
9. RISK FACTORS

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS**9.1.1 We may be materially and adversely affected by events relating to the ongoing COVID-19 pandemic or other similar future outbreaks, epidemics or pandemics**

The outbreak of pandemics of infectious diseases or other health epidemics may create substantial economic uncertainty and global instability, which may adversely affect business operations and overall economic activity globally.

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. The COVID-19 pandemic has disrupted the global economy and resulted in travel and transportation restrictions, prolonged closures of workplaces, businesses and schools, significant strains on national health systems, social distancing measures and many other, related consequences. Given the uncertainties as to the development of the COVID-19 pandemic, it is difficult to predict how long these conditions will persist and the extent to which we may be affected by these conditions.

Please refer to Section 7.8.2 of the Prospectus for the impact of COVID-19 to our business and operations and the measures and precautions taken by us to continue our operations.

During the COVID-19 pandemic, our Group recorded an increase in revenue from RM25.19 million in FYE 2020 to RM33.72 million in FYE 2021 mainly due to increased orders secured and delivered due to increased orders for flowmeters from different states' water authorities for upgrading and replacing existing flowmeters including the postponement of delivery of orders received for flowmeters between 19 March 2020 and 30 April 2020 which were fulfilled between May 2020 and September 2020. Further, our Group had recorded an increase in revenue from RM33.72 million in FYE 2021 to RM49.12 million in FYE 2022 mainly due to, among others, the higher demand from our Oil and Gas Customers as a result of the global recovery of average crude oil price in 2021. We have not experienced any termination or cancellation of any of the contracts with our customers and we were still able to procure new contracts with our customers during the MCO period. In addition, we have not experienced any shortage in inventory and product supply.

Nevertheless, if there is any tightening of movement restriction in the future which results in reduction of workforce or closure of our operations, there can be no assurance that our manufacturing or distribution schedule will not be materially impacted and that we will be able to fulfil our orders in a timely manner. Further, there can be no assurance that our customers will not initiate any penalty claims against our Group arising from the delay, which may result in adverse impact on our financial performance.

As a result of the outbreak of COVID-19 and since the implementation of the MCO, we have been required to implement various restrictions and other obligations on our operations at our manufacturing facility and workers' accommodation to combat the spread of COVID-19, such as social distancing measures and strict hygiene requirements.

Throughout the duration of the various phases of MCO implemented in Malaysia, a total of 9 of our employees tested positive for COVID-19, all of whom have since recovered and returned to work and there were no material disruptions to our business operations.

Notwithstanding that our Group has taken all necessary precautionary measures and steps in response to the COVID-19 situation, there can be no assurance that our employees will not be infected by the COVID-19 virus in future. A spread of such infection among our employees as well as the resulting quarantine and closure of offices and manufacturing facility may affect our ability to carry out our business. These disruptions to our business operations may in turn delay our supply and delivery of products to our customers, which may consequently result in adverse impact on our financial performance. Further, as the employer, we will need to bear all the costs associated with the swab test and quarantine cost of our employees as well as the cost of sanitisation and disinfection works at the affected premises.

9. RISK FACTORS (CONT'D)

Although the roll-out of vaccines has started in Malaysia since December 2020, there is no assurance that the COVID-19 pandemic will not persist or that there will not be another resurgence of the COVID-19 virus or other contagious or virulent diseases. If adverse events materialise and persists for an extended period of time together with movement and business operation restrictions, our business operations and financial performance may be adversely affected.

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

We are dependent on Siemens Malaysia for the distribution of fluid control products to our Water Customers. For FYE Under Review, Siemens Malaysia contributed approximately 24.54%, 46.09%, 62.45% and 38.18% of our Group's total purchases, respectively.

Presently, Siemens Malaysia is our main supplier of the fluid control products that we distribute. If Siemens Malaysia terminates the Solution Partner Contract and cease supplying fluid control products to us, the loss of supply may have a negative impact on our financial performance.

We have been an authorised distributor for Siemens Malaysia since 2007. In 2018, we were appointed as the solution partner for Digital Factory and Process Industries and Drives Division by Siemens Malaysia because of their confidence in our capabilities to represent their brand and products through our proven track record and sales performance.

We had entered into the Solution Partner Contract with Siemens Malaysia to govern our business relationship. Notwithstanding that we have developed a long-term business relationship with Siemens Malaysia, if we breach any clauses in the Solution Partner Contract without remedy, Siemens Malaysia would have the right to terminate the Solution Partner Contract in which event, we would lose the support and assistance from Siemens Malaysia, which is a crucial element to our operations, marketing and profitability, lose the incentives and benefits that we enjoy and the right to brand ourselves as the Solution Partner of Siemens Malaysia. The termination of the Solution Partner Contract could also have a material adverse impact on our relationship with our customers as we may be unable to provide and secure the same level of support and assistance to our customers. We may lose our customers as a result, which will cause a material adverse effect to our operations and profitability especially if it relates to our major customers.

Notwithstanding we have a strong working partnership with Siemens Malaysia, there is no assurance that they will continue to appoint us as their authorised distributor or supply products to us. Any changes in our business relationship may have an adverse effect on our Group's future operations and financial performance.

9.1.3 We are dependent on our major customers

Our Group's major customers are NOV (Malaysia) Sdn Bhd and National Oilwell Varco, Inc., for FYE Under Review, these major customers in aggregate contributed 71.79%, 56.18%, 26.62% and 33.64% of our Group's total revenue respectively. Further, in FYE 2022, NOV Process & Flow Technologies Malaysia Sdn Bhd had become one of our Group's major customers and contributed 15.50% of our Group's total revenue in FYE 2022.

National Oilwell Varco, Inc., a company listed on the New York Stock Exchange, is the parent company of NOV (Malaysia) Sdn Bhd and NOV Process & Flow Technologies Malaysia Sdn Bhd. National Oilwell Varco, Inc. is principally involved in the provision of equipment and components used in oil and gas drilling and production operations, oilfield services, and supply chain integration services to the upstream oil and gas industry while NOV (Malaysia) Sdn Bhd and NOV Process & Flow Technologies Malaysia Sdn Bhd are principally involved in the manufacturing of machinery for the oil and gas industry.

9. RISK FACTORS (CONT'D)

Notwithstanding that the revenue from NOV (Malaysia) Sdn Bhd and National Oilwell Varco, Inc. has decreased over the FYEs 2019 to 2021, we expect that these 3 major customers will continue to contribute significantly to our Group's revenue in the future in light of the improving crude oil prices as evident in FYE 2022 which they have contributed, in aggregate, 49.14% of our Group's total revenue. Any loss of these major customers and our inability to replace these customers with new customers or with additional orders from our existing customers in a timely manner, could result in a loss of revenue and may have an adverse impact on our financial performance. Further, even though we may be able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and maintain and/or improve our profit margins as our Group may be required to be price competitive when securing new customers. If such adverse events occur, our financial performance will be adversely affected.

In 2020, we have expanded our fabricated metal products for the water and wastewater industries by producing lamella plates and are leveraging on our established working relationships with our Water Customers to promote and market our fabricated metal products to them. In addition, we have been expanding our sales of fluid control products and instrumentation services to our Water Customers. For the FYE Under Review, our Group's revenue from the distribution of fluid control products and instrumentation services amounted to RM11.38 million, RM10.48 million, RM18.02 million and RM19.06 million, respectively.

Nevertheless, there is no assurance that sales to our Water Customers will be able to mitigate our dependency on these major customers.

9.1.4 We may experience delays or disruptions in supply from our suppliers

Presently, we are largely dependent on our suppliers, particularly Siemens Malaysia, for the supply of the fluid control products that we distribute. In the event our suppliers experience delays or disruptions in the production of the fluid control products, it would directly affect our supplies to our customers. Such delays or disruptions in the supply of fluid control products may materially and adversely impact our Group's business operations and financial performance. As at the LPD, we have not experienced any major disruptions in supply from our suppliers.

For our fabricated metal products, we are not dependent on any single supplier in the supply of metal-based raw materials and we do not enter into long term agreements or contracts with any of our suppliers as metal-based raw materials are easily sourced locally and internationally. However, there is no assurance that we will be able to procure the metal-based raw materials from other suppliers at a favourable price in a timely manner which may affect our production schedule and/or financial performance. Any major disruption or cessation of supply from our suppliers may result in a shortage of supply of raw materials which may affect our production schedule and operations and consequently, our financial performance.

9.1.5 We rely on our subcontractors for some processes of our manufacturing

There are certain processes of the manufacturing of our products that are outsourced to our subcontractors, either due to the limited production capacity of our Group when our Group receives large number of orders or due to the requirement for specific machinery or process to manufacture certain products as specified by our customers such as heat treatment, punching, and laser services. Our reliance on our subcontractors will persist until we are able to expand our operations with higher production capacity or procure the required machineries. From this perspective, we are dependent on our subcontractors to perform their works and deliver their services in a timely manner.

For the FYE Under Review, the total subcontractor fees incurred by our Group are between 5.57% and 10.94% of our total cost of sales.

9. RISK FACTORS (CONT'D)

As we are accountable to our customers to provide quality products, our Group manages the overall project planning and management of the subcontracted services. As we rely on our subcontractors to complete the processes of our manufacturing currently, we ensure that our customers will obtain the products in accordance with the project schedule. In the event the products do not meet the necessary requirements upon completion of the processes, we are entitled to reject the products processed by our subcontractors and will require rectification or replacement of the affected products from our subcontractors.

Although we have long-term business relationships with our subcontractors, there are no formal agreements or contracts signed with the subcontractors, and engagements with our subcontractors are based on purchase orders. In the event our subcontractors are unable to accept our purchase orders, we will need to engage other subcontractors to assist us in the fulfilment of the manufacturing processes required. Any unsuccessful attempt to engage subcontractor services to fulfil the manufacturing processes required in a timely manner may result in delays in project deliverables to our customers, which will subsequently affect our industry reputation. Additionally, we may experience cost overruns as we may have to engage other new subcontractors at a higher cost. Further, should our subcontractors face any disruptions to their business operations resulting in a delay in completing the processes required for our products, it may result in delays to our project delivery schedule.

As at the LPD, we have not experienced any major disruptions to our business operations arising from the reliance on our subcontractors. Nevertheless, there is no assurance that we can always procure such services in a timely manner for our future projects, our financial performance and business operations will not be adversely affected due to the need to change subcontractors, and there will not be any delays in our project delivery caused by prolonged unexpected delays by our subcontractors.

9.1.6 We are subject to the availability and volatility in prices of our raw materials and supplies

Our Group's raw materials mainly consist of steel materials used in the manufacturing of our fabricated metal products. Our raw materials are mainly sourced locally. The price of our raw materials fluctuates in accordance with the global steel prices in the market.

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

Conversely, decreasing steel prices will result in a similar drop in our selling prices and affect the net realisable value of our inventories produced by MCI. This may have an adverse impact on our financial performance if we had purchased steel inventories at a higher cost. Nevertheless, we have been able to renegotiate our selling prices of our fabricated metal products based on global steel prices which allows us to pass on the purchase costs of materials with our Oil and Gas Customers during the FYE Under Review. In view of the above, our financial performance during the FYE Under Review were not materially affected by the fluctuation of raw materials arising from the global steel prices in the market.

As at the LPD, we have not faced any difficulties in purchasing our raw materials which have had any material effect on our operations. In addition, we have not experienced any major disruptions in supply of raw materials for our operations. However, there can be no assurance that any shortages of raw materials or any increase in raw material prices will not have any adverse effect on our financial performance.

9. RISK FACTORS (CONT'D)

9.1.7 We are subject to the risk of termination or non-renewal of partnership agreements

Our Group has entered into partnership agreements with 2 of our major suppliers, namely Siemens Malaysia and LACROIX Sofrel for the distribution of Siemens and Sofrel products, respectively, in Malaysia.

The partnership agreement entered into by Cosmos Instruments with Siemens Malaysia refers to the Solution Partner Contract. The Solution Partner Contract between Cosmos Instruments and Siemens Malaysia is in relation to the participation of Cosmos in the Solution Partner Program with regards to, amongst others, sale and marketing of Siemens' products, systems, applications and software. Cosmos Instruments as the partner of Siemens Malaysia may enjoy the marketing support provided by Siemens Malaysia. Furthermore, Cosmos Instruments will be published as a Solution Partner in Siemens (AG) Germany's website, which enables foreign clients who wish to engage in process instrumentation services in Malaysia to contact Cosmos Instruments. The latest Solution Partner Contract is effective until 30 September 2022, with an automatic extension until 30 September 2023. Both Siemens Malaysia and Cosmos Instruments may terminate the Solution Partner Contract provided it gives at least 3 months prior written notice is given to the other party.

The partnership agreement entered into by Cosmos Instruments with LACROIX Sofrel refers to the Channel Partner Agreement. Under the Channel Partner Agreement, Cosmos Instruments shall market and sell the LACROIX products in Malaysia in accordance with the terms and conditions of the Channel Partner Agreement. The Channel Partner Agreement will expire on 31 December 2023, unless terminated earlier by Cosmos Instruments giving 2 months' notice in writing to LACROIX Sofrel. Nevertheless, the Channel Partner Agreement may also be terminated at any time if it is mutually consented by both parties. There is no renewal clause provided in the Channel Partner Agreement.

These partnership agreements provide us with preferential terms for our purchases and technical support which includes prices and credit terms in respect of the products purchased from Siemens Malaysia and LACROIX Sofrel as well as technical training (product/technology knowledge transfer) provided to the employees of Cosmos Instruments, when required.

We have developed continuous business relationships with Siemens Malaysia and LACROIX Sofrel, and we have good payment track records for our purchases. We have never experienced any non-renewal of the partnership agreements with Siemens Malaysia and/or termination of the partnership agreements with Siemens Malaysia and LACROIX Sofrel. However, in the event of termination or non-renewal of the partnership agreements, we may not be able to enjoy competitive pricing for the products we purchase or receive technical support from our suppliers. We may be required to purchase the products of these brands from other authorised partners, which may result in a higher cost of sales for our Group. Furthermore, we may not be able to source for the specific products in our desired quantity and hence restrict our ability to fulfil our customers' orders, which may cause delays to our customers' projects.

Our partnership agreements with Siemens Malaysia and LACROIX Sofrel are not exclusive. We may face increasing levels of competition in the trading activities of these brands if our suppliers decide to grant further distributorships to other industry players in the water and wastewater industries. As such, our business and financial performance may be adversely affected due to increased competition.

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

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

9. RISK FACTORS (CONT'D)

We recognise the importance of attracting and retaining our executive directors and key management team, and have in place competitive remuneration packages, especially for our executive directors and key management, as well as providing a good working environment which promotes productivity and loyalty. In addition, efforts are constantly made to continuously attract new skilled personnel to strengthen our Group's management team. We are also making an effort to groom the next generation of management personnel as part of our succession planning efforts.

Nevertheless, there is no assurance that any change in the executive directors and key management team will not have an adverse effect on our Group's business and future performance.

9.1.9 We are dependent on our trained workers at our manufacturing facility

Our manufacturing facility requires trained workers to carry out the manufacturing and fabrication processes and we are dependent on these workers to operate our machineries to produce fabricated metal products according to our customers' specifications and requirements. The required skillsets to be a trained worker for the manufacturing and fabrication processes as well as for operating the machineries to produce fabricated metals products refer to handling and/or programming of machineries as well as changing the tools and jigs of the machineries.

If we are unable to hire and train these workers, there is a risk that we may not have sufficient workers to take over or replace our trained workers if they resign or leave their employment. Accordingly, the business operations at our manufacturing facility may be materially and adversely affected.

As at the LPD, we have employed 39 trained workers, consisting local and foreign permanent workers, to carry out the manufacturing and fabrication processes in our manufacturing facility. Any disruption or scarcity in supply of trained workers may adversely affect our business operations. Although we have not experienced any major shortage of trained workers that has materially disrupted our business in the past, there can be no assurance that we will not face shortage of trained workers in the future. Due to the COVID-19 pandemic outbreak and the closing of international borders, we have experienced difficulties in hiring trained workers and have had to, among others, subcontract certain production processes to other third parties. We have taken steps to reduce our reliance on trained workers by automating a substantial part of our welding process by using robotic welding machines.

There is no assurance that we will be able to hire trained workers in a timely manner and our business and financial conditions and prospects will not be affected due to any difficulties or delay in hiring trained workers.

9.1.10 We are exposed to the credit risks of our customers

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

9. RISK FACTORS (CONT'D)

We have not experienced any significant credit issues with our customers during the FYE Under Review and up to the LPD and these customers have maintained good payment records in their past dealings with us. In addition, we have established credit management policies and procedures to maintain healthy financial status. We will also conduct credit risk assessment on our new customers to assess their creditworthiness and we will continuously monitor the outstanding balance and collection of our trade receivables.

Nevertheless, there can be no assurance that all our trade receivables will be collected in full as and when they fall due. In the event we are not able to collect payments from our customers, we may have to make allowance for doubtful debts or may be required to write-off the uncollectible trade receivables as bad debts and should such events occur, our cash flows and financial performance may be adversely affected.

9.1.11 We are exposed to foreign exchange fluctuation risks

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

Our contract prices are quoted based on exchange rates that are reviewed from time to time to match the current exchange rate.

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

There is no assurance that any fluctuation in the exchange rate of RM against the USD and/or EUR will not have a material adverse impact on our financial performance in the future. In addition, there can be no assurance that any other foreign exchange administrative rule imposed or varied by any relevant authority from time to time will not materially affect the business and/or financial performance of our Group.

9.1.12 We may not have adequate insurance coverage

We have several insurance policies including personal accident policies for our employees, burglary insurance, fire insurance, forklift insurance, and goods in transit insurance to ensure that we have adequate insurance coverage for our distribution and manufacturing operations. For the FYE Under Review and up to the LPD, we have not encountered any events that resulted in any insurance claims of a material nature.

As these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events, we are unable to guarantee that the insurance coverage will be adequate in all circumstances to cover the losses, damages or liabilities which we may incur, in the event that any of the abovementioned incidences take place or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all.

To the extent that any such risks are uninsured, not covered under our insurance policies, or where the insurance protection is insufficient to cover such risks, we may have to bear such losses, damages or liabilities and consequently our business and financial performance may be materially and adversely affected.

9. RISK FACTORS (CONT'D)

Further, the insurance coverage will be reviewed by our Group on a yearly basis and there can be no assurance that such insurance policies will continue to be available on terms and prices acceptable to us.

9.1.13 We depend on our ability to secure new projects and customers

Our future profitability and financial performance depend on our ability to secure new projects and customers. The orders for our fluid control and other related products and fabricated metal products secured by our Group are generally on a purchase order basis and we generally do not have long-term contracts with our customers save for the framework agreements with Air Selangor. We secure our sales from our customers when they place a purchase order to our sales department.

Our sales and marketing teams are constantly communicating with our existing customers to obtain new orders, securing new customers as well as looking out for new tenders to participate in. The absence of long-term contracts poses a risk of losing our existing customers since they are not obliged to continue engaging us for our products and services. If we were to lose any of our customers, particularly our major customers, and are unable to secure sales from new customers or additional sales from our existing customers in a timely manner, our business and financial performance may be adversely affected.

9.1.14 We are dependent on certain licences, certifications, registrations, permits and approvals

We are required to obtain and hold valid licences, certifications, registrations, permits and approvals granted by local authorities such as local municipal council (such as Majlis Perbandaran Kajang), CIDB, SPAN, MITI and MOF for the continuity of our business as set out in Section 7.15 of this Prospectus. We must comply with the conditions and restrictions that are imposed by the relevant local authorities to maintain such licences, certifications, registrations, permits and approvals. Our licences, certifications, registrations, permits and approvals may be suspended or cancelled if we fail to comply with the applicable requirements or any required conditions. There is also a risk of delay or refusal to grant the renewal of such licences, certifications, registrations, permits and approvals.

Failure in keeping or renewing the requisite licences, certifications, registrations, permits and approvals may result in the suspension or restriction of our business operations, where we may be unable to participate in tenders or carry out ongoing works, which will adversely affect our business and financial performance.

9.2 RISKS RELATING TO OUR INDUSTRY**9.2.1 We depend on the performance of the oil and gas industry as well as the water and wastewater industries**

As our major customers operate in the oil and gas industry as well as the water and wastewater industries, any adverse economic conditions in these industries as well as the decline in crude oil prices may cause our customers to postpone their investments, delay the commencement or implementation of their projects or initiate other cost-cutting initiatives to improve their financial positions. This could potentially result in a reduction for the demand of fluid control products and instrumentation services and fabricated metal products for shale shakers. If our customers' demand for our products decline, our Group's business and financial performance may be materially and adversely affected.

9. RISK FACTORS (CONT'D)

9.2.2 We face competition risk from other competitors

We face competition from other competitors offering other brands of fluid control products for water and wastewater industries. A highly competitive market may result in competitive pricing. If our competitors reduce the price for their products, we may lose business from our customers, and this may have a material adverse effect on our business and financial performance.

We also face competition from other manufacturers of fabricated metal products which serve the water, wastewater, and oil and gas industries. Other competitors may be able to provide better quality fabrication or solutions to our customers.

Whilst we compete based on the product features, quality of our products, service rendered, reliability and technical expertise, there is no assurance that we will be able to compete effectively with our competitors. If we are not able to compete in an effective manner, our business and financial performance may be adversely affected.

9.2.3 We are subject to economic, social, political and regulatory risks in Malaysia

Our operations are concentrated in Malaysia and are governed by the terms of the licences awarded by relevant local authorities including MITI, CIDB and SPAN. As such, the business prospects and financial performance of our Group depend on the political, economic and regulatory conditions in Malaysia. Any adverse developments or uncertainties in political, economic or regulatory conditions could unfavourably affect our financial position and business prospects.

Any other adverse change in the economic conditions of Malaysia including any unfavourable change in inflation rates, interest rates and foreign exchange rates, expropriation, changes in political leadership, unfavourable change in government policies and regulations such as introduction of new regulations and changes in accounting and tax policies may have an adverse impact on our business, financial performance and prospects.

9.3 RISKS RELATING TO OUR SHARES**9.3.1 The offering of our Shares may not result in an active liquid market for our Shares**

Prior to our Listing, we were listed on the LEAP Market on 9 March 2020 until we were delisted on 10 November 2021. Our Listing does not guarantee that an active market for the trading of our Shares will develop, or if developed, such market can be sustained. There is also no assurance as to the liquidity of the market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

9.3.2 Our Listing may be delayed or aborted

Our Listing may be delayed or aborted should any of the following occurs:

- (i) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein;
- (ii) we are unable to meet the public shareholding spread requirement under the Listing Requirements, whereby at least 25.00% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares at the point of our Listing; and
- (iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

9. RISK FACTORS (CONT'D)

Where prior to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall refund all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which our Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA upon expiration of that period until full refund is made; or
- (ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, our Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA upon expiration of that period until full refund is made; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
 - (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Cosmos Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the IPO Price upon or subsequent to our Listing.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes on Bursa Securities, thus, the market price of our Shares may be subject to fluctuations.

9. RISK FACTORS (CONT'D)

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold approximately 67.50% of our enlarged issued share capital upon Listing. Therefore, our Promoters will be able to effectively control the business direction and management of our Group and may have significant influence on the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting either by law and/or by the relevant regulations and/or authorities.

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10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions

Save as disclosed below, there are no other material related party transactions entered by our Group which involved the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the FYE Under Review and from 1 May 2022 up to the LPD:

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | | |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------|----------|----------------------|----------|---|----------|---|-------------------------------|---|---|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % | |
| FIC Kitchen Technology Sdn Bhd ⁽¹⁶⁾ and MCI | FIC Kitchen Technology Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM. Chan Wen Chau is a director of MSM and our subsidiary, MCI. | Sales of metal products by MCI to FIC Kitchen Technology Sdn Bhd. This is a recurrent transaction and will not subsist after our listing. | 46,850 | 0.11 ⁽¹⁾ | - | - | - | - | - | - | - | - | |
| | | Sub-let of property to FIC Kitchen Technology Sdn Bhd for use as factory. ⁽⁶⁾ This was a recurrent transaction and did not subsist since MCI novated their rights, title, interests and obligations to MSM Equipment Manufacturer Sdn Bhd. ⁽⁶⁾ | 120,000 | 4.90 ⁽²⁾ | - | - | - | - | - | - | - | - | - |
| | | Purchases of fabricated metal products by MCI from FIC Kitchen Technology Sdn Bhd. | - | - | 184 | 0.001 ⁽³⁾ | - | - | - | - | - | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------|----------|---------------------|----------|---|----------|---------------------|-------------------------------|---|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % |
| | | This is a recurrent transaction and will not subsist after our listing. | | | | | | | | | | |
| Globalink Metal Sdn Bhd ⁽¹⁶⁾ and MCI | Major shareholder of Globalink Metal Sdn Bhd is an immediate family member of Chan Wen Chau, the director of MSM and our subsidiary, MCI. | Payment by MCI for metal fabrication subcontracting services provided by Globalink Metal Sdn Bhd. This is a recurrent transaction and will not subsist after our listing. | 123,465 | 0.37 ⁽³⁾ | - | - | - | - | 122,446 | 0.35 ⁽³⁾ | - | - |
| Globalink Metal Stamping Sdn Bhd ⁽¹⁶⁾ and MCI | Major shareholder of Globalink Metal Stamping Sdn Bhd is an immediate family member of Chan Wen Chau, the director of MSM and our subsidiary, MCI. | Sales of metal fabrication parts and installation services to Globalink Metal Stamping Sdn Bhd. This is a recurrent transaction and will not subsist after our listing. | - | - | 3,142 | 0.01 ⁽¹⁾ | - | - | - | - | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------------------|----------|---------------------|----------|---------------------|----------|---------------------|-------------------------------|---|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % |
| ISET ⁽¹⁶⁾ and Cosmos Instruments | Our promoter, substantial shareholder and Managing Director namely Dato' Chong, is the substantial shareholder of ISET. | Sales of instrumentations by Cosmos Instruments to ISET. This is a recurrent transaction and will subsist after our listing. | 1,233,207 | 2.80 ⁽¹⁾ | 284,464 | 1.13 ⁽¹⁾ | 554,404 | 1.64 ⁽¹⁾ | 42,361 | 0.09 ⁽¹⁾ | - | - |
| | | Purchase of hardware accessories by Cosmos Instruments from ISET. This is a recurrent transaction and will not subsist after our listing. | 3,514 | 0.01 ⁽³⁾ | - | - | 18,750 | 0.09 ⁽³⁾ | - | - | - | - |
| | | Payment by Cosmos Instruments for sub-contractor's works provided by ISET. This is a recurrent transaction and will subsist after our listing. | 700 | 0.002 ⁽³⁾ | 14,098 | 0.08 ⁽³⁾ | 163,169 | 0.75 ⁽³⁾ | 64,172 | 0.18 ⁽³⁾ | - | - |
| | | Rental of property to Cosmos Instruments for use as office. ⁽⁷⁾ This was a recurrent transaction and did not subsist since the | 96,000 | 3.08 ⁽⁴⁾ | 16,000 | 0.36 ⁽⁴⁾ | - | - | - | - | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------|----------|---------------------|----------|---------------------|----------|---------------------|-------------------------------|---|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % |
| | | tenancy agreement was terminated. ⁽⁷⁾ | | | | | | | | | | |
| | | Rental of motor vehicles to Cosmos Instruments from ISET. This is a recurrent transaction and will not subsist after our listing. | - | - | 7,345 | 0.16 ⁽⁴⁾ | 24,400 | 0.73 ⁽⁴⁾ | 21,700 | 0.40 ⁽⁴⁾ | - | - |
| | | Purchase of motor vehicles by Cosmos Instruments from ISET. ⁽¹⁷⁾ This is a one-off transaction. | - | - | - | - | - | - | 76,000 | 0.29 ⁽⁵⁾ | - | - |
| ISET ⁽¹⁶⁾ and MCI | ISET is owned by our promoter, substantial shareholder and Managing Director, namely Dato' Chong | Sales of fabricated metal products by MCI to ISET. This is a recurrent transaction and will not subsist after our listing. | 63,802 | 0.14 ⁽¹⁾ | 16,819 | 0.07 ⁽¹⁾ | - | - | - | - | - | - |
| MSM Equipment Manufacturer Sdn Bhd ⁽¹⁶⁾ and MCI | MSM Equipment Manufacturer Sdn Bhd is a subsidiary company of our promoter | Purchases of fabricated metal products by MCI from MSM Equipment Manufacturer Sdn Bhd. ⁽¹⁹⁾ This is a recurrent transaction and will | 205,130 | 0.62 ⁽³⁾ | 8,732 | 0.05 ⁽³⁾ | 19,056 | 0.09 ⁽³⁾ | 4,797 | 0.01 ⁽³⁾ | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------|----------|---|----------|---------------------|----------|---|-------------------------------|---|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % |
| | and substantial shareholder, namely MSM. | subsist after our listing. | | | | | | | | | | |
| | Our substantial shareholders namely Chan Kee Sieng and Chan Kit Moi, are the directors of MSM and MSM Equipment Manufacturer Sdn Bhd. | Sales of fabricated metal parts by MCI to MSM Equipment Manufacturer Sdn Bhd. ⁽¹⁹⁾ This is a recurrent transaction and will not subsist after our listing. | - | - | - | - | 21,321 | 0.06 ⁽¹⁾ | - | - | - | - |
| | Chan Wen Chau is also a director of MSM, MSM Equipment Manufacturer Sdn Bhd and our subsidiary, MCI. | Sub-let of property to MSM Equipment Manufacturer Sdn Bhd for use as factory ⁽⁸⁾ . This was a recurrent transaction and did not subsist since the tenancy agreement was terminated. ⁽⁸⁾ | 10,000 | 0.41 ⁽²⁾ | - | - | - | - | - | - | - | - |
| | | Outsourcing of welding and assembly jobs to MSM Equipment Manufacturer Sdn Bhd. This is a recurrent transaction and will not subsist after our listing. | - | - | - | - | 7,545 | 0.03 ⁽³⁾ | - | - | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | | |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------|----------|---------------------|----------|---------------------|----------|---|-------------------------------|---|---|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % | |
| MSM Kitchen Sdn Bhd ⁽¹⁶⁾ and MCI | MSM Kitchen Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM. Our substantial shareholders namely Chan Kee Sieng and Chan Kit Moi, are the directors of MSM and MSM Kitchen Sdn Bhd. Chan Wen Chau is also a director of MSM, MSM Kitchen Sdn Bhd and our subsidiary, MCI. | Sales of fabricated metal products by MCI to MSM Kitchen Sdn Bhd. This is a recurrent transaction and will subsist after our listing. | 14,500 | 0.03 ⁽¹⁾ | 37,700 | 0.15 ⁽¹⁾ | 14,588 | 0.04 ⁽¹⁾ | - | - | - | - | |
| | | Purchases of raw materials and fabricated metal products by MCI from MSM Kitchen Sdn Bhd. This is a recurrent transaction and will not subsist after our listing. | 956,321 | 2.88 ⁽³⁾ | - | - | - | - | - | - | - | - | - |
| | | Rental of property to MSM Kitchen Sdn Bhd for use as factory. ⁽⁹⁾ This was a recurrent transaction and did not subsist since the tenancy agreement was terminated. ⁽⁹⁾ | 90,000 | 3.67 ⁽²⁾ | - | - | - | - | - | - | - | - | - |
| | | Subcontract fee paid by MCI for fabrication services provided by MSM Kitchen Sdn Bhd. | 6,160 | 0.02 ⁽³⁾ | - | - | - | - | - | - | - | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------------------|----------|---------------------|----------|----------------------|----------|---------------------|-------------------------------|---|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % |
| | | This is a recurrent transaction and will not subsist after our listing. | | | | | | | | | | |
| | | Disposal of leasehold land and building by MCI to MSM Kitchen Sdn Bhd. ⁽¹⁰⁾ This is a one-off transaction. | 11,597,951 | 100.96 ⁽⁵⁾ | - | - | - | - | - | - | - | - |
| MSM Metal Industries Sdn Bhd ⁽¹⁶⁾ and MCI | MSM Metal Industries Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM. Our substantial shareholders namely Chan Kee Sieng and Chan Kit Moi, are the directors of MSM and MSM Metal Industries Sdn Bhd. | Sales of fabricated metal products by MCI to MSM Metal Industries Sdn Bhd. This is a recurrent transaction and will subsist after our listing. | 21,686 | 0.05 ⁽¹⁾ | 15,728 | 0.06 ⁽¹⁾ | 294 | 0.001 ⁽¹⁾ | 58,341 | 0.12 ⁽¹⁾ | - | - |
| | | Purchases of raw materials and fabricated metal products by MCI from MSM Metal Industries Sdn Bhd. This is a recurrent transaction and will subsist after our listing. | 3,491,013 | 10.51 ⁽³⁾ | 44,182 | 0.25 ⁽³⁾ | 15,077 | 0.07 ⁽³⁾ | 26,975 | 0.08 ⁽³⁾ | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|---------------------|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------|----------|---------------------|----------|---------------------|----------|---------------------|-------------------------------|---------------------|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % |
| | Chan Wen Chau is also a director of MSM, MSM Metal Industries Sdn Bhd and our subsidiary, MCI. | Rental paid by MCI to MSM Metal Industries Sdn Bhd for machineries used for production purposes, from May 2018 to April 2019, at a monthly rental of RM27,000. This is a recurrent transaction and will not subsist after our listing. | 324,000 | 0.98 ⁽³⁾ | 216,000 | 1.23 ⁽³⁾ | - | - | - | - | - | - |
| | | Management fee charged by MSM Metal Industries Sdn Bhd to MCI. This is a recurrent transaction and will not subsist after our listing. | - | - | 104,391 | 2.33 ⁽⁴⁾ | - | - | - | - | - | - |
| | | Rental of property to MCI for use as factory. ⁽¹¹⁾ This is a recurrent transaction and will subsist after our listing. | 180,000 | 0.54 ⁽³⁾ | 180,000 | 1.03 ⁽³⁾ | 180,000 | 0.82 ⁽³⁾ | 180,000 | 0.51 ⁽³⁾ | 45,000 | 0.43 ⁽³⁾ |
| | | Subcontract fee paid by MCI for fabrication services provided by MSM Metal Industries Sdn Bhd. | 25,000 | 0.08 ⁽³⁾ | - | - | 2,442 | 0.01 ⁽³⁾ | - | - | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------|----------|---------------------|----------|---------------------|----------|---|-------------------------------|---|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % |
| | | This is a recurrent transaction and will not subsist after our listing. | | | | | | | | | | |
| Moscoss Services Sdn Bhd ⁽¹²⁾ ⁽¹⁶⁾ and Cosmoss Instruments | Our promoter, substantial shareholder and Managing Director namely Dato' Chong, was a director and shareholder of Moscoss Services Sdn Bhd ⁽¹³⁾ | Subcontract charges incurred by Cosmoss Instruments for flowmeter verification test ⁽¹⁸⁾ performed by Moscoss Services Sdn Bhd. This is a recurrent transaction and will not subsist after our listing. | 2,910 | 0.01 ⁽³⁾ | - | - | - | - | - | - | - | - |
| OMS Technology Sdn Bhd ⁽¹⁶⁾ and MCI | OMS Technology Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM. Chan Wen Yee is the director for both OMS Technology Sdn Bhd and our subsidiary, MCI. | Sales of cleanroom products to OMS Technology Sdn Bhd by MCI. This is a recurrent transaction and will not subsist after our listing. | 68,720 | 0.16 ⁽¹⁾ | 72,375 | 0.29 ⁽¹⁾ | 43,945 | 0.13 ⁽¹⁾ | - | - | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------|----------|---------------------|----------|---------------------|----------|---|-------------------------------|---|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % |
| | Chan Wen Chau is a director of MSM, OMS Technology Sdn Bhd and our subsidiary, MCI. | | | | | | | | | | | |
| Toyomi Engineering Sdn Bhd ⁽¹⁶⁾ and MCI | <p>Toyomi Engineering Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM.</p> <p>Our substantial shareholders namely Chan Kee Sieng and Chan Kit Moi, are the directors of MSM and Toyomi Engineering Sdn Bhd.</p> <p>Chan Wen Chau is also a director of MSM and our</p> | <p>Purchases of fabricated metal products by MCI from Toyomi Engineering Sdn Bhd.</p> <p>This is a recurrent transaction and will not subsist after our listing.</p> | 353,195 | 1.06 ⁽³⁾ | 148,540 | 0.85 ⁽³⁾ | 100,901 | 0.46 ⁽³⁾ | - | - | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------|----------|---|----------|---------------------|----------|---|-------------------------------|---|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % |
| | subsidiary, MCI. | | | | | | | | | | | |
| Marc16 Equipment Manufacturing Sdn Bhd ⁽¹⁶⁾ and MCI | Marc16 Equipment Manufacturing Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM ⁽¹⁴⁾ . Chan Wen Chau and Chan Wen Yee are directors of both Marc16 Equipment Manufacturing Sdn Bhd and our subsidiary, MCI. | Payment by MCI to Marc16 Equipment Manufacturing Sdn Bhd for machine repairing works. This is a recurrent transaction and will not subsist after our listing. | - | - | - | - | 10,500 | 0.05 ⁽³⁾ | - | - | - | - |
| Flexacon Automation System Sdn Bhd ⁽¹⁶⁾ and MCI | Flexacon Automation System Sdn Bhd is a subsidiary company of our promoter and substantial shareholder, namely MSM. | Acquisition of machinery by MCI from Flexacon Automation System Sdn Bhd. This is a one-off transaction. | 170,000 | 1.48 ⁽⁵⁾ | - | - | - | - | - | - | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of relationship | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|---------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------|---|----------|---------------------|----------|---------------------|----------|---------------------|-------------------------------|---------------------|
| | | | RM | % | RM | % | RM | % | RM | % | RM | % |
| | Chan Wen Chau and Chan Wen Yee are the directors of both Flexacon Automation System Sdn Bhd and our subsidiary, MCI. | Payment by MCI to Flexacon Automation System Sdn Bhd for engineering services. This is a one-off transaction. | - | - | - | - | 35,485 | 0.16 ⁽³⁾ | - | - | - | - |
| | | Rental of property to MCI for use as office. ⁽¹⁵⁾ This is a recurrent transaction and will subsist after our listing. | - | - | 30,000 | 0.67 ⁽⁴⁾ | 33,000 | 0.99 ⁽⁴⁾ | 39,000 | 0.72 ⁽⁴⁾ | 9,000 | 0.72 ⁽⁴⁾ |

Notes:

- (1) Computed based on our Group's revenue for the financial year/period.
- (2) Computed based on our Group's other income for the financial year/period.
- (3) Computed based on our Group's cost of sales for the financial year/period.
- (4) Computed based on our Group's administrative expenses for the financial year/period.
- (5) Computed based on our Group's NA for the financial year/period.
- (6) MCI and Hew Fook had on 12 February 2014 entered into a tenancy agreement pursuant to which MCI rented the factory located at PT 51414 Pekan Cheras, Daerah Ulu Langat, Selangor ("**Property**") from Hew Fook from 20 January 2014 to 19 January 2017. MCI further sub-let a section of the Property to FIC Kitchen Technology Sdn Bhd for a period of 1 year commencing from 1 April 2018 to 31 March 2019 at a monthly rental of RM10,000. On 11 September 2019, MCI, Hew Fook and MSM Equipment Manufacturer Sdn Bhd entered into a novation agreement where MCI novated their rights, title, interests and obligations to MSM Equipment Manufacturer Sdn Bhd.
- (7) ISET and Cosmos Instruments had on 1 October 2018 entered into a tenancy agreement pursuant to which Cosmos Instruments rented the office building located at No. 9, Jalan PPU 3A, Pusat Teknologi Sinar Puchong, 47150 Puchong, Selangor Darul Ehsan from ISET. The tenancy was for a period of 2 years commencing from 1 October 2018 to 30 September 2020 at a monthly rental of RM8,000. The tenancy agreement was terminated on 30 June 2019.

10. RELATED PARTY TRANSACTIONS (CONT'D)

- (8) MSM Equipment Manufacturer Sdn Bhd and MCI had on 1 January 2018 entered into a tenancy agreement pursuant to which MSM Equipment Manufacturer Sdn Bhd rented the factory located at Lot 1801, Jalan KPB 1, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan from MCI. The tenancy was for a period of 1 year from 1 January 2018 to 31 December 2018 at a monthly rental of RM2,000. The tenancy agreement was terminated on 30 September 2018.
- (9) MSM Kitchen Sdn Bhd and MCI had on 1 January 2018 entered into a tenancy agreement pursuant to which MSM Kitchen Sdn Bhd rented the factory located at Lot 1801, Jalan KPB 1, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan from MCI. The tenancy was for a period of 1 year from 1 January 2018 to 31 December 2018 at a monthly rental of RM18,000. The tenancy agreement was terminated on 30 September 2018.
- (10) MCI had on 11 April 2018 and 1 October 2018 entered into a sale and purchase agreement and a supplemental agreement with MSM Kitchen Sdn Bhd for the disposal of all that piece of leasehold land held under individual title H.S.(M) 14012, PT 1801, Mukim Cheras, Daerah Hulu Langat, Negeri Selangor ("**Land**") measuring approximately 7332.9031 sq. m. in area together with a factory erected thereon and bearing the postal address of Lot 1801, Jalan KPB 1, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor for a disposal price of RM11,597,951 ("**Disposal of Land**"). The disposal price transacted was based on MCI's net book value. The sale and purchase of the Land has been completed on 11 October 2018.
- (11) MSM Metal Industries Sdn Bhd and MCI dated 1 July 2019 entered into a tenancy agreement pursuant to which MCI rented the factory located at Lot 24645, Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan ("**Existing Factory**") from MSM Metal Industries Sdn Bhd. The tenancy is for a period of 2 years commencing from 1 July 2019 to 30 June 2021 at a monthly rental of RM15,000 with an option to renew for 2 years. Upon expiration of the tenancy agreement, MSM Metal Industries Sdn Bhd and MCI had on 1 July 2021 entered into a new tenancy agreement for the rental of the Existing Factory. The new tenancy is for a period of 2 years commencing from 1 July 2021 to 30 June 2023 at a monthly rental of RM15,000 with an option to renew for 2 years.
- (12) Moscos Services Sdn Bhd has been struck off the Register of Companies by CCM on 22 September 2021.
- (13) Dato' Chong resigned as the director of Moscos Services Sdn Bhd on 28 May 2019 and ceased to be the shareholder of Moscos Services Sdn Bhd on 14 June 2019.
- (14) MSM disposed Marc16 Equipment Manufacturing Sdn Bhd on 8 September 2021.
- (15) Flexacon Automation System Sdn Bhd and MCI had on 1 July 2021 entered into a tenancy agreement pursuant to which MCI rents the first floor office located at No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor Darul Ehsan from Flexacon Automation System Sdn Bhd. The tenancy is for a period of 2 years commencing from 1 July 2021 to 30 June 2023 at a monthly rental of RM3,000 with an option to renew for 2 years.
- (16) The following are the principal business activity for each of the related parties as follows:

| Related Party | Nature of Business |
|------------------------------------|-----------------------------------------------------------------------------------------------------------|
| FIC Kitchen Technology Sdn Bhd | Manufacturing, trading and servicing of stainless steel equipment |
| Globalink Metal Sdn Bhd | Metal engineering works |
| Globalink Metal Stamping Sdn Bhd | Metal engineering works |
| ISET | Designing, supplying, installation, testing and commissioning of complete mechanical and electrical works |
| MSM Equipment Manufacturer Sdn Bhd | Manufacturing, trading and servicing of all types of steel equipment |
| MSM Kitchen Sdn Bhd | Manufacturing, trading and servicing of all types of steel equipment |
| MSM Metal Industries Sdn Bhd | Manufacturing, trading and servicing of all types of steel equipment |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Related Party | Nature of Business |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Moscoss Services Sdn Bhd | Provides service of industrial and automation equipment |
| OMS Technology Sdn Bhd | Design, build and validate for clean environment |
| Toyomi Engineering Sdn Bhd | Trading and servicing of all types of steel equipment |
| Marc16 Equipment Manufacturing Sdn Bhd | Trading, design and supply of machine |
| Flexacon Automation System Sdn Bhd | Manufacturing, trading, installation, consultation and servicing of industrial automation systems, equipment and machinery and other information technology products and systems |

- (17) Cosmos Instruments had purchased 2 motor vehicles from ISET amounting to RM76,000 for our Group's business operations purposes. Previously, Cosmos Instruments had been renting motor vehicles from ISET as Cosmos Instruments did not have sufficient motor vehicles to perform instrumentation services which consist of consultation and advice, design and integration of telemetry solutions, installation and commissioning, calibration and testing, maintenance and training of fluid control products. In view of the rental costs and increasing usage of the motor vehicles, Cosmos Instruments had subsequently decided to purchase the abovementioned motor vehicles from ISET as it is more cost-effective.
- (18) The verification test refers to one of the standard tests which was set by Siemens Malaysia as and when required to confirm the functionality of the flowmeters. The standard test includes measuring actual parameters for the flowmeter system, verifying the test results against original defined parameters as well as measuring parameters from the wet calibration.
- (19) The fabricated metal products MCI purchased and/or sold from and/or to MSM Equipment Manufacturer Sdn Bhd are different products whereby, the fabricated metal products purchased by MCI from MSM Equipment Manufacturer Sdn Bhd are stainless steel parts and components whereas, the fabricated metal products sold by MCI to MSM Equipment Manufacturer Sdn Bhd are metal parts.

10. RELATED PARTY TRANSACTIONS (CONT'D)
10.1.2 Summary of related party transactions entered by our Group

Below is a summary of the related party transactions listed in Section 10.1.1 of this Prospectus aggregated on the basis that such transactions have been entered into by our Group with the same related party:

| Transacting parties | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|------------------------|--------------------------------------------------------------------------------------------------|------------|-----------------------|----------|---------------------|----------|---------------------|----------|---------------------|-------------------------------|---|
| | | RM | % | RM | % | RM | % | RM | % | RM | % |
| ISET | Sales of instrumentations by Cosmos Instruments | 1,233,207 | 2.80 ⁽¹⁾ | 284,464 | 1.13 ⁽¹⁾ | 554,404 | 1.64 ⁽¹⁾ | 42,361 | 0.09 ⁽¹⁾ | - | - |
| | Purchase of hardware accessories by Cosmos Instruments | 3,514 | 0.01 ⁽³⁾ | - | - | 18,750 | 0.09 ⁽³⁾ | - | - | - | - |
| | Payment by Cosmos Instruments for sub-contractor's works provided by ISET | 700 | 0.002 ⁽³⁾ | 14,098 | 0.08 ⁽³⁾ | 163,169 | 0.75 ⁽³⁾ | 64,172 | 0.18 ⁽³⁾ | - | - |
| | Rental of property to Cosmos Instruments for use as office | 96,000 | 3.08 ⁽⁴⁾ | 16,000 | 0.36 ⁽⁴⁾ | - | - | - | - | - | - |
| | Purchase of motor vehicles by Cosmos Instruments | - | - | - | - | - | - | 76,000 | 0.29 ⁽⁵⁾ | - | - |
| | Rental of motor vehicles to Cosmos Instruments from ISET | - | - | 7,345 | 0.16 ⁽⁴⁾ | 24,400 | 0.73 ⁽⁴⁾ | 21,700 | 0.40 ⁽⁴⁾ | - | - |
| | Sales of fabricated metal parts by MCI | 63,802 | 0.14 ⁽¹⁾ | 16,819 | 0.07 ⁽¹⁾ | - | - | - | - | - | - |
| MSM group of companies | Sales of fabricated metal products by MCI to MSM's subsidiaries | 83,036 | 0.19 ⁽¹⁾ | 53,428 | 0.21 ⁽¹⁾ | 36,203 | 0.10 ⁽¹⁾ | 58,341 | 0.12 ⁽¹⁾ | - | - |
| | Purchases of fabricated metal products by MCI from MSM's subsidiaries | 5,005,659 | 15.07 ⁽³⁾ | 201,638 | 1.15 ⁽³⁾ | 135,034 | 0.62 ⁽³⁾ | 31,772 | 0.09 ⁽³⁾ | - | - |
| | Sub-let and rental payment by MSM's subsidiaries for use as factory | 220,000 | 8.98 ⁽²⁾ | - | - | - | - | - | - | - | - |
| | Subcontract/outsourcing fees paid by MCI for fabrication services provided by MSM's subsidiaries | 31,160 | 0.10 ⁽³⁾ | - | - | 9,987 | 0.04 ⁽³⁾ | - | - | - | - |
| | Disposal of leasehold land and building by MCI to MSM Kitchen Sdn Bhd | 11,597,951 | 100.96 ⁽⁵⁾ | - | - | - | - | - | - | - | - |

10. RELATED PARTY TRANSACTIONS (CONT'D)

| Transacting parties | Nature of transaction | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | | From 1 May 2022 up to the LPD | |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------|----------|---------------------|----------|---------------------|----------|---------------------|-------------------------------|---------------------|
| | | RM | % | RM | % | RM | % | RM | % | RM | % |
| | Rental paid by MCI to MSM Metal Industries Sdn Bhd for machineries used for production purposes, from May 2018 to April 2019, at a monthly rental of RM27,000. | 324,000 | 0.98 ⁽³⁾ | 216,000 | 1.23 ⁽³⁾ | - | - | - | - | - | - |
| | Management fee charged by MSM Metal Industries Sdn Bhd to MCI | - | - | 104,391 | 2.33 ⁽⁴⁾ | - | - | - | - | - | - |
| | Rental of property by MSM Metal Industries Sdn Bhd to MCI for use as factory | 180,000 | 0.54 ⁽³⁾ | 180,000 | 1.03 ⁽³⁾ | 180,000 | 0.82 ⁽³⁾ | 180,000 | 0.51 ⁽³⁾ | 45,000 | 0.43 ⁽³⁾ |
| | Sales of cleanroom products to OMS Technology Sdn Bhd by MCI | 68,720 | 0.16 ⁽¹⁾ | 72,375 | 0.29 ⁽¹⁾ | 43,945 | 0.13 ⁽¹⁾ | - | - | - | - |
| | Payment by MCI to Marc16 Equipment Manufacturing Sdn Bhd for machine repairing works | - | - | - | - | 10,500 | 0.05 ⁽³⁾ | - | - | - | - |
| | Acquisition of machinery by MCI from Flexacon Automation System Sdn Bhd | 170,000 | 1.48 ⁽⁵⁾ | - | - | - | - | - | - | - | - |
| | Payment by MCI to Flexacon Automation System Sdn Bhd for engineering services | - | - | - | - | 35,485 | 0.16 ⁽³⁾ | - | - | - | - |
| | Rental of property by Flexacon Automation System Sdn Bhd to MCI for use as office | - | - | 30,000 | 0.67 ⁽⁴⁾ | 33,000 | 0.99 ⁽⁴⁾ | 39,000 | 0.72 ⁽⁴⁾ | 9,000 | 0.72 ⁽⁴⁾ |

10. RELATED PARTY TRANSACTIONS (CONT'D)

Notes:

- (1) *Computed based on our Group's revenue for the financial year/period.*
- (2) *Computed based on our Group's other income for the financial year/period.*
- (3) *Computed based on our Group's cost of sales for the financial year/period.*
- (4) *Computed based on our Group's administrative expenses for the financial year/period.*
- (5) *Computed based on our Group's NA for the financial year/period.*

Our Directors are of the opinion that, save for the Disposal of Land, the related party transactions were carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties. The Disposal of Land, which was transacted based on its net book value, was carried out as part of the internal restructuring exercise undertaken by MSM and its subsidiaries (including MCI) prior to its disposal of 60% equity interest in MCI to Dato' Chong. Based on the foregoing, our Board is of the view that the conflict of interest situations arising from the related party transactions as set out above are mitigated.

Further to the above, our Directors confirm that, save for the rental of property by ISET to Cosmos Instruments for use as office and rental of property by MSM Metal Industries Sdn Bhd to MCI for use as factory, our Group is not reliant on ISET and MSM group of companies for the other transactions as detailed above. Notwithstanding the above, our Group had on 14 January 2022, entered into the sale and purchase agreement with the Vendor for the acquisition of the New Building which will enable our Group to consolidate Cosmos Instruments' and MCI's management, operations and production space in the New Building at one location. Upon completion of the acquisition of the New Building, our Group will not be reliant on ISET and MSM Metal Industries Sdn Bhd for the rental of the office and factory.

Our Directors also confirm that there are no other material related party transactions that have been entered by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them but not yet effected up to the date of this Prospectus.

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek our shareholders' approval each time our Company enters into a material related party transaction. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time it wishes to enter into such recurrent related party transactions during the validity period of the mandate.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, among others, supervise and monitor any related party transactions and the terms thereof and report to our Board for further action, as set out in Section 10.2.1 of this Prospectus. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

In the event there are any proposed related party transactions that require the prior approval of our shareholders, the Directors, substantial shareholders, and/or persons connected with them which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Such interested Director and/or substantial shareholder will also undertake to ensure that the person connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.1.3 Transactions that are unusual in their nature or conditions

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and/or any of our Subsidiaries was a party for the FYE Under Review and up to the LPD.

10.1.4 Outstanding loans and/ or financial assistance to or for the benefit of related parties (including guarantees of any kind)

There are no outstanding loans and/or financial assistance (including guarantees of any kind) that have been granted or made by our Company and/or any of our Subsidiaries to or for the benefit of the related parties for the FYE Under Review and up to the LPD.

10.1.5 Outstanding loans and/or financial assistance by our related parties (including guarantees of any kind)

Save as disclosed below, there are no outstanding loans and/or financial assistance (including guarantees of any kind) that have been granted or made by our related parties to or for the benefit of our Company and/or Subsidiaries for the FYE Under Review and up to the LPD.

Our Director, namely, Dato' Chong has provided personal guarantees for the banking facilities and hire purchase facilities extended by Alliance Bank Malaysia Berhad, Public Bank Berhad, and Public Islamic Bank Berhad, respectively ("**Financiers**") to Cosmos Instruments.

In addition, our Director, namely Ng Boon Keong, and directors of MCI, namely Chan Wen Chau and Chan Wen Yee have provided personal guarantees for the banking facilities and hire purchase facilities extended by AmBank (M) Berhad and Public Bank Berhad ("**MCI Financiers A**") to MCI.

Further, our Promoter, MSM, has provided corporate guarantees for the banking facilities and hire purchase facilities extended by United Overseas (Malaysia) Bank Berhad, AmBank (M) Berhad and Alliance Bank Malaysia Berhad ("**MCI Financiers B**") to MCI.

(MCI Financiers A and MCI Financiers B are collectively known as "**MCI Financiers**")

Our Director, namely Ng Boon Keong, directors of MCI, namely Chan Wen Chau and Chan Wen Yee and our Promoter, MSM have provided joint and several guarantee and corporate guarantee, respectively ("**Guarantees**") for the banking facilities extended by Alliance Bank Malaysia Berhad to MCI. The Guarantees are allowed to be lifted upon successful listing of our Company on the ACE Market.

In conjunction with our Listing, we have applied to the Financiers and MCI Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to the Financiers and MCI Financiers. Until such release and/or discharge are obtained from the Financiers and MCI Financiers, Dato' Chong, Ng Boon Keong, Chan Wen Chau and Chan Wen Yee will continue to guarantee the banking facilities extended to our Group.

As at the date of this Prospectus, we have received approvals from all our Financiers and MCI Financiers to discharge the above guarantees subject to the conditions, amongst others, that we substitute the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to the Financiers and MCI Financiers upon our successful Listing.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.2.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee reviews related party transactions to ensure that there is no conflicts of interest situation that may arise within our Group. The Audit and Risk Management Committee reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of conduct. In reviewing the related party transactions, the following, among other things, will be considered:

- (i) the rationale and the cost/benefit to our Company or our Group is first considered;
- (ii) where possible, comparative quotes will be taken into consideration;
- (iii) that the transactions are carried out on an arm's length basis and based on normal commercial terms which are not more favourable to the related parties than those generally available to third parties; and
- (iv) that the transactions are not detrimental to our Company's non-interested shareholders.

All reviews by our Audit and Risk Management Committee are reported to our Board for its further action.

10.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and in some cases, shareholders of the related parties of our Group and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions shall be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Group, and carried out on arm's length basis and are based on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and are not detrimental to our Company's non-interested shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situation and intend for the framework to be guided by the Listing Requirements and MCGG upon our Listing. The procedures which may form part of the framework include, among others, the following:

- (i) our Board shall ensure that majority of our Board members are independent directors and will undertake an annual assessment of our independent Directors;
- (ii) our Directors will be required to immediately make full disclosure of any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

11. CONFLICT OF INTEREST

11.1 INTEREST IN ENTITIES WHICH CARRY ON SIMILAR TRADE AS THAT OF OUR GROUP OR WHICH ARE OUR CUSTOMERS AND/OR OUR SUPPLIERS

As at the LPD, save as disclosed below and in Section 10.1 of this Prospectus, none of our Directors and substantial shareholders has any interest, direct or indirect, in any entity which is:

- (a) carrying on a similar trade as our Group; or
- (b) a customer and/or supplier of our Group.

| No. | Entity | Principal activities | Nature | Interested Directors and substantial shareholders | Nature of interest in the entity |
|-----|-----------|-------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | ISET | Designing, supplying, installation, testing and commissioning of complete mechanical and electrical works | Our customer | Dato' Chong | Dato' Chong is our Promoter, substantial shareholder and Managing Director. He is the shareholder of ISET holding 85% direct equity interest in ISET and his spouse holds the balance 15% direct equity interest in ISET. |
| 2. | MSM group | MSM is an investment holding company. Its subsidiaries' are principally involved in: (i) Contract manufacturing of all metal products; | Our customer/supplier | <ul style="list-style-type: none"> • MSM; • Chan Kee Sieng; • Chan Kit Moi; • Chan Wen Yee; and • Chan Wen Chau | The following companies are subsidiaries of our Promoter and substantial shareholder, namely MSM: (i) FIC Kitchen Technology Sdn Bhd; (ii) MSM Equipment Manufacturer Sdn Bhd; (iii) MSM Kitchen Sdn Bhd; (iv) MSM Metal Industries Sdn Bhd; (v) OMS Technology Sdn Bhd; (vi) Toyomi Engineering Sdn Bhd; (vii) Flexacon Automation System Sdn Bhd; and (viii) Marc16 Equipment Manufacturing Sdn Bhd* |

11. CONFLICT OF INTEREST (CONT'D)

| No. | Entity | Principal activities | Nature | Interested Directors and substantial shareholders | Nature of interest in the entity |
|-----|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | (ii) Contract manufacturing of kitchen equipment and sale of standard kitchen equipment; (iii) Sale and servicing of standard kitchen equipment products; (iv) Sale and servicing of metal parts and kitchen equipment, and design consultancy and installation works; (v) Manufacturing, sale and servicing of refrigeration appliances; (vi) Design, consultancy and installation works for cleanrooms and laboratories; and (vii) Trading, design and supply of machine and conveyor system | | | <p>* Marc16 Equipment Manufacturing Sdn Bhd was a subsidiary of our promoter and substantial shareholder, MSM until its disposal on 8 September 2021.</p> <p>Our substantial shareholder, Chan Kee Sieng, is a director of the following companies:</p> <ul style="list-style-type: none"> (i) MSM; (ii) MSM Equipment Manufacturer Sdn Bhd; (iii) MSM Kitchen Sdn Bhd; (iv) MSM Metal Industries Sdn Bhd; and (v) Toyomi Engineering Sdn Bhd <p>Our substantial shareholder, Chan Kit Moi, is a director of the following companies:</p> <ul style="list-style-type: none"> (i) MSM; (ii) MSM Equipment Manufacturer Sdn Bhd; (iii) MSM Kitchen Sdn Bhd; (iv) MSM Metal Industries Sdn Bhd; and (v) Toyomi Engineering Sdn Bhd <p>Chan Wen Yee is a director of the following companies:</p> <ul style="list-style-type: none"> (i) MCI; (ii) OMS Technology Sdn Bhd; (iii) Marc16 Equipment Manufacturing Sdn Bhd; and (iv) Flexacon Automation System Sdn Bhd <p>Chan Wen Chau is a director of the following companies:</p> <ul style="list-style-type: none"> (i) MSM; (ii) MCI; (iii) MSM Equipment Manufacturer Sdn Bhd; |

11. CONFLICT OF INTEREST (CONT'D)

| No. | Entity | Principal activities | Nature | Interested Directors and substantial shareholders | Nature of interest in the entity |
|-----|--------|----------------------|--------|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | | (iv) MSM Kitchen Sdn Bhd; (v) MSM Metal Industries Sdn Bhd; (vi) OMS Technology Sdn Bhd; (vii) Marc16 Equipment Manufacturing Sdn Bhd; and (viii) Flexacon Automation System Sdn Bhd. |

Notwithstanding the above, our Board is of the view that the interests of Dato' Chong and MSM in the companies as described above do not give rise to any existing or potential conflict of interest situation after taking into consideration the following:

11.1.1 ISET

- (i) although Cosmos Instruments and ISET are involved in the water industry, they are not carrying on a similar nature of business. Cosmos Instruments supplies industrial automation and control instrumentation and services of fluid control products from Siemens Malaysia and LACROIX Sofrel and they have been appointed as the certified partner and solution partner as well as official partner by Siemens Malaysia and LACROIX Sofrel respectively. ISET is a mechanical and electrical (M&E) contractor that carries out the complete range of mechanical and electrical services. The principal activities of Cosmos Instruments and ISET are as set out below:

| Principal activities | |
|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| Cosmos Instruments | ISET |
| Distribution of industrial automation and control instrumentation and servicing of fluid control products | Designing, supplying, installation, testing and commissioning of complete mechanical and electrical works |

If the projects carried out by ISET require fluid control or instrumentation products from Siemens Malaysia and LACROIX Sofrel, ISET would have to purchase these products from Cosmos Instruments as they are the certified partner and solution partner of Siemens Malaysia and official partner of LACROIX Sofrel in Malaysia.

11. CONFLICT OF INTEREST (CONT'D)

Cosmos Instruments' customers include Water Authorities, Water Operators, wastewater treatment plant operators, and industrial and commercial customers and contractors (including ISET) which are involved in water and wastewater industries in Malaysia. ISET's customers include Water Authorities and water and wastewater treatment plant owners;

- (ii) we are not dependent on ISET as our customer as our sales to ISET represents approximately 0.09% of our Group's revenue for the FYE 2022. In addition, we are also not dependent on purchases or services from ISET as there are other suppliers of hardware accessories and sub-contractors available. Our purchases from ISET and payment for sub-contractor works to ISET in aggregate represent approximately 0.18% of our Group's cost of sales for the FYE 2022;
- (iii) all sales to ISET and/or purchases from and rental payments to ISET are transacted on normal commercial terms and on arm's length basis as disclosed in Section 10.1.1 of this Prospectus; and
- (iv) Dato' Chong is not a director of ISET. He does not have any executive role in ISET and is not involved in the day-to-day management of ISET. Furthermore, ISET has its own management team.

11.1.2 MSM group of companies ("MSM Group")

- (i) MCI produces mainly fabricated metal products related to oil and gas industry whereas MSM Group produces fabricated metal products related to kitchen appliances and equipment, customised equipment, precision engineering services, cleanroom and laboratories.

MCI's key customers are National Oilwell Varco, Inc. and NOV (Malaysia) Sdn Bhd, which are involved in the oil and gas industry. MSM Group's customers are mainly involved in semiconductor, power generator, conveyor systems, automotive, agriculture, furniture, food and beverage, cleanroom and laboratory;

- (ii) we are not dependent on MSM Group as our customer as our sales to MSM Group represents approximately 0.12% of our Group's revenue for the FYE 2022. In addition, we are also not dependent on purchases or services from MSM Group as there are other suppliers of fabricated metal products and sub-contractors available. Our purchases from MSM Group and payment for sub-contractor works to MSM Group in aggregate represent approximately 0.09% of our Group's cost of sales for the FYE 2022; and
- (iii) all sales to MSM Group and/or purchases from and rental payments to MSM Group are transacted on normal commercial terms and on arm's length basis as disclosed in Section 10.1.1 of this Prospectus.

Moving forward, our Audit and Risk Management Committee will supervise any actual conflict of interest or potential conflict of interest situations.

In order to mitigate any possible conflict of interest situation, our Directors will declare to our Audit and Risk Management Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group.

11. CONFLICT OF INTEREST (CONT'D)

Our Audit and Risk Management Committee will first then evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Audit and Risk Management Committee will then:

- (a) immediately inform our Board of the conflict of interest situation;
- (b) make recommendations to our Board to direct the conflicted Director to:
 - (i) withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
 - (ii) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Audit and Risk Management Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairperson of the Board, be present at the Board meeting for the purposes of answering any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Audit and Risk Management Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

11.2 DECLARATION BY THE ADVISERS ON CONFLICT OF INTERESTS

(i) Mercury Securities Sdn Bhd

Mercury Securities Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO.

(ii) Wong Beh & Toh

Wong Beh & Toh has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interests in its capacity as Solicitors for our IPO.

(iii) Nexia SSY PLT

Nexia SSY PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interests in its capacity as the auditors and the Reporting Accountants for our IPO.

(iv) Infobusiness Research & Consulting Sdn Bhd

Infobusiness Research & Consulting Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interests in its capacity as the Independent Market Researcher for our IPO.

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated on 14 May 2019 as an investment holding company to facilitate the listing of our Company on the LEAP Market. On 24 September 2019, we completed the acquisition of the entire equity interests in MCI and Cosmos by our Company (“**Acquisition**”) which resulted in Cosmos and MCI becoming our wholly-owned subsidiaries. As such, the pro forma financial information for the FYE 2019 and FYE 2020 were prepared in a manner as if Cosmos and MCI are assumed to be under common control and were operating as a single economic enterprise from 1 May 2018 and prior to the completion of the Acquisition (“**Combined Financial Statements**”), and the financial information for the FYE 2021 and FYE 2022 are presented based on the consolidated audited financial statements of our Group (“**Consolidated Financial Statements**”).

Our historical financial information throughout the FYE 2019 to FYE 2022 have been prepared in accordance with MFRS and IFRS. The following historical combined and consolidated financial information for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022 have been extracted from the Accountants’ Report as set out in Section 14 of this Prospectus.

The historical financial information presented below should be read in conjunction with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Section 12.2 of this Prospectus, our historical Combined Financial Statements and the Consolidated Financial Statements as well as the accompanying notes as set out in the Accountants’ Report included in Section 14 of this Prospectus.

12.1.1 Historical audited combined and consolidated statements of profit or loss and other comprehensive income

| | Audited | | | |
|---------------------------------------|---------------|--------------|---------------|---------------|
| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
| | RM’000 | RM’000 | RM’000 | RM’000 |
| Revenue | 44,078 | 25,189 | 33,723 | 49,120 |
| Cost of sales | (33,218) | (17,505) | (21,901) | (35,471) |
| GP | 10,860 | 7,684 | 11,822 | 13,649 |
| Other income | 2,451 | 1,453 | 296 | 759 |
| Administrative expenses | (3,115) | (4,484) | (3,329) | (5,396) |
| Selling and distribution expenses | (3,235) | (2,134) | (973) | (545) |
| Profit from operations | 6,961 | 2,519 | 7,816 | 8,467 |
| Finance costs | (775) | (550) | (386) | (259) |
| PBT | 6,186 | 1,969 | 7,430 | 8,208 |
| Taxation | (906) | (751) | (1,842) | (2,421) |
| PAT | 5,280 | 1,218 | 5,588 | 5,787 |
| Other selected financial data: | | | | |
| GP margin (%) ⁽¹⁾ | 24.64 | 30.51 | 35.06 | 27.79 |
| EBITDA (RM’000) ⁽²⁾ | 7,737 | 3,419 | 8,557 | 9,369 |
| EBITDA margin (%) ⁽³⁾ | 17.55 | 13.57 | 25.37 | 19.07 |
| PBT margin (%) ⁽⁴⁾ | 14.03 | 7.82 | 22.03 | 16.71 |
| PAT margin (%) ⁽⁵⁾ | 11.98 | 4.84 | 16.57 | 11.78 |
| Basic EPS (sen) ⁽⁶⁾ | 2.74 | 0.63 | 2.90 | 3.01 |
| Diluted EPS (sen) ⁽⁷⁾ | 2.06 | 0.47 | 2.18 | 2.26 |

12. FINANCIAL INFORMATION (CONT'D)

Notes:

- (1) GP margin is computed based on GP over revenue of our Group.
- (2) EBITDA is computed as follows:

| | Audited | | | |
|----------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| PBT | 6,186 | 1,969 | 7,430 | 8,208 |
| Add: Finance costs | 775 | 550 | 386 | 259 |
| Add: Depreciation | 881 | 1,008 | 849 | 1,004 |
| Add: Impairment loss on non-current assets held for sale | 6 | - | - | - |
| Less: Interest income | (111) | (108) | (108) | (102) |
| EBITDA | 7,737 | 3,419 | 8,557 | 9,369 |

- (3) EBITDA margin is computed based on EBITDA over revenue of our Group.
- (4) PBT margin is computed based on PBT over revenue of our Group.
- (5) PAT margin is computed based on PAT over revenue of our Group.
- (6) Calculated based on PAT divided by 192,376,000 number of Shares in issue before the IPO.
- (7) Calculated based on PAT divided by 256,501,300 enlarged number of Shares in issue after the IPO.

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12. FINANCIAL INFORMATION (CONT'D)**12.1.2 Historical audited combined and consolidated statements of financial position**

| | Audited | | | |
|------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | As at 30 April 2019 | As at 30 April 2020 | As at 30 April 2021 | As at 30 April 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 4,435 | 3,967 | 3,766 | 4,215 |
| Right-of-use assets | - | 429 | 231 | 239 |
| Total non-current assets | 4,435 | 4,396 | 3,997 | 4,454 |
| Current assets | | | | |
| Inventories | 7,887 | 10,918 | 10,394 | 10,718 |
| Trade receivables | 15,296 | 5,208 | 9,801 | 15,104 |
| Other receivables | 3,707 | 1,114 | 1,629 | 239 |
| Other current assets | 2,166 | 2,186 | 751 | 1,922 |
| Fixed deposits with licensed banks, cash and bank balances | 4,251 | 10,618 | 10,972 | 13,393 |
| Total current assets | 33,307 | 30,044 | 33,547 | 41,376 |
| Total assets | 37,742 | 34,440 | 37,544 | 45,830 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 1,400 | 13,963 | 13,963 | 13,963 |
| Retained earnings | 10,087 | 1,213 | 6,801 | 12,588 |
| Total equity | 11,487 | 15,176 | 20,764 | 26,551 |
| Non-current liabilities | | | | |
| Borrowings | 1,484 | - | 199 | 246 |
| Lease liabilities | - | 1,674 | 1,814 | 2,093 |
| Deferred tax liabilities | 105 | 113 | 64 | 36 |
| Total non-current liabilities | 1,589 | 1,787 | 2,077 | 2,375 |
| Current liabilities | | | | |
| Trade payables | 8,707 | 6,813 | 5,179 | 8,723 |
| Other payables | 6,983 | 8,287 | 5,609 | 1,338 |
| Borrowings | 8,675 | 1,385 | 2,188 | 4,916 |
| Lease liabilities | - | 806 | 927 | 848 |
| Provision for taxation | 301 | 186 | 800 | 1,079 |
| Total current liabilities | 24,666 | 17,477 | 14,703 | 16,904 |
| Total liabilities | 26,255 | 19,264 | 16,780 | 19,279 |
| Total equity and liabilities | 37,742 | 34,440 | 37,544 | 45,830 |

12. FINANCIAL INFORMATION (CONT'D)**12.1.3 Historical audited combined and consolidated statements of cash flows**

| | Audited | | | |
|-----------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation | 6,186 | 1,969 | 7,430 | 8,208 |
| Adjustments for: | | | | |
| Bad debts written off | - | 188 | - | - |
| Depreciation of property, plant and equipment | 881 | 815 | 651 | 800 |
| Depreciation of right-of-use assets | - | 193 | 198 | 204 |
| (Gain)/Loss on disposal of property, plant and equipment | (873) | 132 | (6) | - |
| Impairment loss on non-current assets held for sale | 6 | - | - | - |
| Gain on lease liabilities written off | - | - | - | (12) |
| Interest expense | 775 | 550 | 386 | 259 |
| Interest income | (111) | (108) | (108) | (102) |
| Property, plant and equipment written off | - | - | 17 | 1 |
| Rental income | (368) | (5) | - | - |
| Unrealised foreign exchange loss | - | - | 42 | - |
| Operating profit before working capital changes | 6,496 | 3,734 | 8,610 | 9,358 |
| (Increase)/Decrease in inventories | (2,830) | (3,031) | 523 | (324) |
| Decrease/(Increase) in trade and other receivables | 1,801 | 10,482 | (5,151) | (3,913) |
| (Increase)/Decrease in other current assets | (307) | (19) | 1,434 | (1,170) |
| Decrease in trade and other payables | (2,328) | (1,410) | (4,312) | (727) |
| Increase/(Decrease) in bills payables | 1,758 | (5,955) | (20) | 2,450 |
| Cash generated from operations | 4,590 | 3,801 | 1,084 | 5,674 |
| Interest paid | (520) | (400) | (264) | (117) |
| Tax paid | (1,160) | (1,005) | (1,276) | (2,170) |
| Income tax refund | - | 146 | - | - |
| Net cash generated from / (used in) operating activities | 2,910 | 2,542 | (456) | 3,387 |
| Cash flows from investing activities | | | | |
| Proceeds from disposal of property, plant and equipment | 15,598 | 665 | 707 | - |
| Purchase of property, plant and equipment | (220) | (555) | (266) | (400) |
| Interest received | 111 | 108 | 108 | 102 |
| Rental income | 368 | 5 | - | - |
| Net cash generated from / (used in) investing activities | 15,857 | 223 | 549 | (298) |
| Cash flows for financing activities | | | | |
| Dividend paid | (8,325) | - | - | - |
| Proceeds from issuance of shares | - | 5,306 | - | - |
| Drawdown of term loan | - | - | 300 | 60 |

12. FINANCIAL INFORMATION (CONT'D)

| | Audited | | | |
|-------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Repayment of term loan | (9,314) | - | (59) | (15) |
| Payment of term loan interest | (174) | - | (5) | (10) |
| Repayment of finance lease liabilities | (795) | - | - | - |
| Payment of finance lease interest | (81) | - | - | - |
| Repayment of obligation under lease liabilities | - | (973) | (640) | (850) |
| Payment of lease liabilities interest | - | (150) | (117) | (132) |
| Decrease/(Increase) in fixed deposits held under lien | 332 | (42) | (26) | (25) |
| Net cash (used in) / generated from financing activities | (18,357) | 4,141 | (547) | (972) |
| Net increase/(decrease) in cash and cash equivalents | 410 | 6,906 | (454) | 2,117 |
| Cash and cash equivalents at the beginning of the financial year | 711 | 1,121 | 8,027 | 7,573 |
| Cash and cash equivalents at the end of the financial year | 1,121 | 8,027 | 7,573 | 9,690 |

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our Group's financial performance and results of operations should be read in conjunction with the Accountants' Report as set out in Section 14 of this Prospectus and the Reporting Accountants' Report on the pro forma statements of financial position as set out in Section 13 of this Prospectus.

This discussion and analysis contains data derived from our historical combined and consolidated financial statements as well as forward-looking statements reflecting our current views with respect to future events and our financial performance. Our actual results may differ significantly from those anticipated in the forward-looking statements as a result of a number of factors, including those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

12.2.1 Overview of our operations

Our Group is principally involved in the business of providing integrated water technology solutions which comprise of the following:

- (i) Distribution and instrumentation services of fluid control and other related products used in the water and wastewater applications; and
- (ii) Manufacturing of fabricated metal products used in mainly water, wastewater, and oil and gas applications.

Our sales transactions are mainly settled in RM with certain sales to a customer outside of Malaysia settled in USD. Approximately 52.88%, 64.91%, 87.43% and 84.37% of our revenue were denominated in MYR for FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively, with the remainder denominated mainly in USD.

Please refer to Section 7 of this Prospectus for further information of our services and products.

12. FINANCIAL INFORMATION (CONT'D)

12.2.2 Review of financial performance

(a) Revenue

Our Group recognises revenue at the point in time at which the performance obligation is satisfied, whereby, our Group's performance:

- (i) does not create an asset with an alternative use to our Group and has an enforceable right to payment for performance completed to-date;
- (ii) creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (iii) provides benefits that the customer simultaneously receives and consumes as our Group performs.

The revenue from contracts with our customers is recognised by reference to each distinct performance obligation promised in the contracts with our customers when or as our Group transfers controls of the goods or services promised in the contracts and our customers obtain controls of the goods and services. Revenue from contracts with our customers is measured at its transaction price, being the amount of consideration to which our Group expects to be entitled in exchange for transferring promised goods or services to the customers, net of indirect taxes, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Our Group's revenue for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022 are analysed as follows:

Revenue segmented by business activities, products and services

| | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | |
|-------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Distribution: | | | | | | | | |
| - Flowmeters and its accessories including installation and other services ⁽¹⁾ | 9,673 | 21.94 | 8,222 | 32.64 | 14,098 | 41.80 | 14,511 | 29.54 |
| - Level transducers | 496 | 1.13 | 602 | 2.39 | 1,297 | 3.85 | 1,236 | 2.51 |
| - Pressure transmitters | 268 | 0.61 | 369 | 1.47 | 507 | 1.50 | 647 | 1.32 |
| - Dataloggers | - | - | 175 | 0.69 | 725 | 2.15 | 1,300 | 2.65 |
| - Other accessories ⁽²⁾ | 940 | 2.13 | 1,107 | 4.40 | 1,389 | 4.12 | 1,364 | 2.78 |
| | 11,377 | 25.81 | 10,475 | 41.59 | 18,016 | 53.42 | 19,058 | 38.80 |
| Manufacturing: | | | | | | | | |
| - Oil and Gas related products | 32,171 | 72.99 | 14,589 | 57.91 | 12,037 | 35.70 | 28,325 | 57.66 |
| - Others ⁽³⁾ | 530 | 1.20 | 125 | 0.50 | 3,670 | 10.88 | 1,737 | 3.54 |
| | 32,701 | 74.19 | 14,714 | 58.41 | 15,707 | 46.58 | 30,062 | 61.20 |
| Total | 44,078 | 100.00 | 25,189 | 100.00 | 33,723 | 100.00 | 49,120 | 100.00 |

Notes:

- (1) Other services refer to instrumentation services such as consultation and advice, design and integration of telemetry solutions, installation and commissioning, calibration and testing, maintenance and training of fluid control products.
- (2) Other accessories consist of amongst others, accessories of the flowmeters such as sensorprom, replacement kits, remote cables set and panels, brackets.

12. FINANCIAL INFORMATION (CONT'D)

- (3) *Others consist of metal parts, mild steel and stainless-steel bracket as well as healthcare furniture and equipment such as furniture, cabinets, medical beds and metal parts.*

Revenue segmented by geographical markets

| | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Domestic: | | | | | | | | |
| - Malaysia | 23,311 | 52.88 | 16,350 | 64.91 | 29,483 | 87.43 | 41,443 | 84.37 |
| International: | | | | | | | | |
| - US | 20,765 | 47.11 | 8,839 | 35.09 | 4,240 | 12.57 | 7,677 | 15.63 |
| - Singapore | 2 | 0.01 | - | - | - | - | - | - |
| | 20,767 | 47.12 | 8,839 | 35.09 | 4,240 | 12.57 | 7,677 | 15.63 |
| Total | 44,078 | 100.00 | 25,189 | 100.00 | 33,723 | 100.00 | 49,120 | 100.00 |

Comparison between FYE 2020 and FYE 2019

Our revenue decreased by RM18.89 million or 42.85% from RM44.08 million in FYE 2019 to RM25.19 million in FYE 2020. This was mainly due to the following:

- (i) decrease in the sales arising from the distribution segment by RM0.90 million or 7.93% from RM11.38 million in FYE 2019 to RM10.48 million in FYE 2020 because of a decrease in the sales from distribution, installation and services of flowmeters and its accessories by RM1.45 million from RM9.67 million in FYE 2019 to RM8.22 million in FYE 2020 as the implementation of MCO by the Government had inevitably resulted in the lower level of activities or orders by our Water Customers during the period in which the MCO was in effect and postponement of our delivery of flowmeters to our Water Customers with orders worth approximately RM1.31 million received by our Group were only fulfilled between May 2020 and September 2020 (i.e., in FYE 2021);
- (ii) decrease in the sales from the manufacturing segment by RM17.99 million or 55.00% from RM32.70 million in FYE 2019 to RM14.71 million in FYE 2020 because of a decrease in the sales of fabricated metal products by RM17.58 million from RM32.17 million in FYE 2019 to RM14.59 million in FYE 2020 due to lower demand for fabricated metal products from our Oil and Gas Customers as a result of global downtrend in average crude oil prices in FYE 2020, whereby, the average crude oil prices for Brent crude oil in 2019 is approximately USD64.2 per barrel as compared to USD71.3 per barrel in 2018 based on the IMR Report as set out in Section 8 of this Prospectus; and
- (iii) decrease in the sales generated in March 2020 and April 2020 as a result of the implementation of MCO by the Government during which our Group was only allowed to operate at a limited capacity in order to comply with the conditions as set out by the MITI in the letter allowing our Group to operate during the MCO.

For FYE 2019 and FYE 2020, export sales accounted for approximately RM20.77 million or 47.12% of the total revenue and RM8.84 million or 35.09% of the total revenue, respectively which were mainly generated from our Oil and Gas Customer in US. The significant decrease in the revenue from US by RM11.93 million or 57.43% from RM20.77 million in FYE 2019 to RM8.84 million in FYE 2020 was mainly due to the global downtrend in average crude oil prices in FYE 2020 as explained above. The decrease in the sales from the domestic market of RM6.96 million or 29.86% from RM23.31 million in FYE 2019 to RM16.35 million in FYE 2020 was mainly attributable to the decrease in the sales to the local Oil and Gas Customer by RM5.65 million from RM11.40 million in FYE 2019 to RM5.75 million in FYE 2020 which was also due to the global downtrend in average crude oil prices in FYE 2020 as explained above and our

12. FINANCIAL INFORMATION (CONT'D)

Water Customers by RM0.90 million from RM11.38 million in FYE 2019 to RM10.48 million in FYE 2020 due to the reason as detailed in item (i) above.

Comparison between FYE 2021 and FYE 2020

Our revenue increased by RM8.53 million or 33.88% from RM25.19 million in FYE 2020 to RM33.72 million in FYE 2021. This was mainly due to the following:

- (i) increase in sales from our distribution segment of RM7.54 million or 71.99% from RM10.48 million in FYE 2020 to RM18.02 million in FYE 2021 due to, amongst others, the following:
- increase in sales from the distribution, installation and services of flowmeters and its accessories of RM5.88 million or 71.47% from RM8.22 million in FYE 2020 to RM14.10 million in FYE 2021 resulting from higher customers' demand as evident by the increase in the number of flowmeters sold in FYE 2021 of 805 units from 522 units in FYE 2020. This was mainly due to increased orders secured and delivered due to increased orders for flowmeters from different states' water authorities for upgrading and replacing existing flowmeters including the postponement of delivery of orders received for flowmeters between 19 March 2020 and 30 April 2020 which were fulfilled between May 2020 and September 2020;
 - increase in sales from the distribution of level transducers of RM0.70 million or 115.45% from RM0.60 million in FYE 2020 to RM1.30 million in FYE 2021 as a result of the increased orders from our Water Customers due to increased orders for level transducers from different states' water authorities;
 - increase in sales from the distribution of dataloggers of RM0.55 million or 314.29% from RM0.18 million in FYE 2020 to RM0.73 million in FYE 2021 mainly due to the increased orders for flowmeters as detailed above. Additionally, our Group has also started to expand the sales of the dataloggers to other states such as Melaka, Negeri Sembilan and Kedah in FYE 2021;
 - increase in sales of other accessories by RM0.28 million or 25.47% from RM1.11 million in FYE 2020 to RM1.39 million in FYE 2021 mainly due to the increase in demand for, amongst others, the pedestal panel and transmitter remote replacement kits from our existing and new Water Customers; and
- (ii) increase in sales from the manufacturing segment of RM1.00 million or 6.75% from RM14.71 million in FYE 2020 to RM15.71 million in FYE 2021 was mainly contributed by the increase in sales from manufacturing and distribution of healthcare furniture and equipment of RM3.55 million from RM3,900 in FYE 2020 to RM3.56 million in FYE 2021 which was partially offset by the decrease in sales of fabricated metal products to our Oil and Gas Customers of RM2.55 million from RM14.59 million in FYE 2020 to RM12.04 million in FYE 2021. Our Group had manufactured and distributed healthcare furniture and equipment due to a shortage of the abovementioned products in the hospitals in Malaysia resulting from the COVID-19 pandemic. Our Group however does not intend to continue with the manufacturing of these products in the future. Further to the above, there was no investment incurred in undertaking the manufacturing and distribution of healthcare furniture and equipment.

12. FINANCIAL INFORMATION (CONT'D)

For FYE 2021, export sales, which was entirely from US, accounted for approximately RM4.24 million or 12.57% of the total revenue. The significant decrease in the revenue arising from US by RM4.60 million or 52.03% from RM8.84 million in FYE 2020 to RM4.24 million in FYE 2021 was mainly due to the decrease in demand by our Oil and Gas Customer as a result of continuing global downtrend in average crude oil price in FYE 2021, whereby, the average crude oil prices for Brent crude oil in 2020 is approximately USD41.8 per barrel as compared to USD64.2 per barrel in 2019 based on the IMR Report as set out in Section 8 of this Prospectus, and had affected the demand conditions such as production of crude oil and natural gas as well as active rig count and drilled wells. The fabricated metal products manufactured by our Group are mainly used as part of the drilling rig equipment to filter rock cuttings during the drilling operations in oil and gas explorations and field development as disclosed in Section 7.2.1(B) of the Prospectus. Notwithstanding the above, there was an increase in sales from the domestic market of RM13.13 million or 80.32% from RM16.35 million in FYE 2020 to RM29.48 million in FYE 2021 which was mainly contributed by the increase in sales from the distribution of flowmeters and manufacturing and distribution of the healthcare furniture and equipment as detailed in items (i) and (ii) above respectively, which were entirely in Malaysia, as well as increase in revenue from our local Oil and Gas Customer for our fabricated metal products.

Comparison between FYE 2022 and FYE 2021

Our revenue increased by RM15.40 million or 45.66% from RM33.72 million in FYE 2021 to RM49.12 million in FYE 2022. This was mainly due to the following:

- (i) increase in sales from the manufacturing segment of RM14.35 million or 91.39% from RM15.71 million in FYE 2021 to RM30.06 million in FYE 2022 was mainly contributed by the increase in sales of fabricated metal products to our Oil and Gas Customers of RM16.29 million or 135.32% from RM12.04 million in FYE 2021 to RM28.33 million in FYE 2022 due to higher demand for fabricated metal products from our Oil and Gas Customers as a result of the global recovery of average crude oil price in 2021 as compared to 2020, whereby, the average crude oil prices for Brent crude oil in 2021 is approximately USD70.9 per barrel as compared to USD41.8 per barrel in 2020 based on the IMR Report as set out in Section 8 of this Prospectus; and
- (ii) increase in sales from our distribution segment of RM1.04 million or 5.78% from RM18.02 million in FYE 2021 to RM19.06 million in FYE 2022 due to the increased orders from our Water Customers which contributed to the increase in sales from the distribution, installation and services of flowmeters and its accessories of RM0.41 million or 2.93% from RM14.10 million in FYE 2021 to RM14.51 million in FYE 2022, whereby there was an increase in the number of flowmeters sold in FYE 2022 of 910 units from 805 units in FYE 2021, increase in sales from the distribution of pressure transmitters of RM0.14 million or 27.61% from RM0.51 million in FYE 2021 to RM0.65 million in FYE 2022 and increase in sales from the distribution of dataloggers of RM0.57 million or 79.31% from RM0.73 million in FYE 2021 to RM1.30 million in FYE 2022.

For FYE 2022, export sales, which was entirely from US, accounted for approximately RM7.68 million or 15.63% of the total revenue. The significant increase in the revenue arising from US by RM3.44 million or 81.06% from RM4.24 million in FYE 2021 to RM7.68 million in FYE 2022 was mainly due to the higher demand for fabricated metal products from our Oil and Gas Customers as a result of the global recovery of average crude oil price in 2021 as compared to 2020, as detailed in item (i) above. The increase in the sales from the domestic market of RM11.96 million or 40.57% from RM29.48 million in FYE 2021 to RM41.44 million in FYE 2022 was mainly contributed by the increase in sales to our local Oil and Gas Customers by RM12.85 million or 164.82% from RM7.80 million in FYE 2021 to RM20.65 million in FYE 2022 as a result of the

12. FINANCIAL INFORMATION (CONT'D)

global recovery of average crude oil price in 2021 as compared to 2020, as detailed in item (i) above, and sales to our Water Customers increased by RM1.04 million or 5.78% from RM18.02 million in FYE 2021 to RM19.06 million in FYE 2022 due to the increased orders from our Water Customers as detailed in item (ii) above.

(b) Cost of sales, GP and GP margin**Analysis of cost of sales by cost items**

| | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | |
|-----------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Cost of inventories | 25,620 | 77.13 | 12,705 | 72.58 | 18,354 | 83.80 | 28,489 | 80.32 |
| Staff costs ⁽¹⁾ | 2,267 | 6.82 | 576 | 3.29 | 481 | 2.20 | 1,193 | 3.36 |
| Subcontractor costs | 1,850 | 5.57 | 1,915 | 10.94 | 1,339 | 6.11 | 3,455 | 9.74 |
| Depreciation of property, plant and equipment | 629 | 1.89 | 703 | 4.02 | 537 | 2.45 | 694 | 1.96 |
| Upkeep of machineries | 828 | 2.49 | 494 | 2.82 | 439 | 2.01 | 526 | 1.48 |
| Rental of machineries | 343 | 1.03 | 236 | 1.35 | 28 | 0.13 | 47 | 0.13 |
| Rental of factory | 551 | 1.66 | - | - | - | - | - | - |
| Utilities and others | 1,130 | 3.41 | 876 | 5.00 | 723 | 3.30 | 1,067 | 3.01 |
| Total | 33,218 | 100.00 | 17,505 | 100.00 | 21,901 | 100.00 | 35,471 | 100.00 |

Note:

(1) Staff costs comprise staff salaries, allowances, overtime costs, bonuses, statutory contributions and other staff related expenses for our manufacturing segment (i.e. staff categorised under the production department as detailed in Section 7.16 of this Prospectus).

Analysis of cost of sales by business activities

| | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | |
|-------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Distribution: | | | | | | | | |
| - Flowmeters and its accessories including installation and other services ⁽¹⁾ | 6,190 | 18.63 | 5,132 | 29.32 | 8,709 | 39.77 | 10,035 | 28.29 |
| - Level transducers | 407 | 1.23 | 472 | 2.70 | 1,019 | 4.65 | 974 | 2.75 |
| - Pressure transmitters | 225 | 0.68 | 248 | 1.42 | 357 | 1.63 | 469 | 1.32 |
| - Dataloggers | - | - | 146 | 0.83 | 539 | 2.46 | 1,029 | 2.90 |
| - Other accessories ⁽²⁾ | 611 | 1.84 | 730 | 4.17 | 1,073 | 4.90 | 1,065 | 3.00 |
| | 7,433 | 22.38 | 6,728 | 38.44 | 11,697 | 53.41 | 13,572 | 38.26 |
| Manufacturing: | | | | | | | | |
| - Oil and Gas related products | 25,329 | 76.25 | 10,670 | 60.95 | 7,432 | 33.93 | 20,414 | 57.55 |
| - Others ⁽³⁾ | 456 | 1.37 | 107 | 0.61 | 2,772 | 12.66 | 1,485 | 4.19 |
| | 25,785 | 77.62 | 10,777 | 61.56 | 10,204 | 46.59 | 21,899 | 61.74 |
| Total | 33,218 | 100.00 | 17,505 | 100.00 | 21,901 | 100.00 | 35,471 | 100.00 |

12. FINANCIAL INFORMATION (CONT'D)

Notes:

- (1) *Other services refer to instrumentation services such as consultation and advice, design and integration of telemetry solutions, installation and commissioning, calibration and testing, maintenance and training of fluid control products.*
- (2) *Other accessories consist of amongst others, accessories of the flowmeters such as sensorprom, replacement kits, remote cables set and panels, brackets.*
- (3) *Other consist of metal parts, mild steel and stainless-steel bracket as well as healthcare furniture and equipment such as furniture, cabinets, medical beds and metal parts.*

The main components of the costs of sales incurred by our Group in the FYE Under Review are as follows:

(i) Cost of inventories

The cost of inventories constitutes the largest portion of our costs of sales, representing 77.13%, 72.58%, 83.80% and 80.32% of our total costs of sales for the FYEs 2019, 2020, 2021 and 2022 respectively.

Cost of inventories comprise of cost of purchase of raw materials such as steel materials for our manufacturing of fabricated metal parts and trading goods which consist of mainly flowmeters and dataloggers.

Comparison between FYE 2020 and FYE 2019

The cost of inventories incurred by our Group decreased by RM12.91 million or 50.41% from RM25.62 million in FYE 2019 to RM12.71 million in FYE 2020 was mainly due to the following:

- decrease in the purchases of flowmeters and related products by our Group in line with the lower demand from our Water Customers in FYE 2020 due to the implementation of MCO in March 2020; and
- decrease in the purchases of steels by our Group due to the lower demand for fabricated metal products from our Oil and Gas Customers as a result of global downtrend in average crude oil price in FYE 2020 as detailed in Section 12.2.2(a) of this Prospectus.

Comparison between FYE 2021 and FYE 2020

The cost of inventories incurred by our Group increased by RM5.64 million or 44.46% from RM12.71 million in FYE 2020 to RM18.35 million in FYE 2021 mainly due to the following:

- increase in purchases of flowmeters and related products by our Group in tandem with the increased orders for flowmeters in FYE 2021 as evident by the increase in the number of flowmeters sold in FYE 2021 of 805 units from 522 units in FYE 2020; and
- increase in purchases of steels for the manufacturing of healthcare furniture and equipment such as hydraulic hospital beds and other equipment which is in line with the increase in sales of healthcare furniture and equipment in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)

However, the increase in cost of inventories was offset by the decrease in purchase of steels for the manufacturing of fabricated metal products.

Comparison between FYE 2022 and FYE 2021

The cost of inventories incurred by our Group increased by RM10.14 million or 55.22% from RM18.35 million in FYE 2021 to RM28.49 million in FYE 2022 mainly due to the following:

- increase in purchases of flowmeters and related products by our Group in tandem with the increased orders for flowmeters in FYE 2022 as evident by the increase in the number of flowmeters sold in FYE 2022 of 910 units from 805 units in FYE 2021; and
- increase in the purchase of steels due to higher demand for the manufacturing of fabricated metal products from our Oil and Gas Customers as a result of the global recovery of average crude oil price in 2021 as detailed in Section 12.2.2(a) of this Prospectus.

(ii) Staff costs

Staff costs comprise staff salaries, allowances, overtime costs, bonuses, statutory contributions and other staff related expenses for our manufacturing segment.

Comparison between FYE 2020 and FYE 2019

The staff costs incurred by our Group decreased by RM1.69 million or 74.59% from RM2.27 million in FYE 2019 to RM0.58 million in FYE 2020 mainly due to the following:

- (a) re-allocation of certain staff from MCI to MSM in the 3rd quarter of FYE 2019 as a result of the restructuring exercise undertaken by MSM and its subsidiaries as well as MCI prior to the disposal by MSM of its 60.00% equity interest in MCI to Dato' Chong to facilitate the listing of our Company on the LEAP Market ("**Restructuring Exercise**") which were completed on 18 December 2018; and
- (b) decrease in the orders placed by our Oil and Gas Customers for fabricated metal products in FYE 2020 as compared to FYE 2019.

Comparison between FYE 2021 and FYE 2020

The staff costs incurred by our Group decreased by RM0.10 million or 16.49% from RM0.58 million in FYE 2020 to RM0.48 million in FYE 2021 despite our Group's revenue from our manufacturing segment increased by 6.75% for the FYE 2021 as compared to the FYE 2020 mainly due to the decrease in the staff overtime costs incurred in FYE 2021 as compared to FYE 2020 resulting from better control and limitation on the workforce as well as the working hours incurred by our staff during the MCO period in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)

Comparison between FYE 2022 and FYE 2021

The staff costs incurred by our Group increased by RM0.71 million or 148.02% from RM0.48 million in FYE 2021 to RM1.19 million in FYE 2022 mainly due to the increase in the number of employees from 21 employees in FYE 2021 to 45 employees in FYE 2022 for our manufacturing segment as detailed in Section 7.16 of this Prospectus and increase in overtime incurred by our employees as a result of higher demand for fabricated metal products from our Oil and Gas Customers as a result of the global recovery of average crude oil price in 2021 as compared to 2020, as detailed in Section 12.2.2 (a) of this Prospectus, which was evident by the increase in the utilisation rate of our Group's production capacity in FYE 2022 as compared to FYE 2021, of which, the utilisation rate for the primary processes based on the maximum capacity of 46,008 machine hours per year had increased to 87.64% in the FYE 2022 as compared to 54.77% in the FYE 2021 and the utilisation rate for the secondary processes based on the maximum capacity of 118,260 machine hours per year had increased to 81.58% in the FYE 2022 from 49.32% in the FYE 2021, as detailed in Section 7.12.3 of this Prospectus.

(iii) Subcontractor costs

Subcontractor costs include subcontractor wages and subcontractor charges in relation to, among others, machining, heat treatment and wet painting services for our manufacturing segment.

Comparison between FYE 2020 and FYE 2019

The subcontractor costs incurred by our Group increased by approximately RM0.07 million or 3.51% from RM1.85 million in FYE 2019 to RM1.92 million in FYE 2020 mainly due to the re-allocation of certain staff from MCI to MSM in FYE 2020 as a result of the Restructuring Exercise as detailed in Section 12.2.2(b)(ii) above.

Comparison between FYE 2021 and FYE 2020

The subcontractor costs incurred by our Group decreased by RM0.58 million or 30.08% from RM1.92 million in FYE 2020 to RM1.34 million in FYE 2021 mainly due to lower level of manufacturing activities outsourced to the subcontractors in view of the decrease in orders for fabricated metal products from our Oil and Gas Customer in US which were partly fulfilled with our Group's ready stocks on hand.

Further to the above, our Group did not outsource the manufacturing of healthcare furniture and equipment to its subcontractor in the FYE 2020 and FYE 2021.

Comparison between FYE 2022 and FYE 2021

The subcontractor costs incurred by our Group increased by RM2.12 million or 158.03% from RM1.34 million in FYE 2021 to RM3.46 million in FYE 2022 due to higher level of manufacturing activities outsourced to the subcontractors as a result of the increase in orders for fabricated metal products, such as metal body frames for shale shakers whereby the production is currently sub-contracted to external sub-contractors, from our Oil and Gas Customers.

12. FINANCIAL INFORMATION (CONT'D)**(iv) Depreciation of property, plant and equipment**

The depreciation of property, plant and equipment includes depreciation of plant and machineries, tools and implements as well as right-of-use assets.

Comparison between FYE 2020 and FYE 2019

The depreciation of property, plant and equipment increased by RM0.07 million or 11.76% from RM0.63 million in FYE 2019 to RM0.70 million in FYE 2020 mainly due to depreciation of right-of-use assets arising from the adoption of MFRS 16 amounting to RM0.16 million in FYE 2020 which was not incurred in FYE 2019 and was partially offset by the decrease in depreciation of plant and machinery and tools and implements by RM0.09 million as a result of disposal of a laser cutting machine in FYE 2020.

Comparison between FYE 2021 and FYE 2020

The depreciation of property, plant and equipment decreased by RM0.16 million or 23.61% from RM0.70 million in FYE 2020 to RM0.54 million in FYE 2021 mainly due to the decrease in depreciation of plant and machinery of RM0.17 million as a result of disposal of a turret punching machine in FYE 2021.

Comparison between FYE 2022 and FYE 2021

The depreciation of property, plant and equipment increased by RM0.15 million or 29.24% from RM0.54 million in FYE 2021 to RM0.69 million in FYE 2022 mainly due to the increase in depreciation of plant and machinery of RM0.11 million as a result of purchase of a turret punching in April 2021 and a weld heat treatment machine in FYE 2022.

(v) Upkeep of machineries

The costs incurred for the upkeep of machineries consist of maintenance costs for our machineries including, but not limited to, the laser cutting machines, turret punching machines and robotic welding machines.

Comparison between FYE 2020 and FYE 2019

The costs incurred by our Group for the upkeep of machineries decreased by RM0.34 million or 40.34% from RM0.83 million in FYE 2019 to RM0.49 million in FYE 2020 mainly due to lower production activities of our manufacturing segment in line with the lower demand for fabricated metal products from our Oil and Gas Customers as a result of global downtrend in average crude oil prices in FYE 2020 as compared to FYE 2019 as detailed in Section 12.2.2(a) of this Prospectus.

Comparison between FYE 2021 and FYE 2020

Despite the increase in the revenue generated by our Group in FYE 2021 as compared to FYE 2020, the costs incurred by our Group for the upkeep of machineries decreased by RM0.05 million or 11.13% from RM0.49 million in FYE 2020 to RM0.44 million in FYE 2021 due to a non-recurring replacement cost of approximately RM0.07 million for a component of the turret punching machine which was incurred in FYE 2020. Further to the above, our Company had also disposed the turret punching machine in FYE 2021, hence no further replacement costs on the component of the said machine was incurred in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2022 and FYE 2021**

The costs incurred by our Group for the upkeep of machineries increased by RM0.09 million or 19.82% from RM0.44 million in FYE 2021 to RM0.53 million in FYE 2022 mainly due to the higher production activities of our manufacturing segment in line with the higher demand for fabricated metal products from our Oil and Gas Customers as a result of global recovery of the average crude oil prices in 2021 as compared to 2020 as detailed in Section 12.2.2 (a) of this Prospectus.

(vi) Rental of machineries

Rental of machineries includes rental of turret punching machines.

Comparison between FYE 2020 and FYE 2019

The rental of machineries incurred by our Group decreased by RM0.10 million or 31.20% from RM0.34 million in FYE 2019 to RM0.24 million in FYE 2020. The decrease was mainly due to the cessation of rental for some of the machineries by our Group from February 2020 as the machineries owned by our Group were sufficient to cope with the orders from our Oil and Gas Customers in view of the decrease in demand for the fabricated metal products in FYE 2020.

Comparison between FYE 2021 and FYE 2020

The rental of machineries incurred by our Group decreased by RM0.21 million or 88.14% from RM0.24 million in FYE 2020 to RM0.03 million in FYE 2021. The decrease was mainly due to the cessation of the rental for some of the machineries by our Group from February 2020 as the machineries owned by our Group were sufficient to cope with the orders from our Oil and Gas Customers in view of the decrease in demand for the fabricated metal products in FYE 2021.

Notwithstanding the anticipated increase in demand from our Oil and Gas Customers, the intended purchase of new machineries as detailed in Sections 4.5(ii) and 7.11.2 of this Prospectus is expected to reduce the need for rental of machineries by our Group.

Comparison between FYE 2022 and FYE 2021

The rental of machineries incurred by our Group increased by RM0.02 million or 67.86% from RM0.03 million in FYE 2021 to RM0.05 million in FYE 2022. The increase was mainly due to the rental of an additional forklift by our Group in FYE 2022 in order to cope with the higher production activities of our Group's manufacturing segment in view of the increase in demand for the fabricated metal products from our Oil and Gas Customers in FYE 2022.

(vii) Rental of factory

Our Group did not recognise rental of factory in FYE 2020, FYE 2021 and FYE 2022 due to the following:

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

12. FINANCIAL INFORMATION (CONT'D)

- our Group had adopted MFRS 16 in FYE 2020, FYE 2021 and FYE 2022, whereby, our Group had recognised the rental obligations of Lot 24645, Jalan KP5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor under rights-of-use assets and lease liabilities.

(viii) Utilities and others

Utilities include water and electricity, whereas, others consist of, among others, security charges, insurance, foreign worker permit renewal fee, upkeep of factory, fuel and gas, carriage inwards and custom duties.

Comparison between FYE 2020 and FYE 2019

The costs in relation to utilities and others (as detailed above) incurred by our Group decreased by RM0.25 million or 22.48% from RM1.13 million in FYE 2019 to RM0.88 million in FYE 2020 mainly due to the decrease in the costs incurred for the fuel and gas and utilities by RM0.15 million and RM0.06 million respectively.

Comparison between FYE 2021 and FYE 2020

The costs in relation to utilities and others (as detailed above) incurred by our Group decreased by RM0.16 million or 17.47% from RM0.88 million in FYE 2020 to RM0.72 million in FYE 2021 mainly due to the decrease in the costs incurred for the utilities by RM0.08 million as a result of utilities rebates and limited operation hours due to implementation of MCO by the Government.

Comparison between FYE 2022 and FYE 2021

The costs in relation to utilities and others (as detailed above) incurred by our Group increased by RM0.35 million or 47.58% from RM0.72 million in FYE 2021 to RM1.07 million in FYE 2022 mainly due to the increase in the costs incurred for the utilities by RM0.06 million, fuel and gas by RM0.08 million and carriage inwards and custom duties incurred for our Group's purchases of raw materials and telemetry products by RM0.21 million.

12. FINANCIAL INFORMATION (CONT'D)**Analysis of GP and GP margin by business activities**

| | FYE 2019 | | | FYE 2020 | | | FYE 2021 | | | FYE 2022 | | |
|-------------------------------------------------------------------------------------------|---------------|---------------|--------------|--------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|
| | GP | | GP margin | GP | | GP margin | GP | | GP margin | GP | | GP margin |
| | RM'000 | % | % | RM'000 | % | % | RM'000 | % | % | RM'000 | % | % |
| Distribution: | | | | | | | | | | | | |
| - Flowmeters and its accessories including installation and other services ⁽¹⁾ | 3,483 | 32.07 | 36.01 | 3,090 | 40.21 | 37.58 | 5,389 | 45.59 | 38.23 | 4,476 | 32.79 | 30.85 |
| - Level transducers | 89 | 0.82 | 17.94 | 130 | 1.69 | 21.59 | 278 | 2.35 | 21.43 | 262 | 1.92 | 21.20 |
| - Pressure transmitters | 43 | 0.40 | 16.04 | 121 | 1.57 | 32.79 | 150 | 1.27 | 29.59 | 178 | 1.30 | 27.51 |
| - Dataloggers | - | - | - | 29 | 0.38 | 16.57 | 186 | 1.57 | 25.66 | 271 | 1.99 | 20.85 |
| - Other accessories ⁽²⁾ | 329 | 3.03 | 35.00 | 377 | 4.91 | 34.06 | 316 | 2.67 | 22.75 | 299 | 2.19 | 21.92 |
| | 3,944 | 36.32 | 34.67 | 3,747 | 48.76 | 35.77 | 6,319 | 53.45 | 35.07 | 5,486 | 40.19 | 28.79 |
| Manufacturing: | | | | | | | | | | | | |
| - Oil and Gas related products | 6,842 | 63.00 | 21.27 | 3,919 | 51.00 | 26.86 | 4,605 | 38.95 | 38.26 | 7,911 | 57.96 | 27.93 |
| - Others ⁽³⁾ | 74 | 0.68 | 13.96 | 18 | 0.24 | 14.40 | 898 | 7.60 | 24.47 | 252 | 1.85 | 14.51 |
| | 6,916 | 63.68 | 21.15 | 3,937 | 51.24 | 26.76 | 5,503 | 46.55 | 35.04 | 8,163 | 59.81 | 27.15 |
| Total | 10,860 | 100.00 | 24.64 | 7,684 | 100.00 | 30.51 | 11,822 | 100.00 | 35.06 | 13,649 | 100.00 | 27.79 |

Notes:

- (1) Other services refer to instrumentation services such as consultation and advice, design and integration of telemetry solutions, installation and commissioning, calibration and testing, maintenance and training of fluid control products.
- (2) Other accessories consist of amongst others, accessories of the flowmeters such as sensorprom, replacement kits, remote cables set and panels, brackets.
- (3) Other consist of metal parts, mild steel and stainless-steel bracket as well as healthcare furniture and equipment such as furniture, cabinets, medical beds and metal parts.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2020 and FYE 2019**

Our Group's GP decreased by RM3.18 million or 29.24% from RM10.86 million in FYE 2019 to RM7.68 million in FYE 2020 mainly due to the decrease in revenue as detailed in Section 12.2.2(a) of this Prospectus.

Notwithstanding the above, our Group's GP margin increased from 24.64% in FYE 2019 to 30.51% in FYE 2020. This was mainly contributed by the following:

- (i) absence of rental of factory in FYE 2020 as compared to the rental of factory amounting to RM0.55 million incurred in FYE 2019 as our Group had ceased the rental of 2 factories as well as adoption of MFRS 16 in FYE 2020;
- (ii) higher GP margin arising from the manufacturing segment due to the decrease in the cost of purchase of the various types of steels for manufacturing of the fabricated metal products in FYE 2020 as compared to FYE 2019. This is mainly due to Group's lower reliance on outsourced parties for certain fabricated metal parts such as processed steel materials which are more expensive as compared to our Group producing the processed steel materials in-house;
- (iii) staff costs incurred by our Group decreased by RM1.69 million or 74.59% from RM2.27 million in FYE 2019 to RM0.58 million in FYE 2020 mainly due to the re-allocation of certain staff from MCI to MSM in the 3rd quarter of FYE 2019 as a result of the Restructuring Exercise; and
- (iv) the weakening of RM against USD in FYE 2020 as compared to FYE 2019 whereby the sales of the fabricated metal products to the Oil and Gas Customer in US are in USD and the cost of sales incurred are in RM.

Comparison between FYE 2021 and FYE 2020

Our GP increased by RM4.14 million or 53.85% from RM7.68 million in FYE 2020 to RM11.82 million in FYE 2021 mainly due to the increase in revenue of RM8.53 million or 33.88% from RM25.19 million in FYE 2020 to RM33.72 million in FYE 2021 as detailed in Section 12.2.2(a) of this Prospectus.

The GP margin also increased from 30.51% in FYE 2020 to 35.06% in FYE 2021 mainly attributable to the improved GP margin for our manufacturing segment from 26.76% in FYE 2020 to 35.04% in FYE 2021 as a result of the following:

- (i) decrease in the subcontractor costs incurred and cost of purchase of the various types of steels for manufacturing of the fabricated metal products in FYE 2021 as compared to FYE 2020. This is mainly due to Group's lower reliance on outsourced parties for certain fabricated metal; and
- (ii) decrease in staff costs incurred by RM0.10 million or 16.49% from RM0.58 million in FYE 2020 to RM0.48 million in FYE 2021 mainly due to the decrease in the staff overtime costs incurred in FYE 2021 as compared to FYE 2020 resulting from better control and limitation on the workforce as well as the working hours incurred by our staff during the MCO period in FYE 2021.

Comparison between FYE 2022 and FYE 2021

Our GP increased by RM1.83 million or 15.45% from RM11.82 million in FYE 2021 to RM13.65 million in FYE 2022 mainly due to the increase in revenue of RM15.40 million or 45.66% from RM33.72 million in FYE 2021 to RM49.12 million in FYE 2022 as detailed in Section 12.2.2(a) of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

Notwithstanding the above, our Group's GP margin decreased from 35.06% in FYE 2021 to 27.79% in FYE 2022 mainly due to the following:

- (i) lower GP margin arising from the distribution segment in FYE 2022 as compared to FYE 2021 mainly contributed by the increase in the cost of purchase of the fluid control products in FYE 2022 as compared to FYE 2021 resulting from the price adjustments made by our suppliers on the fluid control products purchased by our Group in FYE 2022 ("**Price Adjustments**"). Further to the above, our Group was unable to pass on the increase in the cost of purchase of the fluid control products to some of our Water Customers which have entered into long-term contract with us prior to the Price Adjustments. Notwithstanding the above, our Group will incorporate the Price Adjustments for future long-term contracts to be entered into between our Group and our Water Customers after the expiration of the abovementioned long-term contracts.
- (ii) lower GP margin arising from the manufacturing segment in FYE 2022 as compared to FYE 2021 mainly contributed by the following:
 - increase in the cost of purchase of the various types of steels for manufacturing of the fabricated metal products in FYE 2022 as compared to FYE 2021 due to increase in the prices of the materials purchased in view of the higher steel price in FYE 2022 as compared to FYE 2021;
 - increase in the subcontractor costs incurred due to higher level of manufacturing activities outsourced to the subcontractors as a result of the increase in orders for fabricated metal products, such as metal body frames for shale shakers whereby the production is currently sub-contracted to external sub-contractors, from our Oil and Gas Customers; and
 - staff costs incurred by our Group increased by RM0.71 million or 148.02% from RM0.48 million in FYE 2021 to RM1.19 million in FYE 2022 mainly due to the increase in the number of employees and overtime incurred by our employees as detailed in Section 12.2.2(b)(ii) of this Prospectus.

(c) Other income

The table below provides the breakdown of our other income:

| | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | |
|---------------------------------------------------|--------------|---------------|--------------|---------------|------------|---------------|------------|---------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Gain on disposal of property, plant and equipment | 873 | 35.62 | - | - | 6 | 2.03 | - | - |
| Rental income | 368 | 15.01 | 5 | 0.34 | - | - | - | - |
| Incentive received | 315 | 12.85 | 641 | 44.12 | 106 | 35.81 | 619 | 81.55 |
| Fixed deposit interest | 111 | 4.53 | 108 | 7.43 | 108 | 36.49 | 102 | 13.44 |
| Insurance claim | - | - | 536 | 36.89 | 10 | 3.38 | - | - |
| Gain on foreign exchange | 776 | 31.66 | 111 | 7.64 | - | - | - | - |
| Gain on lease liabilities written off | - | - | - | - | - | - | 12 | 1.58 |
| Miscellaneous income | 8 | 0.33 | 52 | 3.58 | 66 | 22.29 | 26 | 3.43 |
| Total | 2,451 | 100.00 | 1,453 | 100.00 | 296 | 100.00 | 759 | 100.00 |

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2020 and FYE 2019**

Our Group's other income decreased by RM1.00 million or 40.72% from RM2.45 million in FYE 2019 to RM1.45 million in FYE 2020. The decrease was mainly due to the following:

- (i) absence of any gain on disposal of property, plant and equipment in FYE 2020 as compared to the gain on disposal of property, plant and equipment recorded by our Group of RM0.87 million in FYE 2019 arising from the disposal of the freehold land and building located at No. 6, Jalan IMP 1/3, Pusat Teknologi Sinar Meranti, Taman Industri Meranti Perdana, 47120 Puchong, Selangor by Cosmos Instruments to a third party, namely Techkem Utilities Sdn Bhd, at a purchase consideration of RM4.00 million in FYE 2019 as part of the Restructuring Exercise;
- (ii) decrease in rental income by RM0.36 million as our Group did not generate rental income from the following sublease and rental of factories in FYE 2020:
 - a sublease of factory space at its rented property at Lot 3195 Jalan KPB 11, Balakong, Selangor to a third party, namely Boxup Solutions Sdn Bhd, which MCI had since novated the rights, title, interests and obligations under the tenancy agreement with Hew Fook, being the landlord of the said factory, to MSM Metal Industries Sdn Bhd following the cessation of the rental of the said factory by MCI in April 2019;
 - a sublease of factory space at its rented property at HS(D) 132878 PT 51414, Pekan Cheras, Daerah Ulu Langat, Selangor to FIC Kitchen Technology Sdn Bhd, which MCI had since novated the rights, title, interests and obligations under the tenancy agreement with Hew Fook, being the landlord of the said factory, to MSM Equipment Manufacturer Sdn Bhd following the cessation of the rental of the said factory by MCI in April 2019; and
 - rental of the factory located at Lot 1801, Jalan KPB 1, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan to MSM Kitchen Sdn Bhd whereby the tenancy agreement was terminated on 30 September 2018 of which in FYE 2019, our Company had disposed the leasehold land and building located at Lot 1801, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor by MCI to MSM Kitchen Sdn Bhd which was undertaken pursuant to the Restructuring Exercise.
- (iii) decrease in gain on foreign exchange of RM0.67 million or 85.70% from RM0.78 million in FYE 2019 to RM0.11 million in FYE 2020 in view of the weakening of RM against USD for the sales of the fabricated metal products to the Oil and Gas Customer in US.

The decrease in other income was mitigated by the following:

- (i) increase in the incentive received by Cosmos Instruments from Siemens of RM0.32 million from RM0.32 million in FYE 2019 to RM0.64 million in FYE 2020 which was derived from the achievement of sales targets by Cosmos Instruments; and
- (ii) insurance claim received by our Group pertaining to a resonator component for the laser cutting machine which was damaged during installation amounting to RM0.54 million in FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2021 and FYE 2020**

Our Group's other income decreased by RM1.15 million or 79.63% from RM1.45 million in FYE 2020 to RM0.30 million in FYE 2021. The decrease was mainly due to the following:

- (i) decrease in the incentive received by Cosmos Instruments from Siemens of RM0.53 million from RM0.64 million received in FYE 2020 to RM0.11 million received in FYE 2021 due to a revised incentive scheme set out by Siemens in FYE 2021; and
- (ii) decrease in the insurance claim of RM0.53 million from RM0.54 million in FYE 2020 to RM0.01 million in FYE 2021 as the occurrence resulting from the insurance claim in FYE 2020 was an isolated event and there was no major insurance claim made by our Group in FYE 2021.

Comparison between FYE 2022 and FYE 2021

Our Group's other income increased by RM0.46 million or 156.42% from RM0.30 million in FYE 2021 to RM0.76 million in FYE 2022. The increase was mainly due to the increase in the incentive received by Cosmos Instruments from Siemens of RM0.51 million from RM0.11 million received in FYE 2021 to RM0.62 million received in FYE 2022 as Cosmos Instruments achieved the sales target set by Siemens Malaysia.

(d) Administrative expenses

The table below provides the breakdown of our administrative expenses:

| | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | |
|-----------------------------------------------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Staff costs ⁽¹⁾ | 1,912 | 61.38 | 1,737 | 38.74 | 1,504 | 45.18 | 1,774 | 32.87 |
| Consultancy fee ⁽²⁾ | 76 | 2.44 | 191 | 4.26 | 98 | 2.94 | 85 | 1.58 |
| Depreciation of property, plant and equipment | 252 | 8.09 | 305 | 6.80 | 312 | 9.37 | 309 | 5.73 |
| Listing expenses | - | - | 809 | 18.04 | - | - | 1,669 | 30.93 |
| Loss on disposal of property, plant and equipment | - | - | 157 | 3.50 | - | - | - | - |
| Loss on foreign exchange | - | - | - | - | 165 | 4.96 | 24 | 0.44 |
| Property, plant and equipment written off | - | - | - | - | 17 | 0.51 | 1 | 0.02 |
| Directors' remuneration | 216 | 6.93 | 653 | 14.56 | 748 | 22.47 | 767 | 14.21 |
| Professional fees | 63 | 2.02 | 88 | 1.96 | 111 | 3.34 | 314 | 5.82 |
| Bank charges | 188 | 6.04 | 28 | 0.63 | 17 | 0.51 | 17 | 0.32 |
| Rental of office/hostel | 101 | 3.24 | 53 | 1.18 | 31 | 0.93 | 42 | 0.78 |
| Auditor remuneration | 57 | 1.83 | 115 | 2.57 | 65 | 1.95 | 77 | 1.43 |
| Real property gain tax | 55 | 1.77 | - | - | - | - | - | - |
| Impairment loss on non-current assets held for sale | 6 | 0.19 | - | - | - | - | - | - |
| Upkeep of office, hostel, computer equipment | 41 | 1.32 | 23 | 0.51 | 34 | 1.02 | 59 | 1.09 |
| Stamp duty | 33 | 1.06 | 78 | 1.74 | 6 | 0.18 | (20) | (0.37) |
| Others ⁽³⁾ | 115 | 3.69 | 247 | 5.51 | 221 | 6.64 | 278 | 5.15 |
| Total | 3,115 | 100.00 | 4,484 | 100.00 | 3,329 | 100.00 | 5,396 | 100.00 |

Notes:

- (1) *Comprising salaries, bonuses, allowances, overtime costs, statutory contributions and staff welfare of the staff categorised under administration, sales and marketing as well as services department as detailed in Section 7.16 of this Prospectus.*

12. FINANCIAL INFORMATION (CONT'D)

- (2) *Comprising amongst others, the fees in relation to consultancy fees in relation to the listing exercise undertaken by Cosmos of our listing on the LEAP Market, audit in relation to international organisation for standardisation (ISO), customer credit check and web-hosting.*
- (3) *Other administrative expenses mainly consist of quit rent and assessment, telephone and fax charges and others.*

Comparison between FYE 2020 and FYE 2019

Our Group's administrative expenses increased by RM1.36 million or 43.95% from RM3.12 million in FYE 2019 to RM4.48 million in FYE 2020. The increase was mainly attributable to the following:

- (i) listing expenses incurred by our Group in FYE 2020 amounting to RM0.81 million comprising the professional fees, fees to the authorities and other miscellaneous fees and expenses in relation to the listing of our Company on the LEAP Market;
- (ii) increase in the directors' remuneration by RM0.43 million from RM0.22 million in FYE 2019 to RM0.65 million in FYE 2020 due to the payment of directors' remuneration to a director of our Company in FYE 2020 which was previously not incurred by Cosmos in FYE 2019 as well as the payment of directors' remuneration to an independent director of Cosmos arising from his appointment to our Board in August 2019 pursuant to the requirements under the LEAP Market Listing Requirements of Bursa Securities upon the listing of our Company on the LEAP Market; and
- (iii) loss on disposal of a laser cutting machine of RM0.28 million in FYE 2020 which was not incurred in FYE 2019. The loss on disposal of the laser cutting machine was partially offset by the gain on disposal of a motor vehicle of RM0.12 million in FYE 2020.

Further to the above, the increase in administrative expenses was offset by the decrease in rental of office/hostel by RM0.05 million or 47.52% from RM0.10 million in FYE 2019 to RM0.05 million in FYE 2020 as our Group had adopted MFRS 16 in FYE 2020, whereby, our Group had recognised the rental obligations of the office located at No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor under rights-of-use assets and lease liabilities.

Comparison between FYE 2021 and FYE 2020

Our Group's administrative expenses decreased by RM1.15 million or 25.76% from RM4.48 million in FYE 2020 to RM3.33 million in FYE 2021. The decrease was mainly attributable to the following:

- (i) absence of the listing expenses in relation to the listing of our Company on the LEAP Market in FYE 2021 of which RM0.81 million were incurred in FYE 2020;
- (ii) no loss on disposal of property, plant and equipment being recorded in FYE 2021 as compared to the loss on disposal of a laser cutting machine of RM0.28 million in FYE 2020 as explained above; and
- (iii) decrease in staff costs by RM0.24 million or 13.41% from RM1.74 million in FYE 2020 to RM1.50 million in FYE 2021 as there was a subsidy by the Social Security Organisation amounting to RM0.08 million and decrease in staff's welfares of RM0.10 million resulting from MCO.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2022 and FYE 2021**

Our Group's administrative expenses increased by RM2.07 million or 62.09% from RM3.33 million in FYE 2021 to RM5.40 million in FYE 2022. The increase was mainly attributable to the following:

- (i) listing expenses incurred by our Group in FYE 2022 amounting to RM1.67 million comprising professional fees, fees to authorities and other miscellaneous fees and expenses in relation to the Listing;
- (ii) increase in staff costs by RM0.27 million or 17.95% from RM1.50 million in FYE 2021 to RM1.77 million in FYE 2022 mainly due to the increase in number of staff and salary increment; and
- (iii) increase in professional fees by RM0.20 million or 182.88% from RM0.11 million in FYE 2021 to RM0.31 million in FYE 2022 mainly due to the professional fees incurred for the purchase of New Building, such as legal fees for the preparation of the relevant agreements and/or documents and valuation fee of RM0.12 million in FYE 2022.

(e) Selling and distribution expenses

The table below provides the breakdown of our selling and distribution expenses:

| | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | |
|--------------------------|--------------|---------------|--------------|---------------|------------|---------------|------------|---------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Accommodation | 39 | 1.20 | 22 | 1.03 | 22 | 2.26 | 15 | 2.75 |
| Advertisement | 3 | 0.09 | 2 | 0.09 | 21 | 2.16 | 12 | 2.20 |
| Carriage outwards | 2,780 | 85.93 | 1,484 | 69.54 | 651 | 66.91 | 176 | 32.29 |
| Commission | 43 | 1.33 | 32 | 1.50 | - | - | - | - |
| Donation and gifts | 39 | 1.21 | 8 | 0.38 | 1 | 0.10 | 10 | 1.84 |
| Entertainment | 46 | 1.42 | 76 | 3.56 | 35 | 3.60 | 34 | 6.24 |
| Exhibitions | 7 | 0.22 | 14 | 0.66 | 4 | 0.41 | - | - |
| Hire of machinery | 4 | 0.12 | - | - | - | - | - | - |
| Insurance | 31 | 0.96 | 53 | 2.48 | 65 | 6.68 | 103 | 18.90 |
| Petrol and diesel | 91 | 2.81 | 89 | 4.17 | 75 | 7.71 | 86 | 15.78 |
| Road tax | 6 | 0.19 | 8 | 0.38 | 6 | 0.62 | 6 | 1.10 |
| Toll and parking | 29 | 0.90 | 28 | 1.31 | 20 | 2.05 | 24 | 4.40 |
| Travelling expenses | 63 | 1.95 | 59 | 2.76 | 39 | 4.01 | 23 | 4.22 |
| Upkeep of motor vehicles | 54 | 1.67 | 71 | 3.33 | 34 | 3.49 | 56 | 10.28 |
| Bad debt written off | - | - | 188 | 8.81 | - | - | - | - |
| Total | 3,235 | 100.00 | 2,134 | 100.00 | 973 | 100.00 | 545 | 100.00 |

Comparison between FYE 2020 and FYE 2019

Our Group's selling and distribution expenses decreased by RM1.11 million or 34.03% from RM3.24 million in FYE 2019 to RM2.13 million in FYE 2020. The decrease was mainly attributable to the decrease in the carriage outwards incurred by our Group of RM1.30 million from RM2.78 million in FYE 2019 to RM1.48 million in FYE 2020 in tandem with the decrease in our export of fabricated metal products to our Oil and Gas Customer in US in FYE 2020 as evident by the decrease of 57.43% in sales to the US market from RM20.77 million in FYE 2019 to RM8.84 million in FYE 2020 as detailed in Section 12.2.2(a) of this Prospectus.

However, the abovementioned decrease in the selling and distribution expenses was partially offset by the bad debt written off by our Group in FYE 2020 amounting to RM0.19 million mainly due to the outstanding rental owing by Boxup Solutions Sdn Bhd in respect of Lot 3195, Jalan KP B 11, Balakong, Selangor and HS(D) 132878 PT

12. FINANCIAL INFORMATION (CONT'D)

51414, Pekan Cheras, Daerah Ulu Langat, Selangor which, in our management's opinion, is not collectible in view that the said debtor has ceased their operations.

Comparison between FYE 2021 and FYE 2020

Our Group's selling and distribution expenses decreased by RM1.16 million or 54.40% from RM2.13 million in FYE 2020 to RM0.97 million in FYE 2021. The decrease was mainly due to the following:

- (i) decrease in the carriage outwards incurred by our Group of RM0.83 million from RM1.48 million in FYE 2020 to RM0.65 million in FYE 2021 in tandem with the decrease in our export of fabricated metal products to our Oil and Gas Customer in US in FYE 2020 as evident in the decrease of 52.03% in sales to the US market from RM8.84 million in FYE 2020 to RM4.24 million in FYE 2021 as detailed in Section 12.2.2(a) of this Prospectus; and
- (ii) no bad debt written off in FYE 2021 as compared to the bad debt written off by our Group amounting to RM0.19 million in FYE 2020 in respect of the outstanding rental owing by Boxup Solutions Sdn Bhd in respect of Lot 3195, Jalan KP B 11, Balakong, Selangor and HS(D) 132878 PT 51414, Pekan Cheras, Daerah Ulu Langat, Selangor as detailed above.

Comparison between FYE 2022 and FYE 2021

Our Group's selling and distribution expenses decreased by RM0.42 million or 43.99% from RM0.97 million in FYE 2021 to RM0.55 million in FYE 2022. The decrease was mainly due to the decrease in the carriage outwards incurred by our Group of RM0.47 million from RM0.65 million in FYE 2021 to RM0.18 million in FYE 2022 as most of the carriage outwards costs in relation to the export sales arising from the manufacturing segment in FYE 2022 were borne by our Oil and Gas Customers.

(f) Finance costs

The table below provides the breakdown of our finance costs:

| | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | |
|----------------------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Bank overdraft interest | 142 | 18.32 | 141 | 25.63 | 128 | 33.16 | 108 | 41.70 |
| Bills payable interest | 378 | 48.78 | 259 | 47.09 | 136 | 35.23 | 9 | 3.47 |
| Term loan interest | 174 | 22.45 | - | - | 5 | 1.30 | 10 | 3.86 |
| Hire purchase interest | 81 | 10.45 | 124 | 22.55 | 99 | 25.65 | 116 | 44.79 |
| Lease liabilities interest | - | - | 26 | 4.73 | 18 | 4.66 | 16 | 6.18 |
| Total | 775 | 100.00 | 550 | 100.00 | 386 | 100.00 | 259 | 100.00 |

Comparison between FYE 2020 and FYE 2019

Our Group's finance costs decreased by RM0.23 million or 29.03% from RM0.78 million in FYE 2019 to RM0.55 million in FYE 2020 mainly due to the following:

- (i) no interests on term loans incurred in FYE 2020 as compared to the interests on term loans amounting to RM0.17 million in FYE 2019 following the full settlement of the outstanding term loans with United Oversea Bank (Malaysia) Berhad and Hong Leong Bank Berhad upon disposal of the leasehold land and building located at Lot 1801, Kawasan Perindustrian Kampung Baru Balakong, 43300

12. FINANCIAL INFORMATION (CONT'D)

Seri Kembangan, Selangor by MCI to MSM Kitchen Sdn Bhd, and freehold land and building located at No. 6, Jalan IMP 1/3, Pusat Teknologi Sinar Meranti, Taman Industri Meranti Perdana, 47120 Puchong, Selangor by Cosmos Instruments to a third party, namely Techkem Utilities Sdn Bhd, in FYE 2019 as detailed in Section 12.2.2(c) of this Prospectus; and

- (ii) decrease in the interests on bills payable of RM0.12 million from RM0.38 million in FYE 2019 to RM0.26 million in FYE 2020 due to lower utilisation of bills payable facilities by our Group for the payment to our suppliers which was in line with the decrease of purchase of raw materials for the manufacturing of fabricated metal products.

The decrease in finance costs was partially offset by the following:

- (i) increase in interests on hire purchase of RM0.04 million from RM0.08 million in FYE 2019 to RM0.12 million in FYE 2020 arising from the drawdown of hire purchase loan to finance the acquisition of motor vehicles as well as the renovation of MCI's office in the 3rd quarter of the FYE 2019 and the drawdown of hire purchase loan for the acquisition of a motor vehicle in FYE 2020; and
- (ii) recognition of lease liabilities interest in respect of right-of-use assets amounting to RM0.03 million arising from our Group's adoption of the MFRS 16 in FYE 2020.

Comparison between FYE 2021 and FYE 2020

Our Group's finance costs decreased by RM0.16 million or 29.82% from RM0.55 million in FYE 2020 to RM0.39 million in FYE 2021 mainly due to the following:

- (i) decrease in the interests on bills payable of RM0.12 million from RM0.26 million in FYE 2020 to RM0.14 million in FYE 2021 due to lower utilisation bills payable facilities by our Group for payment to our suppliers which was in line with the decrease of purchase of raw materials for the manufacturing of fabricated metal products;
- (ii) decrease in the interests on hire purchase of RM0.02 million from RM0.12 million in FYE 2020 to RM0.10 million in FYE 2021 following our Group's utilisation of the 6-month bank loan moratorium in FYE 2021 as part of the COVID-19 relief measures implemented by the Government; and
- (iii) decrease in the interests on bank overdraft of RM0.01 million from RM0.14 million in FYE 2020 to RM0.13 million in FYE 2021 due to lower utilisation of bank overdraft facilities by our Group in FYE 2021.

Comparison between FYE 2022 and FYE 2021

Our Group's finance costs decreased by RM0.13 million or 32.90% from RM0.39 million in FYE 2021 to RM0.26 million in FYE 2022 despite the higher borrowings and lease liabilities outstanding as at 30 April 2022 as compared to 30 April 2021 mainly due to the decrease in the interests on bills payable of RM0.13 million from RM0.14 million in FYE 2021 to RM0.01 million in FYE 2022 due to lower utilisation of the bills payable facility by our Group throughout FYE 2022, whereby the outstanding bills payable of RM2.45 million as at 30 April 2022 were utilised in March 2022.

12. FINANCIAL INFORMATION (CONT'D)**(g) PBT, PAT and effective tax rate**

| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|------------------------|-----------------|-----------------|-----------------|-----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| PBT (RM'000) | 6,186 | 1,969 | 7,430 | 8,208 |
| PBT margin (%) | 14.03 | 7.82 | 22.03 | 16.71 |
| Taxation (RM'000) | 906 | 751 | 1,842 | 2,421 |
| Effective tax rate (%) | 14.65 | 38.14 | 24.79 | 29.50 |
| Statutory tax rate (%) | 24.00 | 24.00 | 24.00 | 24.00 |
| PAT (RM'000) | 5,280 | 1,218 | 5,588 | 5,787 |
| PAT margin (%) | 11.98 | 4.84 | 16.57 | 11.78 |

Comparison between FYE 2020 and FYE 2019

Our Group's PBT decreased by RM4.22 million or 68.17% from RM6.19 million in FYE 2019 to RM1.97 million in FYE 2020. The decrease was mainly due to the decrease in our GP for the FYE 2020 as detailed in Section 12.2.2(b) of this Prospectus.

Our Group's PBT margin decreased from 14.03% for the FYE 2019 to 7.82% for the FYE 2020 mainly attributable to the following:

- (i) increase in the administrative expenses as a result of the listing expenses in relation to the listing of our Company on the LEAP Market amounting to RM0.81 million, increase in the Directors' remuneration of RM0.43 million and the loss on disposal of a laser cutting machine of RM0.28 in FYE 2020 as detailed in Section 12.2.2(d) of this Prospectus; and
- (ii) decrease in the other income as there was no gain on disposal of property, plant and equipment in FYE 2020 as compared to the gain on disposal of property, plant and equipment of RM0.87 million in FYE 2019 and decrease in rental income of RM0.36 million as detailed in Section 12.2.2(c) of this Prospectus.

For the FYE 2019, our Group's effective tax rate was 14.65% which was lower than the statutory tax rate of 24.00%. This was mainly due to the gain on disposal of property which is not subject to tax, tax incentive of reinvestment allowance, income tax relief of disposal of factory and overprovision of income tax in prior years.

For the FYE 2020, our Group's effective tax rate was 38.14% which was higher than the statutory tax rate of 24.00% and the effective tax rate of 14.65% in FYE 2019. This was mainly attributable to the listing expenses in relation to the listing of our Company on the LEAP Market amounting to RM0.81 million incurred by our Group in FYE 2020 which were not tax-deductible and under-provision of income tax in prior year amounting to RM0.04 million.

As a result of the foregoing, the PAT of our Group decreased by RM4.06 million or 76.93% from RM5.28 million in FYE 2019 to RM1.22 million in FYE 2020.

Comparison between FYE 2021 and FYE 2020

Our Group's PBT increased by RM5.46 million or 277.35% from RM1.97 million in FYE 2020 to RM7.43 million in FYE 2021. The increase was mainly due to the increase in our GP from both our distribution and manufacturing segments for the FYE 2021 as explained in Section 12.2.2(b) of this Prospectus.

Our Group's PBT margin increased from 7.82% for the FYE 2020 to 22.03% for the FYE 2021. This was mainly attributable to the following:

12. FINANCIAL INFORMATION (CONT'D)

- (i) decrease in administrative expenses of RM1.15 million mainly due to the absence of listing expenses in relation to the listing of our Company on the LEAP Market in FYE 2021 of which RM0.81 million were incurred in FYE 2020, no loss on disposal of property, plant and equipment being recorded in FYE 2021 as compared to the loss on disposal of a laser cutting machine of RM0.28 million in FYE 2020 and decrease in staff costs of RM0.24 million in FYE 2021 as detailed in Section 12.2.2(d) of this Prospectus; and
- (ii) decrease in selling and distribution expenses of RM1.16 million mainly due to the decrease in carriage outwards incurred by our Group of RM0.83 million and the absence of bad debt written off in FYE 2021 as compared to the bad debt written off by our Group of RM0.19 million in FYE 2020 as detailed in Section 12.2.2(e) of this Prospectus.

For the FYE 2021, our Group's effective tax rate was 24.79% which was marginally higher than the statutory tax rate of 24.00%. This was mainly attributable to the expenses incurred by our Company being the holding company in FYE 2021 which are not tax-deductible and under-provision of income tax in prior year amounting to RM0.02 million.

As a result of the foregoing, the PAT of our Group increased by RM4.37 million or 358.78% from RM1.22 million in FYE 2020 to RM5.59 million in FYE 2021.

Comparison between FYE 2022 and FYE 2021

Our Group's PBT increased by RM0.78 million or 10.47% from RM7.43 million in FYE 2021 to RM8.21 million in FYE 2022. The increase was mainly due to the increase in our GP from our manufacturing segment for the FYE 2022 as explained in Section 12.2.2(b) of this Prospectus.

Our Group's PBT margin decreased from 22.03% for the FYE 2021 to 16.71% for the FYE 2022. This was mainly attributable to the decrease in GP margin from 35.06% in FYE 2021 to 27.79% in FYE 2022 as detailed in Section 12.2.2(b) of this Prospectus, increase in administrative expenses of RM2.07 million mainly due to the listing expenses incurred by our Group in FYE 2022 in relation to the Listing amounting to RM1.67 million, increase in staff costs and professional fees of RM0.27 million and RM0.20 million, respectively, as detailed in Section 12.2.2(d) of this Prospectus.

For the FYE 2022, our Group's effective tax rate was 29.50% which was higher than the statutory tax rate of 24.00%. This was mainly attributable to the listing expenses in relation to the Listing incurred by our Group amounting to RM1.67 million in FYE 2022 which were not tax-deductible.

As a result of the increase in our Group's PBT as detailed above, the PAT of our Group increased by RM0.20 million or 3.56% from RM5.59 million in FYE 2021 to RM5.79 million in FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

Our business has been financed by a combination of internal and external sources of funds. Internal sources of funds comprise shareholders' equity and cash generated from our business operations, while our external sources of funds mainly consist of banking facilities from financial institutions. These funds have mainly been used to finance our business operations and growth.

Based on the audited financial statements of our Group for the FYE 30 April 2022, we had cash and cash equivalents (net of bank overdraft and fixed deposits pledged to licensed banks) of RM9.69 million as well as total borrowings and lease liabilities of RM8.10 million, which had taken into account of bank overdrafts, term loans, bills payables and lease liabilities. As at 30 April 2022, our gearing ratio was 0.31 times and current ratio was 2.45 times.

As at the LPD, we have credit facilities available amounting to RM6.50 million, of which RM1.26 million has yet to be utilised.

Our Directors are of the opinion that we will have adequate working capital to meet our present and foreseeable requirements for a period of at least 12 months from the date of this Prospectus after taking into consideration the following factors:

- our cash and cash equivalents;
- profits and cash flows that we expect to generate from our business operations; and
- borrowings that we can raise from the unutilised portion of our existing banking facilities and new banking facilities that may be granted to us as well as the proceeds that we expect to raise from our Public Issue.

12.3.2 Cash flows

The following table summarises our audited combined and consolidated financial statements of cash flows for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022.

| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|--------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net cash generated from/(used in) operating activities | 2,910 | 2,542 | (456) | 3,387 |
| Net cash generated from/(used in) investing activities | 15,857 | 223 | 549 | (298) |
| Net cash (used in)/generated from financing activities | (18,357) | 4,141 | (547) | (972) |
| Net increase/(decrease) in cash and cash equivalents | 410 | 6,906 | (454) | 2,117 |
| Cash and cash equivalents at the beginning of the financial year | 711 | 1,121 | 8,027 | 7,573 |
| Cash and cash equivalents at the end of the financial year* | 1,121 | 8,027 | 7,573 | 9,690 |
| | | | | |

12. FINANCIAL INFORMATION (CONT'D)**Note:**

* Cash and cash equivalents as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 comprised the following:

| | <i>As at 30 April</i> | | | |
|-------------------------------------------------|-----------------------|---------------------|---------------------|---------------------|
| | <i>2019</i> | <i>2020</i> | <i>2021</i> | <i>2022</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| <i>Fixed deposits with licensed banks</i> | 2,821 | 2,921 | 4,984 | 5,042 |
| <i>Cash and bank balances</i> | 1,430 | 7,697 | 5,988 | 8,351 |
| | 4,251 | 10,618 | 10,972 | 13,393 |
| <i>Less:</i> | | | | |
| <i>Bank overdraft</i> | (1,945) | (1,365) | (2,147) | (2,426) |
| <i>Fixed deposits pledged to licensed banks</i> | (1,185) | (1,226) | (1,252) | (1,277) |
| | (3,130) | (2,591) | (3,399) | (3,703) |
| <i>Cash and cash equivalents</i> | <i>1,121</i> | <i>8,027</i> | <i>7,573</i> | <i>9,690</i> |

Most of our cash and cash equivalents are held in RM and USD. There are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to the availability of distributable reserves, any applicable financial covenants and the Act.

FYE 2019**(a) Net cash generated from operating activities**

In FYE 2019, our Group recorded net cash generated from operating activities of RM2.91 million. We have collected RM46.18 million from our customers which was partially offset by cash payments of RM43.27 million. Such cash payments were mainly for:

- payment to suppliers of RM37.19 million;
- staff costs and directors' remuneration of RM4.40 million;
- income tax paid of RM1.16 million; and
- bank overdraft and bills payable interest paid of RM0.52 million.

(b) Net cash generated from investing activities

For the FYE 2019, our Group's net cash generated from investing activities was RM15.86 million after taking into account the following:

- proceeds from the disposal of lands and buildings as follows:
 - RM11.60 million proceeds from the disposal of the leasehold land and building located at Lot 1801, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor by MCI to MSM Kitchen Sdn Bhd at net book value. This disposal forms part of the Restructuring Exercise; and
 - RM4.00 million proceeds from the disposal of the freehold land and building located at No. 6, Jalan IMP 1/3, Pusat Teknologi Sinar Meranti, Taman Industri Meranti Perdana, 47120 Puchong, Selangor by Cosmos Instruments to a third party, namely Techkem Utilities Sdn Bhd, during the year as part of the Restructuring Exercise.

12. FINANCIAL INFORMATION (CONT'D)

- proceeds from rental income from MSM Equipment Manufacturer Sdn Bhd, MSM Kitchen Sdn Bhd, Boxup Solutions Sdn Bhd and FIC Kitchen Sdn Bhd amounting to RM0.37 million and fixed deposit interest received amounting to RM0.11 million.

(c) Net cash used in financing activities

For the FYE 2019, our Group's net cash used in financing activities was RM18.36 million after taking into consideration the following:

- repayment of term loan amounting to RM9.31 million and the payment of interest expense amounting to RM0.17 million in respect of the term loan;
- repayment of finance lease liabilities amounting to RM0.80 million and the payment of interest expenses of RM0.08 million in respect of the finance lease liabilities;
- payment of dividends to MSM and Dato' Chong as part of the Restructuring Exercise amounting to RM8.33 million; and
- decrease in fixed deposit pledged by RM0.33 million.

FYE 2020

(a) Net cash generated from operating activities

In FYE 2020, our Group recorded net cash generated from operating activities amounting to RM2.54 million. We have collected RM35.28 million from our customers which was partially offset by cash payments of RM32.74 million. Such cash payments were mainly for:

- payment to suppliers of RM28.16 million;
- staff costs and directors' remuneration of RM3.18 million;
- income tax paid of RM1.00 million; and
- bank overdraft and bills payable interest paid of RM0.40 million.

(b) Net cash generated from investing activities

For the FYE 2020, our Group's net cash generated from investing activities was RM0.22 million after taking into account the following:

- proceeds from the disposal of a plant and machinery and motor vehicles of approximate RM0.67 million arising from the following:
 - proceeds from the disposal of a laser cutting machine amounting to RM0.50 million due to poor performance of the laser cutting machine after replacement of the resonator which was damaged during the installation of the machine; and
 - proceeds from the disposal of the 2 units of motor vehicles amounting to RM0.17 million;

12. FINANCIAL INFORMATION (CONT'D)

- purchase of plant and machinery, motor vehicles, computer and office equipment and tools and implement amounting to approximately RM1.15 million, of which RM0.59 million were financed with hire purchase arrangements.

The purchases of the plant and machinery, motor vehicles, computer and office equipment and tools and implement were as follows:

- purchase of a resonator for laser cutting machine after receiving the insurance claim amounting to RM0.45 million;
 - purchase of 3 units of motor vehicles to replace the motor vehicles disposed for business operations purposes amounting to RM0.67 million; and
 - purchase of computer and office equipment as well as tools and implement for the use of business operations and production purposes amounting to RM0.03 million.
- proceeds from fixed deposit interest received amounting to RM0.11 million.

(c) Net cash generated from financing activities

For the FYE 2020, our Group's net cash generated from financing activities was RM4.14 million after taking into consideration the following:

- proceeds from the issuance of shares arising from the listing of our Company on the LEAP Market and Restructuring Exercise amounting to RM5.30 million;
- repayment of lease liabilities amounting to RM0.97 million and the payment of lease liabilities interest of RM0.15 million; and
- increase in fixed deposit pledged by RM0.04 million.

FYE 2021

(a) Net cash used in operating activities

In FYE 2021, our Group recorded net cash used in operating activities amounting to RM0.46 million. We have collected RM29.13 million from our customers which was offset by cash payments of RM29.59 million. Such payments were mainly for:

- payment to suppliers of RM25.32 million;
- staff costs and directors' remuneration of RM2.73 million;
- income tax paid of RM1.28 million; and
- bank overdraft and bills payable interest paid of RM0.26 million.

(b) Net cash generated from investing activities

For the FYE 2021, our Group's net cash generated from investing activities was RM0.55 million after taking into account the following:

- proceeds from the disposal of plant and machinery, furniture and fittings, computer and office equipment as follows:

12. FINANCIAL INFORMATION (CONT'D)

- RM0.70 million proceeds from the disposal of a turret punching machine due to poor condition and performance; and
- RM6,992 proceeds from the disposal of the furniture and fittings, computer and office equipment due to closure of the office located in Kuching, Sarawak;
- purchase of plant and machinery, computer and office equipment and tools and implement amounting to approximately RM1.16 million, of which RM0.90 million were financed with hire purchase arrangements.

The purchases of the plant and machinery, computer and office equipment and tools and implement are as follows:

- purchase of a turret punching machine for production usage amounting to RM0.90 million;
- purchase of tools and implements for replacement and production usage amounting to RM0.22 million; and
- purchase of furniture and fittings, computer and office equipment for operation use amounting to RM0.04 million.
- proceeds from fixed deposit interest received amounting to RM0.11 million.

(c) Net cash used in financing activities

For the FYE 2021, our Group's net cash used in financing activities was RM0.55 million after taking into consideration the following:

- drawdown of term loan amounting to RM0.30 million;
- repayment of term loan amounting to RM0.06 million;
- repayment of lease liabilities amounting to RM0.64 million and the payment of lease liabilities interest of RM0.12 million; and
- increase in fixed deposit pledged by RM0.03 million.

FYE 2022

(a) Net cash generated from operating activities

In FYE 2022, our Group recorded net cash generated from operating activities amounting to RM3.39 million. We have collected RM43.82 million from our customers which was partially offset by cash payments of RM40.43 million. Such cash payments were mainly for:

- payment to suppliers of RM34.41 million;
- staff costs and directors' remuneration of RM3.73 million;
- income tax paid of RM2.17 million; and
- bank overdraft and bills payable interest paid of RM0.12 million.

12. FINANCIAL INFORMATION (CONT'D)

(b) Net cash used in investing activities

For the FYE 2022, our Group's net cash used in investing activities was RM0.30 million after taking into account the following:

- purchase of plant and machinery, motor vehicles, computer equipment, and tools and implements amounting to approximately RM1.25 million, of which RM0.85 million were financed with hire purchase arrangements.

The purchases of plant and machinery, computer and office equipment and tools and implement are as follows:

- purchase of a unit of weld heat treatment machine and a unit of transformer for production usage amounting to RM1.03 million;
 - purchase of tools and implements for replacement and production usage amounting to RM0.13 million;
 - purchase of motor vehicles for operation use amounting to RM0.08 million;
 - purchase of computer equipment for operation use amounting to RM0.01 million; and
- proceeds from fixed deposit interest received amounting to RM0.10 million.

(c) Net cash used in financing activities

For the FYE 2022, our Group's net cash used in financing activities was RM0.97 million after taking into consideration the following:

- drawdown of term loan amounting to RM0.06 million;
- repayment of term loan amounting to RM0.02 million;
- repayment of lease liabilities amounting to RM0.85 million and the payment of lease liabilities interest of RM0.13 million; and
- increase in fixed deposit pledged by RM0.02 million.

12. FINANCIAL INFORMATION (CONT'D)

12.3.3 Borrowings and lease liabilities

The table below sets out the details of our Group's bank borrowings and lease liabilities as at 30 April 2022:

| Type of borrowings | Note | Remaining tenure | Average effective interest rate | Credit limit | As at 30 April 2022 | | | | | |
|---------------------------------------|------|------------------|---------------------------------|--------------|---------------------|--------------|--------------|--------------------------|-------------------------|--------------------------|
| | | | | | Years | % | RM'000 | Payable within 12 months | Payable after 12 months | Total amount outstanding |
| | | | | | | | | RM'000 | RM'000 | RM'000 |
| Bank overdraft (secured) | (1) | N/A | 5.62 – 8.95 | 2,940 | 2,426 | - | 2,426 | | | |
| Term loan (secured) | (2) | 7 | 3.50 | 300 | 40 | 246 | 286 | | | |
| Bills payable (secured) | (3) | N/A | 3.51 – 4.37 | 3,900 | 2,450 | - | 2,450 | | | |
| Lease liabilities (partially secured) | (4) | 6 | 2.32 – 4.50 | N/A | 639 | 2,057 | 2,696 | | | |
| Lease liabilities (MFRS 16) | (5) | N/A | N/A | N/A | 209 | 36 | 245 | | | |
| Total | | | | | 5,764 | 2,339 | 8,103 | | | |
| Gearing ratio (times) | (6) | | | | | | 0.31 | | | |

Notes:

N/A Not applicable

- (1) Bank overdraft was mainly used for our Group's working capital purposes and secured by corporate guarantee by MSM, our Company as well as joint and several guarantee by Directors of MCI.
- (2) Term loan was mainly for the working capital and secured by joint and several guarantee by the directors of MCI and our Company.
- (3) Bills payable such as letter of credit, trust receipt, banker acceptance, banker guarantee and shipping guarantee which are mainly used for our Group's working capital purposes and secured by corporate guarantee by Cosmos.
- (4) This refers to the lease liabilities mainly for the hire purchase of plant, machinery and equipment as well as motor vehicles which are secured.
- (5) This refers to the lease liabilities in respect of right-of-use assets pursuant to MFRS 16 for the rental obligations of our factory located at Lot 24645, Jalan KP5, Kawasan Perindustrian Kampung Baru, Balakong, 43300 Seri Kembangan, Selangor and No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor which are unsecured.
- (6) Calculated based on our total borrowings and lease liabilities divided by our shareholders' equity as at 30 April 2022.

All our borrowings are interest-bearing and denominated in RM.

12. FINANCIAL INFORMATION (CONT'D)

As at 30 April 2022, our Group's floating and fixed rate borrowings and lease liabilities are set out below:

| | RM'000 |
|------------------------------------------------------------|---------------|
| Floating rate borrowings ⁽¹⁾ | 4,876 |
| Fixed rate borrowings and lease liabilities ⁽²⁾ | 3,227 |
| Total borrowings and lease liabilities | 8,103 |

Notes:

(1) Include bank overdraft and bills payable.

(2) Include term loan and lease liabilities.

Our Group has not defaulted on any payment of either principal sums and/or interest in relation to the borrowings and lease liabilities throughout the FYE Under Review and up to the LPD.

The maturity profile of our borrowings and lease liabilities as at 30 April 2022 is set out below:

| | Bank overdraft | Term loans | Lease liabilities (Hire purchase) | Lease liabilities (MFRS 16) | Bills payable | Total |
|---------------------------------------------|-----------------------|-------------------|------------------------------------------|------------------------------------|----------------------|---------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Within 1 year | 2,426 | 40 | 639 | 209 | 2,450 | 5,764 |
| More than 1 year but not more than 2 years | - | 41 | 665 | 36 | - | 742 |
| More than 2 years but not more than 5 years | - | 133 | 1,359 | - | - | 1,492 |
| More than 5 years | - | 72 | 33 | - | - | 105 |
| Total | 2,426 | 286 | 2,696 | 245 | 2,450 | 8,103 |

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect our financial position and results of business operations or investments by holders of securities in our Company.

As at the LPD, our Group did not use any other financial instruments.

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12. FINANCIAL INFORMATION (CONT'D)**12.4 CAPITALISATION AND INDEBTEDNESS**

The table below sets out our Group's capitalisation and indebtedness as at 31 July 2022 and is based on the assumption that our IPO, Listing and the use of proceeds from our Public Issue to repay RM1.50 million of our outstanding borrowings as set out in Section 12.3.3 of this Prospectus had occurred on 31 July 2022.

The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 July 2022 and is provided for illustrative purposes only.

| | As at 31 July 2022 | After our IPO, Listing and use of proceeds |
|--------------------------------------------|--------------------|--------------------------------------------------|
| | RM'000 | RM'000 |
| Borrowings | | |
| <u>Current</u> | | |
| Secured and guaranteed | | |
| Bank overdrafts | 1,706 | 206 |
| Term loan | 40 | 40 |
| Lease liabilities | 659 | 659 |
| Bills payable | 2,917 | 2,917 |
| Unsecured and unguaranteed | | |
| Lease liabilities | 193 | 193 |
| <u>Non-Current</u> | | |
| Secured and guaranteed | | |
| Term loan | 236 | 236 |
| Lease liabilities | 1,985 | 1,985 |
| Unsecured and unguaranteed | | |
| Lease liabilities | - | - |
| Total indebtedness | 7,736 | 6,236 |
| Total equity/capitalisation | 28,181 | 50,625 |
| Gearing ratio⁽¹⁾ (times) | 0.27 | 0.12 |

Note:

(1) Computed based on total indebtedness over our shareholders' equity.

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Financial instruments, from an accounting perspective, may include trade receivables, other receivables and deposits, fixed deposits with licensed banks, cash and bank balances, trade payables, other payables and borrowings as shown on our combined statements of financial position and our consolidated statements of financial position. The aforesaid financial instruments are used in our Group's ordinary course of business.

Our Group has foreign exchange contracts. As at the LPD, we have not utilised the foreign exchange contracts. However, we monitor foreign exchange fluctuations on an on-going basis to ensure that our net foreign currency exposure is at an acceptable level.

Our treasury policies and objectives are to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from our business operations and finance liabilities, if any, by maintaining adequate liquidity and credit facilities.

12. FINANCIAL INFORMATION (CONT'D)

We manage our liquidity to ensure access to sufficient funding at acceptable costs to meet our business operations needs and financial obligations. In the past we have relied on the cash generated from our operations, credit extended by our vendors, bank overdraft facilities, bills payable and the proceeds raised from the listing of our Company on the LEAP Market.

Our funding objective is to obtain the most suitable type of financing at a favourable cost of funding as and when our financing needs arise.

12.6 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITY**12.6.1 Material capital commitments**

Save as disclosed below, as at the date of the LPD, our Group does not have any material capital commitments:

| | RM'000 |
|---------------------------------------|-----------------------|
| Authorised and contracted for: | |
| New Building | 10,030 ⁽¹⁾ |
| Plant and machinery | 1,395 ⁽²⁾ |

Notes:

(1) *Being the acquisition of the New Building for a purchase price of RM11.80 million. As at the LPD, a total of RM1.77 million, being 15% of the purchase consideration which comprised of the 10% deposit under the sale and purchase agreement and the differential sum between the purchase consideration and term loan facility for the acquisition of the New Building (as detailed below in this section) of RM0.59 million, has been paid to the Vendor. As such, the remaining purchase sum payable of RM10.03 million has been recorded as a material commitment as at the LPD.*

(2) *For the purchase of 2 units of press brake machines and 2 units of turret punching machines for our manufacturing segment which will be financed by our Group's internally-generated funds, bank borrowings and/or the unutilised proceeds from the listing of the Company on the LEAP Market.*

12.6.2 Material litigation

As at the date of this Prospectus, our Group is not engaged in any governmental proceedings and/ or any material litigation, claim and/ or arbitration, whether as plaintiff or defendant, which might materially and adversely affect the financial position or profitability of our Group. Our Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or profitability in the 12 months immediately preceding the date of this Prospectus.

12.6.3 Contingent liability

As at the LPD, we do not have any material contingent liability, which may have a substantial impact on the financial position of our Group.

12. FINANCIAL INFORMATION (CONT'D)**12.7 KEY FINANCIAL RATIOS**

The following table sets out certain key financial ratios of our Group based on the combined financial statements and consolidated financial statements of our Group for the FYE Under Review:

| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|-----------------------------------------------------------------|----------|----------|----------|----------|
| Average trade receivables turnover period (days) ⁽¹⁾ | 135 | 149 | 81 | 93 |
| Average trade payables turnover period (days) ⁽²⁾ | 128 | 180 | 123 | 88 |
| Average inventory turnover period (days) ⁽³⁾ | 71 | 196 | 178 | 109 |
| Current ratio (times) ⁽⁴⁾ | 1.35 | 1.72 | 2.28 | 2.45 |
| Gearing ratio (times) ⁽⁵⁾ | 0.88 | 0.25 | 0.25 | 0.31 |

Notes:

- (1) Based on the average trade receivables of the respective financial years over total revenue of the respective financial years, and multiplied by 365 days.
- (2) Based on the average trade payables of the respective financial years over total purchases of the respective financial years, and multiplied by 365 days.
- (3) Based on the average inventory of the respective financial years over total cost of sales of the respective financial years, and multiplied by 365 days.
- (4) Based on current assets over current liabilities.
- (5) Based on our total borrowings and lease liabilities divided by our shareholders' equity as at the end of the respective financial years.

12.7.1 Trade receivables turnover

Our average trade receivables turnover period for the FYE Under Review is as follows:

| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---------------------------------------------------------|------------|------------|-----------|-----------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Opening trade receivables | 17,394 | 15,296 | 5,208 | 9,801 |
| Closing trade receivables | 15,296 | 5,208 | 9,801 | 15,104 |
| Revenue | 44,078 | 25,189 | 33,723 | 49,120 |
| Average trade receivables turnover period (days) | 135 | 149 | 81 | 93 |

Generally, our normal trade terms granted to customers ranges from 30 to 90 days. The credit term for each customer may vary depending on various factors including the length of business relationship, their payment track record, creditworthiness and credit limit.

Our average trade receivables turnover period as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 were recorded at 135 days, 149 days, 81 days and 93 days, respectively.

Our average trade receivables turnover as at 30 April 2019 of 135 days exceeded our normal trade terms mainly due to the longer settlement period taken by our Oil and Gas Customers, namely, NOV (Malaysia) Sdn Bhd and National Oilwell Varco, Inc, of approximately 150 days.

Our average trade receivables turnover as at 30 April 2020 of 149 days exceeded our normal credit terms mainly due to the implementation of MCO by the Government which resulted in slower collection towards the end of the FYE 2020 and the high opening trade receivables as well as the decrease in the revenue for the FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)

Our average trade receivables turnover as at 30 April 2022 of 93 days exceeded our normal credit terms marginally due to high closing trade receivables as at 30 April 2022 mainly contributed by the sales recognised in the last quarter of the FYE 2022 (i.e. February 2022 to April 2022) which were not due as at 30 April 2022.

The aging analysis of our trade receivables as at 30 April 2022 is as follows:

| | Within normal credit period | Exceeding credit period | | | | Total |
|---------------------------------------------------------------------------|-----------------------------|-------------------------|-------------|--------------|------------|--------|
| | | 1-60 days | 61-120 days | 121-150 days | > 150 days | |
| Trade receivables (RM'000) | 4,278 | 6,290 | 3,722 | 581 | 233 | 15,104 |
| Percentage of total trade receivables (%) | 28.32 | 41.65 | 24.64 | 3.85 | 1.54 | 100.00 |
| Subsequent collections up to the LPD (RM'000) | 2,787 | 5,913 | 3,531 | 581 | 58 | 12,870 |
| Trade receivables net of subsequent collections (RM'000) | 1,491 | 377 | 191 | - | 175 | 2,234 |
| Percentage of total trade receivables (net of subsequent collections) (%) | 66.74 | 16.88 | 8.55 | - | 7.83 | 100.00 |

As at 30 April 2022, approximately RM10.83 million or 71.68% of our trade receivables exceeded the normal credit period mainly due to temporary delays in payment from certain customers, of which 93.14% was subsequently collected by our Group.

As at the LPD, a total of RM12.87 million was collected, which represent 85.21% from the amount outstanding as at 30 April 2022. For the trade receivables exceeding the credit period, we will actively follow up for the collection and are of the view that such amount outstanding are recoverable after taking into consideration the customers' payment history and relationship with our Group.

12.7.2 Trade payables turnover

Our average trade payables turnover period for the FYE Under Review is as follows:

| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|------------------------------------------------------|------------|------------|------------|-----------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Opening trade payables | 11,208 | 8,707 | 6,813 | 5,179 |
| Closing trade payables | 8,707 | 6,813 | 5,179 | 8,723 |
| Purchases | 28,451 | 15,735 | 17,830 | 28,813 |
| Average trade payables turnover period (days) | 128 | 180 | 123 | 88 |

Generally, the normal trade payables turnover period granted by our suppliers ranges from 30 and 90 days, depending on the suppliers used for the financial year.

Our Group's average trade payables turnover period as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 were 128 days, 180 days, 123 days and 88 days, respectively.

The increase in our Group's average trade payable turnover period from 128 days in FYE 2019 to 180 days in FYE 2020 was mainly due to purchases made by our Group in the last financial quarter of FYE 2020.

The decrease in average trade payable turnover period from 180 days in FYE 2020 to 123 days for FYE 2021 was mainly due to faster payment made by our Group to our suppliers in line with our improved collection from our customers as explained in Section 12.7.1 of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

The decrease in average trade payable turnover period from 123 days in FYE 2021 to 88 days for FYE 2022 was mainly due to faster payment made by our Group to our suppliers. Notwithstanding that the average receivables turnover period increased from 81 days to 93 days over the same period, our Group is not expected to have difficulty in managing its cashflows considering that the gap between the average trade payable turnover period of 88 days and average receivables turnover period of 93 days in FYE 2022 is not significant and that the trade receivables of our Group are fully recoverable as detailed in Section 12.7.1 above.

The aging analysis of our trade payables as at 30 April 2022 is as follows:

| | Within normal credit period | Exceeding credit period | | | | Total |
|---------------------------------------------------------------------|-----------------------------|-------------------------|-------------|--------------|------------|--------|
| | | 1-60 days | 61-120 days | 121-150 days | > 150 days | |
| Trade payables (RM'000) | 3,252 | 3,751 | 1,082 | 296 | 342 | 8,723 |
| Percentage of total trade payables (%) | 37.28 | 43.00 | 12.40 | 3.39 | 3.92 | 100.00 |
| Subsequent payments up to the LPD (RM'000) | 1,747 | 3,392 | 1,082 | 296 | 342 | 6,859 |
| Trade payables net of subsequent payments (RM'000) | 1,505 | 359 | - | - | - | 1,864 |
| Percentage of total trade payables (net of subsequent payments) (%) | 80.74 | 19.26 | - | - | - | 100.00 |

As at the LPD, a total of RM6.86 million has been paid by our Group, which represent 78.63% from the amount outstanding as at 30 April 2022.

12.7.3 Inventory turnover

Our inventories comprise raw materials, work-in-progress and finished goods. Our average inventory turnover period for the FYE under Review is as follows:

| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|-------------------------------------------------|-----------|------------|------------|------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Opening inventories | 5,057 | 7,887 | 10,918 | 10,394 |
| Closing inventories | 7,887 | 10,918 | 10,394 | 10,718 |
| Cost of sales | 33,218 | 17,505 | 21,901 | 35,471 |
| Average inventory turnover period (days) | 71 | 196 | 178 | 109 |

Our inventories mainly comprise the following:

- (i) flowmeters, dataloggers and other related products; and
- (ii) raw materials and work in progress of fabricated metal products.

Our average inventory turnover period as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 were 71 days, 196 days, 178 days and 109 days, respectively.

There was an increase in the inventory turnover period from 71 days for the FYE 2019 to 196 days for the FYE 2020 as our Group maintained a high level inventories with various models of water flowmeters and fabricated metal products to ensure our Group is able to fulfil the orders upon receipt from our Water Customers and Oil and Gas Customers.

There was a decrease in the inventory turnover period from 196 days for the FYE 2020 to 178 days for the FYE 2021. However, the inventory turnover period is still high as our Group had

12. FINANCIAL INFORMATION (CONT'D)

maintained the inventories for the orders scheduled based on the purchase orders received from our Water Customers as well as our Oil and Gas Customers to be fulfilled in FYE 2022.

There was a decrease in the inventory turnover period from 178 days for the FYE 2021 to 109 days for the FYE 2022 mainly due to the faster utilisation of the inventories as a result of the higher demand of fabricated metal products from our Oil and Gas Customers in FYE 2022 as compared to FYE 2021 as detailed in Section 12.2.2(a) of this Prospectus.

12.7.4 Current ratio

Our current ratio for the FYE Under Review is as follows:

| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|-----------------------|----------|----------|----------|----------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current assets | 33,307 | 30,044 | 33,547 | 41,376 |
| Current liabilities | 24,666 | 17,477 | 14,703 | 16,904 |
| Current ratio (times) | 1.35 | 1.72 | 2.28 | 2.45 |

Our Group's current ratio improved from 1.35 times for the FYE 2019 to 1.72 times for the FYE 2020. This was mainly due to the increase in cash and bank balances arising from the receipt of funds resulting from the issuance of new Cosmos Shares pursuant to the listing of our Company on the LEAP Market and decrease in borrowings resulting from the repayment of bills payables amounting to RM5.96 million.

Our Group's current ratio improved from 1.72 times for the FYE 2020 to 2.28 times for the FYE 2021. This was mainly due to the faster collection of trade receivables as well as the decrease in trade and other payables due to the faster payment made by our Group to our suppliers.

Our Group's current ratio improved from 2.28 times for the FYE 2021 to 2.45 times for the FYE 2022. This was mainly due to the increase in fixed deposits with licensed bank, cash and bank balances as well as increase in trade receivables which is in line with the increase in revenue generated from both our distribution and manufacturing segments in FYE 2022 as compared to FYE 2021 as detailed in Section 12.2.2(a) of this Prospectus.

12.7.5 Gearing ratio

Our gearing ratio for the FYE Under Review is as follows:

| | As at 30 April 2019 | As at 30 April 2020 | As at 30 April 2021 | As at 30 April 2022 |
|---------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Short term | | | | |
| Bills payable | 5,975 | 20 | - | 2,450 |
| Bank overdrafts | 1,945 | 1,365 | 2,147 | 2,426 |
| Finance lease liabilities | 755 | - | - | - |
| Term loan | - | - | 41 | 40 |
| Lease liabilities | - | 806 | 927 | 848 |
| Total short-term bank borrowings and lease liabilities | 8,675 | 2,191 | 3,115 | 5,764 |
| Long term | | | | |
| Finance lease liabilities | 1,484 | - | - | - |
| Term loan | - | - | 199 | 246 |
| Lease liabilities | - | 1,674 | 1,814 | 2,093 |
| Total long-term bank borrowings and lease liabilities | 1,484 | 1,674 | 2,013 | 2,339 |
| Total bank borrowings and lease liabilities | 10,159 | 3,865 | 5,128 | 8,103 |

12. FINANCIAL INFORMATION (CONT'D)

| | As at 30 April 2019 | As at 30 April 2020 | As at 30 April 2021 | As at 30 April 2022 |
|---------------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Shareholders' funds/net assets | | | | |
| Share capital | 1,400 | 13,963 | 13,963 | 13,963 |
| Retained earnings | 10,087 | 1,213 | 6,801 | 12,588 |
| Total shareholders' funds/net assets | 11,487 | 15,176 | 20,764 | 26,551 |
| Gearing ratio (times) | 0.88 | 0.25 | 0.25 | 0.31 |

Our gearing ratio ranges from 0.25 times to 0.88 times throughout the FYE Under Review.

Our gearing ratio has improved from 0.88 times as at 30 April 2019 to 0.25 times as at 30 April 2020 mainly due to the increase in shareholders' funds as a result of the issuance of new Shares arising from the listing of our Company on the LEAP Market and decrease in borrowings resulting from the repayment of bills payable amounting to RM5.96 million in the FYE 2020.

Our gearing ratio as at 30 April 2021 of 0.25 times is consistent with the gearing ratio as at 30 April 2020.

Our gearing ratio has increased from 0.25 times as at 30 April 2021 to 0.31 times as at 30 April 2022 mainly due to the increase in the borrowings from the drawdown of hire purchase amounting to RM0.85 million and bills payable amounting to RM2.45 million mainly for the payment to our suppliers which was in line with the increase in purchase of raw materials for our manufacturing segment in FYE 2022.

12.8 SIGNIFICANT FACTORS MATERIALLY AFFECTING OUR OPERATIONS AND FINANCIAL PERFORMANCE

The significant factors affecting our business are as follows:

(a) Foreign currency fluctuation

We are exposed to foreign currency fluctuations as some of our transactions and balances are denominated in foreign currencies. Our proportions of sales transactions denominated in USD and RM are as follows:

| | FYE 2019 | | FYE 2020 | | FYE 2021 | | FYE 2022 | |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Sales denominated in: | | | | | | | | |
| (i) USD - Export | 20,765 | 47.11 | 8,839 | 35.09 | 4,240 | 12.57 | 7,677 | 15.63 |
| (ii) SGD | 2 | 0.01 | - | - | - | - | - | - |
| (iii) RM | 23,311 | 52.88 | 16,350 | 64.91 | 29,483 | 87.43 | 41,443 | 84.37 |
| Total | 44,078 | 100.00 | 25,189 | 100.00 | 33,723 | 100.00 | 49,120 | 100.00 |

Our export sales are denominated in USD. Any significant change in foreign currency exchange rate may affect our Group's financial results. Our Group has foreign exchange contracts. As at the LPD, we have not utilised the foreign exchange contracts. However, we monitor foreign exchange fluctuations on an on-going basis to ensure that our net foreign currency exposure is at an acceptable level.

(b) Changes in political, economic and regulatory conditions

Risks relating to political, economic and regulatory conditions which may materially affect our operations are set out in Section 9.2.3 of this Prospectus.

Although we will continue to comply with the legal and regulatory frameworks in Malaysia and the country in which our Oil and Gas Customers operate, there is no assurance that future introduction of new law or other economic, political and regulatory

12. FINANCIAL INFORMATION (CONT'D)

conditions will not have adverse effect on our business, operation achievement and financial performance.

(c) Sudden disruptions caused by outbreak of pandemics such as COVID-19 virus

Risks relating to sudden disruptions which may materially affect our operations are set out in Section 9.1.1 of this Prospectus.

Any future pandemic outbreaks such as the COVID-19 virus, as well as epidemic outbreaks affecting a significantly large but more localised population, may result in similar interruptions to our Group's business and operations, hence, a material adverse impact on our financial performance.

12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance from FYE 2019 to FYE 2022 except for the MCO imposed as detailed in Section 7.8.2 of this Prospectus.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 9 of this Prospectus.

12.10 IMPACT OF INFLATION

Our Group is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation during the FYE Under Review. However, any significant increase in future inflation may adversely affect our Group's operations and financial performance if we are unable to pass on the increase in costs to our customers by increasing our selling prices.

12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES

12.11.1 Impact of foreign exchange rates

We are exposed to foreign currency exchange risks for our manufacturing segment, as the export sales for our fabricated products are mainly quoted in USD. Additionally, some of our purchases of inventories are denominated in EUR.

As a result of the above, our Group is subject to the risk arising from fluctuation in exchange rate between USD and RM for the revenue generated from our export sales and we are exposed to foreign currency exchange gains or losses arising from the timing of billing/invoices and actual payment received from our customers. Our Group has foreign exchange contracts. As at the LPD, we have not utilised the foreign exchange contracts.

Any significant change in foreign exchange rates may affect our Group's financial results.

Notwithstanding the above, we monitor foreign exchange fluctuations on an on-going basis to ensure that our net foreign currency exposure is at an acceptable level.

12. FINANCIAL INFORMATION (CONT'D)

Our foreign currency total sales and purchases for the FYE Under Review are as follows:

| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---------------------------|----------|----------|----------|----------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sales denominated in: | | | | |
| - USD | 20,765 | 8,839 | 4,240 | 7,677 |
| - SGD | 2 | - | - | - |
| Purchases denominated in: | | | | |
| - EUR | 18 | 190 | 546 | 842 |
| - USD | - | - | 53 | 248 |
| - Chinese Yuan | - | - | - | 77 |

Details of the risk of the foreign exchange fluctuation risks to our business and operations is set out in Section 9.1.11 of this Prospectus.

12.11.2 Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. The interest coverage ratios for the FYE Under Review are as follows:

| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|------------------------------------------------|----------|----------|----------|----------|
| EBIT (RM'000) | 6,850 | 2,411 | 7,708 | 8,365 |
| Finance costs (RM'000) | 775 | 550 | 386 | 259 |
| Interest coverage ratio (times) ⁽¹⁾ | 8.84 | 4.38 | 19.97 | 32.30 |

Note:

(1) Computed based on EBIT over finance costs for the FYE Under Review.

Our interest coverage ratio of between 4.38 times and 32.30 times for the FYE Under Review indicates that our Group has been able to generate sufficient EBIT to meet our interest serving obligations.

Our Group's financial results for the FYE Under Review were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings (i.e., finance costs), which may have an adverse effect on the financial performance of our Group.

12.11.3 Impact of commodity prices

Our Group's raw materials mainly consist of steel materials used in the manufacturing of our fabricated metal products. The price of our raw materials fluctuates in accordance with the global steel prices in the market.

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

12. FINANCIAL INFORMATION (CONT'D)

In addition to the above, our major customers, namely National Oilwell Varco, Inc, is principally involved in the provision of equipment and components used in oil and gas drilling and production operations, oilfield services, and supply chain integration services to the upstream oil and gas industry, while NOV (Malaysia) Sdn Bhd and NOV Process & Flow Technologies Malaysia Sdn Bhd is principally involved in the manufacturing of machinery for the oil and gas industry. As such the demand of the fabricated metal products by our abovementioned major customers is influenced by the fluctuation of crude oil price as well as the expectation of future price changes and may significantly affect the performance of our business operation and financial performance in the future. In FYE 2020 and FYE 2021, our sales from the oil and gas related products decreased by 54.65% and 17.50% from FYE 2019 and 2020, respectively, mainly due to lower demand for fabricated metal products from our Oil and Gas Customers as a result of global downtrend in average crude oil price in 2019 and 2020 as detailed in Section 12.2.2(a) of this Prospectus. However, in FYE 2022, our revenue from the manufacturing segment increased by 91.39% mainly as a result of increase in demand from our Oil and Gas Customers due to the global recovery of the average crude oil price in 2021 as detailed in Section 12.2.2(a) of this Prospectus.

Save for the above, we were not directly affected by fluctuations in other commodity prices for the FYE Under Review.

12.12 ORDER BOOK

We do not maintain an order book due to the nature of our business. We generate our revenue as and when we deliver our products based on purchase orders received. Notwithstanding that we do not enter into long term agreements with our customers, our major customers typically place orders that could span up to 6 months.

12.13 CAPITAL EXPENDITURES AND DIVESTITURES**(a) Capital expenditures**

Our capital expenditures for the FYE Under Review up to the LPD are set out below:

| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 | From 1 May 2022 up to the LPD |
|------------------------|--------------|--------------|--------------|--------------|----------------------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Plant and machinery | 1,453 | 450 | 900 | 1,026 | 560 |
| Motor vehicles | 36 | 667 | - | 77 | 108 |
| Furniture and fittings | 13 | - | 1 | - | - |
| Computer equipment | 68 | 21 | 17 | 15 | 13 |
| Office equipment | 10 | 2 | 26 | - | - |
| Renovation and signage | 585 | - | - | - | - |
| Tools and implements | 41 | 5 | 222 | 132 | 152 |
| Total | 2,206 | 1,145 | 1,166 | 1,250 | 833 |

12. FINANCIAL INFORMATION (CONT'D)

Our material capital expenditures were primarily funded via a combination of bank borrowings and internally-generated funds.

- (i) For FYE 2019, our capital expenditure of RM2.21 million mainly comprise purchase of the following:
- 1 unit of bandsaw machine; 2 units of robot welding machines; 1 unit of turret punching machine; 1 unit of laser cutting machine and 1 unit of tube cutting machine;
 - Renovation and signage pertaining to Lot 24645 office and the setup of Kuching office in Sarawak; and
 - 10 units of computers for the new addition for enhancing the business operations and the change of Accounting and Payroll Systems for Cosmos Instruments.
- (ii) For FYE 2020, our capital expenditure of RM1.15 million mainly comprise of the following:
- 1 unit of laser cutting machine after receiving the insurance claimed amounting to RM0.45 million; and
 - 3 units of motor vehicles to replace the motor vehicles disposed for business operations purposes.
- (iii) For FYE 2021, our capital expenditure of RM1.17 million mainly comprise of the following:
- 1 unit of turret punching machine; and
 - 1 unit of amplifier; 1 unit of servomotor; 2 units of gooseneck punch; 2 units of special radius ruler; 2 units of sheet metal die; and 1 unit of metal inert gas/metal active gas welding machine for replacement and production usage.
- (iv) For FYE 2022, our capital expenditure of RM1.25 million mainly comprise of the following:
- 1 unit of weld heat treatment machine and 1 unit of transformer;
 - 2 units of motor vehicles for business operation purpose; and
 - 3 units of side and upper protectors, 1 unit of small manual welding machine, 8 units of punch whispers, 1 unit of clamping piston, 1 unit of punch holder, 1 unit of Teco induction motor, 1 unit of Bosch power module, 1 unit of blade, 1 unit of hemming die, and 2 units of welding positioners.
- (v) For 1 May 2022 up to the LPD, our capital expenditure of RM0.83 million mainly comprise of the following:
- 1 unit of pipe laser machine;
 - 1 unit of motor vehicle for business operation purpose; and
 - 2 units of welding machine wire feeder and 4 units of welding positioners.

12. FINANCIAL INFORMATION (CONT'D)

The above capital expenditures are for our operations and primarily financed by a combination of bank borrowings, hire purchase and internally generated funds.

(b) Capital divestitures

Our capital divestitures for the FYE Under Review up to the LPD are set out below:

| | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 | From 1 May 2022 up to the LPD |
|-----------------------------|---------------|--------------|--------------|-------------|-------------------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Leasehold land and building | 13,384 | - | - | - | - |
| Plant and machinery | - | 1,830 | 1,500 | 14 | - |
| Motor vehicles | - | 396 | - | - | - |
| Furniture and fittings | - | - | 12 | - | - |
| Computer equipment | - | - | 4 | 33 | - |
| Office equipment | 4 | - | 6 | 11 | - |
| Renovation and signage | - | - | 16 | - | - |
| Total | 13,388 | 2,226 | 1,538 | 58 | - |

- (i) For FYE 2019, our capital divestitures of RM13.39 million was mainly attributable to the disposal of the leasehold land and building located at Lot 1801, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor by MCI to MSM Kitchen Sdn Bhd which was undertaken pursuant to the Restructuring Exercise.
- (ii) For FYE 2020, our capital divestitures of RM2.23 million was mainly from the disposal of the following:
- 1 unit of laser cutting machine; and
 - 2 units of motor vehicles.
- (iii) For FYE 2021, our capital divestitures of RM1.54 million was mainly from the disposal of 1 unit turret punching machine.
- (iv) For FYE 2022, our capital divestitures of RM0.06 million was mainly from the disposal of 3 units of computers, old printers and old handphones.
- (v) For 1 May 2022 up to the LPD, there is no capital divestiture by our Group.

12.14 TREND INFORMATION

As at the LPD, our Board confirms that our operations have not been and are not expected to be affected by any of the following, save as disclosed in Section 7 (Business Overview), Section 8 (IMR Report), and Section 9 (Risk Factors) of this Prospectus:

- (i) known factors, trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations;
- (ii) material commitment for capital expenditure, as set out in Section 12.6.1 of this Prospectus;

12. FINANCIAL INFORMATION (CONT'D)

- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position; and
- (vi) known trends, demands, commitments, events or uncertainties that have or that we reasonably expect to have a material favourable or unfavourable impact on our Group's liquidity and capital resources.

Our Board is optimistic about the future prospects of our Group after taking into account the outlook of the fluid control industry in Malaysia as set out in Section 8 of this Prospectus, our competitive strengths and advantages as set out in Section 7.7 of this Prospectus and our business strategies and future plans as set out in Section 7.11 of this Prospectus.

12.15 DIVIDEND POLICY

Our Group presently does not have a fixed dividend policy. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration, amongst others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:

- (i) The availability of adequate reserves and cash flows;
- (ii) Our operating cash flow requirements and financial commitments;
- (iii) Our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;
- (iv) Any material impact of tax laws and other regulatory requirements;
- (v) The prior consent from our banking institutions, if any; and
- (vi) Compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies.

The dividends paid by our Group for the FYE Under Review are as follows:

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

Notes:

- (1) The dividend payout rate during the FYE 2019 was 157.68%. The dividend of RM8.33 million declared in October 2018 – December 2018 for the FYE 2019 was made after taking into consideration our Group's audited PAT for the FYE 2019 of RM5.28 million and the proceeds from the disposal of lands and buildings amounting to RM15.60 million undertaken as part of the Restructuring Exercise.

12. FINANCIAL INFORMATION (CONT'D)

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

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

The level of dividends should also not be treated as an indication of our Group's future dividend policy. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value.

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13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION



Nexia SSY PLT
(LLP0019490-LCA & AF 002009)
Chartered Accountants
UOA Business Park
Tower 3, 5th Floor, K03-05-08
1 Jalan Pengaturcara U1/S1A
Section U1, 40150 Shah Alam
Selangor Darul Ehsan, Malaysia
T: +60 (3) 5039 1811
F: +60 (3) 5039 1822
www.nexiassy.com

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Board of Directors
Cosmos Technology International Berhad
No. 11, Jalan Mega 2/1
Kawasan Perindustrian Mega 2
43500 Semenyih
Selangor Darul Ehsan
Malaysia

Dear Sirs

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD ("COSMOS" OR THE "COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 30 APRIL 2022**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of the Company and its subsidiaries, namely, Cosmos Instruments Sdn Bhd and Marc Conleth Industries Sdn Bhd (collectively referred to as the "Group") as at 30 April 2022 prepared by the Board of Directors of the Company. The pro forma consolidated statements of financial position of the Group as at 30 April 2022 together with the accompanying notes thereon as set out in Appendix A, for which we have stamped for the purpose of identification. The pro forma consolidated statements of financial position of the Group and related notes have been compiled for inclusion in the prospectus of Cosmos, in connection with its listing of and quotation for the entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Proposed Listing").

The applicable criteria on the basis of which the Board of Directors of the Company have compiled the pro forma consolidated statements of financial position of the Group are set out in Note 2 of Appendix A, and are in accordance with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The pro forma consolidated statements of financial position of the Group has been compiled by the Board of Directors of the Company to illustrate the effects of the events or transactions as set out in Note 2.3 of Appendix A of this letter on the Group's financial position as at 30 April 2022.

As part of this process, information about the Group's financial position has been extracted by the Board of Directors of the Company from the audited consolidated financial statements of the Group for the financial year ended 30 April 2022.

The Board Of Directors' Responsibilities

The Board of Directors of the Company is responsible for compiling the pro forma consolidated statements of financial position of the Group on the basis as described in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (*CONT'D*)



Reporting Accountants' Independence And Quality Control

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (Including International Independence Standards)* ("IESBA Code"), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our firm applies International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements issued by The International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines about whether the pro forma consolidated statements of financial position of the Group have been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in Note 2 of Appendix A of the pro forma consolidated statements of financial position of the Group and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the pro forma consolidated statements of financial position of the Group on the basis as described in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position of the Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position of the Group.

The purpose of the inclusion of the pro forma consolidated statements of financial position of the Group in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)



Reporting Accountants' Responsibilities (continued)

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position of the Group has been compiled, in all material respects, on the basis as set out in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the pro forma consolidated statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position of the Group reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated statements of financial position of the Group have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position of the Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated statements of financial position of the Group have been compiled, in all material respects, on the basis as set out in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

This letter has been prepared solely for the purpose of inclusion in the prospectus of Cosmos In connection with the Proposed Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither our firm nor any member or employee of our firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink that reads "Nexia SSY PLT".

Nexia SSY PLT
201906000679 (LLP0019490-LCA) & AF 002009
Chartered Accountants

Shah Alam
21 August 2022

A handwritten signature in black ink that reads "Michelle Yong Voon Sze".

Michelle Yong Voon Sze
No. 02864/07/2024 J
Chartered Accountant

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2022

1. ABBREVIATION

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:-

| | |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bursa Securities | : Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)] |
| Company or Cosmos | : Cosmos Technology International Berhad [Registration No. 201901017221 (1326549-P)] |
| Cosmos Instruments | : Cosmos Instruments Sdn Bhd [Registration No. 200401022411 (660916-X)] |
| FYE | : Financial year ended |
| Group or Cosmos Group | : Collectively, Cosmos and its subsidiaries |
| IPO | : Initial public offering comprising the Public Issue |
| IPO Price | : The indicative issue price of RM0.35 per Issue Share |
| Issue Share(s) | : 64,125,300 new Cosmos Shares to be issued at the IPO Price pursuant to the Public Issue |
| LPD | : 16 August 2022, being the latest practicable date prior to the registration of the Prospectus with Bursa Securities |
| MCI | : Marc Conleth Industries Sdn Bhd [Registration No. 201001027440 (911359-A)] |
| NA | : Net assets |
| New Building | : A piece of leasehold land known as PT 59919, Pekan Cheras, Daerah Ulu Langat, Negeri Selangor held under H.S.(D) 174625, measuring approximately 36,860 square feet in area together with a factory cum office and warehouse erected thereon and bearing postal address of PT 59919, H.S.(D) 174625, Jalan KPB 6, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan |
| Proposed Listing | : Admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Cosmos on the ACE Market of Bursa Securities |
| Promoters | : Collectively, Dato' Chong Toh Wee and MSM International Limited (200918800R) |
| Prospectus | : The Prospectus to be issued by the Company in respect of the IPO |

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

1. ABBREVIATION (CONTINUED)

| | | |
|-----------------------------|---|--------------------------------------------------------------|
| Public Issue | : | The public issue of 64,125,300 Issue Shares at the IPO Price |
| RM and sen | : | Ringgit Malaysia and sen |
| SC | : | Securities Commission Malaysia |
| Share(s) or Cosmos Share(s) | : | Ordinary shares in the Company |
| Subsidiaries | : | Collectively, Cosmos Instruments and MCI |

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13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

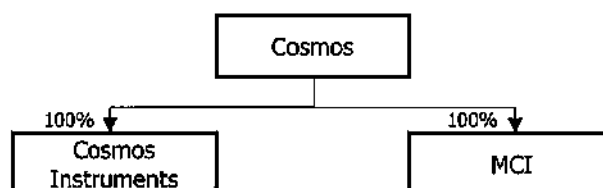
APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

2. PRO FORMA GROUP AND BASIS OF PREPARATION

2.1 Introduction

The corporate structure of the Group is as follows:



2.2 Basis of Preparation

The pro forma consolidated statements of financial position of the Group have been prepared for illustration purposes using the audited consolidated financial statements of the Group as at 30 April 2022 which was prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and are not subject to any qualification, modification or disclaimer.

The pro forma consolidated statements of financial position of the Group have also been compiled in a manner consistent with both the format of the audited consolidated financial statements of the Group and accounting policies of the Group for the FYE 30 April 2022.

2.3 Listing Scheme

The Public Issue will be undertaken in conjunction with and as an integral part of the Proposed Listing, as disclosed in Section 4.1.1 in the Prospectus.

2.3.1 Public Issue

Public issue of 64,125,300 Issue Shares, representing approximately 25.00% of the enlarged total number of Shares at the IPO Price payable in full upon application, subject to the terms and conditions of the Prospectus, to be allocated in the following manner:

- (a) 12,825,000 new Shares available for application by the Malaysian Public;
- (b) 7,880,000 new Shares available for application by our eligible Directors, employees and persons who have contributed to the success of the Group;
- (c) 11,357,600 new Shares by way of private placement to selected investors; and
- (d) 32,062,700 new Shares by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry of Malaysia.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

2. PRO FORMA GROUP AND BASIS OF PREPARATION (CONTINUED)

2.3 Listing Scheme (continued)

2.3.2 Proposed Listing

The Company shall be admitted to the official list and the entire enlarged total number of 256,501,300 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

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13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2022

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 30 APRIL 2022

| | Note | As at 30 April 2022 ^ RM | Acquisition of New Building RM | Pro Forma I After the acquisition of New Building RM | Public Issue RM | Pro Forma II After Pro Forma I and the Public Issue RM | The utilisation of proceeds from the Public Issue RM | Pro Forma III After Pro Forma I, II and the utilisation of proceeds from the Public Issue RM |
|-------------------------------------------------------------|-------|-----------------------------------|-----------------------------------------|------------------------------------------------------------------|--------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| ASSETS | | | | | | | | |
| Non-current assets | | | | | | | | |
| Property, plant and equipment | 4.4.1 | 4,215,250 | 11,800,000 | 16,015,250 | | 16,015,250 | 3,500,000 | 19,515,250 |
| Right-of-use assets | | 239,336 | | 239,336 | | 239,336 | | 239,336 |
| | | <u>4,454,586</u> | | <u>16,254,586</u> | | <u>16,254,586</u> | | <u>19,754,586</u> |
| Current assets | | | | | | | | |
| Inventories | | 10,718,183 | | 10,718,183 | | 10,718,183 | | 10,718,183 |
| Trade and other receivables | | 15,342,512 | | 15,342,512 | | 15,342,512 | | 15,342,512 |
| Other current assets | 4.4.2 | 1,921,623 | (1,180,000) | 741,623 | | 741,623 | | 741,623 |
| Fixed deposits with licensed banks, cash and bank balances | 4.4.3 | 13,393,190 | (590,000) | 12,803,190 | 22,443,855 | 35,247,045 | (16,331,000) | 18,916,045 |
| | | <u>41,375,508</u> | | <u>39,605,508</u> | | <u>62,049,363</u> | | <u>45,718,363</u> |
| TOTAL ASSETS | | <u>45,830,094</u> | | <u>55,860,094</u> | | <u>78,303,949</u> | | <u>65,472,949</u> |
| EQUITY AND LIABILITIES | | | | | | | | |
| Equity attributable to equity holders of the Company | | | | | | | | |
| Share capital | 4.4.4 | 13,962,515 | | 13,962,515 | 22,443,855 | 36,406,370 | | 36,406,370 |
| Retained earnings | 4.4.5 | 12,588,710 | | 12,588,710 | | 12,588,710 | (1,331,000) | 11,257,710 |
| TOTAL EQUITY | | <u>26,551,225</u> | | <u>26,551,225</u> | | <u>48,995,080</u> | | <u>47,664,080</u> |

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2022

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 30 APRIL 2022 (CONTINUED)

| | Note | As at 30 April 2022 ^ RM | Acquisition of New Building RM | Pro Forma I After the acquisition of New Building RM | Public Issue RM | Pro Forma II After Pro Forma I and the Public Issue RM | The utilisation of proceeds from the Public Issue RM | Pro Forma III After Pro Forma I, II and the utilisation of proceeds from the Public Issue RM |
|-----------------------------------------|-------|-----------------------------------|-----------------------------------------|------------------------------------------------------------------|--------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Non-current liabilities | | | | | | | | |
| Borrowings | | 246,010 | | 246,010 | | 246,010 | | 246,010 |
| Lease liabilities | | 2,093,544 | | 2,093,544 | | 2,093,544 | | 2,093,544 |
| Deferred tax liabilities | | 35,861 | | 35,861 | | 35,861 | | 35,861 |
| | | <u>2,375,415</u> | | <u>2,375,415</u> | | <u>2,375,415</u> | | <u>2,375,415</u> |
| Current liabilities | | | | | | | | |
| Trade and other payables | | 10,060,759 | | 10,060,759 | | 10,060,759 | | 10,060,759 |
| Borrowings | 4.4.6 | 4,916,359 | 10,030,000 | 14,946,359 | | 14,946,359 | (11,500,000) | 3,446,359 |
| Lease liabilities | | 847,955 | | 847,955 | | 847,955 | | 847,955 |
| Provision of taxation | | 1,078,381 | | 1,078,381 | | 1,078,381 | | 1,078,381 |
| | | <u>16,903,454</u> | | <u>26,933,454</u> | | <u>26,933,454</u> | | <u>15,433,454</u> |
| TOTAL LIABILITIES | | <u>19,278,869</u> | | <u>29,308,869</u> | | <u>29,308,869</u> | | <u>17,808,869</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>45,830,094</u> | | <u>55,860,094</u> | | <u>78,303,949</u> | | <u>65,472,949</u> |
| No. of ordinary shares in issue | | 192,376,000 | | 192,376,000 | | 256,501,300 | | 256,501,300 |
| NA (RM) | | 26,551,225 | | 26,551,225 | | 48,995,080 | | 47,664,080 |
| NA per share (RM) | | 0.14 | | 0.14 | | 0.19 | | 0.19 |

^ As extracted from the Group's audited statement of financial position as at 30 April 2022.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

**4. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP
AS AT 30 APRIL 2022**

The pro forma consolidated statements of financial position of the Group as at 30 April 2022 have been prepared solely for illustrative purposes only to show the effects of the following transactions based on the assumptions that they had been effected on 30 April 2022:

4.1 Pro Forma I

Pro Forma I takes into consideration the acquisition of New Building to be funded by internally-generated funds and bank borrowings. Cosmos Instruments has on 14 January 2022 entered into a Sale and Purchase Agreement ("SPA") for the acquisition of New Building. The purchase consideration of the New Building is RM11.80 million (excluding stamp duty, legal fees and other miscellaneous charges) and Cosmos Instruments has paid RM1.18 million being the 10% deposit under the SPA. The balance of consideration at 90% amounting to RM10.62 million is to be funded by bank borrowings and cash. On 7 March 2022, Cosmos Instruments has accepted the loan offer from a local bank, and the completion of SPA is pending the conversion of building from light industry to medium industry and the full settlement of consideration.

4.2 Pro Forma II

Pro Forma II takes into consideration the Pro Forma I and the public issue of 64,125,300 Issue Shares at the IPO Price.

In conjunction with the IPO, Cosmos Group shall seek the listing of and quotation for its entire enlarged issued share capital, comprising 256,501,300 Cosmos Shares, on the ACE Market of Bursa Securities.

4.3 Pro Forma III

Pro Forma III takes into consideration the Pro Forma I, Pro Forma II and the utilisation of proceeds from the Public Issue. The gross proceeds from the Public Issue of RM22,443,855 are expected to be utilised as follows:

| Utilisation of proceeds | Estimated timeframe for the use of proceeds upon Listing | RM | % of total gross proceeds from the Public Issue |
|---------------------------------|----------------------------------------------------------|-------------------|-------------------------------------------------|
| Acquisition of New Building | Within 24 months | 10,000,000 | 44.56% |
| Purchase of new machineries | Within 24 months | 3,500,000 | 15.59% |
| Repayment of bank borrowing | Within 6 months | 1,500,000 | 6.68% |
| Working capital | Within 12 months | 4,443,855 | 19.80% |
| Estimated listing expenses | Within 1 month | 3,000,000 | 13.37% |
| Total estimated proceeds | | 22,443,855 | 100.00% |

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

4. PRO FORMA STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 30 APRIL 2022 (CONTINUED)

4.4 Notes to the Pro Forma Consolidated Statements of Financial Position

4.4.1 Effects on property, plant and equipment

| | RM |
|-----------------------------------------------|-------------------|
| As audited as at 30 April 2022 | 4,215,250 |
| <u>Pro Forma I</u> | |
| - Acquisition of New Building | <u>11,800,000</u> |
| After effects of Pro Forma I | 16,015,250 |
| <u>Pro Forma III</u> | |
| Utilisation of proceeds from the Public Issue | |
| - Purchase of new machineries | <u>3,500,000</u> |
| After effects of Pro Forma III | <u>19,515,250</u> |

4.4.2 Effects on other current assets

| | RM |
|--------------------------------|--------------------|
| As audited as at 30 April 2022 | 1,921,623 |
| <u>Pro Forma I</u> | |
| - Acquisition of New Building | <u>(1,180,000)</u> |
| After effects of Pro Forma I | <u>741,623</u> |

4.4.3 Effects on fixed deposits with licensed banks, cash and bank balances

| | RM | RM |
|-----------------------------------------------|------------------|---------------------|
| As audited as at 30 April 2022 | | 13,393,190 |
| <u>Pro Forma I</u> | | |
| - Acquisition of New Building | | <u>(590,000)</u> |
| After effects of Pro Forma I | | 12,803,190 |
| <u>Pro Forma II</u> | | |
| - Public Issue | | <u>22,443,855</u> |
| After effects of Pro Forma II | | 35,247,045 |
| <u>Pro Forma III</u> | | |
| Utilisation of proceeds from the Public Issue | | |
| - Acquisition of New Building | 10,000,000 | |
| - Purchase of new machineries | 3,500,000 | |
| - Repayment of bank borrowing | 1,500,000 | |
| - Estimated listing expenses | <u>1,331,000</u> | <u>(16,331,000)</u> |
| After effects of Pro Forma III | | <u>18,916,045</u> |

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

4. PRO FORMA STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 30 APRIL 2022 (CONTINUED)

4.4 Notes to the Pro Forma Statements of Financial Position (continued)

4.4.4 Effects of share capital

| | Number of Shares | RM |
|--------------------------------|--------------------|-------------------|
| As audited as at 30 April 2022 | 192,376,000 | 13,962,515 |
| <u>Pro Forma II</u> | | |
| - Public Issue | 64,125,300 | 22,443,855 |
| After effects of Pro Forma II | <u>256,501,300</u> | <u>36,406,370</u> |

4.4.5 Effects of retained earnings

| | RM |
|--------------------------------------------------------|-------------------|
| As audited as at 30 April 2022 | 12,588,710 |
| <u>Pro Forma III</u> | |
| Utilisation of proceeds from the Public Issue | |
| - Estimated listing expenses charged to profit or loss | (1,331,000) |
| After effects of Pro Forma III | <u>11,257,710</u> |

The listing expenses of approximately RM1,669,000 has been included in the financial year ended 30 April 2022.

4.4.6 Effects of borrowings

| | RM | RM |
|-----------------------------------------------|--------------|-------------------|
| As audited as at 30 April 2022 | | 4,916,359 |
| <u>Pro Forma I</u> | | |
| - Acquisition of New Building | | 10,030,000 |
| After effects of Pro Forma I | | <u>14,946,359</u> |
| <u>Pro Forma III</u> | | |
| Utilisation of proceeds from the Public Issue | | |
| - Acquisition of New Building | (10,000,000) | |
| - Repayment of bank borrowing | (1,500,000) | (11,500,000) |
| After effects of Pro Forma III | | <u>3,446,359</u> |

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13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

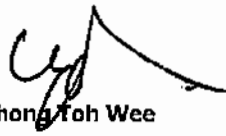
APPENDIX A

**COSMOS TECHNOLOGY INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 30 APRIL 2022**

APPROVAL BY THE BOARD OF DIRECTORS OF THE COMPANY

Approved and adopted by the Board of Directors of the Company in accordance with a resolution dated 21 August 2022.

On behalf of the Board of Directors of the Company,



Dato' Chong Toh Wee
Director



Ng Boon Keong
Director



Cosmos Technology International Berhad

Registration No: 201901017221 (1326549-P)
(Incorporated in Malaysia)

Accountants' Report
for the financial years ended
30 April 2022, 30 April 2021,
30 April 2020 and 30 April 2019

14. ACCOUNTANTS' REPORT (CONT'D)



Nexia SSY PLT
(LLP0019490-LCA & AF 002009)
Chartered Accountants
UOA Business Park
Tower 3, 5th Floor, K03-05-08
1 Jalan Pengaturcara U1/51A
Section U1, 40150 Shah Alam
Selangor Darul Ehsan, Malaysia
T: +60 (3) 5039 1811
F: +60 (3) 5039 1822
www.nexiassy.com

The Board of Directors
Cosmos Technology International Berhad
No. 11, Jalan Mega 2/1
Kawasan Perindustrian Mega 2
43500 Semenyih
Selangor Darul Ehsan
Malaysia

Dear Sirs,

Reporting Accountants' Opinion on the Combined Financial Statements contained in the Accountants' Report of Cosmos Technology International Berhad

Opinion

We have audited the accompanying combined financial statements of Cosmos Technology International Berhad ("Cosmos" or the "Company") and its subsidiaries (collectively referred to as the "Group"), comprising:

- i. The combined statements of financial position as at 30 April 2019 and 30 April 2020, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years then ended;
- ii. The consolidated statements of financial position as at 30 April 2021 and 30 April 2022, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years then ended; and
- iii. Notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 9 to 83.

The historical financial information has been prepared for inclusion in the prospectus of Cosmos in connection with the listing of and quotation for the entire enlarged issued share capital of Cosmos on the ACE Market of Bursa Malaysia Securities Berhad (the "Prospectus"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Guidelines") and is given for the purpose of complying with the Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 and of their financial performance and their cash flows for each of the financial years ended 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

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

14. ACCOUNTANTS' REPORT (CONT'D)**Independence and Other Ethical Responsibilities**

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

Responsibilities of the Directors for the Combined Financial Statements

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

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

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

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

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

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

14. ACCOUNTANTS' REPORT (CONT'D)



Reporting Accountants' Responsibility for the Audit of the Combined Financial Statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the combined financial statements of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Restriction on Distribution and Use

This report is made solely for inclusion in the Prospectus to be issued in relation to the listing of and quotation for the entire enlarged issued share capital of Cosmos on the ACE Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Nexia SSY PLT

Nexia SSY PLT
201906000679 (LLP0019490-LCA) & AF 002009
Chartered Accountants

Shah Alam
21 August 2022

A handwritten signature in black ink, appearing to read "Michelle Yong Voon Sze", written over a horizontal line.

Michelle Yong Voon Sze
No. 02864/07/2024 J
Chartered Accountant

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Combined Statements of Financial Position
as at 30 April 2022, 30 April 2021, 30 April 2020 and 30 April 2019**

| | Note | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-------------------------------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 6 | 4,215,250 | 3,765,831 | 3,967,478 | 4,434,651 |
| Right-of-use assets | 7 | 239,336 | 231,212 | 429,394 | - |
| | | <u>4,454,586</u> | <u>3,997,043</u> | <u>4,396,872</u> | <u>4,434,651</u> |
| Current assets | | | | | |
| Inventories | 8 | 10,718,183 | 10,394,362 | 10,917,782 | 7,886,885 |
| Trade and other receivables | 9 | 15,342,512 | 11,429,814 | 6,321,708 | 19,002,859 |
| Other current assets | 10 | 1,921,623 | 751,459 | 2,185,552 | 2,166,286 |
| Fixed deposits with licensed banks, cash and bank balances | 11 | 13,393,190 | 10,971,863 | 10,618,715 | 4,251,315 |
| | | <u>41,375,508</u> | <u>33,547,498</u> | <u>30,043,757</u> | <u>33,307,345</u> |
| TOTAL ASSETS | | <u>45,830,094</u> | <u>37,544,541</u> | <u>34,440,629</u> | <u>37,741,996</u> |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 12 | 13,962,515 | 13,962,515 | 13,962,515 | 1,400,000 |
| Retained earnings | 13 | 12,588,710 | 6,801,471 | 1,213,026 | 10,087,385 |
| TOTAL EQUITY | | <u>26,551,225</u> | <u>20,763,986</u> | <u>15,175,541</u> | <u>11,487,385</u> |
| Non-current liabilities | | | | | |
| Borrowings | 14 | 246,010 | 199,476 | - | 1,483,886 |
| Lease liabilities | 15 | 2,093,544 | 1,813,915 | 1,674,978 | - |
| Deferred tax liabilities | 16 | 35,861 | 63,861 | 112,861 | 104,861 |
| | | <u>2,375,415</u> | <u>2,077,252</u> | <u>1,787,839</u> | <u>1,588,747</u> |
| Current liabilities | | | | | |
| Trade and other payables | 17 | 10,060,759 | 10,787,960 | 15,099,895 | 15,690,271 |
| Borrowings | 14 | 4,916,359 | 2,188,275 | 1,385,227 | 8,675,157 |
| Lease liabilities | 15 | 847,955 | 927,241 | 806,436 | - |
| Provision of taxation | | 1,078,381 | 799,827 | 185,691 | 300,436 |
| | | <u>16,903,454</u> | <u>14,703,303</u> | <u>17,477,249</u> | <u>24,665,864</u> |
| TOTAL LIABILITIES | | <u>19,278,869</u> | <u>16,780,555</u> | <u>19,265,088</u> | <u>26,254,611</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>45,830,094</u> | <u>37,544,541</u> | <u>34,440,629</u> | <u>37,741,996</u> |

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

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Combined Statements of Comprehensive Income
for the years ended 30 April 2022, 30 April 2021, 30 April 2020 and
30 April 2019**

| | Note | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|------------------------------------------------------------------------|------|---------------------|---------------------|---------------------|---------------------|
| Revenue | 18 | 49,120,187 | 33,722,821 | 25,189,167 | 44,077,651 |
| Cost of sales | | <u>(35,471,661)</u> | <u>(21,900,607)</u> | <u>(17,505,069)</u> | <u>(33,217,973)</u> |
| Gross profit | | 13,648,526 | 11,822,214 | 7,684,098 | 10,859,678 |
| Other operating income | | 759,250 | 295,698 | 1,452,523 | 1,578,761 |
| Gain on disposal of property, plant and equipment | | - | - | - | 873,208 |
| Administrative expenses | | (5,396,149) | (3,328,717) | (4,484,623) | (3,115,486) |
| Selling and distribution expenses | | <u>(544,756)</u> | <u>(972,808)</u> | <u>(2,133,729)</u> | <u>(3,234,987)</u> |
| Profit from operations | | 8,466,871 | 7,816,387 | 2,518,269 | 6,961,174 |
| Finance costs | | <u>(258,888)</u> | <u>(386,359)</u> | <u>(549,726)</u> | <u>(775,174)</u> |
| Profit before taxation | 19 | 8,207,983 | 7,430,028 | 1,968,543 | 6,186,000 |
| Taxation | 21 | <u>(2,420,744)</u> | <u>(1,841,583)</u> | <u>(751,303)</u> | <u>(906,439)</u> |
| Profit for the year | | <u>5,787,239</u> | <u>5,588,445</u> | <u>1,217,240</u> | <u>5,279,561</u> |
| Attributable to: | | | | | |
| Owners of the Company | | 5,787,239 | 5,588,445 | 1,217,240 | 5,279,561 |
| Non-controlling interest | | - | - | - | - |
| | | <u>5,787,239</u> | <u>5,588,445</u> | <u>1,217,240</u> | <u>5,279,561</u> |
| Earnings per share attributable to equity holders of the Company (sen) | 25 | <u>3.01</u> | <u>2.90</u> | <u>0.63</u> | <u>377.11</u> |

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

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Combined Statements of Changes in Equity
for the years ended 30 April 2022, 30 April 2021, 30 April 2020
and 30 April 2019**

| | Note | Share capital RM | Retained earnings RM | Total RM |
|-----------------------------------------------------------|------|------------------------|----------------------------|-------------|
| At 1 May 2018 | | 1,400,000 | 13,132,775 | 14,532,775 |
| Dividend paid | 23 | - | (8,324,951) | (8,324,951) |
| Profit for the year | | - | 5,279,561 | 5,279,561 |
| At 30 April 2019 | | 1,400,000 | 10,087,385 | 11,487,385 |
| At 30 April 2019 | | 1,400,000 | 10,087,385 | 11,487,385 |
| Effects of adoption of MFRS 16 | | - | (4,237) | (4,237) |
| Restated as at 1 May 2019 | | 1,400,000 | 10,083,148 | 11,483,148 |
| Incorporation during the year | 12 | 2 | - | 2 |
| Issued during the period | 12 | 14,043,998 | - | 14,043,998 |
| Share issue expenses | 12 | (81,485) | - | (81,485) |
| Acquisition of interests in common controlled entities | | (1,400,000) | (3,211,126) | (4,611,126) |
| Dividend paid | 23 | - | (6,876,236) | (6,876,236) |
| Profit for the year | | - | 1,217,240 | 1,217,240 |
| At 30 April 2020 | | 13,962,515 | 1,213,026 | 15,175,541 |
| At 1 May 2020 | | 13,962,515 | 1,213,026 | 15,175,541 |
| Profit for the year | | - | 5,588,445 | 5,588,445 |
| At 30 April 2021 | | 13,962,515 | 6,801,471 | 20,763,986 |
| At 1 May 2021 | | 13,962,515 | 6,801,471 | 20,763,986 |
| Profit for the year | | - | 5,787,239 | 5,787,239 |
| At 30 April 2022 | | 13,962,515 | 12,588,710 | 26,551,225 |

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

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Combined Statements of Cash Flows
for the years ended 30 April 2022, 30 April 2021, 30 April 2020
and 30 April 2019**

| | Note | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|----------------------------------------------------------------|------|-------------|-------------|-------------|-------------|
| Cash flows from operating activities | | | | | |
| Profit before taxation | | 8,207,983 | 7,430,028 | 1,968,543 | 6,186,000 |
| Adjustments for: | | | | | |
| Bad debts written off | | - | - | 187,890 | - |
| Depreciation of property, plant and equipment | | 800,121 | 650,531 | 815,314 | 881,301 |
| Depreciation of right-of-use assets | | 203,984 | 198,182 | 192,621 | - |
| (Gain)/loss on disposal of property, plant and equipment – net | | - | (6,448) | 131,900 | (873,208) |
| Gain on lease liabilities written off | | (12,080) | - | - | - |
| Impairment loss on non-current assets held for sale | | - | - | - | 6,338 |
| Interest expense | | 258,888 | 386,359 | 549,726 | 775,174 |
| Interest income | | (101,502) | (108,413) | (108,076) | (110,921) |
| Property, plant and equipment written off | | 639 | 16,893 | - | - |
| Rental income | | - | - | (5,100) | (368,146) |
| Unrealised foreign exchange loss/(gain) | | - | 42,427 | (18) | - |
| Operating profit before working capital changes | | 9,358,033 | 8,609,559 | 3,732,800 | 6,496,538 |
| (Increase)/decrease in inventories | | (323,821) | 523,420 | (3,030,897) | (2,830,227) |
| (Increase)/decrease in trade and other receivables | | (3,912,698) | (5,150,533) | 10,482,304 | 1,801,475 |
| (Increase)/decrease in other current assets | | (1,170,164) | 1,434,093 | (19,266) | (307,311) |
| Decrease in trade and other payables | | (727,201) | (4,311,935) | (1,409,965) | (2,328,098) |
| Increase/(decrease) in bills payable | | 2,450,000 | (20,289) | (5,954,506) | 1,757,964 |
| Cash generated from operations | | 5,674,149 | 1,084,315 | 3,800,470 | 4,590,341 |
| Interest paid | | (116,974) | (264,481) | (399,380) | (520,174) |
| Tax paid | | (2,170,190) | (1,276,447) | (1,004,713) | (1,160,404) |
| Tax refunded | | - | - | 146,665 | - |
| Net cash generated from/ (used in) operating activities | | 3,386,985 | (456,613) | 2,543,042 | 2,909,763 |

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

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Combined Statements of Cash Flows
for the years ended 30 April 2022, 30 April 2021, 30 April 2020 and
30 April 2019 (continued)**

| | Note | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-----------------------------------------------------------------|------|------------------|------------------|------------------|------------------|
| Cash flows from investing activities | | | | | |
| Proceeds from disposal of property, plant and equipment | | - | 706,993 | 665,000 | 15,598,231 |
| Purchase of property, plant and equipment | 22 | (400,179) | (266,322) | (555,541) | (220,296) |
| Interest received | | 101,502 | 108,413 | 108,076 | 110,921 |
| Rental received | | - | - | 5,100 | 368,146 |
| Net cash (used in)/ generated from investing activities | | (298,677) | 549,084 | 222,635 | 15,857,002 |
| Cash flows from financing activities | | | | | |
| Dividend paid | 23 | - | - | - | (8,324,951) |
| Drawdown of term loan | | 60,000 | 300,000 | - | - |
| Finance lease liabilities interest paid | | - | - | - | (81,269) |
| (Increase)/decrease in fixed deposits pledged to licensed banks | | (24,279) | (25,755) | (41,443) | 332,207 |
| Lease liabilities interest paid | | (132,313) | (116,730) | (150,346) | - |
| Net proceeds from issuance of shares | 12 | - | - | 5,305,717 | - |
| Repayment of finance lease liabilities | | - | - | - | (794,655) |
| Repayment of obligation under lease liabilities | | (849,685) | (640,258) | (973,323) | - |
| Repayment of term loan | | (15,060) | (58,961) | - | (9,313,877) |
| Term loan interest paid | | (9,601) | (5,148) | - | (173,731) |
| Net cash (used in)/ generated from financing activities | | (970,938) | (546,852) | 4,140,605 | (18,356,276) |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| | | 2,117,370 | (454,381) | 6,906,282 | 410,489 |
| Cash and cash equivalents at beginning of the year | | 7,573,086 | 8,027,467 | 1,121,185 | 710,696 |
| Cash and cash equivalents at end of the year | 11 | <u>9,690,456</u> | <u>7,573,086</u> | <u>8,027,467</u> | <u>1,121,185</u> |

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

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

**Notes to the Combined Financial Statements
for the years ended 30 April 2022, 30 April 2021, 30 April 2020
and 30 April 2019****1. General information**

The Company was a private limited company, incorporated on 14 May 2019 and domiciled in Malaysia under the name of Cosmos Technology International Sdn. Bhd.. On 30 September 2019, the Company converted from a private limited company to a public limited company and assumed its present name, Cosmos Technology International Berhad.

On 9 March 2020, the Company was successfully listed on the LEAP Market of the Bursa Malaysia Securities Berhad ("Bursa Securities").

Subsequent to the financial year ended 30 April 2021, on 10 November 2021, the Company was delisted from the LEAP Market of the Bursa Securities pursuant to the withdrawal of its listing from the LEAP Market of Bursa Securities to facilitate its proposed listing on the ACE Market of Bursa Securities.

The principal activity of the Company is investment holding.

The details of the operating entities are as follows:

| Operating entities | Principal place of business/country of incorporation | Principal activities |
|-----------------------------------|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Cosmos Instruments Sdn. Bhd. | Malaysia | Distribution of industrial automation and control instrumentation and servicing of fluid control products. |
| Marc Conleth Industries Sdn. Bhd. | Malaysia | Manufacturing of fabricated metal parts used in water, wastewater and oil and gas applications. |

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

The registered office of the Company is located at Level 13A-6, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur. The principal place of business of the Company is located at No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor Darul Ehsan.

The combined financial statements were authorised for issue by the Board of Directors of the Company ("Board") in accordance with a resolution of the Directors on 21 August 2022.

2. Basis of preparation of the combined financial statements

Pursuant to the ACE Market Listing Requirements of Bursa Securities, the Company has prepared the combined financial statements of the following entities as if a common control has occurred and the financial information has been compiled as a combined financial information, herein referred to as the Combined Financial Statements.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

2. Basis of the compilation of combined financial statements (continued)

The combined financial statements deal solely with the audited financial statements of the above entities for the financial years ended 30 April 2022, 30 April 2021, 30 April 2020 and 30 April 2019.

The combined financial statements have been prepared using financial information obtained from the records of the entities during the reporting years.

Details of the entities which are deemed to have common control and the relevant financial information used are as follows:

| Entities under common control | Financial years ended 30 April | | | |
|----------------------------------------|--------------------------------|------|------|-----------------|
| | 2022 | 2021 | 2020 | 2019 |
| Cosmos Technology International Berhad | Yes | Yes | Yes* | Not applicable* |
| Cosmos Instruments Sdn. Bhd. | Yes | Yes | Yes | Yes |
| Marc Conleth Industries Sdn. Bhd. | Yes | Yes | Yes | Yes |

* No financial statements were available for Cosmos Technology International Berhad as it was incorporated on 14 May 2019 as Cosmos Instruments Sdn. Bhd. and converted on 30 September 2019 to facilitate the previous listing on the LEAP Market of Bursa Securities on 9 March 2020.

On 24 September 2019, the Company acquired all the shares in Cosmos Instruments Sdn. Bhd. and Marc Conleth Industries Sdn. Bhd. for RM6,876,236 and RM1,780,562 respectively, as disclosed in Note 12.

The combined financial statements for the financial years ended 30 April 2019 and 30 April 2020 were prepared in a manner as if the entities under common control were operating as a single economic enterprise from 1 May 2018. Whereas the consolidated financial statements for the financial years ended 30 April 2021 and 30 April 2022 were prepared as a group account under consolidation method. In the compilation, the Company, Cosmos Instruments Sdn. Bhd. and Marc Conleth Industries Sdn. Bhd. are collectively referred to as the Group.

The combined financial statements and consolidated financial statements have been compiled based on the following audited financial statements and restated for the periods indicated.

| | Audited Financial Statements for the financial year ended | | | |
|----------------------------------------|-----------------------------------------------------------|-------------------------------|--------------------------------|---------------------------------|
| | 2022 | 2021 | 2020 | 2019 |
| Cosmos Technology International Berhad | 1 May 2021 – 30 April 2022 | 1 May 2020 – 30 April 2021 | 14 May 2019 – 30 April 2020 | Not applicable |
| Cosmos Instruments Sdn. Bhd. | 1 May 2021 – 30 April 2022 | 1 May 2020 – 30 April 2021 | 1 May 2019 – 30 April 2020 | 1 May 2018 – 30 April 2019 |
| Marc Conleth Industries Sdn. Bhd. | 1 May 2021 – 30 April 2022 | 1 May 2020 – 30 April 2021 | 1 May 2019 – 30 April 2020 | 1 April 2018 – 30 April 2019 |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

2. Basis of the compilation of combined financial statements (continued)

| | Restated for the financial year ended | | | |
|----------------------------------------|----------------------------------------------|----------------|----------------|----------------------------|
| | 2022 | 2021 | 2020 | 2019 |
| Cosmos Technology International Berhad | Not applicable | Not applicable | Not applicable | Not applicable |
| Cosmos Instruments Sdn. Bhd. | Not applicable | Not applicable | Not applicable | Not applicable |
| Marc Conleth Industries Sdn. Bhd. | Not applicable | Not applicable | Not applicable | 1 May 2018 – 30 April 2019 |

The combined financial statements of the Group have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies (Note 3).

The preparation of the combined financial statements from the compilation of the three operating entities in conformity with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the reported year. Actual results could differ from those estimates.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency.

3. Significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial years, except as disclosed in Note 4.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the financial year end. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same financial year end as the Company. Consistent accounting policies are applied to like transactions and events of similar circumstances.

Subsidiaries are consolidated from the date on which control exists. They are deconsolidated from the date that control ceases.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(a) Basis of consolidation (continued)**

Acquisition of subsidiaries are accounted for using the purchase method except for business combinations arising from common control transfers. Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the entity acquired to the extent that laws or statutes do not prohibit the use of such reserves. The consolidated financial statements reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Under the purchase method of accounting, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. The accounting policy for goodwill is set out in Note 3(b). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

(b) Goodwill or reserve arising on consolidation

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's Cash-Generating Units ("CGUs") that are expected to benefit from the synergies of the combination.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(c) Property, plant and equipment, and depreciation**

All items of property, plant and equipment are initially recorded at cost. Costs include expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use, and the estimated costs of dismantling and removing the items and restoring that site on which they are located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss as incurred.

Subsequent to recognition, property, plant and equipment except for leasehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold land is stated at cost and is depreciated over a period of 94 years, until it was disposed off in the financial year ended 30 April 2019.

Certain tools and equipment are treated on a replacement basis.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

| | |
|------------------------|-----------|
| Building | 2% |
| Plant and machinery | 10% - 20% |
| Motor vehicles | 20% |
| Furniture and fittings | 10% |
| Computer equipment | 20% - 25% |
| Office equipment | 10% |
| Renovation and signage | 10% |
| Tools and implements | 10% - 33% |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the period the property, plant and equipment is derecognised, and any unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(d) Inventories**

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress include cost of raw materials, direct labour, other direct costs and appropriate production overheads (based on normal operating capacity).

Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, short-term bank deposits, fixed deposits with licensed banks, demand deposits, bank overdrafts and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Leases

Adoption of the new MFRS 16: Leases with effect on 1 May 2020, which replaces MFRS 117: Leases together with other interpretations.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest methods and by reducing the carrying amount to reflect the lease payments made).

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(f) Leases (continued)**

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137: Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies MFRS 136: Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(g) Interest bearing loans and borrowings**

Borrowings are recognised initially at fair value net of transaction cost incurred. Subsequently, borrowings are stated at amortised cost using the effective interest method. Any difference between the amount recorded as borrowings and the associated redemption value is recognised in the profit or loss over the period of the borrowings. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and are capitalised and amortised over the period of the facility to which it relates. All other borrowing costs are charged to profit or loss. Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the borrowings that have been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred and liabilities assumed, is recognised in profit or loss. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(h) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs, and are classified as equity. Dividends on ordinary shares are recognised in equity in the periods in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(i) Provision for liabilities**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each financial year end and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(j) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial year end.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided for, using the liability method on temporary differences at the financial period end between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each financial year end and reduced to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Unrecognised deferred tax assets are reassessed at each financial year end and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial year end.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(j) Income tax (continued)**

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(k) Employee benefits**i Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or construction obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, the Group makes contributions to the statutory provident fund, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the year as incurred.

iii Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits due more than twelve months after the financial period end are discounted to present value.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(I) Revenue recognition**

The Group recognises revenue from contracts with customers for the sale of goods and provision of services based on the five-step model as set out below:

- i Identifies contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- ii Identifies performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- iii Determines the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- iv Allocates the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- v Recognises revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:

- i Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date;
- ii Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- iii Provides benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(I) Revenue recognition (continued)**

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

i Revenue from contracts with customers**a. Sale of goods/services**

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers controls of the goods or services promised in a contract and the customer obtains control of the goods and services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of indirect taxes, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

ii Other income**a. Interest income**

Interest income is recognised on an accrual basis (taking into account the effective yield on the asset) unless its collectability is in doubt.

b. Rental income

Rental income from operating leases (net of incentives given to leases) is recognised on an accrual basis. This is prior to the adoption of the new MFRS 16: Leases with effect on 1 May 2020.

(m) Foreign currencies transactions**i Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Group's functional currency.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(m) Foreign currencies transactions (continued)****ii Foreign currency transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's reporting currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the date of the transactions. At each financial year end, monetary items denominated in foreign currencies are translated at the rates prevailing at the financial year end. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the year except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operation, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Group's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The principal closing rates used in translation of foreign currency amounts are as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|--------------------------------|------------|------------|------------|------------|
| 1 United States Dollar ("USD") | 4.3500 | 4.1010 | 4.3650 | 4.1340 |
| 1 Singapore Dollar ("SGD") | 3.1510 | 3.0919 | 3.0544 | 3.0384 |
| 1 Euro ("EUR") | 4.5977 | 4.9534 | 4.7533 | 4.6264 |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(n) Impairment of non-financial assets**

The Group assesses at each financial year end whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

For goodwill, the recoverable amount is estimated at each financial year end or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each financial year end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss for an asset, other than goodwill, is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, in which case, the carrying amount of the asset is increased to its revised recoverable amount. The increase cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(o) Financial instruments

Financial instruments carried on the statements of financial position include cash and bank balances, deposits with financial institutions, investments, receivables, payables and borrowings. The recognition methods adopted are disclosed in the respective accounting policy statements.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as assets or liabilities, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(o) Financial instruments (continued)****Financial assets**

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

i Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

ii Financial assets measured subsequently at fair value

Financial assets that are debt instruments are measured at fair value through other comprehensive income ("FVTOCI") if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(o) Financial instruments (continued)****Financial assets (continued)****ii Financial assets measured subsequently at fair value (continued)**

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

i Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that does not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

ii Other financial liabilities

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(o) Financial instruments (continued)****Financial liabilities (continued)****ii Other financial liabilities (continued)**

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished.

When an existing financial liability is replaced by another instrument from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

(p) Impairment of financial assets

At each financial year end, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring as at the financial year end with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses external credit rating and other supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cashflows that are due to the Group and all the cash flows that the Group expects to receive.

The Group measures the allowance for impairment loss on trade and other receivables, if any and cash and bank balances based on the two-step approach as follows:

i 12-months expected credit loss

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group measures the allowance for impairment loss for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

3. Significant accounting policies (continued)**(p) Impairment of financial assets (continued)****ii Lifetime expected credit loss**

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime expected credit loss for that financial asset is recognised as the allowance for impairment loss by the Group. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group reverts the allowance for impairment loss measurement from lifetime expected credit loss to 12-months expected credit loss.

For trade and other receivables which are financial assets, the Group applies the simplified approach in accordance with MFRS 9: Financial Instruments and measures the allowance for impairment loss based on a 12-months expected credit loss from initial recognition.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

(q) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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3. Significant accounting policies (continued)**(r) Contingencies**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(s) Related parties

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

(t) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segments results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 26, including the factors used to identify the reportable segments and measurement basis of segment information.

14. ACCOUNTANTS' REPORT (CONT'D)

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3. Significant accounting policies (continued)

(u) Earnings per share

i Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

ii Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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4. Adoption of new and revised Malaysian Financial Reporting Standards and interpretations ("MFRSs")**(a) MFRSs that have been issued and effective**

The following new and revised MFRSs issued by MASB, have been adopted, and the adoptions do not have any or significant impact to the financial statements for the financial year ended 30 April 2022:

| Title | Effective Date |
|----------------------------------------------------------------------------|-----------------------|
| Amendments to MFRS 16: Leases | 1 April 2021 |
| Amendments to MFRS 4: Insurance Contracts | 1 May 2021 |
| Amendments to MFRS 7: Financial Instruments: Disclosures | 1 May 2021 |
| Amendments to MFRS 9: Financial Instruments | 1 May 2021 |
| Amendments to MFRS 16: Leases | 1 May 2021 |
| Amendments to MFRS 139: Financial Instruments: Recognition and Measurement | 1 May 2021 |

(b) MFRSs that have been issued but only effective for financial period beginning on 1 January 2022 and onwards

The following new and revised MFRSs issued by MASB, have not been adopted, and the adoptions are not expected to have any significant impact to the financial statements:

| Title | Effective Date |
|-----------------------------------------------------------------------------------------|-----------------------|
| Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards | 1 January 2022 |
| Amendments to MFRS 3: Business Combinations | 1 January 2022 |
| Amendments to MFRS 9: Financial Instruments | 1 January 2022 |
| Amendments to MFRS 116: Property, Plant and Equipment | 1 January 2022 |
| Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets | 1 January 2022 |
| Amendments to MFRS 141: Agriculture | 1 January 2022 |
| MFRS 17: Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 17: Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 101: Presentation of Financial Statements | 1 January 2023 |
| Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors | 1 January 2023 |
| Amendments to MFRS 112: Income Taxes | 1 January 2023 |
| Amendments to MFRS 10: Consolidated Financial Statements | Deferred |
| Amendments to MFRS 128: Investments in Associates and Joint Ventures | Deferred |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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5. Significant accounting judgement and estimatesKey sources of estimation uncertainty

The preparation of financial statements in accordance with MFRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

(a) Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful lives after taking into account their estimated residual values, using the straight-line method. The estimated useful lives applied by the Group as disclosed in Note 3(c) reflect the Directors' estimates of the periods that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment. Technological advancements could impact the useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of property, plant and equipment

The Group carries out the impairment test based on a variety of estimation including the value-in-use of the cash-generating unit (CGU) to which the property, plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Loss allowances for financial assets

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

(d) Income tax

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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5. Significant accounting judgement and estimates (continued)Key sources of estimation uncertainty (continued)**(e) Deferred tax assets**

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(f) Provisions

A provision is a liability of uncertain timing or amount. The liability may be a legal obligation or a constructive obligation. The Group has a warranty obligation to replace certain products to customers should the distributor's warranty lapsed.

The Directors are of the opinion that provision is not required in respect of the above instance as it is not probable that a future sacrifice of economic benefits will be required.

(g) Contingent liabilities

A contingent liability is not recognised but is disclosed in the notes to the financial statements and when a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision. If the outflow is not probable, the item is treated as a contingent liability.

The Directors are of the opinion that a contingent liability is not disclosed in the notes to the combined financial statements as the possibility of an outflow of economic resources is not only remote but insignificant.

(h) Fair value estimates of certain financial instruments

The Group carries certain financial assets and liabilities at fair value, which required extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value will differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit or loss/equity.

(i) Coronavirus Disease 2019 ("COVID-19")

The current outbreak of COVID-19 has resulted in the occurrence of a multitude of associated events such as temporarily closing of businesses, travel restrictions and quarantine measures across the globe. These measures and policies affect supply chains and the production of goods and services and lower economic activity which is likely to result in reduced demand for the Group's goods and services. The Group exercises judgement, in light of all facts and circumstances, to assess what event in this series of events provides additional evidence about the condition that existed at the reporting date and therefore affects the recognition and measurement of the Group's assets and liabilities as at 30 April 2022.

14. ACCOUNTANTS' REPORT (CONT'D)

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6. Property, plant and equipment

| | Leasehold land and building RM | Plant and machinery RM | Motor vehicles RM | Furniture and fittings RM | Balance carried forward RM |
|-------------------------|--------------------------------------------------|--------------------------------------|---------------------------------|-----------------------------------------|----------------------------------------------|
| Cost | | | | | |
| At 1 May 2018 | 13,384,000 | 5,077,667 | 1,018,178 | 35,029 | 19,514,874 |
| Additions | - | 1,453,000 | 35,670 | 13,008 | 1,501,678 |
| Disposals | (13,384,000) | - | - | - | (13,384,000) |
| At 30 April 2019 | - | 6,530,667 | 1,053,848 | 48,037 | 7,632,552 |
| Additions | - | 450,000 | 667,246 | - | 1,117,246 |
| Disposals | - | (1,830,000) | (396,017) | - | (2,226,017) |
| At 30 April 2020 | - | 5,150,667 | 1,325,077 | 48,037 | 6,523,781 |
| Additions | - | 900,520 | - | 594 | 901,114 |
| Disposals | - | (1,500,000) | - | (8,255) | (1,508,255) |
| Write offs | - | - | - | (3,761) | (3,761) |
| At 30 April 2021 | - | 4,551,187 | 1,325,077 | 36,615 | 5,912,879 |
| Additions | - | 1,026,000 | 77,069 | - | 1,103,069 |
| Write offs | - | (13,600) | - | - | (13,600) |
| At 30 April 2022 | - | 5,563,587 | 1,402,146 | 36,615 | 7,002,348 |

14. ACCOUNTANTS' REPORT (CONT'D)

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6. Property, plant and equipment (continued)

| | Balance brought forward RM | Computer equipment RM | Office equipment RM | Renovation and signage RM | Tools and implements RM | Total RM |
|-------------------------|-------------------------------------|-----------------------------|---------------------------|---------------------------------|-------------------------------|--------------|
| Cost | | | | | | |
| At 1 May 2018 | 19,514,874 | 78,916 | 52,656 | 103,688 | 183,006 | 19,933,140 |
| Additions | 1,501,678 | 67,870 | 9,426 | 585,370 | 41,352 | 2,205,696 |
| Disposals | (13,384,000) | - | (3,800) | - | - | (13,387,800) |
| At 30 April 2019 | 7,632,552 | 146,786 | 58,282 | 689,058 | 224,358 | 8,751,036 |
| Additions | 1,117,246 | 20,459 | 2,050 | - | 5,286 | 1,145,041 |
| Disposals | (2,226,017) | - | - | - | - | (2,226,017) |
| At 30 April 2020 | 6,523,781 | 167,245 | 60,332 | 689,058 | 229,644 | 7,670,060 |
| Additions | 901,114 | 17,594 | 25,513 | - | 222,101 | 1,166,322 |
| Disposals | (1,508,255) | (1,429) | (5,627) | - | - | (1,515,311) |
| Write offs | (3,761) | (2,241) | - | (16,120) | - | (22,122) |
| At 30 April 2021 | 5,912,879 | 181,169 | 80,218 | 672,938 | 451,745 | 7,298,949 |
| Additions | 1,103,069 | 15,397 | - | - | 131,713 | 1,250,179 |
| Write offs | (13,600) | (33,454) | (10,636) | - | - | (57,690) |
| At 30 April 2022 | 7,002,348 | 163,112 | 69,582 | 672,938 | 583,458 | 8,491,438 |

14. ACCOUNTANTS' REPORT (CONT'D)
Cosmos Technology International Berhad

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6. Property, plant and equipment (continued)

| | Leasehold land and building RM | Plant and machinery RM | Motor vehicles RM | Furniture and fittings RM | Balance carried forward RM |
|---------------------------------|--------------------------------------------------|--------------------------------------|---------------------------------|-----------------------------------------|----------------------------------------------|
| Accumulated depreciation | | | | | |
| At 1 May 2018 | 1,684,569 | 2,493,182 | 795,948 | 23,012 | 4,996,711 |
| Charge for the year | 101,480 | 565,905 | 98,979 | 2,956 | 769,320 |
| Disposals | (1,786,049) | - | - | - | (1,786,049) |
| At 30 April 2019 | - | 3,059,087 | 894,927 | 25,968 | 3,979,982 |
| Charge for the year | - | 503,754 | 168,484 | 3,764 | 676,002 |
| Disposals | - | (1,046,500) | (382,617) | - | (1,429,117) |
| At 30 April 2020 | - | 2,516,341 | 680,794 | 29,732 | 3,226,867 |
| Charge for the year | - | 338,297 | 167,822 | 2,780 | 508,899 |
| Disposals | - | (812,500) | - | (1,020) | (813,520) |
| Write offs | - | - | - | (533) | (533) |
| At 30 April 2021 | - | 2,042,138 | 848,616 | 30,959 | 2,921,713 |
| Charge for the year | - | 445,710 | 161,578 | 2,166 | 609,454 |
| Write offs | - | (13,600) | - | - | (13,600) |
| At 30 April 2022 | - | 2,474,248 | 1,010,194 | 33,125 | 3,517,567 |
| Carrying amount | | | | | |
| At 30 April 2019 | - | 3,471,580 | 158,921 | 22,069 | 3,652,570 |
| At 30 April 2020 | - | 2,634,326 | 644,283 | 18,305 | 3,296,914 |
| At 30 April 2021 | - | 2,509,049 | 476,461 | 5,656 | 2,991,166 |
| At 30 April 2022 | - | 3,089,339 | 391,952 | 3,490 | 3,484,781 |

14. ACCOUNTANTS' REPORT (CONT'D)
Cosmos Technology International Berhad

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6. Property, plant and equipment (continued)

| | Balance brought forward RM | Computer equipment RM | Office equipment RM | Renovation and signage RM | Tools and implements RM | Total RM |
|---------------------------------|----------------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------------|---------------------------------------|--------------------|
| Accumulated depreciation | | | | | | |
| At 1 May 2018 | 4,996,711 | 63,684 | 27,698 | 39,941 | 94,461 | 5,222,495 |
| Charge for the year | 769,320 | 13,587 | 4,150 | 25,040 | 69,204 | 881,301 |
| Disposals | (1,786,049) | - | (1,362) | - | - | (1,787,411) |
| At 30 April 2019 | 3,979,982 | 77,271 | 30,486 | 64,981 | 163,665 | 4,316,385 |
| Charge for the year | 676,002 | 24,839 | 4,841 | 68,906 | 40,726 | 815,314 |
| Disposals | (1,429,117) | - | - | - | - | (1,429,117) |
| At 30 April 2020 | 3,226,867 | 102,110 | 35,327 | 133,887 | 204,391 | 3,702,582 |
| Charge for the year | 508,899 | 24,966 | 5,985 | 67,697 | 42,984 | 650,531 |
| Disposals | (813,520) | (506) | (740) | - | - | (814,766) |
| Write offs | (533) | (2,241) | - | (2,455) | - | (5,229) |
| At 30 April 2021 | 2,921,713 | 124,329 | 40,572 | 199,129 | 247,375 | 3,533,118 |
| Charge for the year | 609,454 | 27,232 | 6,411 | 67,124 | 89,900 | 800,121 |
| Write offs | (13,600) | (33,454) | (9,997) | - | - | (57,051) |
| At 30 April 2022 | 3,517,567 | 118,107 | 36,986 | 266,253 | 337,275 | 4,276,188 |
| Carrying amount | | | | | | |
| At 30 April 2019 | 3,652,570 | 69,515 | 27,796 | 624,077 | 60,693 | 4,434,651 |
| At 30 April 2020 | 3,296,914 | 65,135 | 25,005 | 555,171 | 25,253 | 3,967,478 |
| At 30 April 2021 | 2,991,166 | 56,840 | 39,646 | 473,809 | 204,370 | 3,765,831 |
| At 30 April 2022 | 3,484,781 | 45,005 | 32,596 | 406,685 | 246,183 | 4,215,250 |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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6. Property, plant and equipment (continued)

The Group leases various motor vehicles, plant and machinery and renovation of which the leasing activities are summarised below:

- (i) Motor vehicles: The Group has leased 6 (2021: 6, 2020: 8, 2019: 7) units of motor vehicles under hire purchase arrangements, as disclosed in Notes 14 and 15. The leases are secured by the leased assets.
- (ii) Plant and machinery: The Group has leased 4 (2021: 5, 2020: 4, 2019: 6) units of plant and machinery under hire purchase arrangements, as disclosed in Notes 14 and 15. The leases are secured by the leased assets.
- (iii) Renovation: The Group has leased Nil (2021: 1, 2020: 1, 2019: 1) unit of renovation under hire purchase arrangements, as disclosed in Notes 14 and 15.

- (a) Included in the carrying amount of property, plant and equipment as at the financial year end are right-of-use assets held under hire purchase arrangements, as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|---------------------|------------------|------------------|------------------|------------------|
| Plant and machinery | 2,321,000 | 1,964,075 | 1,206,250 | 2,345,295 |
| Motor vehicles | 321,306 | 476,461 | 644,283 | 158,921 |
| Renovation | - | 441,169 | 498,094 | 555,019 |
| | <u>2,642,306</u> | <u>2,881,705</u> | <u>2,348,627</u> | <u>3,059,235</u> |

The correspondence lease liabilities in respect of these right-of-use assets are disclosed in Notes 14 and 15.

- (b) Included in the cost of property, plant and equipment acquired during the year are right-of-use assets (2019: finance lease assets) held under hire purchase arrangements, as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|---------------------|------------------|----------------|----------------|------------------|
| Plant and machinery | 1,000,000 | 900,000 | - | 1,433,000 |
| Motor vehicles | - | - | 667,246 | 35,670 |
| Renovation | - | - | - | 569,250 |
| | <u>1,000,000</u> | <u>900,000</u> | <u>667,246</u> | <u>2,037,920</u> |

- (c) The leasehold land has unexpired lease period of more than fifty years, expiring on 30 December 2073. It was subsequently disposed during the financial year ended 30 April 2019.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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7. Right-of-use assets

| | Buildings RM | Total RM |
|---------------------------------------------|------------------------|-----------------------|
| Cost | | |
| At 1 May 2018/30 April 2019 | - | - |
| Adoption of MFRS 16 | 676,953 | 676,953 |
| Restated at 1 May 2019/30 April 2020 | <u>676,953</u> | <u>676,953</u> |
| Additions | - | - |
| At 30 April 2021 | <u>676,953</u> | <u>676,953</u> |
| Additions | 410,290 | 410,290 |
| Write offs | (676,953) | (676,953) |
| At 30 April 2022 | <u><u>410,290</u></u> | <u><u>410,290</u></u> |
| Accumulated depreciation | | |
| At 1 May 2018/30 April 2019 | - | - |
| Adoption of MFRS 16 | 54,938 | 54,938 |
| Restated at 1 May 2019 | 54,938 | 54,938 |
| Charge for the year | 192,621 | 192,621 |
| At 30 April 2020 | <u>247,559</u> | <u>247,559</u> |
| Charge for the year | 198,182 | 198,182 |
| At 30 April 2021 | <u>445,741</u> | <u>445,741</u> |
| Charge for the year | 203,984 | 203,984 |
| Write offs | (478,771) | (478,771) |
| At 30 April 2022 | <u><u>170,954</u></u> | <u><u>170,954</u></u> |
| Carrying amount | | |
| At 30 April 2019 | - | - |
| At 30 April 2020 | <u>429,394</u> | <u>429,394</u> |
| At 30 April 2021 | <u>231,212</u> | <u>231,212</u> |
| At 30 April 2022 | <u><u>239,336</u></u> | <u><u>239,336</u></u> |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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8. Inventories

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|------------------|-------------------|-------------------|-------------------|------------------|
| At cost: | | | | |
| Raw materials | 1,489,865 | 834,794 | 1,065,111 | 1,546,670 |
| Work-in-progress | 5,976,869 | 5,548,695 | 7,477,198 | 5,333,431 |
| Finished goods | 3,251,449 | 4,010,873 | 2,375,473 | 1,006,784 |
| | <u>10,718,183</u> | <u>10,394,362</u> | <u>10,917,782</u> | <u>7,886,885</u> |

The cost of inventories recognised as an expense during the financial year amounted to RM35,471,661 (2021: RM21,900,607, 2020: RM17,505,069, 2019: RM33,217,973).

9. Trade and other receivables

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|---------------------------------|-------------------|-------------------|------------------|-------------------|
| Trade | | | | |
| Third parties | 15,103,803 | 9,697,586 | 5,137,811 | 13,725,776 |
| Related parties | - | 103,407 | 69,831 | 1,570,372 |
| | <u>15,103,803</u> | <u>9,800,993</u> | <u>5,207,642</u> | <u>15,296,148</u> |
| Non-trade | | | | |
| Other receivables | 199,738 | 726,424 | 847,580 | 1,041,791 |
| Staff loan | 3,467 | 412 | 410 | 25,331 |
| Amount due from related parties | 35,504 | 901,985 | 266,076 | 2,639,589 |
| | <u>238,709</u> | <u>1,628,821</u> | <u>1,114,066</u> | <u>3,706,711</u> |
| | <u>15,342,512</u> | <u>11,429,814</u> | <u>6,321,708</u> | <u>19,002,859</u> |

The amount due from related parties is as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|--------------------------------------|------------|----------------|---------------|------------------|
| Trade | | | | |
| FIC Kitchen Technology Sdn. Bhd. | - | - | - | 51,899 |
| Globalink Metal Stamping Sdn. Bhd. | - | - | 3,142 | - |
| I.S.E.T. Engineering Sdn. Bhd. | - | 34,302 | 35,305 | 861,015 |
| Moscoss Services Sdn. Bhd. | - | - | - | 233,171 |
| MSM Equipment Manufacturer Sdn. Bhd. | - | 4,400 | - | 241,705 |
| MSM Kitchen Sdn. Bhd. | - | 638 | 15,950 | 151,991 |
| MSM Metal Industries Sdn. Bhd. | - | 15,728 | 15,434 | - |
| OMS Technology Sdn. Bhd. | - | 48,339 | - | 30,591 |
| | <u>-</u> | <u>103,407</u> | <u>69,831</u> | <u>1,570,372</u> |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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9. Trade and other receivables (continued)

The amount due from related parties is as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|------------------------------------------|---------------|----------------|----------------|------------------|
| Non-trade | | | | |
| FIC Kitchen Technology Sdn. Bhd. | - | - | - | 121,980 |
| Globalink Metal Stamping Sdn. Bhd. | - | - | - | 19,282 |
| Flexacon Automation System Sdn. Bhd. | 8,000 | 2,000 | - | - |
| I.S.E.T. Engineering Sdn. Bhd. | - | - | 11,712 | 19,867 |
| Marc16 Equipment Manufacturing Sdn. Bhd. | - | 156,212 | - | 8,374 |
| MSM Equipment Manufacturer Sdn. Bhd. | - | - | - | 119,443 |
| MSM International Limited | - | - | - | 2,010,975 |
| MSM Kitchen Sdn. Bhd. | - | - | 145,210 | 290,612 |
| MSM Metal Industries Sdn. Bhd. | 27,504 | 731,732 | 51,738 | - |
| MSM Metal (S) Pte. Ltd. | - | 12,041 | 8,360 | - |
| SKI Pipe & Fitting Sdn. Bhd. | - | - | 49,056 | 49,056 |
| | <u>35,504</u> | <u>901,985</u> | <u>266,076</u> | <u>2,639,589</u> |

The non-trade amounts due from related parties are unsecured, interest free and are repayable on demand.

The currency exposure profile of trade and other receivables is as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-----|-------------------|-------------------|------------------|-------------------|
| RM | 10,906,773 | 9,401,432 | 4,585,151 | 11,770,370 |
| USD | 4,435,739 | 2,016,341 | 1,728,197 | 7,232,489 |
| SGD | - | 12,041 | 8,360 | - |
| | <u>15,342,512</u> | <u>11,429,814</u> | <u>6,321,708</u> | <u>19,002,859</u> |

10. Other current assets

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-------------|------------------|----------------|------------------|------------------|
| Deposits | 1,533,288 | 64,968 | 76,458 | 158,067 |
| Prepayments | <u>388,335</u> | <u>686,491</u> | <u>2,109,094</u> | <u>2,008,219</u> |
| | <u>1,921,623</u> | <u>751,459</u> | <u>2,185,552</u> | <u>2,166,286</u> |

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10. Other current assets (continued)

An aggregate amount of RM1,181,000 (2021: RMNil, 2020: RMNil, 2019: RMNil) included in the deposits for acquisition of property, plant and equipment has been accounted for in capital commitments, as disclosed in Note 31.

11. Fixed deposits with licensed banks, cash and bank balances

For the purpose of presenting the statement of cash flows, cash and cash equivalents comprise the following:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Fixed deposits placed with licensed banks | 5,041,998 | 4,984,398 | 2,921,357 | 2,821,558 |
| Cash and bank balances | 8,351,192 | 5,987,465 | 7,697,358 | 1,429,757 |
| | <u>13,393,190</u> | <u>10,971,863</u> | <u>10,618,715</u> | <u>4,251,315</u> |
| Less: | | | | |
| Fixed deposit pledged to licensed banks | (1,276,344) | (1,252,065) | (1,226,310) | (1,184,867) |
| Bank overdraft (Note 14) | (2,426,390) | (2,146,712) | (1,364,938) | (1,945,263) |
| | <u>(3,702,734)</u> | <u>(3,398,777)</u> | <u>(2,591,248)</u> | <u>(3,130,130)</u> |
| Cash and cash equivalents | <u>9,690,456</u> | <u>7,573,086</u> | <u>8,027,467</u> | <u>1,121,185</u> |

Fixed deposits with licensed banks of the Group amounting to RM1,276,344 (2021: RM1,252,065, 2020: RM1,226,310, 2019: RM1,184,867) have been charged for banking facilities granted to the Group as disclosed in Note 14.

The currency exposure profile of fixed deposits with licensed banks, cash and bank balances is as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-----|-------------------|-------------------|-------------------|------------------|
| RM | 12,885,468 | 10,947,363 | 10,614,569 | 4,237,250 |
| USD | 507,722 | 24,500 | 4,146 | 12,698 |
| SGD | - | - | - | 1,367 |
| | <u>13,393,190</u> | <u>10,971,863</u> | <u>10,618,715</u> | <u>4,251,315</u> |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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12. Share capital

| | 2022 Unit | 2021 Unit | 2020 Unit | 2019 Unit |
|----------------------------------------------|--------------------|--------------------|--------------------|------------------|
| Issued and fully paid ordinary shares | | | | |
| At beginning of the year | 192,376,000 | 192,376,000 | 1,400,000 | 1,400,000 |
| Incorporation of the Company during the year | - | - | 20 | - |
| Subdivision of shares of the Company | - | - | 20 | - |
| Issued during the year | - | - | 192,375,960 | - |
| | <u>192,376,000</u> | <u>192,376,000</u> | <u>193,776,000</u> | <u>1,400,000</u> |
| Eliminations | - | - | (1,400,000) | - |
| At end of the year | <u>192,376,000</u> | <u>192,376,000</u> | <u>192,376,000</u> | <u>1,400,000</u> |
| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
| Issued and fully paid ordinary shares | | | | |
| At beginning of the year | 13,962,515 | 13,962,515 | 1,400,000 | 1,400,000 |
| Incorporation of the Company during the year | - | - | 2 | - |
| Issued during the year | - | - | 14,043,998 | - |
| Share issue expenses | - | - | (81,485) | - |
| | <u>13,962,515</u> | <u>13,962,515</u> | <u>15,362,515</u> | <u>1,400,000</u> |
| Eliminations | - | - | (1,400,000) | - |
| At end of the year | <u>13,962,515</u> | <u>13,962,515</u> | <u>13,962,515</u> | <u>1,400,000</u> |

For the purpose of the combined financial statements, the share capital as at 30 April 2019 is the aggregate share capitals of Cosmos Instruments Sdn. Bhd. and Marc Conleth Industries Sdn. Bhd., which were then eliminated as at 30 April 2020.

During the financial year ended 30 April 2020, the issued and fully paid-up ordinary share capital of the Company was increased from 20 ordinary shares to 192,376,000 ordinary shares by way of issuance of 192,375,980 new ordinary shares pursuant to the following transactions:

- (i) On 19 July 2019, 20 new ordinary shares were issued from the subdivision of every 1 existing share into 2 split shares;
- (ii) On 24 September 2019, 173,135,960 new ordinary shares were issued at RM0.05 each in satisfaction of the acquisition of subsidiaries; and
- (iii) On 2 March 2020, 19,240,000 new ordinary shares were issued at RM0.28 each for cash pursuant to its listing on the LEAP Market of Bursa Securities.

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12. Share capital (continued)

For the purpose of statement of cash flows' presentation, the net proceeds from issuance of shares is as follows:

| | RM |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Total share capital as at 30 April 2020 | 13,962,515 |
| Less: | |
| - acquisition of Cosmos Instruments Sdn. Bhd. which was settled through application of dividend declared by Marc Conleth Industries Sdn. Bhd. (Note 2 and 23) | (6,876,236) |
| - acquisition of Marc Conleth Industries Sdn. Bhd. by way of issuance of the Company's shares (Note 2) | (1,780,562) |
| Net proceeds from issuance of shares | <u>5,305,717</u> |

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

13. Retained earnings

The retained earnings of the Company are available for distribution by way of cash dividends or dividends in specie. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences that would result from the payment of dividends to shareholders.

14. Borrowings

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-----------------------------------------------|------------------|------------------|------------------|-------------------|
| Current | | | | |
| Bank overdraft (secured) | 2,426,390 | 2,146,712 | 1,364,938 | 1,945,263 |
| Bills payable (secured) | 2,450,000 | - | 20,289 | 5,974,795 |
| Finance lease liabilities (partially secured) | | - | - | 755,099 |
| Term loan (secured) | 39,969 | 41,563 | - | - |
| | <u>4,916,359</u> | <u>2,188,275</u> | <u>1,385,227</u> | <u>8,675,157</u> |
| Non-current | | | | |
| Finance lease liabilities (partially secured) | - | - | - | 1,483,886 |
| Term loan (secured) | 246,010 | 199,476 | - | - |
| | <u>246,010</u> | <u>199,476</u> | <u>-</u> | <u>1,483,886</u> |
| | <u>5,162,369</u> | <u>2,387,751</u> | <u>1,385,227</u> | <u>10,159,043</u> |

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14. Borrowings (continued)

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|--------------------------------------------------|------------------|------------------|------------------|-------------------|
| Total borrowings | | | | |
| Bank overdraft (secured) | 2,426,390 | 2,146,712 | 1,364,938 | 1,945,263 |
| Bills payable (secured) | 2,450,000 | - | 20,289 | 5,974,795 |
| Finance lease liabilities (partially secured) | - | - | - | 2,238,985 |
| Term loan (secured) | 285,979 | 241,039 | - | - |
| | <u>5,162,369</u> | <u>2,387,751</u> | <u>1,385,227</u> | <u>10,159,043</u> |

Bank overdraft, bills payable and term loan are secured by the following:

- Fixed deposits with licensed banks, as disclosed in Note 11;
- Corporate guarantee by the Company and a related party; and
- Joint and several guarantees by a Director of the Company and directors of a subsidiary.

The interest rates charged during the financial year for borrowings were as follows:

| | 2022 Per annum | 2021 Per annum | 2020 Per annum | 2019 Per annum |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| Bank overdraft | 5.62% - 8.95% | 6.07% - 6.95% | 6.82% - 9.35% | 6.81% - 9.10% |
| Bills payable | 3.51% - 4.37% | 3.42% - 5.34% | 4.63% - 8.57% | 4.71% - 6.09% |
| Finance lease liabilities | Not applicable | Not applicable | Not applicable | 2.42% - 4.50% |
| Term loan | 3.50% | 3.50% | Not applicable | 4.59% - 5.40% |

The bank overdraft and bills payable are repayable on demand, whilst the repayment terms of term loan and finance lease liabilities are as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|---------------------------------------------------|----------------|----------------|------------|------------|
| Term loan | | | | |
| Repayment terms | | | | |
| - not later than 1 year | 39,969 | 41,563 | - | - |
| - later than 1 year and not later than 5 years | 174,553 | 181,523 | - | - |
| - later than 5 years | 71,457 | 17,953 | - | - |
| | <u>285,979</u> | <u>241,039</u> | <u>-</u> | <u>-</u> |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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14. Borrowings (continued)

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-----------------------------------------------------------|------------|------------|------------|------------------|
| Finance lease liabilities | | | | |
| Minimum lease payments | | | | |
| - not later than 1 year | - | - | - | 865,866 |
| - later than 1 year and not later than 5 years | - | - | - | 1,620,584 |
| Total minimum lease payments | - | - | - | 2,486,450 |
| Less: Future finance charges on finance lease liabilities | - | - | - | (247,465) |
| Present value of finance lease liabilities | - | - | - | <u>2,238,985</u> |
| Present value of finance lease liabilities | | | | |
| - not later than 1 year | - | - | - | 755,099 |
| - later than 1 year and not later than 5 years | - | - | - | 1,483,886 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,238,985</u> |
| Presented as: | | | | |
| Current | - | - | - | 755,099 |
| Non-current | - | - | - | 1,483,886 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,238,985</u> |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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15. Lease liabilities

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-------------------------------------------------------------------------------|------------------|------------------|------------------|------------|
| At beginning of the year | 2,741,156 | 2,481,414 | - | - |
| Effects of adoption of MFRS 16 using modified retrospective approach | - | - | 2,865,237 | - |
| Additions | 1,260,290 | 900,000 | 589,500 | - |
| Write offs | (210,262) | - | - | - |
| Interest expense recognised in the statement of comprehensive income | 132,313 | 116,730 | 150,346 | - |
| Repayment of principal | (849,685) | (640,258) | (973,323) | - |
| Repayment of interest | (132,313) | (116,730) | (150,346) | - |
| At end of the year | <u>2,941,499</u> | <u>2,741,156</u> | <u>2,481,414</u> | <u>-</u> |
| Analysed by: | | | | |
| Current liabilities | 847,955 | 927,241 | 806,436 | - |
| Non-current liabilities | <u>2,093,544</u> | <u>1,813,915</u> | <u>1,674,978</u> | <u>-</u> |
| | <u>2,941,499</u> | <u>2,741,156</u> | <u>2,481,414</u> | <u>-</u> |

The repayment terms of lease liabilities is as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|---------------------------------------------------------|------------------|------------------|------------------|------------|
| Minimum lease payments | | | | |
| - not later than 1 year | 993,444 | 1,054,639 | 923,859 | - |
| - later than 1 year and not later than 5 years | 2,251,441 | 1,922,344 | 1,810,523 | - |
| - later than 5 years | <u>33,770</u> | <u>67,885</u> | <u>-</u> | <u>-</u> |
| Total minimum lease payments | 3,278,655 | 3,044,868 | 2,734,382 | - |
| Less: Future finance charges on lease liabilities | <u>(337,156)</u> | <u>(303,712)</u> | <u>(252,968)</u> | <u>-</u> |
| Present value of lease liabilities | <u>2,941,499</u> | <u>2,741,156</u> | <u>2,481,414</u> | <u>-</u> |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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15. Lease liabilities (continued)

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|------------------------------------------------|------------------|------------------|------------------|------------|
| Present value of lease liabilities | | | | |
| - not later than 1 year | 847,955 | 927,241 | 806,436 | - |
| - later than 1 year and not later than 5 years | 2,060,254 | 1,747,718 | 1,674,978 | - |
| - later than 5 years | 33,290 | 66,197 | - | - |
| | <u>2,941,499</u> | <u>2,741,156</u> | <u>2,481,414</u> | <u>-</u> |

Certain lease liabilities of the Group are secured by the Group's motor vehicles and plant and machinery under the hire purchase arrangements, as disclosed in Note 6, with lease terms of 1 to 6 (2021: 1 to 6, 2020: 1 to 8, 2019: Not applicable) years and bear effective interest rates from 2.32% to 4.50% (2021: 2.32% to 4.50%, 2020: 2.32% to 4.50%, 2019: Not applicable) per annum.

16. Deferred taxation

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|---------------------------------------------------------------|------------------|------------------|------------------|------------------|
| At beginning of the year | (63,861) | (112,861) | (104,861) | (253,861) |
| Recognised in the statement of comprehensive income (Note 21) | 28,000 | 49,000 | (8,000) | 149,000 |
| At end of the year | <u>(35,861)</u> | <u>(63,861)</u> | <u>(112,861)</u> | <u>(104,861)</u> |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | 522,000 | 412,000 | 333,000 | 428,000 |
| Deferred tax liabilities | <u>(557,861)</u> | <u>(475,861)</u> | <u>(445,861)</u> | <u>(532,861)</u> |
| | <u>(35,861)</u> | <u>(63,861)</u> | <u>(112,861)</u> | <u>(104,861)</u> |

The components and movements of deferred tax liabilities during the financial year prior to offsetting are as follows:

Deferred tax liabilities

| | Excess of capital allowances over depreciation | | | |
|-----------------------------------------------------|-------------------------------------------------------|------------------|------------------|------------------|
| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
| At beginning of the year | (475,861) | (445,861) | (532,861) | (561,861) |
| Recognised in the statement of comprehensive income | | | | |
| - current year | <u>(82,000)</u> | <u>(30,000)</u> | <u>87,000</u> | <u>29,000</u> |
| At end of the year | <u>(557,861)</u> | <u>(475,861)</u> | <u>(445,861)</u> | <u>(532,861)</u> |

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16. Deferred taxation (continued)

The components and movements of deferred tax assets during the financial year prior to offsetting are as follows:

Deferred tax assets

| | Other deductible temporary difference | | | |
|-----------------------------------------------------|----------------------------------------------|-----------------------|-----------------------|-----------------------|
| | 2022 | 2021 | 2020 | 2019 |
| | RM | RM | RM | RM |
| At beginning of the year | 412,000 | 333,000 | 428,000 | 308,000 |
| Recognised in the statement of comprehensive income | | | | |
| - current year | <u>110,000</u> | <u>79,000</u> | <u>(95,000)</u> | <u>120,000</u> |
| At end of the year | <u><u>522,000</u></u> | <u><u>412,000</u></u> | <u><u>333,000</u></u> | <u><u>428,000</u></u> |

17. Trade and other payables

| | 2022 | 2021 | 2020 | 2019 |
|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | RM | RM | RM | RM |
| Trade | | | | |
| Third parties | 8,681,065 | 3,228,846 | 4,638,217 | 5,044,055 |
| Related parties | <u>41,866</u> | <u>1,950,287</u> | <u>2,174,230</u> | <u>3,662,841</u> |
| | 8,722,931 | 5,179,133 | 6,812,447 | 8,706,896 |
| Non-trade | | | | |
| Sundry payables | 335,285 | 519,891 | 417,690 | 793,529 |
| Accruals | 321,192 | 613,605 | 448,895 | 365,098 |
| Deposits received | 181,532 | 361,211 | 2,233,130 | 2,065,598 |
| Amount due to related parties | <u>499,819</u> | <u>4,114,120</u> | <u>5,187,733</u> | <u>3,759,150</u> |
| | <u>1,337,828</u> | <u>5,608,827</u> | <u>8,287,448</u> | <u>6,983,375</u> |
| | <u><u>10,060,759</u></u> | <u><u>10,787,960</u></u> | <u><u>15,099,895</u></u> | <u><u>15,690,271</u></u> |

The normal trade credit terms granted to the Group ranged from 30 to 120 (2021: 30 to 120, 2020: 30 to 120, 2019: 30 to 90) days.

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17. Trade and other payables (continued)

The amount due to related parties is as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|------------------------------------------|----------------|------------------|------------------|------------------|
| Trade | | | | |
| FIC Kitchen Technology Sdn. Bhd. | - | - | - | 193 |
| Flexacon Automation System Sdn. Bhd. | - | 10,000 | - | 2,709 |
| I.S.E.T. Engineering Sdn. Bhd. | - | 11,600 | - | - |
| Marc16 Equipment Manufacturing Sdn. Bhd. | 10,500 | 10,500 | - | - |
| MSM Equipment Manufacturer Sdn. Bhd. | 4,391 | 14,993 | 7,392 | - |
| MSM Metal Industries Sdn. Bhd. | 26,975 | 1,887,394 | 2,139,489 | 3,337,306 |
| Toyomi Engineering Sdn. Bhd. | - | 15,800 | 27,349 | 322,633 |
| | <u>41,866</u> | <u>1,950,287</u> | <u>2,174,230</u> | <u>3,662,841</u> |
| Non-trade | | | | |
| FIC Kitchen Technology Sdn. Bhd. | - | 79,225 | 192,917 | 311,154 |
| Flexacon Automation System Sdn. Bhd. | 46,000 | 25,000 | 27,000 | 267,330 |
| Globalink Metal Sdn. Bhd. | 103,164 | - | - | - |
| I.S.E.T. Engineering Sdn. Bhd. | - | 4,961 | 8,363 | 14,745 |
| Marc16 Equipment Manufacturing Sdn. Bhd. | - | - | 6,482 | 357,000 |
| MSM Equipment Manufacturer Sdn. Bhd. | 35,249 | 1,824,898 | 2,543,577 | 701,276 |
| MSM International Limited | - | - | 517,062 | - |
| MSM Kitchen Sdn. Bhd. | 286 | 104,819 | 131,979 | 42,375 |
| MSM Metal (S) Pte. Ltd. | - | - | - | 122,040 |
| MSM Metal Industries Sdn. Bhd. | 310,987 | 1,407,070 | 1,321,903 | 403,448 |
| OMS Technology Sdn. Bhd. | - | 332,538 | 220,000 | 500,000 |
| Toyomi Engineering Sdn. Bhd. | 4,133 | 335,609 | 218,450 | 1,039,782 |
| | <u>499,819</u> | <u>4,114,120</u> | <u>5,187,733</u> | <u>3,759,150</u> |

The non-trade amounts due to related parties are unsecured, interest free and are repayable on demand.

The currency exposure profile of trade and other payables is as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-----|-------------------|-------------------|-------------------|-------------------|
| RM | 9,939,973 | 10,704,556 | 15,041,807 | 15,557,556 |
| EUR | 83,574 | 51,600 | 58,088 | 10,675 |
| USD | 37,212 | 31,804 | - | - |
| SGD | - | - | - | 122,040 |
| | <u>10,060,759</u> | <u>10,787,960</u> | <u>15,099,895</u> | <u>15,690,271</u> |

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18. Revenue

Revenue represents invoiced value of sales and services rendered, net of sales and service tax, discounts and returns.

19. Profit before taxation

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-------------------------------------------------------------|------------|------------|------------|------------|
| Profit before taxation is arrived at after charging: | | | | |
| Auditors' remuneration | | | | |
| (i) Statutory audit | | | | |
| - current year | 67,000 | 57,000 | 67,000 | 47,000 |
| - under/(over) provision in prior years | 10,000 | 8,000 | 19,000 | (2,000) |
| (ii) Non-statutory audit | | | | |
| - current year | 270,000 | - | - | - |
| - underprovision in prior years | - | - | 29,200 | 12,000 |
| Bad debts written off | - | - | 187,890 | - |
| Depreciation of property, plant and equipment | 800,121 | 650,531 | 815,314 | 881,301 |
| Depreciation of right-of-use assets | 203,984 | 198,182 | 192,621 | - |
| Finance costs: | | | | |
| - term loan interest | 9,601 | 5,148 | - | 173,731 |
| - bills payable interest | 8,668 | 136,668 | 258,986 | 377,602 |
| - bank overdraft interest | 108,306 | 127,813 | 140,394 | 142,572 |
| - finance lease interest | - | - | - | 81,269 |
| - lease liabilities interest | 132,313 | 116,730 | 150,346 | - |
| Impairment loss on non-current assets held for sale | - | - | - | 6,338 |
| Loss on disposal of property, plant and equipment – net | - | - | 131,900 | - |
| Property, plant and equipment written off | 639 | 16,893 | - | - |
| Rental of factory – short term | - | - | - | 551,500 |
| Rental of hostel – short term | 42,440 | 25,040 | 18,800 | - |
| Rental of machinery – short term | 68,200 | 54,000 | 254,145 | 346,822 |
| Rental of premises – short term | - | 5,903 | 34,000 | 101,080 |
| Realised foreign exchange loss | 24,422 | 123,170 | 634 | 144 |
| Staff costs (Note 20) | 3,733,666 | 2,732,093 | 2,966,109 | 4,394,135 |
| Unrealised foreign exchange loss | - | 42,427 | - | - |

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19. Profit before taxation (continued)

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|------------------------------------------------------------|------------|------------|------------|------------|
| and crediting: | | | | |
| Gain on disposal of property, plant and equipment – net | - | 6,448 | - | 873,208 |
| Gain on lease liabilities written off | 12,080 | - | - | - |
| Interest income | 101,502 | 108,413 | 108,076 | 110,921 |
| Realised foreign exchange gain | - | - | 111,188 | 775,890 |
| Rental income | - | - | 5,100 | 368,146 |
| Unrealised foreign exchange gain | - | - | 18 | - |

20. Staff costs

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|------------------------------------------|------------|------------|------------|------------|
| Salaries, wages, allowances and bonus | 2,533,048 | 1,763,364 | 1,939,661 | 3,764,385 |
| Directors' remuneration | 767,172 | 747,739 | 653,263 | 216,016 |
| Employees Provident Fund | 205,042 | 168,520 | 166,290 | 176,733 |
| Social security contributions | 32,156 | 21,952 | 17,305 | 17,017 |
| Other staff related expenses | 228,548 | 111,068 | 189,590 | 219,984 |
| Total staff costs | 3,765,966 | 2,812,643 | 2,966,109 | 4,394,135 |
| Less: SOCSO's COVID-19 Aid Relief | (32,300) | (80,550) | - | - |
| Net staff costs | 3,733,666 | 2,732,093 | 2,966,109 | 4,394,135 |

Included in the staff costs are the remuneration of the Directors and key management personnel as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|----------------------------------------|------------|------------|------------|------------|
| Directors | | | | |
| Fee, salaries, allowances and bonus | 694,490 | 664,858 | 577,619 | 195,000 |
| Employees Provident Fund | 70,836 | 72,720 | 62,280 | 20,016 |
| Social security contributions | 1,846 | 1,846 | 1,769 | 1,000 |
| Other staff related expenses | - | 8,315 | 11,595 | - |
| | 767,172 | 747,739 | 653,263 | 216,016 |
| Key management | | | | |
| Salaries, allowances and bonus | 307,340 | 443,375 | 330,303 | 637,549 |
| Employees Provident Fund | 37,166 | 54,587 | 40,071 | 73,641 |
| Social security contributions | 2,770 | 4,555 | 3,463 | 3,422 |
| Other staff related expenses | - | 1,186 | 730 | 13,005 |
| | 347,276 | 503,703 | 374,567 | 727,617 |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

21. Taxation

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|---------------------------------------------------------------|------------------|------------------|----------------|------------------|
| <u>Malaysian income tax</u> | | | | |
| - current year | 2,398,000 | 1,874,000 | 700,000 | 1,258,000 |
| - under/(over) provision in prior years | 50,744 | 16,583 | 43,303 | (202,561) |
| | <u>2,448,744</u> | <u>1,890,583</u> | <u>743,303</u> | <u>1,055,439</u> |
| <u>Deferred tax (Note 16)</u> | | | | |
| Relating to origination and reversal of temporary differences | | | | |
| - current year | (28,000) | (49,000) | 8,000 | (355,000) |
| - underprovision in prior years | - | - | - | 206,000 |
| | <u>(28,000)</u> | <u>(49,000)</u> | <u>8,000</u> | <u>(149,000)</u> |
| | <u>2,420,744</u> | <u>1,841,583</u> | <u>751,303</u> | <u>906,439</u> |

Reconciliation of income tax expense applicable to the results of the Group at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Profit before taxation | <u>8,207,983</u> | <u>7,430,028</u> | <u>1,968,543</u> | <u>6,186,000</u> |
| Tax at Malaysian statutory tax rate of 24% | 1,969,916 | 1,783,207 | 472,450 | 1,484,640 |
| Tax effects of: | | | | |
| - expenses not deductible for tax purposes | 509,112 | 101,986 | 325,550 | 159,278 |
| - income not subject to tax | - | (22,332) | (6,000) | (209,570) |
| - tax incentives | (90,923) | (37,861) | - | (130,302) |
| - income tax reliefs | - | - | - | (366,046) |
| Tax savings under qualified SME incentives, at 17% for the first RM600,000 (2021: RM600,000, 2020: RM600,000, 2019: RM500,000) on chargeable income | - | - | (84,000) | (35,000) |
| - timing differences not recognised during the year | (18,105) | - | - | - |
| Under/(over) provision of income tax in prior years | 50,744 | 16,583 | 43,303 | (202,561) |
| Underprovision of deferred tax in prior years | - | - | - | 206,000 |
| Tax expense for the year | <u>2,420,744</u> | <u>1,841,583</u> | <u>751,303</u> | <u>906,439</u> |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

22. Purchase of property, plant and equipment

During the financial years under review, the Group acquired property, plant and equipment which were satisfied as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|----------------------------|------------------|------------------|------------------|------------------|
| Hire purchase arrangements | 850,000 | 900,000 | 589,500 | 1,985,400 |
| Cash payments | 400,179 | 266,322 | 555,541 | 220,296 |
| | <u>1,250,179</u> | <u>1,166,322</u> | <u>1,145,041</u> | <u>2,205,696</u> |

23. Dividend paid

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|
| Marc Conleth Industries Sdn. Bhd. paid the following dividends since the end of the previous financial year: | | | | |
| Interim single-tier dividend of RM6.876236 per share, on 1,000,000 ordinary shares, declared and paid on 23 August 2019 in respect of financial year ended 30 April 2020. | - | - | 6,876,236 | - |
| Interim single-tier dividend of RM5.184951 per share, on 1,000,000 ordinary shares, declared and paid on 7 December 2018 in respect of financial year ended 30 April 2019. | - | - | - | 5,184,951 |
| | - | - | 6,876,236 | 5,184,951 |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

23. Dividend paid (continued)

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|
| Cosmos Instruments Sdn. Bhd. paid the following dividends since the end of the previous financial year: | | | | |
| First interim single-tier dividend of RM1.25 per share on 400,000 ordinary shares, was declared and paid on 21 August 2018 to the shareholders who were registered in the Register of Members of the Company as at 17 August 2018, in respect of financial year ended 30 April 2018. | - | - | - | 500,000 |
| Second interim single-tier dividend of RM1.25 per share on 400,000 ordinary shares, was declared and paid on 13 September 2018 to the shareholders who were registered in the Register of Members of the Company as at 10 September 2018, in respect of financial year ended 30 April 2018. | - | - | - | 500,000 |
| Third interim single-tier dividend of RM1.25 per share on 400,000 ordinary shares, was declared and paid on 10 October 2018 to the shareholders who were registered in the Register of Members of the Company as at 8 October 2018, in respect of financial year ended 30 April 2018. | - | - | - | 500,000 |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

23. Dividend paid (continued)

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|
| Cosmos Instruments Sdn. Bhd. paid the following dividends since the end of the previous financial year (continued): | | | | |
| Fourth interim single-tier dividend of RM2.50 per share on 400,000 ordinary shares, was declared and paid on 23 November 2018 to the shareholders who were registered in the Register of Members of the Company as at 20 November 2018, in respect of financial year ended 30 April 2018. | - | - | - | 1,000,000 |
| Fifth interim single-tier dividend of RM1.60 per share on 400,000 ordinary shares, was declared and paid on 27 November 2018 to the shareholders who were registered in the Register of Members of the Company as at 20 November 2018, in respect of financial year ended 30 April 2018. | - | - | - | 640,000 |
| | - | - | - | 3,140,000 |
| | - | - | 6,876,236 | 8,324,951 |

For the purpose of statement of cash flows' presentation, the dividend paid is as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|---------------|------------|------------|------------|------------|
| Dividend paid | - | - | - | 8,324,951 |

The dividend declared on 23 August 2019 by Marc Conleth Industries Sdn. Bhd. in the financial year ended 30 April 2020 was applied towards full settlement of the amount due from the Company for the acquisition of Cosmos Instruments Sdn. Bhd., as disclosed in Note 12.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

24. Significant related party transactions**(a) Transactions with related parties**

Transactions arising from normal business transactions of the Group with its related parties during the financial year are as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|----------------------------------------------|------------|------------|------------|------------|
| Sales and services to related parties | | | | |
| FIC Kitchen Technology Sdn. Bhd. | - | - | - | 46,850 |
| Globalink Metal Stamping Sdn. Bhd. | - | - | 3,142 | - |
| I.S.E.T. Engineering Sdn. Bhd. | 42,361 | 554,404 | 301,283 | 1,297,009 |
| MSM Equipment Manufacturer Sdn. Bhd. | - | 21,321 | - | - |
| MSM Kitchen Sdn. Bhd. | - | 14,588 | 37,700 | 14,500 |
| MSM Metal Industries Sdn. Bhd. | 58,341 | 294 | 15,728 | 21,686 |
| OMS Technology Sdn. Bhd. | - | 43,945 | 72,375 | 68,720 |
| Purchases from related parties | | | | |
| Flexacon Automation System Sdn. Bhd. | - | 35,485 | - | - |
| FIC Kitchen Technology Sdn. Bhd. | - | - | 184 | - |
| I.S.E.T. Engineering Sdn. Bhd. | - | 18,750 | - | 3,514 |
| Marc16 Equipment Manufacturing Sdn. Bhd. | - | 10,500 | - | - |
| MSM Equipment Manufacturer Sdn. Bhd. | 4,797 | 19,056 | 8,732 | 205,130 |
| MSM Kitchen Sdn. Bhd. | - | - | - | 956,321 |
| MSM Metal Industries Sdn. Bhd. | 26,975 | 15,077 | 44,182 | 3,491,013 |
| Toyomi Engineering Sdn. Bhd. | - | 100,901 | 148,540 | 353,195 |
| Rental income from related parties | | | | |
| FIC Kitchen Technology Sdn. Bhd. | - | - | - | 120,000 |
| MSM Equipment Manufacturer Sdn. Bhd. | - | - | - | 10,000 |
| MSM Kitchen Sdn. Bhd. | - | - | - | 90,000 |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

24. Significant related party transactions (continued)**(a) Transactions with related parties (continued)**

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| Rental of factory charged by related parties | | | | |
| I.S.E.T. Engineering Sdn. Bhd. | - | - | 16,000 | 96,000 |
| MSM Metal Industries Sdn. Bhd. | - | - | - | 180,000 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>180,000</u> |
| Rental of machineries charged by a related party | | | | |
| MSM Metal Industries Sdn. Bhd. | - | - | 216,000 | 324,000 |
| | <u>-</u> | <u>-</u> | <u>216,000</u> | <u>324,000</u> |
| Rental of motor vehicles charged by a related party | | | | |
| I.S.E.T. Engineering Sdn. Bhd. | 21,700 | 24,400 | 7,345 | - |
| | <u>21,700</u> | <u>24,400</u> | <u>7,345</u> | <u>-</u> |
| Lease liabilities and interest charged by related parties | | | | |
| Flexacon Automation System Sdn. Bhd. | 39,000 | 33,000 | 30,000 | - |
| MSM Metal Industries Sdn. Bhd. | 180,000 | 180,000 | 180,000 | - |
| | <u>180,000</u> | <u>180,000</u> | <u>180,000</u> | <u>-</u> |
| Sub-contract charged by related parties | | | | |
| Globalink Metal Sdn. Bhd. | 122,446 | - | - | 123,465 |
| I.S.E.T. Engineering Sdn. Bhd. | 64,172 | 163,169 | 14,098 | 700 |
| MSM Equipment Manufacturer Sdn. Bhd. | - | 7,545 | - | - |
| MSM Kitchen Sdn. Bhd. | - | - | - | 6,160 |
| MSM Metal Industries Sdn. Bhd. | - | 2,442 | - | 25,000 |
| Moscoss Services Sdn. Bhd. | - | - | - | 2,910 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,910</u> |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

24. Significant related party transactions (continued)**(a) Transactions with related parties (continued)**

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|----------------------------------------------------------------|------------|------------|------------|------------|
| Acquisition of plant and machinery from a related party | | | | |
| Flexacon Automation System Sdn. Bhd. | - | - | - | 170,000 |
| Purchase of motor vehicles from a related party | | | | |
| I.S.E.T. Engineering Sdn. Bhd. | 76,000 | - | - | - |
| Management fee charged by a related party | | | | |
| MSM Metal Industries Sdn. Bhd. | - | - | 104,391 | - |
| Disposal of property to a related party | | | | |
| MSM Kitchen Sdn. Bhd. | - | - | - | 11,597,951 |

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

(b) Compensation of key management personnel and Directors

The remuneration of key management personnel and Directors during the financial year are as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-------------------------------------|------------------|------------------|------------------|----------------|
| Fee, salaries, allowances and bonus | 1,001,830 | 1,108,233 | 907,922 | 832,549 |
| Employees Provident Fund | 108,002 | 127,307 | 102,351 | 93,657 |
| Social security contributions | 4,616 | 6,401 | 5,232 | 4,422 |
| Other staff related expenses | - | 9,501 | 12,325 | 13,005 |
| | <u>1,114,448</u> | <u>1,251,442</u> | <u>1,027,830</u> | <u>943,633</u> |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

24. Significant related party transactions (continued)**(b) Compensation of key management personnel and Directors (continued)**

The breakdown of the total remuneration of key management personnel and Directors of the Group are as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-------------------------------------|----------------|----------------|----------------|----------------|
| Directors | | | | |
| Fee, salaries, allowances and bonus | 694,490 | 664,858 | 577,619 | 195,000 |
| Employees Provident Fund | 70,836 | 72,720 | 62,280 | 20,016 |
| Social security contributions | 1,846 | 1,846 | 1,769 | 1,000 |
| Other staff related expenses | - | 8,315 | 11,595 | - |
| | <u>767,172</u> | <u>747,739</u> | <u>653,263</u> | <u>216,016</u> |
| Key management | | | | |
| Salaries, allowances and bonus | 307,340 | 443,375 | 330,303 | 637,549 |
| Employees Provident Fund | 37,166 | 54,587 | 40,071 | 73,641 |
| Social security contributions | 2,770 | 4,555 | 3,463 | 3,422 |
| Other staff related expenses | - | 1,186 | 730 | 13,005 |
| | <u>347,276</u> | <u>503,703</u> | <u>374,567</u> | <u>727,617</u> |

After analysing the advantages and disadvantages in relation to the disclosure of each key management personnel's and Director's remuneration, the Group is of the view that such disclosures would be prejudicial to their business interest, given the nature of them being in a highly competitive environment. As such, the Group has not disclosed the exact details of the remuneration of each individual key management personnel and Director but instead their total compensation.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

25. Earnings per share

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

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|--------------------------------------------------------------|--------------------|--------------------|--------------------|------------------|
| Profit for the year attributable to the owners of the parent | 5,787,239 | 5,588,445 | 1,217,240 | 5,279,561 |
| Weighted average number of shares | <u>192,376,000</u> | <u>192,376,000</u> | <u>192,376,000</u> | <u>1,400,000</u> |
| Basic earnings per share (sen) | <u>3.01</u> | <u>2.90</u> | <u>0.63</u> | <u>377.11</u> |

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the financial year.

26. Segment reporting**(a) Business activities**

For management purposes, the Group is organised into the following operating divisions, all of which are conducted predominantly in Malaysia:

- (i) Manufacturing of fabricated metal parts used in water, wastewater and oil and gas applications
- (ii) Distribution of industrial automation and control instrumentation and servicing of fluid control products
- (iii) Investment holding operations

The Group presents its segment information based on local and exports market segments, which is the basis of presenting its monthly management reports. For each of the market segments, the Group Managing Director reviews internal management reports on a regular basis for performance and resource allocation decisions.

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

(Incorporated in Malaysia)

26. Segment reporting (continued)

(a) Business activities (continued)

The Group's financial information is analysed by operating segments as follows:

| | Manufacturing RM | Trading and services RM | Investment holding RM | Elimination RM | Total RM |
|----------------------------------------------|----------------------------|---------------------------------------|-------------------------------------|--------------------------|--------------------|
| 2022 | | | | | |
| Revenue | | | | | |
| Local | 22,719,479 | 19,058,369 | - | (334,502) | 41,443,346 |
| Export | 7,676,841 | - | - | - | 7,676,841 |
| | <u>30,396,320</u> | <u>19,058,369</u> | <u>-</u> | <u>(334,502)</u> | <u>49,120,187</u> |
| Results | | | | | |
| Segment results | 6,386,802 | 4,005,995 | (1,925,926) | - | 8,466,871 |
| Finance costs | (254,477) | (4,411) | - | - | (258,888) |
| Profit/(loss) before taxation | 6,132,325 | 4,001,584 | (1,925,926) | - | 8,207,983 |
| Taxation | (1,422,247) | (998,497) | - | - | (2,420,744) |
| Profit/(loss) for the year | <u>4,710,078</u> | <u>3,003,087</u> | <u>(1,925,926)</u> | <u>-</u> | <u>5,787,239</u> |
| Net assets/(liabilities) as at 30 April 2022 | <u>9,223,035</u> | <u>15,037,064</u> | <u>10,947,924</u> | <u>(8,656,798)</u> | <u>26,551,225</u> |
| Other information | | | | | |
| Segment assets | <u>28,659,242</u> | <u>16,928,345</u> | <u>11,002,804</u> | <u>(10,760,297)</u> | <u>45,830,094</u> |
| Segment liabilities | 18,374,826 | 1,838,420 | 54,880 | (2,103,499) | 18,164,627 |
| Provision for taxation | 1,028,381 | 50,000 | - | - | 1,078,381 |
| Deferred taxation | 33,000 | 2,861 | - | - | 35,861 |
| Consolidated liabilities | <u>19,436,207</u> | <u>1,891,281</u> | <u>54,880</u> | <u>(2,103,499)</u> | <u>19,278,869</u> |

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

(Incorporated in Malaysia)

26. Segment reporting (continued)

(a) Business activities (continued)

| | Manufacturing RM | Trading and services RM | Investment holding RM | Elimination RM | Total RM |
|------------------------------------------------------|----------------------------|---------------------------------------|-------------------------------------|--------------------------|--------------------|
| 2022 | | | | | |
| Other information (continued) | | | | | |
| Capital expenditure on property, plant and equipment | 1,157,596 | 92,583 | - | - | 1,250,179 |
| Depreciation of property, plant and equipment | 724,058 | 76,063 | - | - | 800,121 |
| Depreciation of right-of-use assets | 203,984 | - | - | - | 203,984 |
| Gain on lease liabilities written off | (12,080) | - | - | - | (12,080) |
| Interest income | (7,418) | (94,084) | - | - | (101,502) |
| Property, plant and equipment written off | - | 639 | - | - | 639 |
| Realised foreign exchange loss | 10,415 | 14,007 | - | - | 24,422 |
| 2021 | | | | | |
| Revenue | | | | | |
| Local | 12,159,120 | 18,016,390 | - | (692,499) | 29,483,011 |
| Export | 4,239,810 | - | - | - | 4,239,810 |
| | 16,398,930 | 18,016,390 | - | (692,499) | 33,722,821 |
| Results | | | | | |
| Segment results | 3,664,235 | 4,316,315 | (164,163) | - | 7,816,387 |
| Finance costs | (382,913) | (3,446) | - | - | (386,359) |
| Profit/(loss) before taxation | 3,281,322 | 4,312,869 | (164,163) | - | 7,430,028 |
| Taxation | (843,727) | (997,856) | - | - | (1,841,583) |
| Profit/(loss) for the year | 2,437,595 | 3,315,013 | (164,163) | - | 5,588,445 |
| Net assets/(liabilities) as at 30 April 2021 | 4,512,957 | 12,033,977 | 12,873,850 | (8,656,798) | 20,763,986 |

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

(Incorporated in Malaysia)

26. Segment reporting (continued)

(a) Business activities (continued)

| | Manufacturing RM | Trading and services RM | Investment holding RM | Elimination RM | Total RM |
|----------------------------------------------------------|----------------------------|---------------------------------------|-------------------------------------|--------------------------|--------------------|
| 2021 | | | | | |
| Other information | | | | | |
| Segment assets | 20,793,588 | 15,971,470 | 12,893,850 | (12,114,367) | 37,544,541 |
| Segment liabilities | 15,667,804 | 3,686,632 | 20,000 | (3,457,569) | 15,916,867 |
| Provision for taxation | 551,827 | 248,000 | - | - | 799,827 |
| Deferred taxation | 61,000 | 2,861 | - | - | 63,861 |
| Consolidated liabilities | 16,280,631 | 3,937,493 | 20,000 | (3,457,569) | 16,780,555 |
| Capital expenditure on property, plant and equipment | 1,082,814 | 83,508 | - | - | 1,166,322 |
| Depreciation of property, plant and equipment | 572,061 | 78,470 | - | - | 650,531 |
| Depreciation of right-of-use assets | 198,182 | - | - | - | 198,182 |
| (Gain)/loss on disposal of property, plant and equipment | (12,500) | 6,052 | - | - | (6,448) |
| Interest income | (7,168) | (101,245) | - | - | (108,413) |
| Property, plant and equipment written off | - | 16,893 | - | - | 16,893 |
| Realised foreign exchange loss | 116,541 | 6,629 | - | - | 123,170 |
| Unrealised foreign exchange loss | 42,427 | - | - | - | 42,427 |

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

(Incorporated in Malaysia)

26. Segment reporting (continued)

(a) Business activities (continued)

| | Manufacturing RM | Trading and services RM | Investment holding RM | Elimination RM | Total RM |
|----------------------------------------------|----------------------------|---------------------------------------|-------------------------------------|--------------------------|--------------------|
| 2020 | | | | | |
| Revenue | | | | | |
| Local | 6,086,887 | 10,475,125 | - | (212,239) | 16,349,773 |
| Export | 8,839,394 | - | - | - | 8,839,394 |
| | <u>14,926,281</u> | <u>10,475,125</u> | <u>-</u> | <u>(212,239)</u> | <u>25,189,167</u> |
| Results | | | | | |
| Segment results | 5,065,784 | 2,422,659 | (924,502) | (4,045,672) | 2,518,269 |
| Finance costs | (544,178) | (5,548) | - | - | (549,726) |
| Profit/(loss) before taxation | 4,521,606 | 2,417,111 | (924,502) | (4,045,672) | 1,968,543 |
| Taxation | (176,920) | (574,383) | - | - | (751,303) |
| Profit/(loss) for the year | <u>4,344,686</u> | <u>1,842,728</u> | <u>(924,502)</u> | <u>(4,045,672)</u> | <u>1,217,240</u> |
| Net assets/(liabilities) as at 30 April 2020 | <u>2,075,362</u> | <u>8,718,964</u> | <u>13,038,013</u> | <u>(8,656,798)</u> | <u>15,175,541</u> |
| 2020 | | | | | |
| Other information | | | | | |
| Segment assets | <u>20,524,796</u> | <u>12,967,673</u> | <u>13,125,456</u> | <u>(12,177,296)</u> | <u>34,440,629</u> |
| Segment liabilities | 18,233,743 | 4,165,848 | 87,443 | (3,520,498) | 18,966,536 |
| Provision for taxation | 105,691 | 80,000 | - | - | 185,691 |
| Deferred taxation | 110,000 | 2,861 | - | - | 112,861 |
| Consolidated liabilities | <u>18,449,434</u> | <u>4,248,709</u> | <u>87,443</u> | <u>(3,520,498)</u> | <u>19,265,088</u> |

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

(Incorporated in Malaysia)

26. Segment reporting (continued)

(a) Business activities (continued)

| | Manufacturing RM | Trading and services RM | Investment holding RM | Elimination RM | Total RM |
|----------------------------------------------------------|---------------------|-------------------------------|-----------------------------|-------------------|-------------|
| 2020 | | | | | |
| Other information (continued) | | | | | |
| Capital expenditure on property, plant and equipment | 1,006,418 | 138,623 | - | - | 1,145,041 |
| Depreciation of property, plant and equipment | 744,215 | 71,099 | - | - | 815,314 |
| Depreciation of right-of-use assets | 192,621 | - | - | - | 192,621 |
| Interest income | (13,466) | (94,610) | - | - | (108,076) |
| Loss/(gain) on disposal of property, plant and equipment | 156,900 | (25,000) | - | - | 131,900 |
| Realised foreign exchange (gain)/loss | (111,188) | 634 | - | - | (110,554) |
| Unrealised foreign exchange gain | (18) | - | - | - | (18) |
| 2019 | | | | | |
| Revenue | | | | | |
| Local | 12,032,822 | 11,376,441 | - | (98,279) | 23,310,984 |
| Export | 20,766,667 | - | - | - | 20,766,667 |
| | 32,799,489 | 11,376,441 | - | (98,279) | 44,077,651 |
| Results | | | | | |
| Segment results | 3,336,940 | 3,624,234 | - | - | 6,961,174 |
| Finance costs | (746,521) | (28,653) | - | - | (775,174) |
| Profit before taxation | 2,590,419 | 3,595,581 | - | - | 6,186,000 |
| Taxation | (286,442) | (619,997) | - | - | (906,439) |
| Profit for the year | 2,303,977 | 2,975,584 | - | - | 5,279,561 |
| Net assets as at 30 April 2019 | 4,611,149 | 6,876,236 | - | - | 11,487,385 |

14. ACCOUNTANTS' REPORT (CONT'D)

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26. Segment reporting (continued)

(a) Business activities (continued)

| | Manufacturing RM | Trading and services RM | Investment holding RM | Elimination RM | Total RM |
|---------------------------------------------------------|----------------------------|---------------------------------------|-------------------------------------|--------------------------|--------------------|
| 2019 | | | | | |
| Other information | | | | | |
| Segment assets | 30,772,076 | 12,967,673 | - | (5,997,753) | 37,741,996 |
| Segment liabilities | 25,836,491 | 4,165,848 | - | (4,153,025) | 25,849,314 |
| Provision for taxation | 222,436 | 80,000 | - | (2,000) | 300,436 |
| Deferred taxation | 102,000 | 2,861 | - | - | 104,861 |
| Consolidated liabilities | 26,160,927 | 4,248,709 | - | (4,155,025) | 26,254,611 |
| Capital expenditure on property, plant and equipment | 2,075,586 | 130,110 | - | - | 2,205,696 |
| Depreciation of property, plant and equipment | 841,617 | 39,684 | - | - | 881,301 |
| Gain on disposal of property, plant and equipment - net | - | (873,208) | - | - | (873,208) |
| Interest income | (11,993) | (98,928) | - | - | (110,921) |
| Impairment loss on non-current assets held for sale | - | 6,338 | - | - | 6,338 |
| Realised foreign exchange (gain)/loss | (775,890) | 144 | - | - | (775,746) |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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26. Segment reporting (continued)**(b) Industry**

The Group's segment revenue is analysed by industry as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| Water and wastewater | 19,058,369 | 18,016,390 | 10,475,125 | 11,376,441 |
| Oil and gas | 28,324,808 | 12,036,836 | 14,714,042 | 32,701,210 |
| Healthcare | 1,635,856 | 3,556,736 | - | - |
| Others | 101,154 | 112,859 | - | - |
| | <u>49,120,187</u> | <u>33,722,821</u> | <u>25,189,167</u> | <u>44,077,651</u> |

(c) Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers.

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| Malaysia | 41,443,346 | 29,483,011 | 16,349,773 | 23,310,984 |
| United States of America | 7,676,841 | 4,239,810 | 8,839,394 | 20,764,581 |
| Singapore | - | - | - | 2,086 |
| | <u>49,120,187</u> | <u>33,722,821</u> | <u>25,189,167</u> | <u>44,077,651</u> |

(d) Information about major customer

There are three (2021: two, 2020: two, 2019: two) customers whose transactions arising from sales in the manufacturing segment amounted to approximately RM24,138,000 (2021: RM8,979,000, 2020: RM14,152,000, 2019: RM31,642,000) representing more than 10% of the Group's revenue.

27. Financial risk management policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the period under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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27. Financial risk management policies (continued)

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows:

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets except for fixed deposits in licensed banks, where the interest is insignificant, the Group's income in operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Interest rate sensitivity analysis**i Fair value sensitivity analysis for fixed rate instrument**

The Group does not account for any fixed rate financial liabilities at 'fair value through profit or loss' and do not designate derivatives as hedging instrument under fair value hedge accounting method. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

ii Interest rate risk sensitivity analysis

If the interest rates have been higher or lower and all other variables were held constant, the Group's results would decrease or increase accordingly. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings which are not hedged. The Group's floating rate borrowings in RM are exposed to variability in future interest payments. If the Bank's Base Lending Rate (BLR) were to increase/decrease by 1%, it would impact the Group's profit by approximately RM51,620 (2021: RM23,880, 2020: RM13,850, 2019: RM79,200).

The fixed deposits with licensed banks of the Group as at 30 April 2022 have maturity periods ranging from 3 to 12 (2021: 3 to 12, 2020: 3 to 12, 2019: 3 to 12) months, and bear interest at rates ranging from 1.40% to 1.90% (2021: 1.85% to 2.00%, 2020: 2.80% to 3.65%, 2019: 3.10% to 3.80%) per annum.

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27. Financial risk management policies (continued)**(b) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk primarily from their trade receivables, other receivables which are financial assets, deposits placed with licensed banks and cash and bank balances.

As at the current and previous financial year ends, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial asset recognised in the statement of financial position.

For fixed deposits with licensed banks, cash and bank balances, the Group minimises credit risk by adopting an investment policy which allows dealing with counterparties with good credit ratings only. The Group closely monitors the credit worthiness of their counterparties by reviewing their credit ratings and credit profiles on a regular basis. Receivables are monitored to ensure that exposure to bad debts is minimised.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval from the Head of Credit Control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Fixed deposits with licensed banks, cash and bank balances

The Group's fixed deposits with licensed banks, cash and bank balances at the financial year end are as follows:

| | Note | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-------------------------------------------|-------------|-------------------|-------------------|-------------------|------------------|
| Fixed deposits placed with licensed banks | 11 | 5,041,998 | 4,984,398 | 2,921,357 | 2,821,558 |
| Cash and bank balances | 11 | <u>8,351,192</u> | <u>5,987,465</u> | <u>7,697,358</u> | <u>1,429,757</u> |
| | | <u>13,393,190</u> | <u>10,971,863</u> | <u>10,618,715</u> | <u>4,251,315</u> |

No expected credit loss on the Group's balances were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

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27. Financial risk management policies (continued)

(b) Credit risk (continued)

Receivables

The ageing analysis of the Group's gross receivables (before deducting allowance for impairment loss) are as follows:

| | Note | Total RM | Credit impaired RM | Not past due RM | Not credit impaired | | | | Total past due RM |
|-------------------------------------------------|------|-------------------|--------------------------|-----------------------|---------------------|----------------------|-----------------------|--------------------|-------------------------|
| | | | | | Past due | | | | |
| | | | | | 1-60 days RM | 61-120 days RM | 121-150 days RM | >150 days RM | |
| 2022 | | | | | | | | | |
| Trade receivables | 9 | 15,103,803 | - | 4,277,739 | 6,289,932 | 3,722,004 | 579,664 | 234,464 | 10,826,064 |
| Other receivables which are financial assets | 9 | 238,709 | - | 231,311 | 5,398 | 2,000 | - | - | 7,398 |
| Other current assets | 10 | 1,533,288 | - | 1,479,180 | - | - | - | 54,108 | 54,108 |
| | | <u>16,875,800</u> | <u>-</u> | <u>5,988,230</u> | <u>6,295,330</u> | <u>3,724,004</u> | <u>579,664</u> | <u>288,572</u> | <u>10,887,570</u> |
| 2021 | | | | | | | | | |
| Trade receivables | 9 | 9,800,993 | - | 3,113,981 | 5,200,383 | 626,765 | 26,100 | 833,764 | 6,687,012 |
| Other receivables which are financial assets | 9 | 1,628,821 | - | 1,108,090 | 71,420 | 78,893 | - | 370,418 | 520,731 |
| Other current assets | 10 | 64,968 | - | 10,860 | - | - | - | 54,108 | 54,108 |
| | | <u>11,494,782</u> | <u>-</u> | <u>4,232,931</u> | <u>5,271,803</u> | <u>705,658</u> | <u>26,100</u> | <u>1,258,290</u> | <u>7,261,851</u> |

14. ACCOUNTANTS' REPORT (CONT'D)

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27. Financial risk management policies (continued)

(b) Credit risk (continued)

Receivables (continued)

| | Note | Total RM | Credit impaired RM | Not past due RM | Not credit impaired | | | | Total past due RM |
|-------------------------------------------------|------|-------------------|--------------------------|-----------------------|---------------------|----------------------|-----------------------|--------------------|-------------------------|
| | | | | | Past due | | | | |
| | | | | | 1-60 days RM | 61-120 days RM | 121-150 days RM | >150 days RM | |
| 2020 | | | | | | | | | |
| Trade receivables | 9 | 5,207,642 | - | 401,110 | 3,243,353 | 1,501,061 | 2,530 | 59,588 | 4,806,532 |
| Other receivables which are financial assets | 9 | 1,114,066 | - | 693,733 | 1,712 | 35,170 | - | 383,451 | 420,333 |
| Other current assets | 10 | 76,458 | - | 76,458 | - | - | - | - | - |
| | | <u>6,398,166</u> | <u>-</u> | <u>1,171,301</u> | <u>3,245,065</u> | <u>1,536,231</u> | <u>2,530</u> | <u>443,039</u> | <u>5,226,865</u> |
| 2019 | | | | | | | | | |
| Trade receivables | 9 | 15,296,148 | - | 4,390,445 | 6,911,305 | 2,930,944 | 297,160 | 766,294 | 10,905,703 |
| Other receivables which are financial assets | 9 | 3,303,117 | - | 2,258,238 | 109,818 | 121,765 | 48,677 | 764,619 | 1,044,879 |
| Other current assets | 10 | 158,067 | - | 158,067 | - | - | - | - | - |
| | | <u>18,757,332</u> | <u>-</u> | <u>6,806,750</u> | <u>7,021,123</u> | <u>3,052,709</u> | <u>345,837</u> | <u>1,530,913</u> | <u>11,950,582</u> |

14. ACCOUNTANTS' REPORT (CONT'D)

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27. Financial risk management policies (continued)

(b) Credit risk (continued)

Receivables (continued)

Receivables that are neither past due nor credit impaired are creditworthy debtors with good payment records with the Group. The Group's trade receivables credit term ranges from 30 to 90 days (2021: 30 to 90 days, 2020: 30 to 90 days, 2019: 30 to 90 days). Certain receivables' credit terms are assessed and approved on a case by case basis.

Other receivables which are financial assets include sundry receivables and amounts due from related parties. Other current assets comprise deposits.

None of the Group's receivables that are neither past due nor credit impaired have been renegotiated during the current and previous financial years. Receivables are not secured by any collaterals or credit enhancements.

The Group's concentration of credit risk relates to the amount owing by three (2021: four, 2020: one, 2019: two) major customers respectively which constituted 72% (2021: 55%, 2020: 33%, 2019: 78%) of its trade receivables at the end of the reporting year.

14. ACCOUNTANTS' REPORT (CONT'D)

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(Incorporated in Malaysia)

27. Financial risk management policies (continued)

(b) Credit risk (continued)

Receivables (continued)

Impairment on receivables

The Group applies the simplified approach whereby allowance for impairment are measured at 12-months ECL. The movement of the allowance for impairment loss on receivables is as follows:

| | Trade receivables | | | Other receivables which are financial assets | | |
|-------------------------|--------------------------------------|-------------------------------------|--------------------------|-------------------------------------------------|-------------------------------------|--------------------------|
| | Credit impaired (Note i) RM | 12-months ECL allowance RM | Total allowance RM | Credit impaired (Note i) RM | 12-months ECL allowance RM | Total allowance RM |
| At 1 May 2018 | - | - | - | - | - | - |
| Charge for the year | - | - | - | - | - | - |
| At 30 April 2019 | - | - | - | - | - | - |
| At 1 May 2019 | - | - | - | - | - | - |
| Charge for the year | - | - | - | - | - | - |
| At 30 April 2020 | - | - | - | - | - | - |
| At 1 May 2020 | - | - | - | - | - | - |
| Charge for the year | - | - | - | - | - | - |
| At 30 April 2021 | - | - | - | - | - | - |
| At 1 May 2021 | - | - | - | - | - | - |
| Charge for the year | - | - | - | - | - | - |
| At 30 April 2022 | - | - | - | - | - | - |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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27. Financial risk management policies (continued)**(b) Credit risk (continued)****Receivables (continued)****Impairment on receivables (continued)**

| | Credit impaired (Note i) RM | Other current assets 12-months ECL allowance RM | Total allowance RM |
|-------------------------|------------------------------------------------|------------------------------------------------------------------------|-----------------------------------|
| At 1 May 2018 | - | - | - |
| Charge for the year | - | - | - |
| At 30 April 2019 | - | - | - |
| At 1 May 2019 | - | - | - |
| Charge for the year | - | - | - |
| At 30 April 2020 | - | - | - |
| At 1 May 2020 | - | - | - |
| Charge for the year | - | - | - |
| At 30 April 2021 | - | - | - |
| At 1 May 2021 | - | - | - |
| Charge for the year | - | - | - |
| At 30 April 2022 | - | - | - |

- i Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

The exposure of credit risks for trade receivables as at the end of the reporting year by geographical region is as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-----------------------------|-------------------|------------------|------------------|-------------------|
| Domestic | 10,668,064 | 7,784,652 | 3,479,445 | 8,063,659 |
| United States of America | 4,435,739 | 2,016,341 | 1,728,197 | 7,232,489 |
| | <u>15,103,803</u> | <u>9,800,993</u> | <u>5,207,642</u> | <u>15,296,148</u> |

As at the end of the reporting year, the maximum exposure of credit risk arising from trade receivables is represented by the carrying amount in the statement of financial position.

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

(Incorporated in Malaysia)

27. Financial risk management policies (continued)

(c) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are USD, EUR and SGD.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, if any.

The following table shows the accumulated amount of financial assets and liabilities in foreign currency:

| | Note | USD RM | EUR RM | SGD RM | Total RM |
|------------------------------------------------------------|------|------------------|-----------------|---------------|------------------|
| 2022 | | | | | |
| Financial assets | | | | | |
| Trade and other receivables | 9 | 4,435,739 | - | - | 4,435,739 |
| Fixed deposits with licensed banks, cash and bank balances | 11 | 507,722 | - | - | 507,722 |
| | | <u>4,943,461</u> | <u>-</u> | <u>-</u> | <u>4,943,461</u> |
| Financial liabilities | | | | | |
| Trade and other payables | 17 | 37,212 | 83,574 | - | 120,786 |
| | | <u>4,906,249</u> | <u>(83,574)</u> | <u>-</u> | <u>4,822,675</u> |
| 2021 | | | | | |
| Financial assets | | | | | |
| Trade and other receivables | 9 | 2,016,341 | - | 12,041 | 2,028,382 |
| Fixed deposits with licensed banks, cash and bank balances | 11 | 24,500 | - | - | 24,500 |
| | | <u>2,040,841</u> | <u>-</u> | <u>12,041</u> | <u>2,052,882</u> |
| Financial liabilities | | | | | |
| Trade and other payables | 17 | 31,804 | 51,600 | - | 83,404 |
| | | <u>2,009,037</u> | <u>(51,600)</u> | <u>12,041</u> | <u>1,969,478</u> |

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad

(Incorporated in Malaysia)

27. Financial risk management policies (continued)

(c) Foreign currency risk (continued)

The following table shows the accumulated amount of financial assets and liabilities in foreign currency (continued):

| | Note | USD RM | EUR RM | SGD RM | Total RM |
|------------------------------------------------------------|-------------|-------------------|-------------------|-------------------|---------------------|
| 2020 | | | | | |
| Financial assets | | | | | |
| Trade and other receivables | 9 | 1,728,197 | - | 8,360 | 1,736,557 |
| Fixed deposits with licensed banks, cash and bank balances | 11 | 4,146 | - | - | 4,146 |
| | | <u>1,732,343</u> | <u>-</u> | <u>8,360</u> | <u>1,740,703</u> |
| Financial liabilities | | | | | |
| Trade and other payables | 17 | - | 58,088 | - | 58,088 |
| | | <u>1,732,343</u> | <u>(58,088)</u> | <u>8,360</u> | <u>1,682,615</u> |
| Net financial assets/(liabilities) | | | | | |
| 2019 | | | | | |
| Financial assets | | | | | |
| Trade and other receivables | 9 | 7,232,489 | - | - | 7,232,489 |
| Fixed deposits with licensed banks, cash and bank balances | 11 | 12,698 | - | 1,367 | 14,065 |
| | | <u>7,245,187</u> | <u>-</u> | <u>1,367</u> | <u>7,246,554</u> |
| Financial liabilities | | | | | |
| Trade and other payables | 17 | - | 10,675 | 122,040 | 132,715 |
| | | <u>7,245,187</u> | <u>(10,675)</u> | <u>(120,673)</u> | <u>7,113,839</u> |
| Net financial assets/(liabilities) | | | | | |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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27. Financial risk management policies (continued)**(c) Foreign currency risk (continued)****Foreign currency risk sensitivity analysis**

The sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting year with all other variables held constant is as follows:

| | Increase/(decrease) in the Group's results | | | |
|-------------------------------------------|---------------------------------------------------|------------------|-----------------|------------------|
| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
| Effects on profit before taxation: | | | | |
| USD | | | | |
| - strengthened by 5% | 245,312 | 100,452 | 86,617 | 362,259 |
| - weakened by 5% | <u>(245,312)</u> | <u>(100,452)</u> | <u>(86,617)</u> | <u>(362,259)</u> |
| EUR | | | | |
| - strengthened by 5% | (4,179) | (2,580) | (2,904) | (534) |
| - weakened by 5% | <u>4,179</u> | <u>2,580</u> | <u>2,904</u> | <u>534</u> |
| SGD | | | | |
| - strengthened by 5% | - | 602 | 418 | (6,034) |
| - weakened by 5% | <u>-</u> | <u>(602)</u> | <u>(418)</u> | <u>6,034</u> |

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

14. ACCOUNTANTS' REPORT (CONT'D)

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27. Financial risk management policies (continued)

(d) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's liabilities at the financial year end based on contractual undiscounted repayment obligations.

| | Note | Carrying amount RM | Contractual undiscounted cash flow RM | Maturity | | |
|--------------------------|------|-----------------------|------------------------------------------|------------------------|-----------------------------|-------------------------|
| | | | | Less than 1 year RM | Between 1 and 5 years RM | More than 5 years RM |
| 2022 | | | | | | |
| Borrowings | 14 | 5,162,369 | 5,196,437 | 4,925,710 | 197,280 | 73,447 |
| Lease liabilities | 15 | 2,941,499 | 3,278,655 | 993,444 | 2,251,441 | 33,770 |
| Trade and other payables | 17 | 10,060,759 | 10,060,759 | 10,060,759 | - | - |
| | | <u>18,164,627</u> | <u>18,535,851</u> | <u>15,979,913</u> | <u>2,448,721</u> | <u>107,217</u> |
| 2021 | | | | | | |
| Borrowings | 14 | 2,387,751 | 2,411,409 | 2,196,032 | 197,280 | 18,097 |
| Lease liabilities | 15 | 2,741,156 | 3,044,868 | 1,054,639 | 1,922,344 | 67,885 |
| Trade and other payables | 17 | 10,787,960 | 10,787,960 | 10,787,960 | - | - |
| | | <u>15,916,867</u> | <u>16,244,237</u> | <u>14,038,631</u> | <u>2,119,624</u> | <u>85,982</u> |

14. ACCOUNTANTS' REPORT (CONT'D)

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27. Liquidity risk management policies (continued)

(d) Liquidity risk (continued)

| | Note | Carrying amount RM | Contractual undiscounted cash flow RM | Maturity | | |
|--------------------------|------|--------------------------|------------------------------------------------|---------------------------|--------------------------------|----------------------------|
| | | | | Less than 1 year RM | Between 1 and 5 years RM | More than 5 years RM |
| 2020 | | | | | | |
| Borrowings | 14 | 1,385,227 | 1,385,227 | 1,385,227 | - | - |
| Lease liabilities | 15 | 2,481,414 | 2,734,382 | 923,859 | 1,810,523 | - |
| Trade and other payables | 17 | 15,099,895 | 15,099,895 | 15,099,895 | - | - |
| | | <u>18,966,536</u> | <u>19,219,504</u> | <u>17,408,981</u> | <u>1,810,523</u> | <u>-</u> |
| 2019 | | | | | | |
| Borrowings | 14 | 10,159,043 | 10,406,508 | 8,785,924 | 1,620,584 | - |
| Trade and other payables | 17 | 15,690,271 | 15,690,271 | 15,690,271 | - | - |
| | | <u>25,849,314</u> | <u>26,096,779</u> | <u>24,476,195</u> | <u>1,620,584</u> | <u>-</u> |

Included in other payables are amounts due to related parties, sundry payables, accruals and deposits received.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

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27. Financial risk management policies (continued)**(e) Capital management**

The Group objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The debt-to-equity ratios at the end of reporting year was as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-----------------------------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|--------------------|
| Borrowings | 5,162,369 | 2,387,751 | 1,385,227 | 10,159,043 |
| Lease liabilities | 2,941,499 | 2,741,156 | 2,481,414 | - |
| | <u>8,103,868</u> | <u>5,128,907</u> | <u>3,866,641</u> | <u>10,159,043</u> |
| Less: | | | | |
| Fixed deposits with licensed banks (not pledged), cash and bank balances | <u>(12,116,846)</u> | <u>(9,719,798)</u> | <u>(9,392,405)</u> | <u>(3,066,448)</u> |
| Net (cash)/debt | <u>(4,012,978)</u> | <u>(4,590,891)</u> | <u>(5,525,764)</u> | <u>7,092,595</u> |
| Total equity | <u>26,551,225</u> | <u>20,763,986</u> | <u>15,175,541</u> | <u>11,487,385</u> |
| Debt-to-equity ratio | <u>Not applicable</u> | <u>Not applicable</u> | <u>Not applicable</u> | <u>61.74%</u> |

Not applicable as the fixed deposits with licensed banks (not pledged) and cash and bank balances of the Group are sufficient to settle all the outstanding debts of the Group as at the financial year end.

28. Non-cancellable contracts

At the financial year end, the commitments in respect of non-cancellable operating lease for the rental of premises for a period of less than 12 months subsequent to the financial year end are as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|---------------------------------------------------|------------|------------|------------|----------------|
| As lessee | | | | |
| Future minimum lease payments | | | | |
| - not later than 1 year | - | - | - | 324,000 |
| - later than 1 year and not later than 5 years | - | - | - | 214,000 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>538,000</u> |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

28. Non-cancellable contracts (continued)

At the financial year end, the commitment in respect of non-cancellable operating lease for the rental of equipment and machineries for a period of less than 12 months subsequent to the financial year end are as follows:

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|------------------------------------------------|------------|------------|------------|----------------|
| As lessee | | | | |
| Future minimum lease payments | | | | |
| - not later than 1 year | - | - | - | 327,948 |
| - later than 1 year and not later than 5 years | - | - | - | 220,113 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>548,061</u> |

29. Fair values**(a) Financial instruments that are measured at fair value**

The hierarchies reflect the level of objectiveness of inputs used when measuring the fair value.

- (i) Level 1: Quoted prices (unadjusted) of identical asset in active markets
- (ii) Level 2: Inputs other at quoted prices included within Level 1 that are observable for the asset, either directly (i.e. prices) or indirectly (i.e. derived from prices)
- (iii) Level 3: Inputs for the assets are not based on observable market data (unobservable inputs)

The Group does not have any financial instruments measured at fair value in the current and previous financial years.

(b) Financial instruments that are not measured at fair value

The carrying amount of the financial instruments measured at amortised cost are reasonable approximation of their fair values due to their short term nature.

| | Note |
|------------------------------------------------------------|-------------|
| Trade and other receivables | 9 |
| Other current assets | 10 |
| Fixed deposits with licensed banks, cash and bank balances | 11 |
| Borrowings – current | 14 |
| Lease liabilities – current | 15 |
| Trade and other payables | 17 |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

30. Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised cost ["AC"]
 (b) Fair value through profit or loss ["FVTPL"]

| | Carrying amount RM | AC RM | FVTPL RM |
|---------------------------------------------------------------|-----------------------------------|-------------------|---------------------|
| 2022 | | | |
| Non-derivative financial assets | | | |
| Trade and other receivables | 15,342,512 | 15,342,512 | - |
| Other current assets | 1,533,288 | 1,533,288 | - |
| Fixed deposits with licensed banks, cash and bank balances | 13,393,190 | 13,393,190 | - |
| | <u>30,268,990</u> | <u>30,268,990</u> | <u>-</u> |
| Non-derivative financial liabilities | | | |
| Borrowings | 5,162,369 | 5,162,369 | - |
| Lease liabilities | 2,941,499 | 2,941,499 | - |
| Trade and other payables | 10,060,759 | 10,060,759 | - |
| | <u>18,164,627</u> | <u>18,164,627</u> | <u>-</u> |
| 2021 | | | |
| Non-derivative financial assets | | | |
| Trade and other receivables | 11,429,814 | 11,429,814 | - |
| Other current assets | 64,968 | 64,968 | - |
| Fixed deposits with licensed banks, cash and bank balances | 10,971,863 | 10,971,863 | - |
| | <u>22,466,645</u> | <u>22,466,645</u> | <u>-</u> |
| Non-derivative financial liabilities | | | |
| Borrowings | 2,387,751 | 2,387,751 | - |
| Lease liabilities | 2,741,156 | 2,741,156 | - |
| Trade and other payables | 10,787,960 | 10,787,960 | - |
| | <u>15,916,867</u> | <u>15,916,867</u> | <u>-</u> |

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

30. Categories of financial instruments (continued)

| | Carrying amount RM | AC RM | FVTPL RM |
|---------------------------------------------------------------|--------------------------|-------------------|-------------|
| 2020 | | | |
| Non-derivative financial assets | | | |
| Trade and other receivables | 6,321,708 | 6,321,708 | - |
| Other current assets | 76,458 | 76,458 | - |
| Fixed deposits with licensed banks, cash and bank balances | <u>10,618,715</u> | <u>10,618,715</u> | - |
| | <u>17,016,881</u> | <u>17,016,881</u> | <u>-</u> |
| Non-derivative financial liabilities | | | |
| Borrowings | 1,385,227 | 1,385,227 | - |
| Lease liabilities | 2,481,414 | 2,481,414 | - |
| Trade and other payables | <u>15,099,895</u> | <u>15,099,895</u> | - |
| | <u>18,966,536</u> | <u>18,966,536</u> | <u>-</u> |
| 2019 | | | |
| Non-derivative financial assets | | | |
| Trade and other receivables | 18,599,265 | 18,599,265 | - |
| Other current assets | 158,067 | 158,067 | - |
| Fixed deposits with licensed banks, cash and bank balances | <u>4,251,315</u> | <u>4,251,315</u> | - |
| | <u>23,008,647</u> | <u>23,008,647</u> | <u>-</u> |
| Non-derivative financial liabilities | | | |
| Borrowings | 10,159,043 | 10,159,043 | - |
| Trade and other payables | <u>15,690,271</u> | <u>15,690,271</u> | - |
| | <u>25,849,314</u> | <u>25,849,314</u> | <u>-</u> |

31. Capital commitments

| | 2022 RM | 2021 RM | 2020 RM | 2019 RM |
|-----------------------------------------|-------------------|------------|------------|------------|
| Approved and contracted for: | | | | |
| Property, plant and equipment* | <u>11,902,638</u> | <u>-</u> | <u>-</u> | <u>-</u> |

* Included is an amount of RM1,181,000 (2021: RMNil, 2020: RMNil, 2019: RMNil) which has been recognised in the deposits for acquisition of property, plant and equipment, as disclosed in Note 10.

14. ACCOUNTANTS' REPORT (CONT'D)**Cosmos Technology International Berhad**

(Incorporated in Malaysia)

32. Significant and subsequent events**(a) COVID-19 outbreak**

The COVID-19 outbreak in early 2020 has reached a pandemic level affecting all businesses and economic activities globally. The Malaysian Government has enforced various measures to curb with the spreading of the virus including travel restrictions, reduced business operating capacity and total prohibition for certain businesses to operate.

There is no material impact of COVID-19 on the Group's results of operations and financial performance during the current financial year, and the Group foresees the same for the financial year ending 30 April 2023. Given the fluidity of the situation, the Group will continuously monitor the impact of COVID-19 on its operations and its financial performance and will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's operations.

(b) Withdrawal of Listing from the LEAP Market of Bursa Securities

On 28 July 2021, the shareholders, Dato' Chong Toh Wee and MSM International Limited has requested the Company to consider undertaking voluntary withdrawal of the Company's listing from the LEAP Market of Bursa Securities. The rationale for undertaking the Proposed Withdrawal of Listing is to facilitate its proposed listing on the ACE Market of Bursa Securities. On 21 September 2021, an Extraordinary General Meeting was held and the shareholders' approval was obtained following which on 25 October 2021, Bursa Securities has also given their approval for the Company's voluntary withdrawal from the LEAP Market of Bursa Securities. The Company was delisted on 10 November 2021.

(c) Acquisition of New Building

On 14 January 2022, Cosmos Instruments Sdn. Bhd. entered into a Sale and Purchase Agreement ("SPA") with Jemco Venture Sdn. Bhd. to purchase a piece of leasehold land known as PT 59919, Pekan Cheras, Daerah Ulu Langat, Negeri Selangor held under H.S.(D) 174625, measuring approximately 36,860 square feet in area together with a factory cum office and warehouse erected thereon and bearing postal address of PT 59919, H.S.(D) 174625, Jalan KPB 6, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan for the purchase consideration of RM11,800,000. The acquisition of new building was not completed as at the date of this report.

14. ACCOUNTANTS' REPORT (CONT'D)

Cosmos Technology International Berhad
(Incorporated in Malaysia)

Statement by Directors

We, Dato' Chong Toh Wee and Ng Boon Keong, being two of the Directors of Cosmos Technology International Berhad, do hereby state that, in the opinion of the Directors, the accompanying combined financial statements set out on pages 4 to 83 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as at 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022, and of their financial performance and cash flows for the financial years ended 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 August 2022.



Dato' Chong Toh Wee
Director

Shah Alam



Ng Boon Keong
Director

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (i) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (ii) No securities will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of this Prospectus.
- (iii) None of the share capital of our Company or our Subsidiaries is under option or agreed conditionally or unconditionally to be put under option.
- (iv) As at the date of this Prospectus, save for our Issue Shares reserved for the Eligible Persons as disclosed in Section 4.1.1(ii) of this Prospectus, there is currently no other scheme involving our Directors or employees in the share capital of our Company or our Subsidiaries.
- (v) Save for the issuance of our Shares to the subscribers upon our incorporation and to our Promoters pursuant to the acquisition of our Subsidiaries, 192,376,000 new Shares issued in conjunction with our listing on the LEAP Market and our Public Issue as disclosed in Sections 6.2 and 4.1 of this Prospectus respectively, no shares, stocks or debentures of our Company or our Subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 3 years immediately preceding the LPD.
- (vi) As at the date of this Prospectus, none of our Company or our Subsidiaries has any outstanding warrants, options, convertible securities or uncalled capital.

15.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are reproduced from our Constitution which comply with the Listing Requirements, the Act and the Rules of Bursa Depository.

The words, terms and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

(i) Transfer of shares

Clause 23 – Transfer of shares

Subject to the provisions of the Act, this Constitution, the SICDA, and the Rules of Bursa Depository, the transfer of any listed security or class of listed security of the Company, shall be by way of book entry by the Bursa Depository in accordance with the Rules of Bursa Depository and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities which have been deposited with the Bursa Depository by the Company.

15. ADDITIONAL INFORMATION (CONT'D)

(ii) Transmission of shares

Clause 35 – Transmission of shares

Where:

- (a) the securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the SICDA or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the Registrar and vice versa provided that there shall be no change in the ownership of such securities.

(iii) Remuneration of Directors

Clause 104 – Remuneration of Directors

The fees of the Directors of the Company and any benefits payable to the Directors of the Company including any compensation for loss of employment of a Director or a former Director of the Company shall be approved at a meeting of Members annually and shall (unless such resolution otherwise provides) be divisible among the Directors of the Company as they may agree PROVIDED ALWAYS THAT:

- (i) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of a profits or turnover; and
- (ii) salaries payable to executive Directors may not include a commission on or percentage of turnover.

(iv) Voting and borrowing powers of Directors

Clause 107 – Scope of Directors' borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability, or obligation of the Company or of any related party as may be thought fit.

Clause 110 – Directors' interest in contracts

Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in the Company and his interest in any contract or proposed contract with the Company. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

15. ADDITIONAL INFORMATION (CONT'D)

Clause 121 – Chairperson’s casting vote

The Board may elect a chairperson of its meeting and determine the period for which he is to hold office, but if no such chairperson is elected, or if at any meeting the chairperson is not present within fifteen (15) minutes after the time appointed for holding the meeting, the Directors present may choose one (1) of their numbers to be chairperson of the meeting. In case of an equality of votes, the chairperson of meeting shall have a second or casting vote. Where two (2) Directors form a quorum, the chairperson of a meeting at which only such quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, the chairperson shall not have a casting vote.

(v) Share capital and variation of rights**Clause 7 – Allotment of shares**

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the Act, the Listing Requirements, the SICDA and to the conditions, restrictions and limitations expressed in this Constitution, the Directors may allot shares or grant rights to subscribe for or otherwise dispose of the unissued shares in the Company to such persons, at such time and on such terms and conditions, with such preferred or deferred or other special rights, as they may deem proper, but the Directors in making any such issue of shares shall comply with the following conditions:

- (a) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the Members in meeting of Members;
- (b) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution;
- (c) no Director (including a Director not holding office in an executive capacity) shall participate in a scheme that involves a new issuance of shares or other convertible securities to employees unless the Members of the Company have approved the specific allotment to be made to such Director;
- (d) except in the case of an issue of Securities on a pro-rata basis to all Members, placements undertaken in compliance with the Listing Requirements there shall be no issue of Securities to a Director, major shareholder or chief executive or person connected with any Director, major shareholder or chief executive (hereinafter referred to as the “interested Director”, “interested major shareholder”, “interested chief executive” or “interested person connected with a Director, major shareholder or chief executive” respectively) unless the Members in general meeting have approved of the specific allotment to be made to such aforesaid interested Director, interested major shareholder, interested chief executive or interested person connected with a Director, major shareholder or chief executive, as the case may be. In this Constitution, “major shareholder”, “chief executive” and “person connected with any Director, major shareholder or chief executive” shall have the meaning ascribed thereto in the Listing Requirements; and
- (e) in the case of shares offered to the public or offered pursuant to a prospectus that is registered under the CMSA, for subscription the amount payable on application on each share shall not be less than five-percent (5%) of the offer price of the share.

15. ADDITIONAL INFORMATION (CONT'D)

Clause 9 – Issue of new shares to members

Subject to any direction to the contrary that may be given by the Company in meeting of Members, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of meeting of Members in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of the time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the share or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

Clause 11 – Variation of shareholders rights

Subject to the provisions of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class may, whether or not the Company is being wound up, be varied with the consent in writing of the holders representing not less than seventy-five percent (75%) of the total voting rights of the Members in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Clause 12 – No variation of rights by issuance of new shares

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking equally therewith.

(vi) Alteration of capital**Clause 36 – Alteration of Capital**

Subject to the provisions of the Act and the Listing Requirements, the Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
- (ii) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived. Any resolution whereby any share is subdivided may determine that, as between the holders of shares resulting from such subdivision, one (1) or more of such shares may have such preferred or other special rights over, or may be given any preference or advantage as regards to distributions, including dividends, return of capital, voting or otherwise over the other or others of such shares;

15. ADDITIONAL INFORMATION (CONT'D)

- (iii) increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe; or
- (iv) convert all or any of its paid-up capital into stock and may reconvert that stock into paid-up shares; or

The Company may by special resolution reduce its share capital in accordance with Subdivision 4 of Division 1 of Part III of the Act, whether with the confirmation of the court or a solvency statement, or in any other way allowed by the Act.

15.3 LIMITATION ON THE RIGHT TO OWN SECURITIES AND/OR EXERCISE VOTING RIGHTS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to Minister of Finance and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository (“**Depositor**”) by means of entries in the securities account of that Depositor.

A Depositor whose name appears on the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be a shareholder of our Company and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

Save for the above, there is no limitation on the right to own securities, including limitations on the right of non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares which is imposed by Malaysian law or by our Constitution.

15.4 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single tier dividend are not taxable. Further, the Malaysian government does not levy withholding tax on dividend payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian resident companies. There is no Malaysian capital gain tax arising from the disposal of listed shares.

As at the LPD, our Group has not established any other place of business outside Malaysia and is not subject to any governmental laws, decrees, regulations and/or other requirements which may affect repatriation of capital and remittance of profit by or to our Group.

15. ADDITIONAL INFORMATION (CONT'D)

15.5 MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (including contracts not in writing), not being contracts in the ordinary course of business, that have been entered into by our Group during the FYE Under Review, and up to the LPD:

- (i) MCI had on 26 March 2018 entered into a sale and purchase agreement with Dato' Chong to purchase 400,000 ordinary shares comprising all the issued share capital of Cosmos Instruments for a purchase consideration of RM2,830,564.23 to be satisfied in full by transferring 600,000 ordinary shares of MCI held by MSM amounting to 60.00% of the issued share capital in MCI to Dato' Chong. This transaction was completed on 18 December 2018.
- (ii) MCI had on 11 April 2018 entered into a sale and purchase agreement with MSM Kitchen Sdn Bhd as varied by a supplemental sale and purchase agreement dated 1 October 2018 for the disposal of all that piece of leasehold land known as PT 1801, Mukim Cheras, Daerah Hulu Langat, Negeri Selangor held under H.S.(M) 14012, measuring approximately 7,332.9031 square metres in area together with a factory erected thereon and bearing the postal address of Lot 1801, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan for the disposal price of RM11,597,951. This transaction was completed on 11 October 2018.
- (iii) Cosmos Instruments had on 20 April 2018 entered into a sale and purchase agreement with Techkem Utilities Sdn Bhd for the disposal of all that piece of freehold land known as PT 54651, Mukim Dengkil, Daerah Sepang, Negeri Selangor held under H.S.(D) 42111 measuring approximately 815.224 square metres in area together with a unit of 3 storey semi-detached factory distinguished as Lot 19 erected thereon bearing the postal address of No. 6, Jalan IMP 1/3, Pusat Teknologi Sinar Meranti, Taman Industri Meranti Perdana, 47120 Puchong, Selangor Darul Ehsan for the disposal price of RM4,000,000. The transaction was completed on 6 September 2018.
- (iv) Cosmos had on 23 August 2019 entered into 2 separate share sale agreements with the parties as follows:
 - (a) with MCI for the acquisition of Cosmos Instruments for a purchase consideration of RM6,876,236 ("**Purchase Consideration for the Acquisition of Cosmos Instruments**") which was fully satisfied by the issuance of 137,524,720 Cosmos Shares to Dato' Chong and MSM; and
 - (b) with MSM and Dato' Chong for the acquisition of MCI for a purchase consideration of RM1,780,562 ("**Purchase Consideration for the Acquisition of MCI**") which was fully satisfied by the issuance of 35,611,240 Cosmos Shares to Dato' Chong and MSM.

The Purchase Consideration for the Acquisition of Cosmos Instruments and the Purchase Consideration for the Acquisition of MCI were determined on a 'willing buyer, willing seller' basis based on the audited NA of Cosmos Instruments and MCI as at 30 April 2019. The transactions were completed on 24 September 2019.

- (v) Cosmos Instruments had on 14 January 2022 entered into a sale and purchase agreement with the Vendor for the acquisition of the New Building for a purchase consideration of RM11.80 million. As at the LPD, the acquisition of the New Building has yet to be completed.
- (vi) Underwriting agreement dated 22 August 2022 between our Company and Mercury Securities for the underwriting of 20,705,000 Underwritten Shares for an underwriting commission of 2.5% of the IPO Price multiplied by the number of Issue Shares underwritten.

15. ADDITIONAL INFORMATION (CONT'D)

15.6 CONSENTS

- (i) The written consents of our Principal Adviser, Sponsor, Underwriter, Placement Agent, company secretaries, solicitors, Share Registrar and Issuing House as listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of our Auditors and Reporting Accountants for the inclusion of its name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Statements of Financial Position and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.
- (iii) The written consent of our IMR for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

15.7 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Level 13A-6, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara 50490 Kuala Lumpur during normal business hours for a period of 6 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the IMR Report as included in Section 8 of this Prospectus;
- (iii) the Reporting Accountants' Report on the Pro Forma Statements of Financial Position as included to in Section 13 of this Prospectus;
- (iv) the Accountants' Report as included in Section 14 of this Prospectus;
- (v) the material contracts referred to in Section 15.5 of this Prospectus;
- (vi) the letters of consent referred to in Section 15.6 of this Prospectus; and
- (vii) audited financial statements of our Group for the FYE 30 April 2019, 30 April 2020, 30 April 2021 and 30 April 2022.

15.8 RESPONSIBILITY STATEMENTS

- (i) Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there are no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.
- (ii) Mercury Securities, being the Principal Adviser, Sponsor, Underwriter and Placement Agent to our IPO acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural and vice versa.

16.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 14 SEPTEMBER 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 22 SEPTEMBER 2022

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

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Application for our Issue Shares by the Malaysian Public and the Eligible Persons

| Types of Application and category of investors | Application method |
|------------------------------------------------|--------------------------------------------------------------------------------------|
| Applications by the Eligible Persons | Pink Application Form |
| Applications by the Malaysian Public: | |
| (a) Individuals | White Application Form or Electronic Share Application or Internet Share Application |
| (b) Non-individuals | White Application Form only |

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.2.2 Application by selected investors and Bumiputera investors approved by MITI via private placement

| Types of Application | Application method |
|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applications by: (a) Selected investors (b) Bumiputera investors approved by the MITI | The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions. MITI will contact the Bumiputera investors directly. They should follow MITI's instructions. |

Selected investors and Bumiputera investors approved by MITI may still apply for our Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfil all of the following:

- (i) you must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the Application for our Issue Shares with a Malaysian address; or
 - (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia,
- (ii) you must not be a director or employee of the Issuing House, or an immediate family member of a director or employee of the Issuing House; and
- (iii) you must submit the Application by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

16.3.3 Application by the Eligible Persons

The Eligible Persons (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated Issue Shares. The Eligible Persons must follow the notes and instructions in the said document and where relevant, in our Prospectus.

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.35 for each IPO Share.

Payment must be made out in favour of “**TIIH SHARE ISSUE ACCOUNT NO. 727**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

or

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 22 September 2022 or by such other time and date specified in any notice of change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the respective Participating Financial Institution.

16.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Internet Share Application.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institution.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board, reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER/UNDER SUBSCRIPTION

In the event of over-subscription of our Issue Shares, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of our Issue Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within one (1) Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.00% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon our Listing. We expect to achieve this at the point of our Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangement and reallocation provisions as set out in Section 4.1.2 of our Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner:

16.9.1 For Applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of the Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the National Registration Identity Card or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House, as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House, reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For Applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House, by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

- (i) our Issue Shares allotted to you will be credited into your CDS Account;
- (ii) a notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application;
- (iii) in accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our Issue Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository; and
- (iv) in accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the Applications may be directed as follows:

| Mode of Application | Parties to direct the enquiries |
|------------------------------|------------------------------------------------------------------------------------|
| Application Form | Issuing House Enquiry Services at telephone no. 03-2783 9299 |
| Electronic Share Application | Participating Financial Institution |
| Internet Share Application | Internet Participating Financial Institutions and Authorised Financial Institution |

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House's website <https://tjih.online>, 1 Market Day after the balloting date.

You may also check the status of your Application 5 Market Days after the balloting date at the above website or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.