

## 7. BUSINESS OVERVIEW

### 7.1. HISTORY AND BUSINESS MILESTONES

#### ***Incorporation and acquisition of our Subsidiaries as well as expansion in geographical markets***

The history of our Group can be traced back to August 1999 when ACM (our Executive Director) acquired 41.00% shareholding in Crest Systems from Tan Kim Sing and was appointed as Director of Crest Systems. Tan Kim Sing established Crest Systems on 24 June 1999 together with another individual, Chow Yit Meng. Both Tan Kim Sing and Chow Yit Meng were not actively involved in the business and they ceased to be shareholders of Crest Systems in August 1999 and March 2014 respectively.

In May 2000 and July 2000 respectively, LSW (our Managing Director) and YKM (our Executive Director) joined Crest Systems as Manager and Business Manager respectively. Since then, together with ACM, they have been leading and driving the growth and expansion of our business. Subsequently in September 2002, LSW and YKM became shareholders of Crest Systems by respectively acquiring 20.00% and 18.00% shareholding in Crest Systems from ACM and Chow Yit Meng. LSW and YKM were appointed as Directors of Crest Systems in the same year.

In May 2005, we ventured into the PRC through a business arrangement with Wang Hua and Zhou Fang whereby Wang Hua and Zhou Fang set up Crest Suzhou to collaborate with Crest Systems to secure orders from customers in the PRC. Subsequently, in February 2013, LSW, ACM and YKM entered into an equity interest transfer agreement with Wang Hua and Zhou Fang to acquire the entire equity interest in Crest Suzhou, which was completed in May 2013.

Commencing April 2007, LSW, ACM and YKM began to acquire shares of L-Edge Technology Sdn Bhd from 2 individuals, namely Kelvin Leong Kok Ming and Phang Yin Hing, to expand our business and customer base. By December 2007, LSW, ACM and YKM successfully acquired the entire equity interest in L-Edge Technology Sdn Bhd and subsequently changed the company's name to Crest Nanosolutions (M) Sdn Bhd in July 2008.

In June 2008, we further expanded our overseas presence to Singapore through the establishment of Crest Innovation by ACM and Thomas Koh Chee Chung (our Business Manager). In the same year, LSW and YKM became shareholders of Crest Innovation through allocation of new shares.

In March 2010, we further expanded our overseas footprint where we expanded our business to Thailand through the establishment of Crest Thailand in Bangkok, Thailand by LSW, ACM and YKM and another individual, namely Laxmanram Tiwatri, who ceased as a shareholder in May 2015.

In August 2014, LSW, ACM and YKM established Crest Analytic. Subsequently in April 2015, we continued our business expansion through the establishment of Crest Lab by LSW, ACM and YKM.

In June 2017, through their spouses, ACM and YKM acquired shares of Matrix Optics from 2 individuals namely Wong Siew Hee and Lee Poh Koon, to expand our business and customer base. The entire equity interest in Matrix Optics were transferred to LSW, ACM and YKM in February 2023.

In September 2017, as part of our continuous business and customer base expansion effort, LSW and ACM acquired the entire equity interest in Matrix Biosciences from 2 individuals namely Wong Siew Hee and Lee Poh Koon. Subsequently in June 2018, YKM became a shareholder of Matrix Biosciences through allocation of new shares.

In November 2017, LSW, ACM and YKM acquired shares of Matrix Innovations from 3 individuals, namely Lyn Meng Keong (our General Manager), Wong Siew Hee and Te Win Ping. Lyn Meng Keong and Wong Siew Hee ceased to become shareholders in the same year, while Te Win Ping ceased to become shareholder in February 2023.

## 7. BUSINESS OVERVIEW (Cont'd)

In August 2023, Crest was incorporated as an investment holding company of our Subsidiaries to facilitate our listing on the ACE Market of Bursa Securities.

### ***Expansion of industry coverage and customer portfolio***

In 1999, we commenced business by initially supplying equipment relating to inspection and quality control to manufacturers in the semiconductor and E&E industries. In early 2000s, in addition to supplying equipment, we also began to provide solutions to our customers covering pre-sales consulting, customisation, installation, commissioning as well as user-training; and concurrently expanded our industry coverage to government related institutions for public R&D.

In 2011, we expanded our industry coverage to the academic sector where we provided equipment and solutions to universities for academic R&D.

In 2013, we continued our expansion of industry coverage into the automotive industry where we began providing imaging, analytical and test solutions to automotive manufacturers.

In 2015, we further expanded our customer portfolio in the academic sector where we provided imaging, analytical and test solutions to universities for use in sample analysis. In the same year, we expanded our offerings by venturing into equipment rental and laboratory (“lab”) services. Such offerings complement our business by catering to customers who prefer renting equipment instead of owning, as well as customers who require third-party lab services to perform testing, inspection and/or analysis on products, components or specimens. Further, Matrix Optics was certified with the Certificate of Conformity Good Distribution Practice for Medical Device by SIRIM QAS International Sdn Bhd in the same year.

Thereafter, we expanded our industry coverage to the healthcare industry in 2017. In 2019, in addition to providing our solutions to universities for use in sample analysis, we also provided our solutions to industry players in other industries such as food and beverage industries for use in sample analysis.

In 2020, Crest Systems was certified compliance with MS ISO/IEC 17025 – General requirements for the competence of testing and calibration laboratories. This allows us to perform calibration as part of our installation and commissioning services to customers in the semiconductor industry where some of the products of these customers may be eventually used in automotives. Further, we also began supplying to the life sciences and aviation industries in the same year.

In 2022, we expanded our industry coverage, where we began providing imaging, analytical and test solutions to the oil and gas industry.

### ***Expansion of equipment supplied for our imaging, analytical and test solutions***

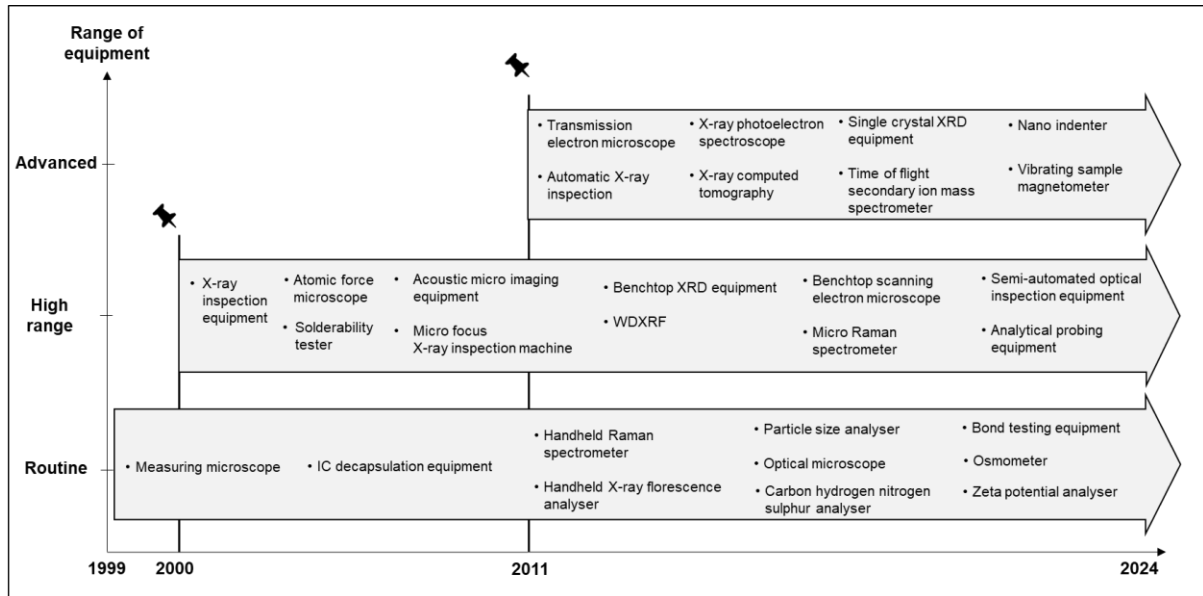
Over the years, in addition to expanding our industry coverage and customer portfolio, we also gradually expanded our range of equipment and solutions. The equipment that we supply vary based on functions, applications and price range, which can be broadly classified as follows:

Range of equipment	Description
Routine equipment	<ul style="list-style-type: none"> <li>Generally lower priced (i.e. below RM300,000), and have less complex functions and more basic technology</li> <li>Generally catered for usage / applications such as conducting routine quality inspection and sample analysis</li> </ul>
High-range equipment	<ul style="list-style-type: none"> <li>Generally priced between routine equipment and advanced equipment (i.e. between RM300,000 and RM500,000)</li> <li>Generally catered for usage / applications such as conducting complex quality inspection and sample analysis</li> </ul>

**7. BUSINESS OVERVIEW (Cont'd)**

Range of equipment	Description
Advanced equipment	<ul style="list-style-type: none"> <li>• Generally higher priced (i.e. above RM500,000), and have more complex functions and more advanced technology</li> <li>• Generally catered for specific usage / applications such as conducting failure analysis as well as R&amp;D on sample analysis</li> </ul>

The diagram below demonstrates our expansion in the range of equipment we supply, from focusing on routine and high-range equipment in the initial stages of our business, to subsequently covering advanced equipment over the years:



**Our key revenue drivers**

The key revenue drivers for our business activities are as follows:

- (i) Growth in the various industries, that utilise imaging, analytical and test equipment and services, such as E&E, semiconductor, automotive, aerospace, healthcare, life science, material science as well as oil and gas;
- (ii) Government support and initiatives that spur the growth of the imaging, analysis and testing industry; and
- (iii) Rising adoption of IoT and Industry 4.0 technologies which drives the demand for imaging, analytical and test equipment and services.

Please refer to the IMR Report in Section 8 of this Prospectus for further details of the key drivers of the imaging, analysis and testing industry.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.2. PRINCIPAL BUSINESS ACTIVITIES, PRODUCTS AND SERVICES

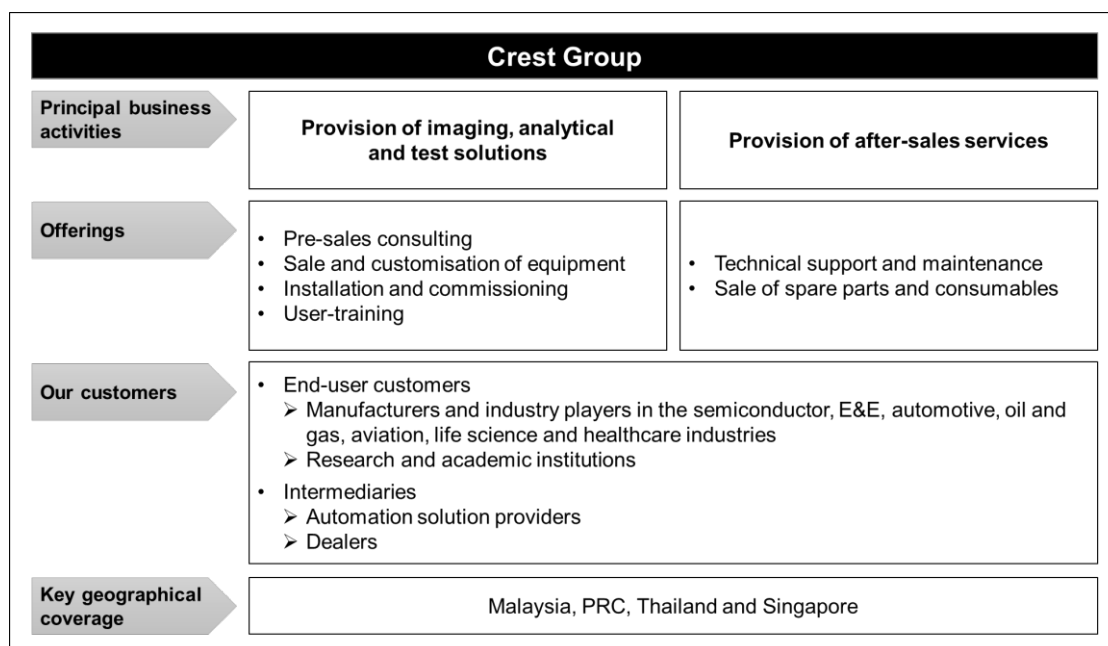
#### 7.2.1. Principal activities and business model

The principal activity of our Company is investment holding, whilst our Subsidiaries are principally involved in the provision of imaging, analytical and test solutions used primarily for quality inspection, sample analysis and R&D. We provide our solutions to a wide range of industries including semiconductor, E&E, academic, automotive, oil and gas, aviation, life sciences and healthcare.

Our business activities can be segmented into 2 categories as follows:

- (i) Provision of imaging, analytical and test solutions, comprising:
  - Pre-sales consulting;
  - Sale and customisation of equipment;
  - Installation and commissioning; and
  - User-training.
- (ii) Provision of after-sales services

The summary of our business activities and business model is set out in the following diagram:



The details of our Group's principal activities are as follows:

#### (i) Imaging, analytical and test solutions

Imaging, analytical and test solutions are solutions designed to conduct quality inspection, sample analysis and R&D through imaging, analysis and testing of an object (e.g. a product, component and/or specimen). Imaging, analytical and test solutions can be adopted to perform detailed and/or penetrating scans or magnification of objects through imaging, as well as detecting defects that cannot be detected with the naked eye or through conventional inspection.

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**7. BUSINESS OVERVIEW (Cont'd)**

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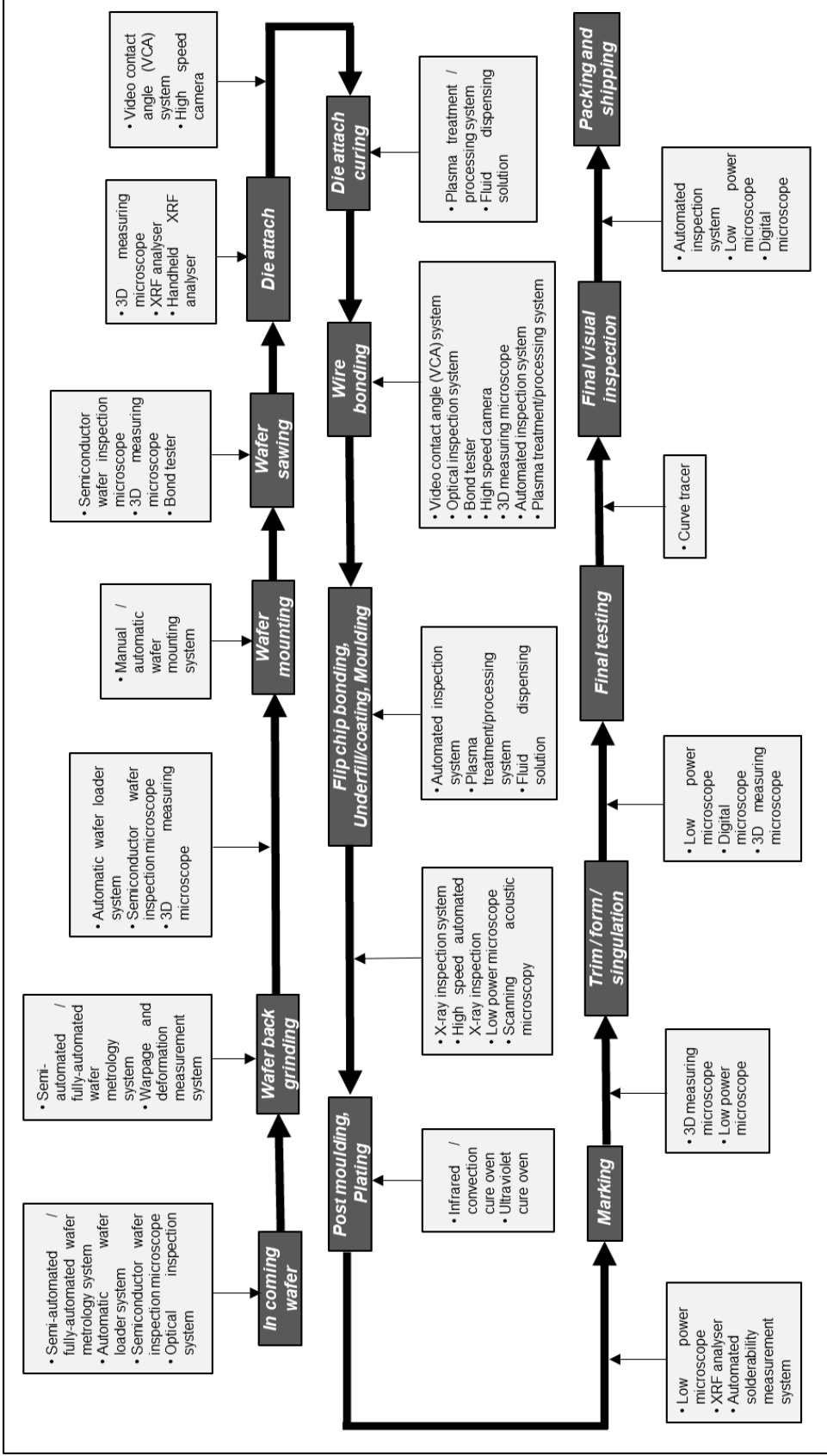
Imaging, analytical and test solutions are adopted in industries such as E&E, semiconductor, automotive, aviation and oil and gas industries, whereby the size of the products, components and/or specimens used in these industries can be microscopic and/or precision of these products and components are critical to determine the functionality and efficiency of the end-products.

Further, imaging, analytical and test solutions are also adopted for sample analysis and R&D by research and academic institutions as well as life sciences and healthcare institutions.

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7. BUSINESS OVERVIEW (Cont'd)

An Illustration of the use of imaging, analytical and test equipment which we supply, within the semiconductor back-end manufacturing process, is as follows:



Notes:  denotes semiconductor back-end manufacturing process.  
 denotes imaging, analytical and test equipment used in the respective manufacturing processes.

## 7. BUSINESS OVERVIEW (Cont'd)

Our imaging, analytical and test solutions encompass pre-sales consulting; sale and customisation of equipment; installation and commissioning; and user-training as follows:

- **Pre-sales consulting:** We analyse and understand our customers' requirements from various aspects, such as purposes and/or objectives, problems and/or bottlenecks faced, manufacturing process or operational workflow, and expected or target outcomes; followed by proposing suitable solutions.

We also conduct site surveys and investigations at our customers' premises as our solutions also include proposing the layout and placement of the equipment at our customer's premises to ensure operational efficiency and customised operational workflow. If required, we may also propose solutions which involve customisation of equipment to address our customers' problems and/or bottlenecks.

The pre-sales consulting stage is critical as each customer has different manufacturing process or operational workflow and may face different problems and/or bottlenecks. Hence, it is crucial to understand each of our customer's specific requirements in order for us to propose optimised solutions that best suit our customers' needs in addressing their problems and/or bottlenecks, and to help them in achieving operational and cost efficiencies.

- **Sale and customisation of equipment:** We purchase the required equipment from our suppliers which comprise principals and dealers, based on the solutions proposed by us, and supply the equipment to our customers as part of our solutions. Please refer to Section 7.2.3 of this Prospectus for examples of imaging, analytical and test equipment used in our solutions.

As part of equipment customisation, we provide modification of equipment hardware, parts and components such as modification and customisation of jigs to suit the size of our customers' products, components and specimens. Further, we also assist to customise the default software to accommodate our customers' preferred user interface, test parameters, data analysis methodology as well as data logging and reporting formats. In addition, we may also integrate the equipment with our customer's existing equipment, servers and/or systems; third-party hardware, parts and components; and/or third-party software, upon request by our customers. Examples of hardware, parts and components which we integrate include robotic arms, hands-free indexer systems and wafer handling systems; and examples of software which we integrate include Manufacturing Execution System (MES) and SECS/GEM (i.e. an interface protocol used in semiconductor equipment to host data communications). These hardware, parts and components as well as software to be integrated with our equipment may be manufactured and/or developed by third-party service providers, or directly purchased from our principals.

- **Installation and commissioning:** As part of our solutions, we assist our customers in installing and commissioning the equipment.

For equipment installation, we set up the equipment on-site together with any ancillary parts, perform wiring works, install the required software and set up the user interface. Subsequently, we will commission the equipment and conduct tests and calibration on the equipment to ensure that the results produced by the equipment are accurate, reliable and adhere to the specifications as agreed with our customers.

- **User-training:** We also provide on-site user-training to our customers in operating the equipment to ensure proper usage of the equipment.

Our provision of imaging, analytical and test solutions from pre-sales consulting to user-training is carried out by our in-house personnel, save for equipment customisation involving mechanical automation and software integration which we outsource to third-party service providers.

## 7. BUSINESS OVERVIEW (Cont'd)

### (ii) After-sales

To complement our offerings of imaging, analytical and test solutions, we also provide after-sales services comprising technical support and maintenance services, as well as sale of spare parts and consumables. Our after-sales services are provided to our customers who engage us for imaging, analytical and test solutions, where we provide warranty generally for up to 1 year on after-sales services such as maintenance services and spare part replacement, whereby the warranty on spare parts is based on back-to-back arrangement with our principals. Please refer to Section 7.2.6 of this Prospectus for further details of our warranty. The sale of consumables is not covered under our warranty and the cost will be borne by our customers.

Upon the expiry of the warranty period, our customers can continue to engage us for technical support and maintenance services for a fee. We also provide technical support and maintenance services to customers who do not engage us for our imaging, analytical and test solutions, but are users of equipment carried by our principals.

- Technical support and maintenance

We provide technical support services to customers upon receiving reports on equipment failure or malfunction, whereby our technical support services include equipment repair, spare part replacement and software troubleshooting. We provide maintenance services to customers on pre-agreed time intervals, e.g. monthly or quarterly, whereby our maintenance services include conducting routine condition checks and preventive maintenance measures on equipment along with performing testing and calibration to ensure that the equipment remain in optimal condition and produces accurate and consistent results.

Upon the expiry of the warranty period, our customers generally engage us for technical support and maintenance services through equipment service agreements. Our equipment service agreement stipulates amongst others, scope of work, service timeframe and fees. We typically enter into equipment service agreements with customers on a tenure of 6 months to 1 year. Apart from providing technical support and maintenance services under the equipment service agreements, we also provide technical support and maintenance services on an on-demand basis. Similar arrangements are applied to customers who solely engage us for technical support and maintenance services.

Technical support and maintenance services are mostly carried out by our in-house service personnel. In circumstances where the issues involve higher level of technical complexity, we may escalate to the respective principals for their assistance.

- Sale of spare parts and consumables

We also supply spare parts and consumables, which are wear and tear supplies used to operate the equipment that must be replaced on a regular basis. Examples of spare parts and consumables that we supply to our customers include filaments, solvents, valves and glass slides. The sale of spare parts and consumables is carried out based on per-order basis.

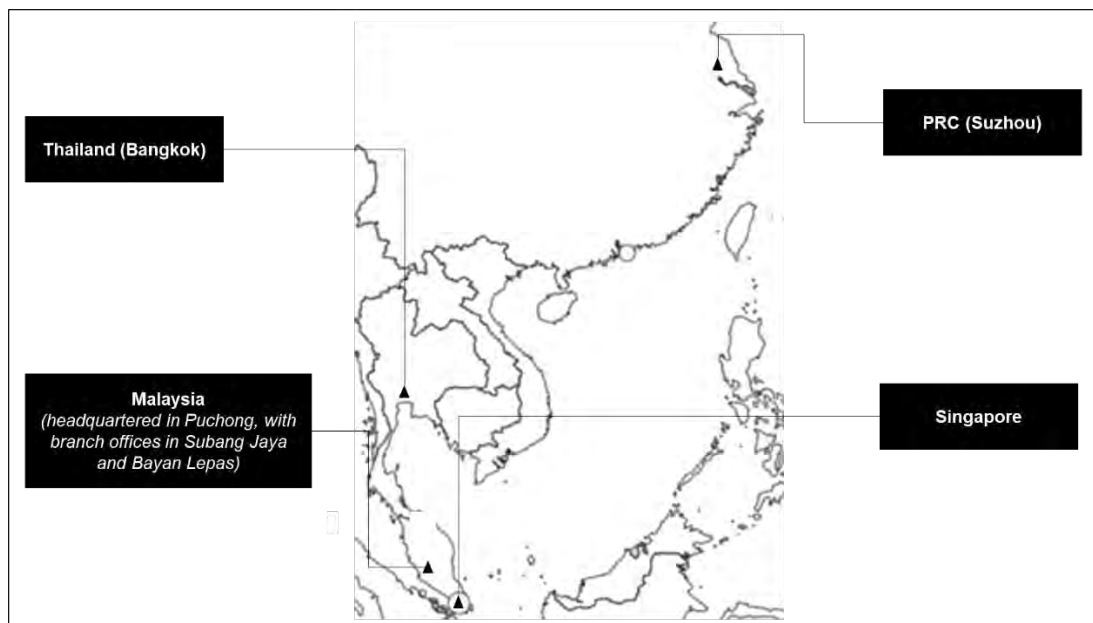
Our Group also provides lab services where we perform testing, inspection and/or analysis on products, components or specimens for our customers in our in-house lab which house some equipment such as X-ray microscope, scanning acoustic microscopy (SAM) and scanning electron microscope (SEM). Our lab services are provided on a one-off basis. In the Financial Years Under Review, the revenue contribution from our lab services is minimal, as disclosed in Section 7.3 of this Prospectus.



## 7. BUSINESS OVERVIEW (Cont'd)

### 7.2.2. Our business presence

As at LPD, our operations are headquartered in Puchong, Selangor, with local branch offices in Subang Jaya, Selangor and Bayan Lepas, Penang. We also have overseas branch offices in Suzhou, PRC; Bangkok, Thailand; and Singapore. Our headquarters and all of our branch offices are involved in the provision of imaging, analytical and test solutions as well as after-sale services.



All our offices serve as sales offices in the respective countries. We also have local sales and technical personnel based at each of our offices for sales and pre-sales consulting, customisation, installation and commissioning works as well as on-site technical support and maintenance services and user-training for our imaging, analytical and test solutions. Please refer to Section 7.3 of this Prospectus for countries which we have served in the Financial Years Under Review.

### 7.2.3. Our products

The imaging, analytical and test equipment used in our solutions can be segregated into the following categories:






- (i) Advanced imaging equipment;
- (ii) Optical and portable equipment;
- (iii) Advanced analytical and testing equipment;
- (iv) Sample management equipment; and
- (v) Others.

Some examples of equipment under each of the categories are as set out below:

#### (i) Advanced imaging equipment

Advanced imaging equipment is equipment used to generate, visualise and analyse images of the surface and/or internal structure of the samples interest, or images of objects, at microscopic scale that are often not visible to the naked human eye and can only be observed via imaging techniques using, among others, electron beams, X-rays, ion beams, acoustic imaging or scanning probes. These images are generally used for quality inspection, failure analysis and R&D.

**7. BUSINESS OVERVIEW (Cont'd)**

<u>Advanced imaging equipment</u>	<u>Description / function</u>	<u>Application and industry</u>
<p>Acoustic micro imaging equipment<sup>(1)</sup></p> 	<p>To detect flaws and defects in objects (e.g. samples) through ultrasound.</p>	<p>Quality inspection in the semiconductor and E&amp;E industries.</p>
<p>X-Ray inspection equipment<sup>(1)</sup></p> 	<p>To detect flaws and defects in objects (e.g. samples) through X-rays.</p>	<p>Quality inspection in the semiconductor and E&amp;E industries.</p>
<p>Automatic X-Ray inspection equipment<sup>(2)</sup></p> 	<p>An automated version of X-ray inspection equipment with enhanced process automation features, including automated anomaly detection function.</p>	<p>Quality inspection in the semiconductor and E&amp;E industries.</p>
<p>Electron microscope<sup>(2)</sup></p> 	<p>To magnify and observe images of objects (e.g. samples) on a nano scale using beams of electrons as a source of illumination.</p>	<p>R&amp;D in the semiconductor, E&amp;E, academic, oil and gas and life sciences industries.</p>
<p>Desktop scanning electron microscope<sup>(1)</sup></p> 	<p>A desktop version of the electron microscope, equipped with a simplified user interface and design as compared to the electron microscope mentioned above.</p>	<p>R&amp;D in the semiconductor, E&amp;E, academic, oil and gas, and life sciences industries.</p>

**Notes:**

- (1) Indicates that this equipment is a high range equipment.
- (2) Indicates that this equipment is an advanced equipment.

7. BUSINESS OVERVIEW (Cont'd)

(ii) Optical and portable equipment

Optical and portable equipment is generally optical, benchtop and/or portable equipment that provide users the flexibility to perform visual and optical inspections and analysis both on-site and off-site. This equipment is commonly used for quality inspection and analysis.

Optical and portable equipment	Description / function	Application and industry
<p>Industrial microscope<sup>(1)</sup></p> <p><b>EVIDENT   OLYMPUS</b></p> 	<p>An optical instrument that uses a combination of lenses to produce magnified image for quality inspection and analysis of samples.</p>	<p>Quality inspection in the semiconductor, E&amp;E, automotive, oil and gas, and aviation industries.</p>
<p>Remote visual inspection equipment<sup>(1)</sup></p> <p><b>EVIDENT   OLYMPUS</b></p> 	<p>A portable system that enables visual observation to be performed remotely via external camera-based equipment.</p>	<p>Quality inspection in the oil and gas, aviation and automotive industries.</p>
<p>Life science and clinical microscope<sup>(1)</sup></p> <p><b>EVIDENT   OLYMPUS</b></p> 	<p>An optical instrument that uses a combination of lenses to produce magnified image for life science and clinical applications.</p>	<p>Inspection in the life sciences and clinical industries.</p>
<p>X-Ray fluorescence analyser<sup>(1)</sup></p> <p><b>EVIDENT   OLYMPUS</b></p> 	<p>To perform elemental analysis on samples through X-ray fluorescence.</p>	<p>Quality inspection in the oil and gas, semiconductor, E&amp;E and automotive industries.</p>
<p>Analytical probing equipment<sup>(2)</sup></p> <p><b>SIGNATONE</b></p> 	<p>To position electrical or radio frequency (RF) probes onto a sample to test its response to external stimulus.</p>	<p>Test and measurement as well as failure analysis in the semiconductor and academic industries.</p>

Notes:

(1) Indicates that this equipment is a routine equipment.

(2) Indicates that this equipment is a high range equipment.

## 7. BUSINESS OVERVIEW (Cont'd)

### (iii) Advanced analytical and testing equipment

Advanced analytical and testing equipment is equipment that is used to perform analysis and testing on sample. This equipment is commonly used for quality inspection, failure analysis and R&D.

Advanced analytical and testing equipment	Description / function	Application and industry
Bond testing equipment <sup>(1)</sup> 	To conduct destructive testing, wherein a sample is tested beyond its designed tolerance level in an attempt to analyse the integrity of the sample against physical force (e.g. pulling, pressing and shearing).	Quality inspection and failure analysis in the semiconductor industry.
X-ray diffraction equipment <sup>(2&amp;3)</sup> 	To analyse physical properties such as phase composition, crystal structures and orientation of powder, solid and liquid samples through X-ray diffraction.	R&D in the academic, healthcare, automotive and semiconductor industries.
Nano probing equipment <sup>(3)</sup> 	To perform electrical characterisation of microelectronic devices, in situ semiconductor failure analysis and manipulation of single structures under an electron, ion and/or optical microscopes.	Failure analysis and R&D in the semiconductor and E&E industries.
X-ray photoelectron spectroscope <sup>(3)</sup> 	To analyse a sample's surface elemental composition and chemical bonding state through X-ray photoelectrons.	Quality inspection, failure analysis and R&D in the E&E and academic industries.
Atomic force microscope ("AFM") characterisation equipment <sup>(2)</sup> 	To obtain high-resolution images to measure and visualise materials at an atomic and nano scale.	R&D in the semiconductor, E&E, academic, life sciences industries.

#### Notes:

- (1) Indicates that this equipment is a routine equipment.
- (2) Indicates that this equipment is a high range equipment.
- (3) Indicates that this equipment is an advanced equipment.



7. BUSINESS OVERVIEW (Cont'd)

(iv) Sample management equipment

Sample management equipment is used to prepare, chemically and physically process, store, handle and manipulate samples.

Sample management equipment	Description / function	Application and industry
<p>Decapsulation equipment<sup>(1)</sup></p>  <p>The image shows a blue and white decapsulation machine with the NSC logo and 'NIPPON SCIENTIFIC CO., LTD.' text above it.</p>	<p>To remove the moulding compound of E&amp;E components to expose the integrated circuit ("IC") chips and dies within, which then allows users to inspect and identify any defects in the IC chips and dies.</p>	<p>Quality inspection and failure analysis in the semiconductor and E&amp;E industries.</p>
<p>Clinical automated stainer system (hematology and microbiology)<sup>(1)</sup></p>  <p>The image shows a white clinical automated stainer system with a control panel and several sample bottles. The ELITechGroup logo is visible above the machine.</p>	<p>To stain biological specimens, enabling pathologists or other medical specialists to identify the specifications of the respective biological specimens.</p>	<p>R&amp;D in the life science and clinical industry.</p>
<p>Histology processing system<sup>(2)</sup></p>  <p>The image shows a large white histology processing system with a red SAKURA logo above it.</p>	<p>To process and prepare a patient's body tissue sample for healthcare professionals to perform medical diagnosis.</p>	<p>Analysis and diagnostic in the healthcare industry.</p>
<p>Fluid dispensing solution<sup>(2)</sup></p>  <p>The image shows a blue and white fluid dispensing machine with the Nordson logo above it.</p>	<p>To precisely and consistently dispense the required amount of fluids into the micron-sized gaps present between IC chips and components on the printed circuit board, thereby facilitating electrical interconnect, providing structural integrity and ensuring optimal heat transfer for reliable performance.</p>	<p>Production in the semiconductor and E&amp;E industries.</p>

## 7. BUSINESS OVERVIEW (Cont'd)

Sample management equipment	Description / function	Application and industry
<p data-bbox="357 309 667 360">Integrated wafer handler and inspector<sup>(2)</sup></p>  	<p data-bbox="772 309 1150 584">To perform wafer handling and inspection as part of semiconductor manufacturing process. This equipment is also capable of providing defect mapping (which is a process of identifying and recording defects present on/in wafers), thus allowing users to refine the manufacturing process and reduce wastage.</p>	<p data-bbox="1177 309 1401 389">Quality inspection in the semiconductor industry.</p>

### Notes:

- (1) Indicates that this equipment is a routine equipment.
- (2) Indicates that this equipment is an advanced equipment.

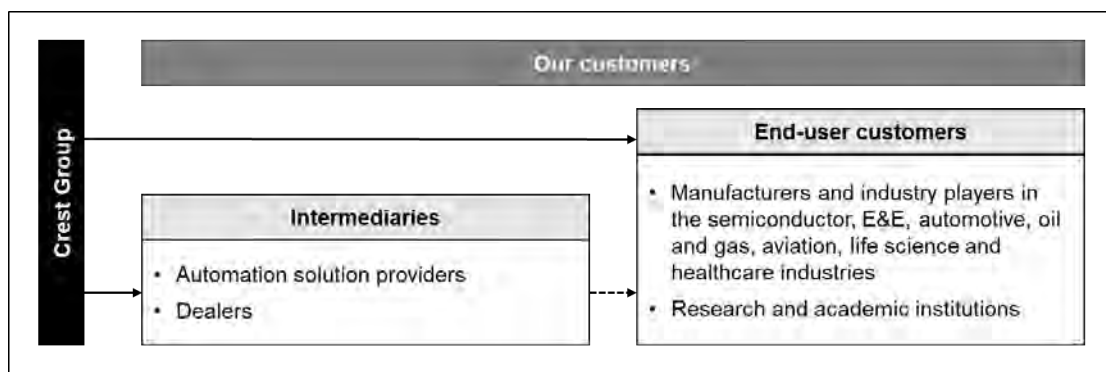
### (v) Others

Equipment categorised under “Others” primarily consist of equipment that complements our customers’ needs. Some examples of “Others” equipment includes vibration isolation table which is used to complement imaging activities when operating a vibration-sensitive equipment, as it controls and reduces vibration, allowing users to obtain optimal results; and LED ring light used to support and enhance the functions of microscope, allowing clearer and brighter imaging.

### 7.2.4. Our customers

We mainly provide imaging, analytical and test solutions as well as after-sales services directly to end-user customers who are the users of our solutions, such as manufacturers and industry players in the semiconductor, E&E, automotive, oil and gas, aviation, life science and healthcare industries as well as research and academic institutions. These customers use our solutions and services to perform quality inspection as part of their manufacturing and/or quality control process as well as sample analysis and/or R&D purposes. Apart from providing imaging, analytical and test solutions as well as after-sales services to the abovementioned customers, we also provide these solutions and services to intermediaries such as automation solution providers. Automation solution providers secure automation projects from their customers and engage our Group for our solutions and services to be packaged as part of their automation solutions to their customers. Further, we also sell imaging, analytical and test equipment, including after-sales services, to dealers who purchase these equipment from us for onward sale to their customers. Revenue generated from end-user customers stood at 94.09%, 94.57%, 90.29%, 95.55% and 95.17% of our Group’s total revenue in the Financial Years Under Review and FPE 2024 respectively, while revenue generated from intermediaries stood at 5.91%, 5.43%, 9.71%, 4.45% and 4.83% of our Group’s total revenue in the Financial Years Under Review and FPE 2024 respectively.

## 7. BUSINESS OVERVIEW (Cont'd)



### Notes:

- ▶ denotes direct sale to end-user customers and intermediaries.
- ▶ denotes indirect sales to end-user customers through intermediaries.

During the Financial Years Under Review and FPE 2024, we have local and overseas customers mainly in PRC, Thailand and Singapore. Please refer to Section 7.3 of this Prospectus for the breakdown of our Group's revenue by geographical market.

### 7.2.5. Our equipment suppliers

We mainly purchase imaging, analytical and test equipment as part of our solutions from suppliers comprising principals and dealers. The principals of the equipment are mostly multinational companies (“MNC”) that design, develop and/or manufacture the equipment. We also purchase equipment from dealers who purchase from principals.

As at the LPD, our Group is registered as a distributor of 23 principals from France, Germany, Japan, Malaysia, Switzerland, UK and USA, out of which we have exclusive distributorships with 12 of these principals.

### 7.2.6. Warranty

The warranty provided to our customers is based on back-to-back arrangements with the respective principals from whom the equipment was purchased from. This warranty is typically for a period of 1 year or up to a certain number of equipment operation hours, depending on the back-to-back arrangement with the respective principals. The conditions of the back-to-back arrangement are set out in the distribution agreement with the respective principals. Warranty provided under the back-to-back arrangement with principals covers repair and replacement of hardware and parts as well as software troubleshooting; while we cover labour and manpower deployed for the replacement works as well as troubleshooting. Such arrangement applies to sales to both end-user customers and intermediaries such as automation solution providers and dealers.

In the event that our customers encounter any issues arising from faulty or malfunctioning equipment during the warranty period, we will provide complimentary technical support services which include equipment repair, spare part replacement and software troubleshooting. If the issues cannot be resolved, the equipment will be sent to the respective principals for repair and/or replacement, depending on the conditions under the back-to-back arrangements, which may be different for each principal. These conditions may include certain exclusions of warranty coverage, such as for equipment that have been altered by parties other than our Group and the respective principals; equipment where the original trademark and serial number have been altered, defaced or removed; and equipment which have not been used in accordance with the operating manuals given.

For the Financial Years Under Review and FPE 2024, our Group recorded 4, 5, 19, 24 and 4 warranty claims respectively. However, as most warranty claims made were on faulty and malfunctioning equipment parts, the respective warranty claims were borne by the principals.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.3. REVENUE SEGMENTATION AND PRINCIPAL MARKETS

For the Financial Years under Review and FPE 2024, the provision of imaging, analytical and test solutions was the largest revenue contributor to our Group, contributing 73.74%, 78.11%, 83.57%, 84.98% and 81.06% to our Group's total revenue respectively.

The breakdown of our Group's revenue by business segment for the Financial Years Under Review and FPE 2024 is as follows:

Revenue by business segment	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Provision of imaging, analytical and test solutions<sup>(1)</sup></b>	<b>91,752</b>	<b>73.74</b>	<b>115,920</b>	<b>78.11</b>	<b>142,239</b>	<b>83.57</b>	<b>159,442</b>	<b>84.98</b>	<b>40,143</b>	<b>81.06</b>
• Solutions using advanced imaging equipment	36,226	29.11	41,349	27.86	53,025	31.15	66,563	35.48	8,569	17.30
• Solutions using optical and portable equipment	27,894	22.42	30,046	20.25	38,544	22.65	46,009	24.52	17,883	36.12
• Solutions using advanced analytical and testing equipment	13,111	10.54	19,886	13.40	29,945	17.59	25,791	13.75	6,720	13.57
• Solutions using sample management equipment	4,584	3.68	12,603	8.49	10,631	6.25	11,676	6.22	3,111	6.28
• Other solutions	9,937	7.99	12,036	8.11	10,094	5.93	9,403	5.01	3,860	7.79
<b>Provision of after-sales services<sup>(2)</sup></b>	<b>32,673</b>	<b>26.26</b>	<b>32,490</b>	<b>21.89</b>	<b>27,963</b>	<b>16.43</b>	<b>28,177</b>	<b>15.02</b>	<b>9,380</b>	<b>18.94</b>
<b>Total<sup>(3)</sup></b>	<b>124,425</b>	<b>100.00</b>	<b>148,410</b>	<b>100.00</b>	<b>170,202</b>	<b>100.00</b>	<b>187,619</b>	<b>100.00</b>	<b>49,523</b>	<b>100.00</b>

#### Notes:

- (1) Includes revenue generated from equipment rental, which was minimal with contribution of 0.79%, 1.11%, 1.24%, 1.56% and 1.05% to our Group's total revenue for the Financial Years Under Review and FPE 2024 respectively.
- (2) Includes revenue generated from the provision of lab services, which was minimal with contribution of 0.07%, 0.12%, 0.04%, 0.01% and Nil to our Group's total revenue for the Financial Years Under Review and FPE 2024 respectively.
- (3) Revenue generated from end-user customers stood at 94.09%, 94.57%, 90.29%, 95.55% and 95.17% of our Group's total revenue in the Financial Years Under Review and FPE 2024 respectively, while revenue generated from intermediaries stood at 5.91%, 5.43%, 9.71%, 4.45% and 4.83% of our Group's total revenue in the Financial Years Under Review and FPE 2024 respectively.



## 7. BUSINESS OVERVIEW (Cont'd)

For the Financial Years Under Review and FPE 2024, revenue from Malaysia was the largest contributor to our Group as it contributed 49.59%, 45.73%, 46.96%, 37.60% and 51.29% to our Group's total revenue respectively. For FYE 2020, FYE 2021 and FYE 2023, revenue from Thailand was the second largest contributor, followed by revenue contributions from PRC and Singapore. For FYE 2022 and FPE 2024, revenue from PRC was the second largest contributor, followed by revenue contributions from Thailand and Singapore.

The breakdown of our Group's revenue by geographical market for the Financial Years Under Review and FPE 2024 is as follows:

Revenue by geographical market	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	61,697	49.59	67,862	45.73	79,933	46.96	70,538	37.60	25,399	51.29
Thailand	25,812	20.75	37,932	25.56	29,733	17.47	50,860	27.11	8,622	17.41
PRC	23,045	18.52	29,127	19.63	47,838	28.11	45,035	24.00	9,572	19.33
Singapore	11,151	8.96	11,262	7.59	9,886	5.81	16,305	8.69	2,556	5.16
Others <sup>(1)</sup>	2,720	2.18	2,227	1.49	2,812	1.65	4,881	2.60	3,374	6.81
<b>Total</b>	<b>124,425</b>	<b>100.00</b>	<b>148,410</b>	<b>100.00</b>	<b>170,202</b>	<b>100.00</b>	<b>187,619</b>	<b>100.00</b>	<b>49,523</b>	<b>100.0</b>

**Note:**

(1) Comprises mainly revenue contribution from our customers in Hong Kong, Vietnam, and Brunei.

## 7.4. SEASONALITY AND CYCLICALITY

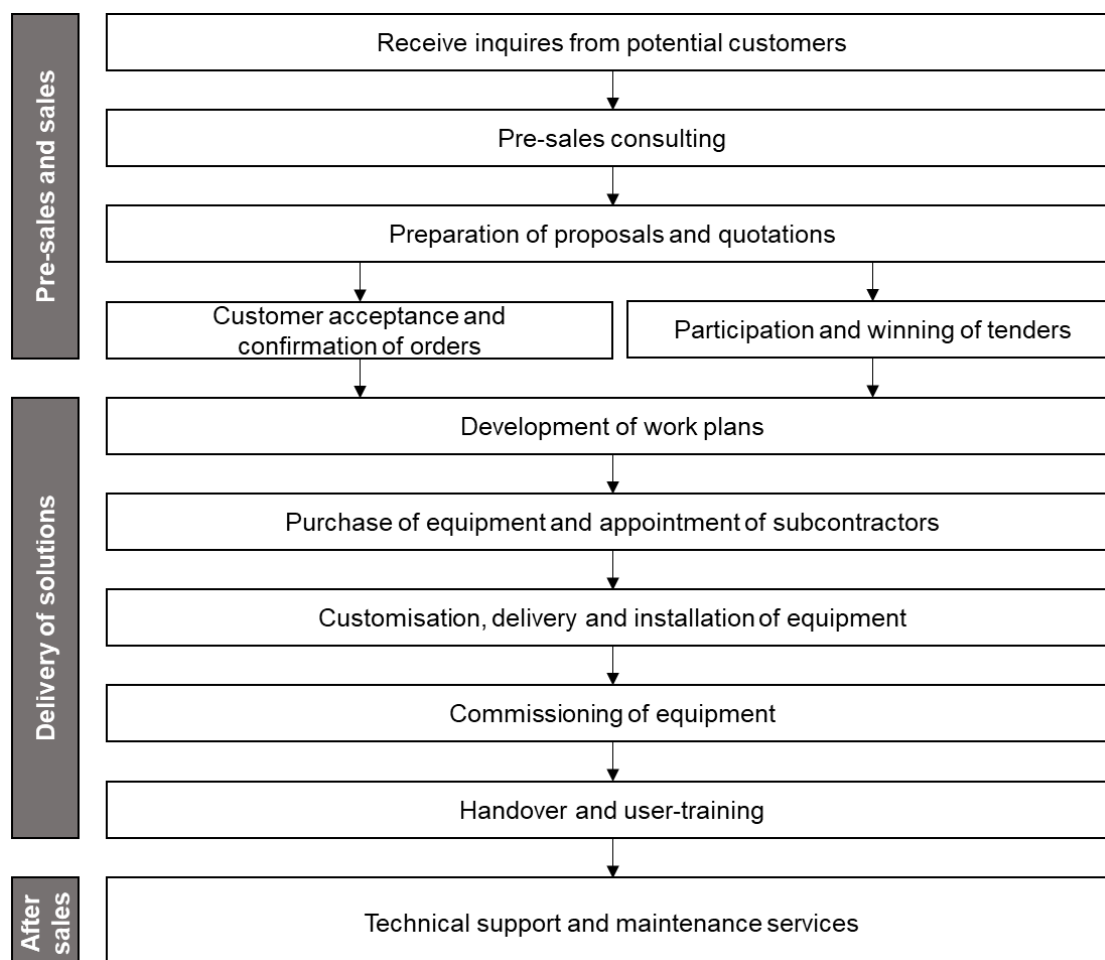
We do not experience any material seasonality or cyclicity in our business as the demand for our products are neither subject to seasonal fluctuations nor cyclical variations.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.5. BUSINESS AND OPERATIONAL PROCESS

The operational process of our Group's provision of imaging, analytical and test solutions is as follows:



#### Pre-sales and sales

Our Group receives inquiries on our solutions directly from potential customers or through referrals from business associates (e.g. our customers and suppliers).

During pre-sales consulting stage, we analyse and understand the requirements of each potential customer, which include the potential customer's purposes and/or objectives, problems and/or bottlenecks faced, manufacturing process or operational workflow, expected or target outcomes, equipment required, timeline and budget.

After gathering this information from the customer, we will propose a suitable solution that is tailored to the specific needs of the potential customers. Thereafter, we will prepare a proposal and quotation for the potential customer's review and approval. Amendments to the proposal and quotation may be made upon further discussions and negotiations with the potential customers. We may invite the potential customers to our office for a demonstration of our proposed solution using the readily available equipment in our office. We may also invite the potential customers to our principals' office for equipment demonstration if we do not have such equipment in our office.

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## 7. BUSINESS OVERVIEW (Cont'd)

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Following which, depending on the potential customers' business practice, the potential customers may or may not accept our proposal and quotation directly. Some customers may accept our proposal and quotation directly by issuing a purchase order and/or letter of award to our Group as proof of order confirmation.

On the other hand, some potential customers may, upon receiving proposals and quotations from various interested parties including proposal and quotation from our Group as part of information gathering, publish an official tender in which we will participate in the tender. In the case where we won the tender, the customer will issue a letter of award to our Group as proof of order confirmation.

### Delivery of solutions

Upon confirmation of the order, we will develop a work plan according to the requirements agreed by our customer. We will also coordinate and allocate resources to conduct the purchasing, customisation, delivery, installation and commissioning of the equipment, as well as liaise with our customer on the timeline of each milestone until the handover of equipment. Thereafter, we will purchase and order the necessary equipment, including spare parts, consumables and accessories, from our suppliers. We may appoint sub-contractors for customisation works, if necessary.

Once the equipment and other products ordered are delivered to our customer's premise, we will install the respective equipment according to the work plan, together with any customisation of equipment with any hardware, parts and components as well as software, if required. If equipment customisation is outsourced to third-party service providers, equipment customisation works may be carried out at the third-party service providers' premises, and thereafter the third-party service providers will carry out the installation at our customers' premises under our supervision. Thereafter, we will commission the equipment and perform tests and calibration to ensure that the equipment functions as specified.

Once the commissioning of the equipment is completed, we will conduct handover and on-site user-training to our customer, which includes a briefing of the equipment's operating manual, as well as basic maintenance procedure. The lead time from order confirmation to handover typically ranges from 2 weeks to 4 months, depending on the complexity of solutions and delivery duration of the equipment from our equipment suppliers.

### After-sales

As part of our after-sales services, we will be present on-site periodically to conduct routine condition checks, preventive maintenance procedures on the equipment and conduct performance testing and calibration to ensure that the equipment perform as intended. Upon receiving any reports of equipment failure or malfunction, we will remotely identify the issue and conduct the necessary investigations to rectify the errors and/or perform reparations on-site if required.

We provide complimentary after-sales services as part of our warranty, i.e. technical support and maintenance to our customers for a period of 1 year or up to a certain number of equipment operation hours, after handover to ensure smooth functioning of the equipment. Upon the expiry of the warranty period or the specified operation hours, our customers may continue engaging our Group to provide technical support and maintenance services for a fee pursuant to the terms specified in the equipment service agreements to be entered with our customers.

## **7. BUSINESS OVERVIEW (Cont'd)**

### **7.6. OUR COMPETITIVE STRENGTHS**

#### **7.6.1. Our industry knowledge as well as technical expertise enable us to propose suitable solutions for our customers**

LSW (our Managing Director), ACM (our Executive Director) and YKM (our Executive Director) have accumulated an average 28 years of experience in the imaging, analytical and test business, thus equipped with substantial industry knowledge and technical expertise to assist customers from numerous industries in providing solutions and solving problems as well as enhancing the quality and efficiency in quality inspection. Furthermore, to propose an optimised solution for a customer, thorough understanding of the customer's requirements as well as extensive knowledge on the functions of the equipment are required. Our sales and technical personnel are equipped with the aforementioned knowledge and expertise to propose optimised solutions that are tailored to the needs of our customers. Further, we also send our sales and technical personnel for external training conducted by principals to keep them at the forefront of the latest market/ technological trend and equipment offerings. These training sessions will deepen our sales and technical personnel' knowledge and understanding on the application and functions of the equipment we supply, which will enable us to continuously improve our offerings to our customers. As at the LPD, we have a team of 121 sales and technical personnel who are involved in pre-sales consulting (i.e. understanding and gathering customer requirements) and purchasing suitable equipment, as well as customisation, installation and/or commissioning of equipment.

Our ability to tailor our solutions to our customers' needs positions us as a solutions provider that adds value to our customers by assisting them in amongst others, improving the quality and efficiency in operations through quality inspection. In addition to sale of equipment, we provide additional services covering pre-sales consulting, customisation, installation, commissioning and user-training; as well as after-sales services comprising technical support and maintenance and sale of spare parts and consumables. Our ability in providing these additional services that constitute a solution is attributed to our business model as well as our industry knowledge and technical expertise, which we will continue to leverage on to drive our business growth and expansion moving forward.

#### **7.6.2. We have business presence in 4 countries and a diversified customer base spanning across multiple industries and countries**

In 1999, we commenced operations in Malaysia, and subsequently expanded our footprints to PRC in 2005, Singapore in 2008 and Thailand in 2010. The expansion of our business into these countries is a testament to our growth and signifies our ability to simultaneously maintain our presence in domestic market whilst penetrating into foreign markets. Further, establishing physical presence in foreign markets has enabled us to improve our visibility and accessibility to customers in foreign markets and widen our customer base, which has resulted in an increase in our sales and business.

We also have a diversified customer base spanning across multiple industries, whereby our customers are mainly manufacturers and industry players in the semiconductor, E&E, automotive, oil and gas, aviation, life science and healthcare industries. In addition, we also provide imaging, analytical and test solutions as well as after-sales services to research and academic institutions for sample analysis and/or R&D purposes. Apart from providing our solutions directly to these end-user customers, we also sell equipment to intermediaries such as automation solution providers and dealers for onward sale to end-user customers.

Our ability in providing solutions to customers in multiple industries is due to the wide application of our solutions, as quality inspection through advanced imaging is an indispensable process in the manufacturing lines of many industries, in particular the E&E and semiconductor industries, which both play a significant role in supporting many end-user industries such as consumer electronics, telecommunications, automotive and medical equipment.

## 7. BUSINESS OVERVIEW (Cont'd)

Our wide range and diversified customer base allow us to diversify our operational risks as we are not reliant on any particular industry. Coupled with our established business presence in 4 countries, it also serves as a foundation to support our business expansion in the future.

### 7.6.3. We have long-standing relationships with our wide network of equipment suppliers

Part of our imaging, analytical and test solutions include imaging, analytical and test equipment which is purchased from equipment suppliers, comprising principals and dealers. As at the LPD, we are an active distributor of 23 principals from 7 countries, including France, Germany, Japan, Malaysia, Switzerland, UK and USA. Having a wide network of principals as our suppliers gives us a wide selection for the most suitable equipment as part of our solutions. Please refer to Section 7.2.5 of this Prospectus for details of our network of equipment principals as well as Section 7.8 of this Prospectus for details of the awards received from our principals.

Further, we have also established long-standing relationships with our equipment suppliers, whereby we have at least 5 years of business relationship with all our major suppliers, who are mainly principals, in the Financial Years Under Review and FPE 2024. Please refer to Section 7.15 of this Prospectus for further details on our long-standing relationship with our major suppliers. Notwithstanding that we have operated our business for 25 years since our business commencement in 1999, our length of relationship with our major suppliers was between 9 and 14 years as of FPE 2024. This was due to a change in our supplier base as we expanded our range of equipment over the years, from supplying routine equipment in the initial years of our business to more high-range and advanced equipment around the late 2000s and early 2010s onwards, as shown in Section 7.1 of this Prospectus.

With our long-standing and direct relationship with our principals, we have access to, and/or be up-to-date with, the latest equipment made available by our principals. This allows us to stay updated with the latest offerings and technological advancement, and also allows us to incorporate the latest equipment as part of our solutions to our customers.

### 7.6.4. We have an experienced key senior management team, led by our Managing Director and Executive Directors with educational foundation in science

Our Group is led by an experienced and technically-skilled key management team that has accumulated years of industry experience and in-depth knowledge of our business operations. LSW (our Managing Director) and ACM (our Executive Director) obtained a Bachelor of Science degree majoring in microelectronics-physics from Campbell University, USA; and YKM (our Executive Director) obtained a Bachelor of Science degree majoring in computer science-physics from Campbell University, USA. As such, LSW, ACM and YKM have the relevant background in science which they have leveraged on in building and expanding our Group's imaging, analytical and test business over the years.

They have accumulated an average 28 years of experience in the imaging, testing and analysis industry. With their knowledge in science as well as their extensive industry experience, they have played a pivotal role in steering the growth and expansion of our Group through consistently developing optimised solutions for our customers.

They are supported by the following Key Senior Management:

<b>Name</b>	<b>Designation</b>	<b>Years of relevant working experience</b>
Kwong Wing Yew	Vice President of Sales	23
Tan Chun Hau	General Manager of Technical Support	19
Lyn Meng Keong	General Manager	30
Khor Seng Chee	Financial Controller	22

## 7. BUSINESS OVERVIEW (Cont'd)

Our management team has strong industry and functional expertise as a result of years of experience in their respective fields. Further, they take an active, hands-on role in spearheading their respective departments to support the growth of our Group. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand. Please refer to Section 5.1.2 and Section 5.4.3 of this Prospectus for the profiles of our Key Senior Management.

### 7.7. TECHNOLOGY USED

Our Group has developed in-house Customer Relationship Management (“CRM”) software and Technical Service Management (“TSM”) software, which help us to better serve our customers. The CRM software serves as a centralised platform for collating, organising and managing information related to the sale of equipment, spare parts and consumables to our customers. The software is programmed to streamline and automate sales management functions, such as providing timely updates on expiring service agreements and consumables, as well as promptly informing our customers on new equipment available. Additionally, the CRM software functions as an analytics tool, offering insights of our sales performance through generated reports, aiding our Group in conducting business analysis and making informed decisions.

Moreover, our TSM software is used to manage our Group’s technical support and maintenance services. It serves as a centralised database that allows our Group to keep track of the status and condition of our customers’ equipment, including warranty information, preventive maintenance records as well as the history of equipment repairs and/or spare part replacement, thereby allowing our Group to timely and effectively provide technical support and maintenance services to our customers. Our TSM software is also integrated with our CRM software, enabling us to integrate data from both systems, providing us comprehensive view of our performance in terms of the sales of equipment, spare parts, consumables, as well as technical support and maintenance services.

### 7.8. CERTIFICATIONS AND AWARDS

As at the LPD, we have obtained the following certifications as a testament to our quality commitment:

<u>Certification</u>	<u>Certified entity</u>	<u>Certification body</u>	<u>Date first awarded</u>	<u>Current validity period</u>	<u>Scope of certification</u>
Certificate of Conformity Good Distribution Practice for Medical Device (“GDPMD”) <sup>(1)</sup>	Matrix Optics	SIRIM QAS International Sdn Bhd	30 January 2015	12 December 2023 - 29 January 2027	Complies with the regulatory requirements of GDPMD for the import, storage and handling, distribution (including transportation), installation, testing and commissioning (including the required facilities), maintenance and calibration (including the required facilities) as well as documentation of medical devices.
MS ISO/IEC 17025 – Requirements for the competence of testing and calibration laboratories (Scope of calibration: Dimensional) <sup>(2)</sup>	Crest Systems	Department of Standards Malaysia	5 May 2020	3 May 2023 - 5 May 2028	Conforms to the technical competence requirements and management system requirements that are necessary to consistently deliver technically valid test results and calibrations for measuring microscope

## 7. BUSINESS OVERVIEW (Cont'd)

### Notes:

- (1) This certificate allows our Group to distribute imaging, analytical and test equipment used in the healthcare industry in Malaysia.
- (2) This certificate allows our Group to perform dimensional calibration works for measuring microscope as part of our installation and commissioning services to customers in Malaysia.

We have also been awarded with the following awards:

<b>Year</b>	<b>Award</b>	<b>Organiser/ Awarding body</b>
2018	Outstanding Supplier Award	Mini-Circuits
2020	FY 2020 Best Performing Distributor Award	Olympus Singapore Pte Ltd
2021	Supplier Award 2021	TF AMD
2022	Best Performance Award 2022	Evident
2022	Top Sales Recognition Award in SEA 2022	Nordson
2023	2023 Outstanding Industry Award (Engineering and Technology)	Institute of Electrical and Electronics Engineers ("IEEE")
2023	Certification of Appreciation for being recognised as Preferred Supplier based on the overall vendor performance evaluation for FY 2022	Universiti Teknologi Petronas
2023	Outstanding achievement award	Nordson
2024	Certificate of appreciation for your contributions to our Asian Pacific business operations	Rigaku Asia Pacific

### 7.9. OPERATING CAPACITIES AND OUTPUT

Due to the nature of our business in the provision of imaging, analytical and test solutions (including after-sales services), the computation of operating capacities and output are not applicable to us.

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**7. BUSINESS OVERVIEW (Cont'd)**

**7.10. TYPES, SOURCES AND AVAILABILITY OF SUPPLIES**

The table below sets out our purchases for the Financial Years Under Review and FPE 2024:

Purchases	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	Value of purchases (RM'000)	% of our purchases	Value of purchases (RM'000)	% of our purchases	Value of purchases (RM'000)	% of our purchases	Value of purchases (RM'000)	% of our purchases	Value of purchases (RM'000)	% of our purchases
Imaging, analytical and test equipment <sup>(1)</sup>	79,042	98.08	97,156	98.15	117,975	99.37	125,183	98.70	43,127	99.17
• Advanced imaging equipment	35,874	44.51	35,677	36.04	46,159	38.88	52,399	41.32	9,307	21.40
• Optical and portable equipment	15,780	19.58	22,401	22.63	25,958	21.86	32,959	25.98	12,836	29.52
• Advanced analytical and testing equipment	12,293	15.25	20,613	20.82	25,112	21.15	22,958	18.10	15,643	35.97
• Sample management equipment	3,873	4.81	8,097	8.18	9,196	7.75	9,184	7.24	3,162	7.27
• Others	11,222	13.93	10,368	10.47	11,550	9.73	7,683	6.06	2,179	5.01
Subcontractors cost <sup>(2)</sup>	1,550	1.92	1,833	1.85	746	0.63	1,645	1.30	359	0.83
<b>Total</b>	<b>80,592</b>	<b>100.00</b>	<b>98,989</b>	<b>100.00</b>	<b>118,721</b>	<b>100.00</b>	<b>126,828</b>	<b>100.00</b>	<b>43,486</b>	<b>100.00</b>

**Notes:**

- (1) Includes the purchase of spare parts and consumables.
- (2) Comprises of cost for customisation works outsourced to third-party service providers.



**7. BUSINESS OVERVIEW (Cont'd)**

For the Financial Years Under Review and FPE 2024, the primary supply purchased by our Group was imaging, analytical and test equipment, which accounted for 98.08%, 98.15%, 99.37%, 98.70% and 99.17% of our Group's total purchases respectively. The remaining purchases during the same period were customisation works outsourced to subcontractors which accounted for 1.92%, 1.85%, 0.63%, 1.30% and 0.83% of our Group's total purchases in the respective FYE and FPE. The decline in subcontractors cost incurred during this period, commencing FYE 2021, was due to the decrease in customisation works required by our customers.

These supplies and services are not subject to price fluctuations and our Group has not encountered any difficulties in sourcing these supplies and services from our suppliers in the Financial Years Under Review and up to the LPD.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.11. SALES AND MARKETING

Our Group's sales and marketing activities are as follows:

#### (i) Direct approach

We secure orders from existing and potential customers through direct approach whereby we directly engage with these customers to introduce our offerings, which include the equipment that we offer as part of our solutions and how our solutions can solve the potential customers' problems and/or bottlenecks, and improve the potential customers' operations. It is also our practice to maintain close relationships with our existing and potential customers to keep them updated on the introduction of the latest and/or upgraded equipment. This is to ensure that our customers are informed of any equipment that may potentially assist them in quality inspection, sample analysis, and R&D processes to maintain or improve product quality, as well as increase efficiency, accuracy, productivity and potentially lead to a reduction in operational cost.

#### (ii) Referrals from business associates

In view of our ability to maintain our quality standards, we have been able to attract new customers through referrals from our business associates, including our existing customers and suppliers. We are dedicated to building and maintaining long-term relationships with our customers, and take the initiative to obtain feedback from both our principals (suppliers of our equipment) and customers. This enables us to better understand the latest market trends and customer requirements with regards to the test, inspection and analysis processes.

#### (iii) Demonstration room

We have set up a demonstration room in most of our offices, to display some equipment that are commonly sought by customers (e.g. X-ray inspection, microscope and remote visual inspection system) to demonstrate our solutions to our potential customers. During the demonstration session, we will use the equipment to conduct simulated imaging, testing and analysis on products, components and/or specimens prepared by customers. This enables us to highlight and showcase the features, functionality and capabilities of the equipment to potential customers, thereby allowing these customers to better understand our solutions. Furthermore, we are available to attend and address any concerns raised by the potential customers during the session, thus providing these customers with a better and more comprehensive insight and understanding on the equipment.

Moving forward, to better serve both our potential and existing customers, as part of our business strategies and future plans, we intend to purchase additional demonstration equipment, with details set out in Section 7.20 of this Prospectus.

#### (iv) Participation in trade fairs, conferences and exhibitions

We participate in events such as trade fairs, conferences and exhibitions to showcase our ability to provide tailored solutions and enhance our brand visibility. Such participation provides us with significant opportunities to meet potential customers and keep abreast with current market demand and trends.

The trade fairs, conferences and exhibitions that we participated in the Financial Years Under Review and up to the LPD are as follows:

FYE	Event	Organiser	Location
2020	Thailand Scientific Equipment Center Network (TSEN) Conference 2020	Thailand Institute of Scientific and Technological Research	Pathum Thani, Thailand

**7. BUSINESS OVERVIEW (Cont'd)**

<b>FYE</b>	<b>Event</b>	<b>Organiser</b>	<b>Location</b>
2020	Pure and Applied Chemistry International Conference (PACCON) 2020	Thammasat University and The Chemical Society of Thailand	Nonthaburi, Thailand
2021	The 27 <sup>th</sup> Petroleum and Petrochemical College, Chulalongkorn University ("PPC") Symposium on Petroleum, Petrochemicals, and Polymers and The 12 <sup>th</sup> Research Symposium on Petrochemical and Materials Technology	PPC and Center of Excellence on Petrochemical and Materials Technology (PETROMAT)	Online
2022	SEMICON China 2022	SEMI China	Shanghai, the PRC
2022	SEMICON Southeast Asia 2022	SEMI Southeast Asia Pte Ltd	Penang, Malaysia
2022	METALTECH & AUTOMEX 2022	Informa Markets Malaysia Sdn Bhd	Kuala Lumpur, Malaysia
2022	Pure and Applied Chemistry International Conference (PACCON) 2022	King Mongkut's Institute of Technology Ladkrabang and The Chemical Society of Thailand	Bangkok, Thailand
2022	The 29 <sup>th</sup> edition of IEEE International Symposium on the Physical and Failure Analysis of Integrated Circuits	IEEE	Singapore
2022	Thailand Scientific Equipment Center Network (TSEN) Conference 2022	Walailak University	Nakhon Si Thammarat, Thailand
2022	6 <sup>th</sup> Malaysia International NDT Conference and Exhibition	Malaysian Society for Non-Destructive Testing	Selangor, Malaysia
2022	Oil and Gas Asia 2022	Informa Markets Malaysia Sdn Bhd	Kuala Lumpur, Malaysia
2022	39 <sup>th</sup> International Electronics Manufacturing Technology Conference 2022	Electronics Packaging Society of IEEE	Putrajaya, Malaysia
2022	SEASI Steel Mega Event & Expo	South East Asia Iron and Steel Institute	Selangor, Malaysia
2022	The 13 <sup>th</sup> Thailand Metallurgy Conference (TMETC13)	Suranaree University of Technology	Nakhon Ratchasima, Thailand
2023	Pure and Applied Chemistry International Conference (PACCON) 2023	Mae Fah Luang University and The Chemical Society of Thailand	Chiang Rai, Thailand
2023	The 4 <sup>th</sup> Material Research Society of Thailand ("MRS") International Conference (MRS-Thailand 2023)	MRS and faculty of Science Ubon Ratchathani University	Ubon Ratchathani, Thailand
2023	11 <sup>th</sup> International Conference on Materials for Advanced Technologies (IUMRS-ICAM & ICMAT) 2023	Materials Research Society of Singapore and Nanyang Technological University	Singapore
2023	NEPCON Thailand 2023	Reed Tradex Co Ltd	Bangkok, Thailand

**7. BUSINESS OVERVIEW (Cont'd)**

<b>FYE</b>	<b>Event</b>	<b>Organiser</b>	<b>Location</b>
2024	InnovaTE 2024	ITE College Central	Singapore
2024	SEMICON China 2024	SEMI China	Shanghai, China
2024	3rd International Food Research Conference 2024	Universiti Putra Malaysia	Selangor Malaysia
2024	International Conference on Advances in Materials and Composite (ICAEMC 2024)	Universiti Putra Malaysia	Selangor Malaysia
2024	National Tuberculosis and Lung Disease Conference	Institute of Respiratory Medicine	Kuala Lumpur, Malaysia
2024	IEEE 31 <sup>st</sup> International Symposium on the Physical and Failure Analysis of Integrated Circuits (IPFA) 2024	IEEE	Singapore
2024	METALTECH & AUTOMEX 2024	Informa Markets Malaysia Sdn Bhd	Kuala Lumpur, Malaysia
2024	SEMICON Southeast Asia 2024	SEMI Southeast Asia Pte Ltd	Kuala Lumpur, Malaysia

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## 7. BUSINESS OVERVIEW (Cont'd)

### (v) Organisation of webinars

Our Group organises and hosts webinars to promote our solutions focusing on certain equipment to potential customers. We will also co-organise and co-host the webinars with our principals. By organising and hosting webinars, we are able to raise awareness to our existing and potential customers on our solution offerings and certain equipment offered by principals, including the features, functionality and capabilities of the equipment as part of our solutions.

The webinars that we organised In the Financial Years Under Review and up to the LPD are as follows:

<b>FYE</b>	<b>Event</b>
2021	Bruker – Emerging techniques with infrared spectroscopy (IR) in nanoscale characterisation
2021	Bruker – Bridging the gap of fourier transform infrared spectroscopy (FTIR) to high resolution chemical imaging with tapping atomic force microscopy-infrared spectroscopy (AFM-IR)
2021	Rigaku – Electron diffraction (“ED”), Micro ED/ 3D ED Workshop
2022	Bruker – How to utilise biological AFM in tissue engineering, cell mechanics and single molecule high speed image
2022	Bruker – Developments in force measurement and applications in mechanobiology
2022	Bruker – Nano mechanical properties of polymers 1-2 webinar series
2022	Bruker – Quantitative nanoscale chemical and mechanical characterization for polymeric materials
2023	Evident – Organoid Conference 2023
2023	Bruker – Polymer structure, physical and chemical properties at nanometre scale measured by scanning probe based techniques
2023	Bruker – The fundamentals of AFM probe selection
2023	Bruker – FTIR semiconductor seminar
2023	Bruker – General introduction of in-situ nanomechanical property measurements and applications
2023	Bruker – Recent advances for in situ SEM nanomechanics: extreme temperatures and enhanced automation capabilities
2023	Bruker and – Thin film characterisation applied in semiconductors material via nanoindentation

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**7. BUSINESS OVERVIEW (Cont'd)**

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**(vi) Tenders**

We are registered in several tendering platforms in the various countries we have presence in. These platforms include, ePerolehan by the Government of Malaysia, GeBIZ by the Government of Singapore, e-GP by the Government of Thailand, electronic procurement portal of National University of Singapore and electronic procurement portal of Nanyang Technological University, all of which often have tenders posted by the respective parties.

Through these tendering platforms, we are provided access to tender for the prospective engagement of our imaging, analytical and test solutions. We will review the tenders and participate in tenders that we are interested in and qualified for.

**(vii) Corporate website**






We have established our corporate website at [www.crest-group.net](http://www.crest-group.net) which yields immediate search results on our Group as well as provides a preview of the specifications of our solutions and equipment carried. The current widespread use of the internet as a search engine enables us to transcend geographical boundaries and facilitate access internationally, thereby enhancing our potential market reach and exposure.

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**7. BUSINESS OVERVIEW (Cont'd)**

**7.12. INTELLECTUAL PROPERTY RIGHTS AND TRADEMARKS REGISTERED**

As at the LPD, save for the trademark registrations disclosed below, we do not have any other intellectual property rights, brand names or patents registered and/or in the process of registration:

No.	Trademark	Registrant	Application No.	Issuing Authority	Date of application	Validity of registration	Class	Status
1.		Crest Systems	TM2023010942	MyIPO	18 April 2023	18 April 2023 to 18 April 2033	7 <sup>(1)</sup>	Registered
2.		Crest Systems	TM2023010949	MyIPO	18 April 2023	Not applicable	37 <sup>(2)</sup>	Provisional Refusal (Objected) <sup>(4)</sup>
3.		Crest Systems	TM2023010962	MyIPO	18 April 2023	18 April 2023 to 18 April 2033	9 <sup>(3)</sup>	Registered
4.		Crest Systems	TM2023010953	MyIPO	18 April 2023	Not applicable	37 <sup>(2)</sup>	Pending registration
5.		Crest Systems	TM2023010963	MyIPO	18 April 2023	Not applicable	9 <sup>(3)</sup>	Pending registration

**7. BUSINESS OVERVIEW (Cont'd)**

6.		Crest Systems	TM2023020365	MyIPO	13 July 2023	13 July 2023 to 13 July 2033	7 <sup>(1)</sup>	Registered
7.		Crest Systems	TM2023020366	MyIPO	13 July 2023	13 July 2023 to 13 July 2033	9 <sup>(3)</sup>	Registered
8.		Crest Systems	TM2023020369	MyIPO	13 July 2023	Not applicable	37 <sup>(2)</sup>	Provisional Refusal (Objected) <sup>(5)</sup>

**Notes:**

- (1) Machines and machine tools; machines for manufacturing semiconductors; motors and engines, except for land vehicles; automatic handling machines; automatic handling machines [manipulators]; machining centres; apparatus for machining; pneumatic machines and apparatus; pneumatic controls for machines; pneumatic controls for machines, motors and engines; sensor-controlled sorting machines; assembly line conveyor machinery; atomisers [machines]; industrial robots for machines and machine tools; machine couplings and transmission components for machines.
- (2) Maintenance and repair services; installation and maintenance services; provision of advice relating to installation, maintenance and repair services; repair services; repair, maintenance and installation services; maintenance, repair and cleaning of apparatus and machinery for manufacturing semiconductors; installation, maintenance and repair of electrical and electronic apparatus for use in the field of automation; providing information relating to repair services in the aviation sector; installation, maintenance and repair of electrical and electronic apparatus and equipment; repair or maintenance of machines and apparatus for processing food or beverages; installation, maintenance and repair of surgical, medical, dental and veterinary apparatus and instruments; installation, construction, maintenance, servicing and repair of energy and power generating apparatus, equipment and installations; installation, maintenance and repair of solar installations for generating power, solar collectors and photovoltaic modules.
- (3) Apparatus and instruments for microscopy; x-ray fluorescence analyzers; fluorescence microscopes; optical inspection apparatus for industrial use; calorimeters; optical frequency metrology devices; refractometers; electronic semiconductors; scientific, research, navigation, surveying, photographic, cinematographic, audiovisual, optical, weighing, measuring, signalling, detecting, testing, inspecting, life-saving and teaching apparatus and instruments; software; acceleration sensors; biochip sensors; distance sensors; cameras with linear image sensors; apparatus for monitoring and recording the performance of machinery; infrared sensors; level sensors; motion sensors; position sensors; proximity sensors; velocity sensors; laboratory apparatus and instruments for scientific research; x-ray apparatus not for medical purposes; material testing instruments and machines.
- (4) On 18 April 2023, Crest Systems had submitted an application for registration of trademark under the registration number TM2023010949. MyIPO had on 23 October 2023 issued a notice of provisional refusal to Crest Systems pursuant to Section 24(2)(b) of the Trademark Act 2019 which states that the Registrar of Trademark shall refuse to register a trademark if there exists a likelihood of confusion on the part of the public where the trademark is similar to an earlier trademark and is to be registered for goods or services identical with or similar to the earlier trademark. It was noted that there were similar trademarks which were registered by other applicants prior to the date of application by Crest Systems. Crest Systems had on 18 December 2023 applied via its trademark agent for a hearing date to object the provisional refusal in respect of TM2023010949 and the ex-parte hearing was subsequently held on 12 August 2024. The timeline for MyIPO to issue its decision of the hearing may take approximately 2 months. If the appeal for the registration of the trademark is refused by MyIPO, Crest Systems will cease to use the existing trademark which has not been successfully registered and may submit alternative trademarks for registration. Nonetheless, our Board is of the opinion that our Group's ability to provide services to its customers is not dependent upon the successful registration of the Class 37 trademarks.



## 7. BUSINESS OVERVIEW (Cont'd)

- (5) MyIPO had on 4 January 2024, issued a notice of provisional refusal to Crest Systems in respect of its application for registration of trademark under the registration number TM2023020369 pursuant to Section 24(2)(b) of the Trademark Act 2019 which states that the Registrar of Trademark shall refuse to register a trademark if there exists a likelihood of confusion on the part of the public where the trademark is similar to an earlier trademark and is to be registered for goods and services identical with or similar to the earlier trademark. Crest Systems had on 27 February 2024 applied via its trademark agent for a hearing date to object the provisional refusal. The timeline for MyIPO to set a hearing date may take up to 24 months. If the appeal for the registration of the trademark is refused by MyIPO, Crest Systems will cease to use the existing trademark which has not been successfully registered and may submit alternative trademarks for registration. Nonetheless, our Board is of the opinion that our Group's ability to provide services to its customers is not dependent upon the successful registration of the Class 37 trademarks.

The Board is of the opinion that our Group's ability to provide equipment and solutions to our customers is not dependent upon the successful registration of these trademarks. Nonetheless, we have exclusive rights to use the trademarks which have been successfully registered by our Group.

### 7.13. MATERIAL INVESTMENTS AND MATERIAL DIVESTITURES

As at the LPD, we do not have any material investments and material divestitures.

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**7. BUSINESS OVERVIEW (Cont'd)**

**7.14. MAJOR CUSTOMERS**

Our top 5 major customers for the Financial Years Under Review and FPE 2024 are as follows:

**FYE 2020**

No.	Customer name	Solutions/services provided	Revenue (RM'000)	% of total revenue	Length of relationship (Years) <sup>(1)</sup>
1	Customer Group A <sup>(2)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	5,756	4.63	4
2	Customer Group B <sup>(3)</sup>	Technical support and maintenance services	4,385	3.52	11
3	Customer Group C <sup>(4)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	4,252	3.42	13
4	Customer Group D <sup>(5)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	3,165	2.54	13
5	Customer Group E <sup>(6)</sup>	Advanced imaging; advanced analytical and testing; and sample management solutions	2,623	2.11	7
<b>Subtotal<sup>(12)</sup></b>			<b>20,181</b>	<b>16.22</b>	
<b>Total revenue</b>			<b>124,425</b>	<b>100.00</b>	

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**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2021**

No.	Customer name	Solutions/services provided	Revenue (RM'000)	% of total revenue	Length of relationship (Years) <sup>(1)</sup>
1	Customer Group D <sup>(6)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	8,192	5.52	14
2	Customer Group B <sup>(3)</sup>	Technical support and maintenance services	4,451	3.00	12
3	Customer Group C <sup>(4)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	3,608	2.43	14
4	Customer Group A <sup>(2)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	3,357	2.26	5
5	Customer F <sup>(7)</sup>	Advanced imaging; optical and portable; and advanced analytical and testing solutions	3,115	2.10	2
<b>Subtotal<sup>(12)</sup></b>			<b>22,723</b>	<b>15.31</b>	
<b>Total revenue</b>			<b>148,410</b>	<b>100.00</b>	

**FYE 2022**

No.	Customer name	Solutions/services provided	Revenue (RM'000)	% of total revenue	Length of relationship (Years) <sup>(1)</sup>
1	Customer Group E <sup>(6)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	17,468	10.26	9
2	Customer Group A <sup>(2)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	7,717	4.53	6
3	Customer Group D <sup>(6)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	6,977	4.10	15
4	Customer Group C <sup>(4)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	6,644	3.91	15
5	Customer Group G <sup>(6)</sup>	Advanced imaging; and advanced analytical and testing solutions	4,327	2.54	6
<b>Subtotal<sup>(12)</sup></b>			<b>43,133</b>	<b>25.34</b>	
<b>Total revenue</b>			<b>170,202</b>	<b>100.00</b>	

**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2023**

No.	Customer name	Solutions/services provided	Revenue (RM'000)	% of total revenue	Length of relationship (Years) <sup>(1)</sup>
1	Customer Group E <sup>(6)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	10,116	5.39	10
2	Customer Group G <sup>(8)</sup>	Advanced imaging; advanced analytical and testing; and sample management solutions	9,155	4.88	7
3	Khon Kaen University	Advanced imaging solutions	5,506	2.93	10
4	Scientific and Technological Research Equipment Centre, Chulalongkorn University	Advanced analytical and testing solutions	5,466	2.91	10
5	Customer H <sup>(9)</sup>	Advanced imaging; and advanced analytical and testing solutions	4,850	2.59	10
<b>Subtotal<sup>(12)</sup></b>			<b>35,093</b>	<b>18.70</b>	
<b>Total revenue</b>			<b>187,619</b>	<b>100.00</b>	

**FPE 2024**

No.	Customer name	Solutions/services provided	Revenue (RM'000)	% of total revenue	Length of relationship (Years) <sup>(1)</sup>
1	Customer Group E <sup>(6)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management solutions	4,760	9.61	11
2	Customer Group I <sup>(10)</sup>	Advanced imaging; optical and portable; and advanced analytical and testing solutions	2,197	4.44	17
3	Customer Group J <sup>(11)</sup>	Optical and portable solutions	2,037	4.11	11
4	Chulabhorn Research Institute	Advanced analytical and testing solutions	2,025	4.09	8
5	Thai Tonken Thermo Co Ltd	Advanced imaging; and sample management solutions	1,825	3.69	2
<b>Subtotal<sup>(12)</sup></b>			<b>12,844</b>	<b>25.94</b>	
<b>Total revenue</b>			<b>49,523</b>	<b>100.00</b>	

## 7. BUSINESS OVERVIEW (Cont'd)

### Notes:

- (1) Length of relationship with our major customers is calculated based on the first transaction with these customers up to the respective FYEs and FPE 2024.
- (2) Customer Group A consists of customers within the same group of companies that are principally involved in the provision of IC packaging and testing services. We transacted with 2 subsidiaries under Customer Group A and these companies are incorporated and based in Malaysia and PRC. The holding company of these companies is listed on the Shenzhen Stock Exchange. Consent was sought for the disclosure of the identity of Customer Group A pursuant to a non-disclosure agreement, but was not obtained. As such, the identity of Customer Group A will not be disclosed in the Prospectus.
- (3) Customer Group B consists of customers within the same group of companies that are principally involved in the designing and manufacturing of life science and clinical equipment and systems, which includes imaging, analytical and test equipment. We transacted with 4 subsidiaries under Customer Group B and these companies are incorporated and based in Australia, Hong Kong, Singapore and Thailand. The holding company of these companies is listed on the New York Stock Exchange. Consent was sought for the disclosure of the identity of Customer Group B pursuant to confidentiality obligations under a distribution agreement, but was not obtained. As such, identity of Customer Group B will not be disclosed in the Prospectus. Further, Customer Group B and Supplier Group C are under the same holding company who is the principal selling imaging, analytical and test equipment to our Group. We purchase imaging, analytical and test equipment from Supplier Group C, while Customer Group B engages our Group as an outsourced party to provide technical support and maintenance services to Customer Group B's customers who are the end-user customers of its equipment, due to close proximity to its end-user customers hence able to attend to the end-user customers in a shorter response time.
- (4) Customer Group C consists of customers within the same group of companies that are principally involved in the manufacturing of semiconductors. We transacted with 8 subsidiaries under Customer Group C and these companies are incorporated and based in Indonesia, Malaysia, PRC, Singapore and Thailand. The holding company of these companies is listed on the Frankfurt Stock Exchange. Consent was sought for the disclosure of the identity of Customer Group C pursuant to a non-disclosure agreement, but was not obtained. As such, the identity of Customer Group C will not be disclosed in the Prospectus.
- (5) Customer Group D consists of customers within the same group of companies that are principally involved in the manufacturing of semiconductors. We transacted with 2 subsidiaries under Customer Group D and these companies are incorporated and based in Malaysia and Thailand. The holding company of these companies is listed on the NASDAQ Stock Market. Consent was sought for the disclosure of the identity of Customer Group D pursuant to a non-disclosure agreement, but was not obtained. As such, the identity of Customer Group D will not be disclosed in the Prospectus.
- (6) Customer Group E consists of customers within the same group of companies that are principally involved in the manufacturing of semiconductors. We transacted with 2 subsidiaries under Customer Group E and these companies are incorporated and based in PRC, Malaysia, South Korea, and Vietnam. The holding company of these companies is listed on the NASDAQ Stock Market. Consent was sought for the disclosure of the identity of Customer Group E pursuant to a confidentiality and non-disclosure agreement, but was not obtained. As such, the identity of Customer Group E will not be disclosed in the Prospectus.
- (7) Customer F is principally involved in the manufacturing of semiconductors. Customer F is incorporated and based in Malaysia, and the holding company of Customer F is listed on the NASDAQ Stock Market. Consent was sought for the disclosure of the identity of Customer F pursuant to a non-disclosure agreement, but was not obtained. As such, the identity of Customer F will not be disclosed in the Prospectus.
- (8) Customer Group G consists of customers within the same group of companies that is involved in multiple businesses, including the manufacturing of semiconductors and E&E. We transacted with 2 subsidiaries under Customer Group G and these companies are incorporated and based in Thailand. The holding company of these companies is not listed on a stock exchange. Consent was sought for the disclosure of the identity of Customer Group G pursuant to a confidentiality agreement, but was not obtained. As such, the identity of Customer Group G will not be disclosed in the Prospectus.

## 7. BUSINESS OVERVIEW (Cont'd)

- (9) Customer H is principally involved in the manufacturing of semiconductors. Customer H is incorporated and based in Singapore, and the holding company of Customer H is listed on the NASDAQ Stock Market. Consent was sought for the disclosure of the identity of Customer H pursuant to a non-disclosure agreement. As Customer H has yet to revert to our Group as at the LPD, the identity of Customer H will not be disclosed in the Prospectus.
- (10) Customer Group I consists of customers within the same group of companies that are principally involved in the manufacturing of semiconductors. We transacted with 3 subsidiaries under Customer Group I and these companies are incorporated and based in Malaysia and PRC. The holding company of Customer I is listed on the NASDAQ Stock Market. Consent was sought for the disclosure of the identity of Customer Group I pursuant to confidentiality obligations under a master services agreement, but was not obtained. As such, the identity of Customer Group I will not be disclosed in the Prospectus.
- (11) Customer Group J consists of customers within the same group of companies that are principally involved in the manufacturing of semiconductors. We transacted with 2 subsidiaries under Customer Group J and these companies are incorporated and based in Hong Kong and PRC. The holding company of Customer Group J is listed on the Shanghai Stock Exchange. Consent was sought for the disclosure of the identity of Customer Group J but was not obtained. As such, the identity of Customer Group J will not be disclosed in the Prospectus.
- (12) The total may not tally due to rounding.

In the Financial Years Under Review and FPE 2024, total revenue contributed by our top 5 major customers accounted 16.22%, 15.31%, 25.34%, 18.70% and 25.94% of our Group's total revenue respectively. Our top 5 major customers in the Financial Years Under Review and FPE 2024 were mainly from semiconductor industry. The revenue were mainly generated on ad-hoc / per order basis for imaging, analytical and test solutions and on recurring basis for technical support and maintenance services.

Our Group is not dependent on any of our major customers as the revenue contribution from each of the major customers is less than 10.00% of the total revenue for the respective FYE and FPE, with the exception of one customer (i.e. Customer Group E), who contributed 10.26% of the total revenue for FYE 2022. However, Customer Group E's contribution to the total revenue of the Group were less than 10.00% for FYE 2020, FYE 2023 and FPE 2024, i.e. 2.11%, 5.39% and 9.61% respectively, and in FYE 2021, Customer Group E is not a top 5 customer. Hence, we are not dependent on any of our major customers.

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**7. BUSINESS OVERVIEW (Cont'd)**

**7.15. MAJOR SUPPLIERS**

Our top 5 major suppliers for the Financial Years Under Review and FPE 2024 are as follows:

**FYE 2020**

No.	Supplier name	Equipment sourced	Purchase value (RM'000)	% of total purchases	Length of relationship (Years) <sup>(1)</sup>
1	Supplier Group A <sup>(2)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management equipment	34,425	42.71	5
2	Supplier Group B <sup>(3)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management equipment	14,898	18.49	5
3	Supplier Group C <sup>(4)</sup>	Advanced imaging; and advanced analytical and testing equipment	7,093	8.80	13
4	Supplier Group D <sup>(5)</sup>	Advanced analytical and testing equipment	4,905	6.09	8
5	Supplier E <sup>(6)</sup>	Advanced analytical and testing; and sample management equipment	1,159	1.44	6
<b>Subtotal<sup>(10)</sup></b>			<b>62,480</b>	<b>77.53</b>	
<b>Total purchases</b>			<b>80,592</b>	<b>100.00</b>	

**FYE 2021**

No.	Supplier name	Equipment sourced	Purchase value (RM'000)	% of total purchases	Length of relationship (Years) <sup>(1)</sup>
1	Supplier Group A <sup>(2)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management equipment	40,989	41.41	6
2	Supplier Group B <sup>(3)</sup>	Advanced imaging; optical and portable; and sample management equipment	20,576	20.79	6
3	Supplier Group D <sup>(5)</sup>	Advanced analytical and testing equipment	8,091	8.17	9
4	Supplier Group C <sup>(4)</sup>	Advanced imaging; and advanced analytical and testing equipment	7,665	7.74	14
5	Supplier E <sup>(6)</sup>	Advanced analytical and testing equipment	1,765	1.78	7
<b>Subtotal<sup>(10)</sup></b>			<b>79,086</b>	<b>79.89</b>	
<b>Total purchases</b>			<b>98,989</b>	<b>100.00</b>	

**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2022**

No.	Supplier name	Equipment sourced	Purchase value (RM'000)	% of total purchases	Length of relationship (Years) <sup>(1)</sup>
1	Supplier Group A <sup>(2)</sup>	Advanced imaging; optical and portable; and sample management equipment	50,182	42.27	7
2	Supplier Group B <sup>(3)</sup>	Advanced imaging; optical and portable; and sample management equipment	25,050	21.10	7
3	Supplier Group C <sup>(4)</sup>	Advanced imaging equipment	9,243	7.79	15
4	Supplier Group D <sup>(5)</sup>	Advanced analytical and testing equipment	4,876	4.11	10
5	Imina Technologies SA <sup>(7)</sup>	Advanced analytical and testing equipment	2,451	2.06	4
		<b>Subtotal<sup>(10)</sup></b>	<b>91,802</b>	<b>77.33</b>	
		<b>Total purchases</b>	<b>118,721</b>	<b>100.00</b>	

**FYE 2023**

No.	Supplier name	Equipment sourced	Purchase value (RM'000)	% of total purchases	Length of relationship (Years) <sup>(1)</sup>
1	Supplier Group A <sup>(2)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management equipment	51,897	40.92	8
2	Supplier Group B <sup>(3)</sup>	Advanced imaging; optical and portable; advanced analytical and testing; and sample management equipment	30,059	23.70	8
3	Supplier Group D <sup>(5)</sup>	Advanced imaging equipment	4,776	3.77	16
4	Supplier Group C <sup>(4)</sup>	Optical and portable; and advanced analytical and testing equipment	4,017	3.17	11
5	Ulvac-Phi, Inc <sup>(6)</sup>	Advanced analytical and testing equipment	2,485	1.96	10
		<b>Subtotal<sup>(10)</sup></b>	<b>93,234</b>	<b>73.52</b>	
		<b>Total purchases</b>	<b>126,828</b>	<b>100.00</b>	



## 7. BUSINESS OVERVIEW (Cont'd)

### FPE 2024

No.	Supplier name	Equipment sourced	Purchase value (RM'000)	% of total purchases	Length of relationship (Years) <sup>(1)</sup>
1	Supplier Group A <sup>(2)</sup>	Advanced imaging; advanced analytical and testing; and sample management equipment	13,102	30.13	9
2	Supplier Group B <sup>(3)</sup>	Advanced imaging and optical and portable equipment	11,136	25.61	9
3	Supplier Group D <sup>(5)</sup>	Optical and portable; and advanced analytical and testing equipment	10,664	24.52	12
4	Supplier E <sup>(6)</sup>	Advanced analytical and testing equipment	1,169	2.69	10
5	Lucas Signatone Corporation <sup>(9)</sup>	Optical and portable equipment	1,013	2.33	14
<b>Subtotal<sup>(10)</sup></b>			<b>37,085</b>	<b>85.28</b>	
<b>Total purchases</b>			<b>43,486</b>	<b>100.00</b>	

#### Notes:

- (1) Length of relationship with our major suppliers is calculated based on the first transaction with these suppliers up to the respective FYEs and FPE 2024.
- (2) Supplier Group A consists of suppliers within the same group of companies that are principally involved in the designing and manufacturing of industrial and medical equipment and systems, which includes imaging, analytical and test equipment. We transacted with 6 subsidiaries under Supplier Group A and these companies are incorporated and based in Hong Kong, PRC, Singapore, Thailand and USA. The holding company of these companies is listed on the NASDAQ Stock Market. Consent was sought for the disclosure of the identity of Supplier Group A pursuant to confidentiality obligations under a distribution agreement, but was not obtained. As such, identity of Supplier Group A will not be disclosed in the prospectus.
- (3) Supplier Group B consists of suppliers within the same group of companies that are principally involved in the designing and manufacturing of industrial and medical equipment and systems, which includes imaging, analytical and test equipment. We transacted with 6 subsidiaries under Supplier Group B and these companies are incorporated and based in Hong Kong, PRC, Singapore and USA. The holding company of these companies is listed on the NASDAQ Stock Market. Consent was sought for the disclosure of the identity of Supplier Group B pursuant to confidentiality obligations under a distribution agreement, but was not obtained. As such, identity of Supplier Group B will not be disclosed in the prospectus.

## 7. BUSINESS OVERVIEW (Cont'd)

- (4) Supplier Group C consists of suppliers within the same group of companies that are principally involved in the designing and manufacturing of analytical, life science and clinical equipment and systems, which includes imaging, analytical and test equipment. We transacted with 5 subsidiaries under Supplier Group C and these companies are incorporated and based in Malaysia, Netherlands, Singapore and Thailand. The holding company of these companies is listed on the New York Stock Exchange. Consent was sought for the disclosure of the identity of Supplier Group C pursuant to confidentiality obligations under a distribution agreement, but was not obtained. As such, identity of Supplier Group C will not be disclosed in the prospectus. Further, Supplier Group C and Customer Group B are under the same holding company who is the principal selling imaging, analytical and test equipment to our Group. We purchases imaging, analytical and test equipment from Supplier Group C, while Customer Group B engages our Group as an outsourced party to provide technical support and maintenance services to Customer Group B's customers who are the end-user customers of its equipment, due to close proximity to its end-user customers hence able to attend to the end-user customers in a shorter response time.
- (5) Supplier Group D consists of suppliers within the same group of companies that are principally involved in the designing and manufacturing of analytical and industrial equipment and systems, which includes imaging, analytical and test equipment. We transacted with 4 subsidiaries under Supplier Group D and these companies are incorporated and based in Hong Kong, Japan and USA. The holding company of these companies is not listed on a stock exchange. Consent was sought for the disclosure of the identity of Supplier Group D pursuant to confidentiality obligations under a distribution agreement, but was not obtained. As such, identity of Supplier Group D will not be disclosed in the prospectus.
- (6) Supplier E is a scientific equipment and systems supplier incorporated and based in Singapore. The holding company of this company is listed on the NASDAQ Stock Market. Consent was sought for the disclosure of the identity of Supplier E pursuant to confidentiality obligations under a distribution agreement, but was not obtained. As such, identity of Supplier E will not be disclosed in the prospectus.
- (7) Imina Technologies SA is incorporated and based in Switzerland.
- (8) Ulvac-Phi, Inc is incorporated and based in Japan.
- (9) Lucas Signatone is incorporated and based in USA.
- (10) The total may not tally due to rounding.
- For the Financial Years Under Review and FPE 2024, our Group's total purchases from our top 5 major suppliers, who are mainly the principals of imaging, analytical and test equipment carried by our Group, collectively contributed 77.53%, 79.89%, 77.33%, 73.52% and 85.28% to our Group's total purchases respectively. In particular, for the same period, our purchases from Supplier Group A stood at 42.72%, 41.41%, 42.27%, 40.92% and 30.13% of our Group's total purchases respectively, and our purchases from Supplier Group B stood at 18.49%, 20.79%, 21.10%, 23.70% and 25.61% of our Group's total purchases respectively. Our Group's cumulative purchases from Supplier Group A and Supplier Group B amounted to 61.21%, 62.20%, 63.37%, 64.62% and 55.74% respectively.

## 7. BUSINESS OVERVIEW (Cont'd)

The high purchases from Supplier Group A and Supplier Group B in the Financial Years Under Review and FPE 2024 is mainly due to the equipment purchased from these suppliers (who are equipment principals) which are commonly sought by our customers, and as such, we are dependent on these suppliers for our purchase of equipment. As at the LPD, our Group had entered into distribution agreements with Supplier Group A and Supplier Group B. Save for one distribution agreement entered into with one of the entities under Supplier Group B which is on an exclusive basis, the other distribution agreements are on a non-exclusive basis. Notwithstanding that we are registered as a distributor of Supplier Group A and Supplier Group B as at the LPD, there can be no assurance that we can continue to act as a registered distributor of these principals. In the event that we cease to become a registered distributor of Supplier Group A and Supplier Group B, we will be unable to purchase equipment directly from these principals and we may lose our competitive edge. However, we may purchase similar equipment or suggest alternative equipment from other principals to our customers according to their needs and requirements. Nevertheless, we believe that our long-standing relationships (i.e. 9 years and above as at the LPD) with Supplier Group A and Supplier Group B will allow us to continue being registered as their registered distributor.

In addition, we continuously strive to expand our product range and secure new distributorships, as well as extend our industry coverage to new end-user customer industries in order to diversify our range of equipment and solutions, and hence, our industry coverage and customer portfolio.

Additionally, maintaining strong relationships between our Group and our suppliers is mutually beneficial for both parties, as our Group is an established business with history dating back to 1999, and has over the years, expanded our business in Malaysia to the PRC, Singapore and Thailand. Our Group has the capability to provide solutions and after-sales services, and is also certified to perform calibration works. Furthermore, our Group has also garnered a large portfolio of customers and is led by an experienced and technically skilled key management team whose accumulated years of industry experience and in-depth knowledge of our business operations have played a pivotal role in steering the growth and expansion of our Group. Our business strategies and future plans in Section 7.20 of the Prospectus sets out our goals to grow our business which includes strategies to expand our geographical footprint and market position. The awards received by our Group from our suppliers (for example FY 2020 Best Performing Distributor Award, Top Sales Recognition Award in SEA 2022, etc.) are a testament of our performance. Please refer to Section 7.8 of the Prospectus for the list of awards and Section 7.6 of the Prospectus for the competitive strengths of our Group.

All purchases of equipment from our suppliers (i.e. principals and dealers) are based on purchase order basis.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.16. DEPENDENCY ON CONTRACTS, LICENCES OR OTHER ARRANGEMENTS

Our Group is dependent on our major suppliers, namely Supplier Group A and Supplier Group B in the Financial Years Under Review and FPE 2024 for our purchase of equipment. We procure our supplies from Supplier Group A via the following distribution agreements:

- (i) distributorship agreement with one of the entities under Supplier Group A<sup>^</sup> entered into in June 2024 for the appointment of Crest Systems\*, Crest Thailand\* and Crest Innovation\* as a non-exclusive distributor for the sale of such entity's test and inspection products in Malaysia;
- (ii) distributorship agreement with one of the entities under Supplier Group A<sup>^</sup> entered into in June 2024 for the appointment of Crest Innovation\* as a non-exclusive distributor for the sale of such entity's test and inspection products in Singapore;
- (iii) distributorship agreement with one of the entities under Supplier Group A<sup>^</sup> entered into in June 2024 for the appointment of Crest Thailand\* as a non-exclusive distributor for the sale of such entity's test and inspection products in Thailand;
- (iv) distributorship agreement with one of the entities under Supplier Group A<sup>^</sup> entered into in June 2024 for the appointment of Crest Thailand\* as a non-exclusive distributor for the sale of such entity's test and inspection products in Thailand;
- (v) distributorship agreement with one of the entities under Supplier Group A<sup>^</sup> entered into in April 2024 for the appointment of Crest Suzhou\* as a non-exclusive distributor for the sale of such entity's test and inspection products in China;

(the distribution agreements under items (i) – (v) above are collectively referred to as the “**Distribution Agreements with Supplier Group A**”), and we procure our supplies from Supplier Group B via the following distribution agreements:

- (vi) distribution agreement with one of the entities under Supplier Group B (“**Principal B**”) entered into in April 2024 for the appointment of Matrix Innovations\* as an exclusive distributor for the sale of Principal B's remote visual inspection products in Malaysia;
- (vii) distribution agreement with Principal B entered into in April 2024 for the appointment of Crest Systems\* as an exclusive distributor for the sale of Principal B's industrial microscopes in Malaysia;
- (viii) distribution agreement with Principal B entered into in April 2024 for the appointment of Crest Systems\* as a non-exclusive distributor for the sale of Principal B's analytical instruments in Malaysia;

(the distribution agreements under items (vi) – (viii) above are collectively referred to as the “**Distribution Agreements B**”), and

- (ix) distribution agreement with one of the entities under Supplier Group B (“**Principal C**”) entered into in April 2024 for the appointment of Crest Suzhou as a non-exclusive distributor for the sale of such entity's remote visual inspection products in Shanghai Municipality, Jiangsu Province, Zhejiang Province, Anhui Province and Jiangxi Province in PRC (“**Distribution Agreement C**”).

**7. BUSINESS OVERVIEW (Cont'd)**

The salient terms of the distribution agreements are set out as follows:

No.	Agreement	Tenure	Salient Terms
1.	Distribution Agreements with Supplier Group A under items (i), (ii), (iii) and (iv) above	Valid for 1 year commencing from 1 June 2024 and if agreed upon in advance in writing, is renewable for an additional period of 1 year	<ul style="list-style-type: none"> <li>Distributor agrees to act as distributor for the resale of the products in the territory(ies) stipulated in the distribution agreement (as mentioned under items (i) – (v)) above on a non-exclusive basis and may be eligible for discounts and/or commissions.</li> <li>Distributor is not allowed to offer, sell distribute, design, manufacture, either directly or indirectly, or install and/or service any products outside of the territory as stipulated in the distribution agreement without the prior written consent of the Principal.</li> <li>Distributor undertakes to provide warranty repair services to the customer throughout the standard warranty periods predetermined by the Principal and beyond when the customer contract indicates an extended warranty period. During the warranty period, Distributor shall provide its labour free of charge to the customer and Principal shall at its discretion repair or replace faulty items. Following the warranty period, Distributor will provide a warranty repair service on a payable basis. The providers of the service are to be trained to a standard set by Principal.</li> <li>Distributor shall make purchases of equipment, spare parts and consumables subject to payment being received by the Principal, via confirmed irrevocable Letter of Credit 100% at sight or 60 days from the date of invoice at the Principal's discretion, free of all bank and other charges.</li> <li>The Principal may terminate the agreement in the event of a serious breach of any terms and conditions of the distribution agreement by Distributor that is not remedied within 30 days of written notice of the breach.</li> </ul>
	Distribution Agreement with Supplier Group A under item (v) above	Valid for 1 year commencing from 16 April 2024 and if agreed upon in advance in writing, is renewable for an additional period of 1 year	
2.	Distribution Agreement B under item (vi) above	Valid for 2 years commencing from 1 April 2024 and if agreed upon by the parties separately in writing, is renewable for an additional period of 2 years	<ul style="list-style-type: none"> <li>Distributor accepts its appointment as distributor of Principal B on an exclusive / non-exclusive basis (as the case may be) and agrees to market and sell the products to customers of Distributor being end-users of the products for their sole usage.</li> <li>Distributor is not allowed to sell or offer to sell directly or indirectly the products or services for those products, outside of Malaysia except with prior written consent from Principal B.</li> <li>Distributor is responsible for all marketing and promotional expenses for the products in Malaysia including, but not limited to, expenses related to materials, advertisements, displays, graphics, and facilities rental (including, but not limited to, for tradeshow and conventions in Malaysia). All of the expenses incurred by Distributor in conducting the sales representation shall be borne by Distributor, except as otherwise expressly provided by written instrument signed by Principal B.</li> <li>Distributor can sell the products at a transfer price agreed with Principal B and may be eligible for a commission or a service fee payable by Principal B for services rendered to the customers in relation to the products.</li> <li>The products purchased under Distribution Agreements B are warranted against defects in workmanship and materials for the standard warranty periods predetermined by Principal B, provided that the Products remain unmodified and are operated under normal and proper conditions. The sole obligation of Principal B for defects in the products' hardware is limited to repair or replacement (to be determined at Principal B's sole option) of the defective component or subassembly at no cost to Distributor during the said warranty period(s).</li> <li>Distribution Agreements B may be terminated by Principal B without cause upon giving 60 days prior written notice to Distributor.</li> </ul>
	Distribution Agreements B under items (vii) and (viii)	Valid for 2 years commencing from 1 April 2024 and if agreed upon by the parties separately in writing, is renewable for an additional period of 1 year	

## 7. BUSINESS OVERVIEW (Cont'd)

3.	Distribution Agreement C	Valid for 1 year commencing from 1 April 2024 to 31 March 2025 and if agreed upon by the parties, is renewable prior to the expiry of the agreement	<ul style="list-style-type: none"> <li>• Crest Suzhou agrees to act as a non-exclusive distributor of Principal C for the resale of the products in the territories stipulated in Distribution Agreement C (as mentioned under item (vi) above) and may be eligible for rebates payable by Principal C.</li> <li>• Crest Suzhou is not allowed to sell the products outside of the territories as stipulated in Distribution Agreement C without prior written consent from Principal C.</li> <li>• Crest Suzhou is responsible for all the costs, expenses and disbursements incurred in connection with the distribution of the products and performance of other obligations under Distribution Agreement C or any other agreements with third parties. Crest Suzhou shall keep Principal C indemnified against any costs, expenses, disbursements, claims, obligations and liabilities arising from or caused by Crest Suzhou.</li> <li>• Principal C will provide retail pricing to Crest Suzhou as reference and Crest Suzhou can sell the products at a pricing determined at its discretion, subject to explanation to Principal C on the rationale of such pricing if requested by Principal C.</li> <li>• The products purchased under Distribution Agreement C are warranted against defects and can be repaired or replaced within standard warranty periods predetermined by Principal C, provided that the defects are caused by Principal C.</li> <li>• Distribution Agreement C may be terminated by Principal C in the event of breach of any obligations of Crest Suzhou or by either party without cause upon giving 30 days prior written notice to the other party.</li> </ul>
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**Note:**

^ Shall be referred to as the Principal.

\* Shall be referred to as the Distributor.

Save for the distribution agreements with Supplier Group A and Supplier Group B as disclosed above and the licences disclosed in Annexure A of this Prospectus, our Group's business or profitability is not materially dependent on any other contracts, licences and other arrangements.

Although our Group has exclusive distributorships with 12 of our principals, our Group is not dependent on all of the distributorship agreements.

### 7.17. GOVERNING LAWS AND REGULATIONS

Our business operations are regulated and governed by a number of laws, regulations, rules and guidelines in Malaysia, Singapore, Thailand and PRC. The following is an overview of the regulatory requirements governing our Group's business operations:

#### 1. Malaysian Legislation

##### (i) Street, Drainage and Building Act 1974 ("SDBA")

The SDBA regulates laws with regards to local government matters relating to street, drainage and buildings in Peninsular Malaysia including the occupation of buildings. It provides for the requirement to have a CF/CCC to ensure that a building is safe and fit for occupation.

## 7. BUSINESS OVERVIEW (Cont'd)

Pursuant to the SDBA, any person who occupies or permits to be occupied any building or any part thereof without a CF/CCC shall be liable, on conviction, to a fine not exceeding RM250,000.00 or to imprisonment for a term not exceeding ten (10) years or to both. The SDBA also provides that prior written permission of the local authority is required among others for any partition, compartment, roof, ceiling or other structures erected in a building or any deviation from the approved plan or specification approved by the local authorities. Failure to obtain the prior written permission of the local authority may subject the person in breach to fines or imprisonment or both, if convicted. Depending on the applicable provisions of the SDBA in breach, the maximum fines may range from RM25,000.00 to RM50,000.00 and additional daily fines for continuing offences after conviction, and the maximum imprisonment term may be up to a term of three (3) years.

As at the LPD, our Group's tenanted properties have been issued with a valid CF/CCC.

### (ii) **Local Government Act 1976 ("Local Government Act")**

The Local Government Act empowers the local authorities and councils to grant licences or permits for any trade, occupation or premise through by-laws which set out the requirements, among others, to obtain business and signage licences.

As our Group's business activities in Malaysia are carried out in Subang Jaya and Penang, we are therefore subject to the by-laws of both states.

Pursuant to the Local Government Act, any person who fails to exhibit or produce his licences on the premises shall be liable to a fine not exceeding RM500.00 or to imprisonment for a term not exceeding 6 months, or to both. Further, the by-laws of Subang Jaya and Penang respectively, provide that any person who contravenes the by-laws commits an offence, and such person shall upon conviction, be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 1 year, or to both.

As at the LPD, our Group holds and maintains valid business and advertisement licences issued by Subang Jaya City Council and Penang Island City Council.

### (iii) **Atomic Energy Licensing Act 1984 ("AELA")**

Pursuant to the AELA, no person shall site, construct or operate a nuclear installation, deal in, possess or dispose of any radioactive material, nuclear material, prescribed substance or irradiating apparatus, unless he is the holder of a valid licence issued by the AELB.

A breach of any of the condition in the atomic energy licences is an offence and the licensee, if convicted, may be liable to imprisonment for a term not exceeding ten (10) years or a fine not exceeding RM100,000.00, or to both. The AELB also has the right to revoke or cancel the atomic energy licence at any time without prior notice if the licensee is found to be in breach of the AELA and its regulations.

In addition, the AELB may at any time under any of the following circumstances, in its discretion, cancel or suspend any licence issued under the AELA for such period as it may think fit:

- (a) where the licensee has committed an offence under the AELA;
- (b) where the licensee has committed a breach of any of the conditions of the licence;
- (c) where the licensee ceases to work or operate the nuclear installation in respect of which the licence was issued; or
- (d) where in its opinion, it would be in the public interest to do so.

## 7. BUSINESS OVERVIEW (Cont'd)

As at the LPD, our Group holds valid atomic energy licences required for us to carry out our operations.

### (iv) Medical Device Act 2012 (“Medical Device Act”)

Pursuant to Section 5(1) of the MDA, no medical device shall be imported, exported or place in the market unless the medical device is registered under the MDA. Any person who contravenes Section 5(1) of the MDA commits an offence and shall, on conviction, be liable to a fine not exceeding RM200,000.00 or to imprisonment for a term not exceeding three (3) years, or to both.

In addition, Section 15 of the MDA further stipulates that no establishment shall import, export or place in the market any registered medical device unless it holds an establishment licence granted under the MDA. Any establishment who commits an offence and shall, on conviction, be liable to a fine not exceeding RM200,000.00 or to imprisonment for a term not exceeding three (3) years, or to both.

As at the LPD, our subsidiary, namely Matrix Optics has obtained a valid establishment licence and the necessary certificates of registration issued by the Medical Device Authority for the medical devices which it imports and sells.

## 2. Singapore Legislation

### (i) Radiation Protection Act 2007 of Singapore (“Radiation Protection Act”)

The Radiation Protection Act regulates the import, export, sale, transport, possession and use of radioactive materials and irradiating apparatus including the control of non-ionising radiation. The two (2) types of non-ionising and ionising radiation covered by the Radiation Protection Act include exposure to (i) visible light, radio waves and micro waves (non-ionising); and (ii) x-rays, cosmic rays and naturally occurring radioactive materials in soil and food (ionising).

The Radiation Protection (Ionising Radiation) Regulations 2023 (“RPIR”) sets out regulations pertaining to, among others, ionising radiation equipment, the licences, requirements for registration of radiation worker and appointment of a radiation safety officer.

Pursuant to Section 6(1)(a) and 7(1)(a) of the Radiation Protection Act, an Irradiating Apparatus and Radioactive Materials licence is required for any import into or export out of Singapore of any irradiating apparatus or radioactive material. Any person in contravention of such provision shall be guilty of an offence and shall be liable on conviction to a fine not exceeding SGD100,000.00 or imprisonment for a term not exceeding five (5) years, or to both. In addition, a licensee must also adhere to the safety standards required under the RPIR and as set out by the National Environment Agency of Singapore (“NEA”).



## 7. BUSINESS OVERVIEW (Cont'd)

Under Part 7 of RPIR, every licensee who possesses or has under his or her control any irradiating apparatus and any radioactive material must adhere to the labelling of irradiating apparatus and radioactive materials requirements. Under regulation 19 of the RPIR, a licensee must appoint an individual as a radiation safety officer if required by the Director-General. Such individual must have (a) the level of academic knowledge or professional experience compatible with the levels of risks associated with the use or custody of any irradiating apparatus or radioactive substance used or to be used for that work; and (b) the technical competency in radiation protection matters relevant to the use or custody of any irradiating apparatus or radioactive substance used or to be used for that work. Such individual must not act as a radiation safety officer without the approval of the Director-General. Our subsidiary, namely Crest Innovation has sought written confirmation from the NEA on 30 November 2023 that the appointment of radiation safety officer is not mandatory under the IR2 licence which it had obtained.

As at the LPD, Crest Innovation holds and maintains the requisite licences required for its operations in Singapore and is in compliance with the RPIR.

### (ii) **Personal Data Protection Act 2012 of Singapore (“PDPA”)**

Pursuant to the PDPA of Singapore, a company must appoint one or more individuals as Data Protection Officers (each a “DPO”) discharging its functions and duties pursuant to section 11 of the PDPA. A financial penalty of a maximum of (a) in the case of a contravention on or after the date of commencement of section 24 of the Personal Data Protection (Amendment) Act 2020 by an organisation whose annual turnover in Singapore exceeds SGD10,000,000.00 i.e. 10% of the annual turnover in Singapore of the organisation; or (b) in other case – SGD1,000,000.00 for contravening section 11(3) of PDPA pursuant to section 48J of PDPA.

As at the LPD, Crest Innovation has duly appointed a DPO. Crest Upstar is not required to appoint a DPO as it has ceased business in 2023.

## 3. Thailand Legislation

### **Medical Devices Act 2551**

The Medical Devices Act B.E.2551 (2008), as amended, (the “**Medical Devices Act**”) regulates medical devices based on the risks and harm that these products may cause to one’s physical health or life and to improve control over the production, importation and exportation of the medical devices.

Pursuant to the Medical Devices Act, an importer of medical devices under the Medical Devices Act shall carry out the registration of an establishment with the Secretary-General of the Food and Drug Administration (“**FDA**”) or the person entrusted by the Secretary-General of the FDA. The importer who has obtained the registration certificate for importation shall be deemed to be permitted to sell the imported medical devices without being required to obtain the sale permission, provided that the importer complies with the rules, procedures and conditions of the Medical Devices Act.

As at the LPD, our subsidiary, namely Crest Thailand has registered its establishment for importation of medical devices under the Medical Devices Act.

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**7. BUSINESS OVERVIEW (Cont'd)**

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**4. PRC Legislation****(i) Foreign Investment Law of PRC and its Implementing Regulations (“FIL”)**

The FIL is the main legislation governing foreign investments in PRC, which has established a principle of national treatment for foreign investments, allowing foreign invested companies to be subject to the same legal frameworks as domestic companies in PRC. The foreign invested companies, however, are restricted or limited to a detailed list of industries pursuant to the Special Administrative Measures for access of Foreign Investment (Negative List) (“**Negative List**”) – i.e. a foreign invested company shall receive equal treatment to that of a domestic company in PRC provided it does not fall within a category described by the Negative List. Such special administrative measures include the prohibition of market access and restriction of shareholding ratio of foreign investors.

As at the LPD, the business scope of our subsidiary, namely Crest Suzhou does not fall within the industries covered by the Negative List and therefore, it is not subject to any special administrative measures.

In addition, the FIL stipulates that foreign investors and foreign invested companies are subject to foreign investment information reporting requirements which entail the submission of relevant investment information to the competent commercial authorities through the National Enterprise Credit Information Publicity System. As at the LPD, Crest Suzhou is in compliance with such foreign investment information reporting requirement.

**(ii) Foreign Trade Law of PRC (“FTL”)**

The FTL sets out the basic principles, policies, and regulations for foreign trade activities and foreign trade operators in PRC. Under the FTL, the state may restrict or prohibit the import or export of relevant goods and technology for certain reasons, including to safeguard national security, public interests or public morals, to protect human health or safety and the environment, etc.

As at the LPD, the products imported by our subsidiary, namely Crest Suzhou do not fall within the catalogues of goods and technology which are restricted or prohibited from import or export.

The above summary does not purport to be an exhaustive description of all laws and regulations of which our business is subject to.

As at the LPD, there are no breach of laws, regulations, guidelines, rules or requirements governing the conduct of our business and environmental issues which may have a material adverse impact on our Group’s operations.

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**7. BUSINESS OVERVIEW (Cont'd)**

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**7.18. RESEARCH AND DEVELOPMENT**

We do not carry out any specific R&D activities due to the nature of our business. As a solution provider specialising in the provision of imaging, analytical and test solutions, we propose imaging, analytical and test solutions that are tailored to the requirements of each customer.

**7.19. INTERRUPTIONS TO BUSINESS AND OPERATIONS**

Save for the temporary disruptions to our operations arising from the COVID-19 pandemic, our Group had not experienced any other interruptions which had a significant effect on our operations for the past 12 months preceding the LPD.

The outbreak of the COVID-19 pandemic since 2020 had led to minor interruptions to our business operations as our employees in our headquarters and branch offices were required to work from home for different periods and durations in adhering to the lockdown measures / movement restrictions imposed by the governments in the respective countries. Such lockdown measures / movement restrictions imposed led to minor delays in on-site installation, integration, commissioning as well as technical support and maintenance works as our employees were not allowed to travel to our customers' premises. Further, we also experienced minor delays in the receipt of equipment which we purchased from overseas countries due to the global supply chain disruptions. Nevertheless, all these adverse impacts did not lead to material adverse impact to our Group's business and financial performance, whereby over the Financial Years Under Review, our Group recorded consecutive growths in revenue.

As the lockdown measures / movement restrictions imposed by the governments in the respective countries in which we operate in have been uplifted, our business operations have since resumed to usual, we do not expect any further adverse impact to our business operations, cash flows, liquidity, financial position and financial performance moving forward.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.20. BUSINESS STRATEGIES AND FUTURE PLANS

#### 7.20.1. We intend to set up a new headquarters (“New HQ”) in Selangor to consolidate our operations in the Central region of Malaysia

We intend to allocate RM15.76 million of the IPO proceeds to partially fund the acquisition of a property to establish a New HQ in Selangor. We plan to establish a New HQ in Selangor to streamline and centralise our operations in the Central region of Malaysia. As at LPD, our offices in Selangor are located at 3 rented premises i.e. 2 offices located in Puchong, Selangor and 1 office in Subang Jaya, Selangor, which we plan to relocate and centralise at the New HQ.

Presently, we are in the midst of identifying a suitable commercial / light industrial premise within Klang Valley with a built-up area of approximately 1,858 sq. m. for the setup of the New HQ. The purchase of the premises is expected to cost RM20.00 million, RM15.76 million of which will be funded by our IPO proceeds while the remaining RM4.24 million will be funded by bank borrowings/internally generated funds. Further, renovation works and other miscellaneous expenses such as the purchase of office equipment, furniture, and fixtures, which is expected to cost RM3.60 million, will be funded by internally generated funds. The breakdown of the estimated renovation costs and other miscellaneous expenses are as follows:

<b>Description</b>	<b>Estimated cost (RM'000)</b>
Preliminaries (including site cleaning, contractors' insurance, submission to the relevant authorities, as well as rental of equipment such as scaffolding, skylift and etc)	149
Demolition works	71
External work (including structural and architectural works)	937
Mechanical, electrical and plumbing	519
Air conditioning and fire protection system	250
Interior fit-out works	1,677
<b>Total</b>	<b>3,603</b>

We expect to purchase the premises within 36 months after our Listing, and commence renovation works immediately after the delivery of vacant possession of the premise.

In addition to streamlining and centralising our operations in the Central region of Malaysia, having a centralised location will allow our management team to better manage our operations and resources. We also plan to allocate approximately 186 sq. m. in our New HQ as our demonstration room to house existing and new equipment for demonstration (as detailed in Section 7.20.2 of this Prospectus). The demonstration room will also be used as a training room for us to conduct internal trainings with our employees.

Further, the New HQ with an expanded total built-up area will allow us to have more room to grow our operations by having additional operational and equipment demonstration space, all of which will serve as a foundation for the future growth and expansion of our business in Malaysia.

#### 7.20.2. We intend to purchase additional demonstration equipment for our demonstration room in our Malaysia, PRC and Thailand offices

As part of our sales and marketing activities detailed in Section 7.11, we have set up demonstration rooms in our offices in Malaysia, Singapore, PRC and Thailand to display certain equipment for demonstration to our customers. By conducting equipment demonstration, we provide our customers with better insights and understanding on the features and capabilities of our solutions.

## 7. BUSINESS OVERVIEW (Cont'd)

As technology continuously advances, new models of equipment with enhanced functionalities, capabilities and/or specifications are developed and introduced to the market by principals. To keep abreast of the technological advancement as well as to maintain our competitiveness by offering the latest available equipment models to our customers, we intend to purchase the latest models and/or equipment that we may not already own for demonstration purposes. Our demonstration equipment are usually replaced as and when it becomes outdated or obsolete, or sold to our customers if requested.

We intend to purchase additional equipment for our demonstration rooms in our Malaysia, PRC and Thailand offices, with details as follows:

<b>Equipment</b>	<b>Number of unit</b>	<b>Total estimated cost (RM'000)</b>
Advanced imaging equipment <sup>(1)</sup>	3	3,345
Sample management equipment <sup>(2)</sup>	3	2,523
<b>Total</b>		<b>5,868</b>

**Notes:**

- (1) Consists of 3 units of X-Ray imaging equipment.
- (2) Consists of 1 unit of automated stainer, 1 unit of automated cover slipper and 1 unit of histological processing system.

The total cost of purchasing additional demonstration equipment is estimated to be RM5.87 million, which will be fully funded by our IPO Proceeds. We expect to purchase the new demonstration equipment within 36 months after our Listing.

By purchasing the latest models and/or equipment that we may not already own for demonstration purposes, we will be able to provide our customers with better overall experience. All of these will provide opportunities for our Group to further grow and expand our business.

### 7.20.3. We plan to expand our business presence to Vietnam and to continue expanding our business presence in the PRC and Thailand

We intend to further expand our presence overseas by establishing our presence in Vietnam and continue expanding our business presence in the PRC and Thailand, with details as follows:

<b>Country</b>	<b>Purpose</b>	<b>Location</b>
Vietnam	To expand our business regionally within Asia.	Ho Chi Minh City
	According to the IMR Report, the estimated size of the imaging, analysis and testing industry in Vietnam in 2023 is USD1,884 million (equivalent to RM8,601 million), which is larger than the size of the same industry in Malaysia. During the Financial Years Under Review, our customer base and revenue generated from Vietnam has been increasing. In 2023, we captured a market share of 0.02% in the imaging, analysis and testing industry in Vietnam, indicating an opportunity for us to grow our business and expand our market share in the Vietnam market.	
	Premised on the above and coupled with the inquiries from our existing suppliers which are also the equipment principals, we plan to actively expand into the imaging, analysis and testing industry in Vietnam by establishing a new branch office in Vietnam.	

## 7. BUSINESS OVERVIEW (Cont'd)

Country	Purpose	Location
PRC	To establish new branch offices in other parts of PRC in addition to our existing Suzhou branch office.  According to the IMR Report, the size of the imaging, analysis and testing industry in the PRC in 2023 is CNY202,711 million (equivalent to RM130,566 million), which is 18 times larger than the same industry in Malaysia. During the Financial Years Under Review, our customer base and revenue generated from the PRC has been increasing. In 2023, we captured a market share of 0.03% in the imaging, analysis and testing industry in the PRC, indicating an opportunity for us to grow our business and expand our market share in the PRC market.  In order for our Group to tap into new regions in PRC, continue to expand our customer base and to serve local customers more efficiently, our Group intends to establish new branch offices in other parts of PRC.	Chengdu and Shenzhen
Thailand	To establish an additional team (to be hired) for the provision of imaging, analytical and test solutions to customers in the life science and healthcare industries, industries which we do not serve in Thailand as at the LPD.	Bangkok

The details of our expansion into Vietnam and within the PRC and Thailand, in terms of setting up new offices and hiring additional personnel, are set out as follows:

### (i) Setup of new offices

We plan to set up an office in Ho Chi Minh City for our expansion into Vietnam and one office each in Chengdu and Shenzhen for our expansion within PRC. We plan to rent office spaces in each of these locations with approximate build-up areas of 139 sq. m. each.

As at the LPD, we are in the midst of identifying suitable office spaces in these locations. We expect that the new offices in these locations will be fully established and operating within 36 months after our Listing. The setup of these offices is estimated to cost a total of RM1.31 million (including 3-year office rental, renovation cost and purchase of office equipment), all of which will be fully funded by our IPO proceeds. The details of the estimated cost for setting up these offices are as follows:

New office location	Total estimated cost (RM'000)		
	3-year office rental <sup>(1)</sup>	Renovation and purchase of office equipment	Total
Ho Chi Minh City, Vietnam	336	441	777
Chengdu, PRC	223	45	268
Shenzhen, PRC	223	45	268
<b>Total</b>	<b>782</b>	<b>531</b>	<b>1,313</b>

#### Note:

- (1) Subsequent to the initial 3-year rental expense, the rental expense shall be funded through internally generated funds.

## 7. BUSINESS OVERVIEW (Cont'd)

### (ii) Hiring of personnel for the new and/or existing offices

Along with the setup of offices in the aforementioned locations, we plan to hire new personnel to be stationed at these offices. Additionally, we also plan to hire new personnel to form an additional team to offer our services and to secure new customers involved in the life science and healthcare industries, industries which we do not serve in Thailand as at the LPD. These new personnel will be stationed at our existing branch office in Bangkok, Thailand.

The intended hiring of new personnel is as follows:

Location	Number of personnel			Total
	Sales and marketing	Service	Office support	
Ho Chi Minh City, Vietnam	1	2	1	4
Chengdu, PRC	3	2	1	6
Shenzhen, PRC	3	2	1	6
Bangkok, Thailand	4	3	0	7
<b>Total</b>	<b>11</b>	<b>9</b>	<b>3</b>	<b>23</b>

The hiring of new personnel for our Ho Chi Minh City, Chengdu, Shenzhen and Bangkok offices is expected to take place gradually. Additionally, 1 employee from Malaysia will be transferred to Vietnam to establish and manage the business operations in Ho Chi Minh City. Further, the hiring expenses to be incurred in the first 36 months after hiring are estimated to cost a total of RM9.09 million, which will be fully funded from our IPO proceeds, subsequent to which shall be funded through internally generated funds.

In addition to the cost involved for the setup of new offices and hiring of new personnel which is estimated to be RM10.40 million, we expect to incur miscellaneous costs such as office setup cost and purchase of spare parts, consumables and tooling, which is anticipated to cost a total of approximately RM4.11 million, which will also be fully funded by our IPO Proceeds.

Apart from the plans above, we will also actively engage with principals and dealers to secure more equipment distributorships in these regions. With our intended expansion into Vietnam and within the PRC and Thailand, we will be well-positioned to expand our geographical footprint and strengthen our market position.

#### 7.20.4. We intend to expand our services and support team for our technical support and maintenance services

For the Financial Years Under Review and FPE 2024, our provision of after-sales services, which include technical support and maintenance services, accounted for 26.26%, 21.89%, 16.43%, 15.02% and 18.94% of our Group's total revenue respectively. We intend to further expand this business segment by hiring additional headcount to handle our technical support and maintenance services.

## 7. BUSINESS OVERVIEW (Cont'd)

We plan to hire 2 new service managers, whereby 1 personnel will be based in Selangor and another personnel will be based in Penang. We also plan to hire 8 new service personnel, whereby 5 personnel will be based in Selangor, and the remaining 3 personnel will be based at our existing offices in the PRC, Thailand and Singapore respectively. The new service managers will be responsible for managing our technical support and maintenance operations while the new service personnel will be responsible for performing installation and commissioning works as well as technical support and maintenance works for our imaging, analytical and test solutions. For avoidance of doubt, these new personnel to be hired are in addition to the new personnel to be hired as detailed in Section 7.20.3 (ii) which will be based in our new offices in Ho Chi Minh City, Chengdu and Shenzhen, as well as our existing office in Bangkok for the provision of solutions to our customers in the life sciences and healthcare industries.

The estimated cost to be incurred in the first 3 years for the hiring of the 2 new service managers and 8 new service personnel amounts to approximately RM3.60 million, which will be fully funded from the IPO Proceeds. By expanding our technical support and maintenance services, we will be able to generate additional recurring income and consequently improve our financial performance.

### 7.21. EMPLOYEES

As at FYE 2023, we have a total workforce of 152 employees as set out below:

Designation / Department	Geographical location				Total
	Malaysia	Thailand	PRC <sup>(2)</sup>	Singapore	
Directors	3	0	0	0	3
Key senior management	4	0	0	0	4
Head of business units <sup>(1)</sup>	4	1	1	1	7
Account, administration, finance and information technology ("IT")	20 <sup>(3)</sup>	1	2	1	24
Sales and marketing	29	13	9	1	52
Service and support	40	14	3	2	59
Logistics and procurement	3	0	0	0	3
<b>Total</b>	<b>103</b>	<b>29</b>	<b>15</b>	<b>5</b>	<b>152<sup>(4)</sup></b>

#### Notes:

- (1) Our head of business units in Malaysia, Thailand, PRC and Singapore also handle the sales and marketing activities in their respective geographical location.
- (2) 2 of our sales and marketing personnel in PRC are employed through an employment agency. Our employees in PRC are contractual employees save for the head of business unit.
- (3) One employee in Malaysia is employed under contract as the said employee has passed the age of retirement.
- (4) 134 of our total employees are nationals of the respective countries in which they are based, and the remaining 3 employee based in our Singapore branch office are Malaysians with valid working permits (where required). Of the 3 Malaysian employees working in our Singapore branch office, 2 are from our service and support department and 1 is from our account, administration, finance and IT department in Singapore.



## 7. BUSINESS OVERVIEW (Cont'd)

As at the LPD, we have a total workforce of 154 employees as set out below:

Designation / Department	Geographical location				Total
	Malaysia	Thailand	PRC <sup>(2)</sup>	Singapore	
Directors	3	0	0	0	3
Key senior management	4	0	0	0	4
Head of business units <sup>(1)</sup>	4	1	1	1	7
Account, administration, finance and IT	18 <sup>(3)</sup>	1	2	2	23
Sales and marketing	29	12	7	1	49
Service and support	43	14	6	2	65
Logistics and procurement	3	0	0	0	3
<b>Total</b>	<b>104</b>	<b>28</b>	<b>16</b>	<b>6</b>	<b>154<sup>(4)</sup></b>

### Notes:

- (1) Our head of business units in Malaysia, Thailand, PRC and Singapore also handle the sales and marketing activities in their respective geographical location.
- (2) 1 of our sales and marketing personnel in PRC are employed through an employment agency. Our employees in PRC are contractual employees save for the head of business unit and 2 employees.
- (3) One employee in Malaysia is employed under contract as the said employee has passed the age of retirement.
- (4) 154 of our total employees are nationals of the respective countries in which they are based, and the remaining 3 employee based in our Singapore branch office are Malaysians with valid working permits (where required). Of the 3 Malaysian employees working in our Singapore branch office, 2 are from our service and support department and 1 is from our account, administration, finance and IT department in Singapore.

None of our employees belong to any labour unions. As at the LPD, there has been no industrial dispute pertaining to our employees.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.22 ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES AND INITIATIVES

As part of our Group's commitment to ensure environmentally responsible operations, provide a conducive workplace for our employees and adopt a high standard of corporate governance, we strive to adopt the following practices:

#### (i) Environmental

Our Group is committed to identifying, managing and minimising the environmental impact of our business operations through the following initiatives:

- To reduce consumption of non-renewable, non-recycled materials;
- To conserve electricity to avoid any unproductive use or wastage of electricity in daily business operations;
- To strive to achieve paperless administration by digitalising our administrative function to reduce paper waste;
- To encourage the use of renewable resources;
- To comply with environmental regulatory and legal requirements; and
- To create awareness of the sustainability policy within our Group and stakeholders.

#### (ii) Social

Our Group seeks to protect the wellbeing of our employees and communities that surround our operations, and protect our assets, ensure continuity of our business and create public trust. Our Group shall incorporate public interest in our business operations by way of the following:

- To maintain a safe and healthy workforce and to ensure a safe, healthy and conducive workplace for our employees;
- To recruit and retain high potential and high performing employees;
- To use training and development as a strategic investment and a way of shaping sustainability governance culture and behaviour in our Group;
- To enable employees to further develop their professional and personal skills;
- To promote racial harmony and prevent racial discrimination;
- To prevent sexual harassment and other forms of violence against women;
- To be recognised as a good corporate citizen;
- To align our charitable giving with our Group's activities;
- To respond in a professional and timely manner to public enquiries; and
- To continue to improve public perception and experience of our Group.

#### (iii) Governance

Our Group believes that good governance is more than just a pursuit towards complying with all the prescripts but that it translates into better business performance and creates a more sustainable value for our Group. To uphold good corporate governance practice, our Group has in place, among others, the following policies:

- Anti-bribery and corruption policy;
- Code of conduct and ethics;
- Whistleblower policy and procedures; and
- Anti-money laundering policy.

Our Group has also adopted recommendations under the MCCG. As at the LPD, more than half of our Board members comprise of independent directors. Additionally, our Company has also met the MCCG's recommendation to have at least 30% women directors, i.e. as at the LPD, 3 out of 7 of our Company's Directors are women.

## 8. INDEPENDENT MARKET RESEARCH REPORT

SMITH ZANDER INTERNATIONAL SDN BHD 201301028298 (1058128-V)  
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# SMITH ZANDER

Date: 21 August 2024

The Board of Directors

**Crest Group Berhad**

12<sup>th</sup> Floor, Menara Symphony  
 No. 5, Jalan Prof. Khoo Kay Kim  
 Seksyen 13  
 46200 Petaling Jaya  
 Selangor, Malaysia

Dear Sirs / Madams,

**Independent Market Research Report on the Imaging, Analysis and Testing Industry in Malaysia, China, Thailand, Singapore and Vietnam (“IMR Report”)**

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“SMITH ZANDER”) for inclusion in the Prospectus in conjunction with the listing of Crest Group Berhad (“Crest”) on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry in which Crest and its subsidiaries (“Crest Group”) operate and to offer a clear understanding of the industry dynamics. Crest Group is principally involved in the provision of imaging, analytical and test solutions, operating in Malaysia, China, Thailand and Singapore, and plans to expand its business presence to Vietnam. Thus, the scope of work for this IMR Report will address the following areas:

- (i) The imaging, analysis and testing industry in Malaysia;
- (ii) Key industry drivers, risks and challenges of the imaging, analysis and testing industry in Malaysia;
- (iii) Competitive landscape of the imaging, analysis and testing industry in Malaysia;
- (iv) The imaging, analysis and testing industry in China, Thailand, Singapore and Vietnam; and
- (v) Prospects and outlook.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report.

For and on behalf of SMITH ZANDER:



**DENNIS TAN**  
 MANAGING PARTNER

**8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**


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The research for this IMR Report was completed on 19 August 2024.

For further information, please contact:

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**About SMITH ZANDER INTERNATIONAL SDN BHD**

*SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.*

**Profile of the signing partner, Dennis Tan Tze Wen**

*Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 26 years of experience in market research and strategy consulting, including over 21 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.*

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## 8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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## 1 THE IMAGING, ANALYSIS AND TESTING INDUSTRY IN MALAYSIA

### Overview

The imaging, analysis and testing industry refers to a sector providing equipment and services for the imaging, inspection, analysis, testing and measurement of various parameters and characteristics of materials, components and samples for different applications, catering towards companies, institutions and/or organisations from various fields and industries for their manufacturing operations, quality control processes and/or research and development (“R&D”) activities, amongst others. The imaging, analysis and testing industry serves a wide range of fields and industries including electrical and electronics (“E&E”), semiconductor, automotive, aerospace, healthcare, life science, material science, oil and gas, and research (e.g. academic and clinical).

The imaging, analysis and testing industry can be broadly segmented into equipment and services, as follows:

#### Equipment

The equipment segment entails the production and distribution of imaging, analytical and test equipment that are used to qualitatively and/or quantitatively test, measure, display, record and/or analyse information from images, data or responses of various parameters and characteristics of materials, components and samples whereby these information, data or responses are then utilised to perform further analysis and investigation on a particular experiment or observation; assess the performance, quality and/or functionality; and/or to identify and detect faults or defects of the material, component or sample of interest, amongst others.

Some examples of equipment types used in the imaging, analysis and testing industry are:

- (i) **Microscopes and X-ray related equipment** – used for magnifying tiny objects or specimens that are not visible to the naked eye or used for imaging, analysing, examining, inspecting and/or characterising composition of materials, structures, electronic components, semiconductor samples, biological samples and others. Examples include optical microscopes, scanning electron microscopes, X-ray fluorescence analysers and X-ray inspection machines.
- (ii) **Mechanical testing, physical and/or chemical analysis equipment** – used for examining, characterising, testing, quantifying and/or assessing the mechanical, physical and/or chemical properties or compositions of various substances, materials and samples. Examples include universal testing machines, pendulum impact testers, refractometers and spectrometers.
- (iii) **Test and measurement equipment** – used for testing, inspecting and/or measuring various parameters and applications such as electrical quantities, ionising radiation, semiconductor application and others. Examples include oscilloscopes, spectrum analysers and analytical probing stations.

Imaging, analytical and test equipment are generally manufactured by product principals (i.e. equipment manufacturers), generally based in countries such as Japan, United States of America and United Kingdom.

#### Services

Other than equipment, the imaging, analysis and testing industry offers a range of related support services, with some common services offered as follows:

- (i) **Consulting and implementation services** – Consulting involves assessing and analysing a customer’s imaging, inspection, analysis, testing and/or measurement needs and budget as well as guiding the customer in selecting the ideal equipment for its manufacturing operations, quality control processes and/or R&D activities.

Consulting is an essential step before the implementation of imaging, analytical and test equipment. Each customer has distinct requirements, thus it is necessary to develop customised solutions tailored to the customer’s specific needs in order to deploy and integrate suitable equipment into existing operational workflows and processes to achieve the required objectives.

Upon consultation, the necessary equipment is sourced, integrated and installed as part of the implementation process. Subsequently, the equipment is commissioned, and testing and calibration is conducted to ensure that the equipment functions as intended. Further, user-training may be provided to guide customers on the proper usage of the equipment.

- (ii) **After-sales services** – Upon implementation, technical support and maintenance services are rendered to assist customers in solving technical issues and to provide regular maintenance including routine condition checks as well as on-going testing and calibration.
- (iii) **Rental services** – Rental services for imaging, analytical and test equipment is available to provide customers with temporary access to equipment for a specified period without the need to purchase and own the equipment.

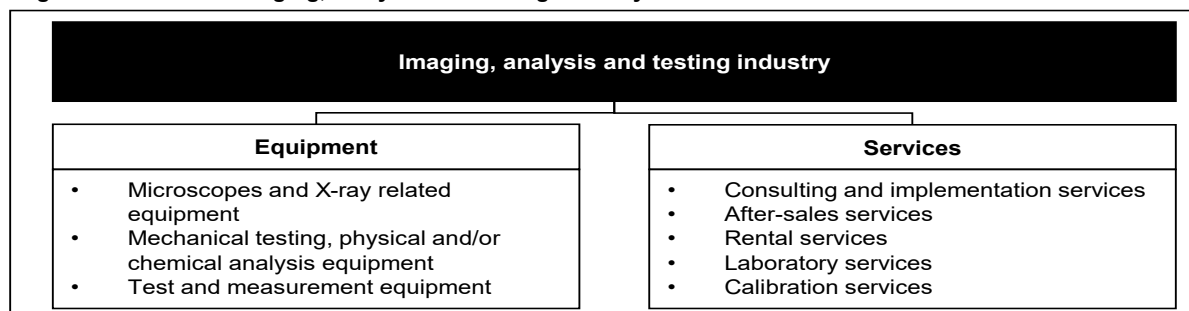
## 8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

# SMITH ZANDER

- (iv) **Laboratory services** – Laboratory services is provided by service providers which involves performing imaging, inspection, analysis, testing and/or measurement activities on behalf of customers who may not possess the necessary equipment or facilities and/or do not have the technical expertise to perform such tasks in-house.
- (v) **Calibration services** – Calibration services involve the calibration of imaging, analytical and test equipment to ensure that the performance and functionality of the equipment align with the desired specifications and standards.

Imaging, analytical and test solution providers in Malaysia may offer both equipment and services as a solution to customers. As these solution providers do not develop and manufacture equipment, they typically collaborate with product principals to distribute the product principals' equipment.

### Segmentation of the imaging, analysis and testing industry



Note:

- The list is not exhaustive.

Source: SMITH ZANDER

### Industry Performance, Size and Growth

As Crest Group primarily provides solutions using imaging, analytical and test equipment that are generally categorised under microscopes and X-ray related equipment; mechanical testing, physical and/or chemical analysis equipment; and test and measurement equipment, the imaging, analysis and testing industry in Malaysia is represented by these equipment segments.

The imaging, analysis and testing industry in Malaysia decreased by 17.59% from RM5,258 million in 2019 to RM4,333 million in 2020 due to a decline in microscopes and X-ray related equipment, as well as test and measurement equipment, caused by declining demand for these equipment resulting from the economic slowdown amidst the novel coronavirus 2019 (“COVID-19”) pandemic. Nonetheless, the imaging, analysis and testing industry in Malaysia recovered and grew from RM4,333 million in 2020 to RM7,251 million in 2023 at a compound annual growth rate (“CAGR”) of 18.72%.

#### Imaging, analysis and testing industry size, Malaysia, 2019 – 2023

Segments	Industry size <sup>1</sup> (RM million)					CAGR (2019 – 2023)
	2019	2020	2021	2022	2023	
Microscopes and X-ray related equipment	570	429	644	663	849	10.47%
Mechanical testing, physical and/or chemical analysis equipment	1,005	1,006	1,156	1,335	1,530	11.08%
Test and measurement equipment	3,683	2,898	4,616	4,647	4,872	7.24%
<b>Total</b>	<b>5,258</b>	<b>4,333</b>	<b>6,416</b>	<b>6,645</b>	<b>7,251</b>	<b>8.37%</b>

Sources: Department of Statistics Malaysia (“DOSM”), SMITH ZANDER

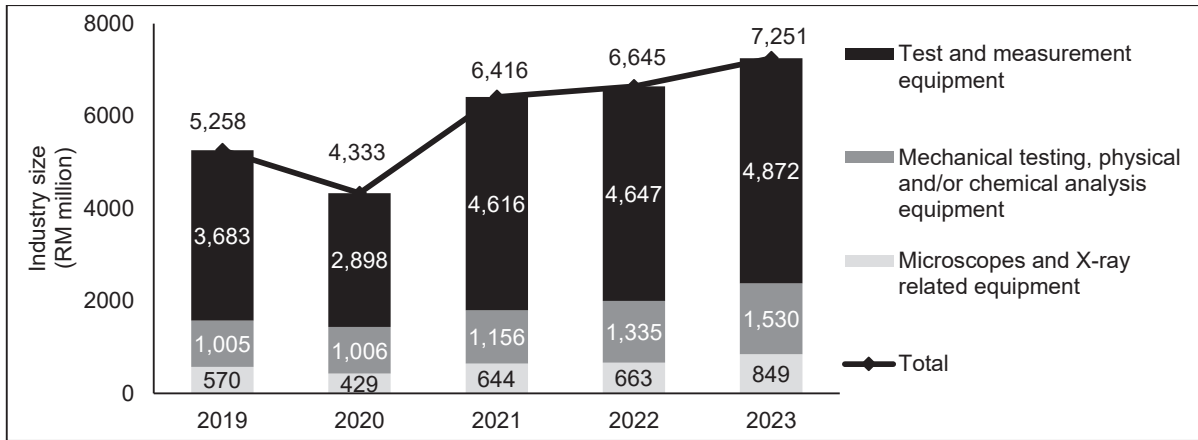
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<sup>1</sup> The computation of the industry sizes for the microscopes and X-ray related equipment; mechanical testing, physical and/or chemical analysis equipment; as well as test and measurement equipment segments may include imaging, analytical and test equipment and part and accessories that are not sold by Crest Group as data breakdown specifically for the imaging, analytical and test equipment and parts and accessories offered by Crest Group is not publicly available.

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Imaging, analysis and testing industry size, Malaysia, 2019 – 2023



Sources: DOSM, SMITH ZANDER

The growth in the imaging, analysis and testing industry in Malaysia is driven by factors such as the growth of various industries that utilise imaging, analytical and test equipment and services, government support and initiatives, as well as the rising adoption of Internet of Things (“IoT”) and Industry 4.0 technologies.

## 2 KEY INDUSTRY DRIVERS, RISKS AND CHALLENGES OF THE IMAGING, ANALYSIS AND TESTING INDUSTRY IN MALAYSIA

### Key Industry Drivers

- ▶ The demand for imaging, analytical and test equipment and services is driven by the growth of various industries that utilise such equipment and services

The demand for imaging, analytical and test equipment and services is driven by the growth of various industries that utilise such equipment and services such as E&E, semiconductor, automotive, aerospace, healthcare, life science, material science as well as oil and gas. As E&E and semiconductor are the key industries that Crest Group supports, the growth of these industries is elaborated below:

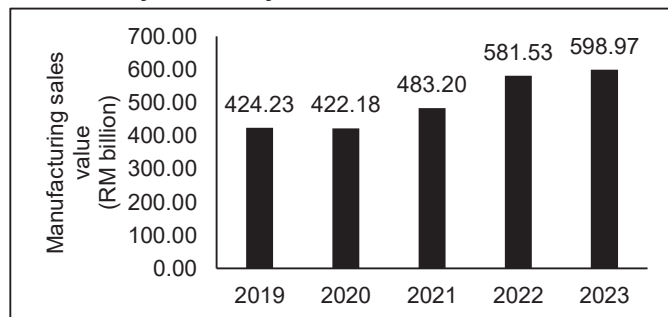
- **E&E industry**

E&E products developed today play essential roles in various industries such as retail, manufacturing and telecommunications. Many of these industries cannot function without the use of E&E products. Imaging, analytical and test equipment and services are essential in verifying the performance and functionality of E&E products, to detect any defects or faults and ensure that the products meet the required operational and safety standards and specifications. Further, imaging, analytical and test equipment and services also aid in promoting the advancement of technology, innovation and development of new E&E products by facilitating various aspects of the product development and improvement process. Growth in the E&E industry will lead to increased adoption of imaging, analytical and test equipment and services.

In 2020, the E&E industry size in Malaysia declined by 0.48% from RM424.23 billion in 2019 to RM422.18 billion in 2020. This was primarily due to the temporary halt of manufacturing activities and supply chain disruption as a result of the imposition of movement restrictions by the Government of Malaysia (“Government”) to curb the spread of the COVID-19 pandemic.

Nonetheless, the E&E industry in Malaysia recovered and grew at a CAGR of 12.37% from RM422.18 billion in 2020 to RM598.97 billion in 2023, as the economy recovered upon the upliftment of movement restrictions.

E&E industry size, Malaysia, 2019 – 2023



Source: DOSM

## 8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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### • Semiconductor industry

As semiconductor manufacturing involves multiple complex processes (e.g. wafer fabrication, photolithography and etching), imaging, analytical and test equipment are required to monitor and detect any defects during the manufacturing process as well as to ensure the final semiconductor products meet the required specifications, functionality, quality and safety standards.

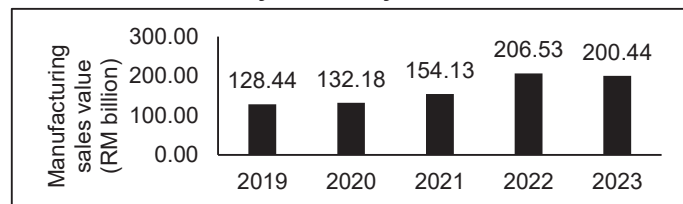
Therefore, growth in the semiconductor industry will drive the demand for imaging, analytical and test equipment and services to ensure that semiconductor products meet the required quality levels, minimise defects or faults, optimise performance and improve overall product reliability.

The semiconductor industry in Malaysia, measured by the manufacturing sales value of diodes, transistors and similar semiconductor devices as well as electronic integrated circuits ("ICs") micro assemblies, grew at a CAGR of 17.16% from RM128.44 billion in 2019 to RM206.53 billion in 2022.

Subsequently, the semiconductor industry in Malaysia declined by 2.95% from RM206.53 billion in 2022 to RM200.44 billion in 2023, in tandem with a 8.22% decline in global semiconductor sales according to World Semiconductor Trade Statistics, in view of a decrease in sales in the global optoelectronics, sensors and IC segments, in response to rising inflation rates and weakening demand in end-markets.

Nonetheless, the semiconductor industry in Malaysia is expected to recover and grow moving forward in view that global semiconductor sales will recover in 2024, which will thus continue to spur the growth of the imaging, analysis and testing industry in Malaysia.

**Semiconductor industry size, Malaysia, 2019 – 2023**



Source: DOSM

### ► Government support and initiatives will spur the growth of the imaging, analysis and testing industry in Malaysia

The outlook for certain end-user industries will benefit from strong support from the Government, which will positively impact the growth of the imaging, analysis and testing industry as the industry is driven by end-user industries such as E&E and aerospace.

According to the Budget 2023 tabled on 24 February 2023, as Malaysia has a great prospect in the E&E and aerospace sectors, the Government intends to extend the tax incentive given to manufacturing companies that relocate to Malaysia and the tax rate of 15% for C-suite until 2024 to attract companies that were affected by the COVID-19 to operate in Malaysia. Further, the Government also plans to extend the income tax incentives and investment tax allowances for the aerospace sector until 31 December 2025 to stimulate the expansion of existing companies and attract new investments. As such, with the anticipation of the growth of the E&E and aerospace sectors in Malaysia driven by the government initiatives, this may spur the demand for imaging, analytical and test equipment and services in Malaysia as the E&E manufacturing companies and aerospace companies will require imaging, analytical and test solutions to support among others, the inspection and testing of materials, components and structures of an E&E or aerospace product, and the R&D of E&E and aerospace to develop new innovative products or to enhance performance, efficiency and safety of E&E and aerospace systems and equipment.

Additionally, based on Budget 2024 tabled on 13 October 2023, in efforts to spur local industries towards higher value technology to enhance technology services, commercial intervention of R&D products and training, RM10 million will be allocated to the E&E technology field under MIMOS Berhad ("MIMOS"), aerospace technology field under Malaysian Space Agency ("MYSA") as well as the drone and robotics technology field under Malaysian Research Accelerator for Technology and Innovation ("MRANTI"). The development and progress in the E&E technology and aerospace technology fields supported by the government initiative is expected to drive the demand for imaging, analytical and test equipment and services as these equipment and services will be crucial in supporting various processes of the E&E and aerospace sectors, including R&D and quality assurance, amongst others.

### ► Rising adoption of IoT and Industry 4.0 technologies drives demand for imaging, analytical and test equipment and services

IoT refers to a network of devices and objects connected to each other through the internet, to facilitate data exchange and remote access. These smart devices feature wireless fidelity (Wi-Fi) connectivity, where they can be linked to a smartphone via a mobile application. Smart devices are gaining popularity as they allow owners to monitor and control the devices from remote locations, enabling them to save time and providing convenience. Examples of IoT applications include smart homes, wearables, smart cities, smart grids and industrial IoT. As more devices and systems become connected and integrated into the IoT ecosystem, the need for reliable imaging, analytical and test solutions become imperative. This is because IoT devices require high measurement accuracy, efficient data transmission, extensive data



## 8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

# SMITH ZANDER

collection capability, seamless connectivity, and compatibility with various networks and protocols. Thus, imaging, analytical and test equipment and services help ensure that these devices and system function accordingly upon deployment and integration, as well as achieve the required performance standards.

Moreover, the growth of the imaging, analysis and testing industry is also expected to be propelled by the rising adoption of Industry 4.0 technologies and applications. Industry 4.0, which is known as the Fourth Industrial Revolution, involves the integration of technologies into manufacturing and industrial processes. Industry 4.0 will further transform manufacturing-based industries to include digitalisation and autonomous manufacturing activities. These activities are likely to boost the use of imaging, inspection, analysis, testing and measurement techniques in manufacturing processes as the integration of automation, robotics, data analytics and/or artificial intelligence in industrial settings demand precise measurement and control of various parameters.

### Key Industry Risks and Challenges

#### ► Reliance on product principals for imaging, analytical and test equipment

Imaging, analytical and test solution providers in Malaysia rely on product principals for the supply and availability of high-quality, accurate and reliable equipment. By partnering with product principals, these solution providers are able to gain access to a diverse range of equipment.

Any changes in the business direction of the product principals may cause a direct impact on the imaging, analytical and test solution providers. For instance, in the event a product principal decides to cease the distribution of their equipment to the imaging, analytical and test solution provider, this would impede the solution provider's ability to offer solutions to its customers. As such, this may result in a disruption in the solution provider's business operations as well as hinder its ability to meet customer requirements.

Under such circumstances, the imaging, analytical and test solution provider will have to seek out alternative product principals. However, this can be time-consuming, costly and may not necessarily ensure seamless continuity of services.

#### ► Constant technological advancement resulting in the need for continuous innovation to remain competitive

In today's everchanging technological landscape, industries such as E&E, semiconductor, automotive, aerospace, healthcare, life science, material science, as well as oil and gas are constantly striving to develop new or enhanced innovative products that align with the latest technological trends. As these industries develop more complex products incorporating advanced technologies, the need for sophisticated and specialised imaging, analytical and test equipment emerges.

As such, it is imperative for imaging, analytical and test solution providers to stay ahead of the curve in offering the latest equipment that can effectively inspect and assess the performance and reliability of the latest products. If they fail to keep up with technological advancements, this could result in a loss of business opportunities. Inability to stay updated and invest in new technologies may subsequently affect the competitiveness of the imaging, analytical and test solution providers, resulting in customers turning to competitors who are able to offer more advanced solutions.

## 3 COMPETITIVE LANDSCAPE OF THE IMAGING, ANALYSIS AND TESTING INDUSTRY IN MALAYSIA

### Overview

The imaging, analysis and testing industry in Malaysia is fragmented due to the wide range of equipment offered in the market for various industries and applications. Product principals typically appoint local imaging, analytical and test solution providers in Malaysia such as Crest Group to distribute and sell their equipment to customers. Different industry players (i.e. distributors and solution providers) may specialise in different types of imaging, analytical and test equipment, with some focusing on offering equipment types catered for specific industries and/or applications while others offer equipment types which are catered to a broader range of industries and/or applications. As such, this diversity leads to a fragmented landscape where industry players may not offer precisely the same range or type of equipment as one another. Further, product principals may also directly provide customers with their equipment and services through locally established entities in Malaysia.

Local solution providers provide product principals access to a wide customer base and customers may often require equipment from various product principals to meet their requirements and budgets. As such, these customers may prefer to engage with solution providers who offer a diverse range of equipment from multiple product principals.

The barriers to entry of the imaging, analysis and testing industry are technical expertise and rapid technological advancements. For instance, solution providers are required to have specialised knowledge to develop and implement suitable solutions to cater to different customer requirements. Hence, the complexity of the technology and know-how involved may prove challenging for new entrants to quickly develop the necessary expertise. Moreover, as the imaging,

**8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)****SMITH ZANDER**

analysis and testing industry is constantly evolving with new technologies and techniques are continually emerging, the solution providers are thus required to constantly keep themselves updated with the latest advancements and incorporating them into their solutions to remain competitive. Given that established imaging, analytical and test solution providers may hold a distinct advantage in accessing the latest technological updates, this could pose challenges for new entrants to attain a comparable level of technological parity.

**Key Industry Players**

As Crest Group is principally involved in the provision of imaging, analytical and test solutions used primarily for quality inspection, sample analysis and R&D, companies which are incorporated in Malaysia and are involved in the sale of third party imaging, analytical and test equipment which are similar to Crest Group's is used as the basis for selection of the key industry players in Malaysia.

Premised on the above, the list of key industry players in the imaging, analysis and testing industry in Malaysia is as follows:

Company name	Principal activities	Latest available financial year	Revenue <sup>(a)</sup> (RM million)	Gross profit (RM million)	Gross profit margin (%)	Profit after tax (RM million)	Profit after tax margin (%)
QES Group Berhad	Manufacturing, distribution and provision of engineering services for inspection, test, measuring, analytical and automated handling equipment	31 December 2023	240.67	60.92	25.31	19.16	7.96
Crest Group	Provision of imaging, analytical and test solutions used primarily for quality inspection, sample analysis and R&D	31 December 2023	187.62	53.53	28.53	20.10	10.71
Interscience Sdn Bhd	Dealer of scientific equipment and chemicals	31 December 2022	97.56	22.76	23.33	3.17	3.25
Symphony Engineering Sdn Bhd	Trading and the provision of engineering services for general, E&E equipment and machineries for industrial, commercial and domestic purposes	31 December 2022	58.57	7.51	12.82	1.83	3.12
CLMO Technology Sdn Bhd	Trading, installation and maintenance of technological equipment	31 December 2023	46.23	19.71	42.63	7.39	15.99
Hi-Tech Instruments Sdn Bhd	Marketing of scientific instruments	30 September 2023	41.43	N/A <sup>(b)</sup>	N/A <sup>(b)</sup>	1.51	3.64
MTSC Solution Sdn Bhd	Trading of new and used equipment and provision of consultation and services in the area of test, process and laboratory	31 March 2023	24.27	13.19	54.35	4.35	17.92

**8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)****SMITH ZANDER**

Company name	Principal activities	Latest available financial year	Revenue <sup>(a)</sup> (RM million)	Gross profit (RM million)	Gross profit margin (%)	Profit after tax (RM million)	Profit after tax margin (%)
Cairnhill Metrology Sdn Bhd (a subsidiary of Cairnhill Metrology Pte Ltd <sup>(c)</sup> )	Marketing, trading and servicing measuring tools and precision equipment	30 September 2023	23.16	N/A <sup>(b)</sup>	N/A <sup>(b)</sup>	0.17	0.73

**Notes:**

- The identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.
  - For the purpose of this IMR Report, companies with revenue of at least RM20.00 million in their latest available respective financial years is used as a cut-off point to shortlist the key industry players. Companies with revenue below RM20.00 million in their latest available respective financial years have not been shortlisted.
- (a) Revenue of industry players may include revenue derived from other business activities (i.e. business activities other than the sale of imaging, analytical and test equipment) and/or revenue derived from countries outside Malaysia.
- (b) N/A – Not available as gross profit is not reported in the annual report.
- (c) Cairnhill Metrology Pte Ltd, a Singapore private company is the immediate holding company of Cairnhill Metrology Sdn Bhd and is involved in the provision of industrial metrology solutions.

Sources: Crest Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

Apart from the companies listed in the table above, there are some foreign product principals who may directly sell to customers through their locally established entities in Malaysia, thus competing with the local imaging, analytical and test solution providers. Examples of Malaysian entities established by foreign product principals include Shimadzu Malaysia Sdn Bhd and Hitachi High-Tech IPC (Malaysia) Sdn Bhd.

**Industry/Market Share**

In 2023, the imaging, analysis and testing industry size in Malaysia was recorded at RM7,251 million. For the financial year end 31 December 2023, Crest Group's revenue derived from Malaysia was recorded at RM70.54 million, and thereby Crest Group captured a market share of 0.97% in the imaging, analysis and testing industry in Malaysia.

**4 THE IMAGING, ANALYSIS AND TESTING INDUSTRY IN CHINA, THAILAND, SINGAPORE AND VIETNAM****Industry Performance, Size and Growth**

As Crest Group has business presence in China, Thailand and Singapore, and is planning to expand its business presence to Vietnam, this section covers the imaging, analysis and testing industry in China, Thailand, Singapore and Vietnam.

The imaging, analysis and testing industry in China experienced growth from 2019 to 2023 at a CAGR of 5.30%. Overall, from 2019 to 2023, the test and measurement equipment segment recorded the largest growth at a CAGR of 6.64% amongst the three segments, followed by microscopes and X-ray related equipment, and mechanical testing, physical and/or chemical analysis equipment, which recorded CAGRs of 5.24% and 3.01% respectively.

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## 8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

SMITH ZANDER

## Imaging, analysis and testing industry size, China, 2019 – 2023

Segments	Industry size <sup>1</sup> (Million)					CAGR (2019 – 2023)
	2019 <sup>2</sup>	2020 <sup>2</sup>	2021 <sup>2</sup>	2022 <sup>2</sup>	2023 <sup>2</sup>	
Microscopes and X-ray related equipment	CNY26,381 (RM15,823)	CNY27,968 (RM17,038)	CNY26,897 (RM17,287)	CNY28,944 (RM18,929)	CNY32,358 (RM20,842)	5.24%
Mechanical testing, physical and/or chemical analysis equipment	CNY52,563 (RM31,527)	CNY58,392 (RM35,572)	CNY54,302 (RM34,900)	CNY57,667 (RM37,714)	CNY59,190 (RM38,124)	3.01%
Test and measurement equipment	CNY85,945 (RM51,550)	CNY93,108 (RM56,721)	CNY104,623 (RM67,241)	CNY105,213 (RM68,809)	CNY111,163 (RM71,600)	6.64%
<b>Total</b>	<b>CNY164,889 (RM98,900)</b>	<b>CNY179,468 (RM109,332)</b>	<b>CNY185,822 (RM119,428)</b>	<b>CNY191,824 (RM125,453)</b>	<b>CNY202,711 (RM130,566)</b>	<b>5.30%</b>

Sources: General Administration of Customs of the People's Republic of China, SMITH ZANDER

The imaging, analysis and testing industry in Thailand experienced growth from 2019 to 2023 at a CAGR of 3.19%. Overall, from 2019 to 2023, the microscopes and X-ray related equipment segment recorded the largest growth at a CAGR of 5.25%, followed by mechanical testing, physical and/or chemical analysis equipment, and test and measurement equipment, which recorded CAGRs of 4.91% and 1.91% respectively.

## Imaging, analysis and testing industry size, Thailand, 2019 – 2023

Segments	Industry size <sup>1</sup> (Million)					CAGR (2019 – 2023)
	2019 <sup>2</sup>	2020 <sup>2</sup>	2021 <sup>2</sup>	2022 <sup>2</sup>	2023 <sup>2</sup>	
Microscopes and X-ray related equipment	THB5,412 (RM722)	THB5,430 (RM729)	THB4,987 (RM646)	THB5,472 (RM687)	THB6,641 (RM870)	5.25%
Mechanical testing, physical and/or chemical analysis equipment	THB10,712 (RM1,430)	THB9,719 (RM1,305)	THB11,767 (RM1,525)	THB12,858 (RM1,614)	THB12,977 (RM1,701)	4.91%
Test and measurement equipment	THB24,326 (RM3,247)	THB20,139 (RM2,705)	THB24,942 (RM3,232)	THB28,193 (RM3,539)	THB26,237 (RM3,439)	1.91%
<b>Total</b>	<b>THB40,450 (RM5,400)</b>	<b>THB35,288 (RM4,739)</b>	<b>THB41,696 (RM5,403)</b>	<b>THB46,523 (RM5,841)</b>	<b>THB45,855 (RM6,010)</b>	<b>3.19%</b>

Sources: Ministry of Commerce of Thailand, SMITH ZANDER

The imaging, analysis and testing industry in Singapore experienced growth from 2019 to 2022 at a CAGR of 20.75%. Subsequently, the imaging, analysis and testing industry in Singapore declined by 35.38% year-on-year in 2023 which was primarily due to a decline in the test and measurement equipment segment.

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<sup>2</sup> Exchange rates from CNY, THB and USD to RM in this IMR Report were converted based on average annual exchange rates extracted from published information from Bank Negara Malaysia:

	2019	2020	2021	2022	2023
CNY1=RM	0.5998	0.6092	0.6427	0.6540	0.6441
THB100=RM	13.3489	13.4309	12.9574	12.5543	13.1073
USD1=RM	4.1427	4.2016	4.1454	4.4005	4.5653

**8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)****SMITH ZANDER****Imaging, analysis and testing industry size, Singapore, 2019 – 2023**

Segments	Industry size <sup>1</sup> (Million)					CAGR (2019 – 2023)
	2019 <sup>2</sup>	2020 <sup>2</sup>	2021 <sup>2</sup>	2022 <sup>2</sup>	2023 <sup>2</sup>	
Microscopes and X-ray related equipment	USD447 (RM1,852)	USD373 (RM1,567)	USD445 (RM1,845)	USD488 (RM2,147)	USD460 (RM2,100)	0.72%
Mechanical testing, physical and/or chemical analysis equipment	USD1,433 (RM5,936)	USD1,360 (RM5,714)	USD1,612 (RM6,682)	USD1,910 (RM8,405)	USD1,866 (RM8,519)	6.82%
Test and measurement equipment	USD1,629 (RM6,748)	USD2,292 (RM9,630)	USD3,433 (RM14,231)	USD3,780 (RM16,634)	USD1,666 (RM7,606)	0.56%
<b>Total</b>	<b>USD3,509 (RM14,537)</b>	<b>USD4,025 (RM16,911)</b>	<b>USD5,490 (RM22,758)</b>	<b>USD6,178 (RM27,186)</b>	<b>USD3,992 (RM18,225)</b>	<b>3.28%</b>

Sources: United Nations ("UN") Comtrade, SMITH ZANDER

The imaging, analysis and testing industry in Vietnam experienced growth from 2019 to 2023 at a CAGR of 2.88%. Overall, from 2019 to 2023, the test and measurement equipment segment recorded the largest growth at a CAGR of 5.17%, followed by mechanical testing, physical and/or chemical analysis equipment which recorded a CAGR of 0.43%. The microscopes and X-ray related equipment segment recorded a negative CAGR of -11.68% from 2019 to 2023 due to lower demand.

**Imaging, analysis and testing industry size, Vietnam, 2019 – 2023(e)**

Segments	Industry size <sup>1</sup> (Million)					CAGR (2019 – 2023 (e))
	2019 <sup>2</sup>	2020 <sup>2</sup>	2021 <sup>2</sup>	2022 <sup>2</sup>	2023(e) <sup>2</sup>	
Microscopes and X-ray related equipment	USD166 (RM688)	USD126 (RM529)	USD124 (RM514)	USD101 (RM444)	USD101 (RM461)	-11.68%
Mechanical testing, physical and/or chemical analysis equipment	USD348 (RM1,442)	USD305 (RM1,281)	USD427 (RM1,770)	USD342 (RM1,505)	USD354 (RM1,616)	0.43%
Test and measurement equipment	USD1,168 (RM4,839)	USD1,081 (RM4,542)	USD1,309 (RM5,426)	USD1,306 (RM5,747)	USD1,429 (RM6,524)	5.17%
<b>Total</b>	<b>USD1,682 (RM6,968)</b>	<b>USD1,512 (RM6,353)</b>	<b>USD1,860 (RM7,710)</b>	<b>USD1,749 (RM7,696)</b>	<b>USD1,884 (RM8,601)</b>	<b>2.88%</b>

Note :

- (e) – Estimated by SMITH ZANDER.

Sources: UN Comtrade, SMITH ZANDER

**Industry/Market Share**

In 2023, the imaging, analysis and testing industry size in China was recorded at CNY202,711 million (RM130,566 million). For the financial year end 31 December 2023, Crest Group's revenue derived from China was recorded at RM45.04 million, and thereby Crest Group captured a market share of 0.03% in the imaging, analysis and testing industry in China.

Further, in 2023, the imaging, analysis and testing industry size in Vietnam was recorded at an estimated USD1,884 million (RM8,601 million). For the financial year end 31 December 2023, Crest Group's revenue derived from Vietnam was recorded at RM1.72 million, and thereby Crest Group captured a market share of 0.02% in the imaging, analysis and testing industry in Vietnam.

**5 PROSPECTS AND OUTLOOK**

The imaging, analysis and testing industry in Malaysia decreased by 17.59% from RM5,258 million in 2019 to RM4,333 million in 2020 due to a decline in microscopes and X-ray related equipment, as well as test and measurement equipment, caused by declining demand for these equipment resulting from the economic slowdown amidst the COVID-19 pandemic. Nonetheless, the imaging, analysis and testing industry in Malaysia recovered and grew from RM4,333 million in 2020 to RM7,251 million in 2023 at a CAGR of 18.72%.

## 8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

# SMITH ZANDER

The growth prospects in the imaging, analysis and testing industry in Malaysia is expected to be driven by the following factors:

► **The demand for imaging, analytical and test equipment and services is driven by the growth of various industries that utilise such equipment and services**

The demand for imaging, analytical and test equipment and services is driven by the growth of various industries that utilise such equipment and services such as E&E, semiconductor, automotive, aerospace, healthcare, life science, material science as well as oil and gas. As E&E and semiconductor are the key industries that Crest Group supports, the growth of these industries is elaborated below:

• **E&E industry**

Imaging, analytical and test equipment and services are essential in verifying the performance and functionality of E&E products, to detect any defects or faults and ensure that the products meet the required operational and safety standards and specifications. Further, imaging, analytical and test equipment and services also aid in promoting the advancement of technology, innovation and development of new E&E products by facilitating various aspects of the product development and improvement process.

In 2020, the E&E industry size in Malaysia declined by 0.48% from RM424.23 billion in 2019 to RM422.18 billion in 2020. Nonetheless, the E&E industry in Malaysia recovered and grew at a CAGR of 12.37% from RM422.18 billion in 2020 to RM598.97 billion in 2023.

• **Semiconductor industry**

Growth in the semiconductor industry will drive the demand for imaging, analytical and test equipment and services to ensure that semiconductor products meet the required quality levels, minimise defects or faults, optimise performance and improve overall product reliability.

The semiconductor industry in Malaysia, measured by the manufacturing sales value of diodes, transistors and similar semiconductor devices as well as electronic ICs micro assemblies, grew at a CAGR of 17.16% from RM128.44 billion in 2019 to RM206.53 billion in 2022. Subsequently, the semiconductor industry in Malaysia declined by 2.95% from RM206.53 billion in 2022 to RM200.44 billion in 2023. Nonetheless, the semiconductor industry in Malaysia is expected to recover and grow moving forward in view that global semiconductor sales will recover in 2024, which will thus continue to spur the growth of the imaging, analysis and testing industry in Malaysia.

► **Government support and initiatives**

The outlook for certain end-user industries will benefit from strong support from the Government, which will positively impact the growth of the imaging, analysis and testing industry as the industry is driven by end-user industries such as E&E and aerospace. The Government support and initiatives include the extension of tax incentive given to manufacturing companies that relocate to Malaysia and the tax rate of 15% for C-suite until 2024, extension of income tax incentives and investment tax allowances for the aerospace sector until 31 December 2025, and allocation of RM10 million to the E&E technology field under MIMOS, aerospace technology field under MYSA as well as the drone and robotics technology field under MRANTI.

► **Rising adoption of IoT and Industry 4.0 technologies**

IoT refers to a network of devices and objects connected to each other through the internet, to facilitate data exchange and remote access. As more devices and systems become connected and integrated into the IoT ecosystem, the need for reliable imaging, analytical and test solutions become imperative. This is because IoT devices require high measurement accuracy, efficient data transmission, extensive data collection capability, seamless connectivity, and compatibility with various networks and protocols. Thus, imaging, analytical and test equipment and services help ensure that these devices and system function accordingly upon deployment and integration, as well as achieve the required performance standards.

The rising adoption of Industry 4.0 technologies and applications is likely to boost the use of imaging, inspection, analysis, testing and measurement techniques in manufacturing processes as the integration of automation, robotics, data analytics and/or artificial intelligence in industrial settings demand precise measurement and control of various parameters.

Given the growth of various industries that utilise imaging, analytical and test equipment and services, particularly the E&E and semiconductor industries, combined with government support and initiatives as well as the rising adoption of IoT and Industry 4.0 technologies, the imaging, analysis and testing industry in Malaysia is expected to experience positive prospects and outlook. Therefore, the prospects and outlook of Crest Group are expected to remain positive and favourable.

## 9. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we and to a large extent, our business and operations are subject to legal, regulatory and business risks where we operate. Our operations are also subject to a number of factors, many of which are outside our control. Before making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations set out below.

### 9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

#### 9.1.1 We depend on our ability to maintain our business relationship with our existing customers and to secure new customers

Our profitability and financial performance are dependent, to a large extent, on our ability to maintain and strengthen our business relationship with our existing customers and also to secure new customers. Our provision of equipment and imaging, analytical and test solutions to our pool of customers are mostly on a purchase order basis and there can be no assurance that purchase orders will continue to be issued. The purchases of our customers are, in addition, primarily dependent on individual capital expenditure, expansion plans and business strategies and therefore, our customers have no obligation to continue to engage us for provision of our solutions and services.

Generally, the services which we provide to our customers include lab services and after-sales services which comprise technical support and maintenance services as well as sale of consumables and as such, we are not dependent on purchases from any individual customer. However, our ability to maintain the business relationship with our existing customers as well as securing new customers is dependent on various factors, including, but not limited to, the following:

- (a) our ability to keep abreast with rapid technological advances in order to meet our customers' specifications and cater to our customers' operational needs;
- (b) any unexpected changes in our customers' business and budget plans; and
- (c) any factors beyond our control or adverse economic conditions which have a material effect on the equipment industry.

In the event we are unsuccessful in adapting to such development or circumstance in a timely manner, we may lose our customers and may face difficulty in securing sales from new customers, thus affecting our financial performance.

#### 9.1.2 We are reliant on our equipment principals

Our Group relies on our equipment principals for the imaging, analytical and test equipment that we supply. As our Group does not manufacture or develop the equipment, our Group relies on the partnership with our equipment principals for our supply of a diverse range of equipment portfolio in order to meet our customers' demands.

In the event our equipment principals decide to cease distribution of certain equipment or a change in their business direction, this may result in disruption to our business and operations. Under such circumstances, our Group will need to seek out alternative equipment principals. However, this may take time and affect our ability to continuously meet customers' demands.

Further, our Group is also reliant on us maintaining our status as a registered distributor with our top 2 major suppliers for the equipment that we sell as part of our imaging, analytical and test solutions as disclosed in Section 7.15 of this Prospectus, by virtue of our Group's total purchases for the Financial Years Under Review and FPE 2024.

## 9. RISK FACTORS (Cont'd)

Supplier Group A is one of our top 2 major suppliers for the Financial Years Under Review and FPE 2024. Our purchases from Supplier Group A accounted for approximately 42.71%, 41.41%, 42.27%, 40.92% and 30.13% of our Group's total purchases for the FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively.

Supplier Group B is our other top 2 major suppliers for the Financial Years Under Review and FPE 2024. Our purchases from Supplier Group B accounted for approximately 18.49%, 20.79%, 21.10%, 23.70% and 25.61% of our Group's total purchases for the FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively.

Both Supplier Group A and Supplier Group B have been our suppliers for the past 9 years as at the LPD and we have subsisting distributorship agreements with both these suppliers. In this respect, both our top major suppliers have discretion with regards to the renewal of the distribution agreements. In the event our top 2 major suppliers grant new distributorships within the regions which we operate in, we may face increased competition in our industry. On the other hand, in the event our top 2 major suppliers choose to not renew or terminate our distributorship, our financial performance may be adversely affected.

Although we have established a good and long-standing relationship with our top 2 major suppliers, there is no assurance that there will be no disruption in supply from, or change in the relationship with, our top 2 major suppliers moving forward. We will continuously strive to expand our product range and secure new distributorships, as well as extend our industry coverage to new end-user customer industries in order to diversify our range of equipment and solutions, and hence, our industry coverage and customer portfolio.

Any loss of our equipment principals or our top 2 major suppliers and our inability to replace them in a timely manner will negatively affect our Group's business operations and financial performance. As at the LPD, we have not been informed of any potential changes in the business strategies of our product principals which may materially affect our supply chain nor have we encountered any dispute or disagreement with any of our suppliers which has materially affected or may materially affect our business operations.

### 9.1.3 We are dependent on our Key Senior Management for the continued success and growth of our Group

We believe that our growth and success are, to a significant extent, dependent on the continued service, performance and efforts of our Executive Directors who play pivotal roles in our Group's day-to-day operations and who are adept and have extensive experience and market understanding in our business and industry. Our Executive Directors, LSW, ACM and YKM have been instrumental in the development of our business since our inception and have over the years, established long term relationships and built a network of customers and suppliers in the industry which significantly contribute to the continued success of our Group.

We are also reliant on the continued service of our Key Senior Management who have in-depth technical and operational knowledge relevant to the demands of our business operations as well as the needs of our customers, some of whom have been with our Group for over 20 years and are actively involved in the day-to-day operations and implementation of our business strategies. Our Key Senior Management play a significant role to the continuing success of our Group and is integral to the business and future development of our Group.

However, there is no assurance that we will be able to retain our Key Senior Management. The prevailing job market is ever competitive and this may result in difficulty in staff retention who may choose to pursue other opportunities. The loss of services from any of our Key Senior Management without suitable or timely recruit for replacements may result in an adverse effect on our Group's operations and financial conditions. For further information on the profiles of our Key Senior Management, please refer to Sections 5.1.2 and 5.4.3 of this Prospectus.



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**9. RISK FACTORS (Cont'd)**

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**9.1.4 We are exposed to fluctuations in foreign exchange rates**

We are exposed to fluctuations in foreign exchange rates as a certain part of our sales and purchases are transacted in foreign currencies. Our revenue denominated in foreign currencies accounted for 57.6%, 57.3%, 61.2%, 76.3% and 63.3% of our total revenue respectively, for the FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024. Our purchases denominated in foreign currencies accounted for 91.5%, 94.0%, 94.4%, 96.0% and 99.2% of our total purchases respectively, for the FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024. As such, any significant change in foreign exchange rates may affect our financial results. Please refer to Section 12.11 of this Prospectus for the breakdown of our revenue and purchases transacted in RM and the respective foreign currencies during the Financial Years Under Review and FPE 2024.

The financial statements of our subsidiaries in Singapore are denominated in USD, whereas the financial statements of our subsidiaries in Thailand and the PRC are denominated in their respective local currencies THB and RMB. Consequently, any future fluctuations in foreign currencies against the RM may have an impact on our Group's reported profits.

We usually factor in a buffer during our quotation preparation stage to cater for foreign exchange fluctuations in our sale and purchase transactions. We coordinate our sales and purchases to be in the same currency as much as possible to minimise our foreign exchange exposure as a form of natural hedging. From time to time, we use hedging instruments to manage our foreign exchange exposure from overseas purchases to mitigate the adverse effect on our financial performance. Notwithstanding that, there can be no assurance that the exchange rate fluctuations will not affect our Group's financial performance. Any adverse fluctuations in the foreign exchange rates may have an adverse impact on our Group's revenue and earnings.

**9.1.5 We are subject to operational risks and the risk of inadequate insurance compensation**

Due to the nature of our business, we are susceptible to various operational risks such as accidents, outbreaks of fire or floods and natural disasters, which may cause disruption to our business operations and damage to our inventory, demonstration equipment, office and shipment. For the Financial Years Under Review up to the LPD, we have not encountered any major disruptions due to operational risks. However, there can be no assurance that any occurrence of major incident in the future would not adversely disrupt our business operations.

We currently secure and maintain various general insurance policies for our business operations which coverage includes property all risks, personal accident and public liability. However, all the insurance policies undertaken by us are subject to exclusions and limitation of liabilities, both in amount and with respect to the insured events. Our insurance policies undertaken are also subject to periodic renewals, such renewals may affect factors such as insurance premium, terms and policy limits.

Although the insurance we maintain are adequate coverage for our business and customary to our industry and level of operations, there can be no assurance that in the event of insurance claims, our insurance coverage would be sufficient to compensate in all circumstances the extent of losses, damages or liabilities incurred. Consequently, our business and financial performance may be materially and adversely affected.

## **9. RISK FACTORS (Cont'd)**

### **9.2 RISKS RELATING TO OUR INDUSTRY**

#### **9.2.1 We face uncertainties on the end-user industries of our customers**

The business of our Group may be reliant on the end-user industries of our customers. The end-user industries of our customers may be adversely affected by numerous factors such as changes in technology, decrease in regional or global demand, as well as political, economic, and regulatory risks. In the event of negative performance in the end-user industries of our customers, this may in turn affect the demand for our Group's solutions and equipment. There is no assurance that we would be able to continually anticipate changes in the market, consumer preferences and market trends. If we are unable to adapt to such market conditions promptly, our business operations and financial performance would be materially affected.

#### **9.2.2 We are subject to technology advances and evolution**

Our Group operates in an environment which is primarily focused on the utilisation of equipment, as such, we are required to continuously keep abreast the inherent rapid rate of technological evolution and the resultant ever-changing operational needs of our customers. Our industry frequently introduces improved and/or substitute technologies and in order for us to consistently offer quality and value-added services, it is imperative that we continue to seek feedback from our customers, participate in training and be involved in trade fairs and exhibitions to keep pace with latest technology developments in our industry.

While we seek to minimize these risks by actively and continuously procuring the newest model of equipment carried by our Group and pursuing advancement of our knowledge and expertise so as to enable us to cater to the specification demands and/or technological needs of our customers, there is however no guarantee that our range of equipment and/or solutions will continuously meet the customers' changing expectations. There is no assurance that we will be able to successfully anticipate technological changes and adapt in a timely manner. In such situation, our Group's business, financial conditions and results of operations may be adversely affected.

#### **9.2.3 We face competition from other industry players**

Notwithstanding our competitive advantages and key strengths, we continue to face competition from other existing and prospective local and international industry players which may be capable of offering similar equipment and solutions. The key areas of competition for our business comprise quality of services, pricing, proximity to customers and the range of solutions and equipment provided.

Whilst we strive to remain competitive, there can be no assurance that we will be able to compete effectively against our competitors and also new market entrants which may in turn affect our profit margins and/or a reduction in orders from our customers which may have a material and adverse impact on our business and financial performance.

#### **9.2.4 We are subject to economic, social, political and regulatory risks in the countries in which we operate**

We have business operations in Malaysia, the PRC, Singapore and Thailand. Accordingly, our business is subject to risks associated with conducting business internationally because we sell our solutions and, to a certain extent, purchase equipment, parts and components from overseas. We also have market presence in both local and international markets and therefore, we are susceptible to legal, regulatory, political and economic conditions as well as operational risks in the countries in which we operate.

## 9. RISK FACTORS (Cont'd)

In addition, our business is subject to various laws, rules and regulations. Please refer to Annexure A of this Prospectus for the list of our major licenses, permits and approvals. Our major licenses, permits and approvals are subject to compliance with relevant conditions where applicable. In the event of non-compliance, these licenses, permits and approvals may be revoked or may not be successfully renewed upon expiry. As at the LPD, our Group has complied with the conditions imposed on all our major licenses, permits and approvals from various governmental authorities and there is no action, pending or threatened, against us under any laws and regulations. However, any revocation or failure to maintain or renew any of the licenses, permits and approvals may disrupt and materially affect our business operations and financial performance.

As we continue to expand our business to foreign markets, our financial condition and results of operations could be affected by a variety of factors, including:

- Political and economic instability, including unfavourable changes in government policies resulting in the introduction of new regulations pertaining to our business as well as global and regional macroeconomic disruptions such as natural calamities, pandemics or other risks related to countries where we procure our equipment, components and parts or sell our solutions;
- Changes in trade protection measures and import or export restrictions and/or licencing requirements;
- Changes and risks with respect to international taxation, including transfer pricing regulations;
- Managing widespread operations and any increased travel, infrastructure and legal compliance costs associated with multiple international locations, particularly due to the imposing of any restrictions due to any public health outbreak of any contagious or virulent diseases;
- Difficulties in enforcing contracts and collecting accounts receivable because of distance and different legal rules;
- Global or domestic recession or economic slowdown; and
- Risks with respect to social and political crises resulting from terrorism, war and riots, amongst others.

Notwithstanding that our Group has not experienced any adverse political, economic, social and regulatory changes which has adversely affected our business operations and financial performance, our Group will continue to adopt prudent management and efficient operating procedures to mitigate these factors. Nevertheless, there can be no assurance that any adverse development in the economic, social, political and regulatory environment will not materially affect our Group's future financial results.

### 9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

#### 9.3.1 There is no prior market for our Shares

Prior to our Listing, there has been no prior market for our Shares. Our Listing does not guarantee that an active market for the trading of our Shares will develop, or if developed, that 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. RISK FACTORS (Cont'd)

Our IPO Price was determined after taking into consideration a number of factors as set out in Section 4.5 of this Prospectus, including but not limited to our historical financial performance, competitive strengths, business strategies and prospects, as well a financial and operating history.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon or subsequent to our Listing and that the market price of our Shares will not decline below the IPO Price.

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

The trading price and trading volume of our Shares could be subject to fluctuations as a result of various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. Such factors may include variations in the results of our operations, changes in analyst's recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, the performance of the share prices and trading volumes of other companies listed on Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the 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 volume witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

### 9.3.3 There is no assurance of payment of dividends to our shareholders

Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded, excess of funds not required to be retained for working capital for our business, anticipated capital expenditure requirements, gearing and other investment plans. Further, our Company is a holding company and all our operations are primarily conducted through our subsidiaries and as such, our Company relies on dividends and other distributions from our subsidiaries as our Company's principal source of income.

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. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected.

Please refer to Section 12.15 of this Prospectus for further information on our dividend policy.

### 9.3.4 There may be a delay in or abortion of our Listing

Our IPO is exposed to the risk of potential failure or delay should the following events, amongst others, occur:

- (i) we are unable to meet the minimum public spread requirements under the Listing Requirements, i.e. at least 25% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the time of our Listing; or
- (ii) the Underwriter exercising its rights under the Underwriting Agreement to discharge itself of its obligations under such agreement;
- (iii) the revocation of the approvals from the relevant authorities prior to our Listing and/or admission for whatever reason.

Should any of the events occur, investors will not receive any Shares, and all monies paid in respect of the Application will be returned in full without interest within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

## 9. RISK FACTORS (Cont'd)

If our Listing is aborted and our Shares have been allotted to the investors, the return of monies to investors could only be achieved by way of cancellation of share capital as provided under Section 116 or 117 of the Act and its related rules. Such cancellation requires, among others, the sanction of our shareholders by special resolution in a general meeting and consent of our creditors (if required). There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

### 9.3.5 The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares

Following our Listing, we will have in issue 865,598,000 Shares, of which up to 234,595,300 Shares, will be held by investors participating in our Listing (representing approximately 27.10% of our enlarged issued share capital) and 72.28% will be held by the Promoters and substantial shareholders via their direct interests in our Company. Our Shares offered pursuant to our Listing will be tradable on the ACE Market of Bursa Securities following our Listing.

Notwithstanding our existing level of cash and cash equivalents, we may issue additional Shares in connection with our financing activities or otherwise. In addition, the Promoters and substantial shareholders could dispose of some or all of our Shares which they hold after the moratorium period pursuant to their own investment objectives. If the Promoters and substantial shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

## 9.4 OTHER RISK

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

Upon completion of our IPO, our Promoters will collectively hold, directly and indirectly, an aggregate of 625,608,900 Shares, representing approximately 72.28% of our enlarged issued Shares. As a result, these shareholders, acting together, will be our controlling shareholders and have voting control over our Company and are expected to have significant influence on the outcome of certain matters, unless they are required to abstain from voting by law and/or by the relevant authorities. However, there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders.

Nevertheless, our Company has appointed 4 Independent Directors and they will play an active role in our Board's deliberations to ensure future transactions involving related parties are entered into on an arms-length basis, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

### 9.4.2 Forward-looking statements in this Prospectus are subject to uncertainties and contingencies

Certain statements or expectations or forecasts in this Prospectus are based on historical data which may not be reflective of future results. Forward-looking statements in this Prospectus are based on assumptions and subject to uncertainties and contingencies.

Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such prospective statements or expectations or forecasts will subsequently materialise and the actual results may be materially different than those shown. Any deviation from these statements or expectations may have a material adverse effect on our business and financial performance.

**10. RELATED PARTY TRANSACTIONS**

**10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS**

Save as disclosed below, there are no existing or proposed material related party transactions which involved the interest, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them for the Financial Years Under Review, FPE 2024 and from 1 May 2024 up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2024		From 1 May 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
i.	Sub-contractor: ALY Venture Sdn Bhd <sup>(1)</sup> ("ALY") <i>(formerly known as Crest Precision Sdn Bhd)</i>  Client: Crest Systems	Interested Directors <sup>(2)</sup> • LSW • ACM • YKM	Provision of support service such as arranging for meetings, presentations and/or demonstrations of new equipment on behalf of Crest Systems. <sup>(3)</sup> This arrangement was terminated with effect from 1 October 2022.	1,200	1.37 <sup>(a)</sup>	1,020	0.97 <sup>(a)</sup>	450	0.36 <sup>(a)</sup>	-	-	-	-	-	-
ii.	Sub-contractor: Crest Lab  Client: ALY <sup>(1)</sup>	Interested Directors <sup>(2)</sup> • LSW • ACM • YKM	Provision of preventive maintenance and support service from Crest Lab to ALY. <sup>(4)</sup>	276	0.22 <sup>(b)</sup>	-	-	-	-	-	-	-	-	-	-

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2024		From 1 May 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
iii.	<p><u>Landlord:</u> ALY <sup>(1)</sup></p> <p><u>Tenants:</u> a) Crest Systems b) Crest Lab c) Crest Nanosolutions d) Crest Analytic</p>	<p>Interested Directors <sup>(2)</sup></p> <ul style="list-style-type: none"> <li>• LSW</li> <li>• ACM</li> <li>• YKM</li> </ul>	Rental of property for use as office. <sup>(5)</sup>	166	1.28 <sup>(c)</sup>	166	1.27 <sup>(c)</sup>	166	1.12 <sup>(c)</sup>	324	1.80 <sup>(c)</sup>	108	1.52 <sup>(c)</sup>	108	N/A <sup>(d)</sup>
iv.	<p><u>Landlord:</u> ALY <sup>(1)</sup></p> <p><u>Tenant:</u> Crest Systems</p>	<p>Interested Directors <sup>(2)</sup></p> <ul style="list-style-type: none"> <li>• LSW</li> <li>• ACM</li> <li>• YKM</li> </ul>	Rental of property to Crest Systems for use as office. <sup>(6)</sup>	-	-	-	-	-	-	76	0.42 <sup>(c)</sup>	25	0.35 <sup>(c)</sup>	25	N/A <sup>(d)</sup>
v.	<p><u>Landlord:</u> ALY <sup>(1)</sup></p> <p><u>Tenant:</u> Matrix Optics</p>	<p>Interested Directors <sup>(2)</sup></p> <ul style="list-style-type: none"> <li>• LSW</li> <li>• ACM</li> <li>• YKM</li> </ul>	Rental of property to Matrix Optics for use as office. <sup>(7)</sup>	-	-	-	-	-	-	47	0.26 <sup>(c)</sup>	77	1.08 <sup>(c)</sup>	77	N/A <sup>(d)</sup>

**Notes:**

- (a) Based on our Group's cost of sales for each of the respective FYE.
- (b) Based on our Group's audited revenue for each of the respective FYE.
- (c) Based on our Group's administrative expenses for each of the respective FYE and FPE.
- (d) Not applicable as our Company did not prepare any financial statements from 1 May 2024 up to the LPD.

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

- (1) LSW, ACM and YKM are directors and substantial shareholders of ALY. Their shareholdings in ALY are 34%, 33% and 33% respectively as at LPD.
  - (2) LSW, ACM and YKM are our Promoters and substantial shareholders.
  - (3) Crest Systems engaged ALY to provide support service such as arranging for meetings, presentations and/or demonstrations of new equipment on behalf of Crest Systems. Based on the transfer pricing documentation, the transaction was consistent with the arm's length principle based on the return on sales of comparable companies. This arrangement was terminated with effect from 1 October 2022.
  - (4) ALY engaged Crest Lab in June 2020 to provide preventive maintenance and support service. Based on the transfer pricing documentation, the transaction was consistent with the arm's length principle based on the return on sales of comparable companies. This transaction was a one-off transaction and Crest Lab will not enter into any further transactions with ALY of similar nature moving forward.
  - (5) Pursuant to the tenancy agreements dated 1 October 2019, 1 October 2020 and 1 October 2021 between Crest Precision Sdn Bhd (now known as ALY) and the tenants for the rental of office premises located at No.1 Jalan OP 1/2, One Puchong Business Park, 47160 Puchong, Selangor, Malaysia ("One Puchong Office") for a yearly tenure expiring on 31 December 2020, 31 December 2021 and 31 December 2022 respectively at the monthly rental of RM13,800. Based on the transfer pricing documentation, by applying external comparable uncontrolled price method to the third parties rental transactions i.e. by comparing third parties' rental rates within "One Puchong Office" vicinity area, the previous monthly rental of RM13,800 for tenure expiring on 31 December 2020, 31 December 2021 and 31 December 2022 was consistent with the arm's length principle.
- On 1 October 2022, ALY and the tenants entered into a tenancy agreement to renew the tenancy of One Puchong Office from 1 January 2023 to 31 December 2023 for a monthly rental rate of RM27,000. Subsequently on 23 October 2023, ALY and Crest Systems entered into a tenancy agreement to renew the tenancy of One Puchong Office from 1 January 2024 to 31 December 2024 for a monthly rental rate of RM27,000, which was determined based on the then prevailing market rental rate of comparable properties within the vicinity.
- We intend to relocate and centralise our operations at this rented office premise to our new headquarters ("New HQ"), and we will not renew the tenancy agreement for the rental of this office premise once the New HQ is set up. Please refer to Section 7.20.1 of this Prospectus for further details of the New HQ.
- (6) ALY and Crest Systems entered into a tenancy agreement dated 1 October 2022 for the rental of office premises located at 70-3-57, D'Piazza Mall, Jalan Mahsuri, 11900 Bayan Baru, Pulau Pinang, Malaysia for the period expiring on 31 December 2023 with monthly rental rate of RM6,362, which was subsequently renewed at the same rental rate by the tenancy agreement dated 23 October 2023. The current tenure of the tenancy is for the period commencing 1 January 2024 up to 31 December 2024. The monthly rental rate of RM6,362 was determined based on the prevailing market rental rates of comparable properties within D'Piazza Mall.
  - (7) Pursuant to the tenancy agreement dated 22 September 2023 between ALY and Matrix Optics for the rental of office premise located at E-02-01A, Sunway Geo Avenue, Jalan Lagoon Selatan, Bandar Sunway, Subang Jaya, 47500 Selangor, Malaysia for the period expiring 30 September 2024 for a monthly rental of RM8,818 which was determined based on the prevailing market rental rate of comparable properties within Sunway Geo Avenue. The tenancy agreement was subsequently renewed on 21 August 2024 at the same rental rate. The renewed tenure of the tenancy is for the period commencing 1 October 2024 up to 30 September 2025. The monthly rental rate of RM8,818 was determined based on the prevailing market rental rates of comparable properties within Sunway Geo Avenue.



**10. RELATED PARTY TRANSACTIONS (Cont'd)**

Pursuant to the tenancy agreement dated 24 July 2023 between A.L.Y and Matrix Optics for the rental of office premise located at E-03-01A, Sunway Geo Avenue, Jalan Lagoon Selatan, Bandar Sunway, Subang Jaya, 47500 Selangor, Malaysia for the period expiring 31 October 2024 for a monthly rental of RM10,500 which was determined based on the prevailing market rental rate of comparable properties within Sunway Geo Avenue. The tenancy agreement was subsequently renewed on 21 August 2024 at the same rental rate. The renewed tenure of the tenancy is for the period commencing 1 November 2024 up to 31 October 2025. The monthly rental rate of RM10,500 was determined based on the prevailing market rental rates of comparable properties within Sunway Geo Avenue.

We intend to relocate and centralise our operations at this rented office premise to our new HQ, and we will not renew the tenancy agreement for the rental of this office premise once the New HQ is set up. Please refer to Section 7.20.1 of this Prospectus for further details of the New HQ.

Our directors (save for LSW, ACM and YKM, who abstained from deliberation as they were interested in the transactions) are of the view that the related party transactions disclosed above were carried out on an arm's length basis, and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and were not to the detriment of our minority shareholders.

Following our Listing, the Audit and Risk Management Committee of our Group will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not detrimental to our minority shareholders.

In the event there is any proposed related party transaction which requires the prior approval of our Company's shareholders, the Directors, substantial shareholders and/or persons connected with them, which have any interest, direct or indirect, in the transaction, will abstain from voting in respect of his or her direct and/or indirect shareholdings. Such interested Directors and/or substantial shareholders will also undertake to ensure that the person connected with them will abstain from voting on the resolution approving the proposed related party transaction at a general meeting.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)****10.2 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS**

Our Directors have confirmed that there are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party in the Financial Years Under Review, FPE 2024 and up to the LPD.

**10.3 LOANS AND/OR FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF RELATED PARTIES**

Save as disclosed below, our Directors have confirmed that there are no outstanding loans (including guarantees of any kind) and/or financial assistance that have been granted by our Group to or for the benefit of the related parties for the Financial Years Under Review, FPE 2024 and the subsequent period up to the LPD:

- (i) Crest Systems had given a corporate guarantee in favour of CIMB Islamic Bank Berhad for the Flexi Term Financing-i banking facility of up to RM1,198,315.01 granted to ALY. The facility obtained is for the purpose of part financing the purchase of a three-storey shop lot unit.
- (ii) Crest Systems had given a corporate guarantee in favour of Alliance Islamic Bank Berhad for the Term Financing-i banking facility of up to RM5,295,976.00 granted to ALY. The facility obtained is for the purpose of part financing the purchase of a property.
- (iii) Crest Systems had given a corporate guarantee in favour of CIMB Islamic Bank Berhad for the Flexi Term Financing-i banking facility of up to RM8,550,000.00 granted to ALY. The facility obtained is for the purpose of part financing the purchase of a property.

The above corporate guarantees by Crest Systems have been discharged.

**10.4 OUTSTANDING LOANS AND/OR FINANCIAL ASSISTANCE FROM RELATED PARTIES FOR THE BENEFIT OF OUR GROUP**

Save as disclosed below, our Directors have confirmed that there are no outstanding loans (including guarantees of any kind) and/or financial assistance from related parties for the benefit of our Group for the Financial Years Under Review, FPE 2024 and the subsequent period up to the LPD.

**(i) Financiers**

LSW, ACM and YKM, being our Promoters, substantial shareholders and Directors, had given:

- (i) personal joint and several guarantees as the directors of Crest Systems in favour of Standard Chartered Bank Malaysia Berhad for the trade facilities of up to RM6,000,000.00 granted to Crest Systems;
- (ii) personal joint and several guarantees as the directors of Crest Systems in favour of HSBC Bank Malaysia Berhad for the banking facilities of up to RM2,500,000.00 granted to Crest Systems;
- (iii) personal joint and several guarantees as the directors of Crest Systems in favour of United Overseas Bank (Malaysia) Berhad for the trade facilities of up to RM5,000,000.00 and FX facility of up to RM10,000,000.00 granted to Crest Systems;
- (iv) given personal joint and several guarantees as the directors of Crest Nanosolutions in favour of HSBC Bank Malaysia Berhad for the banking facilities of up to RM5,000,000.00 granted to Crest Nanosolutions; and

## 10. RELATED PARTY TRANSACTIONS (Cont'd)

- (v) personal joint and several guarantees as the directors of Crest Thailand in favour of United Overseas Bank (Thai) Public Company Limited for the credit facilities of up to THB40,000,000.00 and FX facility of up to THB30,000,000 granted to Crest Thailand.

In conjunction with the Listing, our Group had written to the abovementioned financiers to discharge and/or release the guarantees provided by LSW, ACM and YKM by substituting the same with a corporate guarantee to be provided by our Company. As at the LPD, we have received conditional approvals from all the abovementioned financiers to discharge the personal joint and several guarantees provided by LSW, ACM and YKM which are subject to the successful Listing of our Group.

### (ii) Suppliers / Principals

LSW, ACM and YKM, being our Promoters, substantial shareholders and Directors, had over the ordinary course of business given personal joint and several guarantees in favour of one of the entities under Supplier Group B (“**Supplier**”) to secure payments due and payable under a distributorship agreement made between Matrix Optics as distributor and the Supplier.

As at the LPD, the aforementioned guarantee has been discharged. There is no material impact on the relationship resulting from the discharge of the aforementioned guarantee. Moving forward, any guarantees of such nature will be provided by our Company, if required.

## 10.5 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

Upon Listing, our Audit and Risk Management Committee will, monitor and assess all matters relating to related party transactions (including recurrent related party transactions) and any potential conflict of interest situations so to ensure that transactions will be negotiated and carried out on normal commercial terms not more favourable to the related party which are in the best interest of our Group and not to the detriment of the interest of the minority shareholders of our Group.

Our Board will be required to disclose all existing or proposed related party transactions to our Audit and Risk Management Committee for evaluation and where required, will make disclosures in our annual report in relation to any related party transactions entered into by our Group. Any interested or related parties will be required to abstain from any deliberation and voting of such transactions.

In addition, our Directors will, when necessary, declare to our Audit and Risk Management Committee and our Board of their interests in other companies at the onset and also as and when there are changes in their respective interests in companies outside our Group. If our Directors and/or substantial shareholders are involved in similar business as our Group or business of our customers and our suppliers, our interested or conflicted Directors and/or substantial shareholders shall immediately disclose to our Board and our Audit and Risk Management Committee their interests in such involvement, whether direct or indirect and whether or not they believe it is a material transaction.

Upon such disclosure, the interested or conflicted Director and/or substantial shareholder shall abstain from all Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transaction. The interested or conflicted Director and/or substantial shareholder, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)**

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After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person shall abstain from voting on resolution(s) pertaining to the respective transaction.

Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the terms of such transactions were agreed upon within a period of 12 months. The following transactions, if such terms were agreed upon within a period of 12 months, may also be aggregated to determine their materiality:

- (i) transactions entered into with the same party or with parties connected with one another;
- (ii) transactions which involved the acquisition or disposal of securities of interests in one corporation/asset; or
- (iii) transactions which involved the acquisition or disposal of various parcels of land contiguous to each other.

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**11. CONFLICT OF INTEREST**

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

As at the LPD, none of our Directors and substantial shareholders have any interest, direct or indirect, in other businesses and/or corporations which are:

- (i) carrying on a similar trade as our Group; and/or
- (ii) customers and/or suppliers of our Group.

Please refer to Section 5.2.3 of this Prospectus for details of the interests, shareholdings and directorships in other business activities of our Directors outside our Group.

Upon Listing, the Audit and Risk Management Committee will supervise and monitor any potential conflict of interest situation and report to our Board for further deliberation and action as and when such situation arise. Any future transactions where the directors and substantial shareholders have direct or indirect interests in which may potentially give rise to a conflict of interest situation will be addressed based on the procedures as set out in Section 10.5 of this Prospectus to ensure that such transactions will be carried out on an arm's length basis and on normal commercial terms.

Further, it is our Director's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nomination 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. Our Nomination Committee will then evaluate if such Director's involvement gives rise to a potential conflict of interest situation with our Group's business. If our Directors are involved in similar business as our Group or business of our customers and our suppliers, our Nomination Committee shall inform our Audit and Risk Management Committee of such involvement. When a determination has been made that there is a conflict of interest of a Director, our Nomination Committee will:

- (i) immediately inform our Board of the conflict of interest situation after deliberating with the Audit and Risk Management Committee;
- (ii) make recommendations to our Board to direct the conflicted Director to:
  - (a) 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
  - (b) 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 shall abstain from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director 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 Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

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**11. CONFLICT OF INTEREST (Cont'd)**

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**11.2 DECLARATION BY THE ADVISERS ON CONFLICT OF INTEREST****11.2.1 Principal Adviser, Sponsor, Underwriter and Placement Agent**

Malaysia Building Society Berhad (“**MBSB**”) is the holding company of Malaysian Industrial Development Finance Berhad (“**MIDF**”) and MIDF Investment is a wholly-owned subsidiary of MIDF. MBSB, its subsidiaries and its related companies (collectively referred to as “**MBSB Group**”) are involved in diversified financial activities. MBSB Group has been engaged, and may in the future be engaged, in transactions with and/or perform services for Crest Group and its affiliates, in addition to MIDF Investment’s role as the Principal Adviser, Sponsor, Underwriter and Placement Agent for the IPO. Further, in the ordinary course of business, any member of MBSB Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of Crest Group and its affiliates or any other entity or transactions for its own account or the account of its customer. This is a result of the business of MBSB Group generally acting independent of each other and accordingly, there may be situations where parts of MBSB Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the said interest. Nonetheless, MBSB Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities, and Chinese Walls<sup>(1)</sup> between different business divisions.

MIDF Investment has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for the IPO. The Underwriting Agreement, which certain details are set out in Section 4.10 of this Prospectus, was entered into on arm's length basis and on market terms.

**Note:**

- (1) A virtual information barrier erected between those who have material, non-public information, and those who do not, to prevent conflicts of interest.

**11.2.2 Solicitors**

Kadir, Andri & Partners has confirmed that, as at the LPD, there is no existing or potential conflict of interest in its capacity as the solicitors to our Company as to the laws of Malaysia in relation to our IPO.

**11.2.3 Auditors and Reporting Accountants**

Baker Tilly Monteiro Heng PLT has confirmed that, as at the LPD, there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to our Company in relation to our IPO.

**11.2.4 Independent Market Researcher**

Smith Zander has confirmed that, as at the LPD, there is no existing or potential conflict of interest in its capacity as the IMR in relation to our IPO.

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## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

The following historical combined financial information for the Financial Period Under Review have been extracted from the Accountants' Report as set out in Section 14 of this Prospectus.

The historical combined financial information below should be read in conjunction with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Section 12.2 of this Prospectus and our historical combined financial statements and the accompanying notes as set out in the Accountants' Report included in Section 14 of this Prospectus. Our historical combined financial statements have been prepared in accordance with MFRS and IFRS. Our audited combined financial statements for the Financial Period Under Review were not subject to any audit qualifications, modification and disclaimer.

#### 12.1.1 Combined statements of comprehensive income

	Audited				Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	124,425	148,410	170,202	187,619	49,823	49,523
Cost of sales	(87,871)	(105,024)	(124,501)	(134,089)	(36,754)	(36,110)
<b>GP</b>	<b>36,554</b>	<b>43,386</b>	<b>45,701</b>	<b>53,530</b>	<b>13,069</b>	<b>13,413</b>
Other income	1,770	809	1,120	1,748	652	937
Administrative expenses	(12,996)	(13,093)	(14,759)	(18,030)	(5,852)	(7,110)
Sales and marketing expenses	(8,539)	(8,672)	(8,757)	(10,732)	(3,027)	(3,175)
<b>Profit from operations</b>	<b>16,789</b>	<b>22,430</b>	<b>23,305</b>	<b>26,516</b>	<b>4,842</b>	<b>4,065</b>
Finance cost	(68)	(76)	(47)	(50)	(11)	(42)
<b>PBT</b>	<b>16,721</b>	<b>22,354</b>	<b>23,258</b>	<b>26,466</b>	<b>4,831</b>	<b>4,023</b>
Income tax expense	(3,219)	(4,982)	(5,275)	(6,370)	(1,108)	(1,093)
<b>Profit for the financial year/period</b>	<b>13,502</b>	<b>17,372</b>	<b>17,983</b>	<b>20,096</b>	<b>3,723</b>	<b>2,930</b>
<b>Other comprehensive (loss)/income, net of tax:</b>						
<b>Items that may be reclassified subsequently to profit or loss</b>						
Exchange differences on translation of foreign operations	(180)	134	41	537	163	103
Other comprehensive (loss)/income for the financial year/period	(180)	134	41	537	163	103
<b>Total comprehensive income for the financial year/period</b>	<b>13,322</b>	<b>17,506</b>	<b>18,024</b>	<b>20,633</b>	<b>3,886</b>	<b>3,033</b>

**12. FINANCIAL INFORMATION (Cont'd)**

	Audited				Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Profit attributable to:</b>						
Owners of the Group	11,926	15,920	17,307	18,225	3,248	2,731
Non-controlling interests	1,576	1,452	676	1,871	475	199
	<b>13,502</b>	<b>17,372</b>	<b>17,983</b>	<b>20,096</b>	<b>3,723</b>	<b>2,930</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Group	11,779	16,126	17,340	18,690	3,366	2,765
Non-controlling interests	1,543	1,380	684	1,943	520	268
	<b>13,322</b>	<b>17,506</b>	<b>18,024</b>	<b>20,633</b>	<b>3,886</b>	<b>3,033</b>
EBIT <sup>(1)</sup>	16,499	22,070	23,076	26,020	4,696	3,896
EBITDA <sup>(1)</sup>	18,792	24,216	25,138	28,104	5,367	4,755
GP margin (%) <sup>(2)</sup>	29.4	29.2	26.9	28.5	26.2	27.1
PBT margin (%) <sup>(3)</sup>	13.4	15.1	13.7	14.1	9.7	8.1
PAT margin (%) <sup>(3)</sup>	10.9	11.7	10.6	10.7	7.5	5.9
Effective tax rate (%) <sup>(4)</sup>	19.3	22.3	22.7	24.1	22.9	27.2
Basic and diluted EPS (RM) <sup>(5)</sup>	2.86	3.81	4.14	4.23	0.76	0.63

**Notes:**

(1) EBIT and EBITDA are calculated as follows:

	Audited				Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	13,502	17,372	17,983	20,096	3,723	2,930
Less:						
Interest income	(290)	(360)	(229)	(496)	(146)	(169)
Add:						
Finance costs	68	76	47	50	11	42
Taxation	3,219	4,982	5,275	6,370	1,108	1,093
<b>EBIT</b>	<b>16,499</b>	<b>22,070</b>	<b>23,076</b>	<b>26,020</b>	<b>4,696</b>	<b>3,896</b>
Add:						
Depreciation	2,293	2,146	2,062	2,084	671	859
<b>EBITDA</b>	<b>18,792</b>	<b>24,216</b>	<b>25,138</b>	<b>28,104</b>	<b>5,367</b>	<b>4,755</b>

(2) GP margin is calculated based on GP over revenue.

(3) PBT or PAT margin is calculated based on PBT or PAT over revenue.

(4) Effective tax rate is calculated based on tax expenses divided by PBT.

(5) Basic and diluted EPS is calculated based on PAT for the respective financial years/period attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial years/period. There are no potential dilutive securities in issue during the respective Financial Period Under Review.



## 12. FINANCIAL INFORMATION (Cont'd)

### 12.1.2 Combined statements of financial position

	Audited				
	As at 31 December				As at 30 April
	2020	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>					
Property, plant and equipment	5,844	4,178	4,359	5,488	5,895
Deferred tax assets	-	-	178	799	782
Trade and other receivables	-	369	34	-	-
<b>Total non-current assets</b>	<b>5,844</b>	<b>4,547</b>	<b>4,571</b>	<b>6,287</b>	<b>6,677</b>
<b>Current assets</b>					
Inventories	10,262	14,385	16,174	15,316	26,246
Current tax assets	525	759	1,137	1,705	2,208
Trade and other receivables	44,192	53,436	40,162	43,641	39,242
Contract assets	211	-	284	243	1,982
Cash and short-term deposits	39,484	43,271	36,826	48,118	32,511
<b>Total current assets</b>	<b>94,674</b>	<b>111,851</b>	<b>94,583</b>	<b>109,023</b>	<b>102,189</b>
<b>Total assets</b>	<b>100,518</b>	<b>116,398</b>	<b>99,154</b>	<b>115,310</b>	<b>108,866</b>
<b>Equity and liabilities</b>					
<b>Equity attributable to owners of the Group</b>					
Invested equity	3,535	3,535	3,625	3,969	3,969
Irredeemable preference shares	-	-	-	911	911
Other reserves	421	627	660	1,134	1,296
Retained earnings	49,595	47,310	46,770	51,237	53,145
	53,551	51,472	51,055	57,251	59,321
Non-controlling interests	6,212	6,482	3,340	3,321	3,589
<b>Total equity</b>	<b>59,763</b>	<b>57,954</b>	<b>54,395</b>	<b>60,572</b>	<b>62,910</b>
<b>Non-current liabilities</b>					
Lease liabilities	536	243	310	1,507	1,989
Provisions	363	417	551	668	656
Deferred tax liabilities	175	219	183	33	20
<b>Total non-current liabilities</b>	<b>1,074</b>	<b>879</b>	<b>1,044</b>	<b>2,208</b>	<b>2,665</b>
<b>Current liabilities</b>					
Lease liabilities	631	451	422	594	722
Current tax liabilities	1,139	2,804	2,800	3,314	1,986
Trade and other payables	36,493	51,983	39,390	37,555	30,867
Contract liabilities	1,418	2,327	1,103	11,067	9,716
<b>Total current liabilities</b>	<b>39,681</b>	<b>57,565</b>	<b>43,715</b>	<b>52,530</b>	<b>43,291</b>
<b>Total liabilities</b>	<b>40,755</b>	<b>58,444</b>	<b>44,759</b>	<b>54,738</b>	<b>45,956</b>
<b>Total equity and liabilities</b>	<b>100,518</b>	<b>116,398</b>	<b>99,154</b>	<b>115,310</b>	<b>108,866</b>

**12. FINANCIAL INFORMATION (Cont'd)****12.1.3 Historical combined statements of cash flows**

	Audited				
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cash flow from operating activities</b>					
Profit before tax	16,721	22,354	23,258	26,466	4,023
Adjustments for:					
Depreciation of property, plant and equipment	2,293	2,146	2,062	2,084	859
Gain on disposal of property, plant and equipment	(590)	(72)	(79)	(253)	(379)
Unrealised loss/(gain) on foreign exchange	85	580	(403)	(632)	(346)
Impairment loss/(reversal of impairment loss) on trade receivables	10	4	(8)	46	(23)
Finance cost	68	76	47	50	42
Finance income	(290)	(360)	(229)	(496)	(169)
Bad debts written off	-	-	115	-	-
Inventories written off	-	32	29	-	-
Reversal of inventories written off	-	-	(100)	-	-
Property, plant and equipment written off	-	-	-	*	-
<b>Operating profit before changes in working capital</b>	<b>18,297</b>	<b>24,760</b>	<b>24,692</b>	<b>27,265</b>	<b>4,007</b>
Changes in working capital:					
Inventories	(1,724)	(4,188)	(1,664)	1,148	(10,858)
Trade and other receivables	(3,587)	(14,671)	794	(2,412)	5,198
Contract assets	(220)	217	(280)	55	(1,793)
Trade and other payables	438	15,351	(3,652)	(2,465)	(7,521)
Contract liabilities	951	897	(1,251)	9,914	(1,627)
<b>Net cash generated from/(used in) operations</b>	<b>14,155</b>	<b>22,366</b>	<b>18,639</b>	<b>33,505</b>	<b>(12,594)</b>
Income tax paid	(3,169)	(3,534)	(5,885)	(7,197)	(2,959)
Interest received	290	360	229	496	169
<b>Net cash from/(used in) operating activities</b>	<b>11,276</b>	<b>19,192</b>	<b>12,983</b>	<b>26,804</b>	<b>(15,384)</b>
<b>Cash flow from investing activities</b>					
Purchase of property, plant and equipment	(3,493)	(275)	(1,643)	(1,178)	(470)
Proceeds from disposal of property, plant and equipment	2,064	73	185	284	393
Proceeds from acquisition of equity interest by non-controlling interests	-	-	-	270	-
Proceeds from issuance of share capital upon incorporation	-	-	-	*	-
Change in pledged deposits	9,007	(1,471)	155	429	(48)
<b>Net cash from/(used in) investing activities</b>	<b>7,578</b>	<b>(1,673)</b>	<b>(1,303)</b>	<b>(195)</b>	<b>(125)</b>

**12. FINANCIAL INFORMATION (Cont'd)**

	Audited				
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cash flow from financing activities</b>					
Proceeds from issuance of preference shares	-	-	-	911	-
Repayment of lease liabilities	(691)	(726)	(634)	(651)	(223)
Net changes in amount owing (by)/to a related company	(9,133)	4,180	13,140	-	28
Net changes in amount owing to directors	(2,169)	(614)	(7,384)	-	-
Net changes in amount owing to shareholders	-	900	(1,710)	-	-
Dividends paid	(1,500)	(19,315)	(21,583)	(15,434)	-
Interest paid	(68)	(76)	(47)	(50)	(42)
<b>Net cash used in financing activities</b>	<b>(13,561)</b>	<b>(15,651)</b>	<b>(18,218)</b>	<b>(15,224)</b>	<b>(237)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,293</b>	<b>1,868</b>	<b>(6,538)</b>	<b>11,385</b>	<b>(15,746)</b>
Cash and cash equivalents at the beginning of the financial year/period	29,505	34,531	36,847	30,557	42,278
Effects of exchange rate changes	(267)	448	248	336	91
<b>Cash and cash equivalents at the end of the financial year/period</b>	<b>34,531</b>	<b>36,847</b>	<b>30,557</b>	<b>42,278</b>	<b>26,623</b>

\* Less than RM1,000

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## 12. FINANCIAL INFORMATION (*Cont'd*)

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

The following discussion and segmental analysis of our Group's financial performance and results of operations for the Financial Period Under Review should be read with the Accountants' Report included in Section 14 of this Prospectus.

The discussion and analysis contain data derived from our audited combined 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

##### (a) Principal activities

We are principally involved in the provision of imaging, analytical and test solutions used primarily for quality inspection, sample analysis and R&D. We conduct our operation from Malaysia, the PRC, Thailand and Singapore and our customers are manufacturers and industry players from a wide range of industries including semiconductor, E&E, academic, automotive, oil and gas, aviation, life sciences and healthcare.

Our business activities can be segmented as follows:

- (i) Provision of imaging, analytical and test solutions; and
- (ii) Provision of after-sales services.

Please refer to Section 7.2 of this Prospectus for our Group's detailed business overview.

##### (b) Revenue

Our revenue comprises the provision of imaging, analytical and test solutions and provision of after-sales services, and is derived from local and overseas markets. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Our Group recognises revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

##### ***Provision of imaging, analytical and test solutions***

Revenue from provision of imaging, analytical and test solutions is recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

##### ***Provision of after-sales services***

Revenue from a contract to provide services is recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**(c) Cost of sales**

Our cost of sales comprises cost of equipment and parts, staff related costs, transportation charges and others, details are as follows:

**(i) Cost of equipment and service parts**

Our cost of equipment and service parts comprise mainly cost of equipment we purchase from our suppliers and the cost of consumables for after-sales services which include filaments, solvents, valves and glass slides. Subcontractor costs, which comprises the cost for customisation works outsourced to third-party service providers are also included in the cost of equipment.

**(ii) Staff related costs**

Our staff related costs comprise mainly salaries and statutory contributions of our service and support team.

**(iii) Transportation charges**

Our transportation charges comprise mainly the freight inwards, transportation and handling charges for the purchase of equipment and consumables.

**(iv) Others**

Other operating costs comprise mainly duties and taxes, bank charges, and insurance expenses.

**(d) Other income**

Other income comprises mainly gain on disposal of property, plant and equipment, interest income, government grant and subsidy, unrealised gain on foreign exchange, and rental income.

**(e) Sales and marketing expenses**

Sales and marketing expenses comprise mainly staff-related costs, travelling expenses, and freight and courier charges.

**(f) Administrative expenses**

Administrative expenses comprise mainly administrative staff-related costs, directors' remuneration, depreciation, and travelling expenses.

**(g) Finance costs**

Finance costs comprise interest expenses on hire purchase and lease liabilities.

**(h) Subsequent events**

Save for the completion of the Acquisitions and the dividends declared by our subsidiaries subsequent to 1 May 2024, there were no other significant events subsequent to our audited combined financial statements for FPE 2024.

Please refer to Note 29 of the Accountant's Report for further details on the Acquisitions and Section 12.15 of this Prospectus for details of dividends declared subsequent to FPE 2024 up to LPD.

**12. FINANCIAL INFORMATION (Cont'd)****(i) Exceptional and extraordinary items and audit qualifications**

There were no exceptional or extraordinary items during the Financial Period Under Review. In addition, our audited combined financial statements for the Financial Period Under Review were not subject to any audit qualifications.

**(j) Significant factors affecting our business**

Section 9 of this Prospectus details the risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our revenue and financial performance. The main factors which affect revenues and profits include but are not limited to the following:

**(i) We are reliant on our equipment principals**

Our Group does not manufacture or develop the equipment, therefore, we rely partnerships with our equipment principals for the supply of equipment in order to meet the customers' demands. Should our principals cease the distribution of specific equipment or alter their business direction, our Group will need to seek alternative equipment principals.

Although we have established a long-standing relationship with our top 2 major suppliers, there is no assurance that there will be no disruption in supply from or change in the relationship with our top 2 major suppliers moving forward. As at the LPD, we have not been informed of any potential changes in the business strategies of our product principals, nor have we encountered any disputes or disagreements with our suppliers which may materially affect our supply chain and business operations.

**(ii) We are exposed to fluctuations in foreign exchange rates**

We are exposed to fluctuations in foreign exchange rates as a portion of our sales and purchases are transacted in foreign currencies. As such, any significant changes in foreign exchange rates may affect our financial results. Please refer to Section 12.11 of this Prospectus for the breakdown of our revenue and purchases transacted in RM and the respective foreign currencies during the Financial Period Under Review.

The financial statements of our subsidiaries in Singapore are denominated in USD, whereas our subsidiaries in Thailand and the PRC are denominated in their respective local currencies, THB and RMB. Therefore, any future fluctuations in foreign currencies against the RM may have an impact on our Group's reported profits.

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## 12. FINANCIAL INFORMATION (Cont'd)

### 12.2.2 Revenue

#### (a) Analysis of revenue by business segment

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
<b>Provision of imaging, analytical and test solutions<sup>(1)</sup></b>	<b>91,752</b>	<b>73.7</b>	<b>115,920</b>	<b>78.1</b>	<b>142,239</b>	<b>83.6</b>
• Advanced imaging equipment	36,226	29.1	41,349	27.9	53,025	31.2
• Optical and portable equipment	27,894	22.4	30,046	20.2	38,544	22.7
• Advanced analytical and testing equipment	13,111	10.5	19,886	13.4	29,945	17.6
• Sample management equipment	4,584	3.7	12,603	8.5	10,631	6.2
• Other equipment	9,937	8.0	12,036	8.1	10,094	5.9
<b>Provision of after-sales services<sup>(2)</sup></b>	<b>32,673</b>	<b>26.3</b>	<b>32,490</b>	<b>21.9</b>	<b>27,963</b>	<b>16.4</b>
<b>Total</b>	<b>124,425</b>	<b>100.0</b>	<b>148,410</b>	<b>100.0</b>	<b>170,202</b>	<b>100.0</b>

	Audited		Unaudited		Audited	
	FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%
<b>Provision of imaging, analytical and test solutions<sup>(1)</sup></b>	<b>159,442</b>	<b>85.0</b>	<b>41,384</b>	<b>83.1</b>	<b>40,143</b>	<b>81.1</b>
• Advanced imaging equipment	66,563	35.5	13,933	28.0	8,569	17.3
• Optical and portable equipment	46,009	24.5	10,700	21.5	17,883	36.1
• Advanced analytical and testing equipment	25,791	13.8	9,754	19.6	6,720	13.6
• Sample management equipment	11,676	6.2	4,066	8.1	3,111	6.3
• Other equipment	9,403	5.0	2,931	5.9	3,860	7.8
<b>Provision of after-sales services<sup>(2)</sup></b>	<b>28,177</b>	<b>15.0</b>	<b>8,439</b>	<b>16.9</b>	<b>9,380</b>	<b>18.9</b>
<b>Total</b>	<b>187,619</b>	<b>100.0</b>	<b>49,823</b>	<b>100.0</b>	<b>49,523</b>	<b>100.0</b>

#### Notes:

(1) Includes revenue generated from equipment rental of 0.79%, 1.11%, 1.24%, 1.56%, 1.01% and 1.05% to our Group's total revenue in the FYE 2020, FYE 2021, FYE 2022, FYE 2023, FPE 2023 and FPE 2024, respectively.

(2) Includes revenue generated from the provision of lab services of 0.07%, 0.12%, 0.04%, 0.01%, 0.01% and nil to our Group's total revenue in the FYE 2020, FYE 2021, FYE 2022, FYE 2023, FPE 2023 and FPE 2024 respectively.

**12. FINANCIAL INFORMATION (Cont'd)****(b) Analysis of revenue by geographical market<sup>(1)</sup>**

	<b>Audited</b>					
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b>Malaysia</b>	61,697	49.6	67,862	45.7	79,933	47.0
<b>Overseas</b>						
- PRC	23,045	18.5	29,127	19.6	47,838	28.1
- Thailand	25,812	20.7	37,932	25.6	29,733	17.5
- Singapore	11,151	9.0	11,262	7.6	9,886	5.8
- Others <sup>(2)</sup>	2,720	2.2	2,227	1.5	2,812	1.6
	62,728	50.4	80,548	54.3	90,269	53.0
<b>Total</b>	<b>124,425</b>	<b>100.0</b>	<b>148,410</b>	<b>100.0</b>	<b>170,202</b>	<b>100.0</b>

	<b>Audited</b>		<b>Unaudited</b>		<b>Audited</b>	
	<b>FYE 2023</b>		<b>FPE 2023</b>		<b>FPE 2024</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b>Malaysia</b>	70,538	37.6	18,781	37.7	25,399	51.3
<b>Overseas</b>						
- PRC	45,035	24.0	8,953	18.0	9,572	19.3
- Thailand	50,860	27.1	13,045	26.2	8,622	17.4
- Singapore	16,305	8.7	6,039	12.1	2,556	5.2
- Others <sup>(2)</sup>	4,881	2.6	3,005	6.0	3,374	6.8
	117,081	62.4	31,042	62.3	24,124	48.7
<b>Total</b>	<b>187,619</b>	<b>100.0</b>	<b>49,823</b>	<b>100.0</b>	<b>49,523</b>	<b>100.0</b>

**Notes:**

- (1) The classification of our revenue by geographical market is based on the location of equipment delivered or services performed, and is not based on the location of the subsidiary.
- (2) Comprise mainly revenue contribution from our customers in Hong Kong, Vietnam, and Brunei.

**Comparison between FYE 2020 and FYE 2021**

Our revenue increased by RM24.0 million or 19.3%, to RM148.4 million for FYE 2021 (FYE 2020: RM124.4 million), mainly contributed by the higher revenue recorded for the provision of imaging, analytical and test solutions segment during FYE 2021.

Revenue contribution from Malaysia amounted to RM67.9 million or 45.7% of our total revenue for FYE 2021 (FYE 2020: RM61.7 million), mainly due to higher revenue from the sales of sample management equipment.

The overseas market contributed RM80.5 million or 54.3% of our total revenue for FYE 2021 (FYE 2020: RM62.7 million), mainly driven by Thailand (25.6%) and the PRC (19.6%), which recorded higher revenue for the sales of advanced analytical and testing equipment, and advanced imaging equipment respectively.



## 12. FINANCIAL INFORMATION (Cont'd)

### ***Provision of imaging, analytical and test solutions***

The provision of imaging, analytical and test solutions segment recorded an increase in revenue of RM24.1 million or 26.2%, to RM115.9 million for FYE 2021 (FYE 2020: RM91.8 million), mainly due to the following:

- i) higher revenue from the sales of advanced imaging equipment, which increased by RM5.1 million or 14.1%, to RM41.3 million for FYE 2021 (FYE 2020: RM36.2 million). This was primarily driven by higher sales of acoustic micro imaging equipment, which increased by RM12.0 million in FYE 2021, mainly due to higher sales to customers in the semiconductor industries from Malaysia and the PRC for their business expansion and to meet the customers' need for more advanced equipment. Such an increase was narrowed by the lower sales of X-ray inspection equipment, which decreased by RM7.3 million in FYE 2021, mainly due to lower sales to customers in Malaysia;
- ii) higher revenue from the sales of optical and portable equipment, which increased by RM2.1 million or 7.5%, to RM30.0 million for FYE 2021 (FYE 2020: RM27.9 million), mainly driven by the increase in sales of industrial microscope to customers in the semiconductor and E&E industries from Malaysia and the PRC due to the business expansion;
- iii) higher revenue from the sales of advanced analytical and testing equipment, which increased by RM6.8 million or 51.9%, to RM19.9 million for FYE 2021 (FYE 2020: RM13.1 million). This was mainly driven by the increase in sales of X-ray diffraction equipment and bond testing equipment to customers in the academic, semiconductor, and manufacturing industries from Thailand as well as higher sales of Raman spectroscopy equipment to customers in the R&D industry from Malaysia. The sales of these equipment collectively increased by RM6.9 million for FYE 2021 mainly due to their business expansion and to meet the customers' need for equipment to perform more stringent test; and
- iv) higher revenue from the sales of sample management equipment, which increased by RM8.0 million or 173.9%, to RM12.6 million for FYE 2021 (FYE 2020: RM4.6 million), mainly driven by the increase in sales of fluid dispensing solutions, histology processing system, integrated wafer handler and inspector to customers in the semiconductor and healthcare industries from Malaysia. The higher sales to these customers primarily resulted from the expansion of business operations, as well as to meet the customers' need for equipment to perform more stringent test. The sales of these equipment collectively increased by RM6.2 million for FYE 2021.

### ***Provision of after-sales services***

Revenue from the provision of after-sales services segment remains consistent at RM32.5 million for FYE 2021 (FYE 2020: RM32.7 million).

### **Comparison between FYE 2021 and FYE 2022**

Our revenue further improved by RM21.8 million or 14.7%, to RM170.2 million for FYE 2022 (FYE 2021: RM148.4 million), mainly contributed by the higher revenue recorded for the provision of imaging, analytical and test solutions segment. Such an increase was partially offset by the decrease in revenue from the provision of after-sales services due to the cessation of service contracts from one of our customers.

Revenue contribution from Malaysia amounted to RM79.9 million or 47.0% of our total revenue for FYE 2022 (FYE 2021: RM67.9 million), mainly due to higher revenue from the sales of advanced analytical and testing equipment.

## 12. FINANCIAL INFORMATION (Cont'd)

The overseas market contributed RM90.3 million or 53.0% of our total revenue for FYE 2022 (FYE 2021: RM80.5 million), mainly driven by the PRC (28.1%), which recorded higher revenue from the sales of advanced imaging equipment. However, this was partially offset by the lower revenue recorded from Thailand due to lower sales of X-ray diffraction equipment, as well as Singapore due to the cessation of service contracts.

### ***Provision of imaging, analytical and test solutions***

The provision of imaging, analytical and test solutions segment recorded an increase in revenue of RM26.3 million or 22.7%, to RM142.2 million for FYE 2022 (FYE 2021: RM115.9 million), mainly due to the following:

- i) higher revenue from the sales of advanced imaging equipment, which increased by RM11.7 million or 28.3%, to RM53.0 million for FYE 2022 (FYE 2021: RM41.3 million), mainly driven by the increase in sales of automatic X-ray inspection equipment, acoustic micro imaging equipment, and electron microscope to customers in the semiconductor, academic, and R&D industries from Thailand, the PRC, and Malaysia. The higher sales to these customers are mainly due to the change in our customers' needs for more stringent inspection and product expansion. The sales of these equipment collectively increased by RM12.6 million for FYE 2022;
- ii) higher revenue from the sales of optical and portable equipment, which increased by RM8.5 million or 28.3%, to RM38.5 million for FYE 2022 (FYE 2021: RM30.0 million), mainly driven by the increase in sales of industrial microscope, remote visual inspection equipment, life science and clinical microscope to customers in the semiconductor, oil and gas, and academic industries from Malaysia and the PRC. The higher sales to these customers are mainly due to the expansion of business operations, new projects undertaken, as well as the replacement of existing equipment. The sales of these equipment collectively increased by RM8.4 million for FYE 2022; and
- iii) higher revenue from the sales of advanced analytical and testing equipment, which increased by RM10.0 million or 50.3%, to RM29.9 million for FYE 2022 (FYE 2021: RM19.9 million). This was mainly driven by higher sales of bond testing equipment, X-ray photoelectron spectroscope, nano probing equipment, and coplanarity tester to customers in the semiconductor, healthcare, and academic industries from the PRC, Malaysia, and Thailand, which collectively increased by RM16.1 million for FYE 2022. The higher sales to these customers are mainly due to customers' need for equipment to perform more stringent test and with more advance application, as well as the setting up of a new laboratory. Such increases were narrowed by the lower revenue from X-ray diffraction equipment and Raman spectroscopy equipment to customers in Malaysia and Thailand which collectively decreased by RM6.5 million for FYE 2022.

### ***Provision of after-sales services***

Revenue from the provision of after-sales services segment decreased by RM4.5 million or 13.8%, to RM28.0 million for FYE 2022 (FYE 2021: RM32.5 million). This was mainly due to the cessation of service contracts during September 2021.

### **Comparison between FYE 2022 and FYE 2023**

Our revenue increased by RM17.4 million or 10.2%, to RM187.6 million for FYE 2023 (FYE 2022: RM170.2 million), mainly contributed by the higher revenue recorded for the provision of imaging, analytical and test solutions segment during FYE 2023.

Revenue contribution from Malaysia amounted to RM70.5 million or 37.6% of the total revenue for FYE 2023 (FYE 2022: RM79.9 million), mainly due to lower revenue from the sales of advanced analytical and testing equipment.

## 12. FINANCIAL INFORMATION (Cont'd)

The overseas market contributed to RM117.0 million or 62.4% of the total revenue for FYE 2023 (FYE 2022: RM90.3 million), mainly driven by Thailand (27.1%) and PRC (24.0%). The increase in revenue from Thailand was mainly due to higher revenue from the sales of advanced imaging equipment and advanced analytical and testing equipment.

### ***Provision of imaging, analytical and test solutions***

The provision of imaging, analytical and test solutions segment recorded an increase in revenue of RM17.2 million or 12.1%, to RM159.4 million for FYE 2023 (FYE 2022: RM142.2 million). This was mainly due to the higher demand from the following:

- i) higher revenue from the sales of advanced imaging equipment, which increased by RM13.6 million or 25.7%, to RM66.6 million for FYE 2023 (FYE 2022: RM53.0 million). This was mainly driven by the increase in sales of X-ray inspection equipment to customers in the semiconductor and E&E industries from Singapore, PRC and Hong Kong. The increase was mainly due to the production expansion of our customers; and
- ii) higher revenue from the sales of optical and portable equipment, which increased by RM7.5 million or 19.5%, to RM46.0 million for FYE 2023 (FYE 2022: RM38.5 million), mainly driven by the increase in sales of industrial microscope to our customers in the semiconductor industry from PRC due to the production expansion of one of our customers

The above-mentioned increases in revenue were partially offset by the decrease in revenue from the sales of advanced analytical and testing equipment, which decreased by RM4.1 million or 13.7%, to RM25.8 million for FYE 2023 (FYE 2022: RM29.9 million). This was mainly driven by the decrease in sales of bond testing equipment to customers in the semiconductor industry from Malaysia.

### ***Provision of after-sales services***

Revenue from the provision of after-sales services segment remains consistent at RM28.2 million for FYE 2023 (FYE 2022: RM28.0 million)

### **Comparison between FPE 2023 and FPE 2024**

Our revenue decreased by RM0.3 million or 0.6%, to RM49.5 million for FPE 2024 (FPE 2023: RM49.8 million), mainly due to the lower revenue recorded for the provision of imaging, analytical and test solutions segment during FPE 2024. Such a decrease was partially offset by the increase in revenue from the provision of after-sales services during FPE 2024.

Revenue contribution from Malaysia amounted to RM25.4 million or 51.3% of our total revenue for FPE 2024 (FPE 2023: RM18.8 million or 37.7%), mainly due to higher revenue from the sales of optical and portable equipment.

The overseas market contributed to RM24.1 million or 48.7% of the total revenue for FPE 2024 (FPE 2023: RM31.0 million or 62.3%), mainly due to lower revenue recorded from Thailand and Singapore. The decrease in revenue from Thailand was mainly due to lower sales of advanced imaging equipment whereas the decrease in revenue from Singapore was mainly due to lower sales of advanced imaging equipment and advanced analytical and testing equipment.

**12. FINANCIAL INFORMATION (Cont'd)*****Provision of imaging, analytical and test solutions***

The provision of imaging, analytical and test solutions segment recorded a decrease in revenue of RM1.3 million or 3.1%, to RM40.1 million for FPE 2024 (FPE 2023: RM41.4 million), mainly due to the following:

- i) lower revenue from the sales of advanced imaging equipment, which decreased by RM5.3 million or 38.1%, to RM8.6 million for FPE 2024 (FPE 2023: RM13.9 million). This was mainly driven by the decrease in sales of electron microscope to customers in the academic industries from Thailand; and
- ii) lower revenue from the sales of advanced analytical and testing equipment, which decreased by RM3.1 million or 31.6%, to RM6.7 million for FPE 2024 (FPE 2023: RM9.8 million). This was mainly driven by the decrease in sales of coplanarity tester to customers in the semiconductor industries from Singapore.

The above-mentioned decreases in revenue were partially offset by the increase in revenue from the sales of optical and portable equipment, which increased by RM7.2 million or 67.3%, to RM17.9 million for FPE 2024 (FPE 2023: RM10.7 million). This was mainly driven by increase in sales of industrial microscope to customers in the semiconductor industries from Malaysia due to our customers' needs for more stringent inspection and product expansion.

***Provision of after-sales services***

Revenue from the provision of after-sales services segment increased by RM1.0 million or 11.9%, to RM9.4 million for FPE 2024 (FPE 2023: RM8.4 million). This was mainly due to higher value part replacements provided to our customers during FPE 2024.

**12.2.3 Cost of sales, GP and GP margin****Analysis of cost of sales by cost component**

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Cost of equipment and service parts	78,665	89.5	96,253	91.6	116,644	93.7
Staff related costs	6,512	7.4	6,406	6.1	4,255	3.4
Transportation charges	1,273	1.5	1,096	1.1	1,778	1.4
Others <sup>(1)</sup>	1,421	1.6	1,269	1.2	1,824	1.5
<b>Total</b>	<b>87,871</b>	<b>100.0</b>	<b>105,024</b>	<b>100.0</b>	<b>124,501</b>	<b>100.0</b>

	Audited		Unaudited		Audited	
	FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%
Cost of equipment and service parts	126,920	94.7	34,128	92.9	32,793	90.8
Staff related costs	4,348	3.2	1,824	4.9	1,944	5.4
Transportation charges	1,218	0.9	465	1.3	513	1.4
Others <sup>(1)</sup>	1,603	1.2	337	0.9	860	2.4
<b>Total</b>	<b>134,089</b>	<b>100.0</b>	<b>36,754</b>	<b>100.0</b>	<b>36,110</b>	<b>100.0</b>

**Note:**

- (1) Comprise mainly duties and taxes, bank charges, and insurance expenses.

**12. FINANCIAL INFORMATION (Cont'd)****Analysis of cost of sales by business segment**

	<b>FYE 2020</b>		<b>Audited FYE 2021</b>		<b>FYE 2022</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
	<b>Provision of imaging, analytical and test solutions</b>	<b>68,375</b>	<b>77.8</b>	<b>84,003</b>	<b>80.0</b>	<b>106,029</b>
• Advanced imaging equipment	28,623	32.6	31,738	30.2	40,951	32.9
• Optical and portable equipment	19,003	21.6	19,861	18.9	27,365	22.0
• Advanced analytical and testing equipment	10,092	11.5	14,452	13.8	23,072	18.5
• Sample management equipment	3,633	4.1	9,406	9.0	7,494	6.0
• Other equipment	7,024	8.0	8,546	8.1	7,147	5.8
<b>Provision of after-sales services</b>	<b>19,496</b>	<b>22.2</b>	<b>21,021</b>	<b>20.0</b>	<b>18,472</b>	<b>14.8</b>
<b>Total</b>	<b>87,871</b>	<b>100.0</b>	<b>105,024</b>	<b>100.0</b>	<b>124,501</b>	<b>100.0</b>

	<b>Audited FYE 2023</b>		<b>Unaudited FPE 2023</b>		<b>Audited FPE 2024</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
	<b>Provision of imaging, analytical and test solutions</b>	<b>115,805</b>	<b>86.4</b>	<b>31,034</b>	<b>84.4</b>	<b>29,744</b>
• Advanced imaging equipment	51,210	38.2	10,903	29.7	6,761	18.7
• Optical and portable equipment	31,265	23.3	7,813	21.2	13,040	36.1
• Advanced analytical and testing equipment	18,585	13.9	7,364	20.0	4,996	13.9
• Sample management equipment	8,173	6.1	2,889	7.9	2,207	6.1
• Other equipment	6,572	4.9	2,065	5.6	2,740	7.6
<b>Provision of after-sales services</b>	<b>18,284</b>	<b>13.6</b>	<b>5,720</b>	<b>15.6</b>	<b>6,366</b>	<b>17.6</b>
<b>Total</b>	<b>134,089</b>	<b>100.0</b>	<b>36,754</b>	<b>100.0</b>	<b>36,110</b>	<b>100.0</b>

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## 12. FINANCIAL INFORMATION (Cont'd)

**Analysis of GP and GP margin by business segment**

	FYE 2020		Audited FYE 2021		FYE 2022	
	GP RM'000	GP Margin %	GP RM'000	GP Margin %	GP RM'000	GP Margin %
	<b>Provision of imaging, analytical and test solutions</b>	<b>23,377</b>	<b>25.5</b>	<b>31,917</b>	<b>27.5</b>	<b>36,210</b>
• Advanced imaging equipment	7,603	21.0	9,611	23.2	12,074	22.8
• Optical and portable equipment	8,891	31.9	10,185	33.9	11,179	29.0
• Advanced analytical and testing equipment	3,019	23.0	5,434	27.3	6,873	23.0
• Sample management equipment	951	20.7	3,197	25.4	3,137	29.5
• Other equipment	2,913	29.3	3,490	29.0	2,947	29.2
<b>Provision of after-sales services</b>	<b>13,177</b>	<b>40.3</b>	<b>11,469</b>	<b>35.3</b>	<b>9,491</b>	<b>33.9</b>
<b>Total</b>	<b>36,554</b>	<b>29.4</b>	<b>43,386</b>	<b>29.2</b>	<b>45,701</b>	<b>26.9</b>

	Audited FYE 2023		Unaudited FPE 2023		Audited FPE 2024	
	GP RM'000	GP Margin %	GP RM'000	GP Margin %	GP RM'000	GP Margin %
	<b>Provision of imaging, analytical and test solutions</b>	<b>43,637</b>	<b>27.4</b>	<b>10,350</b>	<b>25.0</b>	<b>10,399</b>
• Advanced imaging equipment	15,353	23.1	3,030	21.7	1,808	21.1
• Optical and portable equipment	14,744	32.0	2,887	27.0	4,843	27.1
• Advanced analytical and testing equipment	7,206	27.9	2,390	24.5	1,724	25.7
• Sample management equipment	3,503	30.0	1,177	28.9	904	29.1
• Other equipment	2,831	30.1	866	29.5	1,120	29.0
<b>Provision of after-sales services</b>	<b>9,893</b>	<b>35.1</b>	<b>2,719</b>	<b>32.2</b>	<b>3,014</b>	<b>32.1</b>
<b>Total</b>	<b>53,530</b>	<b>28.5</b>	<b>13,069</b>	<b>26.2</b>	<b>13,413</b>	<b>27.1</b>

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## 12. FINANCIAL INFORMATION (*Cont'd*)

### **Comparison between FYE 2020 and FYE 2021**

Our cost of sales increased by RM17.1 million or 19.5%, to RM105.0 million for FYE 2021 (FYE 2020: RM87.9 million). This was mainly contributed by the provision of imaging, analytical and test solutions segment, which was in line with the revenue growth in FYE 2021.

Our GP increased by RM6.8 million or 18.6% to RM43.4 million for FYE 2021 (FYE 2020: RM36.6 million). Our provision of imaging, analytical and test solutions segment was the main contributor to our GP, which recorded an increase of RM8.5 million or 36.3% to RM31.9 million for FYE 2021 (FYE 2020: RM23.4 million).

Our overall GP margin remains consistent at 29.2% for FYE 2021 (FYE 2020: 29.4%). This was contributed by the improved GP margin of our provision of imaging, analytical and test solutions segment, and partially offset by the lower GP margin of our provision of after-sales services segment.

### ***Provision of imaging, analytical and test solutions***

Our cost of sales for the provision of imaging, analytical and test solutions increased by RM15.6 million or 22.8%, to RM84.0 million for FYE 2021 (FYE 2020: RM68.4 million). Such an increase mainly resulted from the increase in cost of equipment, which was in tandem with the increase in revenue for this segment.

Our GP for this segment increased by RM8.5 million or 36.3%, to RM31.9 million for FYE 2021 (FYE 2020: RM23.4 million), resulting from the higher GP recorded for all the equipment under this segment. The GP margin for this segment improved to 27.5% for FYE 2021 (FYE 2020: 25.5%) mainly due to the following:

- i) our GP margin for advanced imaging equipment improved from 21.0% for FYE 2020 to 23.2% for FYE 2021. This was primarily contributed by the higher GP margin from the sales of X-ray inspection equipment and acoustic micro imaging equipment as we were able to secure higher selling prices to customers in the semiconductor industry;
- ii) our GP margin for optical and portable equipment improved from 31.9% for FYE 2020 to 33.9% for FYE 2021. This was primarily contributed by the higher GP margin from the sales of industrial microscope and remote visual inspection equipment as we were able to purchase the said equipment at lower costs from our suppliers;
- iii) our GP margin for advanced analytical and testing equipment improved from 23.0% for FYE 2020 to 27.3% for FYE 2021, primarily contributed by the increase in sales of X-ray diffraction equipment, which generally yields a higher GP margin due to higher selling price; and
- iv) our GP margin for sample management equipment improved from 20.7% for FYE 2020 to 25.4% for FYE 2021. The improved GP margin resulted from the sales of integrated wafer handler and inspector which required more customisation work, coupled with the sales of shielded isolator hot cell which were sold at higher selling prices to customers in the healthcare industry.

### ***Provision of after-sales services***

Our cost of sales for the provision of after-sales services increased by RM1.5 million or 7.7%, to RM21.0 million for FYE 2021 (FYE 2020: RM19.5 million), despite the decrease in our revenue for FYE 2021.

As such, our GP for this segment decreased by RM1.7 million or 12.9%, to RM11.5 million for FYE 2021 (FYE 2020: RM13.2 million) and we recorded a lower GP margin of 35.3% for FYE 2021 (FYE 2020: 40.3%). This was primarily due to the increased purchase prices of service parts in FYE 2021.

## 12. FINANCIAL INFORMATION (*Cont'd*)

### **Comparison between FYE 2021 and FYE 2022**

Our cost of sales increased by RM19.5 million or 18.6%, to RM124.5 million for FYE 2022 (FYE 2021: RM105.0 million). This was mainly contributed by the provision of imaging, analytical and test solutions segment, which was in line with the revenue growth in FYE 2022. However, our staff related costs decreased by RM2.1 million or 32.8%, to RM4.3 million for FYE 2022 (FYE 2021: RM6.4 million) as a result of staff resignation from the after-sales services segment whereby the Group did not rehire in view of the cessation of service contracts for the provision of after-sales services during FYE 2021.

Our GP increased by RM2.3 million or 5.3%, to RM45.7 million for FYE 2022 (FYE 2021: RM43.4 million). Our provision of imaging, analytical and test solutions segment was the main contributor to our GP, which recorded an increase of RM4.3 million or 13.4%, to RM36.2 million for FYE 2022 (FYE 2021: RM31.9 million).

Our overall GP margin decreased to 26.9% for FYE 2022 (FYE 2021: 29.2%). This was contributed by the lower GP margin of our provision of imaging, analytical and test solutions segment, and the provision of after-sales services segment.

### ***Provision of imaging, analytical and test solutions***

Our cost of sales for the provision of imaging, analytical and test solutions increased by RM22.0 million or 26.2%, to RM106.0 million for FYE 2022 (FYE 2021: RM84.0 million) which was in tandem with the increase in revenue for this segment for FYE 2022.

Our GP for this segment increased by RM4.3 million or 13.4%, to RM36.2 million for FYE 2022 (FYE 2021: RM31.9 million) and we recorded a lower GP margin of 25.5% for FYE 2022 (FYE 2021: 27.5%) mainly due to the following:

- i) our GP margin for optical and portable equipment decreased from 33.9% for FYE 2021 to 29.0% for FYE 2022. This was primarily contributed by the lower GP margin from the sales of industrial microscope, remote visual inspection equipment, and life science and clinical microscope, which resulted from lower selling prices driven by competitive pricing of this range of equipment during FYE 2022; and
- ii) our GP margin for advanced analytical and testing equipment decreased from 27.3% for FYE 2021 to 23.0% for FYE 2022, primarily contributed by the decrease in sales of X-ray diffraction equipment, which generally yields a higher GP margin. The decrease in sales of X-ray diffraction equipment in FYE 2022 was due to lower demand from our existing customers in Thailand following their purchases in FYE 2021.

The above-mentioned decreases in GP margin were partially offset by the increase in GP margin from the sales of sample management equipment from 25.4% for FYE 2021 to 29.5% for FYE 2022. This was mainly contributed by the increase in sales of micro cantilevers (due to increase in our customers' production output), which generally yield a higher GP margin due to higher selling price.

### ***Provision of after-sales services***

Our cost of sales for the provision of after-sales services decreased by RM2.5 million or 11.9%, to RM18.5 million for FYE 2022 (FYE 2021: RM21.0 million), which was lower than the decrease in revenue of 13.8%.

As such, our GP for this segment decreased by RM2.0 million or 17.4%, to RM9.5 million for FYE 2022 (FYE 2021: RM11.5 million) and we recorded a lower GP margin of 33.9% for FYE 2022 (FYE 2021: 35.3%). This was primarily attributable to the increased purchase prices of service parts due to weakening of RM against USD in FYE 2022.



## 12. FINANCIAL INFORMATION (Cont'd)

### **Comparison between FYE 2022 and FYE 2023**

Our cost of sales increased by RM9.6 million or 7.7%, to RM134.1 million for FYE 2023 (FYE 2022: RM124.5 million). This was mainly contributed by the provision of imaging, analytical and test solutions segment, which was in line with the revenue growth in FYE 2023.

Our GP increased by RM7.8 million or 17.1%, to RM53.5 million for FYE 2023 (FYE 2022: RM45.7 million). The provision of imaging, analytical and test solutions segment was the main contributor to GP, which recorded an increase of RM7.4 million or 20.4%, to RM43.6 million for FYE 2023 (FYE 2022: RM36.2 million).

Our overall GP margin improved to 28.5% for FYE 2023 (FYE 2022: 26.9%), mainly due to the higher GP margin recorded for the provision of imaging, analytical and test solutions and provision of after-sales services segment.

### ***Provision of imaging, analytical and test solutions***

Our cost of sales for the provision of imaging, analytical and test solutions increased by RM9.8 million or 9.2%, to RM115.8 million for FYE 2023 (FYE 2022: RM106.0 million), which was in tandem with the increase in revenue for this segment for FYE 2023.

Our GP for this segment increased by RM7.4 million or 20.4%, to RM43.6 million for FYE 2023 (FYE 2022: RM36.2 million), resulting from the higher GP recorded for the advanced imaging equipment, optical and portable equipment, advanced analytical and testing equipment, and sample management equipment. We recorded a GP margin of 27.4% for FYE 2023 (FYE 2022: 25.5%), mainly due to the following:

- i) Our GP margin for optical and portable equipment increased from 29.0% for FYE 2022 to 32.0% for FYE 2023. This was primarily contributed by the higher GP margin from the sales of X-ray fluorescence analyser and remote visual inspection equipment, as our Group was able to purchase the said equipment at lower costs from our suppliers, coupled with higher selling prices to our customers; and
- ii) Our GP margin for advanced analytical and testing equipment improved from 23.0% for FYE 2022 to 27.9% for FYE 2023. This was mainly contributed by the sales of bond testing equipment at higher selling prices to customers in the semiconductor industry due to our capability to source customised tools and jigs, and to provide additional warranty for technical support service. The higher GP margin during FYE 2023 was also contributed by the increase in sales of X-ray diffraction equipment in FYE 2023, which generally yields a higher GP margin due to higher selling price.

### ***Provision of after-sales services***

Our cost of sales for the provision of after-sales service decreased by RM0.2 million or 1.1%, to RM18.3 million for FYE 2023 (FYE 2022: RM18.5 million) despite the increase in revenue of RM0.2 million.

As such, our GP for this segment increased by RM0.4 million or 4.2%, to RM9.9 million (FYE 2022: RM9.5 million), and recorded an improved GP margin of 35.1% for FYE 2023 (FYE 2022: 33.9%). This was mainly due to the lower purchase of service parts as there were fewer after-sales services requiring part replacements during FYE 2023. This resulted in lower costs incurred for this segment during FYE 2023

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FPE 2023 and FPE 2024**

Our cost of sales decreased by RM0.7 million or 1.9%, to RM36.1 million for FPE 2024 (FPE 2023: RM36.8 million). This was contributed by the lower cost of sales recorded for the provision of imaging, analytical and test solutions segment, and partially offset by the higher cost of sales recorded for the provision of after-sales services segment.

Our GP increased by RM0.3 million or 2.3%, to RM13.4 million for FPE 2024 (FPE 2023: RM13.1 million). The increase in GP was mainly contributed by the provision of after-sales services segment which recorded an increase in GP of RM0.3 million or 11.1%, to RM3.0 million for FPE 2024 (FPE 2023: RM2.7 million).

Our overall GP margin improved to 27.1% for FPE 2024 (FPE 2023: 26.2%) due to the higher GP margin recorded for the provision of imaging, analytical and test solutions segment.

***Provision of imaging, analytical and test solutions***

Our cost of sales for the provision of imaging, analytical and test solutions decreased by RM1.3 million or 4.2%, to RM29.7 million for FPE 2024 (FPE 2023: RM31.0 million), mainly due to the decrease in revenue for this segment for FPE 2024.

Our GP for this segment remained at RM10.4 million for FPE 2024 (FPE 2023: RM10.4 million) and our GP margin increased marginally to 25.9% for FPE 2024 (FPE 2023: 25.0%). The improved GP margin for FPE 2024 was mainly contributed by the higher GP margin of our advanced analytical and testing equipment, which increased from 24.5% for FPE 2023 to 25.7% for FPE 2024.

The improved GP margin for the advanced analytical and testing equipment was mainly contributed by the sales of X-ray diffraction equipment in FPE 2024, which generally yields a higher GP margin due to higher selling price.

***Provision of after-sales services***

Our cost of sales for the provision of after-sales services increased by RM0.7 million or 12.3%, to RM6.4 million for FPE 2024 (FPE 2023: RM5.7 million), which was in tandem with the increase in revenue.

As such, our GP for this segment increased by RM0.3 million or 11.1%, to RM3.0 million for FPE 2024 (FPE 2023: RM2.7 million) and our GP margin remained consistent at 32.1% for FPE 2024 (FPE 2023: 32.2%).

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**12. FINANCIAL INFORMATION (Cont'd)****12.2.4 Other income**

	<b>Audited</b>					
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Realised gain on foreign exchange	129	7.3	-	-	-	-
Unrealised gain on foreign exchange	-	-	-	-	403	36.0
Interest income <sup>(1)</sup>	290	16.4	360	44.5	229	20.4
Rental income <sup>(2)</sup>	168	9.5	168	20.8	221	19.7
Sponsorship <sup>(3)</sup>	-	-	-	-	26	2.3
Deposit forfeited <sup>(4)</sup>	158	8.9	-	-	-	-
Government grant and subsidy <sup>(5)</sup>	311	17.6	52	6.4	16	1.4
Gain on disposal of property, plant, and equipment	593	33.5	72	8.9	79	7.1
Reversal of inventories written off	-	-	-	-	100	8.9
Other income from registered provident fund <sup>(6)</sup>	22	1.2	87	10.8	20	1.8
Reversal of impairment loss on trade receivables	-	-	-	-	-	-
Others <sup>(7)</sup>	99	5.6	70	8.6	26	2.4
	<b>1,770</b>	<b>100.0</b>	<b>809</b>	<b>100.0</b>	<b>1,120</b>	<b>100.0</b>

	<b>Audited</b>		<b>Unaudited</b>		<b>Audited</b>	
	<b>FYE 2023</b>		<b>FPE 2023</b>		<b>FPE 2024</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Realised gain on foreign exchange	-	-	-	-	-	-
Unrealised gain on foreign exchange	632	36.2	363	55.7	346	37.0
Interest income <sup>(1)</sup>	496	28.4	146	22.4	169	18.0
Rental income <sup>(2)</sup>	102	5.8	34	5.2	-	-
Sponsorship <sup>(3)</sup>	151	8.6	56	8.6	-	-
Deposit forfeited <sup>(4)</sup>	21	1.2	16	2.4	-	-
Government grant and subsidy <sup>(5)</sup>	8	0.5	-	-	-	-
Gain on disposal of property, plant, and equipment	253	14.5	-	-	379	40.4
Reversal of inventories written off	-	-	-	-	-	-
Other income from registered provident fund <sup>(6)</sup>	32	1.8	-	-	7	0.7
Reversal of impairment loss on trade receivables	-	-	-	-	23	2.5
Others <sup>(7)</sup>	53	3.0	37	5.7	13	1.4
	<b>1,748</b>	<b>100.0</b>	<b>652</b>	<b>100.0</b>	<b>937</b>	<b>100.0</b>

**Notes:**

- (1) Comprises mainly interest received from our fixed deposits and current accounts.
- (2) Comprises income from sub-letting of our office space at Penang, Selangor, and Thailand.
- (3) Comprises income provided by principals for participation in promotional activities.
- (4) Comprises deposit forfeited in relation to cancellation of order.
- (5) Comprises mainly job support scheme in relation to COVID-19, childcare leave claims & wage credit scheme from the Singapore Government.

**12. FINANCIAL INFORMATION (Cont'd)**

- (6) In respect of the refund of voluntary contributions to a registered provident fund in Thailand as a result of the resignation of employees from our Thailand branch office ahead of the stipulated terms and conditions of the registered provident fund.
- (7) Comprises mainly rebates for the purchase of computer and software, rebates for telephone bills and payment in lieu from resigned staff due to serving short notice.

**Comparison between FYE 2020 and FYE 2021**

Our other income decreased by RM1.0 million or 55.6%, to RM0.8 million for FYE 2021 (FYE 2020: RM1.8 million) mainly due to the following:

- (i) gain on disposal of property, plant and equipment decreased by RM0.5 million for FYE 2021 as more units of demonstration equipment were disposed of in FYE 2020; and
- (ii) government grant and subsidy decreased by RM0.3 million due to lower subsidies for job support scheme payout from Singapore Government.

**Comparison between FYE 2021 and FYE 2022**

Our other income increased by RM0.3 million or 37.5%, to RM1.1 million for FYE 2022 (FYE 2021: RM0.8 million). This was mainly due to the unrealised gain on foreign exchange of RM0.4 million in FYE 2022, primarily attributable to the strengthening of USD against RM.

The above increase was narrowed by the lower interest income recorded in FYE 2022, which decreased by RM0.1 million.

**Comparison between FYE 2022 and FYE 2023**

Our other income increased by RM0.6 million or 54.5%, to RM1.7 million for FYE 2023 (FYE 2022: RM1.1 million), mainly due to the following:

- (i) unrealised gain on foreign exchange increased by RM0.2 million for FYE 2023, primarily resulting from the cash and short-term deposits denominated in USD, impacted by the strengthening of USD against RM;
- (ii) interest income increased by RM0.3 million for FYE 2023, due to higher interest received from fixed deposits and current accounts during FYE 2023; and
- (iii) gain on disposal of property, plant and equipment increased by RM0.2 million in FYE 2023 arising from the disposal of motor vehicles.

**Comparison between FPE 2023 and FPE 2024**

Our other income increased by RM0.2 million or 28.6%, to RM0.9 million for FPE 2024 (FPE 2023: RM0.7 million). This was mainly due to the gain on disposal of property, plant and equipment increased by RM0.4 million in FPE 2024 arising from the disposal of demonstration equipment and motor vehicles.

**12. FINANCIAL INFORMATION (Cont'd)****12.2.5 Administrative expenses**

	<b>Audited</b>					
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Staff-related costs	4,788	36.8	4,680	35.8	5,294	35.9
Directors' remuneration <sup>(1)</sup>	1,640	12.6	1,752	13.4	1,616	10.9
Depreciation	2,293	17.7	2,146	16.4	2,062	14.0
Travelling expenses	1,595	12.3	1,242	9.5	1,998	13.5
Utilities	432	3.3	383	2.9	364	2.5
Realised loss on foreign exchange	-	-	248	1.9	515	3.5
Unrealised loss on foreign exchange	85	0.7	580	4.4	-	-
Upkeep expenses <sup>(2)</sup>	375	2.9	274	2.1	426	2.9
Rental expenses	554	4.3	554	4.2	523	3.5
Professional fee	188	1.4	275	2.1	537	3.6
Bad debts	-	-	-	-	115	0.8
Others <sup>(3)</sup>	1,046	8.0	959	7.3	1,309	8.9
	<b>12,996</b>	<b>100.0</b>	<b>13,093</b>	<b>100.0</b>	<b>14,759</b>	<b>100.0</b>
	<b>Audited</b>		<b>Unaudited</b>		<b>Audited</b>	
	<b>FYE 2023</b>		<b>FPE 2023</b>		<b>FPE 2024</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Staff-related costs	6,399	35.5	1,790	30.6	1,631	22.9
Directors' remuneration <sup>(1)</sup>	2,055	11.4	440	7.5	928	13.1
Depreciation	2,084	11.6	671	11.5	859	12.1
Travelling expenses	1,715	9.5	795	13.6	776	10.9
Utilities	361	2.0	113	1.9	111	1.6
Realised loss on foreign exchange	573	3.2	576	9.8	105	1.5
Unrealised loss on foreign exchange	-	-	-	-	-	-
Upkeep expenses <sup>(2)</sup>	400	2.2	155	2.7	144	2.0
Rental expenses	640	3.5	184	3.1	219	3.1
Professional fee	2,476	13.7	716	12.2	1,581	22.2
Bad debts	-	-	-	-	-	-
Others <sup>(3)</sup>	1,327	7.4	412	7.1	756	10.6
	<b>18,030</b>	<b>100.0</b>	<b>5,852</b>	<b>100.0</b>	<b>7,110</b>	<b>100.0</b>

**Notes:**

- (1) Increase of RM0.1 million in FYE 2021 was to restate the directors' remuneration back to pre-COVID-19 pandemic level as our directors had taken cost control measure, i.e. by reducing their remuneration during FYE 2020.
- (2) Comprises upkeep expenses incurred for motor vehicle, office, and demonstration units.
- (3) Comprises mainly office expenses, motor vehicle expenses, and entertainment expenses.

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**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FYE 2020 and FYE 2021**

Our administrative expenses increased by RM0.1 million or 0.8% to RM13.1 million (FYE 2020: RM13.0 million) mainly due to the following:

- (i) increase of RM0.5 million in unrealised loss on foreign exchange due to outstanding payables denominated in USD, impacted by the strengthening of USD against RM;
- (ii) increase of RM0.2 million in realised loss on foreign exchange due to strengthening of USD against RM; and
- (iii) increase of RM0.1 million in professional fees, mainly due to fees incurred for accounting services and transfer pricing documentation.

The abovementioned increases were partially offset by the following:

- (i) decrease of RM0.4 million in travelling expenses due to decrease in business travels following the travel restrictions imposed by governments due to COVID-19; and
- (ii) decrease of RM0.2 million in depreciation expenses.

**Comparison between FYE 2021 and FYE 2022**

Our administrative expenses increased by RM1.7 million or 13.0%, to RM14.8 million for FYE 2022 (FYE 2021: RM13.1 million), mainly attributable to the following:

- (i) increase of RM0.6 million in staff costs, mainly due to higher staff salaries resulting from salary adjustments and bonuses paid during FYE 2022;
- (ii) increase of RM0.8 million in travelling expenses resulting from the increase in business travels following the relaxation of travel restrictions imposed by governments; and
- (iii) increase of RM0.2 million in professional fees, mainly due to higher audit fees for FYE 2022 as well as reaudit fees for our Thailand and Singapore operating entities, which was incurred due to the conversion of the FYE 2020 and FYE 2021 financial statements from local Generally Accepted Accounting Principles ("GAAP") to International Financial Reporting Standard.

**Comparison between FYE 2022 and FYE 2023**

Our administrative expenses increased by RM3.2 million or 21.6% to RM18.0 million for FYE 2023 (FYE 2022: RM14.8 million), mainly attributable to the following:

- (i) increase of RM1.1 million in staff costs, mainly due to salary adjustments during FYE 2023;
- (ii) increase of RM1.9 million in professional fee, mainly due to professional fees incurred for the Listing; and
- (iii) increase of RM0.4 million in directors' remuneration due to salary adjustments.

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FPE 2023 and FPE 2024**

Our administrative expenses increased by RM1.2 million or 20.3%, to RM7.1 million for FPE 2024 (FPE 2023: RM5.9 million), mainly attributable to the following:

- (i) increase of RM0.9 million in professional fee, mainly due to professional fees incurred for the Listing;
- (ii) increase of RM0.5 million in directors' remuneration due to salary adjustments;
- (iii) increase of RM0.3 million in other expenses, mainly due to increase in entertainment expenses and withholding tax; and
- (iv) increase of RM0.2 million in depreciation, mainly due to the additions of motor vehicles.

The abovementioned increases were partially offset by the decrease in realised loss on foreign exchange and upkeep expenses of RM0.5 million and RM0.2 million, during FPE 2024, respectively. The realised loss on foreign exchange in FPE 2023 resulted from the strengthening of USD against RM.

**12.2.6 Sales and marketing expenses**

	<b>Audited</b>					
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Staff-related costs	7,587	88.9	7,820	90.2	7,898	90.2
Travelling expenses	350	4.1	307	3.5	333	3.8
Freight and courier charges	497	5.8	473	5.5	350	4.0
Others <sup>(1)</sup>	105	1.2	72	0.8	176	2.0
	<b>8,539</b>	<b>100.0</b>	<b>8,672</b>	<b>100.0</b>	<b>8,757</b>	<b>100.0</b>

	<b>Audited</b>		<b>Unaudited</b>		<b>Audited</b>	
	<b>FYE 2023</b>		<b>FPE 2023</b>		<b>FPE 2024</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Staff-related costs	8,801	82.0	2,759	91.2	2,843	89.5
Travelling expenses	889	8.3	128	4.2	143	4.5
Freight and courier charges	251	2.3	80	2.6	44	1.4
Others <sup>(1)</sup>	791	7.4	60	2.0	145	4.6
	<b>10,732</b>	<b>100.0</b>	<b>3,027</b>	<b>100.0</b>	<b>3,175</b>	<b>100.0</b>

**Notes:**

- (1) Mainly comprises exhibition costs and entertainment expenses.

**Comparison between FYE 2020 and FYE 2021**

Our sales and marketing expenses for FYE 2021 did not fluctuate significantly from FYE 2020.

**Comparison between FYE 2021 and FYE 2022**

Our sales and marketing expenses for FYE 2022 did not fluctuate significantly from FYE 2021.

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**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FYE 2022 and FYE 2023**

Our sales and marketing expenses increased by RM1.9 million or 22.6%, to RM10.7 million for FYE 2023 (FYE 2022: RM8.8 million), mainly due to the following:

- (i) higher salaries resulting from the salary adjustments and increase in accrued bonuses;
- (ii) increase in travelling expenses due to more business travelling which is in line with the increase in revenue; and
- (iii) increase in other expenses, due to higher exhibition costs incurred resulting from participation in more exhibition events

**Comparison between FPE 2023 and FPE 2024**

Our sales and marketing expenses for FPE 2024 did not fluctuate significantly from FPE 2023.

**12.2.7 Finance costs**

Our finance costs relate to the interest expenses on hire purchase and lease liabilities. For the Financial Period Under Review, our finance cost was marginal and amounted to less than 0.06% of our total revenue for the respective financial year/period. Our finance cost is made up of lease liabilities as follows:

	<b>Audited</b>					
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Interest expense on lease liabilities	68	100.0	76	100.0	47	100.0

	<b>Audited</b>		<b>Unaudited</b>		<b>Audited</b>	
	<b>FYE 2023</b>		<b>FPE 2023</b>		<b>FPE 2024</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Interest expense on lease liabilities	50	100.0	11	100.0	42	100.0

**12.2.8 PBT and PBT margin**

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2023</b>	<b>FPE 2024</b>
PBT (RM'000)	16,721	22,354	23,258	26,466	4,831	4,023
PBT margin (%)	13.4	15.1	13.7	14.1	9.7	8.1

**Comparison between FYE 2020 and FYE 2021**

We recorded an increase in PBT of RM5.6 million for FYE 2021 despite recording a lower other income for FYE 2021 as explained in Section 12.2.4. Our PBT margin also improved from 13.4% for FYE 2020 to 15.1% for FYE 2021. The increase in PBT and PBT margin was mainly due to higher revenue recorded for FYE 2021 and our administrative expenses and sales and marketing expenses which were relatively consistent.



## 12. FINANCIAL INFORMATION (Cont'd)

### Comparison between FYE 2021 and FYE 2022

We recorded an increase in PBT of RM0.9 million for FYE 2022, which was in tandem with the increase in our GP as explained in Section 12.2.3 above and higher other income as explained in Section 12.2.4. However, our PBT margin decreased from 15.1% for FYE 2021 to 13.7% for FYE 2022, mainly due to the lower GP margin recorded as explained in Section 12.2.3 above and higher administrative expenses as explained in Section 12.2.5.

### Comparison between FYE 2022 and FYE 2023

We recorded an increase in PBT of RM3.2 million for FYE 2023 which is in tandem with the increase in GP as explained in Section 12.2.3 and higher other income as explained in Section 12.2.4. Our PBT margin also improved from 13.7% for FYE 2022 to 14.1% for FYE 2023 due to higher GP margin recorded as explained in Section 12.2.3 above. This was narrowed by higher administrative expenses and sales and marketing expenses incurred by our Group as explained in Section 12.2.5 and Section 12.2.6 above.

### Comparison between FPE 2023 and FPE 2024

We recorded a decrease in PBT of RM0.8 million and decrease in PBT margin from 9.7% for FPE 2023 to 8.1% for FPE 2024. This was mainly due to the higher administrative expenses recorded during FPE 2024 as explained in Section 12.2.5.

#### 12.2.9 Tax expenses

	Audited				Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
Taxation (RM'000)	3,219	4,982	5,275	6,370	1,108	1,093
Effective tax rate (%)	19.3	22.3	22.7	24.1	22.9	27.2
Statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0	24.0

Tax expenses comprise the current financial year's income tax payable, deferred tax and any under or overprovision of tax expenses in the previous financial year. The applicable statutory tax rate for the Financial Period Under Review is 24.0%.

Certain subsidiaries of our Group are subject to statutory tax rates in the respective countries as follows:

- i) Malaysia – The income tax rate applicable to small-medium enterprises with paid-up capital of RM2,500,000 and below, and annual sales less than RM50,000,000 is subject to the statutory income tax rate of 15.0% on chargeable income up to RM150,000; 17.0% on chargeable income from RM150,001 up to RM600,000. For chargeable income exceeding RM600,000, the statutory income tax rate of 24.0% applies.
- ii) Singapore – The income tax rate is imposed at a flat rate of 17.0% with a partial tax exemption of 75.0% on the first SGD10,000 of normal chargeable income and a further 50.0% on the next SGD190,000 of normal chargeable income from YA 2020 onwards.

## 12. FINANCIAL INFORMATION (Cont'd)

- iii) PRC – The standard enterprise income tax rate is 25.0%. Small and low-profit entities were subject to a statutory income tax rate of 2.5% on chargeable income up to RMB1.0 million and 5.0% on chargeable income above RMB1.0 million up to RMB3.0 million. For chargeable income exceeding RMB3.0 million, statutory income tax rate of 25.0% applies.
- iv) Thailand – The income tax rate is imposed at a flat rate of 20.0%. Companies with paid-in capital not exceeding THB5.0 million and annual turnover not exceeding THB30.0 million at the end of the accounting period were tax-exempted for chargeable income not exceeding THB0.3 million and 15% on chargeable income above THB0.3 million up to THB3.0 million. For chargeable income exceeding THB3.0 million, statutory income tax rate of 20.0% applies.

### **Comparison between FYE 2020 and FYE 2021**

Our tax expenses increased by RM1.8 million or 56.3%, to RM5.0 million for FYE 2021 (FYE 2020: RM3.2 million), mainly due to the higher PBT recorded for FYE 2021.

Our effective tax rate of 22.3% for FYE 2021 was lower than the Malaysian statutory tax rate of 24.0%, mainly due to the net effects of the following:

- i) most subsidiaries of our Group are entitled to lower tax rates of 17.0%;
- ii) partial income tax exemption for Crest (Suzhou); and
- iii) Singapore subsidiaries benefit from a statutory stepped income exemption of 75.0% on the first SGD10,000 of normal chargeable income and a further 50.0% on the next SGD190,000 of normal chargeable income.

### **Comparison between FYE 2021 and FYE 2022**

Our tax expenses increased by RM0.3 million or 6.0%, to RM5.3 million for FYE 2022 (FYE 2021: RM5.0 million), mainly attributable to higher PBT recorded for FYE 2022.

Our effective tax rate of 22.7% for FYE 2022 was lower than the Malaysian statutory tax rate of 24.0%, mainly due to the net effects of the following:

- i) most subsidiaries of our Group are entitled to lower tax rates of 17.0%;
- ii) partial income tax exemption for Crest (Suzhou);
- iii) Singapore subsidiaries benefit from a statutory stepped income exemption of 75.0% on the first SGD10,000 of normal chargeable income and a further 50.0% on the next SGD190,000 of normal chargeable income; and
- iv) Crest Thailand recorded losses before tax for FYE 2021.

### **Comparison between FYE 2022 and FYE 2023**

Our tax expenses increased by RM1.1 million or 20.8%, to RM6.4 million for FYE 2023 (FYE 2022: RM5.3 million), mainly attributable to the higher PBT recorded for FYE 2023. Our effective tax rate of 24.1% for FYE 2023 did not fluctuate significantly from the statutory tax rate of 24.0%.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**Comparison between FPE 2023 and FPE 2024**

Our tax expenses remained at RM1.1 million for FPE 2024 despite recording a lower PBT for FPE 2024. As such, we recorded an effective tax rate of 27.2% for FPE 2024, which was higher than the statutory tax rate of 24.0%. This was mainly attributable to expenses incurred for our Listing which are non-deductible for tax purposes.

**12.3 LIQUIDITY AND CAPITAL RESOURCES****12.3.1 Working capital**

We finance our operations with cash generated from operations, trade facilities from financial institutions, existing cash and short-term deposits.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflow and outflow, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

Our Board is confident that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

- (a) Our cash and cash equivalent of RM37.2 million as at LPD;
- (b) Our expected future cash flows from operations; and
- (c) Our pro forma gearing level of less than 0.1 times, based on our pro forma statements of financial position as at 30 April 2024 after the Acquisitions, IPO and utilisation of proceeds.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. We carefully consider our cash position and ability to obtain financing before making significant capital commitments.

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## 12. FINANCIAL INFORMATION (Cont'd)

### 12.3.2 Review of cash flows

The summary of our Group's historical audited combined statements of cashflows for the Financial Period Under Review is tabulated below:

	<b>Audited</b>				
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash from/(used in) operating activities	11,276	19,192	12,983	26,804	(15,384)
Net cash from/(used in) investing activities	7,578	(1,673)	(1,303)	(195)	(125)
Net cash used in financing activities	(13,561)	(15,651)	(18,218)	(15,224)	(237)
Net increase/(decrease) in cash and cash equivalents	5,293	1,868	(6,538)	11,385	(15,746)
Cash and cash equivalents at the beginning of the financial year/period	29,505	34,531	36,847	30,557	42,278
Effect of exchange rate changes on the balance of cash held in foreign currencies	(267)	448	248	336	91
<b>Cash and cash equivalents at the end of the financial year/period</b>	<b>34,531</b>	<b>36,847</b>	<b>30,557</b>	<b>42,278</b>	<b>26,623</b>

#### **FYE 2020**

##### **Net cash for operating activities**

For FYE 2020, we recorded operating cash flow before working capital changes of RM18.3 million. Our net operating cash flow was RM11.3 million after adjusting for the following major changes in working capital:

- (a) increase in inventories of RM1.7 million, mainly due to equipment pending installation as at 31 December 2020 being recognised as inventories;
- (b) increase in trade and other receivables of RM3.6 million, mainly due to higher billings to customers in the last quarter of FYE 2020;
- (c) income tax paid of RM3.2 million; and
- (d) interest received of RM0.3 million.

##### **Net cash for investing activities**

For FYE 2020, our Group recorded a net cash inflow of RM7.6 million from investing activities, mainly due to the decrease in pledged deposits of RM9.0 million and proceeds from the disposal of property, plant and equipment of RM2.1 million, which mainly comprises demonstration equipment.

The above cash inflow was partially offset by the cash payment for the purchase of plant and equipment amounting to RM3.5 million, which mainly comprises machine equipment and demonstration equipment.

**12. FINANCIAL INFORMATION (Cont'd)****Net cash for financing activities**

For FYE 2020, our Group recorded a net cash outflow of RM13.6 million from financing activities, mainly due to:

- (a) advances of RM9.1 million to a related company, i.e., ALY;
- (b) repayment of RM2.2 million to directors; and
- (c) dividends of RM1.4 million and RM0.1 million paid to common controlling shareholders and non-controlling interest, respectively.

**FYE 2021****Net cash for operating activities**

For FYE 2021, we recorded operating cash flow before working capital changes of RM24.8 million. Our net operating cash flow was RM19.2 million after adjusting for the following major changes in working capital:

- (a) increase in inventories of RM4.2 million, mainly due to equipment pending installation as at 31 December 2021 being recognised as inventories;
- (b) increase in trade and other receivables of RM14.7 million, primarily resulting from higher billings to customers in the last quarter of FYE 2021.
- (c) increase in trade and other payables of RM15.4 million, mainly due to the net effects of the following:
  - increase in trade payables of RM12.2 million, mainly due to higher purchases made in the last quarter of FYE 2021; and
  - increase in other payables of RM3.2 million, mainly due to higher deposits received from customers for the purchase of equipment.
- (d) income tax paid of RM3.5 million; and
- (e) interest received of RM0.4 million.

**Net cash for investing activities**

For FYE 2021, our Group recorded a net cash outflow of RM1.7 million from investing activities, mainly attributable to deposits pledged of RM1.5 million for banking facilities and the cash payments for purchasing plant and equipment amounting to RM0.3 million. These cash outflows were narrowed by the cash inflow from disposal proceeds of property, plant and equipment of RM0.1 million.

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## 12. FINANCIAL INFORMATION (Cont'd)

### Net cash for financing activities

For FYE 2021, our Group recorded a net cash outflow of RM15.7 million from financing activities, mainly attributable to the following:

- (a) dividends of RM18.2 million and RM1.1 million paid to common controlling shareholders and non-controlling interest, respectively;
- (b) repayment of RM4.2 million from a related company, i.e., ALY;
- (c) advances from shareholders of RM0.9 million;
- (d) repayment of lease liabilities amounting to RM0.7 million;
- (e) repayment of RM0.6 million to directors; and
- (f) interest paid of RM0.1 million.

### FYE 2022

### Net cash for operating activities

For FYE 2022, we recorded operating cash flow before working capital changes of RM24.7 million. Our net operating cash flow was RM13.0 million after adjusting for the following major changes in working capital:

- (a) increase in inventories of RM1.7 million, mainly due to equipment pending deliveries to customers;
- (b) decrease in trade and other receivables of RM0.8 million, mainly due to lower deposits paid for the purchase of equipment;
- (c) decrease in trade and other payables of RM3.7 million, mainly due to lower deposits received from customers for the purchase of equipment;
- (d) income tax paid of RM5.9 million; and
- (e) interest received of RM0.2 million.

### Net cash for investing activities

For FYE 2022, our Group recorded a net cash outflow of RM1.3 million from investing activities, mainly due to purchase of property, plant and equipment amounting to RM1.6 million, primarily comprised machine equipment and demonstration equipment.

### Net cash for financing activities

For FYE 2022, our Group recorded a net cash outflow of RM18.2 million from financing activities, mainly due to:

- (a) dividends of RM21.3 million and RM0.3 million paid to common controlling shareholders and non-controlling interests, respectively;
- (b) repayment of RM7.4 million to directors; and
- (c) repayment of RM1.7 million to shareholders.

The above cash outflows were partially offset by the full repayment of RM13.1 million from a related company, i.e., ALY during FYE 2022.

**12. FINANCIAL INFORMATION (Cont'd)****FYE 2023****Net cash for operating activities**

For FYE 2023, we recorded operating cash flow before working capital changes of RM27.3 million. Our net operating cash flow was RM26.8 million after adjusting for the following major changes in working capital:

- (a) decrease in inventories of RM1.1 million, mainly due to lower equipment pending installation as at 31 December 2023 being recognised as inventories and lower equipment pending deliveries to customers;
- (b) increase in trade and other receivables of RM2.4 million, mainly due to increase in advance payment to supplier for purchase of equipment;
- (c) decrease in trade and other payables of RM2.5 million, mainly due payments made to our suppliers;
- (d) increase in contract liabilities of RM9.9 million, mainly due to payments received from customers for equipment pending installation;
- (e) income tax paid of RM7.2 million; and
- (f) interest received of RM0.5 million.

**Net cash for investing activities**

For FYE 2023, we recorded a net cash outflow of RM0.2 million from investing activities, mainly due to the cash payment for the purchase of property, plant and equipment amounting to RM1.2 million, which mainly comprises downpayment for purchase of motor vehicles and renovation costs for office.

The above cash outflow was partially offset by the cash inflows of the following:

- (a) proceeds from the acquisition of equity interest by non-controlling interest amounting to RM0.3 million;
- (b) proceeds from the disposal of property, plant and equipment of RM0.3 million; and
- (c) decrease in pledged deposits of RM0.4 million.

**Net cash for financing activities**

For FYE 2023, we recorded a net cash outflow of RM15.2 million from financing activities, mainly due to:

- (a) dividends of RM15.1 million and RM0.3 million paid to common controlling shareholders and non-controlling interests, respectively;
- (b) repayment of lease liabilities amounting to RM0.7 million; and
- (c) proceeds from the issuance of preference shares amounting to RM0.9 million.

**12. FINANCIAL INFORMATION (Cont'd)****FPE 2024****Net cash used in operating activities**

For FPE 2024, we recorded operating cash flow before working capital changes of RM4.0 million. Our net operating cash outflow was RM15.4 million after adjusting for the following changes in working capital:

- (a) increase in inventories of RM10.9 million, primarily due to equipment pending installation as at 30 April 2024 being recognised as inventories. The said inventories comprise mainly of four units of equipment for which upfront payments were made to suppliers before the delivery;
- (b) decrease in trade and other receivables of RM5.2 million, mainly due to collections from our trade debtors;
- (c) increase in contract assets of RM1.8 million, mainly due to an equipment installed for a customer which has yet to be billed;
- (d) decrease in trade and other payables and contract liabilities totaling RM9.1 million, mainly due to the revenue recognition of advance payment received from customers prior to FPE 2024, for the purchase of equipment, following the delivery and installation of the equipment during FPE 2024;
- (e) income tax paid of RM3.0 million; and
- (f) interest received of RM0.2 million.

**Net cash for investing activities**

For FPE 2024, we recorded a net cash outflow of RM0.1 million for investing activities, mainly due to the purchase of property, plant and equipment amounting to RM0.5 million, which mainly comprises motor vehicles. This was partially offset by proceeds from the disposal of property, plant and equipment of RM0.4 million mainly comprises demonstration equipment and motor vehicles.

**Net cash for financing activities**

For FPE 2024, we recorded a net cash outflow of RM0.2 million for financing activities, mainly due to repayment of lease liabilities amounting to RM0.2 million.

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**12. FINANCIAL INFORMATION (Cont'd)****12.4 BORROWINGS**

All of our borrowings as at 30 April 2024 are secured, interest-bearing. Our total outstanding borrowings (excluding lease liabilities arising from right-of-use assets of RM0.8 million) as at 30 April 2024 stood at RM2.0 million, details of which are set out below:

Purpose	Security	Tenure	Effective interest rate	Audited As at 30 April 2024	
			%	RM'000	
<b>Interest bearing short-term borrowings, payable within 1 year:</b>					
Hire purchase	To finance purchase of motor vehicle	Secured by our Group's motor vehicles under the hire purchase arrangements	5 – 7 years	2.6 – 5.1	291
<b>Interest bearing long-term borrowings, payable after 1 year:</b>					
Hire purchase	To finance purchase of motor vehicle	Secured by our Group's motor vehicles under the hire purchase arrangements	5 – 7 years	2.6 – 5.1	1,666
<b>Total borrowings</b>					<u>(1)1,957</u>
<b>Gearing (times)</b>					
After Acquisitions but before IPO and utilisation of proceeds <sup>(2)</sup>					*
After Acquisitions and utilisation of proceeds <sup>(3)</sup>					*

**Notes:**

\* Represents less than 0.1

(1) Comprises THB-denominated hire purchase of approximately THB1.2 million.

(2) Computed based on our pro forma equity attributable to the owners of the Company of RM54.7 million in the pro forma statements of financial position after the Acquisitions, but before IPO and utilisation of proceeds.

(3) Computed based on our pro forma equity attributable to the owners of the Company of RM98.1 million in the pro forma statements of financial position after the Acquisitions, IPO and utilisation of proceeds.

Separately, we have also recognised the following lease liabilities on the right-of-use assets, which are denominated in RM:

	Purpose	Tenure	As at 30 April 2024
			RM'000
Lease liabilities payable within 1 year	Rental of offices	3 years	431
Lease liabilities payable after 1 year	Rental of offices	3 years	323
			<u>754</u>

As at LPD, save for our hire purchase of motor vehicle denominated in THB, we do not have any borrowings which are non-interest bearing and/or in foreign currency.

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout the Financial Period Under Review, and up to LPD.

As at LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan, which can materially affect our financial position and results or business operations or the investments by holders of our securities. During the Financial Period Under Review, we did not experience any clawback or reduction in the facilities limit granted to us by our lenders.

**12. FINANCIAL INFORMATION****12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES**

From an accounting perspective, financial instruments may include fixed deposits with licensed banks, trade and other receivables, and other payables as shown in our combined statements of financial position. These financial instruments are used in our ordinary course of business.

From time to time, we use hedging instruments to manage our foreign exchange exposure from overseas purchases to mitigate the adverse effect on our financial performance. As at LPD, we have outstanding foreign exchange contracts with a nominal value of SGD257,979 and USD298,528 (equivalent to RM0.86 million and RM1.31 million based on the exchange rate of RM1 : SGD3.346 and RM1 : USD4.3815, respectively, as at LPD).

**12.6 MATERIAL CAPITAL COMMITMENTS**

As at LPD, we do not have any material capital commitments.

**12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES**

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant. There is no proceeding pending or threatened or any fact likely to give rise to any proceeding, which might materially or adversely affect our position or business as at LPD.

As at LPD, save as disclosed below, we do not have any contingent liabilities, which upon becoming enforceable, may have a material effect on our business, financial results or position:

	<u>RM'000</u>
Secured performance guarantee given to customers for sales and equipment and spare parts	<u>678</u>

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## 12. FINANCIAL INFORMATION (Cont'd)

### 12.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the Financial Period Under Review are as follows:

	<b>Audited</b>				
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
Trade receivables turnover (days) <sup>(1)</sup>	58	70	73	65	72
Trade payables turnover (days) <sup>(2)</sup>	65	82	85	68	70
Inventory turnover (days) <sup>(3)</sup>	39	43	45	43	69
Current ratio (times) <sup>(4)</sup>	2.4	1.9	2.2	2.1	2.4
Gearing ratio (times) <sup>(5)</sup>	*	*	*	*	*

#### Notes:

\* Represents less than 0.1.

(1) Computed based on the average trade receivables and net of allowances for impairment loss as at year/period end over revenue for the year/period, multiplied by 365/120 days for each financial year/period.

(2) Computed based on the average trade payables as at year/period-end over cost of sales for the respective years/period, multiplied by 365/120 days for each financial year/period.

(3) Computed based on average inventory as at year/period-end over cost of sales for the respective years, multiplied by 365/120 days for each financial year/period.

(4) Computed based on current assets over current liabilities as at the end of each financial year/period.

(5) Computed based on total interest-bearing borrowings (excluding lease liabilities for right-of-use assets) over total equity for each financial year/period.

#### 12.8.1 Trade receivables turnover

Our trade receivables' turnover period (in days) for the Financial Period Under Review is stated as below:

	<b>Audited</b>				
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade receivables	17,073	22,440	34,147	34,378	32,687
Closing trade receivables	22,440	34,147	34,378	32,687	26,768
Average trade receivables	19,757	28,294	34,263	33,533	29,728
Revenue	124,425	148,410	170,202	187,619	49,523
Trade receivables turnover period (days)	58	70	73	65	72

The normal credit period granted by our Group with respect to our trade receivables is between 60 and 90 days from the date of our invoice. Our trade receivables turnover period for FYE 2020, 2021, 2022, 2023 and FPE 2024 was 58, 70, 73, 65, and 72 days respectively.

Our trade receivables turnover period for FYE 2021 increased to 70 days (FYE 2020: 58 days), mainly due to higher billings to customers resulting from more orders received from the customers in the last quarter of FYE 2021.

Our trade receivables turnover period for FYE 2022 increased to 73 days, mainly due to delay in payments pending the replacement of a defective equipment parts post installation and the completion of user training for customers.

**12. FINANCIAL INFORMATION (Cont'd)**

Our trade receivables turnover period for FYE 2023 decreased to 65 days generally due to more prompt payment by customers resulting in higher proportionate collections of sales towards the second half of FYE 2023.

Our trade receivables turnover period for FPE 2024 increased to 72 days, mainly due to delayed payments pending the replacement of defective equipment parts installed for one of our customers, as well as a debtor which requested for an extended repayment period

Our Group established policies on credit control involving comprehensive credit evaluations, setting up appropriate credit limits, ensuring the sales are made to customers with good credit history, and regular review of customers' outstanding balances and payment trends. Our Group considers the risk of material loss in the event of non-performance by the customers to be unlikely.

As our Group did not hold any collateral, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. Our Group uses ageing analysis to monitor the credit quality of the trade receivables.

The ageing analysis of our trade receivables as at 30 April 2024 is as follows:

	Trade receivables as at 30 April 2024		Collection from 1 May 2024 to LPD	Balance trade receivables as at LPD
	RM'000 (a)	Percentage of trade receivables (a)/total of (a)	RM'000 (b)	RM'000 (c) = (a)-(b)
Neither past due nor impaired	7,400	27.6	4,757	2,643
Past due but not impaired:				
- less than 30 days	5,285	19.7	2,624	2,661
- 31 to 60 days	4,431	16.6	3,726	705
- over 60 days	9,652	36.1	6,125	3,527
	19,368	72.4	12,475	6,893
	<b>26,768</b>	<b>100.0</b>	<b>17,232</b>	<b>9,536</b>

As at LPD, RM17.2 million or 64.3% of our trade receivables as at 30 April 2024 have been collected. The remaining balance of RM9.5 million have yet to be collected as at LPD, of which RM6.9 million have exceeded the credit period, which comprised mainly the following:

- RM5.1 million receivables in which our Group are of the view that the said amount is collectible considering the follow-up and reminders to our customers; and
- RM1.8 million receivables which are pending the replacement of parts and completion of user training for our customers.

We are of the view that we are able to collect the majority of the outstanding amount as it is our business practice to continue trade with these customers upon receiving all our outstanding payments.

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## 12. FINANCIAL INFORMATION (Cont'd)

### 12.8.2 Trade payables turnover

Our trade payables' turnover period (in days) for the Financial Period Under Review is as follows:

	<b>Audited</b>				
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade payables	13,909	17,578	29,761	28,240	21,492
Closing trade payables	17,578	29,761	28,240	21,492	20,549
Average trade payables	15,744	23,670	29,001	24,866	21,021
Cost of sales	87,871	105,024	124,501	134,089	36,110
Trade payables turnover period (days)	65	82	85	68	70

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to our Group for trade purchases range from 30 to 90 days. Our trade payables turnover period for FYE 2020, 2021, 2022, 2023 and FPE 2024 was 65 days, 82 days, 85 days, 68 days and 70 days, respectively.

Our trade payables turnover period for the Financial Period Under Review were within the normal credit terms granted by our suppliers. Our trade payables turnover period for FYE 2022 increased to 85 days (FYE 2021: 82 days) mainly due to payment to a supplier being withheld pending the replacement of defective equipment parts. Our trade payables turnover period for FYE 2023 decreased to 68 days (FYE 2022: 85 days) mainly due to settlements of trade payables upon receipt of payment from our customers. Our trade payables turnover period for FPE 2024 of 70 days did not fluctuate significantly compared to the trade payables turnover period for FYE 2023 of 68 days.

The ageing analysis of our trade payables as at 30 April 2024 is as follows:

	<b>Trade payables as at 30 April 2024</b>		<b>Payment from 1 May 2024 to LPD</b>	<b>Balance trade payables as at LPD</b>
	<b>RM'000</b>	<b>Percentage of trade payables</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>(a)</b>	<b>(a)/total of (a)</b>	<b>(b)</b>	<b>(c) = (a)-(b)</b>
Within credit period	10,300	50.1	5,847	4,453
Exceeding credit period:				
- 1 to 30 days	2,123	10.3	2,123	-
- 31 to 60 days	4,554	22.2	4,550	4
- More than 60 days	3,572	17.4	1,007	2,565
	<b>10,249</b>	<b>49.9</b>	<b>7,680</b>	<b>2,569</b>
	<b>20,549</b>	<b>100.0</b>	<b>13,527</b>	<b>7,022</b>

As at 30 April 2024, our total trade payables stood at RM20.5 million, with RM10.2 million or 49.9% of our trade payables exceeding the normal credit period.

As at LPD, we have outstanding trade payables of RM7.0 million, representing 34.2% of our trade payables as at 30 April 2024. Of this, RM2.6 million have exceeded the credit period whereby the payment will only be made to our supplier upon the full collection from our customer.

As at LPD, we do not have any material disputes in respect of our trade payables and no material legal proceedings to demand for payment have been initiated by our suppliers against us.

## 12. FINANCIAL INFORMATION (Cont'd)

### 12.8.3 Inventory turnover

Our inventory turnover period (in days) for the Financial Period Under Review is set out below:

	Audited				
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Opening inventories	8,517	10,262	14,385	16,174	15,316
Closing inventories	10,262	14,385	16,174	15,316	26,246
Average inventories	9,390	12,324	15,280	15,745	20,781
Cost of sales	87,871	105,024	124,501	134,089	36,110
Inventory turnover period (days)	39	43	45	43	69

Our inventories consist of trading goods which are equipment spare parts we purchased from our suppliers and finished goods which are equipment that are pending delivery or installation. Our inventory turnover for FYE 2020, 2021, 2022, 2023 and FPE 2024 was 39 days, 43 days, 45 days, 43 days and 69 days respectively.

Our inventory turnover period for FYE 2021 increased to 43 days (FYE 2020: 39 days), mainly due to equipment pending installation as at 31 December 2021 being recognised as inventories. Our inventory turnover period for FYE 2022 and FYE 2023 remained consistent at 45 days and 43 days respectively (FYE 2021: 43 days). Our inventory turnover period for FPE 2024 increased to 69 days (FYE 2023: 43 days), mainly due to equipment pending installation as at 30 April 2024 being recognised as inventories.

### 12.8.4 Current ratio

Our current ratio throughout the Financial Period Under Review is as follows:

	Audited				Audited
	As at 31 December				As at 30 April
	2020	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Current assets	94,674	111,851	94,583	109,023	102,189
Current liabilities	39,681	57,565	43,715	52,530	43,291
<b>Net current assets</b>	<b>54,993</b>	<b>54,286</b>	<b>50,868</b>	<b>56,493</b>	<b>58,898</b>
Current ratio (times)	2.4	1.9	2.2	2.1	2.4

Our current ratio ranges from 1.9 times to 2.4 times for the Financial Period Under Review. This indicates that our Group can meet our current obligations as our current assets, such as inventories and trade receivables, which can be readily converted into cash, together with our fixed deposits and bank balances, are enough to meet immediate current liabilities.

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**12. FINANCIAL INFORMATION (Cont'd)****12.8.5 Gearing ratio**

Our gearing ratio throughout the Financial Period Under Review is as follows:

	<b>Audited</b>				<b>Audited</b>
	<b>As at 31 December</b>				<b>As at 30 April</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total borrowings <sup>(1)</sup>	1,167	694	732	2,101	2,711
Total equity	59,763	57,954	54,395	60,572	62,910
Gearing ratio (times)	*	*	*	*	*

**Note:**

\* Represents less than 0.1.

<sup>(1)</sup> Computed based on total interest-bearing borrowings over total equity as at the end of each financial year/period ended.

Our gearing ratio is less than 0.1 times throughout the Financial Period Under Review.

**12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

There were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during the Financial Period Under Review. There is no assurance that our financial performance will not be adversely affected by the impact of future 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 materially affect our operations are set out in Section 9 of this Prospectus.

**12.10 IMPACT OF INFLATION**

During the Financial Period Under Review, our financial performance was not materially affected by inflation. However, there is no assurance that our financial performance will not be adversely affected by inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

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**12. FINANCIAL INFORMATION (Cont'd)****12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR OPERATIONS****(a) Impact of foreign exchange rates**

- (i) Our proportions of sales and purchases denominated in local and foreign currencies are as follows:

	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales denominated in:												
RM	52,757	42.4	63,398	42.7	66,081	38.8	44,421	23.7	14,537	29.2	18,174	36.7
USD	38,614	31.0	34,827	23.5	64,401	37.8	79,426	42.3	14,131	28.4	14,608	29.5
THB	19,018	15.3	27,365	18.4	15,540	9.1	30,612	16.3	11,252	22.6	6,293	12.7
CNY	11,300	9.1	19,512	13.2	19,392	11.4	26,843	14.3	5,990	12.0	8,641	17.5
EUR	1,501	1.2	27	*	1,991	1.2	2,176	1.2	2,124	4.2	-	-
SGD	1,081	0.9	3,268	2.2	1,351	0.8	3,861	2.1	1,789	3.6	1,807	3.6
JPY	154	0.1	13	*	1,443	0.9	280	0.1	-	-	-	-
BND	-	-	-	-	3	*	-	-	-	-	-	-
	<b>124,425</b>	<b>100.0</b>	<b>148,410</b>	<b>100.0</b>	<b>170,202</b>	<b>100.0</b>	<b>187,620</b>	<b>100.0</b>	<b>49,823</b>	<b>100.0</b>	<b>49,523</b>	<b>100.0</b>
Purchases denominated in:												
USD	46,661	57.9	55,722	56.3	66,123	55.7	61,350	48.4	15,938	43.7	16,241	37.4
RM	6,862	8.5	5,969	6.0	6,626	5.6	5,108	4.0	1,194	3.2	361	0.8
SGD	9,358	11.6	12,615	12.8	15,332	12.9	18,991	15.0	6,479	17.8	14,071	32.4
JPY	7,594	9.4	9,303	9.4	9,133	7.7	9,752	7.7	4,296	11.8	4,684	10.8
CNY	5,606	7.0	11,184	11.3	13,112	11.0	19,900	15.7	4,768	13.1	6,558	15.1
THB	1,069	1.3	1,891	1.9	3,317	2.8	3,137	2.4	1,122	3.1	667	1.5
EUR	1,889	2.3	1,373	1.4	2,340	2.0	6,717	5.3	2,303	6.3	311	0.7
CHF	769	1.0	530	0.5	2,451	2.1	1,376	1.1	333	0.9	495	1.1
GBP	784	1.0	401	0.4	287	0.2	498	0.4	26	0.1	98	0.2
	<b>80,592</b>	<b>100.0</b>	<b>98,988</b>	<b>100.0</b>	<b>118,721</b>	<b>100.0</b>	<b>126,829</b>	<b>100.0</b>	<b>36,459</b>	<b>100.0</b>	<b>43,486</b>	<b>100.0</b>

**Note:**

\* Representing less than 0.1%.

We are exposed to fluctuations in foreign exchange rates as our sales and purchases are denominated in the currencies stated above. Any significant change in foreign exchange rates may affect our financial results.

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**12. FINANCIAL INFORMATION (Cont'd)**

- (ii) The effects of a 10.0% strengthening or weakening of the RM relative to the respective currencies on the unhedged financial assets/liabilities of the Group are summarized in sensitivity analysis below:

	<b>Audited</b>				
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>USD/RM</b>					
Strengthen by 10%	33	413	312	1,151	715
Weaken by 10%	(33)	(413)	(312)	(1,151)	(715)
<b>SGD/RM</b>					
Strengthen by 10%	63	134	208	(115)	(63)
Weaken by 10%	(63)	(134)	(208)	115	63
<b>THB/RM</b>					
Strengthen by 10%	2	8	21	(27)	-
Weaken by 10%	(2)	(8)	(21)	27	-
<b>EUR/RM</b>					
Strengthen by 10%	-	50	-	52	51
Weaken by 10%	-	(50)	-	(52)	(51)
<b>JPY/RM</b>					
Strengthen by 10%	-	18	1	53	52
Weaken by 10%	-	(18)	(1)	(53)	(52)

Please refer to Note 25(b)(iii) of the Accountants' Report for further details.

For the Financial Period Under Review, our gains and losses from foreign exchange fluctuations are as follows:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Realised gain/(loss) on foreign exchange	129	(248)	(515)	(573)	(576)	(105)
Unrealised gain/(loss) on foreign exchange	(85)	(580)	403	632	363	346
<b>Net gain/(loss)</b>	<b>44</b>	<b>(828)</b>	<b>(112)</b>	<b>59</b>	<b>(213)</b>	<b>241</b>

We currently do not have a formal policy with respect to our foreign exchange transactions. Exposure on foreign exchange is monitored on an ongoing basis, and our Group endeavours to keep the net exposure at an acceptable level. Our Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Realised gains/losses on foreign exchange represents the change in foreign exchange rate between the date when the invoice was recorded and the date when payment was made. The realised gains/losses on foreign exchange during the Financial Period Under Review are attributable to purchases in foreign currencies.

Unrealised gains/losses on foreign exchange represents the change in foreign exchange rate between the date when the invoice was recorded and the foreign exchange rate at the end of the reporting period, if the invoice remain unpaid. The unrealised gains/losses on foreign exchange during the Financial Period Under Review are attributable to outstanding payables and receivables denominated in foreign currencies at the close of the respective FYE and FPE.

## 12. FINANCIAL INFORMATION (Cont'd)

From time to time, we use hedging instruments to manage our foreign exchange exposure from overseas purchases to mitigate the adverse effect on our financial performance. For the Financial Period Under Review, the derivatives gains or losses arising from foreign exchange forward contracts were not material and were offset against realised gains or losses on foreign exchange account.

As at LPD, we have outstanding foreign exchange contracts with a nominal value of SGD257,979 and USD298,528 (equivalent to RM0.86 million and RM1.31 million based on the exchange rate of RM1 : SGD3.346 and RM1 : USD4.3815, respectively, as at LPD).

### (b) Impact of interest rates

Our exposure to changes in interest rate risk relates primarily to our borrowings from banks. We do not generally hedge interest rate risks.

Our financial results for the Financial Period Under Review were not materially affected by fluctuations in interest rates as the borrowings of our Group comprise of the hire purchase facilities which are fixed rate in nature. However, any major increase in interest rates would raise the cost of our borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

### 12.12 ORDER BOOK

We do not enter into long-term contracts with our customers. Due to the nature of our business, we do not maintain an order book.

### 12.13 DIRECTORS' DECLARATION ON OUR FINANCIAL PERFORMANCE

Our Board is of the opinion that:

- (a) Our revenue will remain sustainable with an upward growth trend, in line with the anticipated growth in the provision of imaging, analytical and test solutions, and the provision of after-sales services as set out in the IMR Report;
- (b) Our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies as stated in Section 7.20 of this Prospectus; and
- (c) Our capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt or equity funding for our capital expansion should the need arise.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margin or know of any factors that are likely to have a material impact on our liquidity, revenue, or profitability.

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## 12. FINANCIAL INFORMATION (*Cont'd*)

### 12.14 TREND INFORMATION

As at LPD, our financial performance, position and operations are not affected by any of the following:

- (a) Known 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, save as disclosed in Sections 7, 8, 9 and 12.2 of this Prospectus;
- (b) Material commitments for capital expenditure disclosed in Section 12.6 of this Prospectus;
- (c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 12.2 and 9 of this Prospectus;
- (d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our revenue and/or profit as disclosed in Section 12.2 of this Prospectus, business and industry overview, as set out in Sections 7 and 8 of this Prospectus, and business strategies and future plans as set out in Section 7.20 of this Prospectus;
- (e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position, save as disclosed in Sections 12 and 9 of this Prospectus; and
- (f) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources, save as disclosed in Sections 7, 9 and 12 of this Prospectus.

Our Board is optimistic about the future prospects of our Group given our competitive strengths as set out in Section 7.6 of this Prospectus, the outlook of the provision of imaging, analytical and test solutions, and the provision of after-sales services industry in Malaysia as set out in the IMR Report in Section 8 of this Prospectus and our commitment to implement the business strategies and future plans as set out in Section 7.20 of this Prospectus.

### 12.15 DIVIDEND POLICY

It is our Group's intention to target a dividend payout ratio of not less than 30% of our annual PAT attributable to the shareholders of our Group. Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (a) the level of cash and level of indebtedness;
- (b) required and expected interest expense, cash flows, profits, return on equity and retained earnings;
- (c) our expected results of operations and future level of operations;
- (d) our projected levels of capital expenditure and other investment plans; and
- (e) the prior consent from our lenders, if any.

**12. FINANCIAL INFORMATION (Cont'd)**

Subject to the Act, our Company, in a general meeting, may from time to time approve dividends or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (a) our Company is, or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than its liabilities.

For the Financial Period Under Review and up to LPD, our Group declared and paid the following dividends to shareholders of the respective subsidiaries:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>	<b>1 May 2024 up to the LPD</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PAT attributable to owners of our Company	11,926	15,920	17,307	18,225	2,731	(2)N/A
<b>Dividends declared to:</b>						
- common controlling shareholders	1,425	18,205	21,328	15,112	695	4,767
- non-controlling interests	75	1,110	255	322	-	143
	<u>1,500</u>	<u>19,315</u>	<u>21,583</u>	<u>15,434</u>	<u>695</u>	<u>(3)4,910</u>
<b>Dividends paid to:</b>						
- common controlling shareholders	1,425	18,205	21,328	15,112	-	5,463
- non-controlling interests	75	1,110	255	322	-	144
	<u>1,500</u>	<u>19,315</u>	<u>21,583</u>	<u>15,434</u>	<u>-</u>	<u>(3)5,607</u>
Dividend payout rate (%) <sup>(1)</sup>	11.9	114.4	123.2	82.9	25.4	(2)N/A

**Notes:**

- (1) Computed based on dividends declared to common controlling shareholders over PAT attributable to owners of our Company for each financial year/period.
- (2) Not applicable as the Company did not prepare any financial statements from 1 May 2024 up to the LPD.
- (3) The following dividends were declared subsequent to 1 May 2024:
  - (i) On 17 May 2024, Crest Innovation declared a single-tier final dividend of SGD2.00 per ordinary share equivalent to RM6.96, in respect of the financial year ended 31 December 2023, amounting to SGD114,286, equivalent to RM397,931, which was paid on 12 July 2024.
  - (ii) On 10 June 2024, our following subsidiaries declared a single-tier final dividend in respect of the financial year ended 31 December 2023, all of which were paid on 11 June 2024:

<b>Subsidiary</b>	<b>Dividend per ordinary share (RM)</b>	<b>Total dividend (RM)</b>
Crest Systems	3.53	3,530,000
Crest Analytics	0.14	70,000
Crest Nanosolutions	0.13	65,000
Matrix Optics	1.15	575,000
Crest Lab	166.49	166,490
Matrix Innovations	1.06	106,000
<b>Total</b>		<u><b>4,512,490</b></u>

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**12. FINANCIAL INFORMATION (Cont'd)**

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The dividends above were funded by internal funds sourced from the cash and bank balances of the respective subsidiaries. The dividends will not affect the execution and implementation of our future plans or business strategies. For further information on the cash and short-term deposits after the payment of the above dividends, please refer to Item 3.1, Pro Forma I of the Reporting Accountants' report on the pro forma combined statements of financial position set out in Section 13 of this Prospectus. Together with the IPO proceeds, we believe that we have sufficient funding of cash from operations and bank borrowings for the funding requirement for our operations and our expansion plans.

As at LPD, there is no outstanding dividends declared but remained unpaid. Save for the above, we do not intend to declare and pay any dividends from the LPD up to the Listing.

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## 12. FINANCIAL INFORMATION (Cont'd)

### 12.16 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 31 July 2024 and after adjusting for the effects of the Acquisitions and Public Issue including the utilisation of proceeds.

	<u>Unaudited</u>	<u>Pro Forma I</u>	<u>Pro Forma II</u>	<u>Pro Forma III</u>
	<u>As at 31 July 2024</u>	<u>After the Acquisitions</u>	<u>After Pro Forma I and the Public Issue</u>	<u>After Pro Forma II and Utilisation of Proceeds</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Capitalisation</b>				
Share capital	*	36,745	82,492	80,180
Preference shares	-	911	911	911
Reorganisation reserve	-	(32,751)	(32,751)	(32,751)
Translation reserve	-	867	867	867
Retained earnings	(4,528)	49,846	49,846	49,846
<b>Total capitalisation</b>	<b>(4,528)</b>	<b>55,618</b>	<b>101,365</b>	<b>99,053</b>
<b>Indebtedness</b>				
<b><u>Current</u></b>				
<b><i>Secured and unguaranteed</i></b>				
Lease liabilities <sup>(1)</sup>	-	324	324	324
<b><i>Unsecured and unguaranteed</i></b>				
Lease liabilities <sup>(2)</sup>	-	401	401	401
<b><u>Non-current</u></b>				
<b><i>Secured and unguaranteed</i></b>				
Lease liabilities <sup>(1)</sup>	-	1,561	1,561	1,561
<b><i>Unsecured and unguaranteed</i></b>				
Lease liabilities <sup>(2)</sup>	-	247	247	247
<b>Total indebtedness</b>	<b>-</b>	<b>2,533</b>	<b>2,533</b>	<b>2,533</b>
<b>Total indebtedness (excluding lease liabilities on right-of-use assets)</b>	<b>-</b>	<b>1,885</b>	<b>1,885</b>	<b>1,885</b>
<b>Total capitalisation and indebtedness</b>	<b>(4,528)</b>	<b>58,151</b>	<b>103,898</b>	<b>101,586</b>
<b>Gearing ratio (times)<sup>(3)</sup></b>	<b>-</b>	<b>0.03</b>	<b>0.02</b>	<b>0.02</b>

**Notes:**

\* Represents less than 1,000

(1) Secured and unguaranteed lease liabilities comprise of hire purchase.

(2) Unsecured and unguaranteed lease liabilities comprise of lease liabilities on right-of-use assets.

(3) Calculated based on total indebtedness (excluded lease liabilities on right-of-use assets) divided by total capitalisation.