

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



Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

17 January 2024

The Board of Directors
Crest Group Berhad
No. 1, Jalan OP 1/2,
One Puchong Business Park,
47160 Puchong,
Selangor Darul Ehsan.

T : +603 2297 1000
F : +603 2282 9980

info@bakertilly.my
www.bakertilly.my

Dear Sirs,

CREST GROUP BERHAD (“Crest” or the “Company”)

REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma combined statements of financial position of Crest and the combining entities, namely Crest Systems (M) Sdn. Bhd., Crest Analytic Sdn. Bhd., Crest Nanosolutions (M) Sdn. Bhd., Matrix Optics (M) Sdn. Bhd., Matrix Biosciences (M) Sdn. Bhd., Crest Lab Sdn. Bhd., Matrix Innovations (M) Sdn. Bhd., Crest Innovation (S) Pte. Ltd., Crest Upstar Pte. Ltd., Crest Nanosolution (Thailand) Co., Ltd. and Crest Systems (Suzhou) Co., Ltd. (collectively referred to as the “Group”) for which the Board of Directors of Crest are solely responsible. The pro forma combined statements of financial position consist of the pro forma combined statements of financial position as at 31 July 2023 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Board of Directors of Crest have compiled the pro forma combined statements of financial position are as described in Note 2 to the pro forma combined statements of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia (“Prospectus Guidelines”) (“Applicable Criteria”).

The pro forma combined statements of financial position of the Group has been compiled by the Board of Directors of Crest, for illustrative purposes only, for inclusion in the prospectus of Crest (“Prospectus”) in connection with the initial public offering (“IPO”) in conjunction with the listing and quotation of the entire enlarged issued share capital of Crest on the ACE Market of Bursa Malaysia Securities Berhad comprising the Public Issue and the Offer for Sale (collectively referred to as “IPO Shares”), after making certain assumptions and such adjustments to show the effects on the pro forma combined financial position of the Group as at 31 July 2023 adjusted for the Acquisitions, Public Issue, Offer for Sale and utilisation of proceeds as described in Notes 1.2 and 3.2.2 to the pro forma combined statements of financial position.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)



CREST GROUP BERHAD

Reporting Accountants' Report on the Compilation of the Pro Forma Combined Statements of Financial Position as at 31 July 2023 Included in a Prospectus

As part of this process, information about the Group's pro forma combined financial position has been extracted by the Board of Directors of Crest from the audited combined financial statements of the Group for the financial period ended ("FPE") 31 July 2023, on which a reporting accountants' report dated 17 January 2024 has been issued.

The audited combined financial statements of the Group for the FPE 31 July 2023 were reported by us to the Board of Directors without any modifications.

Directors' Responsibility for the Pro Forma Combined Statements of Financial Position

The Board of Directors of Crest are responsible for compiling the pro forma combined statements of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma combined statements of financial position has been compiled, in all material respects, by the Board of Directors of Crest based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of Crest have compiled, in all material respects, the pro forma combined statements of financial position based on the Applicable Criteria.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)



CREST GROUP BERHAD

Reporting Accountants' Report on the Compilation of the Pro Forma Combined Statements of Financial Position as at 31 July 2023 Included in a Prospectus

Reporting Accountants' Responsibilities (Continued)

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

The purpose of the pro forma combined statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Board of Directors of Crest in the compilation of the pro forma combined statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the Listing and the acquisition of the combining entities as described in Note 1.2 to the pro forma combined statements of financial position, and to obtain sufficient appropriate evidence about whether:

- (a) The pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the pro forma financial statements of Crest and the audited financial statements of the combining entities for the FPE 31 July 2023, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the combining entities in the preparation of its audited financial statements for the FPE 31 July 2023; and
- (b) Each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

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

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

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

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)**CREST GROUP BERHAD**

Reporting Accountants' Report on the Compilation of the
Pro Forma Combined Statements of Financial Position
as at 31 July 2023 Included in a Prospectus

Opinion

In our opinion:

- (a) the pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the pro forma financial statements of Crest and the audited financial statements of the combining entities for the FPE 31 July 2023 and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the combining entities in the preparation of its audited financial statements for the FPE 31 July 2023 which has been adopted by Crest as its group's accounting policies; and
- (b) each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

Other matter

This report has been prepared for inclusion in the Prospectus of Crest in connection with the IPO. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Paul Tan Hong
No. 03459/11/2025 J
Chartered Accountant

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

CREST GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

1. INTRODUCTION

The pro forma combined statements of financial position of Crest Group Berhad (“Crest” or the “Company”) and its combining entities, namely Crest Systems (M) Sdn. Bhd. (“Crest Systems”), Crest Analytic Sdn. Bhd. (“Crest Analytic”), Crest Nanosolutions (M) Sdn. Bhd. (“Crest Nanosolutions”), Matrix Optics (M) Sdn. Bhd. (“Matrix Optics”), Matrix Biosciences (M) Sdn. Bhd. (“Matrix Biosciences”), Crest Lab Sdn. Bhd. (“Crest Lab”), Matrix Innovations (M) Sdn. Bhd. (“Matrix Innovations”), Crest Innovation (S) Pte. Ltd. (“Crest Innovation”), Crest Upstar Pte. Ltd. (“Crest Upstar”), Crest Nanosolution (Thailand) Co. Ltd. (“Crest Thailand”), and Crest Systems (Suzhou) Co., Ltd. (“Crest Suzhou”) (hereinafter collectively referred to as the “Group”) has been compiled by the Board of Directors of Crest, for illustrative purposes only, for inclusion in the prospectus of Crest in connection with the listing and quotation of the entire enlarged issued share capital of RM[●] comprising 865,598,000 ordinary shares in Crest (“Crest Share(s)” or “Share(s)”) on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”).

1.1 In conjunction with the admission of Crest Shares to the Official List of the ACE Market of Bursa Securities and the Listing, Crest had undertaken the following transactions:

1.2 Listing Scheme

1.2.1 Acquisitions

(a) Acquisitions of Crest Systems, Crest Analytic, Matrix Optics, Crest Lab and Matrix Innovations

On 17 January 2024, Crest had entered into a conditional share sale agreement for the following:

(i) acquisition of the entire issued share capital of Crest Systems of RM1,000,000 comprising 1,000,000 ordinary shares from the shareholders of Crest Systems for a total purchase consideration of RM12,680,062 to be satisfied entirely via the allotment and issuance of 253,601,240 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM12,680,062 was arrived at after taking into consideration of the audited net assets (“NA”) of Crest Systems as at 31 December 2022 and deducting dividends;

(ii) acquisition of 70% of the issued share capital of Crest Analytic of RM350,000 comprising 350,000 ordinary shares from the shareholders of Crest Analytic for a total purchase consideration of RM1,105,030 to be satisfied entirely via the allotment and issuance of 22,100,600 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM1,105,030 was arrived at after taking into consideration of the audited NA of Crest Analytic as at 31 December 2022;

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

CREST GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (Continued)

1.2 (Continued)

1.2.1 Acquisitions (continued)

(a) Acquisitions of Crest Systems, Crest Analytic, Matrix Optics, Crest Lab and Matrix Innovations (continued)

On 17 January 2024, Crest had entered into a conditional share sale agreement for the following: (continued)

(iii) acquisition of the entire issued share capital of Matrix Optics of RM500,000 comprising 500,000 ordinary shares from the shareholders of Matrix Optics for a total purchase consideration of RM8,524,849 to be satisfied entirely via the allotment and issuance of 170,496,980 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM8,524,849 was arrived at after taking into consideration of the audited NA of Matrix Optics as at 31 December 2022;

(iv) acquisition of the entire issued share capital of Crest Lab of RM1,000 comprising 1,000 ordinary shares from the shareholders of Crest Lab for a total purchase consideration of RM911,459 to be satisfied entirely via the allotment and issuance of 18,229,180 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM911,459 was arrived at after taking into consideration of the audited NA of Crest Lab as at 31 December 2022; and

(v) acquisition of the entire issued share capital of Matrix Innovations of RM100,000 comprising 100,000 ordinary shares from the shareholders of Matrix Innovations for a total purchase consideration of RM2,762,879 to be satisfied entirely via the allotment and issuance of 55,257,580 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM2,762,879 was arrived at after taking into consideration of the audited NA of Matrix Innovations as at 31 December 2022.

(b) Acquisition of Crest Nanosolutions

On 17 January 2024, Crest had entered into a conditional share sale agreement for the acquisition of the entire issued share capital of Crest Nanosolutions of RM500,000 comprising 500,000 ordinary shares from the shareholders of Crest Nanosolutions for a total purchase consideration of RM5,393,837 to be satisfied entirely via the allotment and issuance of 107,876,740 new Crest Shares at an issue price of RM0.05 per Crest Share.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

CREST GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (Continued)

1.2 (Continued)

1.2.1 Acquisitions (continued)

(b) Acquisition of Crest Nanosolutions (continued)

The purchase consideration of RM5,393,837 was arrived at after taking into consideration of the audited NA of Crest Nanosolutions as at 31 December 2022.

(c) Acquisition of Matrix Biosciences

On 17 January 2024, Crest had entered into a conditional share sale agreement for the acquisition of the entire issued share capital of Matrix Biosciences of RM100 comprising 100 ordinary shares from the shareholders of Matrix Biosciences for a total purchase consideration of RM3.

The purchase consideration of RM3 was arrived at after taking into consideration of the audited NA of Matrix Biosciences as at 31 December 2022. The purchase consideration of Matrix Biosciences is RM3 as the company is inactive.

(d) Acquisition of Crest Innovation

On 17 January 2024, Crest had entered into a conditional sale and purchase agreement for the acquisition of 70% of the issued share capital of Crest Innovation of USD29,700 (equivalent to RM97,015) comprising 40,000 ordinary shares from the shareholders of Crest Innovation for a total purchase consideration of RM1,123,777 to be satisfied entirely via the allotment and issuance of 22,475,540 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM1,123,777 was arrived at after taking into consideration of the audited NA of Crest Innovation as at 31 December 2022 and deducting dividends.

(e) Acquisition of Crest Upstar

On 17 January 2024, Crest had entered into a conditional sale and purchase agreement for the acquisition of the entire issued share capital of Crest Upstar of USD1,114 (equivalent to RM3,511) comprising 1,500 ordinary shares from the shareholders of Crest Upstar for a total purchase consideration of SGD3 (equivalent to approximately RM10).

The purchase consideration of SGD3 (equivalent to approximately RM10) was arrived at after taking into consideration of the audited NA of Crest Upstar as at 31 December 2022. The purchase consideration of Crest Upstar is SGD3 (equivalent to approximately RM10) as the company is inactive.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

CREST GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (Continued)

1.2 (Continued)

1.2.1 **Acquisitions (continued)**

(f) Acquisition of Crest Thailand

On 17 January 2024, Crest had entered into a conditional share sale agreement for the acquisition of 100% of the ordinary shares of Crest Thailand of THB6,000,000 (equivalent to RM615,678) comprising 60,000 ordinary shares from the shareholders of Crest Thailand for a total purchase consideration of RM409,375 to be satisfied entirely via the allotment and issuance of 8,187,500 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM409,375 was arrived at after taking into consideration of the audited NA of Crest Thailand as at 31 December 2022 and deducting dividends.

(g) Acquisition of Crest Suzhou

On 17 January 2024, Crest had entered into a conditional equity transfer agreement for the acquisition of 80% of the equity interest of Crest Suzhou of RMB1,800,000 (equivalent to RM826,380) from the shareholders of Crest Suzhou for a total purchase consideration of RM3,833,317 to be satisfied entirely via the allotment and issuance of 76,666,340 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM3,833,317 was arrived at after taking into consideration of the audited NA of Crest Suzhou as at 31 December 2022.

The Acquisitions of Crest Systems, Crest Analytic, Matrix Optics, Crest Lab and Matrix Innovations, Acquisition of Crest Nanosolutions, Acquisition of Matrix Biosciences, Acquisition of Crest Innovation, Acquisition of Crest Upstar, Acquisition of Crest Thailand and Acquisition of Crest Suzhou are collectively referred to as the "Acquisitions".

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

CREST GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (Continued)

1.2 (Continued)

1.2.2 Public Issue

The Public Issue of 130,705,300 new Crest Shares at the issue price of RM[●] per Share (“IPO Price”), representing 15.10% of the enlarged share capital of Crest, will be allocated in the following manner:

- (i) 43,280,000 new Issue Shares to be issued under the Public Issue (“Issue Share(s)”), representing 5.00% of enlarged share capital, will be offered to the Bumiputera Malaysian Public and the Malaysian Public;
- (ii) 12,984,000 Issue Shares, representing approximately 1.50% of enlarged share capital, will be made available for application by the eligible Directors and eligible employees of the Group; and
- (iii) 74,441,300 Issue Shares, representing 8.60% of enlarged share capital, will be made available for Ministry of Investment, Trade and Industry, Malaysia (“MITI”) approved Bumiputera investors.

(Collectively hereinafter referred to as “Public Issue”).

1.2.3 Offer for Sale

A total of 103,890,000 existing Crest Shares to be offered under Offer for Sale by way of private placement at RM[●], will be allocated in the following manner:

- (i) 33,758,700 existing Crest Shares, representing 3.90% of enlarged share capital are offered by the selling shareholders to MITI approved Bumiputera investors; and
- (ii) 70,131,300 existing Crest Shares, representing 8.10% of enlarged share capital are offered by the selling shareholders to Selected Investors.

1.2.4 Proposed Share Transfer

The Proposed Share Transfer, an internal reorganisation exercise of Crest, which involves a transfer of Crest Shares by Lim Siong Wai, Au Chun Mun and Yap Kian Meng to Climan, an investment holding company incorporated with the intention to hold their investment, during the prescription period.

1.2.5 Listing

Upon completion of the IPO, Crest’s entire enlarged issued share capital of approximately RM[●] comprising 865,598,000 Crest Shares will be listed on the ACE Market of Bursa Securities.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

CREST GROUP BERHAD

2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

- 2.1 The pro forma combined statements of financial position have been prepared to illustrate the pro forma combined financial position of Crest and the combining entities as at 31 July 2023, adjusted for the Acquisitions, Public Issue, Offer for Sale and utilisation of proceeds as described in Notes 1.2 and 3.2.2 respectively.
- 2.2 The pro forma combined statements of financial position have been prepared based on the audited combined financial statements of the Group for the financial period ended ("FPE") 31 July 2023 and after adjusting for significant events subsequent to the financial period.

Significant events subsequent to the financial period

On 21 August 2023, Crest Thailand declared a single-tier dividend of THB14.26 per ordinary share amounting to RM0.11 million in respect of the financial year ended 31 December 2022, paid on 11 September 2023.

On 7 December 2023, Crest Systems declared a special final dividend of RM14.00 per ordinary share amounting to RM14.00 million in respect of the financial year ended 31 December 2022, paid on 12 December 2023.

- 2.3 The audited combined financial statements of the Group for the FPE 31 July 2023 were reported by the auditors to the members without any modifications.
- 2.4 The pro forma combined statements of financial position of the Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.
- 2.5 The pro forma combined statements of financial position of the Group have been properly prepared on the basis set out in the accompanying notes to the pro forma combined statements of financial position based on the audited combined financial statements of the Group for FPE 31 July 2023, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

CREST GROUP BERHAD

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE CREST

- 3.1 The pro forma combined statements of financial position of the Group as set out below, for which the directors of Crest are solely responsible, have been prepared for illustrative purposes only, to show the effects on the unaudited statement of financial position of Crest as at 9 August 2023 (being the date of incorporation of Crest), had the transactions as described in Note 1.2 and utilisation of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

| | Unaudited Statement of Financial Position as at 9 August 2023 (Date of incorporation) RM'000 | Pro Forma I After the Acquisitions RM'000 | Pro Forma II After Pro Forma I and the Public Issue and Offer for Sale RM'000 | Pro Forma III After Pro Forma II and the Utilisation of Proceeds RM'000 |
|---------------------------------|---|--|--|--|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | - | 4,091 | 4,091 | 4,091 |
| Deferred tax assets | - | 190 | 190 | 190 |
| Total non-current assets | - | 4,281 | 4,281 | 4,281 |
| Current assets | | | | |
| Inventories | - | 22,695 | 22,695 | 22,695 |
| Trade and other receivables | - | 47,298 | 47,298 | 47,298 |
| Current tax assets | - | 1,560 | 1,560 | 1,560 |
| Cash and short-term deposits | * | 28,451 | [•] | [•] |
| Total current assets | * | 100,004 | [•] | [•] |
| TOTAL ASSETS | * | 104,285 | [•] | [•] |

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)
CREST GROUP BERHAD
3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)
3.1 (Continued)

| | Unaudited Statement of Financial Position as at 9 August 2023 (Date of incorporation) RM'000 | Pro Forma I After the Acquisitions RM'000 | Pro Forma II After Pro Forma I and the Public Issue and Offer for Sale RM'000 | Pro Forma III After Pro Forma II and the Utilisation of Proceeds RM'000 |
|---|---|--|--|--|
| EQUITY AND LIABILITIES | | | | |
| Equity attributable to owners of the Company | | | | |
| Share capital | * | 36,745 | [●] | [●] |
| Exchange reserve | - | 677 | 677 | 677 |
| Reorganisation reserve | - | (32,751) | (32,751) | (32,751) |
| Retained earnings | - | 42,010 | 42,010 | [●] |
| | * | 46,681 | [●] | [●] |
| Non-controlling interests | - | 2,634 | 2,634 | 2,634 |
| TOTAL EQUITY | * | 49,315 | [●] | [●] |
| Non-current liabilities | | | | |
| Loans and borrowings | - | 516 | 516 | 516 |
| Provisions | - | 645 | 645 | 645 |
| Deferred tax liabilities | - | 48 | 48 | 48 |
| Total non-current liabilities | - | 1,209 | 1,209 | 1,209 |
| Current liabilities | | | | |
| Loans and borrowings | - | 302 | 302 | 302 |
| Trade and other payables | - | 49,516 | 49,516 | 49,516 |
| Contract liabilities | - | 801 | 801 | 801 |
| Current tax liabilities | - | 3,142 | 3,142 | 3,142 |
| Total current liabilities | - | 53,761 | 53,761 | 53,761 |
| TOTAL LIABILITIES | - | 54,970 | 54,970 | 54,970 |
| TOTAL EQUITY AND LIABILITIES | * | 104,285 | [●] | [●] |

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)
CREST GROUP BERHAD
3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)
3.1 (Continued)

| | Unaudited Statement of Financial Position as at 9 August 2023 (Date of incorporation) | Pro Forma I After the Acquisitions | Pro Forma II After Pro Forma I and the Public Issue and Offer for Sale | Pro Forma III After Pro Forma II and the Utilisation of Proceeds |
|--|---|--|--|--|
| Number of ordinary shares assumed to be in issue ('000) | 1 | 734,893 | 865,598 | 865,598 |
| Net assets ("NA")^ (RM'000) | - | 46,681 | [•] | [•] |
| NA per ordinary share (RM) | - | 0.06 | [•] | [•] |
| ^ attributable to owners of the Company | | | | |

* *Less than RM1,000*

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

CREST GROUP BERHAD

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 Notes to the pro forma combined statements of financial position are as follows:

3.2.1 The pro forma combined statements of financial position of the Group, for which the directors of Crest are solely responsible, have been prepared for illustrative purposes only, to show the effects on the pro forma combined statements of financial position of the Group as at 31 July 2023, had the transactions as described in Note 1.2 and utilisation of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

3.2.2 The proceeds from the Public Issue would be used in the following manner:

| | RM'000 | % |
|---|------------|----------------------|
| Set up of a new centralised headquarters | [●] | [●] within 36 months |
| Business expansion | [●] | [●] within 36 months |
| Purchase of additional demonstration equipment | [●] | [●] within 36 months |
| Expansion of technical support and maintenance team | [●] | [●] within 36 months |
| Estimated listing expenses | [●] | [●] within 3 months |
| | <u>[●]</u> | <u>[●]</u> |

Notes:

(1) *As at the 17 January 2024, being latest practicable date for this letter, the Group has yet to enter into any contractual binding agreement or issue any purchase order in relation to the set up of a new centralised headquarters, business expansion, purchase of additional demonstration equipment and expansion of technical support and maintenance team. Accordingly, the utilisation of proceeds earmarked for the set up of a new centralised headquarters, business expansion, purchase of additional demonstration equipment and expansion of technical support and maintenance team are not reflected in the pro forma combined statements of financial position.*

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

CREST GROUP BERHAD

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)
3.2 (Continued)

3.2.3 The pro forma combined statements of financial position should be read in conjunction with the notes below:

(a) **Pro Forma I**

Pro Forma I incorporates the effects of the Acquisitions as described in Note 1.2.1 and after adjusting for significant events subsequent to the financial period as described in Note 2.2 on the pro forma combined statements of financial position of the Group as at 31 July 2023.

The reorganisation reserve of the Acquisitions are as below:

| | RM'000 |
|--|---------------|
| Purchase consideration | 36,745 |
| Less: Share capital of the proposed subsidiaries | (3,994) |
| | <hr/> |
| Reorganisation reserve | <u>32,751</u> |

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)
CREST GROUP BERHAD
3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 (Continued)

(a) Pro Forma I (Continued)

The Acquisitions and significant events subsequent to the financial period had the following impact on the pro forma combined statements of financial position of Crest as at 31 July 2023.

| | Increase/(Decrease) | |
|------------------------------------|---|--|
| | Effects on Total Assets RM'000 | Effects on Total Equity/ Liabilities RM'000 |
| Property, plant and equipment | 4,091 | - |
| Deferred tax assets | 190 | - |
| Inventories | 22,695 | - |
| Trade and other receivables | 47,298 | - |
| Current tax assets | 1,560 | - |
| Cash and short-term deposits | 28,451 | - |
| Share capital | - | 36,745 |
| Exchange reserve | - | 677 |
| Reorganisation reserve | 32,751 | - |
| Retained earnings | - | 42,010 |
| Non-controlling interests | - | 2,634 |
| Loans and borrowings - non-current | - | 516 |
| Provisions | - | 645 |
| Deferred tax liabilities | - | 48 |
| Loans and borrowings - current | - | 302 |
| Trade and other payables | - | 49,516 |
| Contract liabilities | - | 801 |
| Current tax liabilities | - | 3,142 |
| | 137,036 | 137,036 |

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

CREST GROUP BERHAD

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 (Continued)

(b) Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I and the Public Issue and Offer for Sale as described in Notes 1.2.2 and 1.2.3 respectively.

The Public Issue will have the following impact on the pro forma combined statements of financial position of the Group as at 31 July 2023:

| | Increase | |
|------------------------------|---|---|
| | Effects on Total Assets RM'000 | Effects on Total Equity RM'000 |
| Cash and short-term deposits | [●] | - |
| Share capital | - | [●] |
| | <u>[●]</u> | <u>[●]</u> |

The Offer for Sale does not have an impact on the pro forma combined statements of financial position of the Group as at 31 July 2023.

(c) Pro Forma III

Pro Forma III incorporates the cumulative effects of Pro Forma II and the utilisation of proceeds from the Public Issue of RM[●] after netting off RM[●] of estimated listing expenses.

The remaining proceeds expected from the Public Issue of RM[●] will be used in the manner as described in Note 3.2.2.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)
CREST GROUP BERHAD
3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 (Continued)

(c) Pro Forma III (continued)

The estimated listing expenses of RM[●] will be capitalised in the Share Capital Account as this is directly attributable expenses relating to the new issuance of shares and the remaining estimated listing expenses of RM[●] will be charged to the Retained Earnings Account.

The utilisation of proceeds will have the following impact on the pro forma combined statements of financial position of the Group as at 31 July 2023:

| | Increase/(Decrease) | |
|------------------------------|---|--|
| | Effects on Total Assets RM'000 | Effects on Total Equity/ Liabilities RM'000 |
| Share capital | [●] | - |
| Retained earnings | [●] | - |
| Cash and short-term deposits | - | [●] |
| | <u>[●]</u> | <u>[●]</u> |

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)
CREST GROUP BERHAD
3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.4 Movements in share capital and reserves are as follows:

| | Share capital RM'000 | Exchange reserve RM'000 | Reorganisation reserve RM'000 | Retained earnings RM'000 |
|---|-------------------------|-------------------------------|-------------------------------------|--------------------------------|
| Pro Forma Statements of Financial Position of Crest as at 31 July 2023 | * | - | - | - |
| Arising from the Acquisitions | 36,745 | 677 | (32,751) | 42,010 |
| As per Pro Forma I | 36,745 | 677 | (32,751) | 42,010 |
| Arising from the Public Issue and Offer for Sale | [●] | - | - | - |
| As per Pro Forma II | [●] | 677 | (32,751) | 42,010 |
| Arising from the defrayment of estimated listing expenses | [●] | - | - | [●] |
| As per Pro Forma III | [●] | 677 | (32,751) | [●] |

 * *Less than RM1,000*

3.2.5 Movements in cash and short-term deposits are as follows:

| | RM'000 |
|---|--------|
| Pro Forma Statements of Financial Position of Crest as at 31 July 2023 | * |
| Arising from the Acquisitions | 28,451 |
| As per Pro Forma I | 28,451 |
| Arising from the Public Issue and Offer for Sale | [●] |
| As per Pro Forma II | [●] |
| Utilisation of proceeds | [●] |
| As per Pro Forma III | [●] |

 * *Less than RM1,000*

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

CREST GROUP BERHAD

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Crest Group Berhad in accordance with a resolution dated 17 January 2024.

.....
Lim Siong Wai
Director

.....
Au Chun Mun
Director

14. ACCOUNTANTS' REPORT



Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

17 January 2024

The Board of Directors
Crest Group Berhad
No. 1, Jalan OP 1/2,
One Puchong Business Park,
47160 Puchong,
Selangor Darul Ehsan.

T : +603 2297 1000
F : +603 2282 9980

info@bakertilly.my
www.bakertilly.my

Dear Sirs/Madam,

Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of Crest Group Berhad ("Crest" or the "Company")

Opinion

We have audited the accompanying combined financial statements of the Company and its operating entities as defined in Note 2 to the combined financial statements (collectively referred to as the "Group"), which comprise of the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 July 2023 of the Group, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and financial period ended 31 July 2023, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 6 to 102.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report of the Company gives a true and fair view of the combined financial positions of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 July 2023, and of its financial performance and its cash flows for the financial years/period then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia.

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
(Incorporated in Malaysia)

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Responsibilities of the Directors for the Combined Financial Statements

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

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

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

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
(Incorporated in Malaysia)

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

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

- identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
(Incorporated in Malaysia)

Other Matter

This report is made solely to the board of directors of the Company and has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon any other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

A handwritten signature in black ink, appearing to read "Paul Tan Hong".

Paul Tan Hong
No. 03459/11/2025 J
Chartered Accountant

Kuala Lumpur

Date: 17 January 2024

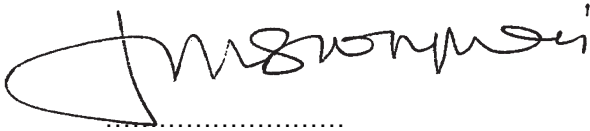
14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

STATEMENT BY DIRECTORS

We, **LIM SIONG WAI** and **AU CHUN MUN**, being two of the directors of CREST GROUP BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 July 2023 and of its financial performance and cash flows for the financial years/period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:



.....
LIM SIONG WAI
Director



.....
AU CHUN MUN
Director

Kuala Lumpur

Date: 17 January 2024

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**COMBINED STATEMENTS OF FINANCIAL POSITION**

| | Note | ← Audited as at → | | | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | 31.12.2020 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.07.2023 RM'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 5,844 | 4,178 | 4,359 | 4,091 |
| Deferred tax assets | 6 | - | - | 178 | 190 |
| Trade and other receivables | 7 | - | 369 | 34 | - |
| Total non-current assets | | 5,844 | 4,547 | 4,571 | 4,281 |
| Current assets | | | | | |
| Inventories | 8 | 10,262 | 14,385 | 16,174 | 22,695 |
| Current tax assets | | 525 | 759 | 1,137 | 1,560 |
| Trade and other receivables | 7 | 44,192 | 53,436 | 40,162 | 47,298 |
| Contract assets | 9 | 211 | - | 284 | - |
| Cash and short-term deposits | 10 | 39,484 | 43,271 | 36,826 | 42,564 |
| Total current assets | | 94,674 | 111,851 | 94,583 | 114,117 |
| TOTAL ASSETS | | 100,518 | 116,398 | 99,154 | 118,398 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to owners of the Group | | | | | |
| Invested equity | 11 | 3,535 | 3,535 | 3,625 | 3,655 |
| Exchange reserve | 12 | 421 | 627 | 660 | 677 |
| Retained earnings | | 49,595 | 47,310 | 46,770 | 54,802 |
| | | 53,551 | 51,472 | 51,055 | 59,134 |
| Non-controlling interests | | 6,212 | 6,482 | 3,340 | 4,294 |
| TOTAL EQUITY | | 59,763 | 57,954 | 54,395 | 63,428 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

| | ← | Audited as at | | | → |
|--------------------------------------|----|----------------|----------------|---------------|----------------|
| | | 31.12.2020 | 31.12.2021 | 31.12.2022 | |
| Note | | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-current liabilities | | | | | |
| Lease liabilities | 13 | 536 | 243 | 310 | 516 |
| Provisions | 14 | 363 | 417 | 551 | 645 |
| Deferred tax liabilities | 6 | 175 | 219 | 183 | 48 |
| Total non-current liabilities | | 1,074 | 879 | 1,044 | 1,209 |
| Current liabilities | | | | | |
| Lease liabilities | 13 | 631 | 451 | 422 | 302 |
| Current tax liabilities | | 1,139 | 2,804 | 2,800 | 3,142 |
| Trade and other payables | 15 | 36,493 | 51,983 | 39,390 | 49,516 |
| Contract liabilities | 9 | 1,418 | 2,327 | 1,103 | 801 |
| Total current liabilities | | 39,681 | 57,565 | 43,715 | 53,761 |
| TOTAL LIABILITIES | | 40,755 | 58,444 | 44,759 | 54,970 |
| TOTAL EQUITY AND LIABILITIES | | 100,518 | 116,398 | 99,154 | 118,398 |

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

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

| | Note | ← Audited → FYE 31 December | | | Audited | Unaudited |
|--|------|--------------------------------|----------------|----------------|-------------------------------|----------------|
| | | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 | FPE 31 July 2023 RM'000 | 2022 RM'000 |
| Revenue | 16 | 124,425 | 148,410 | 170,202 | 102,876 | 93,015 |
| Cost of sales | | (87,871) | (105,024) | (124,501) | (74,603) | (68,088) |
| Gross profit | | 36,554 | 43,386 | 45,701 | 28,273 | 24,927 |
| Other income | 17 | 1,770 | 809 | 1,120 | 588 | 1,138 |
| Administrative expenses | | (12,996) | (13,093) | (14,759) | (10,723) | (7,136) |
| Sales and marketing expenses | | (8,539) | (8,672) | (8,757) | (5,380) | (4,673) |
| Operating profit | | 16,789 | 22,430 | 23,305 | 12,758 | 14,256 |
| Finance cost | 18 | (68) | (76) | (47) | (21) | (21) |
| Profit before tax | 19 | 16,721 | 22,354 | 23,258 | 12,737 | 14,235 |
| Income tax expense | 21 | (3,219) | (4,982) | (5,275) | (2,694) | (3,016) |
| Profit for the financial year/period | | 13,502 | 17,372 | 17,983 | 10,043 | 11,219 |
| Other comprehensive (loss)/income, net of tax | | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | | | |
| Exchange differences on translation of foreign operations | 22 | (180) | 134 | 41 | 43 | 229 |
| Other comprehensive (loss)/income for the financial year/period | | (180) | 134 | 41 | 43 | 229 |
| Total comprehensive income for the financial year/period | | 13,322 | 17,506 | 18,024 | 10,086 | 11,448 |
| Profit attributable to: | | | | | | |
| Owners of the Group | | 11,926 | 15,920 | 17,307 | 8,554 | 10,517 |
| Non-controlling interests | | 1,576 | 1,452 | 676 | 1,489 | 702 |
| | | 13,502 | 17,372 | 17,983 | 10,043 | 11,219 |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the Group | | 11,779 | 16,126 | 17,340 | 8,571 | 10,734 |
| Non-controlling interests | | 1,543 | 1,380 | 684 | 1,515 | 714 |
| | | 13,322 | 17,506 | 18,024 | 10,086 | 11,448 |
| Earnings per share (RM) | | | | | | |
| - Basic and diluted | 23 | 2.86 | 3.81 | 4.14 | 1.99 | 2.52 |

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

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY

| | Note | Invested equity RM'000 | Attributable to owners of the Group | | | Non-controlling interests RM'000 | Total equity RM'000 |
|--|------|-------------------------------|-------------------------------------|---------------------|---------------|--|---------------------------|
| | | Exchange reserve RM'000 | Retained earnings RM'000 | Sub-total RM'000 | RM'000 | RM'000 | |
| At 1 January 2020 | | 3,535 | 568 | 39,094 | 43,197 | 4,744 | 47,941 |
| Total comprehensive income for the financial year | | | | | | | |
| Profit for the financial year | | - | 11,926 | 11,926 | 1,576 | 1,576 | 13,502 |
| Other comprehensive income for the financial year | 22 | - | (147) | (147) | (33) | (33) | (180) |
| | | - | (147) | 11,779 | 11,779 | 1,543 | 13,322 |
| Transactions with owners | | | | | | | |
| Dividends paid on shares | 24 | - | (1,425) | (1,425) | (75) | (75) | (1,500) |
| At 31 December 2020 | | 3,535 | 421 | 49,595 | 53,551 | 6,212 | 59,763 |

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

| | Note | Invested equity RM'000 | Attributable to owners of the Group | Sub-total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|--|------|---------------------------|-------------------------------------|-----------------------------|-------------------------------------|------------------------|
| | | | Exchange reserve RM'000 | Retained earnings RM'000 | | |
| At 1 January 2021 | | 3,535 | 421 | 49,595 | 6,212 | 59,763 |
| Total comprehensive income for the financial year | | | | | | |
| Profit for the financial year | | - | - | 15,920 | 1,452 | 17,372 |
| Other comprehensive income for the financial year | 22 | - | 206 | - | (72) | 134 |
| Transaction with owners | | | | | | |
| Dividends paid on shares | 24 | - | - | (18,205) | (1,110) | (19,315) |
| At 31 December 2021 | | 3,535 | 627 | 47,310 | 6,482 | 57,954 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

| | Note | Invested equity RM'000 | Attributable to owners of the Group | Sub-total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|--|------|---------------------------|-------------------------------------|-----------------------------|-------------------------------------|------------------------|
| | | | Exchange reserve RM'000 | Retained earnings RM'000 | | |
| At 1 January 2022 | | 3,535 | 627 | 47,310 | 6,482 | 57,954 |
| Total comprehensive income for the financial year | | | | | | |
| Profit for the financial year | | - | - | 17,307 | 676 | 17,983 |
| Other comprehensive income for the financial year | 22 | - | 33 | - | 33 | 41 |
| | | - | 33 | 17,307 | 684 | 18,024 |
| Transactions with owners | | | | | | |
| Dividends paid on shares | 24 | - | - | (21,328) | (255) | (21,583) |
| Change in ownership interests in the combining entities | | 90 | - | 3,481 | (3,571) | - |
| | | 90 | - | (17,847) | (3,826) | (21,583) |
| At 31 December 2022 | | 3,625 | 660 | 46,770 | 3,340 | 54,395 |

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

| | Invested equity RM'000 | Exchange reserve RM'000 | Attributable to owners of the Group | | Sub-total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|--|------------------------------|-------------------------------|-------------------------------------|----------|---------------------|--|---------------------------|
| | RM'000 | RM'000 | Retained earnings RM'000 | - | RM'000 | RM'000 | RM'000 |
| At 1 January 2023 | 3,625 | 660 | 46,770 | - | 51,055 | 3,340 | 54,395 |
| Total comprehensive income for the financial period | | | | | | | |
| Profit for the financial period | - | - | 8,554 | - | 8,554 | 1,489 | 10,043 |
| Other comprehensive income for the financial period | - | 17 | - | - | 17 | 26 | 43 |
| | - | 17 | 8,554 | - | 8,571 | 1,515 | 10,086 |
| Transactions with owners | | | | | | | |
| Issuance of ordinary shares | - | - | - | - | - | 297 | 297 |
| Dividends paid on shares | - | - | (1,060) | - | (1,060) | (264) | (1,324) |
| Change in ownership interests in the combining entities | 30 | - | 538 | - | 568 | (594) | (26) |
| | 30 | - | (522) | - | (492) | (561) | (1,053) |
| At 31 July 2023 | 3,655 | 677 | 54,802 | - | 59,134 | 4,294 | 63,428 |

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

| | Invested equity RM'000 | Attributable to owners of the Group | | | Non-controlling interests RM'000 | Total equity RM'000 |
|--|------------------------------|-------------------------------------|--------------------------------|---------------------|--|---------------------------|
| Note | RM'000 | Exchange reserve RM'000 | Retained earnings RM'000 | Sub-total RM'000 | RM'000 | RM'000 |
| At 1 January 2022 | 3,535 | 627 | 47,310 | 51,472 | 6,482 | 57,954 |
| Total comprehensive income for the financial period | | | | | | |
| Profit for the financial period | - | - | 10,517 | 10,517 | 702 | 11,219 |
| Other comprehensive income for the financial period | - | 217 | - | 217 | 12 | 229 |
| | - | 217 | 10,517 | 10,734 | 714 | 11,448 |
| Transactions with owners | | | | | | |
| Dividends paid on shares | - | - | (3,895) | (3,895) | (205) | (4,100) |
| At 31 July 2022 (Unaudited) | 3,535 | 844 | 53,932 | 58,311 | 6,991 | 65,302 |

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

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**COMBINED STATEMENTS OF CASH FLOWS**

| Note | ← Audited → | | | Audited | Unaudited |
|---|---|----------------|----------------|---------------|---------------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from operating activities | | | | | |
| | 16,721 | 22,354 | 23,258 | 12,737 | 14,235 |
| | Profit before tax | | | | |
| | Adjustments for: | | | | |
| | 2,293 | 2,146 | 2,062 | 1,180 | 1,128 |
| | Depreciation of property, plant and equipment | | | | |
| | (590) | (72) | (79) | 1 | - |
| | (Gain)/Loss on disposal of property, plant and equipment | | | | |
| | 85 | 580 | (403) | (93) | (776) |
| | Unrealised loss/(gain) on foreign exchange | | | | |
| | 10 | 4 | (8) | 111 | - |
| | Impairment loss on trade receivables | | | | |
| | 68 | 76 | 47 | 21 | 21 |
| | Finance cost | | | | |
| | (290) | (360) | (229) | (251) | (142) |
| | Finance income | | | | |
| | - | - | 115 | - | - |
| | Bad debts written off | | | | |
| | - | 32 | 29 | - | - |
| | Inventories written off | | | | |
| | - | - | (100) | - | - |
| | Reversal of inventories written off | | | | |
| | - | - | - | 8 | - |
| | Property, plant and equipment written off | | | | |
| | 18,297 | 24,760 | 24,692 | 13,714 | 14,466 |
| | Operating profit before changes in working capital | | | | |
| | <u>Changes in working capital:</u> | | | | |
| | (1,724) | (4,188) | (1,664) | (6,317) | (303) |
| | Inventories | | | | |
| | (3,587) | (14,671) | 794 | (7,139) | (15,060) |
| | Trade and other receivables | | | | |
| | (220) | 217 | (280) | 292 | - |
| | Contract assets | | | | |
| | 438 | 15,351 | (3,652) | 9,840 | 7,027 |
| | Trade and other payables | | | | |
| | 951 | 897 | (1,251) | (309) | (1,875) |
| | Contract liabilities | | | | |
| | 14,155 | 22,366 | 18,639 | 10,081 | 4,255 |
| | Net cash generated from operations | | | | |
| | (3,169) | (3,534) | (5,885) | (2,901) | (2,500) |
| | Income tax paid | | | | |
| | 290 | 360 | 229 | 251 | 142 |
| | Interest received | | | | |
| | 11,276 | 19,192 | 12,983 | 7,431 | 1,897 |
| | Net cash from operating activities | | | | |
| | Cash flows from investing activities | | | | |
| | (3,493) | (275) | (1,643) | (450) | (1,450) |
| (a) | Purchase of property, plant and equipment | | | | |
| | 2,064 | 73 | 185 | 5 | 178 |
| | Proceeds from disposal of property, plant and equipment | | | | |
| | - | - | - | 270 | - |
| | Proceeds from acquisition of equity interest by non-controlling interests | | | | |
| | 9,007 | (1,471) | 155 | (236) | 698 |
| | Change in pledged deposits | | | | |
| | 7,578 | (1,673) | (1,303) | (411) | (574) |
| | Net cash from/(used in) investing activities | | | | |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

| | Note | ← Audited → FYE 31 December | | | Audited | Unaudited |
|---|-----------|--------------------------------|-----------------|-----------------|---------------------|---------------|
| | | 2020 | 2021 | 2022 | FPE 31 July 2023 | 2022 |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from financing activities | (b) | | | | | |
| Repayment of lease liabilities | | (691) | (726) | (634) | (368) | (296) |
| Net changes in amount owing by a related company | | (9,133) | 4,180 | 13,140 | - | 13,140 |
| Net changes in amount owing to directors | | (2,169) | (614) | (7,384) | - | (5,351) |
| Net changes in amount owing to shareholders | | - | 900 | (1,710) | - | - |
| Dividends paid | | (1,500) | (19,315) | (21,583) | (1,324) | (4,100) |
| Interest paid | | (68) | (76) | (47) | (21) | (21) |
| Net cash (used in)/from financing activities | | (13,561) | (15,651) | (18,218) | (1,713) | 3,372 |
| Net increase/(decrease) in cash and cash equivalents | | 5,293 | 1,868 | (6,538) | 5,307 | 4,695 |
| Cash and cash equivalents at the beginning of the financial year | | 29,505 | 34,531 | 36,847 | 30,557 | 36,847 |
| Effects of exchange rate changes | | (267) | 448 | 248 | 195 | 371 |
| Cash and cash equivalents at the end of the financial year | 10 | 34,531 | 36,847 | 30,557 | 36,059 | 41,913 |

- (a) During the financial years/period, the Group made the following cash payments to purchase of property, plant and equipment:

| | Note | ← Audited → FYE 31 December | | | Audited | Unaudited |
|---|------|--------------------------------|------------|--------------|---------------------|--------------|
| | | 2020 | 2021 | 2022 | FPE 31 July 2023 | 2022 |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of property, plant and equipment | 5 | 4,261 | 535 | 2,308 | 882 | 2,098 |
| Operating lease recognised as right-of-use assets | | (768) | (260) | (348) | (432) | (648) |
| Financed by way of lease arrangements | | - | - | (317) | - | - |
| Cash payments on purchase of property, plant and equipment | | 3,493 | 275 | 1,643 | 450 | 1,450 |

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

- (b) Changes in liabilities arising from financing activities comprise of repayment of lease liabilities, net changes in amount owing by a related company, amount owing to directors, amount owing to shareholders and payment of dividend. There were no non-cash changes in liabilities arising from financing activities.
- (c) Total cash outflow for leases:

During the financial years/period, the Group has total cash outflow for leases of RM756,553 (31.12.2022: RM1,204,286; 31.12.2021: RM1,355,810 and 31.12.2020: RM1,312,983).

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

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

Crest Group Berhad ("Crest" or the "Company") was incorporated on 9 August 2023 as a private limited liability company and is domiciled in Malaysia. The Company was converted to a public company limited by shares and assumed its present name on 8 December 2023. The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor. The principal place of business of the Company is located at 1, Jalan OP 1/2, One Puchong Business Park 47160 Puchong, Selangor, Malaysia.

The principal activity of the Company is investment holding. The details of the operating entities for the purposes of the listing on the ACE Market of Bursa Malaysia Securities Berhad are as follows:

| Operating entities | Principal place of business/ country of incorporation | Effective equity interest (%) | | | | Principal activities |
|---|--|-------------------------------|------------|------------|------------|---|
| | | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 | |
| Crest Systems (M) Sdn. Bhd. ("Crest Systems") | Malaysia | 91 | 91 | 100 | 100 | Engaged in distribution, installation and commissioning of scientific equipment and provision of advanced imaging, and analytical solutions as well as after sales services such as training and technical support. |
| Crest Analytic Sdn. Bhd. ("Crest Analytic") | Malaysia | 70 | 70 | 70 | 70 | Engaged in distribution, installation and commissioning of analytical and imaging equipment and provision of after sales services such as training and technical support. |
| Crest Nanosolutions (M) Sdn. Bhd. ("Crest Nanosolutions") | Malaysia | 95 | 95 | 95 | 95 | Engaged in distribution, installation and commissioning of analytical and imaging equipment and provision of after sales services such as training and technical support. |
| Matrix Optics (M) Sdn. Bhd. ("Matrix Optics") | Malaysia | 95 | 95 | 95 | 100 | Engaged in distribution, installation and commissioning of healthcare and life science related equipment and provision of after sales services such as training and technical support. |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****1. GENERAL INFORMATION (CONTINUED)**

| Operating entities | Principal place of business/ country of incorporation | Effective equity interest (%) | | | | Principal activities |
|---|--|-------------------------------|------------|------------|------------|--|
| | | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 | |
| Matrix Biosciences (M) Sdn. Bhd. ("Matrix Biosciences") | Malaysia | 100 | 100 | 100 | 100 | Previously, the principal activities were to engage in repairing and servicing of healthcare and life science related equipment. The Company has ceased business in 2023. |
| Crest Lab Sdn. Bhd. ("Crest Lab") | Malaysia | 100 | 100 | 100 | 100 | Engaged in distribution, installation and commissioning of laboratory equipment, quality control scanning services and provision of after sales services such as training and technical support. |
| Matrix Innovations (M) Sdn. Bhd. ("Matrix Innovations") | Malaysia | 95 | 95 | 95 | 100 | Engaged in distribution, installation and commissioning of optical and portable imaging equipment and provision of after sales services such as training and technical support. |
| Crest Innovation (S) Pte. Ltd. ("Crest Innovation")* | Singapore | 80 | 80 | 80 | 70 | Engaged in distribution, installation and commissioning of scientific equipment and provision of advanced imaging and analytical solutions as well as after sales services such as training and technical support. |
| Crest Upstar Pte. Ltd. ("Crest Upstar")* | Singapore | 100 | 100 | 100 | 100 | Previously, the principal activities were to engage in distribution, installation and commissioning of scientific equipment and provision of advanced imaging and analytical solutions as well as after sales service such as training and technical support. The Company has ceased business in 2023. |
| Crest Nanosolution (Thailand) Co., Ltd. ("Crest Thailand")* | Thailand | 49 | 49 | 49 | 49 | Engaged in distribution, installation and commissioning of imaging and analytical equipment and provision of after sales services such as training and technical support. |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****1. GENERAL INFORMATION (CONTINUED)**

| Operating entities | Principal place of business/ country of incorporation | Effective equity interest (%) | | | | Principal activities |
|---|--|-------------------------------|------------|------------|------------|--|
| | | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 | |
| Crest Systems (Suzhou) Co., Ltd. ("Crest Suzhou")* | China | 80 | 80 | 80 | 80 | Engaged in distribution, installation and commissioning of scientific equipment and provision of advanced imaging and analytical solutions as well as after sales services such as training and technical support. |

* *Audited by an independent network firm of Baker Tilly International*

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

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 January 2024.

(a) Movement of equity interests in Crest Systems

On 14 December 2022, the directors of Crest acquired the remaining 9% equity interest, representing 90,000 ordinary shares in Crest Systems for a cash consideration of RM2,500,000. The effective ownership in Crest Systems increased from 91% to 100% as a result of the additional shares acquired.

(b) Movement of equity interests in Matrix Optics

On 24 February 2023, the directors of Crest acquired 5% equity interest, representing 25,000 ordinary shares in Matrix Optics for a cash consideration of RM361,445. The effective ownership in Matrix Optics increased from 95% to 100% as a result of the additional shares acquired.

(c) Movement of equity interests in Matrix Innovations

On 24 February 2023, a director of Crest acquired 5% equity interest, representing 5,000 ordinary shares in Matrix Innovations for a cash consideration of RM96,729. The effective ownership in Matrix Innovations increased from 95% to 100% as a result of the additional shares acquired.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****1. GENERAL INFORMATION (CONTINUED)****(d) Movement of equity interests in Crest Innovation**

On 13 April 2023, Crest Innovation issued 7,143 ordinary shares at a price of SGD11.41 per ordinary share. The effective ownership in Crest Innovation decreased from 80% to 70% as a result of the dilution of shares.

(e) Non-controlling interests of the operating entities

The financial information of the Group's operating entities that have non-controlling interests are as follows:

Equity interest held by non-controlling interests:

| Name of company | Ownership interest | | | |
|---------------------|--------------------|-------------------|-------------------|-------------------|
| | 31.12.2020 (%) | 31.12.2021 (%) | 31.12.2022 (%) | 31.07.2023 (%) |
| Crest Systems | 9 | 9 | - | - |
| Crest Analytic | 30 | 30 | 30 | 30 |
| Crest Nanosolutions | 5 | 5 | 5 | 5 |
| Matrix Optics | 5 | 5 | 5 | - |
| Matrix Innovations | 5 | 5 | 5 | - |
| Crest Innovation | 20 | 20 | 20 | 30 |
| Crest Thailand | 51 | 51 | 51 | 51 |
| Crest Suzhou | 20 | 20 | 20 | 20 |

Carrying amount of non-controlling interests:

| Name of company | Audited as at | | | |
|---------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2020 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.07.2023 RM'000 |
| Crest Systems | 2,491 | 2,418 | - | - |
| Crest Analytic | 483 | 473 | 474 | 562 |
| Crest Nanosolutions | 446 | 395 | 270 | 258 |
| Matrix Optics | 347 | 361 | 426 | - |
| Matrix Innovations | 71 | 97 | 138 | - |
| Crest Innovation | 270 | 473 | 590 | 723 |
| Crest Thailand | 1,693 | 1,502 | 484 | 1,403 |
| Crest Suzhou | 411 | 763 | 958 | 1,348 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****1. GENERAL INFORMATION (CONTINUED)****(e) Non-controlling interests of the operating entities (continued)**

The financial information of the Group's operating entities that has a non-controlling interest is as follows (continued):

Profit or loss allocated to non-controlling interests:

| Name of company | ← Audited → | | | |
|---------------------|----------------|-----------------------------------|----------------|-------------------------------|
| | 2020 RM'000 | FYE 31 December 2021 RM'000 | 2022 RM'000 | FPE 31 July 2023 RM'000 |
| Crest Systems | 527 | 827 | 1,153 | - |
| Crest Analytic | 43 | 51 | - | 88 |
| Crest Nanosolutions | 19 | 24 | 75 | (12) |
| Matrix Optics | 71 | 90 | 120 | - |
| Matrix Innovations | 22 | 26 | 41 | - |
| Crest Innovation | 69 | 202 | 118 | 130 |
| Crest Thailand | 334 | (192) | (1,018) | 919 |
| Crest Suzhou | 458 | 352 | 195 | 390 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****1. GENERAL INFORMATION (CONTINUED)****(f) Summarised financial information of material non-controlling interests**

The summarized financial information (before intra-group elimination) of the Group's operating entities that have material non-controlling interests as are follows:

| | Crest Systems RM'000 | Crest Analytic RM'000 | Crest Nanosolutions RM'000 | Matrix Optics RM'000 | Matrix Innovations RM'000 | Crest Innovation RM'000 | Crest Thailand RM'000 | Crest Suzhou RM'000 |
|--|----------------------------|-----------------------------|----------------------------------|----------------------------|---------------------------------|-------------------------------|-----------------------------|---------------------------|
| Summarised statement of financial position | | | | | | | | |
| As at 31 December 2020 | | | | | | | | |
| Assets and liabilities: | | | | | | | | |
| Non-current assets | 1,901 | 6 | 8 | 1,911 | 284 | 157 | 1,235 | 242 |
| Current assets | 49,882 | 1,890 | 10,618 | 8,953 | 2,761 | 5,668 | 8,118 | 6,512 |
| Non-current liabilities | (423) | (1) | * | (71) | (14) | - | (540) | (17) |
| Current liabilities | (23,676) | (287) | (1,702) | (3,856) | (1,606) | (4,477) | (5,493) | (4,683) |
| Net assets | 27,684 | 1,608 | 8,924 | 6,937 | 1,425 | 1,348 | 3,320 | 2,054 |
| Summarised statement of comprehensive income | | | | | | | | |
| FYE 31 December 2020 | | | | | | | | |
| Revenue | 72,147 | 1,422 | 5,775 | 12,057 | 3,365 | 10,326 | 19,073 | 12,157 |
| Profit for the financial year | 5,852 | 142 | 371 | 1,424 | 445 | 381 | 708 | 2,284 |
| Summarised cash flow information | | | | | | | | |
| FYE 31 December 2020 | | | | | | | | |
| Assets and liabilities: | | | | | | | | |
| Cash flows (used in)/from operating activities | (655) | (543) | (4,997) | 4,168 | 437 | 1,825 | (100) | 2,541 |
| Cash flows from/(used in) investing activities | 933 | - | - | (2,281) | (152) | (18) | 114 | (8) |
| Cash flows (used in)/from financing activities | (358) | - | 4,461 | (1,500) | - | (148) | (1,590) | - |
| Net (decrease)/increase in cash and cash equivalents | (80) | (543) | (536) | 387 | 285 | 1,659 | (1,576) | 2,533 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****1. GENERAL INFORMATION (CONTINUED)****(f) Summarised financial information of material non-controlling interests (continued)**

The summarized financial information (before intra-group elimination) of the Group's operating entities that have material non-controlling interests as are follows:
(continued)

| | Crest Systems RM'000 | Crest Analytic RM'000 | Crest Nanosolutions RM'000 | Matrix Optics RM'000 | Matrix Innovations RM'000 | Crest Innovation RM'000 | Crest Thailand RM'000 | Crest Suzhou RM'000 |
|--|----------------------------|-----------------------------|----------------------------------|----------------------------|---------------------------------|-------------------------------|-----------------------------|---------------------------|
| Summarised statement of financial position | | | | | | | | |
| As at 31 December 2021 | | | | | | | | |
| Assets and liabilities: | | | | | | | | |
| Non-current assets | 1,189 | 4 | 373 | 1,483 | 249 | 271 | 791 | 94 |
| Current assets | 59,101 | 1,742 | 8,568 | 8,338 | 5,007 | 8,042 | 13,395 | 11,930 |
| Non-current liabilities | (277) | (1) | * | (28) | (19) | (57) | (480) | - |
| Current liabilities | (33,142) | (167) | (1,036) | (2,564) | (3,302) | (5,896) | (10,761) | (8,209) |
| Net assets | 26,871 | 1,578 | 7,905 | 7,229 | 1,935 | 2,360 | 2,945 | 3,815 |
| Summarised statement of comprehensive income | | | | | | | | |
| FYE 31 December 2021 | | | | | | | | |
| Revenue | 89,573 | 2,811 | 5,910 | 11,985 | 3,359 | 9,789 | 27,385 | 19,512 |
| Profit/(loss) for the financial year | 9,187 | 170 | 480 | 1,791 | 510 | 957 | (148) | 1,596 |
| Summarised cash flow information | | | | | | | | |
| FYE 31 December 2021 | | | | | | | | |
| Assets and liabilities: | | | | | | | | |
| Cash flows from/(used in) | | | | | | | | |
| operating activities | 11,287 | 676 | 4,529 | 2,022 | 1,348 | 1,686 | 656 | (1,148) |
| Cash flows used in investing activities | (50) | - | - | (139) | (4) | (8) | (399) | (3) |
| Cash flows used in financing activities | (10,321) | (200) | (1,529) | (1,500) | - | (141) | (114) | - |
| Net increase/(decrease) in cash and cash equivalents | 916 | 476 | 3,000 | 383 | 1,344 | 1,537 | 143 | (1,151) |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****1. GENERAL INFORMATION (CONTINUED)****(f) Summarised financial information of material non-controlling interests (continued)**

The summarized financial information (before intra-group elimination) of the Group's operating entities that have material non-controlling interests as are follows:
(continued)

| | Crest Analytic RM'000 | Crest Nanosolutions RM'000 | Matrix Optics RM'000 | Matrix Innovations RM'000 | Crest Innovation RM'000 | Crest Thailand RM'000 | Crest Suzhou RM'000 |
|--|-----------------------------|----------------------------------|----------------------------|---------------------------------|-------------------------------|-----------------------------|---------------------------|
| Summarised statement of financial position | | | | | | | |
| As at 31 December 2022 | | | | | | | |
| Assets and liabilities: | | | | | | | |
| Non-current assets | 2 | 7 | 1,017 | 328 | 129 | 1,163 | 280 |
| Current assets | 2,965 | 7,019 | 10,559 | 3,697 | 4,955 | 11,712 | 11,728 |
| Non-current liabilities | (1) | * | - | (35) | - | (717) | (145) |
| Current liabilities | (1,387) | (1,632) | (3,052) | (1,227) | (2,132) | (11,210) | (7,071) |
| Net assets | 1,579 | 5,394 | 8,524 | 2,763 | 2,952 | 948 | 4,792 |
| Summarised statement of comprehensive income | | | | | | | |
| FYE 31 December 2022 | | | | | | | |
| Revenue | 1,644 | 8,620 | 14,428 | 5,752 | 8,847 | 15,423 | 19,610 |
| Profit/(loss) for the financial year | 1 | 1,490 | 2,396 | 828 | 466 | (2,029) | 1,146 |
| Summarised cash flow information | | | | | | | |
| FYE 31 December 2022 | | | | | | | |
| Assets and liabilities: | | | | | | | |
| Cash flows (used in)/from operating activities | (100) | 1,600 | 27 | (1,787) | (1,895) | 1,361 | 2,242 |
| Cash flows used in investing activities | - | (5) | (30) | (127) | (12) | (663) | (7) |
| Cash flows used in financing activities | - | (4,019) | (1,150) | - | (145) | (2,231) | - |
| Net (decrease)/increase in cash and cash equivalents | (100) | (2,424) | (1,153) | (1,914) | (2,052) | (1,533) | 2,235 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****1. GENERAL INFORMATION (CONTINUED)****(f) Summarised financial information of material non-controlling interests (continued)**

The summarized financial information (before intra-group elimination) of the Group's operating entities that have material non-controlling interests as are follows:
(continued)

| | Crest Analytic RM'000 | Crest Nanosolutions RM'000 | Crest Innovation RM'000 | Crest Thailand RM'000 | Crest Suzhou RM'000 |
|--|-----------------------------|----------------------------------|-------------------------------|-----------------------------|---------------------------|
| Summarised statement of financial position | | | | | |
| As at 31 July 2023 | | | | | |
| Assets and liabilities: | | | | | |
| Non-current assets | - | 6 | 512 | 1,079 | 216 |
| Current assets | 2,771 | 5,869 | 5,826 | 13,486 | 15,881 |
| Non-current liabilities | (1) | * | (276) | (786) | (99) |
| Current liabilities | (898) | (720) | (3,652) | (11,029) | (9,256) |
| Net assets | 1,872 | 5,155 | 2,410 | 2,750 | 6,742 |
| Summarised statement of comprehensive income | | | | | |
| FPE 31 July 2023 | | | | | |
| Revenue | 3,071 | 2,339 | 6,087 | 19,679 | 18,703 |
| Profit/(loss) for the financial period | 294 | (240) | 450 | 1,760 | 2,006 |
| Summarised cash flow information | | | | | |
| FPE 31 July 2023 | | | | | |
| Assets and liabilities: | | | | | |
| Cash flows (used in)/from operating activities | (22) | 1,576 | (307) | 6,144 | (2,015) |
| Cash flows used in investing activities | - | - | (55) | (165) | (11) |
| Cash flows used in financing activities | - | (19) | (1,152) | (102) | (104) |
| Net (decrease)/increase in cash and cash equivalents | (22) | 1,557 | (1,514) | 5,877 | (2,130) |

* *Less than RM1,000*

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION**

The combined financial statements of Crest consist of the financial statements of the following entities under common control which is accounted using merger method of accounting (collectively hereinafter referred to as the "Group") for each of the financial year/period.

| Entities under Common Control | FYE 31 December | | | FPE 31 July | |
|-------------------------------|-----------------|------|------|-------------|------|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| Crest Systems | √, # | √, # | √, & | @ | √, & |
| Crest Analytic | √, # | √, # | √, & | @ | √, & |
| Crest Nanosolutions | √, # | √, # | √, & | @ | √, & |
| Matrix Optics | √, # | √, # | √, & | @ | √, & |
| Matrix Biosciences | √, # | √, # | √, & | @ | √, & |
| Crest Lab | √, # | √, # | √, & | @ | √, & |
| Matrix Innovations | √, # | √, # | √, & | @ | √, & |
| Crest Innovation | α, + | α, + | α, + | β | α, + |
| Crest Upstar | α, + | α, + | α, + | β | α, + |
| Crest Thailand | α, + | α, + | α, + | β | α, + |
| Crest Suzhou | α, + | α, + | α, + | β | α, + |

- √ *The combined financial statements of the Group include the financial statements of these operating entities prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and the International Financial Reporting Standards ("IFRSs") for the respective financial year/period.*
- α *The combined financial statements of the Group include the financial statements of these operating entities prepared in accordance with the International Financial Reporting Standards ("IFRSs") for the respective financial year/period.*
- # *The combined financial statements of the Group for FYE 31 December 2020 and 31 December 2021 have been prepared based on the audited financial statements which were re-audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which were lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.*
- + *The combined financial statements of the Group for the respective financial years/period have been prepared based on the audited financial statements which were audited by an independent member firm of Baker Tilly International.*
- & *The combined financial statements of the Group for the financial year/period have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT.*
- @ *The combined statement of comprehensive income, combined statement of changes in equity, combined statement of cash flows and notes to the combined financial statements of the Group include the statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements of these combining entities prepared in accordance with the MFRSs and IFRSs for the respective financial period.*

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)**

β *The combined statement of comprehensive income, combined statement of changes in equity, combined statement of cash flows and notes to the combined financial statements of the Group include the statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements of these combining entities prepared in accordance with the IFRSs for the respective financial period.*

The audited financial statements of all the operating entities within the Group for the relevant years/period reported above were not subject to any modifications.

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of the entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the combined financial statements of the Group had the relevant transactions to legally constitute a group been incorporated in the combined financial statements for the respective financial years/period. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years/period.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years/period presented in these combined financial statements.

2.1 Statement of compliance

The combined financial statements of the Group have been prepared in accordance with the MFRSs and IFRSs.

2.2 Adoption of amendments/improvements to MFRSs

The adoption of amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and did not result in significant changes to the Group's existing accounting policies.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective**

- (a) The Group has not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

| <u>New MFRS</u> | | Effective for financial periods beginning on or after |
|---|---|--|
| MFRS 17 | Insurance Contracts | 1 January 2023 |
| <u>Amendments/Improvements to MFRSs</u> | | |
| MFRS 1 | First-time Adoption of MFRSs | 1 January 2023 [#] |
| MFRS 3 | Business Combinations | 1 January 2023 [#] |
| MFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | 1 January 2023 [#] |
| MFRS 7 | Financial Instruments: Disclosures | 1 January 2023 [#] / 1 January 2024 |
| MFRS 9 | Financial Instruments | 1 January 2023 [#] |
| MFRS 10 | Consolidated Financial Statements | Deferred |
| MFRS 15 | Revenue from Contracts with Customers | 1 January 2023 [#] |
| MFRS 16 | Leases | 1 January 2024 |
| MFRS 17 | Insurance Contracts | 1 January 2023 |
| MFRS 101 | Presentation of Financial Statements | 1 January 2023/ 1 January 2024 |
| MFRS 107 | Statements of Cash Flows | 1 January 2023 [#] / 1 January 2024 |
| MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors | 1 January 2023 |
| MFRS 112 | Income Taxes | 1 January 2023 |
| MFRS 116 | Property, Plant and Equipment | 1 January 2023 [#] |
| MFRS 119 | Employee Benefits | 1 January 2023 [#] |
| MFRS 121 | The Effect of Changes in Foreign Exchange Rate | 1 January 2025 |
| MFRS 128 | Investments in Associates and Joint Ventures | Deferred/ 1 January 2023 [#] |
| MFRS 132 | Financial Instruments: Presentation | 1 January 2023 [#] |
| MFRS 136 | Impairment of Assets | 1 January 2023 [#] |
| MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets | 1 January 2023 [#] |
| MFRS 138 | Intangible Assets | 1 January 2023 [#] |
| MFRS 140 | Investment Property | 1 January 2023 [#] |

[#] Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

- (b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below:

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

- (b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below: (continued)

Amendments to MFRS 101 Presentation of Financial Statements (continued)

In another amendments, an entity is required to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

- (b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below: (continued)

Amendments to MFRS 112 Income Taxes (continued)

In another amendments, it gives entities temporary relief from recognising and disclosing accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("OECD") international tax reform; and introduces targeted disclosure requirements to help investors better understand an entity's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

Applying the temporary relief, entities neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The relief will help to ensure consistency in the financial statements while easing into the implementation of the rules by allowing time for entities to assess how they are affected.

Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 107 and MFRS 7 respond to investors' concerns that some supplier finance arrangements – also referred to as supply chain finance, trade payables finance or reverse factoring arrangements – used by entities are not sufficiently visible, hindering investors' analysis.

The disclosure requirements require entities to disclose information that would enable users of financial statements to assess how supplier finance arrangements affect an entity's operations; including the effects supplier finance arrangements have on an entity's liability, cash flows and exposures to liquidity risk. The new disclosure requirements would also inform users of financial statements on how an entity might be affected if the arrangements were no longer available to it.

Amendments to MFRS 121 The Effect of Changes in Foreign Exchange Rates

Amendments to MFRS 121 respond to the stakeholder feedback and concerns about diversity in practice in accounting for a lack of exchangeability between currencies.

Applying the Amendments, entities will be applying a consistent approach in determining if a currency can be exchanged into another currency. These amendments provide guidance on the spot exchange rate to use when a currency is not exchangeable into another currency and the disclosures entities need to provide to enable users of financial statements to understand the impact on the entities' financial performance, financial position and cash flows as a result of a currency being not exchangeable into another currency.

- (c) The initial application of the above applicable new MFRS and amendments/improvements to MFRSs are not expected to have any material impact on the combined financial statements.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.4 Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been round to the nearest thousand, unless otherwise stated.

2.5 Basis of measurement

The combined financial statements of the Group have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years/period presented in the combined financial statements of the Group.

3.1 Basis of combination

The combined financial statements comprise the financial statements of Crest, Crest Systems, Crest Analytic, Crest Nanosolutions, Matrix Optics, Matrix Biosciences, Crest Lab, Matrix Innovations, Crest Innovation, Crest Upstar, Crest Thailand and Crest Suzhou. The financial statements used in the preparation of the combined financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Entities under a reorganisation do not result in any change in economic substance. Accordingly, the combined financial statements of the Group is a continuation of the Group and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings, and other equity balances of acquired entity is immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.1 Basis of combination (continued)****(a) Business combination**

The Group applies the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Combining entities acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years/period. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On combination, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

(b) Non-controlling interests

Non-controlling interests represent the equity in combining entities not attributable, directly or indirectly, to owners of the Company and are presented separately in the combined statements of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Transactions eliminated on combination

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the combined financial statements.

3.2 Foreign currency transactions and operations**(a) Translation of foreign currency transactions**

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.2 Foreign currency transactions and operations (continued)****(a) Translation of foreign currency transactions (continued)**

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising from the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments**

Financial instruments are recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contract provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income ("FVOCI") with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVPL

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)****(b) Subsequent measurement (continued)**

The Group categorises the financial instruments as follows: (continued)

(ii) Financial assets (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**
Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment in accordance with Note 3.8(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.
- **FVOCI**
Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.8(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)****(a) Subsequent measurement (continued)**

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)Debt instruments (continued)

- **FVPL**

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the combined statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Upon initial recognition, the Group can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)****(a) Subsequent measurement (continued)**

The Group categorises the financial instruments as follows: (continued)

(ii) Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 *Financial Instruments* are satisfied. The Group has not designated any financial liability as at FVPL.

Financial liabilities at amortised cost

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

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)****(c) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group commits itself to purchase or sell an asset).

Trade date accounting refers to:

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

- (i) the contractual rights to receive cash flows from the financial asset expire; or
- (ii) the Group has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either
 - (a) the Group has transferred substantially all the risks and rewards of the asset; or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)****(d) Derecognition**

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.4 Property, plant and equipment**(a) Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.4 Property, plant and equipment (continued)****(a) Recognition and measurement**

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

| | Useful lives (years) |
|------------------------|---------------------------------|
| Computer and software | 3.33 - 10 |
| Electrical fittings | 5 - 10 |
| Office equipment | 5 - 10 |
| Furniture and fittings | 5 - 10 |
| Renovation | 5 - 10 |
| Motor vehicles | 4 - 5 |
| Machine equipment | 5 - 10 |
| Demonstration units | 5 - 10 |

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Leases****(a) Definition of a lease**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

(b) Lessee accounting

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group presents right-of-use assets and lease liabilities as separate lines in the combined statements of financial position.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(b).

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Leases (continued)****(b) Lessee accounting (continued)**Lease liability

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

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

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

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "administrative expenses" in the combined statements of comprehensive income.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Leases (continued)****(b) Lessee accounting (continued)**Lease liability (continued)

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.6 Contract assets/(liabilities)

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Group's future performance) The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(a).

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers.

3.7 Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change of value.

3.8 Impairment of assets**(a) Impairment of financial assets and contract assets**

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets, a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 *Financial Instruments* which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.8 Impairment of assets (continued)****(a) Impairment of financial assets and contract assets (continued)**

The Group measures loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables and contract assets, the Group applies the simplified approach permitted by MFRS 9 *Financial Instruments* to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than credit terms.

The Group considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than credit terms unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.8 Impairment of assets (continued)****(a) Impairment of financial assets and contract assets (continued)**

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the combined statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for recovery of amounts due.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.8 Impairment of assets (continued)****(b) Impairment of non-financial assets**

The carrying amounts of non-financial assets (except for contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. For goodwill, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.8 Impairment of assets (continued)****(b) Impairment of non-financial assets (continued)**

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.9 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.10 Employee benefits**(a) Short-term employee benefits**

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year/period where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund, the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

(c) Employee retirement benefit

Provision for employee retirement benefit is recognised with the management's best estimate of the expenditure required to settle the present obligation at the end of the year according to Thailand's Labor Law. Such amount is based on employees' salary bases, their years of services until the end of their services in the future and the employee's turnover rate.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.11 Provisions**

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.12 Revenue and other income

The 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.

Revenue recognition of the Group is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group measures revenue from sale of good or services at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group estimates it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.12 Revenue and other income (continued)**

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components

The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Sales of goods

The Company sells electronic microscopes and instruments to local and foreign customers. Revenue from sale of goods 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.

Sales are made with a credit term of 60 days to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts where applicable. Accumulated experience with the customer's purchasing pattern is used to estimate and provide for the discounts, using the expected value method. The Company uses the expected value method because it is the method that the Company expects to better predict the estimated volume discounts to which it will be provided to the customers. The estimated volume discounts recognised is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Based on the terms of the customer, it is Company's obligation to repair or replace for faulty products under different warranty terms to customers.

When consideration is collected from customer in advance for sale of goods, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon the sale of goods to the customer.

(b) Rendering of 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. This is determined based on the time elapsed (output method).

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.12 Revenue and other income (continued)****(c) Interest income**

Interest income is recognised using the effective interest method.

(d) Rental income

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentive granted is recognised as an integral part of the total rental income, over the term of the lease.

3.13 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.14 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.14 Income tax (continued)****(b) Deferred tax**

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the combined statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.14 Income tax (continued)****(c) Sales and services tax**

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the combined statements of financial position.

3.15 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.16 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.17 Fair value measurements**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the combined statements of financial position.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of combined financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's combined financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's combined financial statements within the next financial year are disclosed as follows:

(a) Determination of lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether they are reasonably certain to exercise the option to renew or terminate the lease. The Group considers all relevant factors that create an economic incentive for them to exercise the renewal or termination. After the commencement date, the Group reassessed the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The carrying amounts of the Group's lease liabilities are disclosed in Note 13.

(b) Impairment of financial assets and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history and existing market conditions at the end of each reporting period.

The assessment of the correlation between historical observed default rates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and forecast of economic conditions over the expected lives of the financial assets and contract assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's financial assets and contract assets are disclosed in Note 25(b).

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

| | Note | Computer and software RM'000 | Electrical fittings RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Renovation RM'000 | Motor vehicles RM'000 | Machine equipment RM'000 | Demostration units RM'000 | Work-in-progress RM'000 | Right-of-use assets RM'000 | Total RM'000 |
|--|------|---------------------------------|-------------------------------|----------------------------|----------------------------------|----------------------|--------------------------|-----------------------------|------------------------------|----------------------------|-------------------------------|-----------------|
| Cost | | | | | | | | | | | | |
| At 1 January 2020 | | 1,060 | 72 | 1,449 | 541 | 1,731 | 5,504 | 2,196 | 4,738 | - | 172 | 17,463 |
| Additions | | 183 | 3 | 61 | 1 | - | - | 2,319 | 926 | - | 768 | 4,261 |
| Disposals | | (21) | - | - | - | - | - | (314) | (2,548) | - | (168) | (3,051) |
| Reclassification | | 15 | 3 | (57) | 24 | 10 | - | (309) | 314 | - | - | - |
| Exchange difference | | (5) | - | (4) | (2) | (3) | (1) | (28) | (3) | - | (11) | (57) |
| At 31 December 2020 | | 1,232 | 78 | 1,449 | 564 | 1,738 | 5,503 | 3,864 | 3,427 | - | 761 | 18,616 |
| Accumulated depreciation | | | | | | | | | | | | |
| At 1 January 2020 | | 775 | 65 | 1,178 | 459 | 1,244 | 4,741 | 1,084 | 2,429 | - | 108 | 12,083 |
| Depreciation charge for the financial year | 19 | 194 | 2 | 72 | 22 | 98 | 426 | 489 | 632 | - | 358 | 2,293 |
| Disposals | | (14) | - | - | - | - | - | (22) | (1,373) | - | (168) | (1,577) |
| Reclassification | | 5 | 1 | (23) | 6 | 6 | - | (261) | 266 | - | - | - |
| Exchange difference | | (3) | - | (2) | (1) | (1) | (1) | (9) | (2) | - | (8) | (27) |
| At 31 December 2020 | | 957 | 68 | 1,225 | 486 | 1,347 | 5,166 | 1,281 | 1,952 | - | 290 | 12,772 |
| Carrying amount | | | | | | | | | | | | |
| At 1 January 2020 | | 285 | 7 | 271 | 82 | 487 | 763 | 1,112 | 2,309 | - | 64 | 5,380 |
| At 31 December 2020 | | 275 | 10 | 224 | 78 | 391 | 337 | 2,583 | 1,475 | - | 471 | 5,844 |

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Note | Computer and software RM'000 | Electrical fittings RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Renovation RM'000 | Motor vehicles RM'000 | Machine equipment RM'000 | Demonstration units RM'000 | Work-in-progress RM'000 | Right-of-use assets RM'000 | Total RM'000 |
|--|------|---------------------------------|-------------------------------|----------------------------|----------------------------------|----------------------|--------------------------|-----------------------------|-------------------------------|----------------------------|-------------------------------|-----------------|
| Cost | | | | | | | | | | | | |
| At 1 January 2021 | | 1,232 | 78 | 1,449 | 564 | 1,738 | 5,503 | 3,864 | 3,427 | - | 761 | 18,616 |
| Additions | | 68 | - | 11 | 1 | - | - | 138 | 57 | - | 260 | 535 |
| Disposals | | (8) | - | - | - | - | - | - | (55) | - | - | (63) |
| Exchange difference | | (18) | - | (5) | (4) | (6) | 6 | (92) | 5 | - | 2 | (112) |
| At 31 December 2021 | | 1,274 | 78 | 1,455 | 561 | 1,732 | 5,509 | 3,910 | 3,434 | - | 1,023 | 18,976 |
| Accumulated depreciation | | | | | | | | | | | | |
| At 1 January 2021 | | 957 | 68 | 1,225 | 486 | 1,347 | 5,166 | 1,281 | 1,952 | - | 290 | 12,772 |
| Depreciation charge for the financial year | 19 | 130 | 2 | 66 | 21 | 96 | 279 | 749 | 452 | - | 351 | 2,146 |
| Disposals | | (7) | - | - | - | - | - | - | (55) | - | - | (62) |
| Exchange difference | | (12) | - | (2) | (2) | (4) | 1 | (50) | 3 | - | 8 | (58) |
| At 31 December 2021 | | 1,068 | 70 | 1,289 | 505 | 1,439 | 5,446 | 1,980 | 2,352 | - | 649 | 14,798 |
| Carrying amount | | | | | | | | | | | | |
| At 1 January 2021 | | 275 | 10 | 224 | 78 | 391 | 337 | 2,583 | 1,475 | - | 471 | 5,844 |
| At 31 December 2021 | | 206 | 8 | 166 | 56 | 293 | 63 | 1,930 | 1,082 | - | 374 | 4,178 |

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Note | Computer and software RM'000 | Electrical fittings RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Renovation RM'000 | Motor vehicles RM'000 | Machine equipment RM'000 | Demostration units RM'000 | Work-in-progress RM'000 | Right-of-use assets RM'000 | Total RM'000 |
|--|------|---------------------------------|-------------------------------|----------------------------|----------------------------------|----------------------|--------------------------|-----------------------------|------------------------------|----------------------------|-------------------------------|-----------------|
| Cost | | | | | | | | | | | | |
| At 1 January 2022 | | 1,274 | 78 | 1,455 | 561 | 1,732 | 5,509 | 3,910 | 3,434 | - | 1,023 | 18,976 |
| Additions | | 106 | 15 | 63 | 36 | 31 | - | 544 | 740 | 108 | 665 | 2,308 |
| Disposals | | - | - | - | - | - | - | (205) | - | - | - | (205) |
| Reclassification | | - | - | (1) | - | - | - | 1 | - | - | - | - |
| Exchange difference | 10 | 10 | - | 4 | 2 | 4 | (5) | 33 | 8 | - | 26 | 82 |
| At 31 December 2022 | | 1,390 | 93 | 1,521 | 599 | 1,767 | 5,504 | 4,283 | 4,182 | 108 | 1,714 | 21,161 |
| Accumulated depreciation | | | | | | | | | | | | |
| At 1 January 2022 | | 1,068 | 70 | 1,289 | 505 | 1,439 | 5,446 | 1,980 | 2,352 | - | 649 | 14,798 |
| Depreciation charge for the financial year | 19 | 104 | 2 | 68 | 22 | 98 | 53 | 770 | 527 | - | 418 | 2,062 |
| Disposals | | - | - | - | - | - | - | (99) | - | - | - | (99) |
| Exchange difference | | 8 | - | 2 | 2 | 3 | (5) | 18 | 6 | - | 7 | 41 |
| At 31 December 2022 | | 1,180 | 72 | 1,359 | 529 | 1,540 | 5,494 | 2,669 | 2,885 | - | 1,074 | 16,802 |
| Carrying amount | | | | | | | | | | | | |
| At 1 January 2022 | | 206 | 8 | 166 | 56 | 293 | 63 | 1,930 | 1,082 | - | 374 | 4,178 |
| At 31 December 2022 | | 210 | 21 | 162 | 70 | 227 | 10 | 1,614 | 1,297 | 108 | 640 | 4,359 |

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Note | Computer and software RM'000 | Electrical fittings RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Renovation RM'000 | Motor vehicles RM'000 | Machine equipment RM'000 | Demonstration units RM'000 | Work-in-progress RM'000 | Right-of-use assets RM'000 | Total RM'000 |
|--|------|---------------------------------|-------------------------------|----------------------------|----------------------------------|----------------------|--------------------------|-----------------------------|-------------------------------|----------------------------|-------------------------------|-----------------|
| Cost | | | | | | | | | | | | |
| At 1 January 2023 | | 1,390 | 93 | 1,521 | 599 | 1,767 | 5,504 | 4,283 | 4,182 | 108 | 1,714 | 21,161 |
| Additions | | 46 | 19 | 31 | 7 | 138 | - | 106 | 103 | - | 432 | 882 |
| Disposals | | (20) | - | - | - | - | - | (6) | (13) | - | - | (39) |
| Written off | | (67) | - | (43) | - | (35) | - | - | - | - | - | (145) |
| Derecognition due to end of lease term | | - | - | - | - | - | - | - | - | - | (313) | (313) |
| Reclassification | | - | - | 12 | 51 | 45 | 331 | - | - | (108) | (331) | - |
| Exchange difference | | 12 | - | 6 | 3 | 5 | 4 | 54 | 4 | - | 30 | 118 |
| At 31 July 2023 | | 1,361 | 112 | 1,527 | 660 | 1,920 | 5,839 | 4,437 | 4,276 | - | 1,532 | 21,664 |

Accumulated depreciation

| | | | | | | | | | | | | |
|--|----|-------|----|-------|-----|-------|-------|-------|-------|---|-------|--------|
| At 1 January 2023 | | 1,180 | 72 | 1,359 | 529 | 1,540 | 5,494 | 2,669 | 2,885 | - | 1,074 | 16,802 |
| Depreciation charge for the financial period | 19 | 63 | 2 | 39 | 17 | 56 | - | 504 | 247 | - | 252 | 1,180 |
| Disposals | | (19) | - | - | - | - | - | (3) | (11) | - | - | (33) |
| Written off | | (66) | - | (39) | - | (32) | - | - | - | - | - | (137) |
| Derecognition due to end of lease term | | - | - | - | - | - | - | - | - | - | (313) | (313) |
| Reclassification | | - | - | - | - | - | 101 | - | - | - | (101) | - |
| Exchange difference | | (1) | - | 5 | 13 | 4 | 2 | 31 | 3 | - | 17 | 74 |
| At 31 July 2023 | | 1,157 | 74 | 1,364 | 559 | 1,568 | 5,597 | 3,201 | 3,124 | - | 929 | 17,573 |

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Computer and software RM'000 | Electrical fittings RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Renovation RM'000 | Motor vehicles RM'000 | Machine equipment RM'000 | Demostration units RM'000 | Work-in- progress RM'000 | Right-of-use assets RM'000 | Total RM'000 |
|------------------------|------------------------------------|----------------------------------|-------------------------------|-------------------------------------|----------------------|--------------------------|--------------------------------|---------------------------------|--------------------------------|----------------------------------|-----------------|
| Carrying amount | | | | | | | | | | | |
| At 1 January 2023 | 210 | 21 | 162 | 70 | 227 | 10 | 1,614 | 1,297 | 108 | 640 | 4,359 |
| At 31 July 2023 | 204 | 38 | 163 | 101 | 352 | 242 | 1,236 | 1,152 | - | 603 | 4,091 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****(a) Right-of-use assets**

Information about leases for which the Group is a lessee are presented below:

| | Buildings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|------------------------|-----------------------------------|--|-------------------------------|
| Carrying amount | | | |
| At 1 January 2020 | 64 | - | 64 |
| Additions | 768 | - | 768 |
| Disposal | * | - | * |
| Depreciation | (358) | - | (358) |
| Exchange difference | (3) | - | (3) |
| At 31 December 2020 | 471 | - | 471 |
| Additions | 260 | - | 260 |
| Depreciation | (351) | - | (351) |
| Exchange difference | (6) | - | (6) |
| At 31 December 2021 | 374 | - | 374 |
| Additions | 348 | 317 | 665 |
| Depreciation | (358) | (60) | (418) |
| Exchange difference | 15 | 4 | 19 |
| At 31 December 2022 | 379 | 261 | 640 |
| Additions | 432 | - | 432 |
| Depreciation | (213) | (39) | (252) |
| Reclassification | - | (230) | (230) |
| Exchange difference | 5 | 8 | 13 |
| At 31 July 2023 | 603 | - | 603 |

* *Less than RM1,000*

The Group leases buildings for their office space and operations. The leases for the buildings generally have lease terms of 2 to 6 years.

The Group also leases certain motor vehicles with lease term of 5 years and has the option to purchase the assets at the end of the contract term.

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. DEFERRED TAX ASSETS/(LIABILITIES)

| | At 1 January 2020 | Recognised in profit or loss (Note 21) | At 31 December 2020 | Recognised in profit or loss (Note 21) | At 31 December 2021 | Recognised in profit or loss (Note 21) | At 31 December 2022 | Recognised in profit or loss (Note 21) | At 31 July 2023 |
|---|-------------------------|---|---------------------------|---|---------------------------|---|---------------------------|---|-----------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax assets: | | | | | | | | | |
| Property, plant and equipment | - | - | - | 55 | - | (12) | 55 | (12) | 43 |
| Unrealised profit | - | - | - | 123 | - | (105) | 123 | (105) | 18 |
| Provision for employee retirement benefit | - | - | - | - | - | 128 | - | 128 | 128 |
| Exchange difference | - | - | - | - | - | - | - | 1 | 1 |
| | - | - | - | 178 | - | 178 | 178 | 11 | 190 |
| Deferred tax liabilities: | | | | | | | | | |
| Property, plant and equipment | (160) | (15) | (175) | (44) | (219) | 36 | (183) | 135 | (48) |
| | (160) | (15) | (175) | (44) | (219) | 214 | (5) | 146 | 142 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****7. TRADE AND OTHER RECEIVABLES**

| Note | ← Audited as at → | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2020 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.07.2023 RM'000 |
| Non-current: | | | | |
| Trade | | | | |
| Trade receivables | (a) - | 369 | 34 | - |
| Total trade receivables (non-current) | - | 369 | 34 | - |
| Current: | | | | |
| Trade | | | | |
| Trade receivables | (a) 22,450 | 33,793 | 34,351 | 34,451 |
| Less: Impairment for trade receivables | (b) (10) | (15) | (7) | (116) |
| | 22,440 | 33,778 | 34,344 | 34,335 |
| Non-trade | | | | |
| Other receivables | 642 | 645 | 153 | 2,332 |
| Deposits | 1,816 | 1,631 | 1,057 | 1,072 |
| Prepayments | 1,974 | 4,242 | 4,608 | 9,559 |
| Amount owing by a related company | (c) 17,320 | 13,140 | - | - |
| | 21,752 | 19,658 | 5,818 | 12,963 |
| Total trade and other receivables (current) | 44,192 | 53,436 | 40,162 | 47,298 |
| Total trade and other receivables (non-current and current) | 44,192 | 53,805 | 40,196 | 47,298 |

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group is 60 days to 90 days (31.12.2022, 31.12.2021 and 31.12.2020: 60 days to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****7. TRADE AND OTHER RECEIVABLES (CONTINUED)****(b) Receivables that are impaired**

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

| | ← Audited as at → | | | |
|--------------------------------------|-------------------|------------|------------|------------|
| | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | - | 10 | 15 | 7 |
| Charge for the financial year/period | 10 | 4 | - | 111 |
| Reversal | - | - | (8) | - |
| Exchange difference | * | 1 | * | (2) |
| | 10 | 15 | 7 | 116 |

* Less than RM1,000

(c) Amount owing by a related company

Amount owing by a related company is unsecured, non-trade in nature, repayable on demand and is expected to be settled in cash.

The information about the credit exposures are disclosed in Note 25(b)(i).

8. INVENTORIES

| | ← Audited as at → | | | |
|-----------------|-------------------|------------|------------|------------|
| | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At cost: | | | | |
| Trading goods | 3,368 | 3,700 | 3,261 | 2,705 |
| Finished goods | 6,894 | 10,685 | 12,913 | 19,990 |
| | 10,262 | 14,385 | 16,174 | 22,695 |

The cost of inventories of the Group recognised as an expense in cost of sales during the financial years/period was RM96,709,449 (2022: RM132,659,047; 2021: RM106,719,523 and 2020: RM94,053,155).

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****9. CONTRACT ASSETS/(LIABILITIES)**

| | ← Audited as at → | | | |
|--|-------------------|------------|------------|------------|
| | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Contract assets relating to rendering of services | 211 | - | 284 | - |
| Contract liabilities relating to rendering of services | (1,418) | (2,327) | (1,103) | (801) |

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(a) Significant changes in contract balances

| | Audited | | | | | | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | ← | FYE 2020 | | 2021 | | FYE 2022 | | → | |
| | Contract assets | Contract liabilities | Contract assets | Contract liabilities | Contract assets | Contract liabilities | Contract assets | Contract liabilities | Contract assets |
| | Increase/ (decrease) RM'000 | (Increase)/ decrease RM'000 | Increase/ (decrease) RM'000 | (Increase)/ decrease RM'000 | Increase/ (decrease) RM'000 | (Increase)/ decrease RM'000 | Increase/ (decrease) RM'000 | (Increase)/ decrease RM'000 | Increase/ (decrease) RM'000 |
| Revenue recognised that was included in contract liabilities at the beginning of the financial year/period | - | 482 | - | 1,428 | - | 2,355 | - | 1,110 | - |
| Increase due to value of services billed in advance to customer, but revenue not recognised | - | (1,432) | - | (2,325) | - | (1,104) | - | (800) | - |
| Increase due to revenue recognised for unbilled services transferred to customers | 220 | - | - | - | 280 | - | - | - | - |
| Transfer from contract assets recognised at the beginning of the financial year/period to receivables | - | - | (217) | - | - | - | - | (292) | - |
| Exchange differences | (9) | 2 | 6 | (12) | 4 | (27) | 8 | (8) | (8) |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****9. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)****(b) Revenue recognised in relation to contract balances**

| | ← Audited → | | | |
|--|-----------------|------------|------------|-------------|
| | FYE 31 December | | | FPE 31 July |
| | 2020 RM | 2021 RM | 2022 RM | 2023 RM |
| Revenue recognised that was included in contract liability at the beginning of the financial year/period | 482 | 1,428 | 2,355 | 1,110 |
| Exchange differences | (13) | (10) | (28) | (7) |
| | 469 | 1,418 | 2,327 | 1,103 |

10. CASH AND SHORT-TERM DEPOSITS

| | ← Audited as at → | | | |
|---------------------|-------------------|------------|------------|------------|
| | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash in hand | 23 | 22 | 19 | 14 |
| Cash at bank | 34,508 | 36,825 | 30,538 | 36,045 |
| Short-term deposits | 4,953 | 6,424 | 6,269 | 6,505 |
| | 39,484 | 43,271 | 36,826 | 42,564 |

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise of the following:

| | ← Audited as at → | | | |
|------------------------|-------------------|------------|------------|------------|
| | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Short-term deposits | 4,953 | 6,424 | 6,269 | 6,505 |
| Less: Pledged deposits | (4,953) | (6,424) | (6,269) | (6,505) |
| | - | - | - | - |
| Cash and bank balances | 34,531 | 36,847 | 30,557 | 36,059 |
| | 34,531 | 36,847 | 30,557 | 36,059 |

Included in the deposits placed with licensed banks of the Group amounting to RM6,505,174 (31.12.2022: RM6,268,936; 31.12.2021: RM6,424,075 and 31.12.2020: RM4,952,438) is pledged for credit facilities granted to the Group.

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

11. INVESTED EQUITY

| | Note | Number of ordinary shares | | | | | | Amount | | |
|---|--------------------------------|---------------------------|------------------------|------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|--|
| | | 31.12.2020 Unit'000 | 31.12.2021 Unit'000 | 31.12.2022 Unit'000 | 31.07.2023 Unit'000 | 31.12.2020 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.07.2023 RM'000 | |
| Issued and fully paid-up (no par value): | | | | | | | | | | |
| At beginning of the financial year/period | | 4,177 | 4,177 | 4,177 | 4,267 | 3,535 | 3,535 | 3,535 | 3,625 | |
| Change in ownership in interests in the operating entities | 1(a), (b), (c), (d) | - | - | 90 | 30 | - | - | 90 | 30 | |
| At end of the financial year/period | | 4,177 | 4,177 | 4,267 | 4,297 | 3,535 | 3,535 | 3,625 | 3,655 | |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****11. INVESTED EQUITY (CONTINUED)**

For the purpose of this report, the invested equity as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 July 2023 represent the aggregate number of issued shares of all operating entities within the Group.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Group. All ordinary shares rank equally with regards to the Group's residual assets.

12. EXCHANGE RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as the foreign currency differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation or another currency.

13. LEASE LIABILITIES

| | ← Audited as at → | | | |
|---------------------|-------------------|------------|------------|------------|
| | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-current: | | | | |
| Lease liabilities | 536 | 243 | 310 | 516 |
| Current: | | | | |
| Lease liabilities | 631 | 451 | 422 | 302 |
| Total: | | | | |
| Lease liabilities | 1,167 | 694 | 732 | 818 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****13. LEASE LIABILITIES (CONTINUED)****Lease liabilities**

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

| | ← Audited as at → | | | |
|---|-------------------|------------|------------|------------|
| | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Minimum lease payments: | | | | |
| - Not later than one year | 674 | 477 | 480 | 337 |
| - Later than one year and not later than five years | 564 | 246 | 296 | 542 |
| | 1,238 | 723 | 776 | 879 |
| Less: Future finance charges | (71) | (29) | (44) | (61) |
| Present value of minimum lease payments | 1,167 | 694 | 732 | 818 |
| Present value of minimum lease payment: | | | | |
| - Not later than one year | 631 | 451 | 422 | 302 |
| - Later than one year and not later than five years | 536 | 243 | 310 | 516 |
| | 1,167 | 694 | 732 | 818 |
| Less: Amount due within twelve months | (631) | (451) | (422) | (302) |
| Amount due after twelve months | 536 | 243 | 310 | 516 |

14. PROVISIONS

| | ← Audited as at → | | | |
|------------------------------|-------------------|------------|------------|------------|
| | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-current: | | | | |
| Liabilities | | | | |
| Defined benefit pension plan | 363 | 417 | 551 | 645 |

| | ← Audited as at → | | | |
|-----------------------------------|-------------------|------------|------------|------------|
| Note | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.07.2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Included in profit or loss | | | | |
| Defined benefit pension plan | (a) 72 | 80 | 125 | 76 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****14. PROVISIONS (CONTINUED)****(a) Defined benefit pension plan**

The Group's defined benefit pension plan requires contributions to be made to a separately administered fund. This plan provides benefits to members in the form of a guaranteed level of pension payable in perpetuity. The level of benefits provided depends on members' salary bases, their years of services leading up to retirement and the employee's turnover rate.

The provision of defined benefit pension plan is based on management's best estimate of the expenditure required to settle present obligation according to Thai labor law. Employees are not required to contribute to the plans.

Movement in the defined benefit liability

The following table illustrates a reconciliation of the net defined benefit liability and its components:

| | Defined benefit liability RM'000 |
|--|---|
| At 1 January 2020 | 296 |
| Benefits expense | 72 |
| Effects of changes in foreign exchange rates | (5) |
| At 31 December 2020 | 363 |
| Benefits expense | 80 |
| Effects of changes in foreign exchange rates | (26) |
| At 31 December 2021 | 417 |
| Benefits expense | 125 |
| Effects of changes in foreign exchange rates | 9 |
| At 31 December 2022 | 551 |
| Benefits expense | 76 |
| Effects of changes in foreign exchange rates | 18 |
| At 31 July 2023 | 645 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****15. TRADE AND OTHER PAYABLES**

| | Note | ← Audited as at → | | | |
|--------------------------------|------|----------------------|----------------------|----------------------|----------------------|
| | | 31.12.2020 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.07.2023 RM'000 |
| Trade | | | | | |
| Trade payables | (a) | 17,578 | 29,761 | 28,240 | 38,684 |
| Non-trade | | | | | |
| Other payables | | 4,340 | 6,001 | 2,703 | 2,004 |
| Accruals | | 4,740 | 4,062 | 4,922 | 4,779 |
| Deposit | | 1,106 | 3,270 | 3,525 | 4,049 |
| Amount owing to directors | (b) | 7,919 | 7,179 | - | - |
| Amount owing to shareholders | (b) | 810 | 1,710 | - | - |
| | | 18,915 | 22,222 | 11,150 | 10,832 |
| Total trade and other payables | | 36,493 | 51,983 | 39,390 | 49,516 |

(a) Trade payables

Trade payables are non-interest bearing and the normal credit terms granted to the Group is 30 days to 90 days (31.12.2022, 31.12.2021 and 31.12.2020: 30 days to 90 days).

(b) Amount owing to directors and shareholders

Amount owing to directors and shareholders are non-trade in nature, unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

For explanation on the Group's liquidity risk management processes, refer to Note 25(b)(ii).

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****16. REVENUE**

| | ← Audited → | | | Audited | Unaudited |
|---|-----------------|---------|---------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue from contract customers: | | | | | |
| At a point in time: | | | | | |
| Sale of goods | 93,162 | 119,261 | 141,368 | 88,268 | 75,932 |
| Rental income | 978 | 1,645 | 2,106 | 956 | 1,145 |
| | 94,140 | 120,906 | 143,474 | 89,224 | 77,077 |
| Over time: | | | | | |
| Services rendered | 30,285 | 27,504 | 26,728 | 13,652 | 15,938 |
| | 124,425 | 148,410 | 170,202 | 102,876 | 93,015 |

17. OTHER INCOME

| | ← Audited → | | | Audited | Unaudited |
|---|-----------------|--------|--------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 290 | 360 | 229 | 251 | 142 |
| Realised gain on foreign exchange | 129 | - | - | - | - |
| Unrealised gain on foreign exchange | - | - | 403 | 93 | 776 |
| Gain on disposal of property, plant and equipment | 593 | 72 | 79 | 1 | - |
| Rental income | 168 | 168 | 221 | 59 | 162 |
| Reversal of inventories written off | - | - | 100 | - | - |
| Deposit forfeited | 158 | - | - | - | - |
| Government grant and subsidies | 311 | 52 | 16 | - | 4 |
| Other income from registered provident fund | 22 | 87 | 20 | - | 12 |
| Sponsorship | - | - | 26 | 119 | 13 |
| Miscellaneous | 99 | 70 | 26 | 65 | 29 |
| | 1,770 | 809 | 1,120 | 588 | 1,138 |

18. FINANCE COST

| | ← Audited → | | | Audited | Unaudited |
|----------------------|-----------------|--------|--------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest expense on: | | | | | |
| - Lease liabilities | 68 | 76 | 47 | 21 | 21 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****19. PROFIT BEFORE TAX**

Other than as disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax:

| Note | ← Audited → FYE 31 December | | | Audited | Unaudited |
|---|--------------------------------|--------|--------|---------------------|-----------|
| | 2020 | 2021 | 2022 | FPE 31 July 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Auditors' remuneration | | | | | |
| - current year | 85 | 92 | 309 | 458 | 112 |
| - prior years | (2) | (3) | 110 | 11 | - |
| Depreciation of property, plant and equipment | 5 | 2,293 | 2,146 | 2,062 | 1,180 |
| Property, plant and equipment written off | | - | - | - | 8 |
| Loss on disposal of property, plant and equipment | | 3 | * | - | 2 |
| Inventories written off | | - | 32 | 29 | - |
| Employee benefits expense | 20 | 19,787 | 19,218 | 16,035 | 11,289 |
| Rental expenses on: | | | | | |
| - Premises | | 30 | 30 | 30 | - |
| - Office | | 524 | 524 | 493 | 367 |
| Realised loss on foreign exchange | | - | 248 | 515 | 645 |
| Unrealised loss on foreign exchange | | 85 | 580 | - | - |
| Bad debts written off | | - | - | 115 | - |
| Impairment loss on trade receivables | | 10 | 4 | (8) | 111 |

* *Less than RM1,000*

20. EMPLOYEE BENEFITS EXPENSE

| | ← Audited → FYE 31 December | | | Audited | Unaudited |
|----------------------------------|--------------------------------|--------|--------|---------------------|-----------|
| | 2020 | 2021 | 2022 | FPE 31 July 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Salaries, allowances and bonuses | 17,475 | 16,980 | 14,090 | 10,091 | 8,418 |
| Defined contribution plans | 1,974 | 1,838 | 1,796 | 815 | 882 |
| Other staff related benefits | 338 | 400 | 149 | 383 | 202 |
| | 19,787 | 19,218 | 16,035 | 11,289 | 9,502 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****20. EMPLOYEE BENEFITS EXPENSE (CONTINUED)**

Included in employee benefits expenses are:

| | ← Audited → | | | Audited | Unaudited |
|----------------------------------|-----------------|--------|--------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors of the Company | | | | | |
| Executive Director: | | | | | |
| Salaries, allowances and bonuses | 1,736 | 1,863 | 2,155 | 1,409 | 1,128 |
| Defined contribution plans | 281 | 280 | 295 | 145 | 163 |
| Other staff related benefit | 3 | 4 | 4 | 21 | 18 |
| | 2,020 | 2,147 | 2,454 | 1,575 | 1,309 |
| Non-executive Director: | | | | | |
| Fees | 275 | 278 | - | - | - |
| Total directors' remuneration | 2,295 | 2,425 | 2,454 | 1,575 | 1,309 |

21. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 and the financial periods ended 31 July 2023 and 31 July 2022 are as follows:

| | ← Audited → | | | Audited | Unaudited |
|--|-----------------|--------|--------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Combined statements of comprehensive income | | | | | |
| Current income tax: | | | | | |
| - Current income tax charge | 3,089 | 4,938 | 5,560 | 2,587 | 3,019 |
| - Adjustment in respect of prior years | 115 | * | (71) | 253 | (8) |
| | 3,204 | 4,938 | 5,489 | 2,840 | 3,011 |
| Deferred tax (Note 6): | | | | | |
| - (Reversal)/origination of temporary difference | (24) | (59) | (194) | (1) | 5 |
| - Adjustment in respect of prior years | 39 | 103 | (20) | (145) | * |
| | 15 | 44 | (214) | (146) | 5 |
| Income tax expense recognised in profit or loss | 3,219 | 4,982 | 5,275 | 2,694 | 3,016 |

* *Less than RM1,000*

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****21. INCOME TAX EXPENSE (CONTINUED)**

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% of the estimated assessable profit for the financial years/period.

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2,500,000 and below and annual sales less than RM50,000,000 (2022, 2021 and 2020: RM50,000,000) is subject to the statutory income tax rate of 17% (2022, 2021 and 2020: 17%) on chargeable income up to RM600,000 (2022, 2021 and 2020: RM600,000). For chargeable income in excess of RM600,000 (2022, 2021 and 2020: RM600,000), statutory income tax rate of 24% is still applicable.

The reconciliations from the tax amount at the statutory income tax rate to the Group's tax expenses are as follows:

| | ← Audited → | | | Audited | Unaudited |
|---|-----------------|--------|--------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before tax | 16,721 | 22,354 | 23,258 | 12,737 | 14,235 |
| Tax at Malaysian statutory income tax rate of 24% | 4,013 | 5,365 | 5,582 | 3,057 | 3,416 |
| Different rate in other countries | (178) | (340) | (58) | (98) | (150) |
| SME tax savings | (202) | (202) | (169) | (90) | (168) |
| Adjustments: | | | | | |
| - Income not subject to tax | (889) | (458) | (603) | (95) | (403) |
| - Non-deductible expenses | 349 | 514 | 599 | 147 | 373 |
| - Adjustment in respect of current income tax of prior years | 115 | * | (71) | 253 | (8) |
| - Adjustment in respect of deferred tax of prior years | 39 | 103 | (20) | (145) | * |
| - (Reversal)/Origination of temporary difference | (93) | 4 | (6) | 77 | (45) |
| - Deferred tax assets not recognised on previously unrecognised temporary differences | 65 | (4) | 21 | (412) | 1 |
| Income tax expense | 3,219 | 4,982 | 5,275 | 2,694 | 3,016 |

* *Less than RM1,000*

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****22. OTHER COMPREHENSIVE INCOME**

| | ← Audited → | | | Audited | Unaudited |
|--|-----------------|--------|--------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Other comprehensive income | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | | |
| Exchange differences on translation of foreign operations | (180) | 134 | 41 | 43 | 229 |

23. EARNINGS PER SHARE**Basic earnings per ordinary share and diluted earnings per ordinary share**

Basic earnings per ordinary share are based on the profit for the financial years/period attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial years/period.

Diluted earnings per ordinary share are based on the profit for the financial year/period attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial year/period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per ordinary share are computed as follow:

| | ← Audited as at → | | | Audited | Unaudited |
|---|-------------------|--------|--------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit attributable to owners of the Group | 11,926 | 15,920 | 17,307 | 8,554 | 10,517 |
| Weighted average number of ordinary shares for basic and diluted earnings per share ('000 units) [^] | 4,177 | 4,177 | 4,181 | 4,289 | 4,177 |
| Basic and diluted earnings per share (RM) | 2.86 | 3.81 | 4.14 | 1.99 | 2.52 |

[^] For the purpose of calculating the earnings per ordinary share for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 and financial period ended 31 July 2023, the weighted average number of ordinary shares is the aggregate share capital of the operating entities constituting the Group.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. DIVIDENDS**

| | ← Audited → | | | Audited | Unaudited |
|---|-----------------|--------|--------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Recognised during the financial year/period: | | | | | |
| Dividends on ordinary shares: | | | | | |
| - Single-tier final dividend of US\$6.04 per ordinary share in respect of the financial year ended 31 December 2022, paid on 24 March 2023 | - | - | - | 1,324 | - |
| - Single-tier final dividend of RM10,000 per ordinary share in respect of the financial year ended 31 December 2022, paid on 15 December 2022 | - | - | 1,000 | - | - |
| - Single-tier final dividend of RM2.20 per ordinary share in respect of the financial year ended 31 December 2021, paid on 3 March 2022 | - | - | 1,100 | - | 1,100 |
| - Single-tier interim dividend of RM13.00 per ordinary share in respect of the financial year ended 31 December 2022, paid on 16 December 2022 | - | - | 13,000 | - | - |
| - Single-tier interim dividend of RM1,500 per ordinary share in respect of the financial year ended 31 December 2022, paid on 15 December 2022 | - | - | 1,500 | - | - |
| - Single-tier interim dividend of RM2.00 per ordinary share in respect of the financial year ended 31 December 2022, paid on 15 December 2022 | - | - | 1,000 | - | - |
| - Single-tier interim dividend of RM6.00 per ordinary share in respect of the financial year ended 31 December 2021, paid on 13 January 2022 | - | - | 3,000 | - | 3,000 |
| - Single-tier final dividend of US\$153.21 per ordinary share in respect of the financial year ended 31 December 2022, paid on 16 December 2022 | - | - | 983 | - | - |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. DIVIDENDS (CONTINUED)**

| | ← Audited → | | | Audited | Unaudited |
|--|-----------------|--------|--------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Recognised during the financial year/period: (continued) | | | | | |
| Dividends on ordinary shares: (continued) | | | | | |
| - Single-tier interim dividend of RM3.00 per ordinary share in respect of the financial year ended 31 December 2020, paid on 20 September 2021 | - | 1,500 | - | - | - |
| - Single-tier interim dividend of RM1,000 per ordinary share in respect of the financial year ended 31 December 2020, paid on 1 September 2021 | - | 1,000 | - | - | - |
| - Single-tier interim dividend of RM10.00 per ordinary share in respect of the financial year ended 31 December 2021, paid on 6 September 2021 | - | 10,000 | - | - | - |
| - Single-tier interim dividend of RM0.40 per ordinary shares in respect of the financial year ended 31 December 2020, paid on 23 June 2021 | - | 200 | - | - | - |
| - Single-tier interim dividend of US\$320.58 per ordinary share in respect of the financial year ended 31 October 2021, paid on 2 September 2021 | - | 2,015 | - | - | - |
| - Single-tier interim dividend of US\$493.21 per ordinary share in respect of the financial year ended 31 October 2022, paid on 20 December 2021 | - | 3,100 | - | - | - |
| - Single-tier final dividend of RM3.00 per ordinary share in respect of the financial year ended 31 December 2020, paid on 31 March 2021 | - | 1,500 | - | - | - |
| - Single-tier final dividend of RM3.00 per ordinary share in respect of the financial year ended 31 December 2019, paid on 6 March 2020 | 1,500 | - | - | - | - |
| | 1,500 | 19,315 | 21,583 | 1,324 | 4,100 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments**

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned:

| | Carrying amount RM'000 | Amortised cost RM'000 |
|---|---------------------------------------|--------------------------------------|
| At 31 December 2020 | | |
| Financial assets | | |
| Trade and other receivables, less prepayments | 42,218 | 42,218 |
| Cash and short-term deposits | 39,484 | 39,484 |
| | <u>81,702</u> | <u>81,702</u> |
| Financial liabilities | | |
| Lease liabilities | (1,167) | (1,167) |
| Trade and other payables | (36,493) | (36,493) |
| | <u>(37,660)</u> | <u>(37,660)</u> |
| At 31 December 2021 | | |
| Financial assets | | |
| Trade and other receivables, less prepayments | 49,563 | 49,563 |
| Cash and short-term deposits | 43,271 | 43,271 |
| | <u>92,834</u> | <u>92,834</u> |
| Financial liabilities | | |
| Lease liabilities | (694) | (694) |
| Trade and other payables | (51,983) | (51,983) |
| | <u>(52,677)</u> | <u>(52,677)</u> |
| At 31 December 2022 | | |
| Financial assets | | |
| Trade and other receivables, less prepayments | 35,588 | 35,588 |
| Cash and short-term deposits | 36,826 | 36,826 |
| | <u>72,414</u> | <u>72,414</u> |
| Financial liabilities | | |
| Lease liabilities | (732) | (732) |
| Trade and other payables | (39,390) | (39,390) |
| | <u>(40,122)</u> | <u>(40,122)</u> |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Categories of financial instruments (continued)**

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned: (continued)

| | Carrying amount RM'000 | Amortised cost RM'000 |
|---|---------------------------------------|--------------------------------------|
| At 31 July 2023 | | |
| Financial assets | | |
| Trade and other receivables, less prepayments | 37,739 | 37,739 |
| Cash and short-term deposits | 42,564 | 42,564 |
| | <u>80,303</u> | <u>80,303</u> |
| Financial liabilities | | |
| Lease liabilities | (818) | (818) |
| Trade and other payables | (49,516) | (49,516) |
| | <u>(50,334)</u> | <u>(50,334)</u> |

(b) Financial risk management

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Group's overall financial risk management objective is to optimise value for its shareholders. The Group does not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management.

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposure to credit risk arises from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Trade receivables and contract assets**

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the combined statements of financial position.

The carrying amounts of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

At the end of the reporting periods, the Group has no significant concentration of credit risk from its receivables.

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected credit losses provision for all trade receivables and contract assets. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows:

| | Contract assets RM'000 | Current RM'000 | Trade receivables | | | | | Total RM'000 |
|----------------------------------|---------------------------|-------------------|---------------------------------------|--|--|---|-------------------------------------|-----------------|
| | | | 1 to 30 days past due RM'000 | 31 to 60 days past due RM'000 | 61 to 90 days past due RM'000 | 91 to 120 days past due RM'000 | > 120 days past due RM'000 | |
| At 31 December 2020 | | | | | | | | |
| Gross carrying amount at default | 211 | 9,852 | 3,532 | 1,620 | 2,061 | 779 | 4,606 | 22,450 |
| Impairment losses | - | - | - | - | - | - | (10) | (10) |
| Net balance | 211 | 9,852 | 3,532 | 1,620 | 2,061 | 779 | 4,596 | 22,440 |
| At 31 December 2021 | | | | | | | | |
| Gross carrying amount at default | - | 20,505 | 8,985 | 1,509 | 1,773 | 816 | 574 | 34,162 |
| Impairment losses | - | - | - | - | - | - | (15) | (15) |
| Net balance | - | 20,505 | 8,985 | 1,509 | 1,773 | 816 | 559 | 34,147 |

14. ACCOUNTANTS' REPORT (Cont'd)

CREST GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows: (continued)

| | Contract assets RM'000 | Current RM'000 | Trade receivables | | | | | Total RM'000 |
|----------------------------------|---------------------------|-------------------|---------------------------------------|--|--|---|-------------------------------------|-----------------|
| | | | 1 to 30 days past due RM'000 | 31 to 60 days past due RM'000 | 61 to 90 days past due RM'000 | 91 to 120 days past due RM'000 | > 120 days past due RM'000 | |
| At 31 December 2022 | | | | | | | | |
| Gross carrying amount at default | 284 | 16,555 | 4,358 | 3,261 | 3,719 | 1,462 | 5,030 | 34,385 |
| Impairment losses | - | - | - | - | - | - | (7) | (7) |
| Net balance | 284 | 16,555 | 4,358 | 3,261 | 3,719 | 1,462 | 5,023 | 34,378 |
| At 31 July 2023 | | | | | | | | |
| Gross carrying amount at default | - | 16,628 | 4,481 | 4,000 | 3,249 | 2,385 | 3,708 | 34,451 |
| Impairment losses | - | - | - | - | - | - | (116) | (116) |
| Net balance | - | 16,628 | 4,481 | 4,000 | 3,249 | 2,385 | 3,592 | 34,335 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Other receivables and other financial assets**

For other receivables and other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than credit terms in making a contractual payment.

Intercompany loans between related entities are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the debtor does not have sufficient highly liquid resources when the loan is demanded, the Group will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.8(a) for the Group's other accounting policies for impairment of financial assets.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(ii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arises principally from trade and other payables and lease liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's finance department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

| | Carrying amount RM'000 | Contractual cash flows | | | Total RM'000 |
|----------------------------|------------------------------|--|---------------------------------------|--------------------------------|-----------------|
| | | On demand or within 1 year RM'000 | Between 1 and 5 years RM'000 | More than 5 years RM'000 | |
| At 31 December 2020 | | | | | |
| Trade and other payables | 36,493 | 36,493 | - | - | 36,493 |
| Lease liabilities | 1,167 | 674 | 564 | - | 1,238 |
| | <u>37,660</u> | <u>37,167</u> | <u>564</u> | <u>-</u> | <u>37,731</u> |
| At 31 December 2021 | | | | | |
| Trade and other payables | 51,983 | 51,983 | - | - | 51,983 |
| Lease liabilities | 694 | 477 | 246 | - | 723 |
| | <u>52,677</u> | <u>52,460</u> | <u>246</u> | <u>-</u> | <u>52,706</u> |
| At 31 December 2022 | | | | | |
| Trade and other payables | 39,390 | 39,390 | - | - | 39,390 |
| Lease liabilities | 732 | 480 | 296 | - | 776 |
| | <u>40,122</u> | <u>39,870</u> | <u>296</u> | <u>-</u> | <u>40,166</u> |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(ii) Liquidity risk (continued)**Maturity analysis (continued)

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows: (continued)

| | Carrying amount RM'000 | Contractual cash flows | | | Total RM'000 |
|--------------------------|------------------------------|--|---------------------------------------|--------------------------------|-----------------|
| | | On demand or within 1 year RM'000 | Between 1 and 5 years RM'000 | More than 5 years RM'000 | |
| At 31 July 2023 | | | | | |
| Trade and other payables | 49,516 | 49,516 | - | - | 49,516 |
| Lease liabilities | 818 | 337 | 542 | - | 879 |
| | 50,334 | 49,853 | 542 | - | 50,395 |

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales and purchases that are denominated in a foreign currency) and the Group's net investments in foreign operating entities.

The Group's unhedged financial assets that are not denominated in their functional currencies are as follows:

| | Audited as at | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2020 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.07.2023 RM'000 |
| Financial assets and (liabilities) not held in functional currencies: | | | | |
| <u>Cash and short-term deposits</u> | | | | |
| United States Dollar ("USD") | 36 | 5,340 | 5,288 | 10,384 |
| Singapore Dollar ("SGD") | 724 | 1,769 | 2,996 | 738 |
| Euro ("EUR") | - | 659 | - | - |
| Japanese Yen ("JPY") | - | 237 | - | - |
| British Pound ("GBP") | - | * | - | - |
| | 760 | 8,005 | 8,284 | 11,122 |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) Foreign currency risk (continued)**

The Group's unhedged financial assets that are not denominated in their functional currencies are as follows (continued):

| | ← Audited as at → | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2020 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.07.2023 RM'000 |
| Financial assets and (liabilities) not held in functional currencies: (continued) | | | | |
| <u>Trade and other receivables</u> | | | | |
| USD | 3,965 | 4,146 | 6,718 | 5,099 |
| SGD | 121 | 50 | - | 4 |
| EUR | 23 | - | - | 624 |
| JPY | 5 | 1,416 | 1,107 | 606 |
| GBP | 5 | - | 12 | 12 |
| Thai Baht ("THB") | 1,880 | 108 | 273 | 14 |
| | 5,999 | 5,720 | 8,110 | 6,359 |
| <u>Trade and other payables</u> | | | | |
| USD | (3,571) | (4,049) | (7,896) | (5,428) |
| SGD | (19) | (53) | (262) | (4) |
| EUR | (23) | - | - | - |
| JPY | (5) | (1,418) | (1,098) | (682) |
| GBP | - | - | - | - |
| Renminbi ("RMB") | (9) | (9) | (9) | (9) |
| THB | (1,858) | - | - | - |
| | (5,485) | (5,529) | (9,265) | (6,123) |

* *Less than RM1,000*

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to USD, SGD, EUR, JPY and THB.

The following table demonstrates the sensitivity to a reasonable possible change in USD, SGD, EUR, JPY and THB, with all other variables held constant on the Group's total equity and profit for the financial years/period.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) Foreign currency risk (continued)**Sensitivity analysis for foreign currency risk (continued)

| | Change in rate % | Effect on profit for the financial year/ period/equity RM'000 |
|-------------------------|------------------------|---|
| 31 December 2020 | | |
| - USD | +10% | 33 |
| | -10% | (33) |
| - SGD | +10% | 63 |
| | -10% | (63) |
| - THB | +10% | 2 |
| | -10% | (2) |
| 31 December 2021 | | |
| - USD | +10% | 413 |
| | -10% | (413) |
| - SGD | +10% | 134 |
| | -10% | (134) |
| - EUR | +10% | 50 |
| | -10% | (50) |
| - JPY | +10% | 18 |
| | -10% | (18) |
| - THB | +10% | 8 |
| | -10% | (8) |
| 31 December 2022 | | |
| - USD | +10% | 312 |
| | -10% | (312) |
| - SGD | +10% | 208 |
| | -10% | (208) |
| - JPY | +10% | 1 |
| | -10% | (1) |
| - THB | +10% | 21 |
| | -10% | (21) |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) Foreign currency risk (continued)**Sensitivity analysis for foreign currency risk (continued)

| | Change in rate % | Effect on profit for the financial year/ period/equity RM'000 |
|---------------------|---------------------------------|--|
| 31 July 2023 | | |
| - USD | +10% | 764 |
| | -10% | (764) |
| - SGD | +10% | 56 |
| | -10% | (56) |
| - EUR | +10% | 47 |
| | -10% | (47) |
| - JPY | +10% | (6) |
| | -10% | 6 |
| - THB | +10% | 1 |
| | -10% | (1) |

(c) Fair value measurement

The carrying amount of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

There have been no material transfers between Level 1, Level 2 and Level 3 during the financial years/period.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****26. RELATED PARTIES****(a) Identity of related parties**

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

Related parties of the Group include:

- (i) Entities in which directors have interests; and
- (ii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly and indirectly.

(b) Significant related party transactions

| | ← Audited → | | | Audited | Unaudited |
|--|-----------------|--------|--------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Sale of goods | | | | | |
| Entities in which directors have interests | 276 | - | - | - | - |
| Purchase of goods | | | | | |
| Entities in which directors have interests | 1,200 | 1,020 | 450 | - | - |
| Rental expense | | | | | |
| Entities in which directors have interests | 166 | 166 | 166 | 234 | 95 |

(c) Compensation of key management personnel

| | ← Audited → | | | Audited | Unaudited |
|----------------------------------|-----------------|--------|--------|-------------|-----------|
| | FYE 31 December | | | FPE 31 July | |
| | 2020 | 2021 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors' fees | 275 | 278 | - | - | - |
| Salaries, allowances and bonuses | 1,736 | 1,863 | 2,155 | 1,409 | 1,128 |
| Defined contribution plans | 281 | 280 | 295 | 145 | 163 |
| Other staff related benefits | 3 | 4 | 4 | 21 | 18 |
| | 2,295 | 2,425 | 2,454 | 1,575 | 1,309 |

Significant outstanding balances with related parties at the end of the reporting periods are disclosed in Notes 7 and 15.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****27. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and financial period ended 31 July 2023.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The Group's policy is to keep the gearing ratio within reasonable levels. The gearing ratio as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 July 2023 are as follows:

| | Note | ← Audited as at → | | | |
|-------------------------------|------|----------------------|----------------------|----------------------|----------------------|
| | | 31.12.2020 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.07.2023 RM'000 |
| Lease liabilities/total debts | 13 | 1,167 | 694 | 732 | 818 |
| Total equity | | 59,763 | 57,954 | 54,395 | 63,428 |
| Gearing ratio (times) | | 0.02 | 0.01 | 0.01 | 0.01 |

There were no changes in the Group's approach to capital management during the financial years/period under review.

Certain entities in the Group are required to maintain gearing ratios of not more than 1.5 to 2.5 to comply with bank covenants. The entities have not breached these covenants during the financial years/period.

28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS/PERIOD**Coronavirus Disease ("COVID-19") pandemic**

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. Many countries including the Malaysian Government had imposed the Movement Control Order ("MCO") to curb the spread of the COVID-19 pandemic. The COVID-19 pandemic also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 pandemic since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS/PERIOD (CONTINUED)****COVID-19 pandemic (continued)**

The Group has performed an assessment of the overall impact of the situation on the Group's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurements of assets and liabilities and concluded that there was no material adverse effects on the financial statements for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

29. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD**(a) Movement of equity interests in Crest Thailand**

On 23 August 2023, the directors of Crest acquired 30,600 ordinary shares in Crest Thailand for a cash consideration of THB3,366,000. The effective ownership in Crest Thailand increased from 49% to 100% as a result of the additional shares acquired.

On 21 September 2023, Crest Thailand issued 62,449 preference shares at par value of THB100 with a premium of THB9.99 per preference share to a shareholder.

(b) Dividends declared

On 21 August 2023, Crest Thailand declared a single-tier dividend of THB14.26 per ordinary share in respect of the financial year ended 31 December 2022, paid on 11 September 2023.

On 7 December 2023, Crest Systems declared a special final dividend of RM14.00 per ordinary share in respect of the financial year ended 31 December 2022, paid on 12 December 2023.

(c) Acquisitions of subsidiaries**(i) Acquisitions of Crest Systems, Crest Analytic, Matrix Optics, Crest Lab and Matrix Innovations**

On 17 January 2024, Crest had entered into a conditional share sale agreement for the following:

- (a) acquisition of the entire issued share capital of Crest Systems of RM1,000,000 comprising 1,000,000 ordinary shares from the shareholders of Crest Systems for a total purchase consideration of RM12,680,062 to be satisfied entirely via the allotment and issuance of 253,601,240 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM12,680,062 was arrived at after taking into consideration of the audited net assets ("NA") of Crest Systems as at 31 December 2022 and deducting dividends;

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****29. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD (CONTINUED)****(c) Acquisitions of subsidiaries (continued)**

- (i) Acquisitions of Crest Systems, Crest Analytic, Matrix Optics, Crest Lab and Matrix Innovations (continued)

On 17 January 2024, Crest had entered into a conditional share sale agreement for the following: (continued)

- (b) acquisition of 70% of the issued share capital of Crest Analytic of RM350,000 comprising 350,000 ordinary shares from the shareholders of Crest Analytic for a total purchase consideration of RM1,105,030 to be satisfied entirely via the allotment and issuance of 22,100,600 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM1,105,030 was arrived at after taking into consideration of the audited NA of Crest Analytic as at 31 December 2022;

- (c) acquisition of the entire issued share capital of Matrix Optics of RM500,000 comprising 500,000 ordinary shares from the shareholders of Matrix Optics for a total purchase consideration of RM8,524,849 to be satisfied entirely via the allotment and issuance of 170,496,980 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM8,524,849 was arrived at after taking into consideration of the audited NA of Matrix Optics as at 31 December 2022;

- (d) acquisition of the entire issued share capital of Crest Lab of RM1,000 comprising 1,000 ordinary shares from the shareholders of Crest Lab for a total purchase consideration of RM911,459 to be satisfied entirely via the allotment and issuance of 18,229,180 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM911,459 was arrived at after taking into consideration of the audited NA of Crest Lab as at 31 December 2022; and

- (e) acquisition of the entire issued share capital of Matrix Innovations of RM100,000 comprising 100,000 ordinary shares from the shareholders of Matrix Innovations for a total purchase consideration of RM2,762,879 to be satisfied entirely via the allotment and issuance of 55,257,580 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM2,762,879 was arrived at after taking into consideration of the audited NA of Matrix Innovations as at 31 December 2022.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****29. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD (CONTINUED)****(c) Acquisitions of subsidiaries (continued)****(ii) Acquisitions of Crest Nanosolutions**

On 17 January 2024, Crest had entered into a conditional share sale agreement for the acquisition of the entire issued share capital of Crest Nanosolutions of RM500,000 comprising 500,000 ordinary shares from the shareholders of Crest Nanosolutions for a total purchase consideration of RM5,393,837 to be satisfied entirely via the allotment and issuance of 107,876,740 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM5,393,837 was arrived at after taking into consideration of the audited NA of Crest Nanosolutions as at 31 December 2022.

(iii) Acquisition of Matrix Biosciences

On 17 January 2024, Crest had entered into a conditional share sale agreement for the acquisition of the entire issued share capital of Matrix Biosciences of RM100 comprising 100 ordinary shares from the shareholders of Matrix Biosciences for a total purchase consideration of RM3.

The purchase consideration of RM3 was arrived at based on nominal value of RM3. The purchase consideration of Matrix Biosciences is RM3 as the company is inactive.

(iv) Acquisition of Crest Innovation

On 17 January 2024, Crest had entered into a conditional sale and purchase agreement for the acquisition of 70% of the issued share capital of Crest Innovation of USD29,700 (equivalent to RM97,015) comprising 40,000 ordinary shares from the shareholders of Crest Innovation for a total purchase consideration of RM1,123,777 to be satisfied entirely via the allotment and issuance of 22,475,540 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM1,123,777 was arrived at after taking into consideration of the audited NA of Crest Innovation as at 31 December 2022 and deducting dividends.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****29. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD (CONTINUED)****(c) Acquisitions of subsidiaries (continued)****(v) Acquisition of Crest Upstar**

On 17 January 2024, Crest had entered into a conditional sale and purchase agreement for the acquisition of the entire issued share capital of Crest Upstar of USD1,114 (equivalent to RM3,511) comprising 1,500 ordinary shares from the shareholders of Crest Upstar for a total purchase consideration of SGD3 (equivalent to approximately RM10).

The purchase consideration of SGD3 (equivalent to approximately RM10) was arrived at after taking into consideration of the audited NA of Crest Upstar as at 31 December 2022. The purchase consideration of Crest Upstar is SGD3 (equivalent to approximately RM10) as the company is inactive.

(vi) Acquisition of Crest Thailand

On 17 January 2024, Crest had entered into a conditional share sale agreement for the acquisition of 100% of the ordinary shares of Crest Thailand of THB6,000,000 (equivalent to RM615,678) comprising 60,000 ordinary shares from the shareholders of Crest Thailand for a total purchase consideration of RM409,375 to be satisfied entirely via the allotment and issuance of 8,187,500 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM409,375 was arrived at after taking into consideration of the audited NA of Crest Thailand as at 31 December 2022 and deducting dividends.

(vii) Acquisition of Crest Suzhou

On 17 January 2024, Crest had entered into a conditional equity transfer agreement for the acquisition of 80% of the equity interest of Crest Suzhou of RMB1,800,000 (equivalent to RM826,380) from the shareholders of Crest Suzhou for a total purchase consideration of RM3,833,317 to be satisfied entirely via the allotment and issuance of 76,666,340 new Crest Shares at an issue price of RM0.05 per Crest Share.

The purchase consideration of RM3,833,317 was arrived at after taking into consideration of the audited NA of Crest Suzhou as at 31 December 2022.

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****30. SEGMENT INFORMATION**

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assessment. For management purposes, the Group is organised into business units based on the type of customers for its services.

The two reportable operating segments are as follows:

| Segments | Product and services |
|---|--|
| Provision of imaging, analytical and test solutions | Offers pre-sales consulting, sale and customisation of equipment, installation and commissioning and user-training |
| Provision of after-sales services | Offers technical support and maintenance and sale of spare parts and consumables |

Segment assets and liabilities

Segment assets and liabilities are not included in the internal reports that are reviewed by the directors, hence no disclosures are made on segment assets and liabilities.

Inter-segment pricing is determined on negotiated basis.

| | Provision of imaging, analytical and test solutions RM'000 | Provision of after-sales service RM'000 | Total RM'000 |
|--|---|--|-------------------------|
| 31 December 2020 | | | |
| Revenue: | | | |
| Revenue from external customers | 91,752 | 32,673 | 124,425 |
| Segment profit | 23,377 | 13,177 | 36,554 |
| Other income | | | 1,770 |
| Unallocated expenses | | | (21,535) |
| Finance cost | | | (68) |
| Income tax expense | | | (3,219) |
| Profit for the financial year | | | 13,502 |
| Results: | | | |
| <i>Included in the measure of segments profit are:</i> | | | |
| Employee benefits expense | | | (19,787) |
| Depreciation of property, plant and equipment | | | (2,293) |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****30. SEGMENT INFORMATION (CONTINUED)**

| | Provision of imaging, analytical and test solutions RM'000 | Provision of after-sales service RM'000 | Total RM'000 |
|--|--|--|-----------------|
| 31 December 2021 | | | |
| Revenue: | | | |
| Revenue from external customers | 115,920 | 32,490 | 148,410 |
| Segment profit | 31,917 | 11,469 | 43,386 |
| Other income | | | 809 |
| Unallocated expenses | | | (21,765) |
| Finance cost | | | (76) |
| Income tax expense | | | (4,982) |
| Profit for the financial year | | | 17,372 |
| Results: | | | |
| <i>Included in the measure of segments profit are:</i> | | | |
| Employee benefits expense | | | (19,218) |
| Depreciation of property, plant and equipment | | | (2,146) |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****30. SEGMENT INFORMATION (CONTINUED)**

| | Provision of imaging, analytical and test solutions RM'000 | Provision of after-sales service RM'000 | Total RM'000 |
|--|--|--|-----------------|
| 31 December 2022 | | | |
| Revenue: | | | |
| Revenue from external customers | 142,239 | 27,963 | 170,202 |
| Segment profit | 36,210 | 9,491 | 45,701 |
| Other income | | | 1,120 |
| Unallocated expenses | | | (23,516) |
| Finance cost | | | (47) |
| Income tax expense | | | (5,275) |
| Profit for the financial year | | | 17,983 |
| Results: | | | |
| <i>Included in the measure of segments profit are:</i> | | | |
| Employee benefits expense | | | (16,035) |
| Depreciation of property, plant and equipment | | | (2,062) |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****30. SEGMENT INFORMATION (CONTINUED)**

| | Provision of imaging, analytical and test solutions RM'000 | Provision of after-sales service RM'000 | Total RM'000 |
|--|--|--|-----------------|
| 31 July 2023 | | | |
| Revenue: | | | |
| Revenue from external customers | 86,778 | 16,098 | 102,876 |
| Segment profit | 22,349 | 5,924 | 28,273 |
| Other income | | | 588 |
| Unallocated expenses | | | (16,103) |
| Finance cost | | | (21) |
| Income tax expense | | | (2,694) |
| Profit for the financial period | | | 10,043 |
| Results: | | | |
| <i>Included in the measure of segments profit are:</i> | | | |
| Employee benefits expense | | | (11,289) |
| Depreciation of property, plant and equipment | | | (1,180) |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****30. SEGMENT INFORMATION (CONTINUED)**

| | Provision of imaging, analytical and test solutions RM'000 | Provision of after-sales service RM'000 | Total RM'000 |
|--|--|--|-----------------|
| 31 July 2022 | | | |
| Revenue: | | | |
| Revenue from external customers | 77,087 | 15,928 | 93,015 |
| Segment profit | 20,043 | 4,884 | 24,927 |
| Other income | | | 1,138 |
| Unallocated expenses | | | (11,809) |
| Finance cost | | | (21) |
| Income tax expense | | | (3,016) |
| Profit for the financial period | | | 11,219 |
| Results: | | | |
| <i>Included in the measure of segments profit are:</i> | | | |
| Employee benefits expense | | | (9,502) |
| Depreciation of property, plant and equipment | | | (1,128) |

14. ACCOUNTANTS' REPORT (Cont'd)**CREST GROUP BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**30. SEGMENT INFORMATION (CONTINUED)**Geographical information

Revenue and non-current assets information based on the geographical location of customers are as follows:

| | Revenue RM'000 | Non-current assets RM'000 |
|-------------------------|---------------------------|--|
| 31 December 2020 | | |
| Malaysia | 61,697 | 4,210 |
| China | 23,045 | 242 |
| Thailand | 25,812 | 1,235 |
| Singapore | 11,151 | 157 |
| Others | 2,720 | - |
| | <u>124,425</u> | <u>5,844</u> |
| 31 December 2021 | | |
| Malaysia | 67,862 | 3,391 |
| China | 29,127 | 94 |
| Thailand | 37,932 | 791 |
| Singapore | 11,262 | 271 |
| Others | 2,227 | - |
| | <u>148,410</u> | <u>4,547</u> |
| 31 December 2022 | | |
| Malaysia | 79,933 | 2,821 |
| China | 47,838 | 280 |
| Thailand | 29,733 | 1,163 |
| Singapore | 9,886 | 129 |
| Others | 2,812 | - |
| | <u>170,202</u> | <u>4,393</u> |
| 31 July 2023 | | |
| Malaysia | 39,051 | 2,413 |
| China | 22,597 | 216 |
| Thailand | 29,014 | 950 |
| Singapore | 7,634 | 512 |
| Others | 4,580 | - |
| | <u>102,876</u> | <u>4,091</u> |