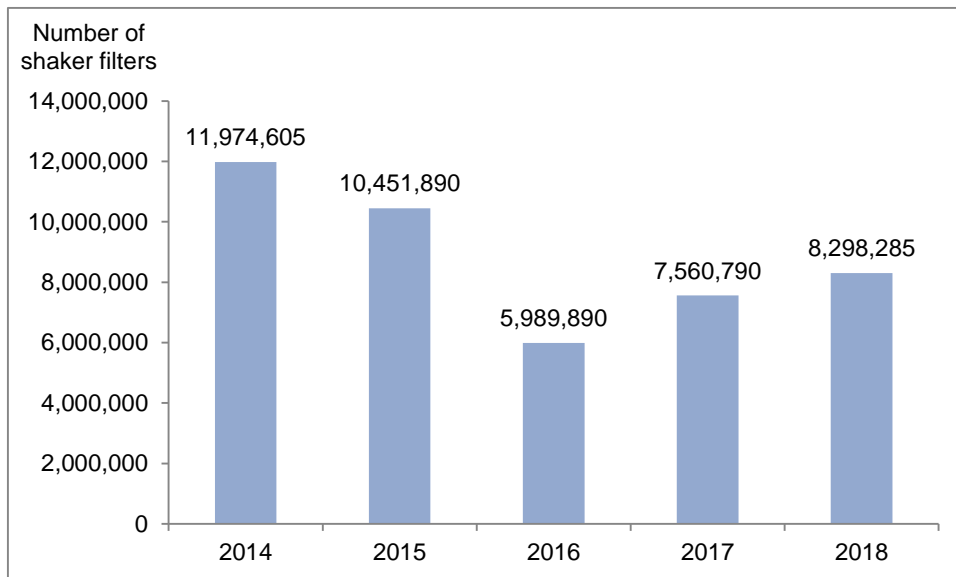


The drilling mud often requires a formulation specific to a given well, requires a high level of cleanliness, and can involve the use of expensive chemicals as well as certain types of clay. Given the cost, it is highly desirable to reuse and re-circulate as much of the drilling mud as possible. Therefore, the shale shaker is a crucial piece of equipment because it allows well operators to reuse and re-circulate the drilling mud.

### 1.5.1 Past Performance

The number of shaker filters used in the oil and gas industry is directly correlated with the number of wells drilled by rigs during the exploration and field development phases. The worst of the downturn that struck the upstream sector of the oil and gas industry in 2015 and 2016 is over, and recovery is now progressing. During the period between 2014 and 2018, the global demand for shaker filters were between 11.9 million pieces and 8.3 million pieces, with the low point reached in 2016, when crude oil prices hit rock bottom in recent history (figure 9).

**Figure 9: Global Demand for Shaker Filters (Number of Pieces)**



*Note:*

*MCI is involved in the manufacturing of metal frames for shaker filters, which are then fixed with screens or sieves by oilfield equipment and services companies for their shale shakers during the drilling of wells.*

*Source: Infobusiness Research*



### 1.5.2 Demand and Supply Conditions

#### Demand Conditions

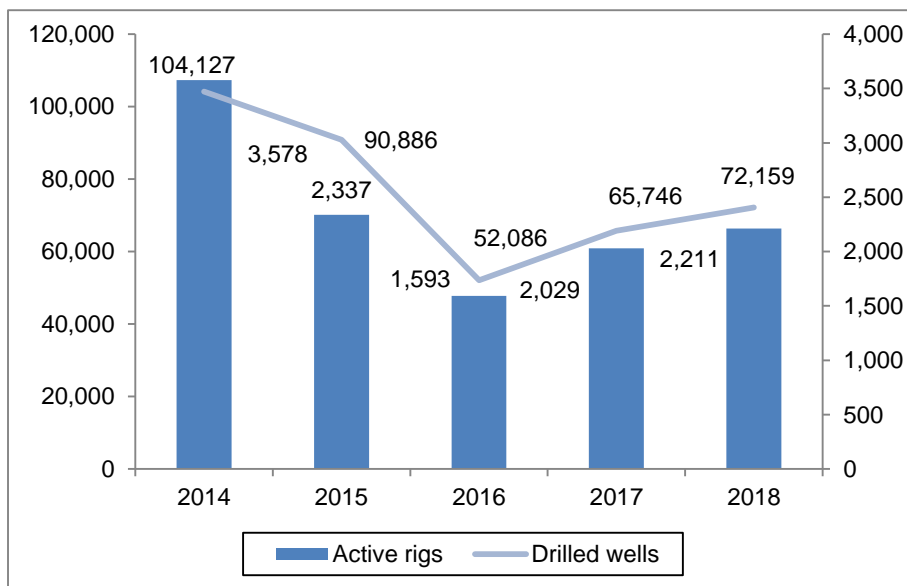
##### Active Rig Count and Drilled Wells

Rig count is an important business indicator representing the upstream sector of the oil and gas industry. When drilling rigs are active, they consume products and services generated by the oil and gas industry. The number of global active rigs declined in 2015 and 2016, before increasing again in 2017 and 2018, in tandem with the prevailing crude oil prices (figure 10).

Similar to the active rig count, the number of drilled wells increased in 2017 and 2018, after decreasing in 2015 and 2016. Wells are mainly drilled to gather subsurface geological information for analysis and interpretation, appraisal of reserves and to extract crude oil and natural gas. As the figure illustrated, there is a positive 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.

Prices of crude oil collapsed in 2015 and 2016 partly due to booming shale oil production in the US, which contributed to a glut of crude oil in the market. Fracking onshore shale rocks for crude oil and natural gas can be done in a matter of months, as opposed to the many years it would take to develop an offshore field.

**Figure 10: Global Active Rig Count and Drilled Wells**



Source: Infobusiness Research

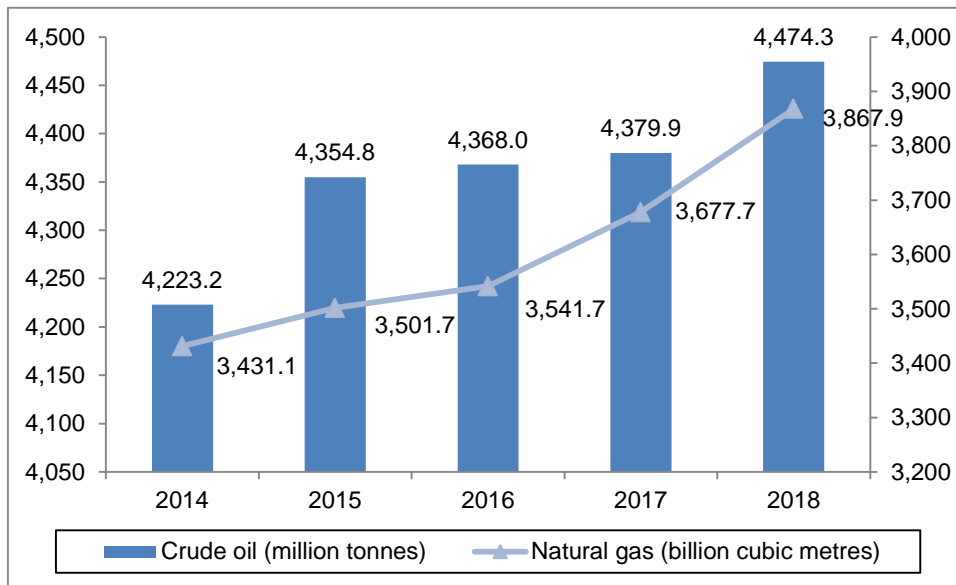


## 4 IMR REPORT PREPARED BY INFOBUSINESS (CONT'D)

*Production of Crude Oil and Natural Gas*

The global production of crude oil and natural gas and natural gas increased at CAGRs of 1.5% and 3.0% between 2014 and 2018, respectively (figure 11).

**Figure 11: Global Production of Crude Oil and Natural Gas**



Source: Infobusiness Research

### Supply Conditions

In the manufacturing of frames for shaker filter, cold rolled tubes made from carbon steel are purchased from domestic steel fabricators. Cold rolled tubes possessed increased strength and hardness as compared to hot rolled tubes, which makes the former less likely to fracture under pressure. The machinery for the manufacturing process are imported from countries with strengths in machine building, such as Germany and Japan; and as such, machinery importers in Malaysia are not vulnerable to such imports.

### 1.6 Market Share

As electronic flowmeters are not manufactured in Malaysia, they are imported from overseas. A total of RM70.2 million of electronic flowmeters were imported into Malaysia in 2018 and this is used to determine the market size. With revenue of RM12.4 million for electronic flowmeters recorded in 2018, Cosmos registered a market share of 17.7% in Malaysia in the same year.

Based on research conducted on online literature by Infobusiness Research, there were 72,159 wells drilled globally by the upstream sector of the oil and gas industry in 2018. As each drilled well

## 4 IMR REPORT PREPARED BY INFOBUSINESS (CONT'D)



consumes an average of 115 shaker filters, a total of 8,298,285 shaker filters were used in the same year. MCI sold a total of 417,971 shaker filters in 2018, recording a global market share of 5.0% in the same year.

### 1.7 Comparable Companies

The CTI Group is involved in the distribution and instrumentation services of fluid control equipment for the water and wastewater industries, and the manufacturing of fabricated metal parts for the oil and gas, water and wastewater industries. The selected comparable companies in Malaysia are based on their similar business activities as CTI Group, as shown in the table below (table 4).

**Table 4: Business Activities and Revenue of Comparable Companies to CTI Group**

Company	Business Activities	Water Industry	Oil and Gas Industry	Latest FYE	Revenue (RM '000)
CTI 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.	√	√	30/04/19	44,078.0
Damini Corporation Sdn Bhd	It focusses on the distribution of water-related products for the water industry, such as electronic flowmeters, including post-sales services. One of its subsidiaries, Delta Perdana Sdn Bhd, manufactures mechanical flowmeters for the water industry.	√		31/12/18	16,977.4
IPSH Sdn Bhd	It is a distributor of instrumentation products, including electronic flowmeters, for the water and wastewater industries. It is also involved in the installation and commissioning of these products.	√		31/12/18	6,472.4
Mimtech Technology Sdn Bhd	It is involved in the distribution of instrumentation equipment, including electronic flowmeters, for the water industry, as well as their installation and commissioning.	√		31/12/18	8,021.0
Zeepaard Engineering Sdn Bhd	It specialises in the distribution of instrumentation equipment, including electronic flowmeters, for the water and power industries, as well as their installation and commissioning.	√		N. A.	N. A.
S. Kian Seng Sdn Bhd	It is a metal fabrication company catering to a diversified range of markets in the kitchen, medical, office and hotel industries.  It is also involved in manufacturing metal frames for shaker filters used in the oil and gas industry.		√	30/06/18	127,507.7



Notes:

As segmented revenues are not available, the revenues of the comparable companies also include revenues generated from other industries.

N. A. = Not Available / Not Applicable

Source: Companies Commission of Malaysia and Cosmos

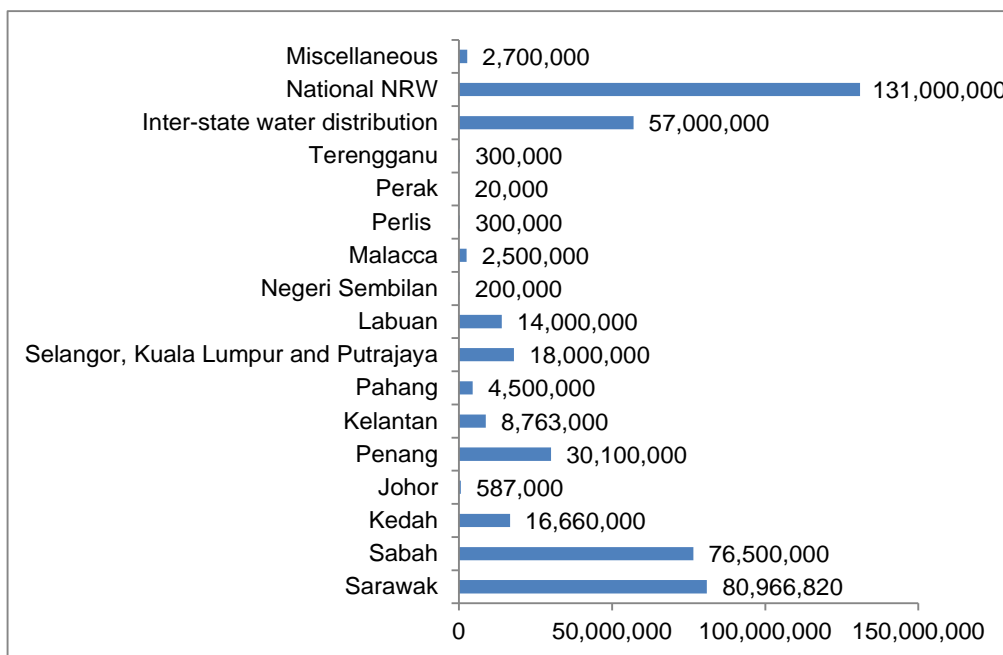
## 1.8 Outlook and Prospects

### 1.8.1 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 to increase potable water supplies.

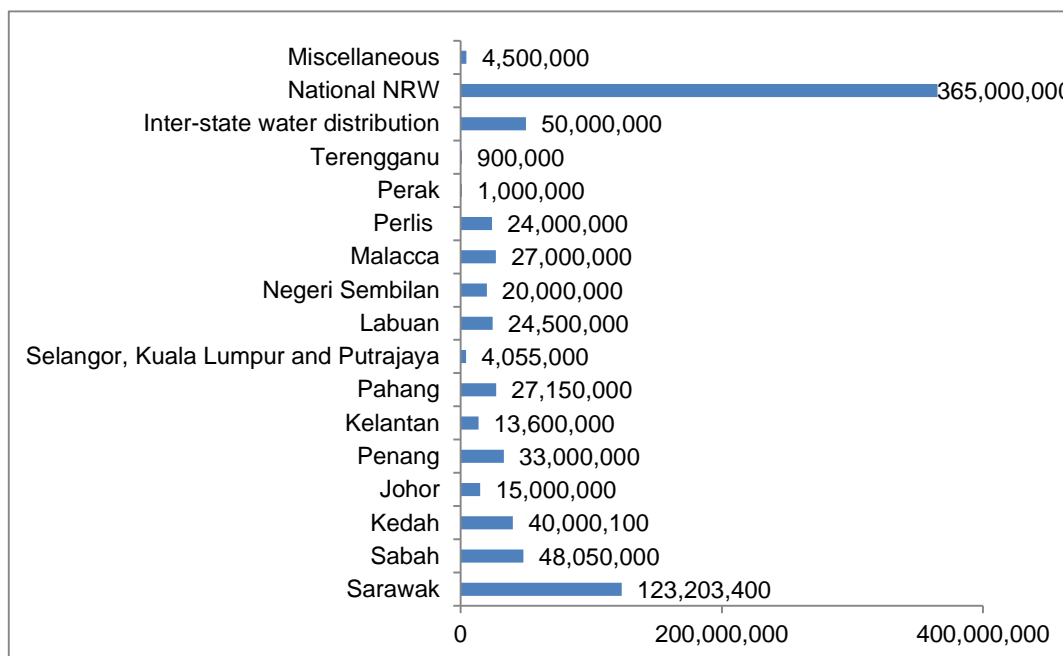
The Government plans to spend a total of RM444.1 million on water projects, including RM131 million on NRW, across the country in 2019 (figure 12). This figure is projected to increase to RM820.9 million in 2020, including RM365 million on NRW, in 2020 (figure 13). They are also in line with the Government's aspirations to achieve NRW at 25.0% in 2020 from 35.3% in 2017. The National Water Services Commission has indicated that an amount of RM76.9 billion is needed over the next 30 years to ensure uninterrupted water supply in the country. All these expenditures are anticipated to create more opportunities for suppliers of electronic flowmeters.

Figure 12: Estimated Federal Government Expenditure for Water Industry in 2019 (RM)



Source: Ministry of Finance

**Figure 13: Estimated Federal Government Expenditure for Water Industry in 2020 (RM)**



Source: Ministry of Finance

The Ministry of Water, Land and Natural Resources has also proposed an increase in water tariff rates so as to generate more capital expenditure to upgrade water infrastructure for long term supply sustainability. In turn, this is anticipated to generate more opportunities for contractors and suppliers in the water industry. In particular, the Government is emphasising on the improvement of rural water supply in East Malaysia between 2019 and 2020, so as to further enhance the wellbeing of the local residents.

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 for electronic flowmeters is expected to increase from RM70.2 million in 2018 to RM112.7 million in 2021, generating a CAGR of 17.1%.

### 1.8.2 Shaker Filters

The level and direction of crude oil and natural gas prices are key determinants of performance for shaker filters. In turn, the demand for crude oil and natural gas is determined by global population growth, economic development, and general business conditions. The substantial capital expenditures required to monetise new oil and gas discoveries have generated opportunities to



companies in the oil and gas industry value chain, including those involved in supplying shaker filters.

The global demand for shaker filters is projected to increase from 8.3 million pieces in 2018 to 9.9 pieces in 2021, yielding a CAGR of 6.3%, as the momentum in the upstream sector of the oil and gas industry picks up.

Despite rapid growth, the impact on demand for gasoline and diesel from electric cars remain relatively small. On a daily basis, a thousand electric cars displace just 15 barrels of crude oil demand. In contrast, the demand displacement for a thousand electric buses stood at 500 barrels of diesel daily, due to their sizes and constant use. For perspective, global crude oil demand stood at 98.8 million barrels per day in 2018. Therefore, the modern economy still needs crude oil to run it.

In addition, 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 for the production of 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 technological discoveries.

## 5 RISK FACTORS

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The LEAP Market has been positioned as a market designed to accommodate corporations to which a higher investment risk may be attached than other corporations listed on Bursa Securities. It is a qualified market which is meant mainly for Sophisticated Investors only. Only existing securities holders and Sophisticated Investors are allowed to participate in corporate exercises undertaken by our Company. Sophisticated Investors should be aware of the potential risks of investing in such corporations and should make the decision to invest after due and careful considerations and, if appropriate, consultation with stockbroker, manager, solicitor, accountant and other professional advisers.

In this regard, Sophisticated Investors should carefully consider the following material risk factors in addition to information contained elsewhere in this Information Memorandum.

If any of the following risks were to materialise, our Company's business, financial condition, results of future operations could be materially and adversely affected. In such cases, the market price of our Company's shares could decline and investors may lose part or all of their monies.

### 5.1 Risks relating to our business, operation and industry

#### 5.1.1 We are dependent on Siemens Malaysia

Please refer to Section 3.10.1 of this Information Memorandum for information on our major suppliers.

For the last 12 years, we have been representing a single brand, namely Siemens Malaysia, for the distribution of fluid control products to our Water Customers. As such, we are dependent on Siemens Malaysia for its continuous supply of our fluid control products. For FYE 2018 and FYE 2019, Siemens Malaysia contributed approximately 26.64% and 24.55% of our Group's total purchases respectively.

For the distribution of our fluid control products, we understand that there are risks in representing only one brand and having only one supplier. We may face the risk of losing our supply of fluid control products from Siemens Malaysia, if Siemens Malaysia decides to terminate our partnership unexpectedly. This may affect our distribution business which will have a negative impact on our financial performance.

Notwithstanding our dependence on Siemens Malaysia, we have had strong working partnership with Siemens Malaysia. Since 2007, we have been an authorised distributor for Siemens Malaysia. 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.

Although we are confident of our business relationship with Siemens Malaysia, we cannot give any assurances that changes in our business relationship will not have an adverse effect on our Group's future operation and financial performance.

For the supply of metal-based raw materials used in our manufacturing activity, we source our supplies from many suppliers locally. Furthermore, these metal-based raw materials are easily sourced locally and internationally. Hence, we are not dependent on any single supplier for the supply of metal-based raw materials used in our manufacturing activity. Please refer to Section 3.10.2 for more information on our sourcing of our major raw materials.

**5 RISK FACTORS (CONT'D)**

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**5.1.2 We are dependent on our major customers**

Presently, the majority of our Group's revenues are derived from the manufacturing of metal fabricated parts for the Oil and Gas Customers. For FYE 2018 and FYE 2019, our major customers are National Oilwell Varco, Inc and NOV (Malaysia) Sdn. Bhd., which accumulatively contributed 74.07% and 71.79% of our Group's total revenues respectively.

National Oilwell Varco, Inc is the parent company of NOV (Malaysia) Sdn Bhd. National Oilwell Varco, Inc, a company listed on the New York Stock Exchange, 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. NOV (Malaysia) Sdn. Bhd. is principally involved in the manufacturing of machinery for the oil and gas industry.

As our major customers operate in the oil and gas industry, any adverse economic conditions in this industry may cause our customers to postpone investments or initiate other cost-cutting initiatives to improve their financial position. This could potentially result in a reduction for the demand of fabricated metal products. If our customers' demand for our products declines, our manufacturing business and financial results will be affected as well.

Although MCI has secured a consistent number of purchase orders from these two (2) customers in the last two (2) years, there is no assurance that we will be able to continue to receive similar purchase orders in the future.

Moving forward, we will be expanding our fabricated metal products for the water and wastewater industries as disclosed in Section 3.17.1 of this Information Memorandum. Since we have established working relationships with our Water Customers, we intend to promote and market our fabricated metal products to them. With these new fabricated metal products, we will be able to generate new income for our Group. This strategy also helps to mitigate our dependency on our customers in the oil and gas industry.

**5.1.3 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 our MD/CEO and our key management team who are directly responsible for the company's daily operations. Should any of them leave the company, the inability to replace these key members with adequate replacements may have an adverse impact on our business, financial condition and operational results.

We recognise the importance of our ability to attract and retain key management and technical personnel, and have in place good remuneration packages, especially for key management and technical personnel, 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 existing personnel. We are also making an effort to groom the next generation of management and key personnel as part of our succession planning efforts.

Although we seek to limit our dependency on key management and technical personnel through the efforts mentioned above, there is no assurance that any change in the key management and technical personnel structure will not have an adverse effect on our Group's future performance.

## 5 RISK FACTORS (CONT'D)

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### 5.1.4 Competition risk

There are a few major brands of electronic flowmeters for water and wastewater industries. In competing with our competitors to provide electronic flowmeters and related parts, we may be exposed to some potential competition risks, including:

- (i) **price war** - if a competitor's products are priced lower than ours, we may not be able to compete, leading to a loss in market share and causing an adverse effect on our business operations.
- (ii) **promotional resources** - we compete with some major brands in the provision of electronic flowmeters and related parts. If our competitors decide to conduct major promotional campaigns for their products and if we are unable to do the same, this may lead to a potential limitation of our business growth and market share.

We seek to mitigate the risk through continuously reviewing our business strategies and marketing plan in order to remain competitive in the industry. However, there is no assurance that we will be able to maintain or increase our market share in the future in light of competition from our competitors.

### 5.1.5 Exposure to product liability claim

We supply two (2) key categories of products, mainly fluid control products and fabricated metal products.

Our fluid control products are supplied to the water and wastewater industries for industrial applications. These products are subject to liability risks arising from product defects which may potentially cause operational downtime for our customers.

Our fabricated metal products are metal components and are not subject to any product liability claims from our customers.

To mitigate such risk, we source our products from reputable principals namely Siemens AG and LACROIX Sofrel. All our fluid control products must be QC approved by our principals prior to delivery. Upon arrival to our facilities, we also conduct visual inspections and quantity checks before taking delivery of inventory. To further enhance our customers' confidence in our product, our principals provide us with a one (1)-year warranty on their fluid control products, which is then extended to our Water Customers.

As for our metal fabricated products, they are manufactured according to our manufacturing and quality procedures which are in compliance with ISO standards and requirements established by the oil and gas industry. As such our manufacturing process is governed by the industrial quality standards to maintain high standards and quality in all our production processes.

We are ISO 9001:2015 certified which is a testament to our Group's commitment to providing quality and reliable products and services to our customers. In the last two (2) years, our Group does not have any product warranty claims for our fluid control products from our customers.

Although we have taken the preventive measures to limit our product liability exposure, there can be no assurance that such a risk will not arise. Our business and financial performance may be affected if there are any material product warranty claims which are not covered by our principals.



## 5 RISK FACTORS (CONT'D)

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### 5.1.6 Fluctuation in foreign exchange rates

We are exposed to foreign currency exchange risks for our manufacturing segment, as our export sales for fabricated products are mainly quoted in USD. For FYE 2019, 47.11% of our revenues are generated in USD. Our contract prices are quoted based on exchange rates that are reviewed from time to time to match the current exchange rate. This is our strategy to mitigate our exchange rate fluctuation risk.

For our distribution segment, we are indirectly affected by the fluctuation in euro exchange rate as we source our fluid control products from Siemens Malaysia which originated from Siemens AG in France. Any increase in our product price resulted from the fluctuation in euro is passed on to our customers.

Although we have taken the precautionary measures to mitigate the risk arising from foreign exchange rate fluctuations, there is no assurance that any fluctuation in RM, USD and euro will not have a material adverse impact on our financial performance in the future.

### 5.1.7 Operational risk

Our Group's revenue is dependent on our distribution, storage and production processes running smoothly and efficiently. Our daily operations are susceptible to events of emergency such as explosion, fire, flood, energy crisis, health crisis, civil commotion, and natural disasters. Our management is aware of the adverse consequences arising from such damage that could cripple our business operations.

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 warehousing and manufacturing operations. The insurance coverage is reviewed by our Group on a yearly basis.

However, even with the above precaution, there is no assurance that these production/operational risks will not materially affect our Group's business and/or the insurance coverage our Group has taken would be comprehensive enough to reflect the replacement cost of the assets or any consequential loss our Group may suffer.

### 5.1.8 Credit management risk

We are inevitably subject to risks such as doubtful or bad collection of trade receivables as our businesses are mainly conducted on credit. Generally, we provide our customers with credit terms ranging between 30 and 90 days. As at the LPD, we do not have any doubtful debts. However, there can be no assurance that there will be no doubtful debts for the future reporting periods.

We seek to minimise such risks by employing credit evaluation policies when dealing with our customers. We also assess our customers based on their present credit standing, payment track record as well as length of relationship. In general, our Group has made, and shall continue to make sufficient provisions to cover for doubtful debt.

Nevertheless, there can be no assurance that all our trade receivables will be successfully collected as and when they fall due, and should such events occur, our cash flow may be adversely affected.

## **5 RISK FACTORS (CONT'D)**

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### **5.2 Risks relating to investment in our shares**

#### **5.2.1 No prior market for our shares and possible volatility of our share price**

There is no prior market for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Proposed Listing or if developed, that such market will be sustained. In addition, our Shares could trade at prices that may be lower than the Placement Price of RM0.28 per Share as a result of many factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These include, amongst others, prevailing global and local economic conditions, the depth and liquidity of the market for our Shares and investors' individual perceptions of our Group.

#### **5.2.2 Control by our Promoters**

Upon the Proposed Listing, our Promoters will collectively hold approximately 90.00% of our enlarged issued share capital. Depending on how they choose to vote and because of their shareholdings, our Promoters will generally be expected to have significant influence on the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting by law and/or as required by the relevant authorities.

Nevertheless, our Board will ensure that any future transactions involving related parties are entered into on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

#### **5.2.3 Failure/Delay in our Proposed Listing**

Our Proposed Listing is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

- (i) we are unable to meet the public shareholding spread requirement as determined by Bursa Securities, whereby at least 10.00% of our enlarged issued share capital for which the Proposed Listing is sought is in the hands of public shareholders;
- (ii) the revocation of approvals from the relevant authority for our Proposed Listing and/or admission to the Official List of the LEAP Market of Bursa Securities for whatever reason; and
- (iii) the occurrence of any force majeure events, which are beyond our control, before our Proposed Listing.

Although we will endeavour to comply with the regulatory requirements for our successful Proposed Listing, there can be no assurance that the abovementioned factors/events will not cause a delay in or non-implementation of our Proposed Listing.

In the event the Proposed Listing does not take place within six (6) months from the date Bursa Securities approves the Proposed Listing on the LEAP Market (or such further extension of time as Bursa Securities may allow) or we abort the Proposed Listing on the LEAP Market, Sophisticated Investors will not receive any Shares but we will return in full, without interest, all monies paid in respect of any application for our Shares within 14 days and our directors shall be jointly and severally liable to repay the monies with interest at the rate of 10.00% per

**5 RISK FACTORS (CONT'D)**

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annum or such other rate as may be prescribed by Bursa Securities upon expiration of that period until full refund is made.

In the event our Proposed Listing is aborted and/or terminated and our Shares have been allotted to the shareholders, a return of monies to all of our shareholders could only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia. There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

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## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 6.1 Promoters and/or substantial shareholders

#### 6.1.1 Shareholdings

Our Promoters and/or substantial shareholders and their respective shareholdings are as follows:

Name	Directorship/Position	Shareholding in our Company							
		<----- Direct ----->				<----- Indirect ----->			
		Before the Proposed Placement		After the Proposed Placement		Before the Proposed Placement		After the Proposed Placement	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Chong	Promoter/Substantial shareholder/MD/CEO	103,881,600	60.00	103,881,600	54.00	-	-	-	-
MSM	Corporate promoter/ Substantial shareholder	69,254,400	40.00	69,254,400	36.00	-	-	-	-
Triumphant Hope	Substantial shareholder	-	-	-	-	69,254,400	40.00*	69,254,400	36.00*
Chan Kee Sieng	Substantial shareholder	-	-	-	-	69,254,400	40.00**	69,254,400	36.00**
Chan Kit Moi	Substantial shareholder	-	-	-	-	69,254,400	40.00**	69,254,400	36.00**

**Notes:**

\* Deemed interested by virtue of its direct interest in MSM pursuant to Section 8(4) of the Act.

\*\* Deemed interested by virtue of their direct interests in Triumphant Hope and indirect interests in MSM pursuant to Section 8(4) of the Act.

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## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

### 6.1.2 Profiles of Promoters and/or substantial shareholders

The profiles of our Promoters and/or substantial shareholders are as follows:

**Dato' Chong** | Malaysian | Aged 50  
Promoter/Substantial shareholder/MD/CEO

Dato' Chong is the MD/CEO of CTI. He holds a Diploma in Computer Science from Sedaya College, Malaysia which he obtained in 1991. After graduating, Dato' Chong began his career in 1991 when he joined Salcon Engineering Sdn. Bhd., a water and wastewater engineering company as a Technical Assistant. His roles included project implementation for several water treatment plants in Kedah, Perak, Sabah, Langkawi, Johor, Melaka, Selangor and overseas such as China and Vietnam.

In 1999, he joined ISET to provide engineering work and contractual works for the water and wastewater industries in Malaysia. Since its incorporation, ISET has been involved in engineering and contractual works as well as SCADA system implementation for water treatment plants across Malaysia.

In 2004, he co-founded Cosmos to begin the distribution of fluid control products for the water and wastewater industries.

Dato' Chong has approximately 28 years of experience in the water and wastewater industries. His past experience includes 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.

Presently, he holds directorship in Ski Pipe & Fitting (Malaysia) Sdn. Bhd. and Great Eastern Traders (M) Sdn. Bhd.

#### **MSM**

Corporate Promoter/Substantial shareholder

MSM is a company listed on the Catalist of Singapore Exchange Securities Trading Limited. MSM is incorporated and domiciled in Singapore. The address of its registered office is 8 Robinson Road, #03-00, ASO Building, Singapore 048544.

As at the LPD, the issued share capital of MSM is SGD12.57 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 shareholders and the directors of MSM are as follows:

Name	Designation	Direct shareholding in MSM	
		No. of shares	%
Triumphant Hope	Shareholder/ Holding corporation	76,955,933	73.02
CGS-CIMB Securities (Singapore) Pte Ltd	Shareholder	7,211,906	6.84

## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

Name	Designation	Direct shareholding in MSM	
		No. of shares	%
Chan Wen Chau	Shareholder and director	2,785,186	2.64
Chan Kee Sieng	Director	-	-
Chan Kit Moi	Director	-	-
Leow Wee Kia	Director	-	-
Wong Kok Seong	Director	-	-
Lee Kean Cheong	Director	-	-
Others (Public)	Shareholder	18,438,161	17.50
		<b>105,391,186</b>	<b>100.00</b>

List of subsidiaries of MSM is as follows:

Company name	Shareholding %	Principal activities
<b>Direct subsidiaries</b>		
MSM Metal Industries Sdn. Bhd.	100.00	Contract manufacturing of metal products mainly for semi-conductor and telecommunications
Marc 16 Equipment Manufacturing Sdn. Bhd.	100.00	Trading, design and supply of machine for semi-conductor industry
Toyomi Engineering Sdn. Bhd.	100.00	Sale and servicing of metal parts and kitchen equipment, and design consultancy and installation work mainly for semi-conductor and telecommunications
MSM Equipment Manufacturer Sdn. Bhd.	100.00	Contract manufacturing of kitchen equipment and sale of standard kitchen equipment for food and beverage industry
MSM Kitchen Sdn. Bhd.	100.00	Sale and servicing of standard kitchen equipment products for food and beverage industry
FIC Kitchen Technology Sdn. Bhd.	100.00	Manufacturing, sale and servicing of refrigeration appliances for food and beverage industry
MSM Metal (S) Pte Ltd	100.00	Trading and servicing of metal parts and kitchen equipment for food and beverage industry
OMS Technology Sdn. Bhd.	100.00	Design, consultancy and installation works for cleanrooms, laboratories and healthcare industry
Flexacon Automation System Sdn. Bhd.	51.00	Trading, design and supply of machine conveyor system for general production automation
<b>Indirect subsidiaries (held by MSM Equipment Manufacturer Sdn. Bhd.)</b>		
PT Mulia Sinergi Metalindo	100.00	Sale and service of metal parts and kitchen equipment for food and beverage industry
MSM R Kitchen Sdn. Bhd.	100.00	Trading and servicing of metal parts and kitchen equipment for food and beverage industry

## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

### Triumphant Hope

Substantial shareholder

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

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

Name	Designation	Direct shareholding in Triumphant Hope	
		No. of shares	%
Chan Kee Sieng	Director	150	50.00
Chan Kit Moi	Director	150	50.00
		300	100.00

### Chan Kee Sieng | Malaysian | Aged 67

Substantial shareholder

Chan Kee Sieng has over four (4) decades of experience in the OEM contract manufacturing and kitchen equipment industries. Chan Kee Sieng started off as an Engineering Technician and subsequently set up family owned companies namely Ban Seng Trading Co, a company dealing in trading and supply of cooking oil and gas, Chan Brother Trading Co., a steel trading company, before setting up the flagship subsidiary of MSM Group, MSM Metal Industries Sdn Bhd. Chan Kee Sieng was a Director of Mann Seng Sdn. Bhd., from 1991 to 2010 and from 1979 to 2008 he was a co-owner in Ban Seng Trading Co.

Chan Kee Sieng also holds directorships in various companies as disclosed in Section 6.4 of this Information Memorandum.

He is the elder brother of Chan Kit Moi.

### Chan Kit Moi | Malaysian | Aged 66

Substantial shareholder

He possesses over 40 years of experience in the OEM contract manufacturing and kitchen equipment industries. He started his career as an Engineering Technician for nine years in a company which manufactures turning and milling machinery. Prior to co-founding MSM Metal Industries Sdn. Bhd. in 1985, Chan Kit Moi was a Director of Mann Seng Sdn. Bhd., from 1991 to 2010 and from 1979 to 2008 he was a co-owner in Ban Seng Trading Co.

He holds directorships in various companies as disclosed in Section 6.4 of this Information Memorandum.

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## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

### 6.2 Directors

#### 6.2.1 Shareholdings

Our Directors and their respective shareholdings are as follows:

Name	Position/ Directorship	Direct shareholding in our Company			
		Before the Proposed Placement		After Proposed Placement	
		No. of Shares	%	No. of Shares	%
Dato' Chong	Promoter/Substantial shareholder/ MD/CEO	103,881,600	60.00	103,881,600	54.00
Ng Boon Keong	Executive Director/ COO	-	0.00	-	0.00
Alviedo Rodolfo Jr San Miguel	Independent Non-Executive Director	-	0.00	-	0.00

#### 6.2.2 Profiles of Directors

The profiles of our Directors are as follows:

The profile of Dato' Chong is disclosed in Section 6.1.2 of this Information Memorandum.

**Ng Boon Keong** | Malaysian | Aged 45  
Executive Director and COO

He is the Executive Director and COO of CTI. He holds a Diploma in Mechatronics Engineering from Perak Institute of Engineering Technology in 1995. After graduation, he began his career as a Mechanical Designer in 1996 with Wemark Engineering Services Pte Ltd, a company specialising in the provision of plant engineering services such as heating, ventilation, and air conditioning/air conditioning and mechanical ventilation equipment installation, electrical and control and civil works. In 2000, he joined Pentamaster Engineering (M) Sdn. Bhd., a wholly-owned subsidiary of Pentamaster Corporation Berhad, a company listed on the Main Board of Bursa Malaysia since 2003, as a Senior Design Engineer. He was responsible for the architectural and engineering design works for factory automation.

He has approximately 24 years of experience in mechanical design, process engineering, lean manufacturing and project management. He joined MCI in 2013 as General Manager, where he was responsible for the daily manufacturing and quality control activities. In 2018, he was promoted to Vice President of MCI in-charge of MCI's overall manufacturing, QC, product development and sales and marketing activities. On 27 September 2019, he was appointed as a director of MCI.

**Alviedo Rodolfo Jr San Miguel** | Filipino | Aged 49  
Independent Non-Executive Director

He has been appointed as an Independent Non-Executive Director of CTI on 30 August 2019. He graduated with a Bachelor of Science in Business Administration major in Accounting from San Pedro College of Business Administration in the Philippines in 1992. He also completed his Philippines Certified Public Accountant Licensure Examination.



## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

He started his career in 1992 when he joined SyCip, Gorres, Velayo & Co, a Philippine multidisciplinary professional services firm, as an Audit Supervisor for the Assurance and Business Advisory department for a period of 5 years. In 1997, he joined Arthur Andersen, Vietnam as an Audit Supervisor, Assurance and Business Advisory until he moved to Singapore in 1999. During his tenure in Singapore, he worked for Arthur Andersen, Singapore as a Manager, Assurance and Business Advisory between 1999 and 2000; and PricewaterhouseCoopers, Singapore as a Senior Manager, Assurance Services between 2000 and 2007.

In 2007, he joined Nexia TS Public Accounting Corporation, Singapore as a Corporate Advisory Principal, where he was overseeing the audit functions of the company, managing and supervising the audit teams, reviewing audit works, and building relationships with clients.

In 2012, he joined Mencast Holdings Ltd., Singapore as a Chief Financial Officer. He was tasked with the responsibility to oversee and manage, among others, the company's overall financial and risk management operations. He subsequently left the company in 2017.

In 2017, he started his own advisory firm, Evocate-RSA Advisory & Consulting Pte. Ltd., Singapore which offers advisory and consultation work for its clients. Presently, he is the MD of this company.

In 2018, he was appointed as a Chief Financial Officer and a Director, Forensic Accounting and Financial Due Diligence of TRS Forensics Holdings Pte. Ltd., Singapore. His main roles include overseeing the financial and risk management operations as well as ensuring the audit works are carried out smoothly and efficiently. He subsequently resigned from his positions in 2019.

### 6.2.3 Directors' remuneration

The aggregate remuneration proposed to be paid for services rendered to our Group for FYE 2020 and FYE 2021 are as follows:

Directors	Remuneration band	
	FYE 2020 Estimated RM'000	FYE 2021 Estimated RM'000
Dato' Chong	400 – 450	400 – 450
Ng Boon Keong	200 – 250	200 – 250
Alviedo Rodolfo Jr San Miguel	0 – 50	0 – 50

The remuneration of our Directors includes salaries, bonuses, fees and allowances as well as other benefits.

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## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

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### 6.3 Key management personnel

#### 6.3.1 Profiles of our key management personnel

The profiles of our key management personnel are as follows:

**Chee Siew Wan** | Malaysian | Aged 32  
Finance Manager

She is the Finance Manager of our Group, in charge of the finance matters of the Group. She graduated with a degree in Bachelor of Commerce (Honours) Accounting from Universiti Tunku Abdul Rahman in 2009. After graduating, she started her career with NOL Global Services Centre Sdn. Bhd. as a Finance Analyst in its Fixed Asset Team. After a year, she joined Wensen Consulting Asia (M) Sdn. Bhd. as an Assistant Consultant and was subsequently promoted to Senior Consultant in 2013 in the internal audit department.

In 2013, she joined Malaysian Bulk Carriers Berhad as an Assistant Accountant. She was responsible for preparing accounting, financial and management reports. In 2017, she joined True Features Corporation Sdn. Bhd. as an Account Executive. She was responsible to assist in the overall accounting functions of the company.

She joined Cosmos in 2018 as a Finance Manager. She was tasked with overseeing the account and finance matters of Cosmos and reporting directly to our MD/CEO. Subsequently, she was redesignated as the Finance Manager of our Group on 1 July 2019.

**Syahdan Bin Ab Samad** | Malaysian | Aged 34  
Sales and Marketing Manager

He is the Sales and Marketing Manager of our Group's trading activities. He graduated with a diploma in Engineering Technology in Automated System and Maintenance from Universiti Kuala Lumpur in 2011. After graduation, he began his career with NuhaTech Sdn. Bhd. as a Technical Executive.

In 2013, he joined Essmart Systems Sdn. Bhd. as a Sales Engineer, where he was responsible for the company's sales in its engineering products and services.

In 2014, he joined Progard Sdn. Bhd. as a Sales Engineer. He was involved in the company's sales and marketing activities. In the same year, he joined Cosmos as a Sales Engineer, where he was responsible for the sales and marketing operations of Cosmos' products and services. In 2017, he was promoted to Assistant Manager and subsequently in 2019, he was further promoted to the position of Sales and Marketing Manager, where he is responsible for overseeing the entire sale and marketing operations of Cosmos and reporting directly to our MD/CEO on Cosmos sales performance.

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**6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)**

**6.4 Involvement of our Promoters, substantial shareholders, Directors and key management personnel in businesses/corporations outside our Group**

Save as disclosed below, our Promoters, substantial shareholders, Directors and key management personnel do not have any other interest and directorships in other corporations outside our Group for the past three (3) years up to the LPD:

Name/Position in CTI	Company	Principal activities	Position held	Date of appointment	Date of resignation	Direct shareholdings %	Indirect shareholdings %
Dato' Chong Promoter/ Substantial shareholder/ MD/CEO	<b>Present involvement</b>						
	ISET*	Designing, supplying, installation, testing and commissioning of complete mechanical and electrical works, process control, telemetry and SCADA system for process industry	Shareholder and Director and Manager	5 August 1999 (Director) 18 June 2009 (Manager)	24 June 2019 (Director) 24 June 2019 (Manager)	85.00	15.00
	Ski Pipe & Fitting (Malaysia) Sdn. Bhd.	Supply of water pipes	Shareholder and Director	13 February 2013	-	70.00	30.00
	Great Eastern Traders (M) Sdn. Bhd.	Trading, supply and installation of LED lights	Shareholder and Director	1 June 2017	-	40.00	-
	Emrace Brake Retarder (M) Sdn. Bhd.^	Export and import of a variety of goods	Shareholder and Director	28 November 2017	-	30.00	-
	<b>Previous involvement – past three (3) years</b>						
	Max Ventures (M) Sdn Bhd (formerly known as Sekinchan Boy Sdn. Bhd.)	Restaurant <sup>#</sup>	Shareholder and Director	14 August 2015	21 February 2019	-	-
	Moscoss Services Sdn. Bhd.	Previously involve in the servicing of industrial and automation equipment. Currently dormant	Shareholder and Director	19 February 2016	28 May 2019	-	-
	Bina Wasilah Sdn. Bhd.	Wholesale and retailers of fertilizers and agrochemical products, investment holding	Director	3 September 2019	15 November 2019	-	-

**6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)**

Name/Position in CTI	Company	Principal activities	Position held	Date of appointment	Date of resignation	Direct shareholdings %	Indirect shareholdings %
Chan Kee Sieng/ Substantial shareholder	<b><i>Present involvement</i></b>						
	Widewin Strategy Sdn. Bhd.	Investment in properties and hire of motor vehicles	Shareholder and Director	3 January 2007	-	35.00	43.33
	Chan Strategy Sdn. Bhd.	Investment in properties	Shareholder and Director	25 May 2011	-	50.00	50.00
	Triumphant Hope	Investment holding company with its principal investment in MSM	Shareholder and Director	23 December 2009	-	50.00	50.00
	MSM Equipment Manufacturer Sdn. Bhd.	Contract manufacturing of kitchen equipment and sale of standard kitchen equipment for food and beverage industry	Director and Manager	20 January 1994	-	-	68.41
	MSM Kitchen Sdn. Bhd.	Sale and servicing of standard kitchen equipment products for food and beverage industry	Director and Manager	1 October 1991	-	-	68.41
	MSM Metal Industries Sdn. Bhd.	Contract manufacturing of metal products mainly for semi-conductor and telecommunications	Director	13 May 1985	-	-	68.41
			Manager	7 June 1985	-		
	Toyomi Engineering Sdn. Bhd.	Sale and servicing of metal parts and kitchen equipment, and design consultancy and installation work mainly for semi-conductor and telecommunications	Director and Manager	18 September 1992	-	-	68.41
	FIC Kitchen Technology Sdn. Bhd.	Manufacturing, sale and servicing of refrigeration appliances for food and beverage industry	Director	25 June 2008	-	-	68.41
<b><i>Previous involvement – past three (3) years</i></b>							
-	-	-	-	-	-	-	-

**6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)**

Name/Position in CTI	Company	Principal activities	Position held	Date of appointment	Date of resignation	Direct shareholdings %	Indirect shareholdings %
Chan Kit Moi/ Substantial shareholder	<b>Present involvement</b>						
	Chan Strategy Sdn. Bhd.	Investment in properties	Shareholder and Director	25 May 2011	-	50.00	50.00
	Triumphant Hope	Investment holding company with its principal investment in MSM	Shareholder and Director	23 December 2009	-	50.00	50.00
	MSM Equipment Manufacturer Sdn. Bhd.	Contract manufacturing of kitchen equipment and sale of standard kitchen equipment for food and beverage industry	Director	20 January 1994	-	-	68.41
	MSM Kitchen Sdn. Bhd.	Sale and servicing of standard kitchen equipment products for food and beverage industry	Director	1 October 1991	-	-	68.41
	MSM Metal Industries Sdn. Bhd.	Contract manufacturing of metal products mainly for semi-conductor and telecommunications	Director	13 May 1985	-	-	68.41
	Toyomi Engineering Sdn. Bhd.	Sale and servicing of metal parts and kitchen equipment, and design consultancy and installation work mainly for semi-conductor and telecommunications	Director	20 January 1997	-	-	68.41
	FIC Kitchen Technology Sdn. Bhd.	Manufacturing, sale and servicing of refrigeration appliances for food and beverage industry	Director	25 June 2008	-	-	68.41
	<b>Previous involvement – past three (3) years</b>						
-	-	-	-	-	-	-	
Ng Boon Keong Executive Director and COO	<b>Present involvement</b>						
	Plustech Engineering and Construction Sdn. Bhd.	Investment holding company with principal activities in construction and renovation works	Shareholder and Director	5 January 2015	-	80.00	-
	Kuala Lumpur Food Trucks Sdn. Bhd.	Engaged in the business of mobile food trucks and related activities	Shareholder and Director	18 August 2015	-	40.00	-

**6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)**

Name/Position in CTI	Company	Principal activities	Position held	Date of appointment	Date of resignation	Direct shareholdings %	Indirect shareholdings %
	<b>Previous involvement – past three (3) years</b>						
	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	-	-
Alviedo Rodolfo Jr San Miguel/ Independent Non-Executive Director	<b>Present involvement</b>						
	Evocate-RSA Advisory & Consulting Pte. Ltd.	Management consultancy services	Shareholder and Director	27 March 2017	-	100.00	-
	Artix Investments Pte. Ltd.	Equity investment holding company	Director and secretary	16 May 2018	-	-	-
	Eurothereum Technologies Pte. Ltd.	Management and information technology consultancy	Director and secretary	30 May 2018	-	-	-
	GGA Holding Pte. Ltd.	Information technology and computer service provider	Director and secretary	18 July 2018	-	-	-
	Monteline Technologies Pte Ltd	Development of other software and programming activities and information technology consultancy (except cybersecurity)	Director	21 November 2019	-	-	-
	<b>Previous involvement – past three (3) years</b>						
	Mencast Marine Pte Ltd	Building and repairing of ships, tankers and other ocean-going vessels and wholesale of marine equipment and accessories	Director	6 June 2013	16 October 2017	-	-
	Mencast Engineering Pte. Ltd.	<ul style="list-style-type: none"> <li>Building and repairing of ships, tankers and other ocean-going vessels</li> <li>Manufacturing activities</li> </ul>	Director	6 June 2013	16 October 2017	-	-

**6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)**

Name/Position in CTI	Company	Principal activities	Position held	Date of appointment	Date of resignation	Direct shareholdings %	Indirect shareholdings %
	Top Great Engineering & Marine Pte Ltd	<ul style="list-style-type: none"> <li>• Building and repairing of ships, tankers and other ocean-going vessels</li> <li>• Installation of industrial machinery and equipment, mechanical engineering works</li> </ul>	Director	6 June 2013	16 October 2017	-	-
	Mencast Offshore & Marine Pte. Ltd.	<ul style="list-style-type: none"> <li>• Recycling of non-metal waste</li> <li>• Building and repairing of ships, tankers and other ocean-going vessels</li> </ul>	Director	6 June 2013	16 October 2017	-	-
	Mencast Energy Pte. Ltd.	Engineering design and consultancy	Director	6 June 2013	16 October 2017	-	-
	Mencast Procurement (Singapore) Pte. Ltd.	<ul style="list-style-type: none"> <li>• Building and repairing of ships, tankers and other ocean-going vessels</li> <li>• Building construction</li> </ul>	Director	6 June 2013	16 October 2017	-	-
	Mencast Energieers Pte. Ltd.	<ul style="list-style-type: none"> <li>• Engineering design and consultancy activities</li> <li>• Research and experimental development on environment and clean technologies</li> </ul>	Director	6 June 2013	16 October 2017	-	-
	Stone Marine Mencast Pte. Ltd.	<ul style="list-style-type: none"> <li>• Building and repairing of ships, tankers and other ocean-going vessels</li> <li>• Wholesale of marine equipment and accessories</li> </ul>	Director	30 June 2013	16 October 2017	-	-
	Recon Propeller & Engineering Pte Ltd	Building and repairing of ships, tankers and other ocean-going vessels	Director	1 July 2013	16 October 2017	-	-
	Chinyee Engineering & Machinery Pte Ltd	Installation of industrial machinery and equipment, mechanical engineering works	Director	7 December 2013	16 October 2017	-	-

**6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)**

Name/Position in CTI	Company	Principal activities	Position held	Date of appointment	Date of resignation	Direct shareholdings %	Indirect shareholdings %
	Vac-Tech Engineering Pte Ltd	General cleaning services except household cleaning and soil investigation, treatment and stabilisation	Director	13 December 2012	16 October 2017	-	-
	S&W Pte Ltd	<ul style="list-style-type: none"> <li>• Installation of industrial machinery and equipment, mechanical engineering works</li> <li>• Building and repairing of ships, tankers and other ocean-going vessels</li> </ul>	Director	24 December 2013	16 October 2017	-	-
	Mencast Subsea Pte Ltd	<ul style="list-style-type: none"> <li>• Building and repairing of ships, tankers and other ocean-going vessels</li> <li>• Other business support service activities</li> </ul>	Director	12 February 2014	16 October 2017	-	-
	MAG Offshore Marine Pte. Ltd.	Wholesale of marine equipment and accessories	Director	25 April 2014	16 October 2017	-	-
	Unidive Offshore Private Limited	Other business support service activities	Director	26 July 2014	16 October 2017	-	-
	Top Great Holdings Pte. Ltd.	Holding company involved in environmental engineering design and consultancy services	Director	21 October 2015	16 October 2017	-	-
	OUE Lippo Healthcare Limited	Holding company for companies involved in integrated healthcare servicers	Independent Director	24 October 2016	23 January 2017	-	-
	TRS Forensics Holdings Pte. Ltd.	Holding company for companies involved in forensic technology	Director	19 November 2018	1 May 2019	-	-



**6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)**

Name/Position in CTI	Company	Principal activities	Position held	Date of appointment	Date of resignation	Direct shareholdings %	Indirect shareholdings %
Syahdan Bin Ab Samad Key management personnel	<b>Present involvement</b>						
	-	-	-	-	-	-	-
	<b>Previous involvement – past three (3) years</b>						
	Techelec Automation & Engineering Sdn. Bhd.	Designing, supplying, contracting for instrumentation, control system, telemetry, SCADA system, industrial automation, electrical cabling and installation	Shareholder and Director	30 December 2015	18 June 2019	-	-

**Notes:**

- # The current principal activities of the company are export and import, wholesale or trading of metal and non-metal waste and scrap and materials for recycling.
- ^ The company is in the process to be struck off.
- \* Within the past three (3) years preceding the LPD, ISET has secured a total of 10 water treatment projects in relation to mechanical and engineering works for water and wastewater treatment plants. The installation work for these projects were performed by ISET and its subcontractors. For the supply of flowmeters, ISET procured the related fluid control instruments directly from Cosmos for these projects. In total, the percentage of procurement value from Cosmos was 5.81% of the total contract value secured by ISET. All sales to ISET were made at arm's length based on normal commercial terms that were not more favourable to ISET than those generally available to third parties.

## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

### 6.5 Our employees

The following depicts the breakdown of our full-time employees as at 30 April 2019 and as at the LPD:

Category	Number of employees	
	As at 30 April 2019	As at the LPD
Directors	2	2
Administration	11	11
Sales and marketing	8	7
Services	5	7
Production	14	14
	<b>40</b>	<b>41</b>

None of our employees belong to any labour union. The relationship and cooperation between the management and employees have always been good and this is expected to continue in the future. To date, there is no major industrial dispute pertaining to our employees.

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## **7 APPROVALS REQUIRED, CONDITIONS AND UNDERTAKINGS**

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### **7.1 Approvals required/conditions**

The listing of and quotations of our entire enlarged issued share capital on the LEAP Market is subject to the following:

- (a) approval from Bursa Securities for the listing of the Shares; and
- (b) the successful completion of the Proposed Placement.

### **7.2 Exempt transaction**

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

The listing of and quotation for our entire enlarged share capital on the LEAP Market is subject to the following:

- (a) approval from Bursa Securities for the listing of our Shares; and
- (b) successful completion of the Proposed Placement.

### **7.3 Details of moratorium and undertakings**

In compliance with Rule 3.07 of the LEAP Market Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of the 173,136,000 Shares (representing approximately 90.00% of the enlarged issued share capital upon our Proposed Listing) held by our Promoters.

Our Promoters, who hold any of our Shares directly and indirectly upon our Proposed Listing, have fully accepted the moratorium whereby they will not be permitted to sell, transfer or assign any part of their interest in the Shares during the moratorium period as follows ("**Promoters' Moratorium Period**"):

- (i) the moratorium applies to our Promoters' entire shareholdings for a period of 12 months from the date of our listing on the LEAP Market; and
- (ii) upon expiry of the 12 months period stated above, our Promoters' aggregate shareholdings amounting to 86,568,000 Shares representing approximately 45.00% of the total number of issued Shares shall remain under moratorium for another period of 36 months.

Our Promoters have also provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the Promoters' Moratorium Period.

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**7 APPROVALS REQUIRED, CONDITIONS AND UNDERTAKINGS (CONT'D)**

In this respect, the Shares that are subject to moratorium are set out below:

Shareholders	Moratorium shares during the 12-month moratorium <sup>(1)</sup>		Moratorium shares during the 36-month moratorium <sup>(2)</sup>	
	No. of Shares	% <sup>(3)</sup>	No. of Shares	% <sup>(3)</sup>
Dato' Chong	103,881,600	54.00	51,940,800	27.00
MSM	69,254,400	36.00	34,627,200	18.00
	173,136,000	90.00	86,568,000	45.00

**Notes:**

- (1) From the date of our Proposed Listing.
- (2) Upon the expiry of 12 months from the date of our Proposed Listing.
- (3) Based on the enlarged issued share capital of 192,376,000 Shares upon the completion of the Proposed Placement.

**7.4 Undertakings in relation to the Proposed Placement**

- (a) CTI undertakes to open a Trust Account in accordance with Rule 3.10 of the LEAP Listing Requirements where all monies received from the Sophisticated Investors pursuant to subscription of our Shares will be deposited therein. The Trust Account will be jointly operated by CTI and MainStreet;
- (b) CTI and MainStreet undertake that all monies deposited in the Trust Account will not be withdrawn until the date of listing of our Shares on the LEAP Market; and
- (c) CTI undertakes to forthwith repay within 14 days without interest all monies received from the Sophisticated Investors if:
- (i) the Proposed Listing does not take place within six (6) months from the date of Bursa Securities' approval for the Proposed Listing on the LEAP Market or such further extension of time as Bursa Securities may allow; or
  - (ii) the Proposed Listing is aborted by CTI.

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## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS

CTI was incorporated on 14 May 2019 as an investment holding company to facilitate the Proposed Listing. As such, our Group's historical financial information for FYE 2018 and FYE 2019 as well as the 4-month financial information for FPE 31 August 2018 and FPE 31 August 2019 are presented based on the compilation of pro forma financial information of Cosmos and MCI's financial statements only.

The pro forma financial information for the relevant periods were prepared in a manner as if MCI and Cosmos were under common control and were operating as a single economic enterprise from 1 May 2017.

The financial statements of Cosmos and MCI for FYE 2018 and FYE 2019 have been audited by Nexia SSY PLT. The financial statements for FYE 2019, detailing both the financial information for FYE 2018 and FYE 2019, as well as the 4-month financial statements for FPE 31 August 2019 detailing the interim financial information for FPE 31 August 2018 and FPE 31 August 2019 have been prepared in accordance with approved accounting standards issued by the Malaysian Accounting Standards Board. Both the pro forma financial information and the interim pro forma financial information are set out in Appendix I and Appendix II of this Information Memorandum respectively.

### 8.1 Pro forma financial information - statement of comprehensive income

The following table sets out our pro forma statement of comprehensive income for FYE 2018 and FYE 2019 as well as 4-month pro forma statements of comprehensive income for the FPE 31 August 2018 and FPE 31 August 2019:

	FYE		4-month FPE 31 August	
	2018	2019	2018	2019
	RM'000	RM'000	RM'000	RM'000
Revenue	45,010	44,078	20,790	11,299
Cost of sales	(33,113)	(33,218)	(15,745)	(8,179)
<b>GP</b>	<b>11,897</b>	<b>10,860</b>	<b>5,045</b>	<b>3,120</b>
Other income	755	1,676	373	896
Administrative expenses	(3,137)	(3,116)	(949)	(1,685)
Selling and distribution expenses	(3,582)	(3,235)	(1,786)	(1,121)
Net (loss)/gain on foreign exchange	(811)	776	160	95
<b>Profit from operations</b>	<b>5,122</b>	<b>6,961</b>	<b>2,843</b>	<b>1,305</b>
Finance costs	(916)	(775)	(274)	(194)
<b>Profit before taxation</b>	<b>4,206</b>	<b>6,186</b>	<b>2,569</b>	<b>1,111</b>
Income tax expense	(995)	(907)	(564)	(246)
<b>Profit after taxation</b>	<b>3,211</b>	<b>5,279</b>	<b>2,005</b>	<b>865</b>
EBITDA	5,993	7,738	3,124	1,567
Interest income	140	111	43	31
Depreciation of property, plant and equipment	1,011	881	317	293
Impairment loss on non-current assets held for sale	-	7	7	-
GP margin (%) <sup>(1)</sup>	26.43	24.64	24.27	27.61
PBT margin (%) <sup>(2)</sup>	9.34	14.03	12.36	9.83
PAT margin (%) <sup>(3)</sup>	7.13	11.98	9.64	7.66
EPS (RM) <sup>(4)</sup>	2.29	3.77	1.43	0.62

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Notes:

- (1) GP margin is computed based on the GP over revenue.
- (2) PBT margin is computed based on the PBT over revenue
- (3) PAT margin is computed based on the PAT over revenue.
- (4) EPS is computed based on PAT attributable to owners of the Company over 1,400,000 shares for FYE 2018, FYE 2019, and 4-month FPE 31 August 2018 and 1,400,002 shares for 4-month FPE 31 August 2019.

### 8.2 Pro forma financial information - statement of financial position

The following table sets out a summary of the statement of financial position based on the pro forma financial information as at 30 April 2018 and 30 April 2019 as well as interim pro forma financial information as at 31 August 2018 and 31 August 2019:

	30 April 2018	30 April 2019	31 August 2018	31 August 2019
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-current asset</b>				
Property, plant and equipment	14,711	4,435	14,651	4,218
<b>Current assets</b>				
Inventories	5,057	7,887	7,160	10,148
Trade receivables	17,394	15,296	25,086	5,782
Other receivables	3,410	3,707	7,248	3,845
Other current assets	1,859	2,166	2,086	1,922
Fixed deposits with licensed banks, cash and bank balances	4,877	4,251	5,178	6,311
<b>Total current assets</b>	<b>32,597</b>	<b>33,307</b>	<b>46,758</b>	<b>28,008</b>
<b>Non-current assets held for sale</b>	<b>3,131</b>	<b>-</b>	<b>3,125</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>50,439</b>	<b>37,742</b>	<b>64,534</b>	<b>32,226</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	1,400	1,400	1,400	1,400
Retained profit	13,133	10,087	14,638	10,952
<b>Total equity</b>	<b>14,533</b>	<b>11,487</b>	<b>16,038</b>	<b>12,352</b>
<b>Non-current liabilities</b>				
Borrowings	8,892	1,484	400	1,602
Deferred tax liabilities	254	105	204	105
<b>Total non-current liabilities</b>	<b>9,146</b>	<b>1,589</b>	<b>604</b>	<b>1,707</b>
<b>Current liabilities</b>				
Trade payables	11,208	8,707	16,753	7,746
Other payables	6,810	6,983	12,274	2,734
Borrowings	8,336	8,675	18,066	7,338
Provision for taxation	406	301	799	349
<b>Total current liabilities</b>	<b>26,760</b>	<b>24,666</b>	<b>47,892</b>	<b>18,167</b>
<b>TOTAL LIABILITIES</b>	<b>35,906</b>	<b>26,255</b>	<b>48,496</b>	<b>19,874</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>50,439</b>	<b>37,742</b>	<b>64,534</b>	<b>32,226</b>

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 8.3 Pro forma financial information - statement of cash flows

The following table sets out the summary of our statement of cash flows for FYE 2018 and FYE 2019 as well as the 4-month statements of cash flows for FPE 31 August 2018 and FPE 31 August 2019, which have been extracted from our pro forma financial information and interim pro forma financial information as set out in Appendix I and Appendix II of this Information Memorandum respectively:

	FYE		4-month FPE 31 August	
	2018	2019	2018	2019
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	4,206	6,186	2,569	1,111
Adjustments for:				
Rental income	(305)	(368)	(182)	(5)
Depreciation of property, plant and equipment	1,011	881	317	293
Impairment loss on non-current assets held for sale	-	7	7	-
(Gain)/Loss on disposal of property, plant and equipment	-	(873)	2	284
Interest expense	916	775	274	194
Interest income	(140)	(111)	(43)	(31)
Operating profit before working capital changes	5,688	6,497	2,944	1,846
Increase in inventories	(16)	(2,830)	(2,104)	(2,261)
(Increase)/Decrease in trade and other receivables	(310)	1,801	(11,529)	9,375
Increase in other current assets	(137)	(307)	(227)	245
Increase/(Decrease) in trade and other payables	6,456	(2,328)	11,008	(5,209)
Increase/(Decrease) in bills payables	2,025	1,758	1,762	(299)
Cash generated from operations	13,706	4,591	1,854	3,697
Interest paid	(363)	(520)	(144)	(146)
Income tax refunded	343	-	-	-
Income tax paid	(1,089)	(1,161)	(220)	(198)
<b>Net cash generated from operating activities</b>	<b>12,597</b>	<b>2,910</b>	<b>1,490</b>	<b>3,353</b>
<b>Cash flows from investing activities</b>				
Proceeds from disposal of property, plant and equipment	-	15,598	-	500
Purchase of property, plant and equipment	(334)	(220)	(59)	(507)
Interest received	140	111	43	31
Rental income	305	368	182	5
<b>Net cash generated from investing activities</b>	<b>111</b>	<b>15,857</b>	<b>166</b>	<b>29</b>
<b>Cash flows for financing activities</b>				
Repayment of term loan	(795)	(9,314)	(261)	-
Payment of term loan interest	(478)	(174)	(108)	-
Repayment of finance lease liabilities	(800)	(795)	(266)	(321)
Payment of finance lease interest	(75)	(81)	(22)	(48)
(Increase)/Decrease in fixed deposits held under lien	(42)	332	(15)	(12)
Dividend paid	(12,500)	(8,325)	(500)	-
<b>Net cash used in financing activities</b>	<b>(14,690)</b>	<b>(18,357)</b>	<b>(1,172)</b>	<b>(381)</b>
<b>Net (decrease)/increase in bank balances</b>	<b>(1,982)</b>	<b>410</b>	<b>484</b>	<b>3,001</b>
<b>Bank balances at beginning of the financial year</b>	<b>2,693</b>	<b>711</b>	<b>711</b>	<b>1,121</b>
<b>Bank balances* at end of the financial year</b>	<b>711</b>	<b>1,121</b>	<b>1,195</b>	<b>4,122</b>

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Note:

\* Bank balances as at 30 April 2018 and 30 April 2019 as well as 31 August 2018 and 31 August 2019 comprised the followings:

	30 April		31 August	
	2018	2019	2018	2019
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	3,616	2,821	3,659	2,853
Cash and bank balances	1,261	1,430	1,519	3,458
	4,877	4,251	5,178	6,311
<u>Less:</u>				
Bank overdraft	(2,649)	(1,945)	(2,450)	(992)
Fixed deposits pledged to licensed banks	(1,517)	(1,185)	(1,533)	(1,197)
	(4,166)	(3,130)	(3,983)	(2,189)
Bank balances	711	1,121	1,195	4,122

### (i) Net cash generated from operating activities

The higher net cash generated from operating activities for FYE 2018 of RM12.60 million were mainly due to the increase in trade and other payables of RM6.46 million from RM18.02 million as at 30 April 2018 compared to RM11.56 million as at 30 April 2017 as a result of higher purchases made close to year end of 2018.

Although the Group generated a higher profit in FYE 2019, it recorded a lower cash flow generated from operating activities of RM2.91 million, representing a 76.90% decrease as compared to RM12.60 million for FYE 2018, mainly due to the following:

- (a) increase in inventories of RM2.83 million to fulfil the order secured from our customers, which was delivered in May and June 2019;
- (b) increase in other current assets of RM0.31 million mainly due to prepayment of listing expenses of RM0.23 million and prepayment of hire purchase of RM0.08 million;
- (c) decrease in trade and other payables of RM2.33 million as a result of prompt payment made to our suppliers; and
- (d) Higher net interest and tax paid of RM1.68 million.

The above are offset by the decrease in trade and other receivables due to faster collection from the customers as a result of active collection effort as well as increase in bills payables due to utilisation of facilities to make prompt payment to the suppliers.

### Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019

Although the Group generated a lower profit for the 4-month FPE 31 August 2019, it recorded a higher cash flow generated from operating activities of RM3.35 million, representing a 125.03% increase as compared to RM1.49 million for the 4-month FPE 31 August 2018, mainly due to the decrease in trade and other receivables of RM9.38 million as a result of active collection efforts.



## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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The above is offset mainly by the followings:

- (a) increase in inventories of RM2.26 million to fulfil the order secured and reserved from our customers;
- (b) decrease in trade and other payables of RM5.21 million as a result of prompt payment made to our suppliers;
- (c) decrease in bills payables of RM0.30 million due to lower utilisation of facilities to make prompt payment to the suppliers; and
- (d) lower net interest and tax paid of RM0.34 million.

### (ii) Net cash generated from investing activities

In FYE 2019, we recorded a higher net cash generated from investing activities of RM15.86 million, representing a 14,185.59% increase as compared to RM0.11 million for FYE 2018 due to proceeds from disposals of property, rental income and fixed deposit interest received which amounted to RM15.60 million, RM0.37 million and RM0.11 million respectively.

The disposals comprised:

- (a) RM11.60 million proceeds from the disposal of the leasehold land and building by MCI to MSM Kitchen Sdn. Bhd. at NBV. The disposal forms part of the restructuring exercise undertaken by MSM Group and MCI prior to the disposal of 60.00% of MSM's shareholding in MCI to Dato' Chong; and
- (b) RM4.00 million proceeds from the disposal of the freehold land and building by Cosmos to a third party during the year as part of the abovementioned restructuring exercise.

### Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019

For the 4-month FPE 31 August 2019, we recorded a lower net cash generated from investing activities of RM0.03 million, representing a 82.53% decrease as compared to RM0.17 million for the 4-month FPE 31 August 2018 mainly due to the acquisition of property, plant and equipment of RM0.51 million including a resonator, which is a significant component of a laser machine, for production purpose. This is offset by the following:

- (a) proceeds of RM0.50 million from the disposal of a faulty laser machine that has been installed with the said resonator as the pairing of the new resonator with its laser machine is unsuccessful;
- (b) fixed deposit interest received of RM0.03 million; and
- (c) a lower rental income received of RM5,000 for the 4-month FPE 31 August 2019 as compared to RM0.18 million received for the 4-month FPE 31 August 2018 arising from transfer of tenancy of properties previously rented out to MSM Equipment Manufacturer Sdn Bhd as detailed out in Section 9.3(i) and (ii) of this Information Memorandum.

**8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**

**(iii) Net cash used in financing activities**

In FYE 2019, we recorded a higher net cash used for financing activities of RM18.36 million, representing a 24.96% increase as compared to RM14.69 million for FYE 2018 mainly for the payment of dividend to shareholders which amounted to RM8.33 million and settlement of loan for the properties disposed during FYE 2019 of approximately RM9.31 million.

**Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019**

For the 4-month FPE 31 August 2019, we recorded a lower net cash used for financing activities of RM0.38 million, representing a 67.49% decrease as compared to RM1.17 million for the 4-month FPE 31 August 2018 mainly for the payment of dividend to shareholders which amounted to RM0.50 million and settlement of loan for the properties disposed during the 4-month FPE 31 August 2018 of approximately RM0.26 million.

**8.4 Management discussion and analysis**

The following management’s discussion and analysis of our past financial condition, results of operations and prospects as set out in this section for FYE 2018 and FYE 2019 as well as 4-month FPE 31 August 2018 and FPE 31 August 2019 are based on and should be read in conjunction with our pro forma financial information for FYE 2018 and FYE 2019 and 4-month pro forma interim financial information as set out in the Appendix I and Appendix II of this Information Memorandum.

This discussion and analysis contain data derived from our pro forma financial information as well as forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors, particularly the risk factors as set out in Section 5 of this Information Memorandum.

**8.4.1 Overview of our operations**

Through our subsidiaries, we mainly focus on the following activities:

Cosmos	<ul style="list-style-type: none"> <li>• Distribution of fluid control products for the water and wastewater applications; and</li> <li>• Instrumentation services of fluid control products for the water and wastewater applications</li> </ul>
MCI	<ul style="list-style-type: none"> <li>• Manufacturing of fabricated metal parts used in water, wastewater and oil and gas applications</li> </ul>

which are detailed in Section 3.2 of this Information Memorandum.

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## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 8.4.2 Revenue

Our Group's revenue for FYE 2018 and FYE 2019 as well as 4-month FPE 31 August 2018 and FPE 31 August 2019 are analysed as follows:

#### (a) By business activities and products

	FYE				4-month FPE 31 August			
	2018		2019		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Distribution:</b>								
- Flowmeters	10,261	22.79	10,238	23.23	3,868	18.61	2,057	18.21
- Level transducers	228	0.51	228	0.52	86	0.41	217	1.92
- Pressure transmitters	228	0.51	228	0.52	86	0.41	51	0.45
- Other accessories	114	0.25	114	0.26	43	0.21	365	3.23
	10,831	24.06	10,808	24.53	4,083	19.64	2,690	23.81
<b>Instrumentation services:</b>								
- Installation and commissioning	342	0.76	341	0.77	129	0.62	18	0.16
- Calibration and testing	228	0.51	228	0.52	86	0.41	91	0.80
	570	1.27	569	1.29	215	1.03	109	0.96
<b>Manufacturing:</b>								
- Metal frames for shaker filters	32,810	72.89	30,535	69.27	16,057	77.24	8,229	72.83
- Others*	799	1.78	2,166	4.91	435	2.09	271	2.40
	33,609	74.67	32,701	74.18	16,492	79.33	8,500	75.23
<b>Total</b>	<b>45,010</b>	<b>100.00</b>	<b>44,078</b>	<b>100.00</b>	<b>20,790</b>	<b>100.00</b>	<b>11,299</b>	<b>100.00</b>

**Note:**

\* Others consist of wall mount, pedestal panels and metal enclosures, stainless-steel earthing rings, mild steel and stainless-steel bracket.

#### Comparison between FYE 2018 and FYE 2019

In FYE 2019, our Group's revenue decreased by RM0.93 million, representing a 2.07% decrease from RM45.01 million in FYE 2018 mainly due to reduced demand of metal frames for shaker filters from our US Oil and Gas Customer as a result of the global downtrend in average oil prices, particularly in third quarter of FYE 2019.

#### Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019

For the 4-month FPE 31 August 2019, our Group's revenue decreased by RM9.49 million, representing a 45.65% decrease from RM20.79 million for the 4-month FPE 31 August 2018 mainly due to the following:

- (a) reduced demand of metal frames for shaker filters by approximately RM7.99 million from our Oil and Gas Customer as a result of global downtrend in average oil prices; and
- (b) late confirmation of purchase orders and delay in delivery schedule for certain orders. We invoice our customers upon delivery of products and services. As at the LPD, we have on-going orders which have not been fully delivered as detailed below:

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

	RM'000
Amount delivered from 1 September 2019 to LPD	3,203
Amount to be delivered subsequent to LPD:	
- remaining value to be delivered	1,100
- orders received but products and services yet to be delivered	5,223
	<b>6,323</b>
<b>Total</b>	<b>9,526</b>

### (b) By geographical locations

	FYE				4-month FPE 31 August			
	2018		2019		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Domestic:</b>								
- Selangor	15,707	34.90	17,927	40.67	6,151	29.59	3,719	32.91
- Kuala Lumpur	2,022	4.49	2,011	4.56	501	2.41	552	4.88
- Kelantan	274	0.61	322	0.73	130	0.62	59	0.52
- Perak	567	1.26	818	1.86	71	0.34	28	0.25
- Perlis	-	-	27	0.06	-	-	-	-
- Johor	92	0.20	1,088	2.47	570	2.74	603	5.34
- Negeri Sembilan	22	0.05	38	0.09	8	0.04	32	0.28
- Terengganu	92	0.20	359	0.81	113	0.54	2	0.02
- Melaka	22	0.05	37	0.08	-	-	-	-
- Pulau Pinang	67	0.15	4	0.01	-	-	4	0.04
- Pahang	34	0.08	81	0.18	76	0.37	77	0.68
- Kedah	32	0.07	23	0.05	9	0.04	70	0.62
- Sabah	217	0.48	286	0.65	33	0.16	62	0.55
- Sarawak	413	0.92	290	0.66	77	0.37	481	4.26
- Labuan	10	0.02	-	-	-	-	-	-
	19,571	43.48	23,311	52.88	7,739	37.22	5,689	50.35
<b>International:</b>								
- US	25,439	56.52	20,765	47.11	13,049	62.77	5,610	49.65
- Singapore	-	-	2	0.01	2	0.01	-	-
	25,439	56.52	20,767	47.12	13,051	62.78	5,610	49.65
<b>Total</b>	<b>45,010</b>	<b>100.00</b>	<b>44,078</b>	<b>100.00</b>	<b>20,790</b>	<b>100.00</b>	<b>11,299</b>	<b>100.00</b>

### Comparison between FYE 2018 and FYE 2019

The revenue of our Group decreased from RM45.01 million in FYE 2018 to RM44.08 million in FYE 2019 mainly due to the decrease in our sales to the international market from RM25.44 million in FYE 2018 to RM20.77 million in FYE 2019, and offset by the increase in sales to our domestic market from RM19.57 million to RM23.31 million.

Our international sales are mainly to our Oil and Gas Customer in US. In FYE 2019, our Group's revenue from the international market decreased by 18.37% or RM4.67 million, which was in line with our explanation in Section 8.4.2(a).

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

In FYE 2019, our Group's revenue from domestic market increased by 19.11% or RM3.74 million, mainly contributed by Selangor and Johor. The net increase in revenue was mainly due to:

- (i) increase in sales of RM2.98 million to our local Oil and Gas Customer, namely NOV (Malaysia) Sdn. Bhd. which is based in Selangor. This was offset by lower sales of flowmeters to ISET as we are tendering for projects directly from our Water Customers; and
- (ii) increase in sales of RM0.91 million to our Water Customer, namely Ranhill Water Services Sdn. Bhd., due to replacement of existing mechanical flowmeters to electromagnetic flowmeters for the Johor region.

### Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019

The revenue of our Group decreased from RM20.79 million for the 4-month FPE 31 August 2018 to RM11.30 million for the 4-month FPE 31 August 2019 due to the decrease in our sales to the international market from RM13.05 million for the 4-month FPE 31 August 2018 to RM5.61 million for the 4-month FPE 31 August 2019, as well as the decrease in sales to our domestic market from RM7.74 million for the 4-month FPE 31 August 2018 to RM5.69 million for the 4-month FPE 31 August 2019 in line with our explanation in Section 8.4.2(a).

### (c) By types of customer and main user industries

The following table sets out the breakdown of our Group's revenue by the types of customer and main user industries for FYE 2018 and FYE 2019 as well as 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019:

	FYE				4-month FPE 31 August			
	2018		2019		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Water and wastewater industries</b>								
- Water Authorities, Water Operators and wastewater treatment plant operators	1,463	3.25	2,157	4.90	1,154	5.55	708	6.27
- Contractors	7,028	15.62	5,755	13.06	2,065	9.93	842	7.45
- Intermediaries customers	2,910	6.46	3,465	7.86	1,079	5.19	1,249	11.05
	11,401	25.33	11,377	25.82	4,298	20.67	2,799	24.77
<b>Oil and gas industry</b>								
- Oilfield equipment and service companies	33,609	74.67	32,701	74.18	16,492	79.33	8,500	75.23
<b>Total</b>	<b>45,010</b>	<b>100.00</b>	<b>44,078</b>	<b>100.00</b>	<b>20,790</b>	<b>100.00</b>	<b>11,299</b>	<b>100.00</b>

### Comparison between FYE 2018 and FYE 2019

In FYE 2019, our Group's revenue from Water Authorities, Water Operators and wastewater treatment plant operators increased by 47.44% or RM0.70 million from RM1.46 million in FYE 2018 to RM2.16 million mainly due to the increase in sales to Ranhill Water Services Sdn. Bhd., for the replacement of existing mechanical flowmeters to electromagnetic flowmeters. In contrast, sales to contractors dropped in FYE 2019 as we are gradually reducing our supply of flowmeters through ISET as we are tendering for projects directly from our Water Customers.

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

In FYE 2019, our Group's revenue from oil and gas industry decreased by 2.70% or RM0.91 million, from RM33.61 million in FYE 2018 to RM32.70 million. The decrease in revenue was mainly due to reduced demand for metal frames from our US Oil and Gas Customer as explained in Section 8.4.2(a).

### Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019

For the 4-month FPE 31 August 2019, our Group's revenue from water and wastewater industries decreased by 34.88% or RM1.50 million from RM4.30 million in 4-month FPE 31 August 2018 to RM2.80 million mainly due to late confirmation of purchase orders and scheduled delivery for certain orders secured from Water Customers as explained in Section 8.4.2(a).

For the 4-month FPE 31 August 2019, our Group's revenue from oil and gas industry decreased by 48.46% or RM7.99 million, from RM16.49 million for the 4-month FPE 31 August 2018 to RM8.50 million. The decrease in revenue was mainly due to reduced demand for metal frames from our Oil and Gas Customer as explained in Section 8.4.2(a).

### 8.4.3 Cost of Sales

The following table sets out the breakdown of our cost of sales by cost category for FYE 2018 and FYE 2019 as well as 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019:

	FYE				4-month FPE 31 August			
	2018		2019		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Cost of inventories expense off	26,120	78.88	25,620	77.13	12,580	79.90	5,954	72.80
Staff costs	2,874	8.68	2,267	6.82	752	4.78	952	11.64
Subcontractor cost	1,078	3.26	1,850	5.57	879	5.58	257	3.14
Depreciation of property, plant and equipment	543	1.64	629	1.89	189	1.20	199	2.43
Upkeep of machinery	680	2.05	828	2.49	416	2.64	208	2.54
Fuel and gas	352	1.06	325	0.98	136	0.86	102	1.25
Rental of machinery	432	1.31	343	1.03	114	0.73	115	1.41
Rental of factory	382	1.15	551	1.66	194	1.23	60	0.73
Water and electricity	428	1.29	460	1.39	171	1.09	175	2.14
Others*	224	0.68	345	1.04	314	1.99	157	1.92
<b>Total</b>	<b>33,113</b>	<b>100.00</b>	<b>33,218</b>	<b>100.00</b>	<b>15,745</b>	<b>100.00</b>	<b>8,179</b>	<b>100.00</b>

**Note:**

\* Others consist of security charges, insurance and foreign worker permit renewal fee.

### Comparison between FYE 2018 and FYE 2019

In FYE 2019, our Group's cost of sales increased by 0.32% or RM0.11 million, from RM33.11 million in the FYE 2018 to RM33.22 million in the FYE 2019. The slight increase in cost of sales was mainly due to the increase in subcontractor cost from MSM Group to support our manufacturing segment, depreciation for the purchase of new plant and machineries, and upkeep of machinery and rental of machinery. These were off set with the reduction in staff cost as more work was done by the subcontractors. We rent machinery from MSM to increase production during the months with higher orders.

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019

For the 4-month FPE 31 August 2019, our Group's cost of sales decreased by 48.05% or RM7.57 million, from RM15.75 million for the 4-month FPE 31 August 2018 to RM8.18 million for the 4-month FPE 31 August 2019. The decrease in cost of sales was mainly due to decrease in purchases which is in line with the decrease in revenue and higher closing stock balance.

#### 8.4.4 GP margin

The following tables set out the breakdown of our GP margin:

	FYE 2018	FYE 2019	4-month FPE 31 August 2018	4-month FPE 31 August 2019
GP margin (%)	26.43	24.64	24.27	27.61

### Comparison between FYE 2018 and FYE 2019

Our Group recorded a lower GP margin of 24.64% in FYE 2019 as compared to 26.43% in FYE 2018. The lower GP margin was mainly due to the increase in subcontractor cost, depreciation for purchase of new plant and machineries and upkeep of machinery and rental of factory for our production activities.

### Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019

Our Group recorded a higher GP margin of 27.61% for the 4-month FPE 31 August 2019 as compared to 24.27% for the 4-month FPE 31 August 2018. The higher GP margin was mainly due to the decrease in purchase price of raw materials for Oil and Gas Customers coupled with the decrease in subcontractor cost.

#### 8.4.5 Other income

The breakdown of our other income for FYE 2018 and FYE 2019 as well as 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019 are as follows:

	FYE				4-month FPE 31 August			
	2018		2019		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of property, plant and equipment	-	-	873	52.09	-	-	-	-
Rental income	305	40.40	368	21.96	182	48.79	5	0.56
Incentive received	261	34.57	315	18.79	140	37.53	296	33.04
Fixed deposit interest	140	18.54	111	6.62	43	11.53	31	3.46
Insurance claim	39	5.17	-	-	-	-	536	59.82
Miscellaneous income	10	1.32	9	0.54	8	2.15	28	3.12
<b>Total</b>	<b>755</b>	<b>100.00</b>	<b>1,676</b>	<b>100.00</b>	<b>373</b>	<b>100.00</b>	<b>896</b>	<b>100.00</b>

### Comparison between FYE 2018 and FYE 2019

In FYE 2019, our Group's other income increased by 121.99% or RM0.92 million, from RM0.76 million in FYE 2018 to RM1.68 million in FYE 2019. The increase in other income was mainly contributed by the gain on disposal of freehold land and building of approximately RM0.87 million by Cosmos to a third party.

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019

For the 4-month FPE 31 August 2019, our Group's other income increased by 140.21% or RM0.53 million, from RM0.37 million in FPE 31 August 2018 to RM0.90 million for the 4-month FPE 31 August 2019. The increase in other income was mainly due to the insurance claim on a resonator component of a laser machine due to damage which occurred upon installation of approximately RM0.54 million by MCI and incentive from Siemens of approximately RM0.30 million. These were offset with the decrease in rental income of approximately RM0.18 million arising from the transfer of tenancy of properties previously rented out to MSM Equipment Manufacturer Sdn. Bhd. as detailed out in Section 9.3(i) and (ii) of this Information Memorandum.

#### 8.4.6 Administrative expenses

The breakdown of our administrative expenses for FYE 2018 and FYE 2019 as well as 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019 are as follows:

	FYE				4-month FPE 31 August			
	2018		2019		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs <sup>(i)</sup>	1,046	33.34	1,912	61.36	576	60.70	857	50.86
Consultancy fee	100	3.19	76	2.44	70	7.38	8	0.48
Management fee	782	24.93	-	-	-	-	-	-
Depreciation of property, plant and equipment	468	14.92	252	8.09	129	13.59	94	5.58
Listing expenses	-	-	-	-	-	-	328	19.47
Loss on disposal of property, plant and equipment	-	-	-	-	2	0.21	284	16.86
Directors' remuneration	204	6.50	216	6.93	-	-	-	-
Professional fees	164	5.23	63	2.02	34	3.58	12	0.71
Bank charges	57	1.82	188	6.03	18	1.90	9	0.53
Rental of office	96	3.06	101	3.24	32	3.37	28	1.66
Auditor remuneration	40	1.27	57	1.83	13	1.37	12	0.71
Real property gain tax	41	1.31	55	1.77	-	-	-	-
Impairment loss on non-current assets held for sale	-	-	7	0.22	7	0.74	-	-
Upkeep of office, hostel, computer equipment	33	1.05	41	1.32	24	2.53	11	0.65
Stamp duty	17	0.54	33	1.06	-	-	3	0.18
Other administrative expenses <sup>(ii)</sup>	89	2.84	115	3.69	44	4.63	39	2.31
<b>Total</b>	<b>3,137</b>	<b>100.00</b>	<b>3,116</b>	<b>100.00</b>	<b>949</b>	<b>100.00</b>	<b>1,685</b>	<b>100.00</b>

#### Notes:

- (i) Comprising salary, bonus, allowances, overtime, statutory contributions and staff welfare.
- (ii) Other administrative expenses mainly consist of quit rent and assessment and telephone and fax charges.

### Comparison between FYE 2018 and FYE 2019

Our administrative expenses comprise mainly of depreciation of property, plant and equipment, staff cost and incentive in relation to salaries and allowances, bonus, Employees' Provident Fund (EPF) and Social Security Organisation (SOCSO) contributions for our employees as well as Directors' fees and remuneration.



## **8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**

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Our Group recorded a slight decrease of RM0.02 million or 0.67% in our administrative expenses from RM3.14 million in FYE 2018 to RM3.12 million in the FYE 2019. The slight decrease in FYE 2019 is mainly due to:

- (a) no management fee paid for shared services of MSM Group after our Group restructuring in 2018;
- (b) lower depreciation charged due to the disposals of the leasehold land and building by MCI; and
- (c) lower professional fees paid to engage third party technical consultants to assist us with a few projects with our Water Customers which require site inspection services.

These were offset with the higher staff cost incurred in FYE 2019 by approximately 82.79% or RM0.86 million from RM1.05 million in FYE 2018 mainly due to the annual increment and staff reallocated from MSM Group to our Group after the restructuring of the shareholding of our Group.

### **Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019**

Our Group recorded an increase of RM0.74 million or 77.56% in our administrative expenses from RM0.95 million for the 4-month FPE 31 August 2018 to RM1.69 million for the 4-month FPE 31 August 2019. The increase was mainly due to:

- (a) a higher staff cost incurred by approximately RM0.28 million due to additional head count and salary adjustments for key management personnel;
- (b) listing expenses incurred of approximately RM0.33 million; and
- (c) loss incurred by MCI on the disposal of a laser machine which amounted to RM0.28 million.

These were mainly offset with the decrease in depreciation due to the disposal of leasehold land and building by MCI.

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## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 8.4.7 Selling and distribution expenses

The breakdown of our selling and distribution expenses for FYE 2018 and FYE 2019 as well as 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019 are as follows:

	FYE				4-month FPE 31 August			
	2018		2019		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Accommodation	44	1.23	39	1.20	-	-	6	0.54
Advertisement	1	0.03	3	0.09	3	0.17	1	0.09
Carriage outwards	3,160	88.22	2,711	83.80	1,638	91.71	929	82.87
Commission	10	0.28	43	1.33	28	1.57	46	4.10
Donation and gifts	24	0.67	39	1.21	7	0.39	3	0.27
Entertainment	69	1.93	46	1.42	13	0.73	35	3.12
Exhibitions	37	1.03	7	0.22	-	-	-	-
Hire of machinery	-	-	4	0.12	4	0.22	-	-
Insurance	44	1.23	31	0.96	8	0.45	14	1.25
Petrol and diesel	51	1.42	91	2.81	28	1.57	34	3.03
Road tax	5	0.14	6	0.19	2	0.11	3	0.27
Toll and parking	8	0.22	29	0.90	8	0.45	11	0.98
Travelling expenses	76	2.12	132	4.08	26	1.46	16	1.43
Upkeep of motor vehicles	53	1.48	54	1.67	21	1.17	23	2.05
<b>Total</b>	<b>3,582</b>	<b>100.00</b>	<b>3,235</b>	<b>100.00</b>	<b>1,786</b>	<b>100.00</b>	<b>1,121</b>	<b>100.00</b>

#### Comparison between FYE 2018 and FYE 2019

Selling and distribution expenses decreased by RM0.35 million or 9.69% from RM3.58 million in FYE 2018 to RM3.23 million in FYE 2019 mainly due to the decrease in carriage outward which is in line with the decrease in the export for oversea customers. This is offset by the increase in travelling expenses of RM0.05 million mainly due to our visits more travelling to Kuching to set up our new office and visit to Siemens AG factory in France.

#### Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019

Selling and distribution expenses decreased by RM0.67 million or 37.23% from RM1.79 million for the 4-month FPE 31 August 2018 to RM1.12 million for the 4-month FPE 31 August 2019 mainly due to the decrease in carriage outward which is in line with the decrease in the export for oversea customers.

### 8.4.8 Finance costs

The breakdown of our finance costs for FYE 2018 and FYE 2019 as well as 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019 are as follows:

	FYE				4-month FPE 31 August			
	2018		2019		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bank overdraft interest	156	17.03	142	18.32	54	19.71	41	21.13
Bills payable interest	207	22.60	378	48.78	90	32.85	105	54.13
Term loan interest	478	52.18	174	22.45	108	39.41	-	-
Hire purchase interest	75	8.19	81	10.45	22	8.03	48	24.74
<b>Total</b>	<b>916</b>	<b>100.00</b>	<b>775</b>	<b>100.00</b>	<b>274</b>	<b>100.00</b>	<b>194</b>	<b>100.00</b>

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Comparison between FYE 2018 and FYE 2019

Our finance costs consist of interest charges on borrowings which include the following:

- (a) bank overdraft and bills payable for the purpose of working capital and trade purchases;
- (b) hire purchase for the acquisition of plant and machinery and motor vehicles; and
- (c) term loan interest to finance the properties which was disposed off in FYE 2019.

The reduction in finance costs by 15.39% or RM0.14 million from RM0.92 million in FYE 2018 to RM0.78 million in FYE 2019 was mainly due to the settlement of term loan with United Overseas Bank (Malaysia) Berhad and Hong Leong Bank Berhad, offset by the increase in bills payable interest due to higher utilisation of our bill payables facilities to make payment to our suppliers.

### Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019

The reduction in finance costs by RM0.08 million or 29.20% from RM0.27 million for the 4-month FPE 31 August 2018 to RM0.19 million for the 4-month FPE 31 August 2019 was mainly due to the settlement of term loan with United Overseas Bank (Malaysia) Berhad and Hong Leong Bank Berhad, offset by the increase in bills payable interest due to longer tenure of the bills payable facilities utilised.

#### 8.4.9 PAT and PAT margin

	FYE 2018	FYE 2019	4-month FPE 31 August 2018	4-month FPE 31 August 2019
PAT (RM'000)	3,211	5,279	2,005	865
PAT margin (%)	7.13	11.98	9.64	7.66

### Comparison between FYE 2018 and FYE 2019

Although the Group recorded a lower GP margin of 24.64% in FYE 2019 compared to 26.43% in FYE 2018, the Group recorded a higher PAT margin of 11.98% for FYE 2019 as compared to PAT margin of 7.13% for FYE 2018 mainly due to the following:

- (i) decrease in finance costs of RM0.14 million from RM0.92 million in FYE 2018 to RM0.78 million in FYE 2019 mainly contributed by the settlement of the term loan;
- (ii) gain on foreign exchange of RM0.78 million recorded for FYE 2019 as compared to the loss of foreign exchange of RM0.81 million recorded for FYE 2018; and
- (iii) the gain on disposal of property by Cosmos of approximately RM0.87 million.

### Comparison between 4-month FPE 31 August 2018 and 4-month FPE 31 August 2019

Although the Group recorded a higher GP margin of 27.61% for the 4-month FPE 31 August 2019 compared to 24.27% for the 4-month FPE 31 August 2018, the Group recorded a lower PAT margin of 7.66% for 4-month FPE 31 August 2019 as compared to PAT margin of 9.64% for 4-month FPE 31 August 2018 mainly due to the higher administrative expenses incurred as explained in Section 8.4.6.

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 8.4.10 Foreign currency fluctuations

We are exposed to foreign currency fluctuations as some of our transactions and balances are denominated in foreign currencies. For FYE 2019, approximately 47.12% of our revenue and approximately 47.28% of our trade receivables balance are denominated in foreign currencies. Our foreign currency exposure arises mainly from the movement of USD against RM.

During FYE 2019, the movement of USD against RM was in our favour given that the said currency strengthened against the RM. Our net realised foreign exchange (loss)/gain for the financial years under review are as follows:

	FYE 2018	FYE 2019	4-month FPE 31 August 2018	4-month FPE 31 August 2019
	RM'000	RM'000	RM'000	RM'000
Net exchange (loss)/gain	(811)	776	160	95

For illustrative purposes only and based on the assumption that all other factors remain unchanged, the pro forma financial effects of 5.00% and 10.00% appreciation and depreciation in USD against RM on our revenue and PAT are set out below.

	FYE 2019				4-month FPE 31 August 2019			
	Revenue	Increase/Decrease	PAT	Increase/Decrease	Revenue	Increase/Decrease	PAT	Increase/Decrease
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Audited</b>	44,078		5,279		11,299		865	
USD/RM								
- strengthened by 5%	1,038	2.35	789	14.95	280	2.48	213	24.66
- strengthened by 10%	2,076	4.71	1,578	29.89	561	4.96	426	49.31
- weakened by 5%	(1,038)	-2.35	(789)	-14.95	(280)	-2.48	(213)	-24.66
- weakened by 10%	(2,076)	-4.71	(1,578)	-29.89	(561)	-4.96	(426)	-49.31

### 8.4.11 Liquidity and working capital

Our business operations have been financed by internal funds which are mainly shareholders' equity and cash generated from our operations and external sources of funds from bank borrowings. Our utilisation of funds, amongst others, includes for working capital, such as staff salaries and benefits and purchase of inventories including carriage outwards.

Our Directors are of the opinion that, after taking into account the cash and bank balances, the expected funds to be generated from operating activities as well as the net proceeds to be raised from the Proposed Placement, we will have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Information Memorandum.

#### Key financial ratios

	FYE 2018	FYE 2019	4-month FPE 31 August 2018	4-month FPE 31 August 2019
Trade receivables turnover period (days)	141	127	148	63
Trade payables turnover period (days)	124	96	131	117
Inventory turnover period (days)	56	71	48	136
Current ratio (times)	1.22	1.35	0.98	1.54
Gearing ratio (times)	1.19	0.88	1.15	0.72

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Notes:

- (1)  $\frac{\text{Trade receivables}}{\text{Revenue}} \times \text{No. of days in the period}$
- (2)  $\frac{\text{Trade payables}}{\text{Cost of sales}} \times \text{No. of days in the period}$
- (3)  $\frac{\text{Average inventories}}{\text{Cost of sales}} \times \text{No. of days in the period}$
- (4)  $\frac{\text{Total current assets}}{\text{Total current liabilities}}$
- (5)  $\frac{\text{Total borrowings}}{\text{Shareholders' equity}}$

### (i) Trade receivables turnover

Trade receivables improved from 141 days in FYE 2018 to 127 days in FYE 2019 and 63 days in 4-month FPE 31 August 2019 mainly due to better collection from our customers, particularly from our Oil and Gas Customers.

The normal trade credit period granted to our customers ranges from 30 to 90 days. The ageing analysis of our net trade receivables as at 31 August 2019 is as follows:

	Within credit period	Exceeding credit period				Total
		0-30 days	31-60 days	61-90 days	>90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	1,472	2,676	1,314	72	248	5,782
Less: Provision for doubtful debts	-	-	-	-	-	-
Net trade receivables	1,472	2,676	1,314	72	248	5,782
Percentage of total trade receivables (%)	25.46	46.28	22.73	1.24	4.29	100.00
Subsequent collections up to the LPD	1,394	2,666	1,314	68	166	5,608
Outstanding balance as at the LPD	78	10	-	4	82	174

As at the LPD, we have collected RM5.61 million or 96.99% of the total trade receivables outstanding as at 31 August 2019. We are in the process of collecting the remaining amount of RM0.17 million which represents 3.01% of the total receivables as at 31 August 2019.

Our Board is of the opinion that the remaining amount of RM0.17 million is recoverable and no provision for impairment for trade receivables is required after taking into consideration the customers' credentials as well as our relationship with them. Further, we are unaware of any of our debtors are in significant financial difficulties and defaulted on payments.

As part of our credit control policy, we assign a dedicated person to actively monitor receivables collection to actively monitor our receivables which have exceeded the normal credit period of 90 days.

## **8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**

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### **(ii) Trade payables turnover**

Trade payables turnover days declined from 124 days in FYE 2018 to 96 days in FYE 2019 and 117 days for the 4-month FPE 31 August 2019 mainly due to increase in purchases in July and August 2019. The normal credit term granted by our suppliers ranges from 30 to 90 days.

### **(iii) Inventories turnover**

Inventories turnover days increased from 56 days in FYE 2018 to 71 days in FYE 2019 and 136 days for 4-month FPE 31 August 2019 mainly due to stock reserved for our Water Customers which orders have been secured and received.

### **(iv) Current ratio**

Current ratio improved from 1.22 times as at 30 April 2018 to 1.35 times as at 30 April 2019 and 1.54 times as at 31 August 2019. This is mainly due to higher inventory level maintained and the lower trade and other payables recorded as at 30 April 2019 and 31 August 2019.

### **(v) Gearing ratio**

Gearing ratio declined from 1.19 times to 0.88 times mainly due to settlement of long-term loan for the financing of the properties which were disposed off in FYE 2019. The gearing ratio further reduce to 0.72 times as at 31 August 2019 mainly due to higher retained earnings with lesser borrowings.

#### **8.4.12 Exceptional and extraordinary items and audit qualifications**

There were no exceptional or extraordinary items during FYE 2018 to FYE 2019. In addition, our audited financial statements for the financial years under review were not subject to any audit qualifications.

#### **8.4.13 Significant factors affecting our financial position and result of operations**

Section 5 Risk Factors details a number of risk factors relating to our business and the industry which we operate in. Some of these risk factors have an impact on our revenue and financial performance.

Sophisticated Investors should carefully consider the risk factors set out in Section 5 Risk Factors before making a decision on whether an investment in our Shares is suitable for them in light of their circumstances and financial resources and whether they are able and willing to withstand the potential loss of their entire investment.

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## 9 OTHER INFORMATION

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### 9.1 Responsibility statements

Our Board and the Promoters have seen and approved this Information Memorandum, and they collectively and individually accept full responsibility for the accuracy of this information contained herein, and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted, would make any statement in this Information Memorandum false or misleading.

MainStreet acknowledges that, based on all available information and to the best of its knowledge and belief, this Information Memorandum constitutes a full and true disclosure of all material facts concerning the Proposed Listing and the Proposed Placement.

### 9.2 Share capital

- (a) As at the date of this Information Memorandum, we have one (1) class of share, namely ordinary share;
- (b) Other than the Proposed Placement as disclosed in Section 1 of this Information Memorandum, there is no intention on the part of our Board to issue any new Shares in the Company; and
- (c) As at the date of this Information Memorandum, we do not have any outstanding convertible debt securities.

### 9.3 Material contracts

Save as disclosed below, there are no material contracts (including contracts not in writing), not being contracts entered into in the ordinary course of business and of material amount, that have been entered into by the Group within the two (2) years preceding the LPD:

- (i) MCI has on 12 February 2014 entered into a tenancy agreement with Hew Fook for the tenancy of all that premises held under HS(D) 132878 PT 51414, Pekan Cheras, Daerah Ulu Langat, Selangor measuring 4,684 sq. m. for:
  - an initial term of three (3) years commencing from 20 January 2014 at a monthly rental of RM13,000;
  - two (2) renewed terms of two (2) years each at a monthly rental of RM13,500 and RM15,000 respectively; and
  - with options to renew for another two (2) years at a monthly rental of RM18,000 in accordance with the terms stated therein.

On 11 September 2019, MCI, Hew Fook and MSM Equipment Manufacturer Sdn. Bhd. have entered into a novation agreement for MCI to novate, transfer and vest all rights, title, interests and obligations of MCI arising from the tenancy agreement to MSM Equipment Manufacturer Sdn. Bhd. based on the terms and conditions as stated in the novation agreement.

- (ii) MCI has on 1 December 2017 entered into a tenancy agreement with Hew Fook for the tenancy of all that premises known as Lot 3195 Jalan KPB 11, Balakong, Selangor for a term of five (5) years commencing from 1 March 2018 at a monthly rental of RM20,000 per month with option to renew for three (3) years in accordance with the terms stated therein.

**9 OTHER INFORMATION (CONT'D)**

On 11 September 2019, MCI, Hew Fook and MSM Metal Industries Sdn. Bhd. have entered into a novation agreement for MCI to novate, transfer and vest all rights, title, interests and obligations of MCI arising from the tenancy agreement to MSM Metal Industries Sdn. Bhd. based on the terms and conditions as stated in the novation agreement.

(iii) MCI has on 1 January 2018 entered into a tenancy with MSM Kitchen Sdn. Bhd. for the tenancy of part of the premise held under H.S.(M) 14012, PT 1801, Mukim Cheras, Daerah Hulu Langat, Negeri Selangor by MSM Kitchen Sdn. Bhd. for a term of nine (9) months commencing from 1 January 2018 until 30 September 2018 at a monthly rental of RM18,000 pursuant to a letter dated 1 January 2018 between MCI and MSM Kitchen Sdn Bhd.

(iv) Cosmos has on 1 October 2018 entered into a tenancy agreement with ISET for the tenancy of the premise known as No.9, Jalan PPU 3A, Pusat Teknologi Sinar Puchong, 47150 Puchong, Selangor Darul Ehsan for a term of two (2) years commencing from 1 October 2018 to 30 September 2020 at a monthly rental of RM8,000.

Pursuant to the letter from Cosmos to ISET dated 17 June 2019, Cosmos has terminated the said tenancy and the last day of the tenancy was on 30 June 2019.

(v) MCI has 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 upon the terms and subject to the conditions contained in the agreement in consideration of 600,000 ordinary shares of MCI amounting to 60.00% of the issued share capital in MCI. This transaction has been completed and as at 18 December 2018, MCI became the ultimate and immediate holding company of Cosmos.

(vi) MCI has 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 measuring approximately 7332.9031 sq. m. 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 for the disposal price of RM11,597,951 upon all the terms and subject to all the conditions contained in the agreement. This transaction has been completed and the property has been transferred to MSM Kitchen Sdn. Bhd. on 11 October 2018.

(vii) Cosmos has 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 held under H.S.(D) 42111 PT 54651, Mukim Dengkil, Daerah Sepang, Negeri Selangor measuring approximately 815.224 sq. m. in area together with a unit of three (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 for the disposal price of RM4,000,000. The transaction was completed on 6 September 2018.

(viii) MCI has on 1 July 2019 entered into a tenancy agreement with MSM Metal Industries Sdn. Bhd. for the tenancy of part of the premises known as Lot 24645, Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan measuring 41,017 sq. ft. feet in area for a term of two (2) years commencing from 1 July 2019 to 30 June 2021 at a monthly rental of RM15,000 with option to renew for two (2) years in accordance with the terms stated therein.

(ix) CTI has on 23 August 2019 entered into two (2) separate share sale agreements with the parties as follows:



## 9 OTHER INFORMATION (CONT'D)

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- with MCI for the acquisition of Cosmos for a purchase consideration of RM6,876,236 (“**Purchase Consideration for the acquisition of Cosmos**”) which was fully satisfied by the issuance of 137,524,720 ordinary shares of CTI to Dato’ Chong and MSM in accordance with the terms of the share sale agreement; and
- 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 ordinary shares of CTI.

The Purchase Consideration for the acquisition of Cosmos and the Purchase Consideration for the acquisition of MCI were determined on a ‘willing buyer, willing seller basis’ based on the audited net assets of MCI and Cosmos as at 30 April 2019. The transactions were completed on 24 September 2019.

### 9.4 Material litigation and contingent liabilities

As at the LPD, we are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and our Board does not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business.

As at the LPD, there is no contingent liability which, upon becoming enforceable, may have a material impact on our financial position or business.

### 9.5 Related party transactions

Under the LEAP Market Listing Requirements, a “related party transaction” is a transaction entered into between the listed corporation or its subsidiaries and a related party. A “related party” of a listed issuer is:

- (i) A director having the same meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation or a chief executive of the listed corporation; or
- (ii) A major shareholder who has an interest of 10.00% or more of the total number of voting shares in a corporation; or
- (iii) A person connected with such director or major shareholder.

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**9 OTHER INFORMATION (CONT'D)**

Save as disclosed below, we confirm that there are no existing or presently proposed related party transactions entered into between our Company and our directors, major shareholders and/or persons connected with them for the FYE 2019 and subsequent period up to the LPD.

Transacting parties	Nature of relationship	Nature of transaction	Actual	
			FYE 2019	Subsequent period up to the LPD
			RM	RM
FIC Kitchen Technology Sdn. Bhd. and MCI	FIC Kitchen Technology Sdn. Bhd. is a subsidiary company of our promoter and substantial shareholder, namely, MSM	Sales of metal parts by MCI to FIC Kitchen Technology Sdn. Bhd.	46,850	-
		Rental received by MCI from FIC Kitchen Technology Sdn. Bhd. in relation to the factory located at Jalan KPB 11, Balakong from April 2018 to March 2019 for a monthly rental of RM10,000	120,000	-
		Purchases of fabricated metal parts by MCI from FIC Kitchen Technology Sdn. Bhd.	-	184
Globalink Metal Sdn. Bhd. and MCI	Globalink Metal Sdn. Bhd. is a company connected to our substantial shareholder, namely Chan Kit Moi	Subcontract charges incurred by MCI for metal fabrication services provided by Globalink Metal Sdn. Bhd.	123,465	-
ISET and Cosmos	ISET is owned by our promoter, substantial shareholder, CEO and MD, namely Dato' Chong	Sales of fluid control products by Cosmos to ISET	1,233,207	284,464
		Purchases of hardware accessories by Cosmos from ISET	3,514	-
		Subcontract charges incurred by Cosmos for fabricated parts provided by ISET	700	13,355
		Rental paid by Cosmos to ISET for office building located at Jalan PPU 3A, Pusat Teknologi Sinar Puchong, from October 2018 to June 2019, for a monthly rental of RM8,000	96,000	16,000
ISET and MCI	ISET is owned by our promoter, substantial shareholder, CEO and MD, namely Dato' Chong	Sales of fabricated metal parts by MCI to ISET	63,802	16,819
MSM Equipment Manufacturer Sdn. Bhd. and MCI	MSM Equipment Manufacturer Sdn. Bhd. is a subsidiary company of our promoter, namely MSM	Purchases of fabricated metal parts by MCI from MSM Equipment Manufacturer Sdn. Bhd.	205,130	8,663
		Rental received by MCI from MSM Equipment Manufacturer Sdn. Bhd. in relation to the factory located at Lot 1801, from May 2018 to September 2018, for a monthly rental of RM2,000	10,000	-
MSM Kitchen Sdn. Bhd. and MCI	MSM Kitchen Sdn. Bhd. is a subsidiary company of our promoter and substantial, namely MSM	Sales of fabricated metal parts by MCI to MSM Kitchen Sdn. Bhd.	14,500	37,700
		Purchases of raw materials and fabricated metal parts from MCI by MSM Kitchen Sdn. Bhd.	956,321	-

**9 OTHER INFORMATION (CONT'D)**

Transacting parties	Nature of relationship	Nature of transaction	Actual	
			FYE 2019	Subsequent period up to the LPD
			RM	RM
		Rental received by MCI from MSM Kitchen Sdn. Bhd., in relation to the factory located at Kawasan Perindustrian Kampung Baru Balakong, Seri Kembangan, Selangor, from May 2018 to September 2018, for a monthly rental of RM18,000	90,000	-
		Subcontract fee incurred by MCI for fabrication services provided by MSM Kitchen Sdn. Bhd.	6,160	-
		Disposal of leasehold land and building by MCI to MSM Kitchen Sdn. Bhd.	11,597,951	-
MSM Metal Industries Sdn. Bhd. and MCI	MSM Metal Industries Sdn. Bhd. is a subsidiary company of our promoter and substantial shareholder, namely MSM	Sales of fabricated metal parts by MCI to MSM Metal Industries Sdn. Bhd.	21,686	2,526
		Purchases of raw materials and fabricated metal parts by MCI from MSM Metal Industries Sdn. Bhd.	3,491,013	733
		Rental received by MCI from MSM Metal Industries Sdn. Bhd. for machineries used for production purposes, from May 2018 to April 2019, for a monthly rental of RM27,000.	324,000	216,000
		Rental of factory by MCI located at Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, Seri Kembangan, Selangor, being used for production, from May 2018 to April 2019 for a monthly rental of RM15,000.	180,000	120,000
		Subcontract fee incurred by MCI for fabrication services provided by MSM Metal Industries Sdn. Bhd.	25,000	-
Moscoss Services Sdn. Bhd. and Cosmos	Moscoss Services Sdn. Bhd. is owned by Dato' Chong	Subcontract charges incurred by Cosmos for flowmeter verification test performed by Moscoss Services Sdn. Bhd.	2,910	-
OMS Technology Sdn. Bhd. and MCI	OMS Technology Sdn. Bhd. is a subsidiary company of our promoter and substantial shareholder, namely MSM	Sales of cleanroom products by OMS Technology Sdn. Bhd. to MCI	68,720	68,975
Toyomi Engineering Sdn. Bhd. and MCI	Toyomi Engineering Sdn. Bhd. is a subsidiary company of our promoter and substantial shareholder, namely MSM	Purchases of metal parts by MCI from Toyomi Engineering Sdn. Bhd.	353,195	106,795

**9 OTHER INFORMATION (CONT'D)**

Transacting parties	Nature of relationship	Nature of transaction	Actual	
			FYE 2019	Subsequent period up to the LPD
			RM	RM
Flexacon Automation System Sdn. Bhd. 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.	170,000	-
		Rental of part of premises located at Kawasan Perindustrian Mega 2, Semenyih, for a monthly rental of RM3,000 for a duration of 2 years from July 2019 to 30 June 2021	-	18,000

Having considered all aspects of the related party transactions, we are of the opinion that the transactions of rental of premises and machineries and sales and purchases of goods and services were transacted on normal commercial terms and on arm's length basis. For the disposal of leasehold land and building to MSM Kitchen Sdn. Bhd., the transaction was based on the NBV of the property as at the date of disposal and is in accordance with mutual terms of agreement between both parties. These related party transactions are not detrimental to our Group and our minority shareholders and is in our best interests.

Upon the Proposed Listing, our Board will ensure that any related party transactions are transacted on normal commercial terms which are not more favourable to the related parties than those generally available to third-parties dealing at arm's length and are not detrimental to our minority shareholders.

**9.6 Interests in similar businesses, interests in businesses of our customers or suppliers and other conflict of interest**

As highlighted in Section 6.4, Dato' Chong holds 85.00% direct equity interest in ISET, which is also one of our customers as disclosed in Section 3.9 of this Information Memorandum. Although Cosmos and ISET are involved in the water industry, they are not carrying on a similar business. The principal business activities of Cosmos and ISET are as set out below:

Business activities	
Cosmos	ISET
<ul style="list-style-type: none"> <li>Distribution of fluid control and other related products for water and wastewater applications</li> <li>Instrumentation services of fluid control products for water and waste water applications</li> </ul>	Designing, supplying, installation, testing and commissioning of complete mechanical and electrical works, process control, telemetry and SCADA system for process industry

Although Dato' Chong has interest in ISET, all sales to ISET are transacted on normal commercial terms and on arm's length basis as disclosed in Section 9.5 above.

In view of the above, our Board is of the opinion that:

- (i) none of our Promoters, substantial shareholders, directors and/or key management personnel has any interest, direct or indirect, in other businesses or corporations carrying on a trade similar to that of our Group; and
- (ii) there is no conflict of interest situation arising pursuant to Dato' Chong's interest in ISET.

## **9 OTHER INFORMATION (CONT'D)**

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### **9.7 Further information on our promoters, directors and key management personnel**

None of our promoters, directors and key management personnel:

- (a) are undischarged bankrupts nor are they subject to any proceedings under bankruptcy laws;
- (b) have ever been charged with, convicted for or compounded for any offence under securities laws, corporation laws or any other laws involving fraud or dishonesty in a court of law;
- (c) have ever had any action taken against them for any breach of the listing requirements or rules issued by Bursa Securities, for the past five (5) years; and
- (d) have been subjected to any inquiry or investigation by any government or regulatory authority or body for the past five (5) years.

### **9.8 Other transactions**

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party during the FYE 2019 up to the LPD.

There are no outstanding loans, including guarantees of any kind made by our Group to or for the benefit of related parties during the FYE 2019 up to the LPD.

### **9.9 Declaration by our advisers**

#### **9.9.1 MainStreet**

MainStreet confirms that there is no existing or potential conflict of interest in relation to its capacity as the Approved Adviser and Placement Agent for our Proposed Listing.

#### **9.9.2 Nexia SSY PLT**

Nexia SSY PLT confirms that there is no existing or potential conflict of interest in relation to its capacity as the Auditors and Reporting Accountants for our Proposed Listing.

#### **9.9.3 Azman Davidson & Co**

Azman Davidson & Co confirms that there is no existing or potential conflict of interest in relation to its capacity as the Legal Adviser for our Proposed Listing.

#### **9.9.4 Infobusiness**

Infobusiness confirms that there is no existing or potential conflict of interest in relation to its capacity as the Independent Market Researcher for our Proposed Listing.

#### **9.9.5 Company Secretaries**

Company Secretaries confirm that there is no existing or potential conflict of interest in relation to their capacity as the Company Secretaries for our Proposed Listing.

## **9 OTHER INFORMATION (CONT'D)**

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### **9.9.6 Share Registrar**

ZICO Corporate Services Sdn. Bhd. confirms that there is no existing or potential conflict of interest in relation to its capacity as the Share Registrar for our Proposed Listing.

### **9.10 Consents**

The written consents of the Approved Adviser, Placement Agent, Continuing Adviser, Company Secretary, Auditors and Reporting Accountants, Legal Advisers, Independent Market Researcher and Share Registrar to the inclusion in this Information Memorandum of their names in the form and context in which such names appear have been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

### **9.11 Documents for inspection**

Copies of this Information Memorandum are available free of charge for inspection during normal business hours on weekday (Saturday, Sundays and public holidays excepted) at Level 19-1, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia, for at least one (1) month after our Proposed Listing on the LEAP Market.

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Registration no.: 201901017221 (1326549-P)

**APPENDIX I – COMPILATION OF PRO FORMA FINANCIAL INFORMATION FOR THE  
FYE 2019 AND FYE 2018**



## **Cosmos Technology International Sdn. Bhd.**

(Company No: 1326549-P)  
(Incorporated in Malaysia)

Compilation of Pro Forma Financial Information  
Included in the Information Memorandum  
for the years ended 30 April 2019  
and 30 April 2018



Company No: 1326549-P

**Cosmos Technology International Sdn. Bhd.**  
(Incorporated in Malaysia)

**Pro Forma Financial Information  
for the years ended 30 April 2019 and 30 April 2018**

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**Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

**Pro Forma Financial Information  
Statement of Financial Position  
as at 30 April 2019 and 30 April 2018**

	Note	2019 RM	2018 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	4,434,651	14,710,645
<b>Current assets</b>			
Inventories	7	7,886,885	5,056,658
Trade and other receivables	8	19,002,859	20,804,334
Other current assets	9	2,166,286	1,858,975
Fixed deposits with licensed banks, cash and bank balances	10	4,251,315	4,876,890
		33,307,345	32,596,857
Non-current assets held for sale	11	-	3,130,972
<b>TOTAL ASSETS</b>		<b>37,741,996</b>	<b>50,438,474</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	12	1,400,000	1,400,000
Retained earnings	13	10,087,385	13,132,775
<b>TOTAL EQUITY</b>		<b>11,487,385</b>	<b>14,532,775</b>
<b>Non-current liabilities</b>			
Borrowings	14	1,483,886	8,892,351
Deferred tax liabilities	15	104,861	253,861
		1,588,747	9,146,212
<b>Current liabilities</b>			
Trade and other payables	16	15,690,271	18,018,369
Borrowings	14	8,675,157	8,335,717
Provision of taxation		300,436	405,401
		24,665,864	26,759,487
<b>TOTAL LIABILITIES</b>		<b>26,254,611</b>	<b>35,905,699</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,741,996</b>	<b>50,438,474</b>

The accompanying notes form an integral part of these financial statements.

**Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

**Pro Forma Financial Information**  
**Statement of Comprehensive Income**  
**for the years ended 30 April 2019 and 30 April 2018**

	Note	2019 RM	2018 RM
Revenue	17	<b>44,077,651</b>	45,010,272
Cost of sales		<b>(33,217,973)</b>	(33,112,548)
Gross profit		<b>10,859,678</b>	11,897,724
Other operating income		<b>1,578,761</b>	754,840
Gain on disposal of property, plant and equipment		<b>873,208</b>	-
Selling and distribution expenses		<b>(3,234,987)</b>	(3,582,499)
Administrative expenses		<b>(3,115,486)</b>	(3,947,939)
Profit from operations		<b>6,961,174</b>	5,122,126
Finance costs		<b>(775,174)</b>	(915,845)
Profit before taxation	18	<b>6,186,000</b>	4,206,281
Taxation	20	<b>(906,439)</b>	(995,266)
Profit for the year		<b>5,279,561</b>	3,211,015
Attributable to:			
Owners of the Company		<b>5,279,561</b>	3,211,015
Non-controlling interest		-	-
		<b>5,279,561</b>	3,211,015
Earnings per share attributable to equity holders of the Company (sen)	21	<b>377.11</b>	229.36

The accompanying notes form an integral part of these financial statements.

**Cosmos Technology International Sdn. Bhd.**  
(Incorporated in Malaysia)

**Pro Forma Financial Information**  
**Statement of Changes in Equity**  
**for the years ended 30 April 2019 and 30 April 2018**

		<u>Non-distributable</u> Share capital RM	<u>Distributable</u> Retained earnings RM	Total equity RM
At 1 May 2018		1,400,000	13,132,775	14,532,775
Dividend paid	29	-	(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 1 May 2017		1,400,000	22,421,760	23,821,760
Dividend paid	29	-	(12,500,000)	(12,500,000)
Profit for the year		-	3,211,015	3,211,015
At 30 April 2018		<u>1,400,000</u>	<u>13,132,775</u>	<u>14,532,775</u>

The accompanying notes form an integral part of these financial statements.

**Cosmos Technology International Sdn. Bhd.**  
(Incorporated in Malaysia)

**Pro Forma Financial Information**  
**Statement of Cash Flows**  
**for the years ended 30 April 2019 and 30 April 2018**

	Note	2019 RM	2018 RM
<b>Cash flows from operating activities</b>			
Profit before taxation		6,186,000	4,206,281
Adjustments for:			
Rental income		(368,146)	(305,010)
Depreciation of property, plant and equipment		881,301	1,011,083
Impairment loss on non-current assets held for sale		6,338	-
Interest expense		775,174	915,845
Interest income		(110,921)	(139,572)
Gain on disposal of property, plant and equipment - net		(873,208)	-
Operating profit before working capital changes		6,496,538	5,688,627
Increase in inventories		(2,830,227)	(15,710)
Decrease/(increase) in trade and other receivables		1,801,475	(310,545)
Increase in other current assets		(307,311)	(136,805)
(Decrease)/increase in trade and other payables		(2,328,098)	6,456,215
Increase in bills payable		1,757,964	2,024,938
Cash generated from operations		4,590,341	13,706,720
Interest paid		(520,174)	(363,224)
Tax refunded		-	343,484
Tax paid		(1,160,404)	(1,089,527)
Net cash generated from operating activities		2,909,763	12,597,453
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment	30	15,598,231	-
Purchase of property, plant and equipment	22	(220,296)	(333,737)
Interest received		110,921	139,572
Rental received		368,146	305,010
Net cash generated from investing activities		15,857,002	110,845
<b>Cash flows from financing activities</b>			
Repayment of finance lease liabilities		(794,655)	(800,306)
Finance lease interest paid		(81,269)	(75,213)
Repayment of term loan		(9,313,877)	(794,930)
Term loan interest paid		(173,731)	(477,408)
Decrease/(increase) in fixed deposits held under lien		332,207	(42,367)
Dividend paid	29	(8,324,951)	(12,500,000)
Net cash used in financing activities		(18,356,276)	(14,690,224)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>410,489</b>	<b>(1,981,926)</b>
Cash and cash equivalents at beginning of the year		710,696	2,692,622
<b>Cash and cash equivalents at end of the year</b>	10	<b>1,121,185</b>	<b>710,696</b>

The accompanying notes form an integral part of these financial statements.

## **Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

### **Notes to the Pro Forma Financial Information for the years ended 30 April 2019 and 30 April 2018**

#### **1. General information**

Cosmos Technology International Sdn. Bhd. was incorporated on 14 May 2019 as a private limited company under its present name and is domiciled in Malaysia.

The principal activity of Cosmos Technology International Sdn. Bhd. is investment holding.

The registered office of Cosmos Technology International Sdn. Bhd. is located at Level 19-1, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia.

The principal place of business of Cosmos Technology International Sdn. Bhd. is located at No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor Darul Ehsan, Malaysia.

The number of employees in Marc Conleth Industries Sdn. Bhd. and Cosmos Instruments Sdn. Bhd. at the end of the financial year were 82 (2018: 57) and 16 (2018: 7) respectively.

The pro forma financial information were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 14 August 2019.

#### **2. Basis of the compilation of pro forma financial information**

The financial information of Cosmos Technology International Sdn. Bhd. ("the Company") as at 30 April 2019 is not available because it was only incorporated on 14 May 2019 to facilitate the Proposed Listing on the LEAP Market of Bursa Securities.

Pursuant to the Listing Requirements of the LEAP Market, the Company has prepared the pro forma financial information 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 Pro Forma Financial Information.

The details of the operating entities are as follows:

<b>Operating entities</b>	<b>Principal place of business/country of incorporation</b>	<b>Principal activities</b>
Marc Conleth Industries Sdn. Bhd.	Malaysia	Metal engineering work for oil and gas and environmental related industries.
Cosmos Instruments Sdn. Bhd.	Malaysia	Supplier of industrial automation and control instruments.

There have been no significant changes in the nature of these activities during the financial year under review.

**Cosmos Technology International Sdn. Bhd.**  
(Incorporated in Malaysia)

**2. Basis of the compilation of pro forma financial information (continued)**

The pro forma financial information deals solely with the audited financial statements of the above entities for the financial years ended 30 April 2019 and 30 April 2018. As mentioned above, the financial information of the Company has not been presented in this pro forma financial information because it was only incorporated on 14 May 2019 to facilitate the Proposed Listing on the LEAP Market of Bursa Securities.

The compilation of pro forma financial information have been prepared using financial information obtained from the records of the entities during the reporting periods.

Details of the deemed occurrence of common control are as follows:

Entities under common control	Financial year ended 30 April	
	2019	2018
Cosmos Technology International Sdn. Bhd.	Not applicable*	Not applicable*
Marc Conleth Industries Sdn. Bhd.	Yes	Yes
Cosmos Instruments Sdn. Bhd.	Yes	Yes

\* No financial statements were available for Cosmos Technology International Sdn. Bhd. as it was incorporated on 14 May 2019.

The pro forma financial information for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from 1 May 2017. In the compilation, the Company, Marc Conleth Industries Sdn. Bhd. and Cosmos Instruments Sdn. Bhd. are referred to as the Group.

The financial information has been compiled based on the following audited financial statements and restated for the periods indicated.

	Audited Financial Statements for financial year ended	
	2019	2018
Marc Conleth Industries Sdn. Bhd.	1 April 2018 – 30 April 2019	1 January 2017 – 31 March 2018
Cosmos Instruments Sdn. Bhd.	1 May 2018 – 30 April 2019	1 May 2017 – 30 April 2018
	Restated for the financial year ended	
	2019	2018
Marc Conleth Industries Sdn. Bhd.	1 May 2018 – 30 April 2019	1 May 2017 – 30 April 2018
Cosmos Instruments Sdn. Bhd.	Not applicable	Not applicable

## **Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

### **2. Basis of the compilation of pro forma financial information (continued)**

The pro forma financial information 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 pro forma financial information from the compilation of the two operating entities in conformity with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 pro forma financial information 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 year, except as disclosed in Note 4:

#### **(a) Property, plant and equipment, and depreciation**

All items of property, plant and equipment are initially recorded at cost. 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 freehold land and leasehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is stated at cost and has an indefinite useful life and is therefore not depreciated.



**Cosmos Technology International Sdn. Bhd.**  
(Incorporated in Malaysia)

**3. Significant accounting policies (continued)**

**(a) Property, plant and equipment, and depreciation (continued)**

Leasehold land and building are stated at cost and is depreciated over a period of 94 years. Subsequent to recognition, leasehold land and building are stated at cost less accumulated depreciation and any accumulated impairment losses.

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:

Buildings	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 or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the year the property, plant and equipment is derecognised, and any unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

## **Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

### **3. Significant accounting policies (continued)**

#### **(b) 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.

#### **(c) 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.

#### **(d) Leases**

##### **i Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance lease in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

**Cosmos Technology International Sdn. Bhd.**  
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**3. Significant accounting policies (continued)**

**(d) Leases (continued)**

**ii Finance lease**

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and accumulated impairment losses. The corresponding liability is included in the statement of financial position as borrowings.

In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance cost and the reduction of the outstanding liabilities. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with the depreciation for property, plant and equipment as described in Note 3(a).

**iii Operating lease**

Operating lease payments are recognised as an expense on a straight-line basis over the terms of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of lease of land and buildings, the minimum lease payments or up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings elements of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

**Cosmos Technology International Sdn. Bhd.**  
(Incorporated in Malaysia)

**3. Significant accounting policies (continued)**

**(e) 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.

**(f) 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.

**(g) 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.

## **Cosmos Technology International Sdn. Bhd.** (Incorporated in Malaysia)

### **3. Significant accounting policies (continued)**

#### **(g) Equity instruments (continued)**

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.

#### **(h) 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 year 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.

## **Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

### **3. Significant accounting policies (continued)**

#### **(h) 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.

#### **(i) 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 period 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 falling due more than twelve months after the financial year end are discounted to present value.

## **Cosmos Technology International Sdn. Bhd.** (Incorporated in Malaysia)

### **3. Significant accounting policies (continued)**

#### **(j) Revenue recognition**

The Group recognises revenue from contracts with customers based on the five-step model as set out below:

- i Identify 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 Identify 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 Determine 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 Allocate 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 Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognise 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; or
- ii Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- iii Provide 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.

**Cosmos Technology International Sdn. Bhd.**  
(Incorporated in Malaysia)

**3. Significant accounting policies (continued)**

**(j) 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.

**(k) 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 financial statements are presented in Ringgit Malaysia (RM), which is also the Group's and the Company's functional currency.



**Cosmos Technology International Sdn. Bhd.**  
(Incorporated in Malaysia)

**3. Significant accounting policies (continued)**

**(k) Foreign currencies (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 period 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:

	<b>2019</b>	2018
	<b>RM</b>	RM
1 United States Dollar (USD)	<b>4.1340</b>	3.9205
1 Singapore Dollar (SGD)	<b>3.0384</b>	2.9597
1 Euro (EUR)	<b>4.6264</b>	Not applicable

## **Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

### **3. Significant accounting policies (continued)**

#### **(I) 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.

## **Cosmos Technology International Sdn. Bhd.**

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### **3. Significant accounting policies (continued)**

#### **(m) Financial instruments**

Financial instruments carried on the statement 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 a liability, 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.

#### **Financial assets**

Financial assets are recognised in the statements 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.

## **Cosmos Technology International Sdn. Bhd.**

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### **3. Significant accounting policies (continued)**

#### **(m) Financial instruments (continued)**

##### **Financial assets (continued)**

##### **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).

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.

## **Cosmos Technology International Sdn. Bhd.**

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### **3. Significant accounting policies (continued)**

#### **(m) Financial instruments (continued)**

##### **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 do 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.

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.

## **Cosmos Technology International Sdn. Bhd.**

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### **3. Significant accounting policies (continued)**

#### **(n) 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 staff loans, 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.

#### **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 measure 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.

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### **3. Significant accounting policies (continued)**

#### **(o) 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.

#### **(p) 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.

## **Cosmos Technology International Sdn. Bhd.**

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### **3. Significant accounting policies (continued)**

#### **(q) 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.

#### **(r) 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 reviews 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.

#### **(s) 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 year, adjusted for bonus elements in ordinary shares issued during the year 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.



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### **3. Significant accounting policies (continued)**

#### **(t) Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the assets is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held sale for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with applicable accounting standards that is at the lower of carrying amount and fair value less cost to sell. Any differences are included in profit or loss.

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### **4. Adoption of new and revised Malaysian Financial Reporting Standards and interpretations**

#### **(a) MFRSs that have been issued and effective**

The following new and revised MFRSs issued by MASB which are effective for financial periods beginning 1 January 2018, have been adopted at the beginning of the financial year. The adoptions of these new and revised MFRSs do not have any or significant impact to the financial statements:

#### **Title**

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 1:	First-time Adoption of Malaysian Financial Reporting Standards
Amendments to MFRS 2:	Share-based Payment
Amendments to MFRS 4:	Insurance Contracts
Amendments to MFRS 128:	Investment in Associates and Joint Ventures
Amendments to MFRS 140:	Investment Property
IC Interpretation 22:	Foreign Currency Transactions and Advance Considerations

The Group adopted MFRS 9 Financial Instruments on 1 May 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment methodology of financial assets and on hedge accounting and requires all recognised financial assets that are within the scope of MFRS 139 to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of MFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at 'fair value through profit or loss') attributable to changes in the credit risk of that liability. Specifically, under MFRS 9, for financial liabilities that are designated as at 'fair value through profit or loss', the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

MFRS 9 replaces MFRS 139 with a forward looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances, will be measured on either 12 months ECLs or Lifetime ECLs.

For the purpose of these financial information, the Group adopted MFRS 15 Revenue from Contract with Customers on 1 May 2018. MFRS 15 will supersede all current revenue recognition requirements under MFRS, including MFRS 111: Construction Contracts, MFRS 118: Revenue, IC Interpretation 13: Customer Loyalty Programmes, IC Interpretation 15: Agreements for Construction of Real Estate, IC Interpretation 18: Transfers of Assets from Customers and IC Interpretation 131: Revenue – Barter Transaction Involving Advertising Services.

## **Cosmos Technology International Sdn. Bhd.**

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### **4. Adoption of new and revised Malaysian Financial Reporting Standards and interpretations (continued)**

#### **(a) MFRSs that have been issued and effective (continued)**

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the nature, amount, timing and uncertainty of revenue and cash flows, recognising revenue in accordance with the 5-step core principle.

#### **(b) MFRSs that have been issued but only effective for financial period beginning on 1 January 2019 and onwards**

The following new and revised MFRSs issued by MASB, have not been adopted, and the adoptions are not expected to have any or significant impact to the financial statements, except for MFRS 16:

<b>Title</b>		<b>Effective Date</b>
MFRS 16	Leases	1 January 2019
IC Interpretation 23:	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3:	Business Combinations	1 January 2020
Amendments to MFRS 101:	Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108:	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
MFRS 17:	Insurance Contracts	1 January 2021
Amendments to MFRS 10:	Consolidated Financial Statement	Deferred
Amendments to MFRS 128:	Investments in Associates and Joint Ventures	Deferred

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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### **5. Significant accounting judgement and estimates**

#### Key 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 the property, plant and equipment over their estimated useful lives and 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(a) 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 carried 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.

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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 profits will be available against which the losses and 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 financial information as the possibility of an outflow of economic resources is remote.

##### **(h) Fair value estimates of certain financial instruments**

The Group carries certain financial assets and liabilities at fair value, which requires 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.

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**6. Property, plant and equipment**

	Leasehold land and building RM	Freehold land and building RM	Plant and machinery RM	Motor vehicles RM	Furniture and fittings RM	Balance carried forward RM
<b>Carrying amount</b>						
At 1 May 2018	11,699,431	-	2,584,485	222,230	12,017	14,518,163
Additions	-	-	1,453,000	35,670	13,008	1,501,678
Disposals	(11,597,951)	-	-	-	-	(11,597,951)
Depreciation charge	(101,480)	-	(565,905)	(98,979)	(2,956)	(769,320)
<b>At 30 April 2019</b>	<b>-</b>	<b>-</b>	<b>3,471,580</b>	<b>158,921</b>	<b>22,069</b>	<b>3,652,570</b>
<b>At 30 April 2019</b>						
Cost	-	-	6,530,667	1,053,848	48,037	7,632,552
Accumulated depreciation	-	-	(3,059,087)	(894,927)	(25,968)	(3,979,982)
Carrying amount	-	-	3,471,580	158,921	22,069	3,652,570
<b>Carrying amount</b>						
At 1 May 2017	11,942,983	3,149,986	2,793,864	318,045	15,048	18,219,926
Additions	-	-	282,000	72,860	300	355,160
Transfers (Note 11)	-	(3,130,972)	-	-	-	(3,130,972)
Depreciation charge	(243,552)	(19,014)	(491,379)	(168,675)	(3,331)	(925,951)
<b>At 30 April 2018</b>	<b>11,699,431</b>	<b>-</b>	<b>2,584,485</b>	<b>222,230</b>	<b>12,017</b>	<b>14,518,163</b>
<b>At 30 April 2018</b>						
Cost	13,384,000	-	5,077,667	1,018,178	35,029	19,514,874
Accumulated depreciation	(1,684,569)	-	(2,493,182)	(795,948)	(23,012)	(4,996,711)
Carrying amount	11,699,431	-	2,584,485	222,230	12,017	14,518,163

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**6. Property, plant and equipment (continued)**

	Balance brought forward RM	Computer equipment RM	Office equipment RM	Renovation and signboard RM	Tools and implements RM	Total RM
<b>Carrying amount</b>						
At 1 May 2018	14,518,163	15,232	24,958	63,747	88,545	14,710,645
Additions	1,501,678	67,870	9,426	585,370	41,352	2,205,696
Disposals	(11,597,951)	-	(2,438)	-	-	(11,600,389)
Depreciation charge	(769,320)	(13,587)	(4,150)	(25,040)	(69,204)	(881,301)
<b>At 30 April 2019</b>	<b>3,652,570</b>	<b>69,515</b>	<b>27,796</b>	<b>624,077</b>	<b>60,693</b>	<b>4,434,651</b>
<b>At 30 April 2019</b>						
Cost	7,632,552	146,786	58,282	689,058	224,358	8,751,036
Accumulated depreciation	(3,979,982)	(77,271)	(30,486)	(64,981)	(163,665)	(4,316,385)
Carrying amount	3,652,570	69,515	27,796	624,077	60,693	4,434,651
<b>Carrying amount</b>						
At 1 May 2017	18,219,926	26,909	27,535	74,116	103,477	18,451,963
Additions	355,160	680	1,508	-	43,389	400,737
Transfers (Note 11)	(3,130,972)	-	-	-	-	(3,130,972)
Depreciation charge	(925,951)	(12,357)	(4,085)	(10,369)	(58,321)	(1,011,083)
<b>At 30 April 2018</b>	<b>14,518,163</b>	<b>15,232</b>	<b>24,958</b>	<b>63,747</b>	<b>88,545</b>	<b>14,710,645</b>
<b>At 30 April 2018</b>						
Cost	19,514,874	78,916	52,656	103,688	183,006	19,933,140
Accumulated depreciation	(4,996,711)	(63,684)	(27,698)	(39,941)	(94,461)	(5,222,495)
Carrying amount	14,518,163	15,232	24,958	63,747	88,545	14,710,645

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### 6. Property, plant and equipment (continued)

- (a) The carrying amount of property, plant and equipment held under finance lease arrangements as at the financial year end is as follows:-

	<b>2019</b>	2018
	<b>RM</b>	RM
Plant, machinery and tools	<b>2,345,295</b>	1,652,202
Motor vehicles	<b>158,921</b>	222,230
Renovation	<b>555,019</b>	-
	<u><b>3,059,235</b></u>	<u>1,874,432</u>

- (b) The cost of property, plant and equipment acquired during the year under finance lease arrangements is as follows:

	<b>2019</b>	2018
	<b>RM</b>	RM
Plant and machinery	<b>1,433,000</b>	-
Motor vehicles	<b>35,670</b>	72,860
Renovation	<b>569,250</b>	-
	<u><b>2,037,920</b></u>	<u>72,860</u>

- (c) The carrying amount of property, plant and equipment pledged as securities for bank credit facilities granted to the Group, as disclosed in Note 14 is as follows:-

	<b>2019</b>	2018
	<b>RM</b>	RM
Leasehold land and building	<u>-</u>	<u>11,699,431</u>

- (d) The leasehold land of the Group has unexpired period of lease of more than fifty years. The lease of the leasehold land expires on 30 December 2073.



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**7. Inventories**

	<b>2019</b>	2018
	<b>RM</b>	RM
<b>At cost:</b>		
Raw materials	<b>1,546,670</b>	707,028
Work-in-progress	<b>5,333,431</b>	3,339,103
Finished goods	<b>1,006,784</b>	1,010,527
	<b><u>7,886,885</u></b>	<u>5,056,658</u>

The amount of inventories recognised as an expense during the year was RM25,724,765 (2018: RM26,120,121).

**8. Trade and other receivables**

	<b>2019</b>	2018
	<b>RM</b>	RM
<b>Trade</b>		
Third parties	<b>13,725,776</b>	15,555,329
Related parties	<b>1,570,372</b>	1,838,416
	<b><u>15,296,148</u></b>	<u>17,393,745</u>
<b>Non-trade</b>		
Staff loan	<b>25,331</b>	25,807
Amount due from Director	-	626,907
Other receivables	<b>1,041,791</b>	825,089
Amount due from related parties	<b>2,639,589</b>	1,932,786
	<b><u>3,706,711</u></b>	<u>3,410,589</u>
	<b><u>19,002,859</u></b>	<u>20,804,334</u>

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### 8. Trade and other receivables (continued)

The amount due from related parties is as follows:

	2019 RM	2018 RM
<b>Trade</b>		
FIC Kitchen Technology Sdn. Bhd.	51,899	2,240
Globalink Metal Stamping Sdn Bhd	-	2,820
I.S.E.T. Engineering Sdn. Bhd.	861,015	1,171,948
Moscoss Services Sdn. Bhd.	233,171	233,171
MSM Equipment Manufacturer Sdn. Bhd.	241,705	241,705
MSM Kitchen Sdn. Bhd.	151,991	136,041
MSM Metal Industries Sdn. Bhd.	-	10,635
OMS Technology Sdn. Bhd.	30,591	39,856
	<u>1,570,372</u>	<u>1,838,416</u>
<b>Non-trade</b>		
FIC Kitchen Technology Sdn. Bhd.	121,980	1,539
Globalink Metal Sdn. Bhd.	19,282	-
I.S.E.T. Engineering Sdn. Bhd.	19,867	1,038
Marc16 Equipment Manufacturing Sdn. Bhd.	8,374	235,000
Moscoss Services Sdn. Bhd.	-	8
MSM Equipment Manufacturer Sdn. Bhd.	119,443	109,323
MSM International Limited	2,010,975	1,452,976
MSM Kitchen Sdn. Bhd.	290,612	82,989
MSM Metal (S) Pte. Ltd.	-	3,562
SKI Pipe & Fitting Sdn. Bhd.	49,056	46,351
	<u>2,639,589</u>	<u>1,932,786</u>

The non-trade amounts due from Director and related parties are unsecured, interest free and are repayable on demand.

The currency exposure profile of trade and other receivables and other receivables is as follows:

	2019 RM	2018 RM
Ringgit Malaysia	11,770,370	10,243,475
United States Dollar	7,232,489	10,560,859
	<u>19,002,859</u>	<u>20,804,334</u>

### 9. Other current assets

	2019 RM	2018 RM
Deposits	158,067	131,450
Prepayments	2,008,219	1,727,525
	<u>2,166,286</u>	<u>1,858,975</u>

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**10. Fixed deposits with licensed banks, cash and bank balances**

	<b>2019</b>	2018
	<b>RM</b>	RM
Fixed deposits placed with licensed banks	<b>2,821,558</b>	3,616,107
Cash and bank balances	<b>1,429,757</b>	1,260,783
	<b><u>4,251,315</u></b>	<u>4,876,890</u>

Fixed deposits with licensed banks of the Group amounting to RM1,184,867 (2018: RM1,517,074) 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:

	<b>2019</b>	2018
	<b>RM</b>	RM
Ringgit Malaysia	<b>4,237,250</b>	4,874,078
United States Dollar	<b>12,698</b>	1,445
Singapore Dollar	<b>1,367</b>	1,367
	<b><u>4,251,315</u></b>	<u>4,876,890</u>

For the purpose of presenting the statement of cash flows, cash and cash equivalents comprise the following:

	<b>2019</b>	2018
	<b>RM</b>	RM
Fixed deposits placed with licensed banks (as above)	<b>2,821,558</b>	3,616,107
Cash and bank balances (as above)	<b>1,429,757</b>	1,260,783
	<b><u>4,251,315</u></b>	<u>4,876,890</u>
Less:		
Bank overdraft (Note 14)	<b>(1,945,263)</b>	(2,649,120)
Fixed deposits pledged to licensed banks	<b>(1,184,867)</b>	(1,517,074)
	<b><u>(3,130,130)</u></b>	<u>(4,166,194)</u>
	<b><u>1,121,185</u></b>	<u>710,696</u>

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**11. Non-current assets held for sale**

	2019 RM	2018 RM
Balance at beginning of the year	3,130,972	-
Transfers (Note 6)	-	3,130,972
Disposals	(3,124,634)	-
Impairment loss	(6,338)	-
Balance at end of the year	<u>-</u>	<u>3,130,972</u>
<b>At 30 April</b>		
Cost	-	3,169,000
Accumulated depreciation	<u>-</u>	<u>(38,028)</u>
Carrying amount	<u>-</u>	<u>3,130,972</u>

The carrying amount of assets held for sale charged to bank as securities for credit facilities granted to Group, as disclosed in Note 14 is as follows:

	2019 RM	2018 RM
Freehold land	-	2,218,300
Freehold building	<u>-</u>	<u>912,672</u>
	<u>-</u>	<u>3,130,972</u>

The disposal of the non-current assets held for sale was completed on 6 September 2018, as disclosed in Note 30(b).

**12. Share capital**

	2019 Unit	2018 Unit	2019 RM	2018 RM
<b>Issued and fully paid</b>				
Marc Conleth Industries Sdn. Bhd.	1,000,000	1,000,000	1,000,000	1,000,000
Cosmos Instruments Sdn. Bhd.	400,000	400,000	400,000	400,000
At beginning/end of the year	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>

For the purpose of the pro forma financial information, the share capital at the end of the respective financial years is the aggregate of the share capital of the Group.

**13. Retained earnings**

The retained earnings can be distributed by way of single tier dividends which are not taxable in the hands of the shareholders.

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**14. Borrowings**

	<b>2019</b>	2018
	<b>RM</b>	RM
<b>Current</b>		
Bank overdraft (secured)	<b>1,945,263</b>	2,649,120
Bills payable (secured)	<b>5,974,795</b>	4,216,831
Finance lease liabilities	<b>755,099</b>	637,409
Term loan (secured)	-	832,357
	<b>8,675,157</b>	8,335,717
<b>Non-current</b>		
Finance lease liabilities	<b>1,483,886</b>	410,831
Term loan (secured)	-	8,481,520
	<b>1,483,886</b>	8,892,351
	<b>10,159,043</b>	17,228,068
<b>Total borrowings</b>		
Bank overdraft (secured)	<b>1,945,263</b>	2,649,120
Bills payable (secured)	<b>5,974,795</b>	4,216,831
Finance lease liabilities	<b>2,238,985</b>	1,048,240
Term loan (secured)	-	9,313,877
	<b>10,159,043</b>	17,228,068

Bank overdraft, bills payable and term loan are secured by the following:

- (a) Leasehold land and building, as disclosed in Note 6;
- (b) Fixed deposits with licensed banks, as disclosed in Note 10;
- (c) Freehold land and building, as disclosed in Note 11;
- (d) Corporate guarantee by the former immediate and ultimate holding company and a related party;
- (e) Joint and several guarantees by all Directors, a shareholder and a former Director of a subsidiary; and
- (f) Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad, the Government of Malaysia.

The interest rates charged during the financial year for borrowings were as follows:

	<b>2019</b>	2018
	<b>Per annum</b>	Per annum
Bank overdraft	<b>6.81% - 9.10%</b>	7.31% - 8.57%
Bills payable	<b>4.71% - 6.09%</b>	4.69% - 5.78%
Finance lease liabilities	<b>2.42% - 4.50%</b>	2.40% - 3.78%
Term loan	<b>4.59% - 5.40%</b>	4.59% - 5.16%

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**14. Borrowings (continued)**

The bank overdraft and bills payable are repayable on demand, whilst the repayment terms of finance lease liabilities and term loan are as follows:

	2019 RM	2018 RM
<b>Finance lease liabilities</b>		
Minimum lease payments		
- not later than 1 year	865,866	738,624
- later than 1 year and not later than 5 years	1,620,584	367,487
Total minimum lease payments	2,486,450	1,106,111
Less: Future finance charges on finance lease liabilities	(247,465)	(57,871)
Present value of finance lease liabilities	<u>2,238,985</u>	<u>1,048,240</u>
Present value of finance lease liabilities		
- not later than 1 year	755,099	637,409
- later than 1 year and not later than 5 years	1,483,886	410,831
	<u>2,238,985</u>	<u>1,048,240</u>
Presented as:		
Current	755,099	637,409
Non-current	1,483,886	410,831
	<u>2,238,985</u>	<u>1,048,240</u>
<b>Term loan</b>		
Repayment terms		
- not later than 1 year	-	832,357
- later than 1 year and not later than 5 years	-	4,716,789
- later than 5 years	-	3,764,731
	<u>-</u>	<u>9,313,877</u>
Presented as:		
Current	-	832,357
Non-current	-	8,481,520
	<u>-</u>	<u>9,313,877</u>

**15. Deferred taxation**

	2019 RM	2018 RM
At beginning of the year	(253,861)	(253,861)
Recognised in the statement of comprehensive income (Note 20)	149,000	-
At end of the year	<u>(104,861)</u>	<u>(253,861)</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	428,000	308,000
Deferred tax liabilities	(532,861)	(561,861)
	<u>(104,861)</u>	<u>(253,861)</u>

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**15. Deferred taxation (continued)**

The components and movements of deferred tax liabilities during the financial year prior to offsetting are as follows:

**Deferred tax liabilities**

	<b>Excess of capital allowances over depreciation</b>	
	<b>2019</b>	2018
	<b>RM</b>	RM
At beginning of the year	<b>(561,861)</b>	(648,861)
Recognised in the statement of comprehensive income		
- current year	<b>29,000</b>	87,000
At end of the year	<b><u>(532,861)</u></b>	<u>(561,861)</u>

The components and movements of deferred tax assets during the financial year prior to offsetting are as follows:

**Deferred tax assets**

	<b>Unutilised reinvestment allowances</b>	<b>Other deductible temporary difference</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
At 1 May 2018	-	<b>308,000</b>	<b>308,000</b>
Recognised in the statement of comprehensive income			
- current year	-	<b>120,000</b>	<b>120,000</b>
At 30 April 2019	<u>-</u>	<b><u>428,000</u></b>	<b><u>428,000</u></b>
At 1 May 2017	45,000	350,000	395,000
Recognised in the statement of comprehensive income			
- current year	<b>(45,000)</b>	<b>(42,000)</b>	<b>(87,000)</b>
At 30 April 2018	<u>-</u>	<b><u>308,000</u></b>	<b><u>308,000</u></b>

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**16. Trade and other payables**

	2019 RM	2018 RM
<b>Trade</b>		
Third parties	5,044,055	9,655,310
Related parties	<u>3,662,841</u>	<u>1,552,617</u>
	<b>8,706,896</b>	<b>11,207,927</b>
<b>Non-trade</b>		
Sundry payables	793,529	853,819
Amount due to related parties	3,759,150	2,750,002
Accruals	365,098	861,189
Deposit received	2,065,598	2,345,432
	<u>6,983,375</u>	<u>6,810,442</u>
	<b>15,690,271</b>	<b>18,018,369</b>

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

The amount due to related parties is as follows:

	2019 RM	2018 RM
<b>Trade</b>		
FIC Kitchen Technology Sdn. Bhd.	193	-
Flexacon Automation System Sdn. Bhd.	2,709	-
Moscoss Services Sdn. Bhd.	-	20,798
MSM Metal Industries Sdn. Bhd.	3,337,306	1,492,493
Toyomi Engineering Sdn. Bhd.	<u>322,633</u>	<u>39,326</u>
	<b>3,662,841</b>	<b>1,552,617</b>
<b>Non-trade</b>		
FIC Kitchen Technology Sdn. Bhd.	311,154	732
Flexacon Automation System Sdn. Bhd.	267,330	44,270
Globalink Metal Sdn. Bhd.	-	10,769
I.S.E.T. Engineering Sdn. Bhd.	14,745	23,783
Marc16 Equipment Manufacturing Sdn. Bhd.	357,000	-
MSM Equipment Manufacturer Sdn. Bhd.	701,276	-
MSM Kitchen Sdn. Bhd.	42,375	393
MSM Metal (S) Pte. Ltd.	122,040	122,040
MSM Metal Industries Sdn. Bhd.	403,448	581,250
OMS Technology Sdn. Bhd.	500,000	-
SKI Pipe & Fitting Sdn. Bhd.	-	69
Toyomi Engineering Sdn. Bhd.	<u>1,039,782</u>	<u>1,966,696</u>
	<b>3,759,150</b>	<b>2,750,002</b>



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**16. Trade and other payables (continued)**

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:

	<b>2019</b>	2018
	<b>RM</b>	RM
Ringgit Malaysia	<b>15,557,556</b>	17,896,329
Singapore Dollar	<b>122,040</b>	122,040
Euro	<b>10,675</b>	-
	<b><u>15,690,271</u></b>	<u>18,018,369</u>

**17. Revenue**

Revenue of the Group comprise the following:

	<b>2019</b>	2018
	<b>RM</b>	RM
<b>Revenue from contracts with customers:</b>		
Oil and gas industries	<b>32,701,210</b>	33,609,207
Water treatment industries	<b>11,376,441</b>	11,401,065
	<b><u>44,077,651</u></b>	<u>45,010,272</u>

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**18. Profit before taxation**

	<b>2019</b>	2018
	<b>RM</b>	RM
<b>Profit before taxation is arrived at after charging:</b>		
Auditors' remuneration		
Statutory audit		
- current year	<b>47,000</b>	40,000
- overprovision in prior years	<b>(2,000)</b>	-
Non-statutory audit		
- underprovision in prior years	<b>12,000</b>	-
Depreciation of property, plant and equipment	<b>881,301</b>	1,011,083
Finance costs:		
- bank overdraft interest	<b>142,572</b>	156,051
- bills payable interest	<b>377,602</b>	207,173
- finance lease interest	<b>81,269</b>	75,213
- term loan interest	<b>173,731</b>	477,408
Impairment loss on non-current assets held for sale	<b>6,338</b>	-
Loss on disposal of property, plant and equipment	<b>2,158</b>	-
Realised foreign exchange loss	<b>144</b>	811,102
Rental of factory	<b>551,500</b>	382,000
Rental of machinery	<b>346,822</b>	432,500
Rental of premises	<b>101,080</b>	96,000
Staff costs (Note 19)	<b>4,394,135</b>	4,123,008
	<hr/>	<hr/>
<b>and crediting:</b>		
Fixed deposits interest income	<b>110,921</b>	139,572
Gain on disposal of property, plant and equipment	<b>875,366</b>	-
Realised foreign exchange gain	<b>775,890</b>	-
Rental income	<b>368,146</b>	305,010
	<hr/>	<hr/>

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### 19. Staff costs

	2019 RM	2018 RM
Salaries, wages, allowances, overtime, bonus and fees	3,562,649	3,733,393
Directors' remuneration	442,299	146,316
Employees Provident Fund	152,109	106,221
Social security contributions	17,370	10,976
Other staff related expenses	219,708	126,102
	<u>4,394,135</u>	<u>4,123,008</u>

Included in staff costs are the remuneration of the Directors and senior management as follows:

	2019 RM	2018 RM
<b>Directors</b>		
Salaries, allowances and bonus	195,000	185,400
Employees Provident Fund	20,016	17,964
Social security contributions	1,000	860
	<u>216,016</u>	<u>204,224</u>
<b>Senior management</b>		
Salaries, allowances and bonus	637,549	206,112
Employees Provident Fund	73,641	28,256
Social security contributions	3,422	1,136
Other staff related expenses	13,005	5,506
	<u>727,617</u>	<u>241,010</u>

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**20. Taxation**

	<b>2019</b>	2018
	<b>RM</b>	RM
<u>Malaysian income tax</u>		
- current year	<b>1,258,000</b>	980,000
- (over)/underprovision in prior year	<b>(202,561)</b>	15,266
	<b>1,055,439</b>	995,266
<u>Deferred tax (Note 15)</u>		
Related to origination and reversal of temporary differences		
- current year	<b>(355,000)</b>	-
- underprovision in prior year	<b>206,000</b>	-
	<b>(149,000)</b>	-
	<b>906,439</b>	995,266

The reconciliations of income tax expense applicable to the profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	<b>2019</b>	2018
	<b>RM</b>	RM
Profit before taxation	<b>6,186,000</b>	4,206,281
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	<b>1,484,640</b>	1,009,507
Tax effects of:		
- expenses not deductible for tax purposes	<b>159,278</b>	87,572
- income not subject to tax	<b>(209,570)</b>	-
- income tax incentives	<b>(130,302)</b>	(87,079)
- income tax reliefs	<b>(366,046)</b>	-
- tax savings under qualified SME incentives, at 17% (2018: 18%) for the first RM500,000 on chargeable income	<b>(35,000)</b>	(30,000)
(Over)/underprovision of income tax in prior year	<b>(202,561)</b>	15,266
Underprovision of deferred tax in prior year	<b>206,000</b>	-
Tax expense for the year	<b>906,439</b>	995,266

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**21. Earnings per share**

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

	<b>2019</b>	2018
	<b>RM</b>	RM
Profit for the year attributable to the owners of the parent	<b>5,279,561</b>	3,211,015
Weighted average number of shares of RM1.00 each	<b>1,400,000</b>	1,400,000
Basic earnings per share (sen)	<b><u>377.11</u></b>	<u>229.36</u>

There is no diluted earnings per share as the Group does not have any convertible financial instruments as at the end of the financial year.

**22. Purchase of property, plant and equipment**

During the financial year, the Group acquired property, plant and equipment which were satisfied as follows:

	<b>2019</b>	2018
	<b>RM</b>	RM
Cash payments	<b>220,296</b>	333,737
Finance lease arrangements	<b><u>1,985,400</u></b>	<u>67,000</u>
	<b><u>2,205,696</u></b>	<u>400,737</u>

**23. 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:-

	<b>2019</b>	2018
	<b>RM</b>	RM
<b>Sales and services to related parties</b>		
MSM Metal Industries Sdn. Bhd.	<b>21,686</b>	17,514
MSM Kitchen Sdn. Bhd.	<b>14,500</b>	122,555
FIC Kitchen Technology Sdn. Bhd.	<b>46,850</b>	6,194
OMS Technology Sdn. Bhd.	<b>68,720</b>	67,941
I.S.E.T. Engineering Sdn. Bhd.	<b>1,297,009</b>	2,500,728
Moscoss Services Sdn. Bhd.	<b>-</b>	245,816
	<b><u>-</u></b>	<u>245,816</u>

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**23. Significant related party transactions (continued)****(a) Transactions with related parties (continued)**

	<b>2019</b>	2018
	<b>RM</b>	RM
<b>Return of goods by a related party</b>		
MSM Equipment Manufacturer Sdn. Bhd.	-	151,652
<b>Purchases from related parties</b>		
MSM Metal Industries Sdn. Bhd.	3,491,013	1,961,828
MSM Equipment Manufacturer Sdn. Bhd.	205,130	22,697
MSM Kitchen Sdn. Bhd.	956,321	15
Toyomi Engineering Sdn. Bhd.	353,195	37,100
I.S.E.T. Engineering Sdn. Bhd.	3,514	420,844
<b>Sub-contract fees charged by related parties</b>		
Globalink Metal Sdn. Bhd.	123,465	41,400
MSM Metal Industries Sdn. Bhd.	25,000	63
MSM Kitchen Sdn. Bhd.	6,160	-
I.S.E.T. Engineering Sdn. Bhd.	700	4,900
Moscoss Services Sdn. Bhd.	2,910	161,908
<b>Rental income from related parties</b>		
FIC Kitchen Technology Sdn. Bhd.	120,000	-
MSM Equipment Manufacturer Sdn. Bhd.	10,000	24,000
MSM Kitchen Sdn. Bhd.	90,000	216,000
<b>Rental of machineries charged by a related party</b>		
MSM Metal Industries Sdn. Bhd.	324,000	432,000
<b>Rental of factory charged by related parties</b>		
MSM Metal Industries Sdn. Bhd.	180,000	180,000
I.S.E.T. Engineering Sdn. Bhd.	96,000	96,000
<b>Management fees charged by a related party</b>		
MSM Metal Industries Sdn. Bhd.	-	753,669
<b>Acquisition of plant and machinery from a related party</b>		
Flexacon Automation System Sdn. Bhd.	170,000	-
<b>Disposal of property to a related party</b>		
MSM Kitchen Sdn. Bhd.	11,597,951	-

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### 23. Significant related party transactions (continued)

#### (b) Compensation of key management personnel and Directors

The total remuneration of key management personnel and Directors during the financial year are as follows:

	<b>2019</b>	2018
	<b>RM</b>	RM
Salaries, allowances and bonus	<b>832,549</b>	391,512
Employees Provident Fund	<b>93,657</b>	46,220
Social security contributions	<b>4,422</b>	1,996
Other related expenses	<b>13,005</b>	5,506
	<b><u>943,633</u></b>	<u>445,234</u>

Included in the total remuneration of key management personnel are the Directors' remuneration of the Group amounting to RM216,016 (2018: 204,224).

The detailed remuneration of each named Director at Group level during the current financial year was as follows:

	<b>Salaries and allowances RM</b>	<b>Bonus RM</b>	<b>Employees Provident Fund RM</b>	<b>Social security contributions RM</b>	<b>Total RM</b>
Ng Boon Keong	<b>156,000</b>	<b>39,000</b>	<b>20,016</b>	<b>1,000</b>	<b><u>216,016</u></b>

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### **24. 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 year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity 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, the Group's income and 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 does 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 following analysis shows the Group's sensitivity to interest rate exposure.



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**24. Financial risk management policies (continued)****(a) Interest rate risk (continued)****Interest rate sensitivity analysis (continued)****ii Interest rate risk sensitivity analysis (continued)**

	<b>(Increase)/ decrease in the Group's results 2019 RM</b>	<b>(Increase)/ decrease in the Group's results 2018 RM</b>
<b>Effects on profit before taxation:</b>		
25 basis points	<b>25,209</b>	43,070
50 basis points	<b>50,418</b>	86,140
75 basis points	<b>75,627</b>	129,210
100 basis points	<b>100,836</b>	172,280

The fixed deposits as at 30 April 2019 have maturity periods ranging from 3 to 12 (2018: 1 to 12) months, and bear interest at rates ranging from 3.10% to 3.80% (2018: 2.65% to 3.60%) per annum.

**(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, fixed deposits with licensed banks, short term funds and cash and bank balances.

As at the current and previous financial year end, 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, short term funds and 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.

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**24. Financial risk management policies (continued)**

**(b) Credit risk (continued)**

**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:

	<b>Note</b>	<b>Total RM</b>
<b>2019</b>		
Fixed deposits with licensed banks, cash and bank balances	10	<u><b>4,251,315</b></u>
		<u><b>4,251,315</b></u>
<b>2018</b>		
Fixed deposits with licensed banks, cash and bank balances	10	<u>4,876,890</u>
		<u><b>4,876,890</b></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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**24. 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 RM
					1-60 days RM	61-120 days RM	Past due 121-150 days RM	>150 days RM	
<b>At 30 April 2019</b>									
Trade receivables	8	15,296,148	-	4,390,445	6,911,305	2,930,944	297,160	766,294	15,296,148
Other receivables which are financial assets	8	3,303,117	-	2,258,238	109,818	121,765	48,677	764,619	3,303,117
Other current assets	9	158,067	-	158,067	-	-	-	-	158,067
		<b>18,757,332</b>	<b>-</b>	<b>6,806,750</b>	<b>7,021,123</b>	<b>3,052,709</b>	<b>345,837</b>	<b>1,530,913</b>	<b>18,757,332</b>
<b>At 30 April 2018</b>									
Trade receivables	8	17,393,745	-	5,745,966	8,628,517	2,602,487	-	416,775	17,393,745
Other receivables which are financial assets	8	2,957,769	-	1,851,828	193,797	577,496	2,237	332,411	2,957,769
Other current assets	9	131,450	-	131,450	-	-	-	-	131,450
		<b>20,482,964</b>	<b>-</b>	<b>7,729,244</b>	<b>8,822,314</b>	<b>3,179,983</b>	<b>2,237</b>	<b>749,186</b>	<b>20,482,964</b>

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### **24. 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 days to 90 days (2018: 30 days 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 Director, immediate and ultimate holding company, related companies and 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 two (2018: two) major customers which constituted 78% (2018: 72%) of its trade receivables at the end of the reporting year.

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**24. 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
<b>At 1 May 2018</b>	-	-	-	-	-	-
Charge for the year (Note ii)	-	-	-	-	-	-
<b>At 30 April 2019</b>	-	-	-	-	-	-
<b>At 1 May 2017</b>	-	-	-	-	-	-
Charge for the year (Note ii)	-	-	-	-	-	-
<b>At 30 April 2018</b>	-	-	-	-	-	-

- 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.
- ii The Group's allowance for impairment loss on trade and other receivables during the current financial year increased by RMNil mainly due to the provision for higher impaired trade and other receivables. In the previous financial year, the Group's allowance for impairment loss on trade and other receivables increased by RMNil mainly due to the provision for higher impaired trade and other receivables.

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### 24. Financial risk management policies (continued)

#### (b) Credit risk (continued)

##### Receivables (continued)

The exposure of credit risks for trade receivables as at the end of the reporting year by geographical region is as follows:

	<b>2019</b>	2018
	<b>RM</b>	RM
Domestic	<b>8,063,659</b>	6,832,886
United States	<b>7,232,489</b>	10,560,859
	<b><u>15,296,148</u></b>	<u>17,393,745</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.

#### (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 primarily United States Dollar, Singapore Dollar and Euro.

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. The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

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**24. 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:

	Note	USD RM	SGD RM	EUR RM	Total RM
<b>At 30 April 2019</b>					
<b>Financial assets</b>					
Trade and other receivables	8	7,232,489	-	-	7,232,489
Fixed deposits, cash and bank balances	10	12,698	1,367	-	14,065
		<u>7,245,187</u>	<u>1,367</u>	-	<u>7,246,554</u>
<b>Financial liabilities</b>					
Trade and other payables	16	-	122,040	10,675	132,715
<b>At 30 April 2018</b>					
<b>Financial assets</b>					
Trade and other receivables	8	10,560,859	-	-	10,560,859
Fixed deposits, cash and bank balances	10	1,445	1,367	-	2,812
		<u>10,562,304</u>	<u>1,367</u>	-	<u>10,563,671</u>
<b>Financial liabilities</b>					
Trade and other payables	16	-	122,040	-	122,040

**Foreign currency risk sensitivity analysis**

The sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period with all other variables held constant is as follows:

	Increase/ (decrease) in the Group's results 2019 RM	Increase/ (decrease) in the Group's results 2018 RM
<b>Effects on profit before taxation:</b>		
<b>USD:</b>		
- strengthened by 5% (2018: 5%)	362,259	528,115
- weakened by 5% (2018: 5%)	(362,259)	(528,115)
<b>SGD:</b>		
- strengthened by 5% (2018: 5%)	(6,034)	(6,034)
- weakened by 5% (2018: 5%)	6,034	6,034
<b>EUR:</b>		
- strengthened by 5% (2018: 5%)	(534)	Not applicable
- weakened by 5% (2018: 5%)	<u>534</u>	<u>Not applicable</u>

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**24. Financial risk management policies (continued)****(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.

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
<b>Group</b>						
<b>2019</b>						
Trade and other payables	16	15,690,271	15,690,271	15,690,271	-	-
Borrowings	14	10,159,043	10,406,508	8,785,924	1,620,584	-
		<b>25,849,314</b>	<b>26,096,779</b>	<b>24,476,195</b>	<b>1,620,584</b>	<b>-</b>
<b>2018</b>						
Trade and other payables	16	18,018,369	18,018,369	18,018,369	-	-
Borrowings	14	17,228,068	19,952,564	8,805,404	5,458,214	5,688,946
		<b>35,246,437</b>	<b>37,970,933</b>	<b>26,823,773</b>	<b>5,458,214</b>	<b>5,688,946</b>

Included in other payables is amount due to related companies and related parties as disclosed in Note 16.



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**24. Financial risk management policies (continued)****(e) Capital management**

The Group's 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 ratio at the end of reporting period was as follows:

	<b>2019</b>	2018
	<b>RM</b>	RM
Total borrowings	<b>10,159,043</b>	17,228,068
Less: Fixed deposits with licensed banks (not pledged), cash and bank balances	<b>(3,066,448)</b>	<b>(3,359,816)</b>
Net debt	<b><u>7,092,595</u></b>	<b><u>13,868,252</u></b>
Total equity	<b><u>11,487,385</u></b>	<b><u>14,532,775</u></b>
Debt-to-equity ratio	<b><u>61.74%</u></b>	<b><u>95.43%</u></b>

**25. Fair values****(a) Financial instruments that are measured at fair value**

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.

	<b>Note</b>
Trade and other receivables	8
Other current assets	9
Fixed deposits with licensed banks, cash and bank balances	10
Borrowings	14
Trade and other payables	16

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**26. Segment reporting**

For management purposes, the Group is organised into the following operating divisions, all of which are conducted predominantly in Malaysia:

- (i) Water Treatment
- (ii) Oil and Gas

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.

For the financial year ended 30 April 2019, the Group's financial information is analysed by operating segments as follows:

	<b>Water Treatment RM</b>	<b>Oil and Gas RM</b>	<b>Elimination RM</b>	<b>Total RM</b>
<b>2019</b>				
<b>Revenue</b>				
Local	<b>11,376,441</b>	<b>12,032,822</b>	<b>(98,279)</b>	<b>23,310,984</b>
Export	-	<b>20,766,667</b>	-	<b>20,766,667</b>
	<b>11,376,441</b>	<b>32,799,489</b>	<b>(98,279)</b>	<b>44,077,651</b>
<b>Results</b>				
Segment results	<b>3,624,234</b>	<b>3,336,940</b>	-	<b>6,961,174</b>
Finance costs	<b>(28,653)</b>	<b>(746,521)</b>	-	<b>(775,174)</b>
Profit before taxation	<b>3,595,581</b>	<b>2,590,419</b>	-	<b>6,186,000</b>
Taxation	<b>(619,997)</b>	<b>(286,442)</b>	-	<b>(906,439)</b>
Profit after taxation	<b>2,975,584</b>	<b>2,303,977</b>	-	<b>5,279,561</b>
Net assets as at 30 April 2019	<b>6,876,236</b>	<b>4,611,149</b>	-	<b>11,487,385</b>
<b>Other information</b>				
Depreciation of property, plant and equipment	<b>46,022</b>	<b>841,617</b>	-	<b>887,639</b>
Gain on disposal of property, plant and equipment – net	<b>(873,208)</b>	-	-	<b>(873,208)</b>
Interest income	<b>(98,928)</b>	<b>(11,993)</b>	-	<b>(110,921)</b>
Realised foreign exchange loss/(gain)	<b>144</b>	<b>(775,890)</b>	-	<b>(775,746)</b>

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**26. Segment reporting (continued)**

	<b>Water Treatment RM</b>	<b>Oil and Gas RM</b>	<b>Elimination RM</b>	<b>Total RM</b>
<b>2018</b>				
<b>Revenue</b>				
Local	11,401,065	8,170,472	-	19,571,537
Export	-	25,438,735	-	25,438,735
	<u>11,401,065</u>	<u>33,609,207</u>	-	<u>45,010,272</u>
<b>Results</b>				
Segment results	2,567,809	2,554,317	-	5,122,126
Finance costs	(166,680)	(749,165)	-	(915,845)
Profit before taxation	2,401,129	1,805,152	-	4,206,281
Taxation	(593,614)	(401,652)	-	(995,266)
Profit after taxation	<u>1,807,515</u>	<u>1,403,500</u>	-	<u>3,211,015</u>
Net assets as at 30 April 2018	<u>7,040,652</u>	<u>7,492,123</u>	-	<u>14,532,775</u>
<b>Other information</b>				
Depreciation of property, plant and equipment	80,170	930,913	-	1,011,083
Realised foreign exchange loss	811,102	-	-	811,102
Interest income	(128,406)	(11,166)	-	(139,572)

**27. Non-cancellable contracts**

At the financial year end, the commitments in respect of non-cancellable operating lease for the rental of premises are as follows:

	<b>2019 RM</b>	<b>2018 RM</b>
<b>As lessor</b>		
Future minimum lease payments - not later than 1 year	<u>-</u>	<u>336,000</u>
<b>As lessee</b>		
Future minimum lease payments - not later than 1 year	<b>324,000</b>	432,500
- later than 1 year and not later than 5 years	<b>214,000</b>	920,000
	<u><b>538,000</b></u>	<u>1,352,500</u>

At the financial year end, the commitment in respect of non-cancellable operating lease for the rental of equipment and machineries are as follows:

	<b>2019 RM</b>	<b>2018 RM</b>
<b>As lessee</b>		
Future minimum lease payments - not later than 1 year	<b>327,948</b>	219,948
- later than 1 year and not later than 5 years	<b>220,113</b>	8,225
	<u><b>548,061</b></u>	<u>228,173</u>

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### 28. 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
<b>2019</b>			
<b>Non-derivative financial assets</b>			
Trade and other receivables	19,002,859	19,002,859	-
Other current assets	158,067	158,067	-
Fixed deposits with licensed banks, cash and bank balances	4,251,315	4,251,315	-
	<u>23,412,241</u>	<u>23,412,241</u>	<u>-</u>
<b>Non-derivative financial liabilities</b>			
Trade and other payables	15,690,271	15,690,271	-
Borrowings	10,159,043	10,159,043	-
	<u>25,849,314</u>	<u>25,849,314</u>	<u>-</u>
<b>2018</b>			
<b>Non-derivative financial assets</b>			
Trade and other receivables	20,804,334	20,804,334	-
Other current assets	131,450	131,450	-
Fixed deposits with licensed banks, cash and bank balances	4,876,890	4,876,890	-
	<u>25,812,674</u>	<u>25,812,674</u>	<u>-</u>
<b>Non-derivative financial liabilities</b>			
Trade and other payables	18,018,369	18,018,369	-
Borrowings	17,228,068	17,228,068	-
	<u>35,246,437</u>	<u>35,246,437</u>	<u>-</u>

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**29. Dividend paid**

	<b>2019 RM</b>	<b>2018 RM</b>
Marc Conleth Industries Sdn. Bhd. paid the following dividends since the end of the previous financial year:		
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 period ended 30 April 2019.	<b>5,184,951</b>	-
Interim single-tier dividend of RM12.500000 per share, on 1,000,000 ordinary shares, declared and paid on 29 March 2018 in respect of financial period ended 31 March 2018.	-	12,500,000
	<b>5,184,951</b>	<u>12,500,000</u>
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.	<b>500,000</b>	-
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.	<b>500,000</b>	-
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.	<b>500,000</b>	-
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.	<b>1,000,000</b>	-
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.	<b>640,000</b>	-
	<b>3,140,000</b>	-
	<b>8,324,951</b>	<u>12,500,000</u>

## **Cosmos Technology International Sdn. Bhd.**

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### **30. Significant events**

- (a) During the financial year, on 11 April 2018, Marc Conleth Industries Sdn. Bhd. entered into a Sale and Purchase Agreement with MSM Kitchen Sdn. Bhd., a related party, to dispose a piece of leasehold land with a factory building held under H.S.(M). 14012 PT 1801, Mukim Cheras, Daerah Hulu Langat, Negeri Selangor, bearing postal address as Lot 1801, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor for a consideration of RM6,413,000. On 1 October 2018, Marc Conleth Industries Sdn. Bhd. entered into a Supplemental Agreement with MSM Kitchen Sdn. Bhd., to vary the selling price from RM6,413,000 to RM11,597,951. This was a consequence of the valuation of the property by the authorities for purposes of real property gain tax amounting to RM13,800,000. The disposal was completed on 7 December 2018.
- (b) On 20 April 2018, Cosmos Instruments Sdn. Bhd. entered into a Sale and Purchase Agreement with a third party to dispose a piece of freehold land with a unit of three (3) storey semi-detached factory distinguished as Lot 19 erected on the land and held under H.S.(D). 42111 PT 54651, Mukim Dengkil, Daerah Sepang, Negeri Selangor, bearing postal address as No. 6, Jalan IMP 1/3, Pusat Teknologi Sinar Meranti, Taman Industri Meranti Perdana, 47120 Puchong, Selangor with a consideration of RM4,000,000. The sale was completed on 6 September 2018.
- (c) On 26 March 2018, Marc Conleth Industries Sdn. Bhd. entered into a Sale and Purchase Agreement with Dato' Chong Toh Wee to purchase the entire issued share capital of Cosmos Instruments Sdn. Bhd. comprising 400,000 ordinary shares of the company in exchange for 600,000 ordinary shares of Marc Conleth Industries Sdn. Bhd. comprising 60% of the issued share capital held by Marc Conleth Industries Sdn. Bhd.'s immediate holding company, MSM International Limited. The consideration for the acquisition and shares exchange has been determined by the Directors of Marc Conleth Industries Sdn. Bhd. at RM2,830,564. On 18 December 2018, Marc Conleth Industries Sdn. Bhd. completed the acquisition and Marc Conleth Industries Sdn. Bhd. became the ultimate and immediate holding company of Cosmos Instruments Sdn. Bhd..

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**Statement by Directors**  
**Pursuant to Section 251(2) of the Companies Act 2016**

We, Dato' Chong Toh Wee and Ng Boon Keong, being two of the Directors of Cosmos Technology International Sdn. Bhd., do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 1 to 61 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group as at 30 April 2019 and 30 April 2018 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 14 August 2019.



**Dato' Chong Toh Wee**  
Director

Shah Alam



**Ng Boon Keong**  
Director

**Statutory Declaration**  
**Pursuant to Section 251(1) of the Companies Act 2016**

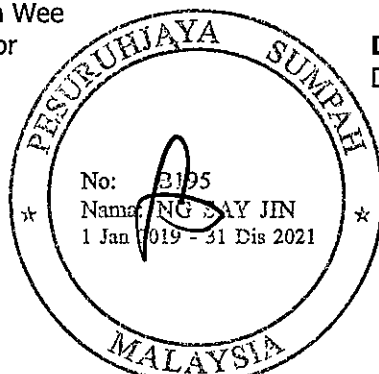
I, Dato' Chong Toh Wee, being the Director primarily responsible for the financial management of Cosmos Technology International Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 1 to 61 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
the abovenamed Dato' Chong Toh Wee  
at Puchong in the state of Selangor  
on 14 August 2019.



**Dato' Chong Toh Wee**  
Director

Before me,



No. C-2-45, IOI Boulevard  
Jalan Kenari 5  
Bandar Puchong Jaya  
47170 Puchong, Selangor

## **Independent Practitioner's Assurance Report on the Compilation of Pro Forma Financial Information Included in the Information Memorandum of Cosmos Technology International Sdn. Bhd.**

(Company No: 1326549-P)  
(Incorporated in Malaysia)

### **Report on the Compilation of Pro Forma Financial Information Included in the Information Memorandum**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Cosmos Technology International Sdn. Bhd. by the Directors of the Company. The pro forma financial information consists of the pro forma statement of financial position as at 30 April 2019 and 30 April 2018, the pro forma statement of comprehensive income for the year ended 30 April 2019 and 30 April 2018, the pro forma statement of changes in equity for the year ended 30 April 2019 and 30 April 2018, the pro forma statement of cash flows for the year ended 30 April 2019 and 30 April 2018, and notes to the pro forma financial information, including significant accounting policies, as set out on pages 1 to 61. The applicable criteria on the basis of which the Directors of the Company has compiled the pro forma financial information are specified in Bursa Securities Leap Market Requirements and as described in Note 2 *Basis of the Compilation of Pro Forma Financial Information*.

As described in detail in Note 2, the pro forma financial information has been compiled by the Directors of the Company to illustrate the impact as if a common control and combined financial information has occurred and the entities deemed under common control were operating as a single economic enterprise from 1 May 2017 and the financial information were for operations carried out for the 12-month period ended 30 April 2019 and 30 April 2018. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors of the Company from its subsidiaries' financial statements for the year ended 30 April 2019 and 30 April 2018, on which an audit report has been issued.

### **The Directors' Responsibility for the Pro Forma Financial Information**

The Directors of the Company are responsible for compiling the pro forma financial information on the basis specified in Bursa Securities Leap Market Requirements and as described in Note 2 to the pro forma financial information.

### **Practitioner's Responsibilities**

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the Directors of the Company on the basis specified in Bursa Securities Leap Market Requirements and as described in Note 2 to the pro forma financial information.



## **Independent Practitioner's Assurance Report on the Compilation of Pro Forma Financial Information Included in the Information Memorandum of Cosmos Technology International Sdn. Bhd. (continued)**

(Company No: 1326549-P)  
(Incorporated in Malaysia)

### **Practitioner's Responsibilities (continued)**

We conducted our engagement in accordance with 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. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma financial information on the basis specified in Bursa Securities Leap Market Requirements and as described in Note 2 to the pro forma financial information.

For purposes 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 financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information to be included in the Company's Information Memorandum 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 events or transactions at the dates selected for purposes of compilation would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of the Company in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

**Independent Practitioner's Assurance Report on the  
Compilation of Pro Forma Financial Information Included in  
the Information Memorandum of  
Cosmos Technology International Sdn. Bhd. (continued)**

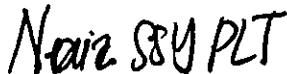
(Company No: 1326549-P)  
(Incorporated in Malaysia)

**Practitioner's Responsibilities (continued)**

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 financial information has been properly compiled on the basis described in Paragraph 2 above of our Report.



**Nexia SSY PLT**  
LLP0019490-LCA & AF002009  
Chartered Accountants



**Michelle Yong Voon Sze**  
No. 02864/07/2020 J  
Chartered Accountant

Shah Alam  
14 August 2019

Registration no.: 201901017221 (1326549-P)

**APPENDIX II – COMPILATION OF INTERIM PRO FORMA FINANCIAL INFORMATION  
FOR THE 4-MONTH FPE 31 AUGUST 2019 AND 31 AUGUST 2018**

**Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

**Unaudited Statement of Financial Position  
as at 31 August 2019**

	<b>Unaudited 31.8.2019 RM</b>	Unaudited 31.8.2018 RM
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>4,218,126</b>	14,650,979
<b>Current assets</b>		
Inventories	<b>10,148,228</b>	7,160,728
Trade and other receivables	<b>9,627,338</b>	32,334,025
Other current assets	<b>1,921,535</b>	2,085,859
Fixed deposits with licensed banks, cash and bank balances	<b>6,310,754</b>	5,177,919
	<b>28,007,855</b>	46,758,532
Non-current assets held for sale	-	3,124,634
<b>TOTAL ASSETS</b>	<b>32,225,981</b>	64,534,144
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	<b>1,400,002</b>	1,400,000
Retained earnings	<b>10,951,947</b>	14,637,821
<b>TOTAL EQUITY</b>	<b>12,351,949</b>	16,037,821
<b>Non-current liabilities</b>		
Borrowings	<b>1,601,767</b>	400,101
Deferred tax liabilities	<b>104,861</b>	204,194
	<b>1,706,628</b>	604,295
<b>Current liabilities</b>		
Trade and other payables	<b>10,481,191</b>	29,026,550
Borrowings	<b>7,337,612</b>	18,066,021
Provision of taxation	<b>348,601</b>	799,457
	<b>18,167,404</b>	47,892,028
<b>TOTAL LIABILITIES</b>	<b>19,874,032</b>	48,496,323
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>32,225,981</b>	64,534,144

## **Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

### **Unaudited Statement of Comprehensive Income for the financial period ended 31 August 2019**

	<b>Unaudited 1.5.2019 to 31.8.2019 RM</b>	Unaudited 1.5.2018 to 31.8.2018 RM
Revenue	<b>11,298,706</b>	20,790,114
Cost of sales	<b>(8,178,258)</b>	(15,745,111)
Gross profit	<b>3,120,448</b>	5,045,003
Other operating income	<b>990,510</b>	533,409
Selling and distribution expenses	<b>(1,120,827)</b>	(1,785,677)
Administrative expenses	<b>(1,685,385)</b>	(949,705)
Profit from operations	<b>1,304,746</b>	2,843,030
Finance costs	<b>(194,184)</b>	(273,595)
Profit before taxation	<b>1,110,562</b>	2,569,435
Taxation	<b>(246,000)</b>	(564,389)
Profit for the period	<b>864,562</b>	2,005,046

**Cosmos Technology International Sdn. Bhd.**  
(Incorporated in Malaysia)

**Unaudited Statement of Changes in Equity  
for the financial period ended 31 August 2019**

	<u>Non-distributable</u> Share capital RM	<u>Distributable</u> Retained earnings RM	Total equity RM
At 1 May 2019	1,400,000	10,087,385	11,487,385
Issuance of shares	2	-	2
Profit for the period	-	864,562	864,562
At 31 August 2019	<u>1,400,002</u>	<u>10,951,947</u>	<u>12,351,949</u>
At 1 May 2018	1,400,000	13,132,775	14,532,775
Dividends paid	-	(500,000)	(500,000)
Profit for the period	-	2,005,046	2,005,046
At 31 August 2018	<u>1,400,000</u>	<u>14,637,821</u>	<u>16,037,821</u>

**Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

**Unaudited Statement of Cash Flows  
as at 31 August 2019**

	<b>Unaudited 1.5.2019 to 31.8.2019 RM</b>	Unaudited 1.5.2018 to 31.8.2018 RM
<b>Cash flows from operating activities</b>		
Profit before taxation	<b>1,110,562</b>	2,569,435
Adjustments for:		
Rental income	<b>(5,100)</b>	(182,146)
Depreciation of property, plant and equipment	<b>293,221</b>	317,423
Loss on disposal of property, plant and equipment	<b>283,500</b>	2,158
Impairment loss on non-current assets held for sale	<b>-</b>	6,338
Interest expense	<b>194,184</b>	273,595
Interest income	<b>(30,924)</b>	(43,102)
Operating gain before working capital changes	<b>1,845,443</b>	2,943,701
Increase in inventories	<b>(2,261,343)</b>	(2,104,070)
Decrease/(increase) in trade and other receivables	<b>9,375,521</b>	(11,529,411)
Decrease/(increase) in other current assets	<b>244,751</b>	(226,884)
(Decrease)/increase in trade and other payables	<b>(5,209,080)</b>	11,008,181
(Decrease)/increase in bills payable	<b>(298,706)</b>	1,762,242
Cash generated from operations	<b>3,696,586</b>	1,853,759
Interest paid	<b>(146,265)</b>	(143,528)
Tax paid	<b>(197,835)</b>	(220,000)
Net cash generated from operating activities	<b>3,352,486</b>	1,490,231
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	<b>500,000</b>	-
Purchase of property, plant and equipment	<b>(507,196)</b>	(58,795)
Interest received	<b>30,924</b>	43,102
Rental received	<b>5,100</b>	182,146
Net cash generated from investing activities	<b>28,828</b>	166,453
<b>Cash flows from financing activities</b>		
Repayment of finance lease liabilities	<b>(320,861)</b>	(265,407)
Repayment of term loan	<b>-</b>	(261,359)
Term loan interest paid	<b>-</b>	(108,311)
Finance lease interest paid	<b>(47,919)</b>	(21,756)
Proceed from issuance of shares	<b>2</b>	-
Increase in fixed deposits held under lien	<b>(11,658)</b>	(15,392)
Dividend paid	<b>-</b>	(500,000)
Net cash used in financing activities	<b>(380,436)</b>	(1,172,225)
<b>Net increase in cash and cash equivalents</b>	<b>3,000,878</b>	484,459
Cash and cash equivalents at beginning of the period	<b>1,121,185</b>	710,696
<b>Cash and cash equivalents at end of the period</b>	<b>4,122,063</b>	1,195,155

## **Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

### **Part A: Explanatory Notes Pursuant to MFRS134**

#### **1. Basis of preparation**

The unaudited interim financial statement Cosmos Technology International Sdn. Bhd. "the Company") has been prepared in accordance with MFRS134 - Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB").

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 April 2019 and the accompanying explanatory notes attached to this unaudited interim financial statements.

#### **2. Changes in accounting policies**

The significant accounting policies adopted by the Group in the condensed consolidated interim financial statements are consistent with those of the Group's audited financial statements for the financial year ended 30 April 2019, except for the adoption of the following new standards with effect from 1 January 2019 and onwards. The adoptions of these new and revised MFRSs do not have any or significant impact to the financial statements, except for MFRS 16:

<b>Title</b>		<b>Effective Date</b>
MFRS 16:	Leases	1 January 2019
IC Interpretation 23:	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3:	Business Combinations	1 January 2020
Amendments to MFRS 7:	Financial Instruments: Disclosures	1 January 2020
Amendments to MFRS 9:	Financial Instruments	1 January 2020
Amendments to MFRS 101:	Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108:	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 139:	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 17:	Insurance Contracts	1 January 2021
Amendments to MFRS 10:	Consolidated Financial Statements	Deferred
Amendments to MFRS 128:	Investments in Associates and Joint Ventures	Deferred

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.



## **Cosmos Technology International Sdn. Bhd.**

(Incorporated in Malaysia)

### **3. Seasonal or Cyclical Factors**

The business operations of the Company during the financial period ended 31 August 2019 have not been materially affected by any seasonal or cyclical factors.

### **4. Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 31 August 2019.

### **5. Changes in Critical Accounting Estimates and Judgements**

There were no material changes in critical accounting estimates and judgements during the financial period ended 31 August 2019.

### **6. Debts and Equity Securities**

There were no issuances, repurchases or repayments of debt and equity securities during the financial period ended 31 August 2019.

### **7. Dividend Paid**

There were no dividends paid during the current financial period ended 31 August 2019.

### **8. Segmental Information**

Segmental information in respect of the Group's business segments is as follows, please refer to Section 8.4.2 of the Information Memorandum for further details:-

	<b>Unaudited 1.5.2019 to 31.8.2019 RM</b>	Unaudited 1.5.2018 to 31.8.2018 RM
Water and wastewater industries	<b>2,799,157</b>	4,298,075
Oil and gas industry	<b>8,499,549</b>	16,492,039
	<b><u>11,298,706</u></b>	<u>20,790,114</u>

## Cosmos Technology International Sdn. Bhd.

(Incorporated in Malaysia)

### 9. Profit before Taxation

Included in the profit before taxation are the following items:-

	<b>Unaudited 1.5.2019 to 31.8.2019 RM</b>	Unaudited 1.5.2018 to 31.8.2018 RM
Auditors' remuneration		
Statutory audit		
- current year	<b>8,000</b>	12,967
- under provision in prior years	<b>4,000</b>	-
Depreciation of property, plant and equipment	<b>293,221</b>	317,423
Finance cost		
- bank overdraft interest	<b>40,997</b>	54,259
- bills payable interest	<b>105,268</b>	89,269
- finance lease interest	<b>47,919</b>	21,756
- term loan interest	-	108,311
Impairment loss on non-current assets held for sale	-	6,338
Loss on disposal of property, plant and equipment	<b>283,500</b>	2,158
Rental of factory	<b>60,000</b>	194,000
Rental of machinery	<b>120,000</b>	113,600
Rental of premises	<b>31,400</b>	32,000
Staff costs	<b>1,809,633</b>	1,328,025

### 10. Valuation of Equipment

There were no valuation on equipment during the financial period ended 31 August 2019.

### 11. Capital Commitments

The amount of capital expenditure for property, plant and equipment not provided for in the interim financial statements as at 31 August 2019 was as follows:

	Unaudited 31.8.2019 RM
Motor vehicles	<u>113,223</u>

### 12. Contingent Assets and Liabilities

There were no material contingent assets and liabilities.

### 13. Changes in Composition of the Group

There were no changes of the Group during the financial period ended 31 August 2019.

**Cosmos Technology International Sdn. Bhd.**  
(Incorporated in Malaysia)

**14. Significant Events Occurring After the Financial Period**

There were no material contingent assets and liabilities.

**15. Review of Performance**

Please refer to Section 8.4 of the Information Memorandum for details of the review of the Company's performance.

**16. Commentary of Prospect**

Please refer to the Section 3.17 of the Information Memorandum for details of the commentary on the Company's prospect.