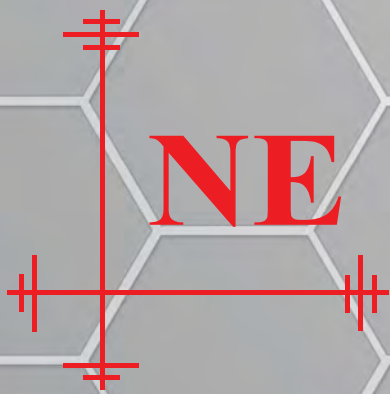




NORTHEAST GROUP BERHAD

(Registration No.: 202201025913 (1471610-P))

Annual Report

**20
24**

**BOLD
BREAKTHROUGH,
DEFINITIVE
SUCCESS**

YOU DESIGN,
WE BUILD



VISION

To build our reputation as a reliable, responsible and innovative company focusing and committing to meet our customers requirements in Quality, Delivery and Price; thus creating a Win Win situation for our customers, interested parties and ourselves.



MISSION

To provide total customer solutions to become the best choice of partnership by providing our customers, interested parties with the highest quality at the most competitive price.

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Rationale:

In an era of rapid technological progress, Northeast Group Berhad is making its mark as a one-stop solution provider in quality precision machining and fabrication. Poised to lead in advanced manufacturing, Northeast embraces the concept of "You Design, We Build" to ensure customer satisfaction through innovative, customised solutions. Guided by cutting-edge technology, we are committed to unlock new possibilities and redefine industry standards, propel our capabilities forward to shape a brighter future. Northeast is focused on manufacturing precision engineering components that not only address today's demands but also pave the way for an intelligent, high-tech future.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Seri Lee Kah Choon
Independent Non-Executive
Chairman

Ng Chay Chin
Managing Director

Chong Ewe Hean
Executive Director

Dato' Faiza Binti Zulkifli
Independent Non-Executive Director

Ong Kim Nam
Independent Non-Executive Director

Ong Guat Ean
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman

Ong Kim Nam

Members

Dato' Faiza Binti Zulkifli
Ong Guat Ean

REMUNERATION COMMITTEE

Chairman

Dato' Faiza Binti Zulkifli

Members

Ong Kim Nam
Ong Guat Ean

NOMINATION COMMITTEE

Chairman

Ong Guat Ean

Members

Dato' Faiza Binti Zulkifli
Ong Kim Nam

REGISTERED OFFICE

Suite 12-A, Level 12,
Menara Northam
55 Jalan Sultan Ahmad Shah
10050 George Town
Pulau Pinang
Telephone No.: (604) 228 0511
E-mail: general@enetcorpsb.com

COMPANY SECRETARY

Ch'ng Lay Hoon
MAICSA No.: 0818580
SSM PC. No.: 201908000494

HEAD OFFICE

1946, Lorong IKS Bukit Minyak 1
Taman IKS Bukit Minyak
14100 Simpang Ampat
Pulau Pinang
Telephone No.: (604) 502 0303
Website: www.northeast.my
E-mail: info@northeast.my

AUDITOR

BDO PLT
(201906000013 (LLP0018825-LCA)
& AF 0206))
Chartered Accountants
51-21-F, Menara BHL
Jalan Sultan Ahmad Shah
10050 Pulau Pinang
Telephone No.: (604) 222 0288

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad
Public Bank Berhad
Affin Islamic Bank Berhad

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor
Telephone No.: (603) 7890 4700
Fax No.: (603) 7890 4670

STOCK EXCHANGE LISTING

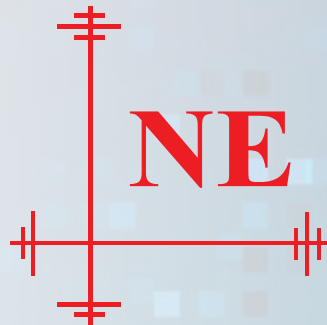
ACE Market of Bursa Malaysia
Securities Berhad
Stock Name: NE
Stock Code: 0325
Sector: Industrial Products & Services

SPONSOR

Affin Hwang Investment Bank Berhad
Level 33, Menara AFFIN
Lingkar TRX
Tun Razak Exchange
55188 Kuala Lumpur
Telephone No.: (603) 2142 3700



GROUP CORPORATE STRUCTURE



NORTHEAST GROUP BERHAD

(Registration No.: 202201025913 (1471610-P))



100%

NE Components Sdn Bhd

Registration No.: (200901020646 (863743-W))

- Provision of Precision engineering works



100%

NE Technologies Sdn Bhd

Registration No.: (200601024605 (744359-T))

- Provision of Precision engineering works



100%

NE Integrated Sdn Bhd

Registration No.: (201201003919 (977444-P))

- Provision of Precision engineering works



100%

Northeast Precision Sdn Bhd

Registration No.: (200401019379 (657883-H))

- Provision of Precision engineering works



100%

NE Solutions Sdn Bhd

Registration No.: (201501018590 (1143922-K))

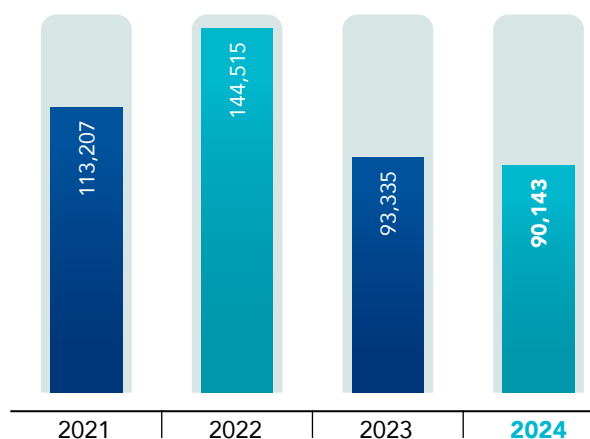
- Provision of Precision engineering works



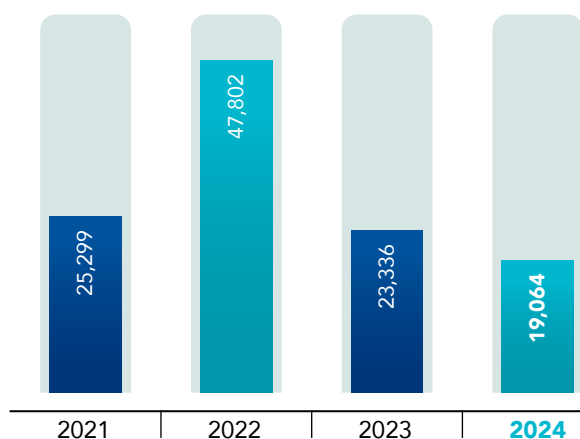
FINANCIAL HIGHLIGHTS

	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000
Year ended 30 September				
Revenue	113,207	144,515	93,335	90,143
Profit Before Taxation	25,299	47,802	23,336	19,064
Profit After Taxation	19,816	38,071	18,360	13,743
EBITDA	33,162	55,732	32,276	27,790
As at 30 September				
Total Assets	145,212	171,560	192,226	206,997
Shareholders' Fund	89,032	126,383	142,743	156,487
Net Earnings Per Share (Sen)	2.68	5.14	2.48	2.41

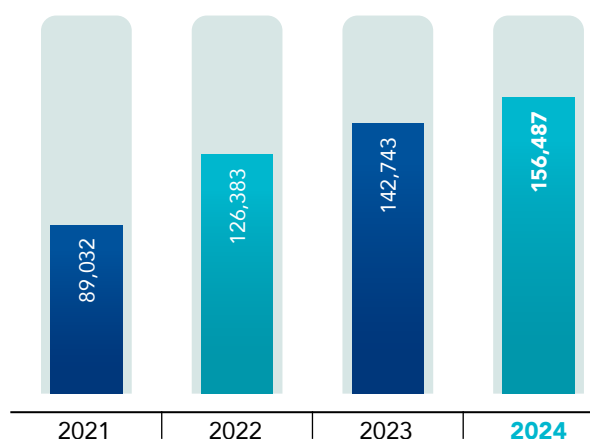
Revenue
(RM'000)



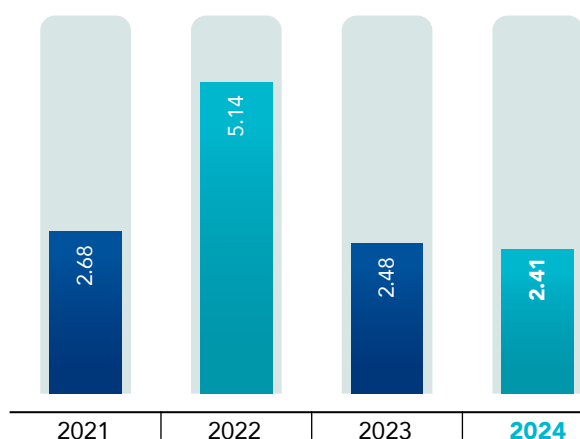
Profit Before Taxation
(RM'000)



Shareholders' Fund
(RM'000)



Net Earnings Per Share
(Sen)



BOARDS OF DIRECTORS



from left to right

1 Ong Guat Ean
Independent Non-Executive
Director

2 Chong Ewe Hean
Executive Director

3 Ng Chay Chin
Managing Director

4 Dato' Seri Lee Kah Choon
Independent Non-Executive
Chairman

5 Ong Kim Nam
Independent Non-Executive
Director

6 Dato' Faiza Binti Zulkifli
Independent Non-Executive
Director

PROFILE OF DIRECTORS

DATO' SERI LEE KAH CHOON

Independent Non-Executive Chairman

Age | 65
Gender | Male
Nationality | Malaysian

Qualification:
Bachelor of Laws, University of Southampton, UK
Master of Arts in Laws and Practice, The City University, UK

Date first appointed to the Board:
15 January 2024

Membership of Board Committee:
None

Working Experience:
Dato' Seri Lee Kah Choon began his career in 1987 as a Legal Assistant at Messrs. Wong-Chooi & Mohd. Nor, where he provided legal services in conveyancing, trust and estate, banking and corporate. In 1991, he was admitted as a Partner at the firm until his departure in 1998.

In 1999, he founded his own legal practice, Messrs. KC Lee & Partners, where he served as Managing Partner. During his tenure, he continued to focus on conveyancing, trust and estate, banking, and corporate services.

In 2004, he transitioned into public service as Parliamentary Secretary to the Ministry of Health of Malaysia, assisting the Minister in health-related matters, answering legal queries, and tabling reports in Parliament during the Minister's absence. He held this position until 2008.



In 2008, he shifted his focus to the corporate and public sector, becoming a Director of several key government-linked corporations, including the Penang Development Corporation (PDC), Invest-in-Penang Berhad, and Penang Hill Corporation, roles he held until 2023. He also served as a Special Investment Advisor to the Chief Minister of Penang, advising on investment opportunities and strategies until 2023.

Additionally, Dato' Seri Lee Kah Choon is a member of the Investment Committee of Areca Capital Sdn Bhd, a private wealth management company focusing on fund management and wealth advisory. He is also a Certified Financial Planner.

Currently, Dato' Seri Lee Kah Choon serves as an Independent Non-Executive Director on the Boards of Aemulus Holdings Berhad, L&P Global Berhad and NationGate Holdings Berhad. He also serves as a Director of several private companies.

Number of board meetings attended in the financial year 2024:
2/2

PROFILE OF DIRECTORS

NG CHAY CHIN

Managing Director

Age | 51

Gender | Male

Nationality | Malaysian

Qualification:

Secondary education, Sekolah Menengah Kebangsaan Serdang, Kedah

Date first appointed to the Board:

18 July 2022

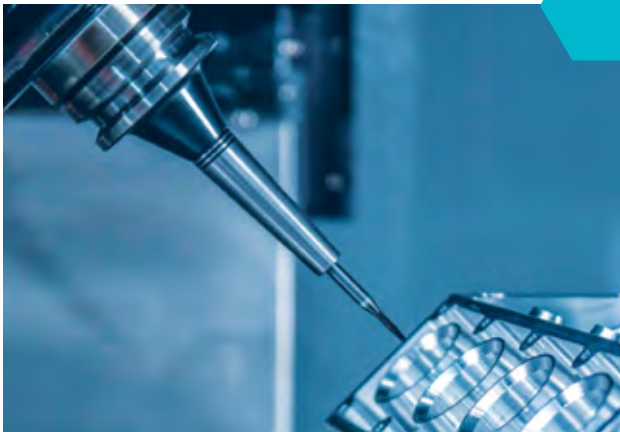
Membership of Board Committee:

None

Working Experience:

Ng Chay Chin has approximately 31 years of experience in machine setup, maintenance, troubleshooting and the manufacturing of precision engineering components. His career began in 1994 as an Apprentice in a shipyard in Singapore, followed by a similar role at AE Technology Sdn Bhd in Malaysia, focusing on stamping mould maintenance and troubleshooting for metal stamping operations.

In 1995, he joined Eng Teknologi Sdn Bhd as a Machining Technician, where he was involved in setting up CNC machines for precision manufacturing. He later moved to DMS Microcut Sdn Bhd in 1996 as a Technician and was promoted to Engineer in 1998, leading a team of technicians in machine operations and programming. In 1999, he joined Micro-Mechanics Technology Sdn Bhd as a Machinist, continuing his work in machine operations and programming.



In 2001, he became Technical Supervisor at Auer Precision Asia Sdn Bhd, overseeing the technical department. In 2002, he joined Eng Teknologi Holdings Bhd as Engineering Manager at the company's Philippines operations, setting up the auto-lathe department and managing production operations.

In 2004, after 9 years in the precision engineering industry, he became a shareholder of Northeast Precision Sdn Bhd, where he contributed to the company's growth by expanding its manufacturing capabilities, customer base, and export markets.

Currently, he holds a directorship in a private limited company.

Ng Chay Chin does not hold any other directorship in public companies and public listed companies in Malaysia.

Number of board meetings attended in the financial year 2024:

2/2

PROFILE OF DIRECTORS

CHONG EWE HEAN

Executive Director

Age | 53

Gender | Male

Nationality | Malaysian

Qualification:

Secondary education, Kolej Vokasional Batu Lanchang, Pulau Pinang

Date first appointed to the Board:

18 July 2022

Membership of Board Committee:

None

Working Experience:

Chong Ewe Hean has approximately 32 years of experience in business development, sales and manufacturing operations in the precision engineering industry.

He began his career in 1992 as an Intern at Polytool Engineering Sdn Bhd, focusing on material handling and mechanical work. In 1993, he joined Eng Hardware Engineering Sdn Bhd as a Tooling Technician Supervisor, overseeing the tooling department. In 1999, he was transferred to Engtek Precision Philippines, Inc. as Engineering and Production Manager, later becoming Senior Manager of Sales and Marketing in 2001, where he was involved in overseeing the sales and marketing functions of the company.



In 2004, after 11 years in the precision engineering industry, he co-founded Northeast Precision Sdn Bhd to venture into the manufacturing precision engineering components. He has since played a key role in expanding our Group's business by growing our manufacturing capabilities, customer base, and export markets.

Currently, he holds a directorship in a private limited company.

Chong Ewe Hean does not hold any other directorship in public companies and public listed companies in Malaysia.

Number of board meetings attended in the financial year 2024:

2/2

PROFILE OF DIRECTORS

DATO' FAIZA BINTI ZULKIFLI

Independent Non-Executive Director

Age | 65

Gender | Female

Nationality | Malaysian

Qualification:

Diploma in Professional Translation (legal module),
Institut Terjemahan Negara Malaysia

Bachelor of Law (Honours), Universiti Malaya

Master of Laws in Information Technology and
Intellectual Property Law, University of East Anglia,
Norwich, UK

Date first appointed to the Board:

15 January 2024

Membership of Board Committee:

Remuneration Committee (Chairman)

Audit and Risk Management Committee (Member)

Nomination Committee (Member)

Working Experience:

Dato' Faiza Binti Zulkifli began her career in 1984 as a Magistrate, presiding over civil and criminal matters until 1988. She served as Assistant Director at the Malaysian Legal Aid Department in Perak, handling various legal aid cases from 1988 to 1991.

Between 1991 and 2002, she was appointed as a Legal Advisor for the Ministry of Domestic Trade and Consumer Affairs, managing legal matters and contributing to strategies and policies development. From 2002 to 2007, she was a Senior Assistant Parliamentary Draftsman at the Attorney General's Chambers, drafting and vetting primary and subsidiary legislations as well as advising on ministries on legal matters.

From 2007 to 2013, she was the Penang State Legal Advisor, overseeing legal matters for all state departments and serving on various committees. From 2014 to 2017, she chaired the Advisory Board in the Prime Minister's Department, presiding over appeal cases under preventive laws and then served as Chairman of the Customs Appeal Tribunal (2017-2018).

Her last government position was as Chairman of the Special Commissioners of Income Tax (2018-2020), presiding over tax-related appeal cases. After retiring in 2020, she continued her public service, serving as a member of Suruhanjaya Perkhidmatan Air Negara (2022-2023) and the Panel of the Tribunal for Consumer Claims Malaysia (2022-2025).

Currently, Dato' Faiza Binti Zulkifli serves as an Independent Non-Executive Director on the Boards of ARK Resources Holdings Berhad, Mestron Holdings Berhad and NationGate Holdings Berhad.

Number of board meetings attended in the financial year 2024:

2/2



PROFILE OF DIRECTORS

ONG KIM NAM

Independent Non-Executive Director

Age | 69

Gender | Male

Nationality | Malaysian

Qualification:

Fellow of the Association of Chartered Certified Accountants, UK

Chartered Accountant of the Malaysian Institute of Accountants

Date first appointed to the Board:

15 January 2024

Membership of Board Committee:

Audit and Risk Management Committee (Chairman)

Remuneration Committee (Member)

Nomination Committee (Member)

Working Experience:

Ong Kim Nam began his career in 1977 by joining Kiat & Associates as Audit Junior where he assisted in conducting audit assignments. Over the years, he took on additional responsibilities in conducting audit assignments before being transferred to Kiat & Associates Management Consultants Sdn Bhd as Manager in 1984. As a manager, he was responsible for providing consultancy services in relation to taxation and management services.

In 1991, he left Kiat & Associates Management Consultants Sdn Bhd and joined A.A. Anthony & Co Sdn Bhd as General Manager where he was responsible for coordinating and managing the transactional processing and documentations of share transactions, as well as overseeing the finance and administration department.

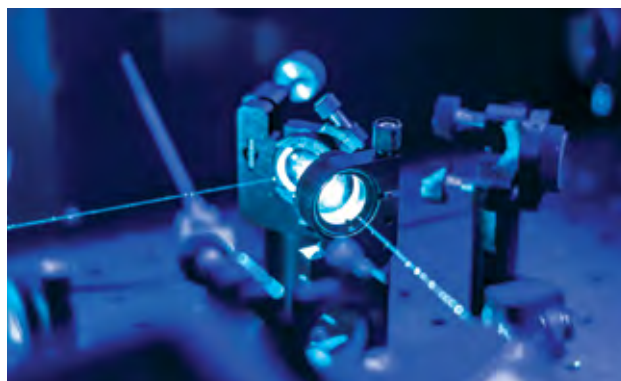
In 1994, he left A.A. Anthony & Co Sdn Bhd and founded OKN Management PLT (formerly known as OKN Management (M) Sdn Bhd) where he oversees the overall operations of the company and formulates strategies to drive the growth of the company.



Currently, Ong Kim Nam serves as an Independent Non-Executive Director on the Board of Eng Kah Corporation Berhad.

Number of board meetings attended in the financial year 2024:

2/2



PROFILE OF DIRECTORS

ONG GUAT EAN

Independent Non-Executive Director

Age | 61

Gender | Female

Nationality | Malaysian

Qualification:

Bachelor of Law (Honours), Universiti Malaya

Master of Business Administration, Universiti Sains Malaysia

Advocate and Solicitor of the Malaysian Bar

Date first appointed to the Board:

15 January 2024

Membership of Board Committee:

Nomination Committee (Chairman)

Audit and Risk Management Committee (Member)

Remuneration Committee (Member)

Working Experience:

Ong Guat Ean began her career in 1989 with Messrs. Wong-Chooi & Mohd. Nor as a Legal Assistant. She was involved in providing litigation and conveyancing services. In 1996, she was admitted as a Partner of the firm and her responsibilities were extended to providing advisory services. In 1999, she was appointed as a Partner of the Butterworth branch office where she focused on providing conveyancing and advisory services as well as overseeing the business and operations of the Butterworth branch office. In 2013, she left Messrs. Wong-Chooi & Mohd. Nor.

After accumulating approximately 24 years of work experience in the legal industry, she co-founded the law firm, Messrs. Annie Ong-Teng & Associates in 2013. As a founding Partner, she leads the firm and provides advisory services pertaining to litigation and conveyancing.



Ong Guat Ean does not hold any other directorship in public companies and public listed companies in Malaysia.

Number of board meetings attended in the financial year 2024:

2/2

Additional information:

None of the Directors has:

- (i) any family relationship with any director and/or major shareholder of Northeast Group Berhad ("NE");
- (ii) any conflict of interest or potential conflict of interest in any competing business with NE and its subsidiaries;
- (iii) been convicted of any offence (other than traffic offences) within the past five (5) years; and
- (iv) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 30 September 2024.

PROFILE OF KEY SENIOR MANAGEMENT

NG CHAI HEE

Chief Operating Director

Age | 47

Gender | Male

Nationality | Malaysian



Qualification:

Form 3, Sekolah Menengah Kebangsaan Serdang, Kedah

Working Experience:

Ng Chai Hee has approximately 29 years of experience in machine configuration and troubleshooting, as well as manufacturing operations of precision engineering components. He began his career in 1996 at Eng Teknologi Sdn Bhd as a Technician, where he was responsible for configuring, calibrating, and troubleshooting machines.

He then moved to Mahlin Min Aik Corporation Sdn Bhd in 1999, continuing similar duties, before joining JCY HDD Technology Sdn Bhd in 2001 as Shift Leader. In this role, he managed production schedules of hard disk components.

In 2004, he joined Engtek Precision Philippines, Inc. as a Technical Supervisor, where he supervised production planning and the implementation of operational strategies in the manufacturing of precision engineering components. He returned to Malaysia and joined our Group in the same year as a Manager, where he was responsible in coordinating and managing day-to-day operations. Over time, he progressed to Operations Manager in 2010, General Manager in 2014, and Senior General Manager in 2022, overseeing our Group's overall operations and manufacturing activities. In 2023, he was promoted to Senior Operations Director and redesignated to the Chief Operating Director in 2024 where he currently leads our Group's operations.

Ng Chai Hee is the brother of Ng Chay Chin, who serves as the Managing Director of Northeast Group Berhad.

He does not hold any other directorship in public companies and public listed companies in Malaysia.

YIN THIEN HEE

Chief Marketing Director

Age | 52

Gender | Male

Nationality | Malaysian



Qualification:

Diploma of Mechanical Engineering, Federal Institute of Technology Malaysia (in affiliation with and recognised by Northumbria University in Newcastle, UK and University of Sunderland, UK)

Working Experience:

Yin Thien Hee has approximately 29 years of experience in the material handling and automation equipment industry as well as the precision engineering industry. He began his career in 1996 as a Sales Executive at G-Force Sdn Bhd, specialising in sales of material handling equipment and customer service. In 1997, he joined Alstron Engineering (M) Sdn Bhd as a Sales Engineer, where he focused on sales

and customer relationship management for automation equipment.

He subsequently joined Shanghai Komark Labels & Labelling Co. Ltd in China in 1999, where he was involved in business development for automation equipment sales. In 2001, he took on the role of Sales Manager at Clearpack Automation Suzhou Co. Ltd in China, leading a sales team, managing customer relationships and generating sales for automation equipment. After returning to Malaysia in 2004, he joined Wong Engineering Industries Sdn Bhd as a Sales Manager, focusing on the business development of precision engineering components.

In 2008, he joined LKT Precision Engineering Sdn Bhd as Business Development Manager, further enhancing his experience in business development activities within the precision engineering components sector. He joined our Group in 2009 as Manager, where he played a key role in expanding our customer base and growing sales. In 2019, he was appointed as Business Director, overseeing the execution of business development strategies. In 2022, he was redesignated as Marketing Director, and in 2023, he was promoted to Senior Business & Sales Director, where he continued to lead business growth and sales strategies. Yin Thien Hee was redesignated to Chief Marketing Director in 2024.

Yin Thien Hee does not hold any other directorship in public companies and public listed companies in Malaysia.

PROFILE OF KEY SENIOR MANAGEMENT

LOO WEN CHYI

Finance and Administration Director

Age | 42

Gender | Female

Nationality | Malaysian



Qualification:

Bachelor in Accounting, Universiti Malaya

Member of Malaysian Institute of Accountants

Working Experience:

Loo Wen Chyi began her career in 2007 at Hwang DBS Investment Bank Berhad as a Finance Executive where she was responsible for managing the accounting functions within the Investment Banking division.

In 2011, she joined Globetronics Technology Berhad as a Finance Officer and was promoted to Corporate Finance Manager where she was responsible in overseeing the group's consolidated accounts, managing treasury functions and ensuring the accuracy and timeliness of financial reporting across the group.

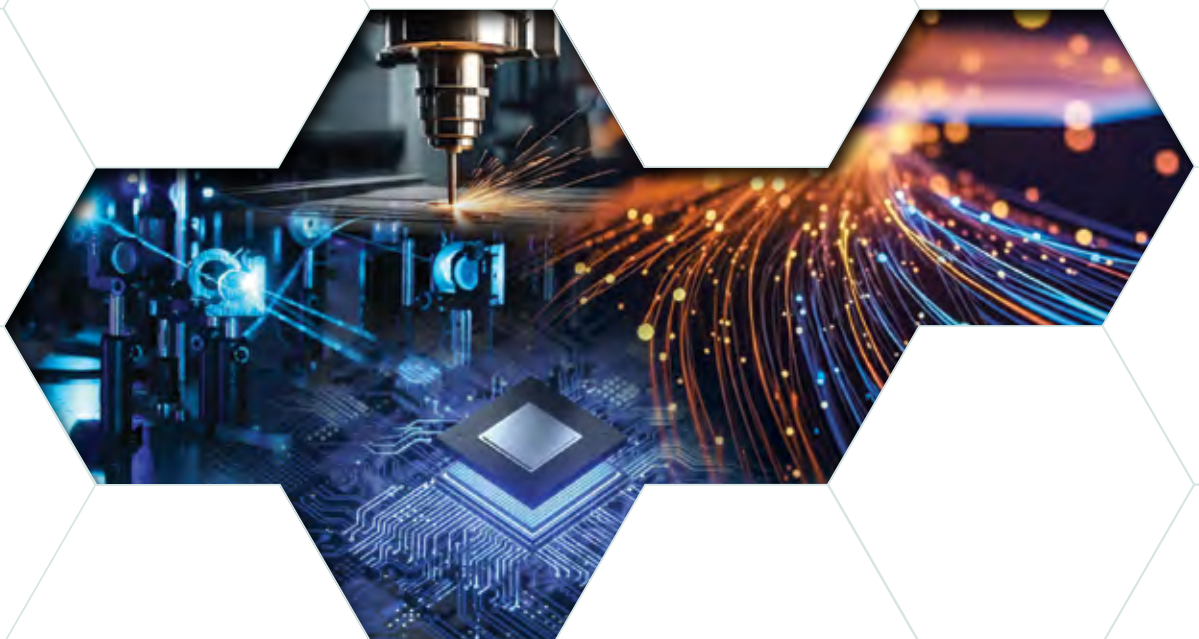
In 2024, she joined our Group as the Finance and Administration Director to oversee our Group's finance functions, including financial planning, analysis, and reporting, as well as administration and compliance activities.

Loo Wen Chyi does not hold any other directorship in public companies and public listed companies in Malaysia.

Additional information:

None of the Key Senior Management has:

- (i) any family relationship with any director and/or major shareholder of NE, save for Ng Chai Hee, who is the brother of Ng Chay Chin;
- (ii) any conflict of interest or potential conflict of interest in any competing business with NE and its subsidiaries;
- (iii) been convicted of any offence (other than traffic offences) within the past five (5) years; and
- (iv) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 30 September 2024.



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual report of Northeast Group Berhad for the financial year ended 30 September 2024 ("FYE 2024"). The year marks a significant milestone for our Company, with the successful listing of Northeast Group Berhad on the ACE Market of Bursa Malaysia Securities Berhad on 15 October 2024. This achievement is a testament to the strength of our business model, the dedication of our team and the trust placed in us by our valued investors and stakeholders.



Financial Performance

For the financial year under review, the Group reported a revenue of RM90.14 million, a decrease of approximately RM3.19 million or 3.42% as compared to RM93.34 million for the previous financial year. This decline was primarily due to the reduction in sales from the photonics industry. However, such decline was partially offset by higher sales from the electrical and electronics, and semiconductor industries, which remain as key growth areas for the Group.

The Group's profit after tax ("PAT") for FYE 2024 in turn was RM13.74 million, while profit before tax ("PBT") amounted to RM19.06 million. The decrease in PBT by approximately RM4.27 million or 18.31% from RM23.34 million in FYE 2023 was mainly due to a net foreign exchange loss of approximately RM3.13 million in FYE 2024 as compared to a net foreign exchange gain of RM1.31 million in the previous year and one-off listing expenses of approximately RM0.38 million recognised in 4th quarter of FYE 2024.

While these factors have impacted our financial performance, we remain confident of the Group's long-term growth prospects. The decrease in revenue from the photonics industry is expected to be temporary and we are actively focusing on diversifying our product offerings and expanding our customer base across various industries. The electrical and electronics, and semiconductor industries continue to show strong demand, and we are optimistic that these areas will support our recovery and future growth.

As at 30 September 2024, the Group's cash and bank balances was RM87.06 million, providing us with a solid financial foundation to drive future expansion. This healthy cash position will enable us to continue investing in our business and capitalising on opportunities for growth, both locally and internationally.

I am also pleased to announce that we have successfully raised RM84.49 million through our Initial Public Offering (IPO). These proceeds are strategically allocated to fund our key growth initiatives, including the construction of a new factory in Penang, which will significantly increase our production capacity. A portion of the IPO proceeds will also be used for: (i) repayment of bank borrowings; (ii) purchase of new Computer Numerical Control ("CNC") machines to enhance our operational capabilities; (iii) funding of working capital requirements; and (iv) payment of listing-related expenses.

CHAIRMAN'S STATEMENT

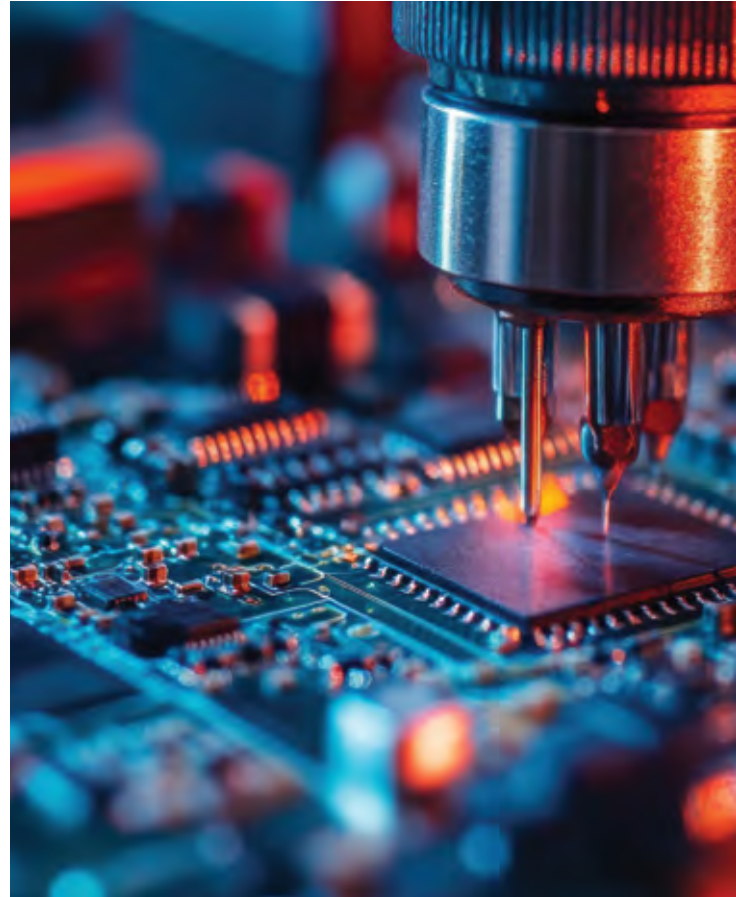
Future Prospects

Looking ahead, we remain committed to enhancing operational efficiency, leveraging new technologies and focusing on product innovation to meet the evolving needs of our customers. The successful listing on the ACE Market, along with the IPO proceeds, provides us with the necessary resources to accelerate our expansion plans, enhance market visibility and unlock new growth opportunities.

The Group will continue to expand its business by securing additional orders and grow its customer base. Hence, it is crucial to expand the production floor space and capacity to cater for its needs.

The construction of the new factory for additional floor space is part of the Group's business expansion plans to grow its business operations and house the 36 new CNC machines to be purchased. The new CNC machines will be used to produce more complex and higher mix of precision engineering components as well as to grow the customer base and serve more local and international customers.

By leveraging the Group's past operating history and competitive strengths, the Board is cautiously optimistic that the Group's business expansion plans, coupled with growth in end-user industries, increase in outsourcing manufacturing works and continuous innovation in product development in end-user industries will contribute positively to the Group's financial performance in the coming years. Moving forward, the Group will continue to explore new business opportunities through its current and potential customers.



Appreciation

On behalf of the Board, I would like to express my sincere gratitude to Bursa Malaysia Securities Berhad and all relevant authorities for their support throughout the listing process. I would also like to thank our principal adviser, Affin Hwang Investment Bank Berhad, for its invaluable guidance and expertise.

Finally, I wish to extend my heartfelt thanks to the Board, our dedicated employees, loyal customers and valued business partners for their unwavering support and trust. Your commitment to Northeast Group Berhad has been the cornerstone of our success, and we look forward to achieving greater heights together in the years ahead.

Thank you.

Dato' Seri Lee Kah Choon

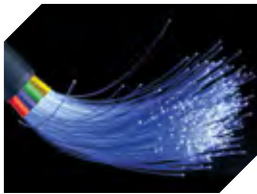
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Business and Operations

Company Profile and Principal Activities

Northeast Group Berhad ("Northeast", "Company" or "Group") is principally involved in the activities of holding companies. Through our subsidiaries, our Group is principally involved in the manufacturing of precision engineering components, serving a diverse range of industries including photonics, electrical and electronics ("E&E"), semiconductor, telecommunication, and optoelectronics.



Photonics



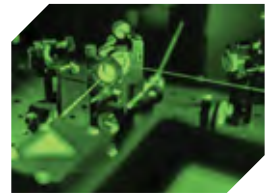
E&E



Semiconductor



Telecommunication



Optoelectronics



Precision engineering components are meticulously machined parts with highly accurate dimensions, often within single-digit micron tolerances. These components are subsequently processed or assembled by our customers to create end products.

We collaborate with our customers to produce customised precision engineering components tailored to their specific needs. By leveraging our advanced engineering and machining capabilities, we ensure these components are manufactured to meet their exact requirements and specifications, as outlined below:

- **Process Engineering** - We carry out process engineering to design and develop manufacturing processes tailored to customer specifications. This includes designing 2-dimensional ("2D") and 3-dimensional ("3D") drawings with detailed dimensions and specifications, outlining manufacturing process details, programming CNC machines, and simulating production processes to ensure precision and consistency.
- **Precision Machining** - Utilising these CNC machines, we transform raw materials like aluminium, stainless steel, and carbon steel into highly precise components, adhering to stringent quality standards.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Business and Operations (Cont'd)

Company Profile and Principal Activities (Cont'd)

In addition to these core activities, our Group provides value-added services that enhance our offerings and deliver comprehensive solutions to our customers:

- Surface Finishing - Our surface finishing services include:
 - (i) Sandblasting: Spraying abrasive particles, such as graphite, onto the precision engineering components to achieve smoother surfaces.
 - (ii) Plating: Applying metal coatings (e.g., gold, silver over nickel, electroless nickel, or chromate) to improve properties like corrosion resistance, solderability, strength, friction reduction, and conductivity.
 - (iii) Anodising: Creating a durable, decorative, and corrosion-resistant anodic oxide finish on metal surfaces through an electrolytic process.
- Sheet Metal Fabrication - We process metal sheets through cutting, bending, and welding to create desired shapes, which are often used as enclosures for our precision engineering components.

- Mechanical Sub-Assembly - Combining multiple precision-engineered components, we produce sub-assembly products according to customer requirements. These are then delivered for further processing or integration into end-products.



This integrated approach allows us to provide a one-stop production solution, meeting the dynamic needs of our diverse customer base while maintaining our commitment to precision, quality, and innovation.

Factories	Location	Existing use
Factory 1	1088 Jalan Juru, Kawasan Perindustrian Juru, 14100 Simpang Ampat, Pulau Pinang	Manufacturing plant and office
Factory 2	868, Plot 41, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang	Manufacturing plant, office, warehouse and accommodation for workers
Factory 3	1946, Lorong IKS Bukit Minyak 1, Taman IKS Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang	Manufacturing plant, office and warehouse



Factory 1



Factory 2



Factory 3

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Business and Operations (Cont'd)

Principal Markets

Our customer base comprises manufacturers of precision engineering components used in the photonics, E&E, semiconductor, telecommunication and optoelectronics industries. Our revenue was mainly derived from sales to overseas customers, which accounted for approximately RM63.97 million or 70.97% of our revenue for FYE 2024 (RM68.97 million or 73.90% of our revenue for FYE 2023), while the remaining revenue of RM 26.17 million or 29.03% was generated from local markets (RM24.36 million or 26.10% for FYE 2023). Notably, the USA has been a key market, contributing a substantial portion to our revenue. Our ability to cater to international markets such as the USA, UK, Thailand, Singapore, and others underscores the global recognition of our precision engineering components.

The FYE 2023 and FYE 2024 revenue by geographical markets are illustrated as below:

Geographical markets	FYE 2023		FYE 2024	
	RM'000	%	RM'000	%
Local	24,362	26.10	26,167	29.03
USA	30,592	32.78	23,074	25.60
UK	13,515	14.48	19,215	21.31
Thailand	6,485	6.95	7,583	8.41
Singapore	4,719	5.06	5,283	5.86
Russia	3,779	4.05	795	0.88
Canada	3,033	3.25	2,696	2.99
Germany	2,612	2.80	1,423	1.58
Hungary	1,564	1.68	1,232	1.37
Others	2,674	2.85	2,675	2.97
Total	93,335	100.00	90,143	100.00

The FYE 2023 and FYE 2024 revenue by customer industries are illustrated as below:

Customer industries	FYE 2023		FYE 2024	
	RM'000	%	RM'000	%
Photonics	42,611	45.65	33,417	37.07
E&E	17,440	18.69	21,399	23.74
Semiconductor	14,724	15.78	16,940	18.79
Telecommunication	13,492	14.45	12,555	13.93
Optoelectronics	5,068	5.43	5,832	6.47
Total	93,335	100.00	90,143	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Business and Operations (Cont'd)

Key Milestones

Since our inception in 2004 with the incorporation of Northeast Precision Sdn Bhd ("Northeast Precision"), we have embarked on a journey of growth and innovation. Today, our Group has evolved into a dynamic investment holding company, serving diverse industries with unwavering commitment and expertise. Building on our strong foundation of precision engineering excellence, we remain steadfast in delivering high-quality solutions that meet and exceed the expectations of our customers. As we progress into 2024, we continue to expand our capabilities and reinforce our dedication to driving value and innovation across every industry that we serve.

On 26 September 2024, we officially launched our prospectus, detailing our plans for growth and the strategic use of the funds raised from the initial public offering ("IPO"). This milestone reflects our commitment to growth, innovation, and long-term value creation for our stakeholders.



Prospectus launch on 26 September 2024



Listed on the ACE Market on 15 October 2024

As we look to the future, we aim to leverage on our expertise, expand our capabilities, and strengthen our position in the precision engineering industry. With the focus on continuous improvement and adaptability, we are well-positioned to navigate through new opportunities and achieve sustainable success.

Our history and key business milestones of our business since our inception in 2004:

Year	Key events and milestones
2004	- Incorporated Northeast Precision and began operations in Bukit Tengah, Pulau Pinang. - Secured first telecommunication customer in the Philippines.
2005	Expanded customer base to the UK and USA.
2006	- Incorporated NE Technologies Sdn Bhd ("NE Technologies"). - Expanded into the photonics industry. - Secured first customer in Thailand.
2007	Introduced plating services to enhance manufacturing capabilities.
2008	- Acquired land in Kawasan Perindustrian Juru, Pulau Pinang, to build Factory 1. - Entered the semiconductor market. - NE Technologies started operations at another rented shoplot.
2009	- Incorporated NE Components Sdn Bhd ("NE Components"). - NE Components commenced operations at a rented shoplot in Bukit Tengah. - Entered the optoelectronics industry with a USA-based customer.

MANAGEMENT DISCUSSION AND ANALYSIS

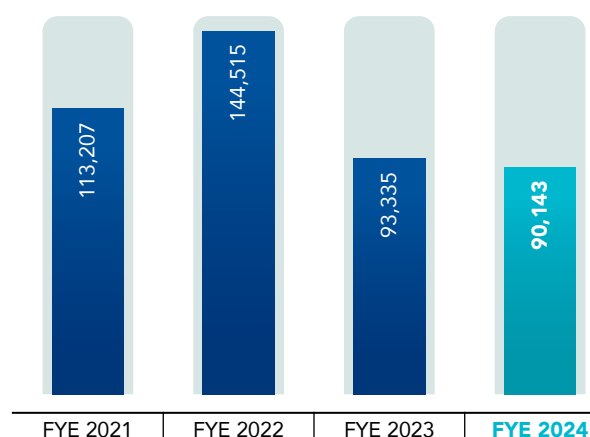
Overview of Business and Operations (Cont'd)

Key Milestones (Cont'd)

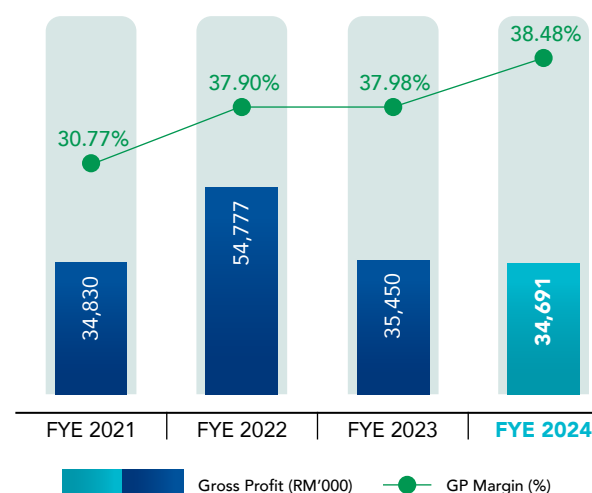
Year	Key events and milestones
2011	- Secured first customer in the E&E industry in Thailand. - Completed Factory 1 construction.
2012	- Incorporated NE Integrated Sdn Bhd ("NE Integrated"). - Relocated all operations to Factory 1.
2014	- Acquired Lot 117 and Lot 20449 to expand production floor space. - NE Integrated began operations at Lot 117.
2015	- Acquired Lot 119 to expand further. - Incorporated NE Solutions Sdn Bhd ("NE Solutions"). - NE Solutions began operations at Lot 119 and added sheet metal fabrication services. - Achieved ISO 9001:2008 QMS certification for NE Integrated.
2016	Achieved ISO 9001:2008 QMS certification for Northeast Precision, NE Components, and NE Technologies.
2017	Acquired land with a double-storey factory in Taman Perindustrian Bukit Minyak, Pulau Pinang, for Factory 2.
2018	Acquired land with a warehouse and factor in Taman IKS Bukit Minyak, Pulau Pinang, for Factory 3.
2021	Completed renovations for Factory 2.
2022	- Completed renovations for Factory 3. - Relocated production from Lot 117 and Lot 119 to Factory 3. - Ceased operations at Lot 20449 and consolidated activities at Factory 3.
2023	Acquired Lot 1143 to construct a new factory for expansion.
2024	- Completed acquisitions, resulting in NE Components, NE Integrated, NE Solutions, NE Technologies, and Northeast Precision becoming wholly-owned subsidiaries. - Launched prospectus on 26 September 2024. - Listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 15 October 2024.

Financial Review

Revenue
(RM'000)



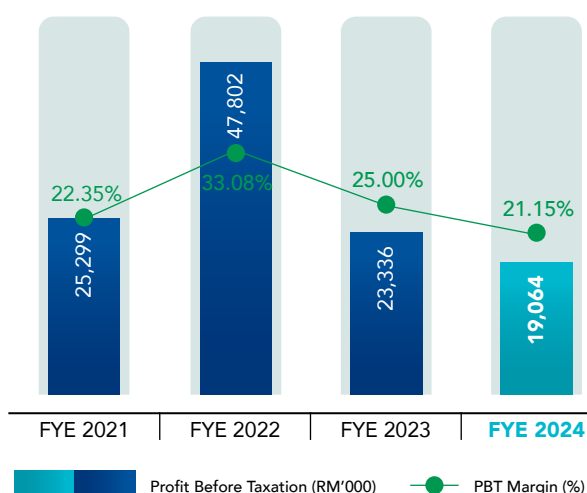
Gross Profit
(RM'000)



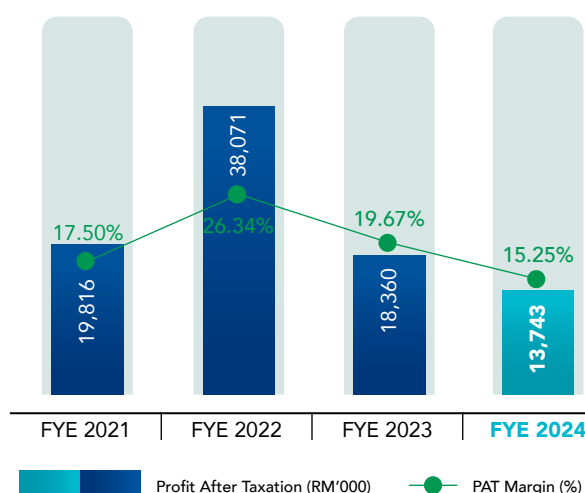
MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review (Cont'd)

Profit Before Taxation
(RM'000)



Profit After Taxation
(RM'000)



Our Group achieved a revenue of RM90.14 million for FYE 2024 (FYE 2023: RM93.34 million), a slight decrease of 3.42% as compared with the previous financial year. The decrease in revenue was mainly due to a reduction in sales from the photonics industry. However, the decrease was partially offset by higher sales from the E&E, and semiconductor industries. Bulk of our revenue was derived from customers located in Malaysia, Europe and North America.

Our Group's gross profit for FYE 2024 was RM34.69 million (FYE 2023: RM35.45 million), a decrease of 2.14%. Such decrease reflected the impact of reduced revenue from the photonics industry, which was a major contributor to the overall decrease in performance.

In line with the decrease in revenue and gross profit, our Group generated a profit before taxation ("PBT") of RM19.06 million in FYE 2024, representing an 18.31% decrease from RM23.34 million in the previous year. The PBT margin was 21.15% in FYE 2024 as compared to 25.00% in FYE 2023. The decrease in PBT was mainly due to net foreign exchange loss of approximately RM3.13 million in current financial year as compared to a net foreign exchange gain of approximately RM1.31 million in FYE 2023, along with one-off listing expenses of approximately RM0.38 million incurred in the current financial year.

As a result, our Group recorded a profit after taxation ("PAT") of RM13.74 million in FYE 2024, which marks a 25.15% decline from RM18.36 million in FYE 2023. The higher effective tax rate for the current year was mainly due to under provision of tax expenses in the previous year, as well as the impact of unrealised foreign exchange loss, which is non-deductible for tax purposes, further impacting the PAT.

The Group's cash and bank balances increased by 6.29%, from approximately RM81.91 million in FYE 2023 to RM87.06 million as at end FYE 2024. This growth in liquidity reflects our Group's focus on maintaining a strong cash position.

Overall, our Group's financial position remains healthy, with a higher current ratio of 10.02 times (FYE 2023: 6.46 times) indicating strong short-term liquidity. However, our gearing ratio increased slightly to 0.24 times (FYE 2023: 0.22 times) due to a rise in borrowings, namely term loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review

Expansion of Production Capacity

Our Group operates from three (3) factories located in Juru and Bukit Minyak, Pulau Pinang, with a total built-up area of 208,468 sq ft. Currently, the production floor space in these factories is fully utilised.

To drive our growth and meet increasing customer demand, we plan to construct a 2-storey factory with a 1-storey sub-basement parking lot ("New Factory") at Seberang Perai Tengah, Pulau Pinang. Spanning a built-up area of approximately 227,687 sq ft, this New Factory will have a production floor space of approximately 79,020 sq ft, capable of accommodating up to 200 units of CNC machines. This expansion will substantially boost our production capacity, enabling us to meet increasing operational demands while maintaining efficiency and precision.

As part of our production capacity expansion, the business operations of NE Components and NE Technologies will be relocated to the New Factory. NE Components, currently operating in Factory 2, will have an increased production floor space with the relocation to meet growing demand, allowing Northeast Precision to fully utilise the vacated space for its own manufacturing activities. Similarly, NE Technologies, currently operating in Factory 1, will relocate to accommodate its need for larger production capacity. After the relocation, Factory 1 will be repurposed to expand our value-added surface finishing services, including plating and anodising, following the completion of the New Factory construction.

The New Factory will comprise areas for Quality Assurance ("QA") & Quality Control ("QC"), an administrative area and a storage/warehouse, with areas spanning approximately 24,467 sq ft, 20,425 sq ft and 15,240 sq ft, respectively.

The estimated construction cost of RM50.40 million will be financed through a combination of IPO proceeds, internally generated funds, and/or bank borrowings. Construction is expected to begin in the first half of 2025, with operations commencing in the first quarter of 2027. This investment underscores our commitment to scaling operations and maintaining excellence in meeting customer requirements.

Purchase of New CNC Machines

We have 271 units of CNC machines as at 30 September 2024. In line with our production capacity expansion, we plan to purchase 36 units of new CNC machines, including CNC milling, CNC turning, CNC turn-mill, CNC automatic lathe, and CNC indexer machines. These machines will increase our annual operating capacity to meet anticipated demand from local and international customers while reducing delivery lead times. The cost of these machines will be funded through the IPO proceeds. By enhancing our production capabilities, we aim to secure additional orders, grow our customer base, and support our long-term business growth.

Challenges & Risks

Dependent on a major customer and export markets

Our revenue relies heavily on export markets, with over 70.97% of sales derived from overseas customers in FYE 2024 (FYE 2023: 73.90%). The performance of end-user industries directly influences the demand for precision engineering components. Economic growth boosts consumer spending and business investments, while a downturn can reduce demand for the end-user products, negatively affecting precision engineering players. With global economic growth projected to slow, the demand for precision engineering components may decline. Economic challenges, such as the Russia-Ukraine war, could further disrupt the market. Hence, any unfavourable economic, political, and/or legal developments in these markets may lead to reduced demand for our products, negatively impacting our financial performance.

Furthermore, a substantial portion of our revenue comes from a single source customer, contributing significantly to our income in the same period. Without long-term contracts, any reduction or cessation of orders from this customer or the inability to replace this customer with new customers or with additional orders from existing customers in a timely manner could adversely affect our revenue.

To mitigate these risks, our Group focuses on diversifying our customer base across multiple industries to reduce reliance on any single market or customer. Establishing long-term customer relationships and continuously monitoring market conditions are key strategies to ensure business stability and resilience.

MANAGEMENT DISCUSSION AND ANALYSIS

Challenges & Risks (Cont'd)

Human capital

Our Group depends on skilled engineering managers and technicians for the success of our business operations. These employees are essential in process engineering, machinery setup, and equipment maintenance, enabling us to meet evolving customer demands while ensuring product quality. The loss of a significant number of engineering managers and technicians, without timely replacements, or challenges in recruiting such talent, could disrupt operations and hinder our ability to compete effectively in the precision engineering industry. Besides, the precision engineering industry in Malaysia also faces challenges due to reliance on foreign workers. Restrictions or suspensions in hiring foreign workers and increases in levy rates or minimum wages could lead to higher labour costs and operational disruptions. Delays in sourcing local workers may affect production schedules, resulting in delivery delays or order cancellations, impacting business and financial performance.

To manage these risks, our Group continues to invest in training and development programmes to retain the current workforce and ensure a continuous flow of skilled engineering managers and technicians. Where possible, our Group will prioritise automation and process optimisation to reduce reliance on manual labour and ensure operational continuity despite potential labour constraints, thereby strengthening our competitiveness and supporting future growth.

Exposure to global aluminium and copper price fluctuations

The precision engineering industry relies significantly on aluminium and copper, exposing it to price fluctuations driven by global market dynamics. Aluminium prices, influenced by factors such as energy costs, demand-supply conditions, and geopolitical developments, peaked at USD3,250.05 per metric tonne in Q1 2022, primarily due to production curtailments and depleted inventories, before declining to USD2,386.36 per metric tonne in Q3 2024. Similarly, copper prices, which peaked at USD9,985.47 per metric tonne in Q1 2022, declined to USD9,208.52 per metric tonne in Q3 2024. These fluctuations led to increased production and carrying costs for maintaining inventories. Precision engineering industry players who are unable to pass on the increased material costs to customers may face material impacts on their financial performance.

To address this risk, we closely monitor global aluminium and copper price trends. Wherever feasible, we negotiate with our customers and pass on the increased material costs to customers. Additionally, our Group implements strategies such as production planning and inventory level assessment to mitigate the impact of price volatility on our operational and financial performance.



Dividend

Our company currently does not have a formal dividend policy. As a holding company, our ability to pay dividends is dependent on the dividends or other distributions received from our subsidiaries. The payment of dividends by our subsidiaries is subject to their distributable profits, financial performance, operational cash flow requirements, capital expenditures, and other relevant factors. For FYE 2024, our Group does not plan to declare any dividends. Notwithstanding this, any future declarations or payments of dividends will be at the discretion of our Board, and no conclusions should be drawn regarding our future profitability or ability to pay dividends.

MANAGEMENT DISCUSSION AND ANALYSIS

Forward-Looking Statement

The global precision engineering industry is poised for significant growth, driven by advancements in key end-user industries such as photonics, E&E, semiconductors, and telecommunications. For instance, the photonics industry essential for technologies like quantum communication, 5G, and 3D printing, continues to expand due to rising demand for compact, high-performance devices. Besides, the E&E industry, which is integral to manufacturing and telecommunications, demonstrates consistent growth, fuelled by evolving consumer needs and industrial applications. Furthermore, the telecommunications industry backed by global initiatives like universal connectivity and 5G infrastructure, is also set for stable long-term growth. These trends highlight the increasing need for precision-engineered components to meet higher standards of complexity and efficiency in end-user products.

Aligned with these positive industry trends, our Group maintains an optimistic outlook for the future. As outsourcing becomes a prevailing strategy for end-user industries to achieve cost-effectiveness, our Group is well-positioned to capitalise on this trend by offering specialised manufacturing solutions.

Moving ahead, the Group will continue to expand our business by securing additional orders and growing the customer base. Hence, it is crucial for our Group to expand our production floor space as well as production capacity to cater for our production needs. To meet such needs, our Group intends to construct the New Factory. The construction is expected to commence in the first half of 2025 with operations to begin in the 1st quarter of 2027.

The construction of the New Factory is part of our business expansion plans to grow our business operations and to house a portion of new CNC machines to be purchased. The new CNC machines will be used to produce more complex and higher mix of precision engineering components and to allow our Group to meet the demand from our existing and new customers in terms of order size, complexity as well as to reduce delivery lead time. This will in turn allow our Group to grow our Group's customer base and serve more local and international customers.

By leveraging our Group's competitive strengths, the Board is cautiously optimistic that our Group's business expansion plans, coupled with growth in end-user industries, increase in outsourcing manufacturing works and continuous innovation in product development in end user industries will contribute positively to our financial performance in the coming financial years. Moving forward, we will continue to explore new business opportunities through our current and potential customers.



SUSTAINABILITY STATEMENT

Introduction

Northeast proudly presents our first Sustainability Statement ("Statement") for financial year ended 30 September 2024 ("FYE 2024"). This Statement provides a snapshot of our commitment, performance and achievement in relation to sustainability.

We have prepared this Statement in compliance with the ACE Market Listing Requirements issued by Bursa Malaysia Securities Berhad ("Bursa Securities") with reference to Bursa Securities' Sustainability Reporting Guide 3rd Edition and Toolkits.

This Statement should also be read alongside other sections in this Annual Report, namely Management Discussion and Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, and our Corporate Governance Report, as sustainability efforts may be better contextualised and narrated in the respective sections.

Reporting Period

This Statement covers the financial reporting period from 1 October 2023 to 30 September 2024. Where possible, we also include information from previous years to provide a comparable data.

Scope and Basis of Scope

This Statement provides information on our sustainability performance through our operations in:

- Northeast Precision Sdn. Bhd.
- NE Technologies Sdn. Bhd.
- NE Components Sdn. Bhd.
- NE Integrated Sdn. Bhd.
- NE Solutions Sdn. Bhd.

Assurance

This Statement has not been externally assured. Nevertheless, the performance data published in this Statement have been reviewed by the internal operations and management team.

Availability

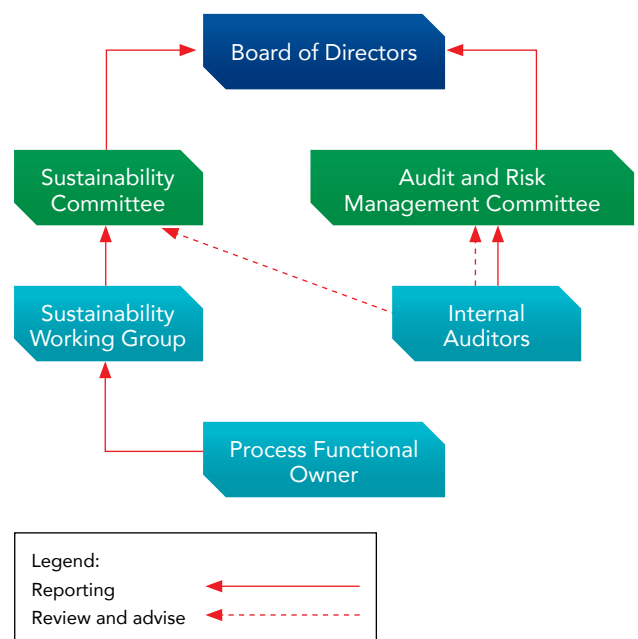
This Statement is made available on our Group's website at <https://northeast.my/>.

Point of Contact

We welcome and encourage our stakeholders to provide feedback pertaining to this Statement. Comments and questions can be directed to our designated email address at info@northeast.my.



Sustainability Governance



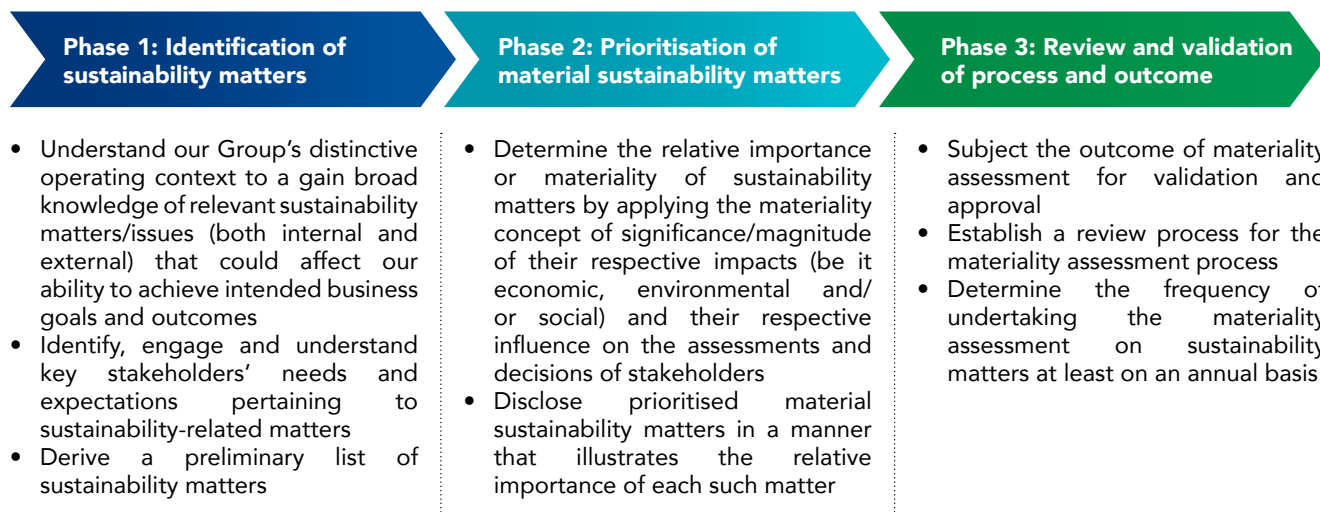
SUSTAINABILITY STATEMENT

Sustainability Governance (Cont'd)

Board and Committee	Roles and Responsibilities
Board of Directors (supported by the Audit and Risk Management Committee)	• Provide general leadership, direction and oversight of the Group's overall Sustainability Framework. • Provide advice and approve sustainability strategy (review periodically) and ensure all business strategies and major business operations are embedded with sustainability considerations. • Conduct periodic reviews of the material sustainability matters (at least once a year) and approve material sustainability matters, indicators and targets, the performance and annual sustainability disclosures.
Sustainability Committee	• Responsible for the overall governance of our sustainability strategies and performance. • Facilitate the sustainability strategy (review periodically) and ensure all business strategies and major business operations are embedded with sustainability considerations. • Ensure key decisions on sustainability matters are made and aligned with our Group's overall business strategies and goals. • Determine the adequacy of the response and the current standing and performance of the material sustainability matters of our Group. • Review all sustainability-related policies, initiatives, key sustainability risks and opportunities for sustainability practices across all business operations. • Review and ensure adequate resources are made available for the successful implementation of sustainability strategies and initiatives. • Review and report sustainability progress and performance to our Board.
Sustainability Working Group	• Prepare the reports for material sustainability matters, sustainability progress, performance indicators and targets, the performance and annual sustainability disclosures. • Implement the integration of sustainability considerations into our Group's operations, business strategy and goals. • Implement sustainability strategies, sustainability-related policies, initiatives, sustainability risks and opportunities for sustainability practices across all business operations. • Implement daily management of sustainability matters. • Set sustainability performance indicators and perform data gathering, compiling and reporting. • Track the targets of sustainability indicators and progress performance indicators. • Implement stakeholder engagement efforts.

Sustainability Materiality Assessment

Our materiality assessment process enables us to identify and prioritise the most critical sustainability risks and opportunities for both the Group and our stakeholders. The illustration below summarises the key phases of our materiality assessment process:

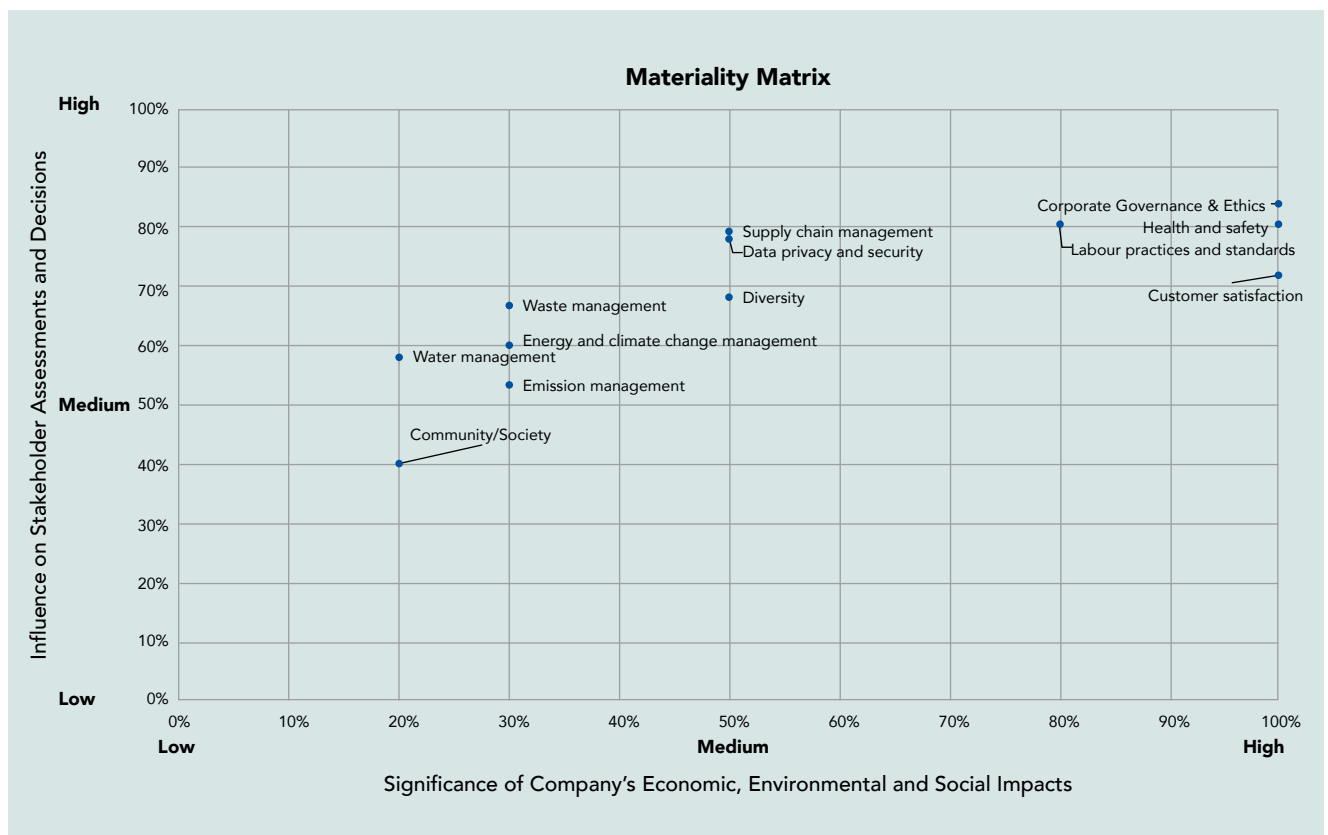


SUSTAINABILITY STATEMENT

Sustainability Materiality Assessment (Cont'd)

In FYE 2024, we conducted a comprehensive sustainability materiality assessment process to ensure our sustainability priorities align with both our Group's goals and stakeholders' expectations. Through this process, we identified twelve (12) sustainability matters spanning the economic, environmental, social and governance pillars. While external stakeholders were not directly involved in the process, their perspectives were represented through internal knowledge and insights derived from the ongoing stakeholder dialogues and engagement. The feedback was analysed and plotted on a materiality matrix, highlighting the most important sustainability topics based on their significance to both the Group and stakeholders. This process enables us to prioritise actions to address issues that are most critical to our business and broader community.

Sustainability Materiality Matrix



Economic	Environmental	Social	Governance
- Customers' Satisfaction - Supply Chain Management	- Energy and Climate Change Management - Water Management - Waste Management - Emission Management	- Diversity - Health and Safety - Labour Practices and Standards - Community/Society	- Corporate Governance & Ethics - Data Privacy and Security

SUSTAINABILITY STATEMENT

Stakeholder Engagement Table

The following summarises our key stakeholders, their needs and expectations, how we engage with them and the frequency of engagement:

Stakeholder Group	Type of Engagement	Sustainability Concerns	Frequency
Shareholder/Investor	- Annual General Meeting - Annual Reports - Quarterly Announcements - Corporate visits - Regular site visits - Public and Media announcements - Group's Website	- Economic performance - Business and financial performance - Compliance with relevant laws and regulations	- Annually - Quarterly - As and when needed
Customer	- Customers' satisfaction surveys - Customer audit - Customer meetings	- Customers' satisfaction - Data privacy and security	- Annually - As and when needed
Employee	- Annual appraisals - Whistleblowing channel	- Diversity - Health and safety - Labour practices and standards - Competitive remuneration - Career development	- Bi-Annually - As and when needed
Supplier	- Supplier qualifications and due diligence - Supplier performance evaluations	- Supply chain management - Corporate governance & ethics - Compliance with relevant laws and regulations	- Annually - As and when needed
Regulator	- Participation in programs organised by regulatory bodies - Regular site visits	- Corporate governance & ethics - Compliance with relevant laws and regulations	- Annually - As and when needed
Local communities	Volunteering programs and corporate social responsibility ("CSR") events	- CSR programs - ESG awareness and initiative	As and when needed

Sustainability Targets and Performance

Sustainability Pillars and Matters	Targets and Goals	FYE 2024 Performance
Economic - Customers' Satisfaction - Supply Chain Management	- Delivery of quality products and services - Promote purchases from local suppliers	- No major product quality issues 95% purchases from local suppliers
Environmental - Energy and Climate Change Management - Water Management - Waste Management - Emission Management	- Ensure environmental compliance - Effective in energy, climate change, water, waste and emission management	- Electricity usage of 6,174,762 kWh - Water usage of 53,176 m³ 293.71 metric tonnes of wastes generated

SUSTAINABILITY STATEMENT

Sustainability Targets and Performance (Cont'd)

Sustainability Pillars and Matters	Targets and Goals	FYE 2024 Performance
Social - Diversity - Health and Safety - Labour Practices and Standards - Community/Society	- Promote diversity and inclusivity at workplace - Zero case of work-related fatalities - Promote training and development in the workplace - Zero substantiated complaints concerning human rights violations - Contribute to the wellbeing and living standard of local community	12% of overall employees are women and 33% of the Board are women representatives - Zero work-related fatalities and lost time incident rate ("LTIR") - All 514 employees are trained on health and safety standards - Achieved 1,928 of total training working hours with an average of 3.75 hours per employee. The total employee turnover amounts to 22 - Zero substantiated complaints concerning human rights violations - Contributed a total of RM7,000 for CSR programmes
Governance - Corporate Governance & Ethics - Data Privacy and Security	- Zero confirmed incidents of corruption - Zero substantiated complaints concerning breaches of customer privacy and loss of customer data	- Zero confirmed incidents of corruption 100% of operations are assessed for corruption-related risks. All employees received training Anti-Bribery & Corruption Policy - Zero substantiated complaints concerning breaches of customer privacy and loss of customer data

Economic

Customers' Satisfaction

At Northeast, we recognise that customers' satisfaction is crucial to the long-term sustainability of our business. We are committed to continuously improving our product quality, maintaining and strengthening existing business relationships, and expanding our customer base. We place a strong emphasis on product quality, supported by a rigorous quality management system. Our in-house Quality Assurance ("QA") and Quality Control ("QC") teams oversee the manufacturing process to ensure adherence to both internal and international standards. Additionally, some of our customers conduct ad-hoc performance audits to assess our capability in meeting their requirements for product quality, manufacturing processes, and production capacity. This ongoing engagement ensures we continue to meet and exceed customers' expectations, and secure long-term business relationships.



SUSTAINABILITY STATEMENT

Economic (Cont'd)

Customer Satisfaction (Cont'd)

The awards and recognitions received by our Group in the past are as follows:

- Export Excellence Awards – Exporter of the Year: Small and Medium Enterprise (2021);
- Export Excellence Awards – Machinery, Electrical & Electronic (Small and Medium Enterprise) (2021);
- Golden Eagle Award 2022 Malaysia 100 Excellent Enterprise – Top 2 Winner of Excellent Eagle (2022);
- Platinum Business Awards 2022 – SME Export Excellence Award (2022);
- Enterprise 50 Award (2022);
- Platinum Business Awards 2023 – SME Export Excellence Award (2023); and
- Golden Eagle Award 2023 Malaysia 100 Excellent Enterprises – Top 1 Winner of Excellent Eagle (2023).



Enterprise 50 Award



Enterprise 50 Award
- Usahawan Export
Terbaik 2022



Golden Eagle
Award Malaysia 100
Excellence Enterprise
2022: Top 2
2023: Top 1



Export Excellence
Award - Machinery,
Electrical &
Electronics (Small and
Medium Enterprise)
(2021)



Export Excellence
Award - Exporter of
the Year: Small and
Medium Enterprise
(2021)

These recognitions underscore our ongoing efforts to uphold the highest quality standards in all aspects of our operations, and we remain committed to meeting the evolving needs of our customers while navigating industry challenges.

Supply Chain Management

We are committed to fostering local economic growth by actively supporting local businesses in the communities where we operate. As a key component of our procurement strategy, we prioritise sourcing goods and services from local suppliers who demonstrate the capability to meet our required standards. This approach not only strengthens local economies but also reinforces our commitment to sustainable and responsible business practices.

The proportion of purchases from local and foreign suppliers is as below:

	FYE 2022	FYE 2023	FYE 2024
Local suppliers	97%	93%	95%
Foreign suppliers	3%	7%	5%

SUSTAINABILITY STATEMENT

Environmental

Energy and Climate Change Management

We are committed to addressing climate change by reducing energy consumption and minimising our environmental footprint. Understanding the significant risks posed by climate change and extreme weather events, we actively pursue initiatives that promote energy efficiency and contribute to climate change mitigation.

As part of our efforts, we have implemented a range of energy-saving measures, including the installation of energy-efficient light-emitting diode ("LED") lighting across our facilities. We have also equipped our premises with timer controls for perimeter and signage lighting, ensuring energy is used only when needed. Furthermore, we encourage our employees to adopt energy-conscious behaviours, such as switching off lights and air conditioning when not in use, further reducing unnecessary energy consumption.

These actions reflect our commitment to reducing our carbon footprint. By implementing these energy-saving measures, we not only cut down on operational costs but also support broader climate goals and contribute to sustainability efforts both locally and globally.



The total energy consumption is summarised as below:

	Unit	FYE 2022	FYE 2023	FYE 2024
Petrol	Litre	_(a)	_(a)	_(a)
Diesel	Litre	_(a)	_(a)	_(a)
Electricity	kWh	6,640,853	6,065,890	6,174,762

Note:

(a) Data on petrol and diesel consumption has not been tracked yet.

Emission Management

We are dedicated to reducing emissions in order to minimise our environmental impact and improve air quality across our operations.

As part of our efforts to reduce emissions, we have installed machine covers on our CNC machines. These covers effectively prevent oil mist from escaping into the air on the production floor, reducing airborne emissions and maintaining a cleaner, healthier work environment. This initiative has led to improved air quality within our facilities and supports our broader sustainability goals by reducing industrial emissions.

SUSTAINABILITY STATEMENT

Environmental (Cont'd)

Emission Management (Cont'd)

The Greenhouse Gas ("GHG") Emission data is summarised as follows:

	Unit	FYE 2022	FYE 2023	FYE 2024
Scope 1	tCO ₂ e	_(a)	_(a)	_(a)
Scope 2	tCO ₂ e	5,180 ^(b)	4,731 ^(b)	4,816^(b)
Scope 3	tCO ₂ e	_(c)	_(c)	_(c)

Notes:

- (a) **Scope 1 emissions, direct GHG emissions:** emissions that occur from sources that are owned or controlled by our Group. Management is in the midst of collecting data and will disclose as soon as the information becomes available.
- (b) **Scope 2 emissions, indirect GHG emissions:** emissions arising from the generation of purchased electricity consumed by our Group. The data is computed based on the Malaysia Energy Commission 2019 Grid Emission Factor.
- (c) **Scope 3 emissions, all other indirect emissions not covered under Scope 1 and Scope 2:** a consequence of the activities of our Group but occur from sources not owned or controlled by us. Management is in the midst of collecting data and will disclose as soon as the information becomes available.

Water Management

We are committed to responsible water use and efficient management across all our operations. Our approach focuses on monitoring and managing water consumption to reduce reliance on municipal water sources and minimise waste. This commitment is integral to our sustainability efforts and aligns with our broader environmental goals.

To achieve this, we have implemented several measures to enhance water conservation. We have introduced rainwater harvesting systems to collect and store rainwater for non-potable uses such as watering plants and cleaning purposes. In addition, in high water usage areas, we have installed self-release water taps to encourage efficient water consumption and reduce wastage.

These initiatives not only help conserve valuable water resources but also reduce our environmental footprint while fostering a culture of sustainability within our operations. As we continue to enhance our water management efforts, we make steady progress toward achieving our sustainability objectives and contributing to the preservation of this essential natural resource.



Rainwater harvesting system

The total volume of water used is as below:

	Unit	FYE 2022	FYE 2023	FYE 2024
Water	m ³	49,229	42,041	53,176

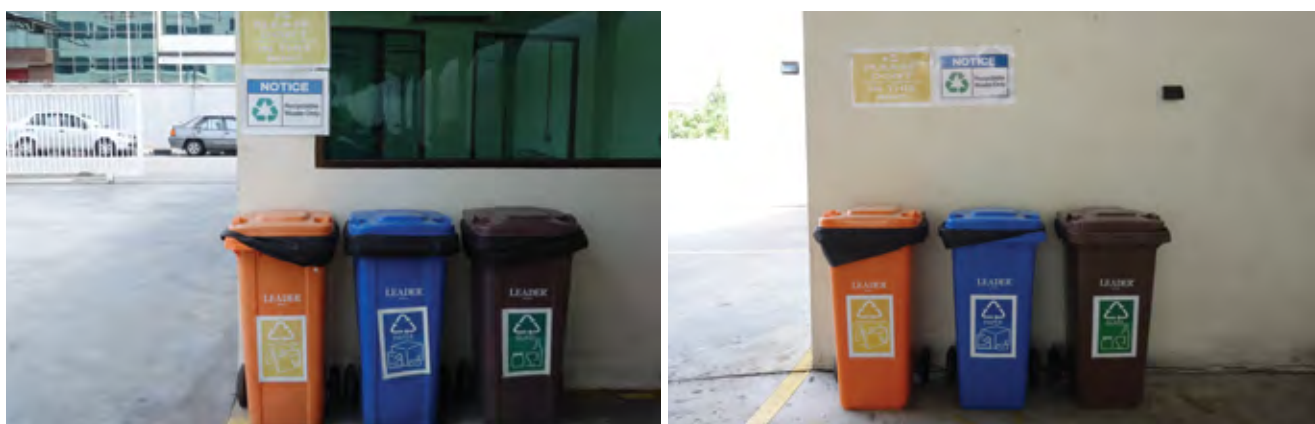
SUSTAINABILITY STATEMENT

Environmental (Cont'd)

Waste Management

We are committed to managing waste responsibly and sustainably, ensuring full compliance with all applicable regulatory requirements. Our priority is to minimise the environmental impact of our operations while making a positive contribution to the surrounding communities.

To achieve this, we have implemented waste reduction initiatives that focus on reducing, reusing, and recycling materials such as paper, plastics, and metals, which are commonly generated in our daily operations. These efforts help to minimise waste sent to landfills, reduce our consumption of natural resources, and conserve valuable materials.



Recycling bins in the workplace

We also ensure strict adherence to environmental regulations and standards concerning non-hazardous waste handling. Our waste management protocols are designed to ensure proper segregation, recycling, and disposal of all waste materials in compliance with relevant environmental laws.

Through these initiatives, we continue to reduce waste output, promote recycling, and ensure a sustainable approach to resource use, all of which align with our broader commitment to environmental compliance and stewardship.

	Unit	FYE 2022	FYE 2023	FYE 2024
Waste generated	Metric tonnes	104.94	194.18	293.71
Waste diverted from disposal	Metric tonnes	-	-	-
Waste directed to disposal	Metric tonnes	98.34	177.68	285.99

Note: There are wastes which have been generated and are currently being stored on-site, awaiting collection by the designated vendor. This is due to the vendor's requirement for a minimum collection quantity for certain types of waste.

SUSTAINABILITY STATEMENT

Social

Diversity

We are dedicated to fostering a diverse and inclusive working environment where fairness, respect, and equal opportunities are prioritised for all employees. Discrimination and harassment are not tolerated within our organisation, and we are committed to ensuring that every employee is treated with dignity and respect. We promote a culture of fairness by ensuring diversity in hiring and promoting employees, and are committed to providing equal opportunities for all, regardless of gender, race, age, religion, or political views.



In FYE 2024, our total workforce grew to 514 employees as compared to 381 employees in FYE 2022. The percentage of employees by gender and age group, for each employee category is tabulated as below:

	FYE 2022		FYE 2023		FYE 2024	
	Number of employees	%	Number of employees	%	Number of employees	%
By Gender						
Male	313	82%	409	85%	451	88%
Female	68	18%	74	15%	63	12%
By Age						
Below 30	189	50%	226	47%	268	52%
30-50	187	49%	251	52%	241	47%
Above 50	5	1%	6	1%	5	1%
By Employee Category						
Executive	23	6%	33	7%	32	6%
Non-Executive	338	89%	422	87%	456	89%
Managers and above	20	5%	28	6%	26	5%
Gender by Employee Category						
Executive						
Male	13	57%	16	48%	16	50%
Female	10	43%	17	52%	16	50%
Non-Executive						
Male	283	84%	367	87%	412	90%
Female	55	16%	55	13%	44	10%
Managers and above						
Male	18	90%	26	93%	23	88%
Female	2	10%	2	7%	3	12%

SUSTAINABILITY STATEMENT

Social (Cont'd)

Diversity (Cont'd)

	FYE 2022		FYE 2023		FYE 2024	
	Number of employees	%	Number of employees	%	Number of employees	%
Age by Employee Category						
Executive						
Below 30	-	-	-	-	-	-
30-50	20	87%	30	91%	29	91%
Above 50	3	13%	3	9%	3	9%
Non-Executive						
Below 30	189	56%	226	54%	266	58%
30-50	148	44%	195	46%	190	42%
Above 50	1	*	1	*	-	-
Managers and above						
Below 30	-	-	-	-	-	-
30-50	19	95%	26	93%	24	92%
Above 50	1	5%	2	7%	2	8%
Employment Type						
Permanent employees	376	99%	480	99%	511	99%
Contract or temporary employees	5	1%	3	1%	3	1%

Note:

* Negligible

Throughout the year, we celebrated various festive seasons together as a team, creating opportunities to embrace and appreciate the diverse cultures and traditions within our workforce. These celebrations not only strengthen the camaraderie among employees but also fostered an inclusive workplace environment where diversity is celebrated and valued.



Celebrating the Spirit of Ramadan: Buka Puasa with Our Team

SUSTAINABILITY STATEMENT

Social (Cont'd)

Diversity (Cont'd)



Chinese New Year Celebrations with Our Employees



Deepavali Celebrations with the Team



Christmas Celebrations with the Team



Celebrating 10 Years of Loyalty and Achievement: Employee Service Awards



Annual Dinner 2023

SUSTAINABILITY STATEMENT

Social (Cont'd)

Diversity (Cont'd)



IPO Launch Event: Honouring the Key Employees Behind Our Success

The Board recognises that diversity is critical for sound corporate governance and effective business strategy. In line with the Malaysian Code on Corporate Governance (“MCCG”), the company strives to have at least 30% women directors. For the FYE 2024, the Board consists of 2 women directors out of a total of 6 directors, representing 33%, which is in compliance with the MCCG recommendation. This commitment to gender diversity on the Board is integral to our broader goal of fostering an inclusive environment throughout the organisation.

The percentage of directors by gender and age group is summarised as below:

	FYE 2022		FYE 2023		FYE 2024	
	Number of directors	%	Number of directors	%	Number of directors	%
By Gender						
Male	2	100%	2	100%	4	67%
Female	-	-	-	-	2	33%
By Age						
Below 50	-	-	-	-	-	-
50 and above	2	100%	2	100%	6	100%

SUSTAINABILITY STATEMENT

Social (Cont'd)

Health and Safety

At our Group, the health and safety of our employees is a top priority, and we are fully committed to ensuring a safe and secure working environment. To achieve this, we prioritise in providing regular training, protective equipment, and implementing robust safety protocols to minimise workplace accidents and incidents. Our commitment is rooted in fostering a culture of safety and well-being, where all employees are equipped with the knowledge and resources to work confidently and safely.

Examples of training programs we have conducted include:

- Basic Occupational First Aid, Cardiopulmonary Resuscitation (“CPR”), and Automated External Defibrillators (“AED”) Training - This training ensures employees are equipped with essential life-saving skills to respond effectively in medical emergencies.
- Organisasi Keselamatan Kebakaran (“OKK”) Training - Focuses on fire safety, covering the proper use of fire extinguishers, techniques for rescuing fire victims, and dry drills involving hose handling and water flow controls.
- Chemical Handling Training - Provides employees with the knowledge and skills to safely handle, store, and dispose of chemicals, ensuring safety when working with hazardous materials.

As a result of these trainings, we have seen a positive impact on workplace safety. Employees are more confident in managing safety risks, and the provision of protective equipment, such as masks, safety shoes, and gloves, further strengthens our commitment to their well-being. These initiatives have contributed to a reduction in workplace accidents, enhanced safety awareness, and an overall improvement in the health and safety culture across the Group.

The number of work-related fatalities and lost time incident rate are summarised as below:

	Unit	FYE 2022	FYE 2023	FYE 2024
Work-related fatalities	Number	-	-	-
Lost time incident rate	Rate	-	0.18	-

The number of employees trained on health and safety standards are as follows:

	Unit	FYE 2022	FYE 2023	FYE 2024
Employees trained	Number	381	483	514



SUSTAINABILITY STATEMENT

Social (Cont'd)

Health and Safety (Cont'd)



Organisasi Keselamatan Kebakaran ("OKK") Training



Chemical Handling Training

Labour Practices and Standards

We are committed to upholding the highest standards of labour practices and human rights across all our operations. We believe that investing in the development of our employees and ensuring a fair, respectful, and ethical work environment are essential to driving long-term success. By promoting continuous learning, ethical behaviour, and strict compliance with labour laws, we aim to empower our workforce to reach their full potential and contribute meaningfully to our collective success.

In FYE 2024, we completed a total of 1,928 hours of training, with an average of 3.75 training hours per employee. A key part of this training includes Process Failure Mode and Effect Analysis ("PFMEA"), which is designed to help employees identify, assess, and mitigate risks within operational processes. This training not only improves employee skills but also enhances safety and operational efficiency, ensuring that potential risks are proactively managed.

The total hours of training by employee category is as below:

	Unit	FYE 2022	FYE 2023	FYE 2024
Executive	Hour	264	976	844
Non-Executive	Hour	412	2,223	768
Managers and above	Hour	108	248	316

SUSTAINABILITY STATEMENT

Social (Cont'd)

Labour Practices and Standards (Cont'd)



Process Failure Mode and Effect Analysis ("PFMEA") for our employees

In FYE 2024, employee turnover increased slightly by 5 headcounts compared to FYE 2023. We are committed to fostering employee growth and attracting new talent, as we recognise that an engaged and capable workforce is essential to the Group's sustainability. Our focus on talent retention and development ensures we have the right people in place to seize opportunities and navigate challenges effectively. Despite this modest rise in turnover, our continued efforts to support employees' professional growth and maintain a positive workplace environment position us well for sustainable growth and long-term success.

The total number of employee turnover by employee category is as follows:

	Unit	FYE 2022	FYE 2023	FYE 2024
Executive	Number	1	-	1
Non-Executive	Number	14	17	21
Managers and above	Number	-	-	-

We are dedicated to upholding human and labour rights by adhering to international standards and complying with all relevant local laws and regulations. Our commitment extends to fostering a respectful, inclusive workplace that is free from harassment, discrimination, and any inappropriate behaviour. We comply with labour-related regulations, including the Minimum Wages Order 2022, ensuring fair wages, reasonable working hours, and appropriate compensation for our employees. We also prioritise promoting ethical conduct across all levels of our Group.

In FYE 2024, we are pleased to report that there were no substantiated complaints related to human rights violations, including any issues of forced or child labour, discrimination, or harassment. This achievement reflects our ongoing efforts to create and maintain a workplace rooted in respect, fairness, and integrity.

The total number of substantiated complaints concerning human rights violations is as follows:

	Unit	FYE 2022	FYE 2023	FYE 2024
Substantiated complaints concerning human rights violations	Number	-	-	-

Beyond ensuring legal compliance, we also prioritise the well-being of our employees. One of the initiatives is by organising company trips, which offer opportunities for team bonding. These initiatives not only foster a sense of community and collaboration but also contribute to enhancing employee morale and job satisfaction. By investing in such experiences, we reinforce our broader commitment to cultivate a positive, inclusive and supportive work environment where every individual can thrive.

SUSTAINABILITY STATEMENT

Social (Cont'd)

Labour Practices and Standards (Cont'd)



Company Trips

Community/Society

We recognise the importance of giving back to the communities in which we operate and are committed to fostering positive relationships and goodwill through meaningful community engagement. As part of our ongoing efforts to support individuals with disabilities, we provided financial assistance to an active swimmer and medallist, to assist with his daily needs, including expenses for training and sports activities. This support aims to help him achieve even greater success in the future. We are proud to play a role in his inspiring journey and celebrate his remarkable achievements. These efforts contribute to strengthening our connections with the community and promoting social welfare, which are key pillars of our Corporate Social Responsibility ("CSR").

The total amount invested in the community where the target beneficiaries are external parties and the number of individuals benefited from these programs are tabulated as below:

	Unit	FYE 2022	FYE 2023	FYE 2024
Amount invested in CSR program	RM	9,150	21,000	7,000
Beneficiaries of the investment in CSR program	Number	1	1	1

SUSTAINABILITY STATEMENT

Governance

Our Group is committed to strong governance practices, ensuring that sustainability-related risks and opportunities are effectively overseen by the Board of Directors. We prioritise ethical business conduct through the adoption of key policies, including the Code of Conduct and Ethic, Anti-Bribery and Corruption Policy, and Whistle Blowing Policy. These policies guide our operations and promote transparency and integrity across all levels of the Group.

We provide transparent reporting on our ESG performance, financial data, and operational performance indicators to keep our stakeholders informed. Our Enterprise Risk Management Framework enables us to identify and manage various risks, such as operational, financial, sustainability, and reputational risks, particularly in our manufacturing processes and products. Additionally, we ensure compliance with industry-specific regulations and standards. Through these comprehensive measures, we maintain high ethical standards, manage risks effectively, and ensure compliance, reinforcing our commitment to sustainable and responsible business practices.



Code of Conduct and Ethic

Our Code of Conduct and Ethic ("Code") is designed to guide the Board and Directors, emphasising the principles of integrity, responsibility, sincerity, and corporate social responsibility. The Code seeks to strengthen corporate governance and ethical behaviour, with the following objectives:

- To establish a standard of ethical behaviour for Directors based on acceptable beliefs and values; and
- To uphold the spirit of professionalism, objectivity, transparency and accountability in line with the legislation, regulations and environmental, and social responsibility guidelines governing the Group.

Our Code is applicable to all Directors and employees of the Group. It provides guidance on maintaining proper standards of conduct, sound business practices, and ethical behaviour, based on the values of integrity, responsibility, trust, discipline, and diligence.

Anti-Bribery and Corruption Policy

Our Group is committed to conducting business in an ethical, responsible, and transparent manner. We take a zero-tolerance approach to bribery and corruption, upholding the highest standards of integrity, openness, and accountability in all our operations. We aim to avoid any actions that may harm our integrity or reputation.

In compliance with the Malaysian Anti-Corruption Commission ("MACC") Act 2009 (Amendment 2018), we have formalised an Anti-Bribery and Corruption Policy, which applies to all Directors, employees, and associated persons, including agents, consultants, contractors, suppliers, and customers, bankers and any other persons dealing with the Group. Compliance with this Policy constitutes terms of service or conditions of providing services to the Group by these said parties. Each such person is bound to the provisions of this Policy upon notification of the most recent copy being given to them or placed in Group's webpage. The Policy ensures that we adhere to applicable laws, regulations, and procedures, and emphasises the prevention and detection of bribery and corruption.

The purpose of this Policy is to:

- Set out the responsibilities of the Group, its Directors, employees and associated persons, in observing and upholding the Group's position on bribery and corruption; and
- Provide information and guidance on how to deal with bribery and corruption issues that may arise in the course of business.

SUSTAINABILITY STATEMENT

Governance (Cont'd)

Anti-Bribery and Corruption Policy (Cont'd)

The percentage of employees who have received training on anti-corruption by employee category is summarised as follows:

	Unit	FYE 2022	FYE 2023	FYE 2024
Executive	%	100%	100%	100%
Non-Executive	%	100%	100%	100%
Managers and above	%	100%	100%	100%

The percentage of operations assessed for corruption-related risks is summarised as follows:

	Unit	FYE 2022	FYE 2023	FYE 2024
Operations	%	100%	100%	100%

The confirmed incidents of corruption is summarised as follows:

	Unit	FYE 2022	FYE 2023	FYE 2024
Confirmed incidents of corruption	Number	-	-	-

Whistle Blowing Policy

Our Group encourages all employees to raise genuine concerns about possible improprieties related to financial reporting, compliance, malpractices, and unethical business conduct within the Group at the earliest opportunity and in an appropriate manner.

The aim of our Whistle Blowing Policy is to:

- Encourage Whistle Blower to feel confident in raising serious genuine concerns and to question and act on those concerns;
- Provide ways to raise those concerns and get feedback on action taken; and
- Re-assure Whistle Blower that if they raise concerns in good faith, believing them to be true, they will be protected from possible reprisals or victimisation.

The scope of matters covered by this Policy includes, but is not limited to:

- Financial malpractice, impropriety or fraud;
- Corruption, bribery or blackmail;
- Failure to comply with laws or regulations or group/company policies and procedures;
- Criminal offences and miscarriage of justice;
- Endangerment of an individual's health and safety;
- Falsification or destruction of business or financial records, or misrepresentation or suppression of financial information; or
- Concealment of any or a combination of the above.

SUSTAINABILITY STATEMENT

Governance (Cont'd)

Whistle Blowing Policy (Cont'd)

The principles underpinning this Policy are as follows:

- All concerns raised will be treated fairly and properly;
- The Group will not tolerate harassment or victimisation of anyone raising a genuine concern;
- The Group will ensure no Whistle Blower will be at risk of suffering some form of reprisal as a result of raising a concern even if he is mistaken. The Group, however, does not extend this assurance to someone who maliciously raises a matter he knows is untrue or is acting for personal gain; and
- The submission of a false or frivolous report may have consequences for Whistle Blower and he may be liable for damages towards anyone who suffered from such false report.

Our policies and procedures namely Code of Conduct and Ethic, Anti-Bribery and Corruption Policy, and Whistle Blowing Policy are made available on our Group’s website at <https://northeast.my/>.

Data Security and Privacy

We are committed to implementing data security and privacy measures to protect sensitive information, especially when dealing with proprietary formulations or customers’ data. These measures are designed to safeguard the confidentiality, integrity, and availability of data, ensuring that the personal and proprietary information entrusted to us remains secure.

The total number of substantiated complaints concerning breaches of customers’ privacy and loss of customers’ data is as follows:

	Unit	FYE 2022	FYE 2023	FYE 2024
Substantiated complaints concerning breaches of customers’ privacy and loss of customers’ data	Number	-	-	-



AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit and Risk Management Committee ("ARMC") was formed on 15 January 2024 to assist the Board of Directors of the Company ("Board") in carrying out its responsibilities and meeting the Corporate Governance requirements. It reviews the quarterly financial information before recommending to the Board for adoption and release to Bursa Malaysia Securities Berhad ("Bursa Securities") as well as the system of internal controls which management and the Board have established, and makes recommendations to the management on actions to be taken, if any, based on the reports of the independent Internal and External Auditors.

COMPOSITION OF ARMC

The ARMC comprises three (3) members, all of whom are Independent Non-Executive Directors. As at the date of this report, the members of the ARMC are as follows:

Ong Kim Nam	Chairman
Dato' Faiza Binti Zulkli	Member
Ong Guat Ean	Member

The Chairman of the ARMC, Mr. Ong Kim Nam is a Chartered Accountant with the Malaysia Institute of Accountants ("MIA") and a Fellow of the Association of Chartered Certified Accountants, UK.

The above composition of the ARMC complies with the ACE Market Listing Requirements.

TERMS OF REFERENCE

The terms of reference of the ARMC stipulating its role and the authority delegated by the Board are available on the Group's website www.northeast.my.

ATTENDANCE OF MEETINGS

Prior to the listing of the Company on the ACE Market of Bursa Securities on 15 October 2024, there was only one (1) ARMC meeting held to discuss matters relating to the accounting and reporting practices of the Group and the Company for the financial year ended 30 September 2024.

As stipulated in the terms of reference of the ARMC, the ARMC is scheduled to meet at least four (4) in a financial year.

Details of attendance of each ARMC member for the financial year ended 30 September 2024 are as follows: -

Name of Directors	Attendance
Ong Kim Nam	1/1
Dato' Faiza Binti Zulkli	1/1
Ong Guat Ean	1/1

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

During the financial year ended 30 September 2024, the ARMC discussed matters relating to the accounting and reporting practices of the Group and the Company at its only meeting.

Subsequent to the financial year ended 30 September 2024 and up to the date of this statement, the ARMC had another three (3) meetings and details of the attendance of each member of the ARMC are as follows: -

Name of Directors	Attendance
Ong Kim Nam	3/3
Dato' Faiza Binti Zulklifi	3/3
Ong Guat Ean	3/3

The activities of the ARMC subsequent to the financial year ended 30 September 2024 will be reported in the annual report for the financial year ending 30 September 2025.

INTERNAL AUDIT FUNCTION

In conjunction with the Company's listing on the ACE Market of Bursa Securities, the Company has appointed an independent professional consulting firm, Sterling Business Alignment Consulting Sdn. Bhd. ("Sterling"), to conduct an independent assessment of the internal control environment of the Group to be in compliance with the Malaysian Code on Corporate Governance 2021 and the ACE Market Listing Requirements of Bursa Securities.

The internal controls assesment focused on existing operations/functional areas of the Company and its subsidiaries.

The findings by the internal auditor have been presented to the Board who has taken steps to ensure that appropriate actions are being taken to enhance the current internal control systems.

Subsequent to the listing, the Company has outsourced the internal audit function to Sterling in November 2024, who reports directly to the ARMC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("**Board**") of **Northeast Group Berhad** and its subsidiaries ("**Group**") recognises the importance of good corporate governance and continues to be committed to a good corporate governance practice throughout the Group to enhance shareholders' value and the financial performance of the Group.

The Board believes that good governance will help to realise long-term shareholders' value, whilst taking into account the interest of other stakeholders. The Board evaluates and continues to enhance the existing corporate governance practices in order to remain relevant with developments in market practice and regulations.

The following statement reports on how the Group has applied the principles and recommendations of good corporate governance during the financial year under review as set out in the Malaysian Code on Corporate Governance 2021 ("**MCCG**") issued by the Securities Commission Malaysia and ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**AMLR**").

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I) Board Responsibilities

A) Details of the Responsibilities

It is the overall governance responsibilities of the Board to lead and control the Group. Amongst others, these responsibilities include charting the strategic direction of the Group and supervising its affairs to ensure its success, implementation of suitable and effective internal controls and risk management, and ensuring compliance with the relevant laws, regulations, guidelines and directives.

(i) Clear Functions Reserved for the Board and Those Delegated to Management

The Board acknowledges its role in the stewardship of the Group's direction and operations, and ultimately the enhancement of long-term shareholders' value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, which involves reviewing and adopting a strategic plan for the Group, overseeing the conduct of the Group's businesses and to evaluate whether the businesses are properly managed, identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures, succession planning, overseeing the development and implementation of a shareholder communication policy, reviewing the adequacy and the integrity of the management information and internal control system of the Group. Key matters such as approval for interim and final financial results, major capital expenditure, formalising the budgetary process are reserved for the Board.

(ii) Clear Roles and Responsibilities

The Board assumes, amongst others, the following duties and responsibilities:

- (a) Responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for the Management to monitor the achievement of these goals, overseeing the ethical conduct of business and preventing bribery and corruption in the Group's business;
- (b) Decides on the overall Group's strategy and direction, acquisition and divestment policy, approval of capital expenditure, consideration of significant financial matters and the review of financial and operating performance of the Group;
- (c) Monitor and evaluate the performance of the Management to ensure that the performance criteria remain dynamic;
- (d) Ensure the Group maintains an effective system of internal controls and is able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- (e) Monitor the compliance with all relevant statutory and legal obligations;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I) Board Responsibilities (Cont'd)

A) Details of the Responsibilities (Cont'd)

(ii) Clear Roles and Responsibilities (Cont'd)

The Board assumes, amongst others, the following duties and responsibilities: (Cont'd)

- (f) Regularly considers succession planning and balanced composition of the Board;
- (g) Clarify the roles and responsibilities of members of the Board and the Management to facilitate Board's and Management's accountability to the Company and its shareholders;
- (h) Establish such committees, policies and procedures to effectively discharge the Board's roles and responsibilities;
- (i) Together with Management, to take responsibility for the governance of sustainability in the Group, including setting the Group's sustainability strategies, priorities and targets;
- (j) To ensure that the Group's sustainability strategies, priorities and targets as well as performance against such targets are communicated to the Company's shareholders and other stakeholders;
- (k) To take appropriate action to ensure Board members stay abreast with and understand, sustainability issues relevant to the Group and its business, including climate-related risks and opportunities;
- (l) To monitor Management's performance and business results; and
- (m) To ensure that Management has the necessary skills and experience, and that there are measures in place to provide for the orderly succession of Board members and Management.

The Board has established three (3) Board Committees which operate within its own specific terms of reference. The Board Committees undertake in-depth deliberation of the issues at hand before tabling its recommendations thereon to the Board.

The three (3) Board Committees are as follows:

- (a) Audit and Risk Management Committee ("ARMC");
- (b) Nomination Committee ("NC"); and
- (c) Remuneration Committee ("RC").

The Chairman of the respective Board Committees reports to the Board on the outcome of the Board Committee meetings.

(iii) Code of Conduct and Compliance

The Group has formalised a set of ethical standards through the Code of Conduct and Ethic ("Code") to ensure Directors and employees practise ethical, business like and lawful conduct, including proper use of authority and provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability. The Code was adopted by the Board on 18 March 2024 and is published on the Group's website at www.northeast.my.

The Group has also established the Whistle Blowing Policy so that any employee of the Group can seek guidance and report suspected and/or known misconduct, wrongdoings, corruption and other malpractices involving the resources of the Group and in the matters of financial reporting and compliance. Reports can be made anonymously and arrangements are in place for independent investigations and appropriate follow-up action. This policy was adopted by the Board on 18 March 2024 and is published on the Group's website at www.northeast.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I) Board Responsibilities (Cont'd)

A) Details of the Responsibilities (Cont'd)

(iv) Anti-Bribery and Corruption Policy

The Group does not endorse bribery, be it giving or accepting the ill-gotten monies.

The Group has established the Anti-Bribery and Corruption Policy including corporate liability for corruption pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018). Our employees are aware that the Group has the Anti-Bribery and Corruption Policy and that the Group does not condone gift giving/receiving. This policy was adopted by the Board on 18 March 2024 and published on the Group's website at www.northeast.my.

(v) Business Sustainability and Environmental, Social and Governance

The Group is committed to operate its business in accordance with environmental, social and economic responsibilities in compliance with all relevant laws in order to meet the requirements and aspirations of various stakeholders. The Group strives to achieve long-term sustainable balance between meeting its business goals and preserving the environment as it recognises that the sustainability of ecosystems is an integral part of sustaining its long-term business plans. A Sustainability Statement is set out on pages 25 to 44 of this Annual Report.

(vi) Access to Information and Advice

Prior to meetings of the Board and Board Committees, appropriate documents, which include the agenda, Board papers and reports on relevant issues to be deliberated at the meetings covering the areas of financial, operational and regulatory compliance matters are circulated to all Directors to enable them to review and disseminate the reports, obtain further explanation, if necessary, and enable focused and constructive deliberation at meetings. All proceedings of Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provisions of the Companies Act 2016.

Presentations and briefings by the Management and relevant external consultants, where applicable, are also held at Board meetings to advise the Board and furnish relevant information and clarification for the Board to arrive at a considered decision.

All Directors have direct access to the Management and have unrestricted access to all information relating to the Group to enable them to discharge their duties. In the furtherance of its duties, the Board may when necessary, obtain independent professional advice on specific matters, at the Group's expense.

All Directors have direct access to the services of the Company Secretary. The Board is regularly updated and advised by the Company Secretary.

(vii) Qualified and Competent Company Secretary

The Board is supported by an experienced and competent Company Secretary in discharging its duties and responsibilities. The Company Secretary is a qualified Chartered Secretary, i.e. a member of the Malaysian Institute of Chartered Secretaries and Administrators. The Board receives regular advice, updates and notices from the Company Secretary to ensure compliance with applicable laws, regulations and corporate governance matters. The Company Secretary attend and ensure that all Board and Board Committees meetings are properly convened and all deliberations and decisions, are properly minuted and kept. The Company Secretary is also responsible for ensuring that Board's policies and procedures are followed, and that the applicable statutory and regulatory requirements are observed.

The appointment and termination of Company Secretary are under the purview of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I) Board Responsibilities (Cont'd)

A) Details of the Responsibilities (Cont'd)

(viii) Board Charter

The Board delegates the day-to-day operations of the Group to the Managing Director, Executive Director and Management who have vast experience in the respective business of the Group. The Board has established clear functions reserved for the Board and those delegated to the Management as set out in the Board Charter ("Charter"). The Charter provides guidance for the Directors and the Management on the responsibilities of the Board, its Board Committees and requirements of Directors which are subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance. The Charter was adopted by the Board on 18 March 2024 and is published on the Group's website at www.northeast.my.

B) Reinforce Independence

(i) Assessment of Independence

The Board undertakes an annual assessment of Independent Non-Executive Directors and is satisfied that they continue to bring independent and objective judgement to Board deliberations. A self-assessment is also carried out by the Independent Non-Executive Directors once every year.

(ii) Tenure of Independent Director

The Board noted one of the recommendations of MCCG stating that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Non-Executive Director may continue to serve on the Board as a Non-Independent Non-Executive Director, subject to the conditions as set out in the Charter. The Board also noted on the AMLR's cumulative twelve (12) years tenure limit for Independent Directors.

(iii) Chairman, Managing Director and Executive Director

The roles of the Chairman, Managing Director and Executive Director are separated to ensure there is a balance of power and authority. The Chairman of the Board is not a member of the ARMC, NC and RC and is not involved in the three (3) Board Committees. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, while the Managing Director and Executive Director have overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions.

The Board is led by Dato' Seri Lee Kah Choon, an Independent Non-Executive Chairman while the executive management of the Group is headed by the Managing Director, Ng Chay Chin and Executive Director, Chong Ewe Hean. The Managing Director and Executive Director are supported by the Management, responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies of the Group.

The Executive and Non-Executive Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, legal, corporate affairs, marketing and operations.

(iv) Composition of the Board

At the date of this statement, the Board consists of six (6) members comprising one (1) Independent Non-Executive Chairman, one (1) Managing Director, one (1) Executive Director and three (3) Independent Non-Executive Directors. All the Independent Non-Executive Directors fulfil the criteria of independence as defined in the AMLR. Half of our Board comprises Independent Non-Executive Directors which provides an effective check and balance in the functioning of the Board. In the event of any vacancy in the Board resulting in non-compliance with Rule 15.02 (1) of the AMLR, the Company must fill the vacancy within three (3) months.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I) Board Responsibilities (Cont'd)

B) Reinforce Independence (Cont'd)

(iv) Composition of the Board (Cont'd)

The presence of Independent Non-Executive Directors in the Board is essential as they provide an unbiased and independent view, advice and judgement to the decision-making of the Board and provide an appropriate check and balance for the Managing Director, Executive Director and Management, thereby ensuring that no one individual or group dominates the Board's decision-making process. They also ensure strategies proposed by the Management are fully deliberated and take into account the interests of minority shareholders, employees, customers and the communities in which the Group conducts its business. Together with the Managing Director, Executive Director and Management who have intimate knowledge of the businesses, the Board is constituted of individuals who have a proper understanding of and competence to deal with current and emerging business issues.

C) Foster Commitment

(i) Time Commitment and Expectations

During the financial year ended 30 September 2024, the Board had two (2) meetings where it deliberated upon and considered a variety of matters, including the Group's listing exercise, financial results, strategic decisions and the overall direction.

Name of Directors	Attendance
Dato' Seri Lee Kah Choon	2/2
Ng Chay Chin	2/2
Chong Ewe Hean	2/2
Dato' Faiza Binti Zulkifli	2/2
Ong Kim Nam	2/2
Ong Guat Ean	2/2

All the Directors have complied with the minimum 50% attendance requirement as stipulated in the AMLR.

All Directors are furnished with the notice of meeting, agenda and supporting documents on matters requiring their consideration in advance of each Board meeting. The Chairman, with the assistance of the Company Secretary, undertakes the primary responsibility for organising information necessary for the Board to deal with the agenda and for providing this information to the Directors on a timely basis. During the meetings, the Board is briefed on matters dealt with in the agenda and, where appropriate, additional information is made available to Directors. All proceedings of Board meetings are duly recorded and the minutes thereof are signed by the Chairman of the Board.

(ii) Training

The Board, through the NC, ensures that it recruits high calibre individuals with relevant industrial, knowledge and experience to fulfil the duties of a Director appropriately. As at the date of this Statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme Part I as required by Bursa Securities.

The Board is cognizant of the need to ensure that its members undergo continuous trainings to enhance their knowledge, expertise, skills and professionalism in discharging their duties. As the Board members have attended a diverse range of training programmes during the year to enhance their knowledge and skills in specific areas, the NC is of the opinion that the Directors have assessed and addressed their own training needs.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I) Board Responsibilities (Cont'd)

D) Uphold Integrity in Financial Reporting

(i) Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements and announcements of quarterly financial results to shareholders, the Board takes responsibility in conveying a balanced and understandable assessment of the Group's position and prospects.

(ii) Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the audited financial statements, announcements of quarterly financial results to Bursa Securities as well as the Chairman's statement and review of financial and operations in the Annual Report. The Board is assisted by the ARMC to oversee the Group's financial reporting processes and the quality of its financial reports.

(iii) Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group as at the end of the financial year and the results of their operations and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016 have been applied.

In preparing the financial statements, the Board has selected and consistently applied suitable accounting policies and made reasonable and prudent judgements and estimates.

The Board also have a general responsibility for taking such steps as are reasonable to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

(iv) State of Internal Controls

The Statement on Risk Management and Internal Control furnished on pages 58 to 60 of this Annual Report, provides an overview of the state of internal controls within the Group.

(v) Relationship with the Auditors

Key features underlying the relationship of the ARMC with the internal and external auditors are included in the ARMC's terms of reference and the terms of reference are published on the Group's website at www.northeast.my.

A summary of the work of the ARMC during the financial year is set out in the ARMC Report on page 46 of this Annual Report.

(vi) Assessment of External Auditors

The ARMC has the overall assessment to evaluate the performance, competency and independence of the external auditors as well as assessing the independency of provision of non-audit services by the external auditors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II) Board Composition

A) Nomination Committee

The NC comprises the following members:

Chairman : Ong Guat Ean
Independent Non-Executive Director

Members : Dato' Faiza Binti Zulkifli
Independent Non-Executive Director
Ong Kim Nam
Independent Non-Executive Director

The NC consists entirely of Independent Non-Executive Directors. In observance with MCCG, the NC is chaired by an Independent Non-Executive Director.

The NC is responsible for identifying, evaluating and nominating suitable candidates to be filled to the Board and Board Committees. In assessing and evaluating the suitability of candidates for recommendation to the Board for appointment as well as Directors who are seeking for re-election, the NC will consider the criteria set out in the Directors' Fit and Proper Policy including skills, knowledge, experience, expertise, professionalism, integrity, capabilities, competencies, time commitment and in case of candidates for the position of Independent Non-Executive Directors, the candidates' ability to discharge such responsibilities and its credibility are also taken into consideration.

The Management will source the candidate through the referral from business contacts. The NC will then interview the proposed candidate, and assess him/her based on the Directors' Fit and Proper Policy. The proposed candidate will be shortlisted and recommended to the Board. The final decision on the appointment of a candidate recommended by the NC rests with the Board. The Board is entitled to the services of the Company Secretary who ensure that all appointments are properly made upon obtaining all necessary information from the Directors.

The Board, assisted by the NC, assesses the effectiveness of the Board, the Board Committees and the contribution of each individual Director, including Independent Non-Executive Directors, on an annual basis. Questionnaires are sent to Directors to obtain their feedback, views and suggestions to improve the performance of the Board and its Board Committees. The assessment results were summarised for analysis by the Company Secretary. The recommendations of the NC will be presented to the Board for consideration.

The NC had one (1) meeting for the financial year ended 30 September 2024 and all NC members attended the meeting. During the financial year, the NC conducted an assessment on the effectiveness of the Board, the Board Committees and the contribution of each Director. Various factors were considered including its composition and size, mix of skills and experience, conduct of meetings, roles and responsibilities, contribution and performance, communications and supply of timely information. All assessments and evaluations carried out by the NC are documented. The NC has also identified programmes, with the assistance of the Company Secretary, for the continuous training of the Board members to ensure that they are conversant with industry trends and developments. The Board has taken steps to ensure that its members continuously have access to appropriate continuing education programmes.

The Board support the gender diversity policy and has two (2) female Independent Non-Executive Directors on the Board (i.e. representing approximately 33% of the overall Board composition). The Board does not have a formal gender diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Group based on merit, experience and knowledge. The same applies to the Management.

In the absence of formal procedure, a Director accepting a new directorship will notify the Board ahead of his/her new appointment and pledged his/her time commitment to the Company. Going forward, the Board would obtain from its Directors their full commitment to devote sufficient time to carry out their responsibilities effectively and efficiently and where appropriate, the ability of the candidates to act as Independent Non-Executive Directors to exercise independent judgement and opinion.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II) Board Composition (Cont'd)

A) Nomination Committee (Cont'd)

The Terms of Reference of the NC is published on the Group's website at www.northeast.my, in line with Rule 15.08A(2) of the AMLR.

B) Re-election

In accordance with the provisions of the Company's Constitution, one-third of the Directors for the time being or, if their number is not a multiple of three (3), then the number nearest to one-third shall retire from office at the Annual General Meeting ("AGM"). All the Directors shall retire from office once at least in each three (3) years and shall be eligible for re-election.

At the forthcoming AGM, Mr. Ng Chay Chin will retire by rotation pursuant to Article 88 of the Company's Constitution while Dato' Seri Lee Kah Choon, Dato' Faiza Binti Zulkifli, Mr. Ong Kim Nam and Ms Ong Guat Eng will retire pursuant to Article 95 of the Company's Constitution. All retiring Directors being eligible, offer themselves for re-election.

The evaluation process was carried out through a set of questionnaires which was duly completed by each NC member, with respect to each of the Directors seeking for re-election with reference to Directors' Fit and Proper Policy. The NC assessed and is satisfied and made recommendations to the Board for re-election of all the retiring Directors.

III) Directors' Remuneration

A) Remuneration Committee

The Board has established a RC consisting of the following Independent Non-Executive Directors: -

Chairman : Dato' Faiza Binti Zulkifli
Independent Non-Executive Director

Members : Ong Guat Ean
Independent Non-Executive Director
Ong Kim Nam
Independent Non-Executive Director

The Group's policy on Directors' remuneration is to attract, retain and motivate Directors to effectively oversee the business of the Group. The RC is responsible for recommending and putting in place a structured remuneration framework for the Directors, Managing Director, Executive Director and Management.

The RC takes into account corporate financial performance as well as performance on a range of non-financial factors, including the accomplishment of strategic goals. The RC recommends to the Board the remuneration package of the Directors, Managing Director, Executive Director and Management. It is the responsibility of the Board to approve and/or recommend the remuneration package of the Managing Director, Executive Director and Management to the shareholders (where applicable), with the Managing Director and Executive Director concerned abstaining from deliberation and voting on the same.

For Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by each of the Non-Executive Directors and is determined by the Board as a whole, with the Non-Executive Directors concerned abstaining from deliberations or voting on decisions in respect of their individual remuneration.

All the Directors are paid with Directors' fees and meeting allowances. Additional fees will be given for undertaking responsibilities as Chairman of the Board. The aggregate amount of Directors' fees to be paid to the Directors is subject to the approval of the shareholders at the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III) Directors' Remuneration (Cont'd)

A) Remuneration Committee (Cont'd)

Detailed disclosure on name basis of the nature and amount of each major element of the remuneration of Directors of the Company during the financial year ended 30 September 2024 is disclosed in the Corporate Governance Report, which can be downloaded from the Group's corporate website at www.northeast.my or Bursa Securities' website.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I) Risk Management Framework

The Board has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility for the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls. However, it should be noted that such a system, by its nature, manages but does not eliminate risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

Ongoing reviews are performed throughout the year to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place.

II) Internal Audit Function

The Board acknowledges the importance of the internal audit function and has engaged the services of an external independent professional consulting firm who reports directly to the ARMC at least once on a semi-annual basis. Further details of the Group's internal control system and framework are found in the Statement on Risk Management and Internal Control and the ARMC Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP

I) Corporate Disclosure

The Board recognises the importance of accountability to its shareholders through proper and equal dissemination of information to its shareholders. The Board acknowledges that shareholders should be informed of all material business matters which influence the Group. Timely release of quarterly financial results to Bursa Securities and other information and corporate actions taken by the Group that warrant an announcement to Bursa Securities under the AMLR provides shareholders with a current overview of the Group's performance. To this end, the Board has established a policy on Corporate Disclosure which provides guidance to the Board, Management and the employees on the Group's disclosure requirements and practices in disseminating material information to and in dealing with stakeholders, analysts, media and the investing public.

In addition, the Board and the Management welcome any form of visit by fund managers and analysts and conduct regular briefings to them as the Board believes that this will give investors and interested parties a better appreciation and understanding of the Group's performance and awareness of the expectations and concerns of investors and such interested parties.

II) Using Information Technology for Effective Dissemination

The Group also maintains an official website at www.northeast.my that provides background information of the Group to the public. While the Group endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. However, in any of the circumstances, the Directors are cautious not to provide undisclosed material information about the Group and frequently stress the importance of timely and equal dissemination of information to shareholders and stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP (Cont'd)

III) Encourage Shareholder Participation at General Meetings

Whilst this Annual Report provides a comprehensive source of information on the Group's financial and operational performance, AGMs and Extraordinary General Meetings provide a platform for shareholders to seek more information and clarification on the audited financial statements, operational issues and other matters of interest.

The Directors are available to answer any such questions that may arise as shareholders may seek more information than what is available in this Annual Report. The Company's practice is to send out the notice of AGM and related papers to shareholders at least twenty-one (21) days before the meeting.

IV) Poll Voting

At general meetings, shareholders are given the opportunity to seek clarification on any matter pertaining to the business activities and financial performance of the Group. All resolutions in the general meetings will be deliberated, and take on the questions and answers before putting to vote. Voting is by way of poll and an independent scrutineer is appointed to verify the poll results.

V) Communication and Engagement with Shareholders

The Board will maintain an effective communication policy that enables both the Board and Management to communicate effectively with shareholders and the general public. The shareholders shall be informed of all material matters affecting the Group.

The ways of communication to shareholders are as follows: -

- i) timely announcements and disclosures made to Bursa Securities, which include quarterly financial results, material contracts or awards, changes in the composition of the Group and any other material information that may affect investors' decision making;
- ii) make available the additional corporate information and/or disclosures of the Group for reference on the Group's website; and
- iii) ensure that the general meetings are conducted in an efficient manner, which includes the supply of comprehensive and timely information and active participation of the shareholders at the general meetings.

VI) Conduct of General Meetings

General meetings are the principal forum for dialogue and interaction with the shareholders.

The forthcoming 2nd AGM scheduled on 26 February 2025 will be the first AGM following the Group's listing on the ACE Market of Bursa Securities.

The notice of AGM was circulated to shareholders at least 21 days before the meeting date, to provide adequate notice and time to consider the resolutions to be discussed and to make informed decisions. The notice for the AGM provides an outline of the resolutions to be presented during the AGM, along with explanatory notes and background information where necessary.

The Chairman and Board members are aware of their roles and responsibilities and are committed to attending the AGM once the meeting date has been scheduled. The Board will be available to address questions and provide responses as needed.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

Northeast was listed on the ACE Market of Bursa Securities on 15 October 2024. As part of the listing exercise, the Company undertook a public issue of 168,989,000 new ordinary shares at an issue price of RM0.50 per share, raising gross proceeds of RM84,494,500.

Details of the use of proceeds	Proposed utilisation RM'000	Percentage of utilisation %	Actual utilisation ^(a) RM'000	Balance to be utilised RM'000	Estimated Timeframe for the use of proceeds from the date of listing
Construction of the new factory	40,000	47.34	-	40,000	Within 36 months
Repayment of bank borrowings	20,000	23.67	-	20,000	Within 12 months
Purchase of new CNC machines	12,378	14.65	-	12,378	Within 36 months
Working capital	5,516	6.53	-	5,516	Within 12 months
Estimated listing expenses	6,600	7.81	-	6,600	Within 1 month
	84,494	100.00	-	84,494	

Note:

(a) As at 30 September 2024, the listing exercise is pending completion and hence, there are no proceeds to be utilised as yet.

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 26 September 2024.

2. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors, chief executive who is not a Director or major shareholders, which are still subsisting at the end of the financial year or entered into since the end of the previous financial year.

3. Recurrent Related Party Transactions of Revenue Nature

Our Group does not have any recurrent related party transaction of revenue nature for the financial year ended 30 September 2024 ("FYE2024").

4. Audit and Non-Audit Fees

The audit and non-audit fees paid and payable for services rendered to the Company and the Group by the Company's external auditors for the FYE2024 are as follows:

Type of Fees	Company (RM)	Group (RM)
Audit Fees	26,000	116,000
Non-Audit Fees *	2,500	2,500
Total	28,500	118,500

* Non-Audit Fees consists mainly of professional fees incurred for review of the Statement on Risk Management and Internal Control.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. Introduction

Our Board of Directors (the "Board") acknowledges the importance of maintaining sound risk management and internal control system within our Group and is pleased to present its Statement on Risk Management and Internal Control for the financial year ended ("FYE") 30 September 2024 and up to the date of approval of this statement disclosed pursuant to the Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Securities ("AMLR") and Malaysian Code on Corporate Governance 2021 ("MCCG") issued by the Securities Commission Malaysia. This statement was prepared after taking into account the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

2. Board Responsibilities

Our Board is ultimately responsible for overseeing the performance of the Group in achieving its objectives. This includes ensuring that the risk management and internal control systems are adequate and effective.

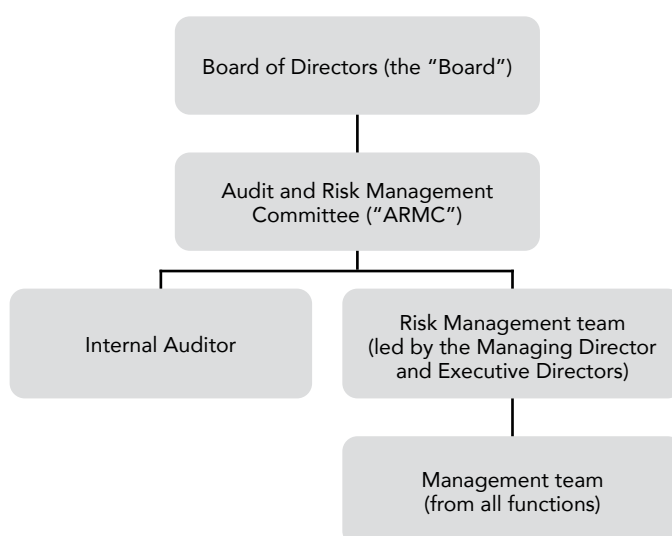
Our Board acknowledges the critical role of risk management and maintaining a sound internal control system for our Group to safeguard the shareholders' investment and our Group's assets, and to discharge their stewardship responsibilities in identifying and reviewing risks and ensuring the implementation of appropriate systems to manage these risks. In fulfilling its responsibilities, our Board is committed in maintaining appropriate risk management and internal control systems and to review their adequacy and effectiveness so as to provide assurance on the achievement of the objectives of our Group. While our Board strives to maintain risk management and internal control systems and regularly reviews their adequacy and effectiveness, it recognises that these systems have inherent limitations. Therefore, they are designed to manage, rather than to eliminate, the risk of failure to achieve the business objectives of our Group. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement, losses or fraud.

Our Board has delegated the oversight of risk management and internal control function to the Audit and Risk Management Committee ("ARMC") which is comprised solely of Independent Non-Executive Directors. The ARMC is tasked to determine that there is a robust process in place for identifying, managing and monitoring critical risks, overseeing the execution of such process and ensuring it is continuously improved as the business environment changes. On a periodic basis, our Board, via the ARMC, will evaluate the adequacy and operating effectiveness of the risk management and internal control system and, where appropriate, require the Management to implement pertinent controls to address emerging issues or areas of control deficiencies.

3. Risk Management Framework

Our Group has established an Enterprise Risk Management ("ERM") framework which provides a comprehensive and proactive approach towards identifying and managing risks for the Group. This framework serves as a structured guide, outlining the objectives of the ERM framework and defining the roles and responsibilities of the Risk Management team, the Board and the ARMC in the risk management process. Additionally, the ERM framework also elaborates on the key components of ERM, which include risk identification, risk assessment, risk appetite, risk category, risk response, control activities, information and communication, oversight and monitoring. This framework underscores our commitment in maintaining a proactive risk management culture, safeguarding our stakeholders' interests, and achieving our Group's strategic objectives.

The risk reporting structure is outlined below:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

3. Risk Management Framework (Cont'd)

The Risk Management team, led by the Managing Director and Executive Director, comprises Management representatives from all functions across the Group, plays a pivotal role in overseeing our Group's ERM framework. The Risk Management team is tasked with steering our Group's ERM strategy and fostering a proactive risk awareness culture throughout the organisation. As part of its responsibilities, the Risk Management team conducts an annual review of all identified risks. This process includes coordinating the development of risk mitigation action plans to address key areas of concern. Additionally, the Risk Management team will monitor the results of key performance indicators relating to ERM, ensuring alignment with our Group's objectives and adherence to best practices in corporate governance.

Prior to the Company's listing on the ACE Market on 15 October 2024, a formal ERM framework has been put in place. The Risk Management team will conduct and present the risk assessment to the ARMC and the Board at least once in each financial year. Such yearly review shall consist of reviewing and assessing the adequacy of the Group's risk profile, risk management framework, and resources allocated; evaluating the effectiveness of internal controls and risk mitigation systems, recommending corrective actions where needed; and monitoring principal risks, proposing additional measures as necessary.

4. Internal Audit Function

As our Company was listed on 15 October 2024, no internal audit work was performed during FYE 2024, thus, no internal audit cost was incurred during the financial year under review. Subsequent to the Listing, the Group has outsourced its internal audit function to an external independent professional consultancy firm. The work of the internal audit function, its observations and recommendations will be tabled to the ARMC for review in the following financial year. Nevertheless, in preparation for the listing of the Company on the ACE Market, we have engaged Sterling Business Alignment Consulting Sdn Bhd, an independent professional consulting firm, which is independent of the activities and operations of the Group as our Internal Control Review Consultant to assist the Board to assess our Group's internal control system in general and its prospective compliance with the AMLR in respect to the internal control state, risk management, and corporate governance as stipulated under the MCCG. The review was carried out for the following specified key processes:

- Board Internal Control;
- Finance and Accounts;
- Procurement;
- Human Resources;
- Administration;
- Safety and Health;
- Management Information Services/Information Technology;
- Maintenance; and
- Operation.

5. Other Internal Control Processes

a. Integrity and Ethical Value

The tone from the top on integrity and ethical values are enshrined in the formal Code of Conduct and Ethic ("Code") established and approved by our Board. The Code forms the foundation of the integrity and ethical values of our Group.

In line with Section 17A of the Malaysian Anti-Corruption Commission Act 2009, a formal Anti-Bribery and Corruption Policy has been put in place to prevent the risk of bribery and conflict of interest within our Group with a Whistle Blowing Policy implemented for all stakeholders to raise genuine concerns about possible improprieties in matters of financial reporting, compliance, malpractices and unethical business conduct within the Group at the earliest opportunity and in an appropriate way.

b. Board of Directors/Board Committee Meetings

The role, functions, composition, operation and processes of our Board are guided by the Board Charter. Board Committees, namely ARMC, NC and RC are established with terms of references clearly outlining their functions and duties delegated by our Board. ARMC assists our Board in reviewing the effectiveness of the ongoing monitoring processes related to risk and control matters within their scope of work.

Meetings of our Board and respective Board Committees are carried out on a scheduled basis to review the performance of our Group, from the financial and operational perspectives.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

5. Other Internal Control Processes (Cont'd)

c. Company Secretary

The Company Secretary provides the necessary advice and guidance on matters relating to the Constitution of our Company, Board policies and procedures, and compliance with relevant regulatory requirements, codes or guidance.

d. Delegation of Authority

Our Group's organisational structure is designed to clearly define lines of responsibility, delegation of authority, segregation of duties, and information flow, ensuring alignment with the operational needs of our business. This structure establishes clear levels of accountability and responsibility for various management roles. Additionally, our Group has implemented specific authorisation limits and approval levels for Management, including those requiring Board approval.

e. Policies and Standard Operating Procedures (SOPs)

Our Group has established policies and SOPs to guide daily operations and ensure consistency, compliance, and accountability. These include financial, operational, and human resource policies. Regular reviews and updates are conducted to reflect changes in regulations, business needs, and best practices.

f. Continuous Training and Development

Ongoing training programs are conducted to enhance the knowledge and skills of employees at all levels, particularly in areas of compliance with regulations. These initiatives foster a culture of continuous learning and awareness of evolving regulatory and operational requirements.

6. Review of the Statement by External Auditors

The external auditors has reviewed this Statement on Risk Management and Internal Control as required under Rule 15.23 of the AMLR. The limited assurance review was performed in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information other than Audits or Reviews of Historical Financial Information and Audit Assurance Practice Guide 3 ("AAPG 3") Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is factually inaccurate.

7. Conclusion

Our Board has received assurance from the Managing Director that the risk management and internal control system adopted by our Group is operating adequately and effectively, in all material aspects, based on their observations in the course of their management of the daily operations of our Group. Our Board is of the view that the risk management and internal control systems are operating satisfactorily and effectively to safeguard the interest of stakeholders and assets of our Group for the financial year under review, and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the annual report of our Company. Our Board continues to take measures to review and, where necessary, enhance the risk management and internal control systems of our Group to meet the strategic objectives of our Group.

Our Board is committed to maintaining a sound internal control system and effective risk management throughout our Group and reaffirms its commitment to continuously review and where necessary, enhance further the risk management and internal control systems.

This Statement on Risk Management and Internal Control is made in accordance with a resolution passed in our Board of Directors' meeting held on 21 January 2025.

STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR THE AUDITED FINANCIAL STATEMENTS

In accordance with the Companies Act 2016, the Directors are responsible for the preparation of the financial statements for the financial year to provide a true and fair view of the Group's state of affairs, results, and cash flows. In preparing the financial statements for the financial year ended 30 September 2024, the Directors have:

- Used appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are also accountable for ensuring proper maintenance of accounting records, which accurately reflect the financial position of the Company and Group. These records enable compliance with the Companies Act 2016 and assist in the preparation of financial statements. Furthermore, the Directors are responsible for taking reasonable steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

The Audit and Risk Management Committee ("ARMC") supports the Board in reviewing and scrutinising the accuracy, adequacy, transparency and completeness of the financial information. This ensures compliance with applicable financial reporting standards and guarantees the reliability of disclosures. The Board has ensured that the Group's quarterly reports and annual audited financial statements are submitted to Bursa Securities in a timely manner, ensuring that the investing public is kept informed of the Group's performance and developments.



FINANCIAL STATEMENTS AND NOTES

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 September 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is activities of holding companies.

The principle activities of the subsidiaries are mainly engaged in providing precision engineering works. Further details on the activities of the subsidiaries are set out in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	<u>13,743,127</u>	<u>(1,396,458)</u>
Attributable to:		
Owners of the Company	<u>13,743,127</u>	<u>(1,396,458)</u>

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial period.

The Directors do not recommend any payment of dividend for the current financial year.

RESERVES AND PROVISIONS

Material transfers to or from reserves or provisions during the financial year include transfer to merger reserve of the Group amounted to RM139,552,500.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM2 to RM142,753,500 by way of issuance of 571,010,998 new ordinary shares by way of the following:

- (a) Issuance of 998 new ordinary shares of RM1 each for cash totalling RM998; and
- (b) Issuance of 571,010,000 new ordinary shares at RM0.25 each pursuant to the acquisition of the subsidiaries.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted by the Company to any person to take up any unissued ordinary shares in the Company during the financial year.

DIRECTORS' REPORT

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Dato' Seri Lee Kah Choon	(Appointed on 15 January 2024)
Ng Chay Chin *	
Chong Ewe Hean *	
Dato' Faiza Binti Zulkifli	(Appointed on 15 January 2024)
Ong Kim Nam	(Appointed on 15 January 2024)
Ong Guat Ean	(Appointed on 15 January 2024)

* These Directors of the Company are also the Directors of subsidiaries of the Company.

Subsidiaries of Northeast Group Berhad

Ng Chay Chin
Chong Ewe Hean
Ng Chai Hee
Yin Thien Hee

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company during the financial year ended 30 September 2024 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Balance as at 1.10.2023	Number of ordinary shares			Balance as at 30.9.2024
		Bought	Allotment	Sold	
<u>Shares in the Company</u>					
Direct interests:					
Ng Chay Chin	1	499	36,999,500	0	37,000,000
Chong Ewe Hean	1	499	29,599,500	0	29,600,000
Indirect interests:					
Ng Chay Chin ^	0	0	397,321,608	0	397,321,608
Chong Ewe Hean ^	0	0	397,321,608	0	397,321,608

^ Deemed interested through shares held by Mountain Range Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

By virtue of Ng Chay Chin and Chong Ewe Hean interests in the ordinary shares of the Company, these Directors are deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

Other than those disclosed above, none of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial period, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTOR'S REMUNERATION

Fees and other benefits of the Directors of the Group and of the Company who have held office during the financial year ended 30 September 2024 were as follows:

	Group RM	Company RM
Directors' fees	114,751	114,751
Salaries and other emoluments	3,011,267	11,267
Contributions to defined contribution plan	361,800	0
Social security contributions	7,626	0
Employment insurance system contributions	872	0
	<u>3,496,316</u>	<u>126,018</u>

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for the Directors, officers and auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (Cont'd)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial period which would or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

ULTIMATE HOLDING COMPANY

The Directors regard Mountain Range Sdn. Bhd., a company incorporated in Malaysia as the holding and ultimate holding company.

SIGNIFICANT EVENTS DURING THE YEAR

- (a) The Company acquired the entire issued share capital of NE Components Sdn. Bhd. comprising of 500,000 ordinary shares from the vendors for a purchase consideration of RM31,630,700 which was satisfied via the issuance of 126,522,800 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.
- (b) The Company acquired the entire issued share capital of NE Integrated Sdn. Bhd. comprising of 1,000,000 ordinary shares from the vendors for a purchase consideration of RM19,602,900 which was satisfied via the issuance of 78,411,600 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.

DIRECTORS' REPORT

SIGNIFICANT EVENTS DURING THE YEAR (Cont'd)

- (c) The Company acquired the entire issued share capital of NE Solutions Sdn. Bhd. comprising of 50,000 ordinary shares from the vendors for a purchase consideration of RM2,468,100 which was satisfied via the issuance of 9,872,400 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.
- (d) The Company acquired the entire issued share capital of NE Technologies Sdn. Bhd. comprising of 150,000 ordinary shares from the vendors for a purchase consideration of RM15,121,500 which was satisfied via the issuance of 60,486,000 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.
- (e) The Company acquired the entire issued share capital of Northeast Precision Sdn. Bhd. comprising of 1,500,000 ordinary shares from the vendors for a purchase consideration of RM73,929,300 which was satisfied via the issuance of 295,717,200 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 26 September 2024, the Company issued a prospectus in connection with the Initial Public Offering ('IPO') and the listing of and quotation for the entire enlarged share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ('the Listing'). The IPO involves the offering of 220,789,000 ordinary shares in the Company in conjunction with the listing of and quotation for the entire ordinary shares in the Company on the ACE Market of Bursa Malaysia Securities Berhad comprising an offer for sale of 51,800,000 existing ordinary shares in the Company and a public issue of 168,989,000 new ordinary shares in the Company. The IPO and the Listing were completed on 15 October 2024.

AUDITORS

The auditors, BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Group and of the Company for the financial year ended 30 September 2024 were as follows:

	Group RM	Company RM
Statutory audit	116,000	26,000
Other services	2,500	2,500
	<u>118,500</u>	<u>28,500</u>

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

Ng Chay Chin
Director

Chong Ewe Hean
Director

Penang
21 January 2025

DIRECTORS' REPORT

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 72 to 117 have been drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the provisions of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2024 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Ng Chay Chin
Director

Chong Ewe Hean
Director

Penang
21 January 2025

STATUTORY DECLARATION

I, Ng Chay Chin, being the Director primarily responsible for the financial management of Northeast Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 72 to 117 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed at Georgetown
in the State of Penang this 21 January 2025

Ng Chay Chin

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NORTHEAST GROUP BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northeast Group Berhad, which comprise the statements of financial position as at 30 September 2024 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of material accounting policy information, as set out on pages 72 to 117.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2024, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 and of the Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of trade receivables

As at 30 September 2024, the Group had trade receivables amounted to RM15,293,596, which were net of impairment losses of RM1,785,711. The details of trade receivables have been disclosed in Note 9 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NORTHEAST GROUP BERHAD

Key Audit Matters (Cont'd)

Audit response

Our audit procedures including the following:

- (a) Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- (b) Recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group; and
- (c) Inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company 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 the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NORTHEAST GROUP BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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.
- (b) 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 internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) 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 ability of the Group and of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company 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 auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

Goh Chee Beng
03535/11/2026 J
Chartered Accountant

Penang
21 January 2025

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2024

		Group		Company	
	Note	2024 RM	2023 RM	2024 RM	2023 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	70,611,323	65,319,390	26,287	0
Right-of-use assets	5	16,094,165	17,261,806	0	0
Investment properties	6	5,344,856	5,384,445	0	0
Investments in subsidiaries	7	0	0	142,452,500	0
		92,050,344	87,965,641	142,478,787	0
Current assets					
Inventories	8	2,594,186	2,491,533	0	0
Trade and other receivables	9	19,521,046	15,534,837	0	0
Current tax assets		5,774,788	4,329,961	0	0
Cash and bank balances	10	87,056,893	81,905,603	120,793	2
		114,946,913	104,261,934	120,793	2
TOTAL ASSETS		206,997,257	192,227,575	142,599,580	2
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital/Invested equity	11	142,753,500	3,200,002	142,753,500	2
Reserves	12	13,734,235	139,543,608	(1,405,674)	(9,216)
TOTAL EQUITY/(CAPITAL DEFICIENCY)		156,487,735	142,743,610	141,347,826	(9,214)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2024

			Group		Company
	Note	2024 RM	2023 RM	2024 RM	2023 RM
LIABILITIES					
Non-current liabilities					
Borrowings	13	33,576,050	26,282,341	0	0
Lease liabilities	5	306,193	1,430,185	0	0
Deferred tax liabilities	14	5,161,100	5,634,800	0	0
		39,043,343	33,347,326	0	0
Current liabilities					
Trade and other payables	15	7,595,846	12,593,151	1,251,754	9,216
Borrowings	13	1,985,013	1,471,451	0	0
Lease liabilities	5	1,096,920	1,870,045	0	0
Current tax liabilities		788,400	201,992	0	0
		11,466,179	16,136,639	1,251,754	9,216
TOTAL LIABILITIES		50,509,522	49,483,965	1,251,754	9,216
TOTAL EQUITY AND LIABILITIES/TOTAL LIABILITIES NET OF CAPITAL DEFICIENCY		206,997,257	192,227,575	142,599,580	2

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2024

			Group		Company
	Note	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM	1.10.2023 to 30.9.2024 RM	18.7.2022 to 30.9.2023 RM
Revenue	17	90,143,162	93,334,556	0	0
Cost of sales		(55,451,582)	(57,884,573)	0	0
Gross profit		34,691,580	35,449,983	0	0
Other operating income	19	2,572,918	3,654,642	29	0
(Loss)/Gain on impairment on trade receivables, net	9(e)	(171,117)	50,765	0	0
Distribution expenses		(2,626,641)	(2,591,828)	(8,459)	0
Administrative expenses		(13,914,124)	(12,012,379)	(1,388,028)	(9,216)
Finance costs	20	(1,488,591)	(1,214,212)	0	0
Profit/(Loss) before tax		19,064,025	23,336,971	(1,396,458)	(9,216)
Tax expense	21	(5,320,898)	(4,976,411)	0	0
Profit/(Loss) for the financial year/period		13,743,127	18,360,560	(1,396,458)	(9,216)
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income/(loss)		13,743,127	18,360,560	(1,396,458)	(9,216)
Profit/(Loss) attributable to the owners of the Company		13,743,127	18,360,560	(1,396,458)	(9,216)
Total comprehensive income/(loss) attributable to the owners of the Company		13,743,127	18,360,560	(1,396,458)	(9,216)
Earnings per ordinary share attributable to the owners of the Company					
Basic and diluted (sen)	23	2.41	2.48		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2024

Group	Note	Share capital RM	Invested equity RM	Merger reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 October 2023		2	3,200,000	0	139,543,608	142,743,610
Profit for the financial year		0	0	0	13,743,127	13,743,127
Other comprehensive income, net of tax		0	0	0	0	0
Total comprehensive income		0	0	0	13,743,127	13,743,127
Transactions with owners:						
Issuance of ordinary shares:						
- for cash	11(a)	998	0	0	0	998
- acquisition of subsidiaries in business combinations under common control	11(a)	142,752,500	(3,200,000)	(139,552,500)	0	0
Total transactions with owners		142,753,498	(3,200,000)	(139,552,500)	0	998
Balance as at 30 September 2024		142,753,500	0	(139,552,500)	153,286,735	156,487,735

Group	Note	Share capital RM	Invested equity RM	Retained earnings RM	Total equity RM
Balance as at 1 October 2022		2	3,200,000	123,183,048	126,383,050
Profit for the financial year		0	0	18,360,560	18,360,560
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	18,360,560	18,360,560
Transaction with owners:					
Dividend	22	0	0	(2,000,000)	(2,000,000)
Balance as at 30 September 2023		2	3,200,000	139,543,608	142,743,610

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2024

Company	Note	Share capital RM	Accumulated losses RM	(Capital deficiency)/ Total equity RM
Balance as at 1 October 2023		2	(9,216)	(9,214)
Loss for the financial year		0	(1,396,458)	(1,396,458)
Other comprehensive income, net of tax		0	0	0
Total comprehensive loss		0	(1,396,458)	(1,396,458)
Transactions with owners:				
Issuance of ordinary shares:				
- for cash	11(a)	998	0	998
- acquisition of subsidiaries in business combinations under common control	11(a)	142,752,500	0	142,752,500
Total transactions with owners		142,753,498	0	142,753,498
Balance as at 30 September 2024		142,753,500	(1,405,674)	141,347,826

Company		Share capital RM	Accumulated losses RM	Capital deficiency RM
Balance as at 18 July 2022 (date of incorporation)		2	0	2
Loss for the financial period		0	(9,216)	(9,216)
Other comprehensive income, net of tax		0	0	0
Total comprehensive loss		0	(9,216)	(9,216)
Balance as at 30 September 2023		2	(9,216)	(9,214)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2024

		Group		Company	
	Note	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM	1.10.2023 to 30.9.2024 RM	18.7.2022 to 30.9.2023 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		19,064,025	23,336,971	(1,396,458)	(9,216)
Adjustments for:					
Depreciation of:					
- property, plant and equipment	4	6,863,313	6,648,632	552	0
- right-of-use assets	5	1,167,641	1,090,558	0	0
- investment properties	6	39,589	88,790	0	0
Gain on disposals of:					
- property, plant and equipment	19	(121,995)	(332,352)	0	0
- non-current assets held for sale	19	0	(94,088)	0	0
Impairment losses on:					
- trade receivables	9(e)	171,117	49,235	0	0
- investment in a subsidiary	7	0	0	300,000	0
Interest expense	20	1,488,591	1,214,212	0	0
Interest income	19	(834,416)	(100,979)	(29)	0
Inventories written down	8(c)	(71,698)	0	0	0
Reversal of impairment loss on trade receivables	9(e)	0	(100,000)	0	0
Unrealised loss/(gain) on foreign exchange, net		2,634,795	(1,041,803)	0	0
Operating profit/(loss) before changes in working capital carry forward		30,400,962	30,759,176	(1,095,935)	(9,216)
(Increase)/Decrease in inventories		(30,955)	1,095,581	0	0
(Increase)/Decrease in trade and other receivables		(4,976,462)	6,510,088	0	0
(Decrease)/Increase in trade and other payables		(2,989,328)	(6,574,086)	1,242,538	9,216
Cash generated from operations		22,404,217	31,790,759	146,603	0
Interest received		765,702	100,979	29	0
Interest paid		(1,360,153)	(1,000,711)	0	0
Tax refunded		0	321,611	0	0
Tax paid		(6,653,017)	(8,472,510)	0	0
Net cash from operating activities		15,156,749	22,740,128	146,632	0

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2024

			Group		Company
		1.10.2023 to 30.9.2024 Note RM	1.10.2022 to 30.9.2023 RM	1.10.2023 to 30.9.2024 RM	18.7.2022 to 30.9.2023 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of:					
- property, plant and equipment	4(b)	(2,916,251)	(10,788,184)	(26,839)	0
- right-of-use assets	5(f)	0	(370,792)	0	0
Proceeds from disposal of:					
- property, plant and equipment		122,000	340,000	0	0
- non-current assets held for sale		0	1,700,000	0	0
Net cash used in investing activities		(2,794,251)	(9,118,976)	(26,839)	0
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of lease liabilities		0	752,000	0	0
Repayment of:					
- term loans		(1,431,729)	(2,932,721)	0	0
- lease liabilities	5(f)	(2,025,555)	(1,962,206)	0	0
Proceeds from issuance of ordinary shares	11(a)	998	0	998	0
Dividend paid	22	(2,000,000)	0	0	0
Net changes in deposits with licensed banks with maturity more than three (3) months		(21,785)	(13,273)	0	0
Net cash (used in)/generated from financing activities		(5,478,071)	(4,156,200)	998	0
Net increase in cash and cash equivalents		6,884,427	9,464,952	120,791	0
Effects of exchange rate changes on cash and cash equivalents		(1,754,922)	1,376,878	0	0
Cash and cash equivalents at beginning of financial year/date of incorporation		81,087,890	70,246,060	2	2
Cash and cash equivalents at end of financial year/period	10(c)	86,217,395	81,087,890	120,793	2

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2024

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities (Note 5) RM	Group Term loans (Note 13) RM
Balance at 1 October 2022	3,868,535	19,648,823
Cash flows	(1,962,206)	8,104,969
Non-cash flows:		
- Addition of lease liabilities	1,180,400	0
- Unwinding of interest	213,501	0
Balance as at 30 September 2023	3,300,230	27,753,792
Balance as at 1 October 2023	3,300,230	27,753,792
Cash flows	(2,025,555)	7,807,271
Non-cash flow:		
- Unwinding of interest	128,438	0
Balance at 30 September 2024	1,403,113	35,561,063

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

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

1. CORPORATE INFORMATION

The Company is a public liability company, incorporated and domiciled in Malaysia.

The Company was incorporated in Malaysia under the Companies Act 2016 on 18 July 2022 as a private limited liability company. On 10 January 2024, the Company converted its legal form from a private limited liability company to a public limited liability company and assumed its current name, Northeast Group Berhad.

Bursa Malaysia Securities Berhad ('BMSB'), has vide its letter dated 19 June 2024, approved the admission of the Company to the Official List and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of BMSB. The ordinary shares of the Company were listed on the ACE Market of BMSB on 15 October 2024.

The registered office of the Company is located at Suite 12-A, Level 12 Menara Northam, No.55 Jalan Sultan Ahmad Shah, 10050 George Town, Penang.

The principal place of business of the Company is located at No.1946, Lorong IKS Bukit Minyak 1, Taman IKS Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang.

The holding and ultimate holding company of the Company is Mountain Range Sdn. Bhd., a company incorporated in Malaysia.

The consolidated financial statements for the financial year ended 30 September 2024 comprise the financial statements of the Company and its subsidiaries. These financial statements are prepared in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 21 January 2025.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is activities of holding companies.

The principle activities of the subsidiaries are mainly engaged in providing precision engineering works. Further details on the activities of the subsidiaries are set out in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), IFRS Accounting Standards and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs and Amendments to MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 28.1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

3. BASIS OF PREPARATION (Cont'd)

Comparative information of the Group for the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows are from 1 October 2022 to 30 September 2023. Comparative information of the Company for the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows are from 18 July 2022 (date of incorporation) to 30 September 2023 as the Company was incorporated on 18 July 2022.

During the financial year, the Group applied merger method of accounting on a retrospective basis arising from the acquisition of the entire equity interest of NE Components Sdn. Bhd. ('NE Components'), NE Integrated Sdn. Bhd. ('NE Integrated'), NE Solutions Sdn. Bhd. ('NE Solutions'), NE Technologies Sdn. Bhd. ('NE Technologies') and Northeast Precision Sdn. Bhd. ('Northeast Precision') by the Company in business combinations under common control. Consequently, the Group presented comparative information as if the business combinations had taken place before the start of the earliest period presented in the financial statements.

Consequently, the following accounting treatment has been applied in the consolidated financial statements arising from the business combinations under common control:

- (a) Assets and liabilities of Northeast Precision Sdn. Bhd., NE Components Sdn. Bhd., NE Integrated Sdn. Bhd., NE Technologies Sdn. Bhd. and NE Solutions Sdn. Bhd. are recognised and measured at their pre-business combination carrying amount without restatement to fair value;
- (b) Retained earnings of the Group as at 1 October 2022 are those of the Company, Northeast Precision Sdn. Bhd., NE Components Sdn. Bhd., NE Integrated Sdn. Bhd., NE Technologies Sdn. Bhd. and NE Solutions Sdn. Bhd.;
- (c) Invested equity as at 1 October 2022 reflects the share capital of Northeast Precision Sdn. Bhd., NE Components Sdn. Bhd., NE Integrated Sdn. Bhd., NE Technologies Sdn. Bhd. and NE Solutions Sdn. Bhd. prior the acquisition by the Company; and
- (d) The statements of financial position as at 30 September 2024 represent the financial position of the Group after reflecting the effects of the acquisitions during the financial year.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs and IFRS Accounting Standards requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Freehold buildings RM	Leasehold buildings RM	Machinery, tools and equipment RM	Renovation and electrical installation RM	Office equipment, furniture and fittings and fire alarm system RM	Motor vehicles RM	Factory equipments RM	Capital work-in-progress RM	Total RM
At cost										
Balance as at 1 October 2023	18,587,324	1,230,060	13,393,094	69,724,774	1,365,735	5,611,781	1,068,408	35,000	359,603	111,375,779
Additions	11,390,836	0	1,800	366,360	0	196,355	0	0	199,900	12,155,251
Disposals	0	0	0	(974,200)	0	0	0	0	0	(974,200)
Balance as at 30 September 2024	29,978,160	1,230,060	13,394,894	69,116,934	1,365,735	5,808,136	1,068,408	35,000	559,503	122,556,830
Accumulated depreciation										
Balance as at 1 October 2023	0	442,820	2,295,216	38,984,867	731,622	2,717,234	871,505	13,125	0	46,056,389
Current charge	0	49,202	500,395	5,586,911	98,774	561,617	62,914	3,500	0	6,863,313
Disposals	0	0	0	(974,195)	0	0	0	0	0	(974,195)
Balance as at 30 September 2024	0	492,022	2,795,611	43,597,583	830,396	3,278,851	934,419	16,625	0	51,945,507
Carrying amount										
Balance as at 30 September 2024	29,978,160	738,038	10,599,283	25,519,351	535,339	2,529,285	133,989	18,375	559,503	70,611,323

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Group	Freehold land RM	Freehold buildings RM	Leasehold buildings RM	Machinery, tools and equipment RM	Renovation and electrical installation RM	Office equipment, furniture and fittings alarm system RM	Motor vehicles RM	Factory equipments RM	Capital work-in-progress RM	Total RM
At cost										
Balance as at 1 October 2022	4,352,433	0	7,531,624	63,925,563	1,122,135	4,529,257	1,106,103	35,000	5,906,610	88,508,725
Additions	12,829,109	0	314,463	8,116,065	243,600	1,082,524	84,676	0	0	22,670,437
Disposals	0	0	0	(1,376,854)	0	0	(757,290)	0	0	(2,134,144)
Reclassifications	0	0	5,547,007	0	0	0	0	0	(5,547,007)	0
Transfer (to)/from right-of-use assets (Note 5)	0	0	0	(940,000)	0	0	634,919	0	0	(305,081)
Transfer from investment properties (Note 6)	1,405,782	1,230,060	0	0	0	0	0	0	0	2,635,842
Balance as at 30 September 2023	18,587,324	1,230,060	13,393,094	69,724,774	1,365,735	5,611,781	1,068,408	35,000	359,603	111,375,779
Accumulated depreciation										
Balance as at 1 October 2022	0	0	1,951,236	34,828,183	644,887	2,161,489	939,429	9,625	0	40,534,849
Current charge	0	0	343,980	5,604,225	86,735	555,745	54,447	3,500	0	6,648,632
Disposals	0	0	0	(1,369,208)	0	0	(757,288)	0	0	(2,126,496)
Transfer (to)/from right-of-use assets (Note 5)	0	0	0	(78,333)	0	0	634,917	0	0	556,584
Transfer from investment properties (Note 6)	0	442,820	0	0	0	0	0	0	0	442,820
Balance as at 30 September 2023	0	442,820	2,295,216	38,984,867	731,622	2,717,234	871,505	13,125	0	46,056,389
Carrying amount										
Balance as at 30 September 2023	18,587,324	787,240	11,097,878	30,739,907	634,113	2,894,547	196,903	21,875	359,603	65,319,390

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company	Office equipment, furniture and fittings and fire alarm system RM	Total RM
At cost		
Balance as at 1 October 2023	0	0
Additions	<u>26,839</u>	<u>26,839</u>
Balance as at 30 September 2024	<u>26,839</u>	<u>26,839</u>
Accumulated depreciation		
Balance as at 1 October 2023	0	0
Current charge	<u>552</u>	<u>552</u>
Balance as at 30 September 2024	<u>552</u>	<u>552</u>
Carrying amount		
Balance as at 30 September 2024	<u>26,287</u>	<u>26,287</u>

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The principal depreciation annual rates used are as follows:

Freehold buildings	4%
Leasehold buildings	2% - 4%
Machinery, tools and equipment	10%
Renovation and electrical installation	10% - 20%
Office equipment, furniture and fittings and fire alarm system	10% - 20%
Motor vehicles	20%
Factory equipments	10%

Land and buildings shall be accounted for separately, even when they are acquired together. Freehold land has unlimited useful life and is not depreciated.

Capital work-in-progress represents buildings under construction and is not depreciated until such time when the asset is available for use.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (b) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2024 RM	2023 RM	2024 RM	2023 RM
Purchase of property, plant and equipment	12,155,251	22,670,437	26,839	0
Financed by term loans	(9,239,000)	(11,037,690)	0	0
Unpaid and included under other payables	0	(844,563)	0	0
Cash payments on purchase of property, plant and equipment	2,916,251	10,788,184	26,839	0

- (c) As at the end of the reporting period, the carrying amounts of the property, plant and equipment charged to financial institutions for banking facilities granted to the Group as disclosed in Note 13(c) to the financial statements are as follows:

	Group	
	2024 RM	2023 RM
Freehold land	29,978,160	18,587,324
Freehold building	738,038	787,240
Leasehold bulidings	7,748,691	8,040,425
Capital work-in-progress	559,503	359,603
	39,024,392	27,774,592

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as lessee

Right-of-use assets

Group	Balance as at 1.10.2023 RM	Depreciation RM	Balance as at 30.9.2024 RM
Carrying amount			
Leasehold land	11,632,228	(374,552)	11,257,676
Motor vehicles	806,686	(194,839)	611,847
Machineries	4,822,892	(598,250)	4,224,642
	17,261,806	(1,167,641)	16,094,165

Group	Balance as at 1.10.2022 RM	Additions RM	Depreciation RM	Transfer (to)/ from property, plant and equipment (Note 4) RM	Balance as at 30.9.2023 RM
Carrying amount					
Leasehold land	12,006,780	0	(374,552)	0	11,632,228
Motor vehicles	148,752	799,192	(141,256)	(2)	806,686
Machineries	4,535,975	0	(574,750)	861,667	4,822,892
	16,691,507	799,192	(1,090,558)	861,665	17,261,806

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Cont'd)

The Group as lessee (Cont'd)

Lease liabilities

Group	Balance as at 1.10.2023 RM	Lease payments RM	Interest expense RM	Balance as at 30.9.2024 RM
Carrying amount				
Motor vehicles	487,245	(130,176)	21,219	378,288
Machineries	2,812,985	(1,895,379)	107,219	1,024,825
	<u>3,300,230</u>	<u>(2,025,555)</u>	<u>128,438</u>	<u>1,403,113</u>

Group	Balance as at 1.10.2022 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 30.9.2023 RM
Carrying amount					
Motor vehicles	152,456	428,400	(112,349)	18,738	487,245
Machineries	3,716,079	752,000	(1,849,857)	194,763	2,812,985
	<u>3,868,535</u>	<u>1,180,400</u>	<u>(1,962,206)</u>	<u>213,501</u>	<u>3,300,230</u>

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Cont'd)

The Group as lessee (Cont'd)

Lease liabilities (Cont'd)

	Group	
	2024 RM	2023 RM
Represented by:		
Current liabilities	1,096,920	1,870,045
Non-current liabilities	306,193	1,430,185
	1,403,113	3,300,230
Lease liabilities owing to financial institutions	1,403,113	3,300,230

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on 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. The lease terms of right-of-use assets are as follows:

Leasehold land	25 years - 56 years
Motor vehicles	5 years
Machineries	3 years

- (b) The Group leases motor vehicles and machineries in which it operates. The periodic rent is fixed over the lease term.
- (c) The Group has certain leases of hostel and factory equipments with lease term of twelve (12) months or less and low value leases of office equipment of RM20,000 and below. The Group applies the 'short-term lease' and 'lease of low-value assets' exemptions for these leases.
- (d) As at the end of the reporting period, leasehold land with carrying amount of RM11,257,676 (2023: RM11,632,228) have been charged to financial institutions for banking facilities granted to the Group as disclosed in Note 13(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Cont'd)

(e) The following are the amounts recognised in profit or loss:

	2024 RM	Group 2023 RM
Represented by:		
Depreciation charge of right-of-use assets		
- included in cost of sales	972,802	949,302
- included in administrative expenses	194,839	141,256
Expense relating to short-term leases		
- included in administrative expenses	105,157	161,534
Expense relating to leases of low-value assets		
- included in administrative expenses	23,400	23,760
Interest expense on lease liabilities		
- included in finance costs	128,438	213,501
	1,424,636	1,489,353

(f) The following are total cash outflows for leases as a lessee:

	2024 RM	Group 2023 RM
Included in net cash from operating activities:		
Payment relating to short-term leases and low-value assets	128,557	185,294
Included in net cash used in investing activities:		
Purchase of right-of-use assets	0	370,792
Included in net cash (used in)/from financing activities:		
Payment of lease liabilities	2,025,555	1,962,206
Total cash outflows for leases	2,154,112	2,518,292

(g) Information on financial risks of lease liabilities is disclosed in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

6. INVESTMENT PROPERTIES

Group	Freehold land RM	Freehold buildings RM	Total RM
At cost			
Balance as at 1 October 2023/30 September 2024	<u>3,692,000</u>	<u>1,979,467</u>	<u>5,671,467</u>
Accumulated depreciation			
Balance as at 1 October 2023	0	287,022	287,022
Current charge	<u>0</u>	<u>39,589</u>	<u>39,589</u>
Balance as at 30 September 2024	<u>0</u>	<u>326,611</u>	<u>326,611</u>
Carrying amount			
Balance as at 30 September 2024	<u>3,692,000</u>	<u>1,652,856</u>	<u>5,344,856</u>
At cost			
Balance as at 1 October 2022	5,097,782	3,209,527	8,307,309
Transfer to property, plant and equipment (Note 4)	<u>(1,405,782)</u>	<u>(1,230,060)</u>	<u>(2,635,842)</u>
Balance as at 30 September 2023	<u>3,692,000</u>	<u>1,979,467</u>	<u>5,671,467</u>
Accumulated depreciation			
Balance as at 1 October 2022	0	641,052	641,052
Current charge	0	88,790	88,790
Transfer to property, plant and equipment (Note 4)	<u>0</u>	<u>(442,820)</u>	<u>(442,820)</u>
Balance as at 30 September 2023	<u>0</u>	<u>287,022</u>	<u>287,022</u>
Carrying amount			
Balance as at 30 September 2023	<u>3,692,000</u>	<u>1,692,445</u>	<u>5,384,445</u>

- (a) Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group.

Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and it is not depreciated.

Depreciation is calculated to write off the cost or valuation of the investment properties to their residual values on a straight-line basis over their estimated useful lives. The principal depreciation rates for the freehold buildings are 2% to 4% per annum.

At the end of each reporting period, the carrying amount of investment properties are assessed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

6. INVESTMENT PROPERTIES (Cont'd)

- (b) The fair values of the investment properties for disclosure purposes are as follows:

	Group	
	2024 RM	2023 RM
Level 3 of the fair value hierarchy	<u>6,650,000</u>	<u>8,492,759</u>

The fair values of investment properties for disclosure purposes are based on Directors' estimation by reference to market evidence of transaction prices of similar properties in the vicinity and same category. The significant unobservable input into this valuation method is adjustment factors to prices of comparable properties. The estimated fair value would increase if the transaction prices were higher and vice versa.

There is no transfer between levels in the fair value hierarchy during the financial year.

- (c) The investment properties of the Group are mainly used to generate rental income. However, the fair value of the investment properties reflects the highest and best use of the said properties should the investment properties be disposed. Currently, management does not intend to dispose off the investment properties and the existing use of the investment properties remains for rental purposes.
- (d) Rental income generated from rental of investment properties of the Group during the financial year amounted to RM246,000 (2023: RM199,000).
- (e) Direct operating expenses from investment properties which generated rental income to the Group during the financial year are as follows:

	Group	
	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM
Quit rent and assessment	<u>12,750</u>	<u>12,962</u>

- (f) The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	Group	
	2024 RM	2023 RM
Less than one (1) year	217,500	246,000
One (1) to two (2) years	110,000	217,500
Two (2) to three (3) years	<u>0</u>	<u>110,000</u>
	<u>327,500</u>	<u>573,500</u>

- (g) As at the end of the reporting period, the investment properties with carrying amount of RM5,344,856 (2023: RM5,384,445) have been charged to financial institutions for banking facilities granted to the Group as disclosed in Note 13(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2024 RM	2023 RM
At cost	142,752,500	0
Less: Impairment losses	(300,000)	0
	<u>142,452,500</u>	<u>0</u>

- (a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less any impairment losses.
- (b) Details of the subsidiaries, all of which are incorporated and having the principal place of business in Malaysia are as follows:

Name of companies	Effective interest in equity		Principal activities
	2024 %	2023 %	
Northeast Precision Sdn. Bhd.	100	0	Precision engineering works
NE Components Sdn. Bhd.	100	0	Precision engineering works
NE Integrated Sdn. Bhd.	100	0	Precision engineering works
NE Technologies Sdn. Bhd.	100	0	Precision engineering works
NE Solutions Sdn. Bhd.	100	0	Precision engineering works

All subsidiaries are audited by BDO PLT, Malaysia.

- (c) During the financial year, the Company carried out a review of recoverable amount of its investment in subsidiaries. Impairment losses of RM300,000 was recognised due to decline in operation of the subsidiary of the Company.
- (d) Acquisitions during the year
- The Company acquired the entire issued share capital of NE Components Sdn. Bhd. comprising of 500,000 ordinary shares from the vendors for a purchase consideration of RM31,630,700 which was satisfied via the issuance of 126,522,800 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.
 - The Company acquired the entire issued share capital of NE Integrated Sdn. Bhd. comprising of 1,000,000 ordinary shares from the vendors for a purchase consideration of RM19,602,900 which was satisfied via the issuance of 78,411,600 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.
 - The Company acquired the entire issued share capital of NE Solutions Sdn. Bhd. comprising of 50,000 ordinary shares from the vendors for a purchase consideration of RM2,468,100 which was satisfied via the issuance of 9,872,400 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(d) Acquisitions during the year (Cont'd)

- (iv) The Company acquired the entire issued share capital of NE Technologies Sdn. Bhd. comprising of 150,000 ordinary shares from the vendors for a purchase consideration of RM15,121,500 which was satisfied via the issuance of 60,486,000 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.
- (v) The Company acquired the entire issued share capital of Northeast Precision Sdn. Bhd. comprising of 1,500,000 ordinary shares from the vendors for a purchase consideration of RM73,929,300 which was satisfied via the issuance of 295,717,200 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.

(e) Business combination under common control was undertaken during financial year are disclosed in Note 3 to the financial statements.

8. INVENTORIES

	Group	
	2024 RM	2023 RM
At cost		
Raw materials	708,530	875,031
Work-in-progress	465,602	779,263
Finished goods	1,420,054	837,239
	<u>2,594,186</u>	<u>2,491,533</u>

(a) Inventories are stated at the lower of cost and net realisable value.

(b) Cost is determined using first-in first-out basis. The cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in-progress includes direct labour and attributable overheads.

(c) As at the end of each reporting period, the following are the amounts recognised in cost of sales:

	Group	
	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM
Cost of inventories	55,379,884	57,884,573
Inventories written down	<u>71,698</u>	<u>0</u>

The Group writes down its inventories to their net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

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9. TRADE AND OTHER RECEIVABLES

	Group	
	2024 RM	2023 RM
Trade receivables		
Third parties	17,079,307	15,312,351
Less: Impairment losses	(1,785,711)	(1,614,594)
	15,293,596	13,697,757
Other receivables		
Third parties	363,711	108,904
Deposits	3,637,002	1,710,156
	4,000,713	1,819,060
Total receivables	19,294,309	15,516,817
Prepayments	226,737	18,020
Total trade and other receivables	19,521,046	15,534,837

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 days to 120 days (2023: 30 days to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) The currency exposure profile of total receivables excluding prepayments of the Group is as follows:

	Group	
	2024 RM	2023 RM
Ringgit Malaysia	7,334,729	2,883,580
United States Dollar	8,946,055	10,370,620
Euro Dollar	2,199,564	2,035,578
British Pound	500,291	140,294
Chinese Yuan	217,091	0
Singapore Dollar	50,534	36,497
Japanese Yen	46,045	50,248
	19,294,309	15,516,817

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

9. TRADE AND OTHER RECEIVABLES (Cont'd)

- (d) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses ('ECL').

The Group uses an allowance matrix to measure the ECL of trade receivables from past due ageing. Expected loss rates are determined by the probability of the non-collection from the trade receivables multiplied by the amount of the expected loss arising from default. Trade receivables have been grouped based on shared credit risk characteristics – the days past due.

During the process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (consumer price index and gross domestic product index) affecting the ability of the customers to settle the receivables and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Individual assessment of impairment of trade receivables are separately assessed when it is probable that cash due will not be received in full.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

Lifetime expected loss provision for trade receivables of the Group are as follows:

Group	Gross carrying amount RM	Impairment RM	Net carrying amount RM
30 September 2024			
Current	9,548,408	52,702	9,495,706
1 to 30 days past due	4,434,138	55,615	4,378,523
31 to 60 days past due	977,143	49,211	927,932
61 to 90 days past due	267,423	49,160	218,263
More than 90 days past due	528,742	255,570	273,172
Credit impaired - individually impaired	1,323,453	1,323,453	0
	17,079,307	1,785,711	15,293,596
30 September 2023			
Current	7,273,648	42,851	7,230,797
1 to 30 days past due	3,830,504	42,620	3,787,884
31 to 60 days past due	2,366,440	72,812	2,293,628
61 to 90 days past due	389,006	57,713	331,293
More than 90 days past due	129,300	75,145	54,155
Credit impaired - individually impaired	1,323,453	1,323,453	0
	15,312,351	1,614,594	13,697,757

Trade receivables of the Group are not secured by any collateral or credit enhancement.

During the financial period, the Group did not renegotiate the terms of any trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

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9. TRADE AND OTHER RECEIVABLES (Cont'd)

(e) Movements in the lifetime ECL for trade receivables are as follows:

Group	Not credit impaired RM	Credit impaired RM	Total RM
Balance as at 1 October 2023	291,141	1,323,453	1,614,594
Charge for the financial year	171,117	0	171,117
Balance as at 30 September 2024	462,258	1,323,453	1,785,711
Balance as at 1 October 2022	341,906	1,323,453	1,665,359
Charge for the financial year	49,235	0	49,235
Reversal of impairment losses	(100,000)	0	(100,000)
Balance as at 30 September 2023	291,141	1,323,453	1,614,594

Credit impaired refers to individually determined debtors who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

(f) Impairment for other receivables are recognised based on the general approach within MFRS 9 *Financial Instruments* using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial assets. For those in which the credit risk has not increased significantly since initial recognition of the financial assets, twelve (12) months ECL along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. At the end of the reporting period, the Group assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime ECL along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk based on changes to contractual terms and delay in payment from other receivables.

No expected credit loss is recognised arising from other receivables as it is negligible.

(g) Included in the deposits in an amount of RM3,210,078 (2023: RM1,420,623), which relates to prepaid listing expenses.

(h) Information on financial risks of trade and other receivables is disclosed in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

10. CASH AND BANK BALANCES

	Group		Company	
	2024 RM	2023 RM	2024 RM	2023 RM
Cash and bank balances	35,102,814	76,019,546	120,793	2
Deposits with licensed banks	51,954,079	5,886,057	0	0
	87,056,893	81,905,603	120,793	2

(a) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2024 RM	2023 RM	2024 RM	2023 RM
Ringgit Malaysia	68,826,356	33,806,075	120,793	2
United States Dollar	12,089,758	39,665,167	0	0
British Pound	5,234,732	4,553,658	0	0
Euro Dollar	902,653	3,875,753	0	0
Chinese Yuan	3,394	4,950	0	0
	87,056,893	81,905,603	120,793	2

(b) The effective interest rate of deposits with licensed banks of the Group ranged from 2.55% to 3.70% (2023: 2.65% to 2.70%) per annum.

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2024 RM	2023 RM	2024 RM	2023 RM
Cash and bank balances	35,102,814	76,019,546	120,793	2
Deposits with licensed banks	51,954,079	5,886,057	0	0
As per statements of financial position	87,056,893	81,905,603	120,793	2
Less: Deposits with licensed banks with maturity more than three (3) months	(839,498)	(817,713)	0	0
As per statements of cash flows	86,217,395	81,087,890	120,793	2

(d) No ECL is recognised arising from cash and bank balances because the probability of default of these financial institutions is negligible.

(e) Information on financial risks of cash and bank balances is disclosed in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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11. SHARE CAPITAL/INVESTED EQUITY

Invested equity

Group	2024		2023	
	Number of ordinary shares	Amount RM	Number of ordinary shares	Amount RM
Issued and fully paid with no par value:				
Balance as at 1 October 2023/2022	3,200,000	3,200,000	3,200,000	3,200,000
Elimination of issued and paid ordinary share capital of the subsidiaries as an effect of business combination under common control (Note 7(d))	(3,200,000)	(3,200,000)	0	0
As at 30 September	<u>0</u>	<u>0</u>	<u>3,200,000</u>	<u>3,200,000</u>

Share capital

Group and Company	Number of ordinary shares	Amount RM
Issued and fully paid with no par value:		
Balance as at 1 October 2023	2	2
Issuance of ordinary shares:		
- for cash	998	998
- acquisition of subsidiaries in business combinations under common control	571,010,000	142,752,500
Balance as at 30 September 2024	<u>571,011,000</u>	<u>142,753,500</u>
Issued and fully paid with no par value:		
At 18 July 2022 (date of incorporation)/30 September 2023	<u>2</u>	<u>2</u>

- (a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM2 to RM142,753,500 by way of issuance of 571,010,998 new ordinary shares by way of the following:
- (i) the issuance of 998 new ordinary shares at RM1 each for cash totalling RM998; and
 - (ii) issuance of 571,010,000 new ordinary shares at an issue price of RM0.25 per share pursuant to the acquisition of subsidiaries as disclosed in Note 7(d) to the financial statements.

The newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company.

- (b) As at 30 September 2023, the number of ordinary shares of the Group is on combined basis.
- (c) In the previous financial year, the Company was incorporated on 18 July 2022 with issued and fully paid-up share capital of RM2 made up of 2 ordinary shares of RM1 each share.
- (d) The owners of the Company are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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12. RESERVES

	Group		Company	
	2024 RM	2023 RM	2024 RM	2023 RM
Non-distributable:				
Merger reserve	(139,552,500)	0	0	0
Distributable:				
Retained earnings/(Accumulated losses)	153,286,735	139,543,608	(1,405,674)	(9,216)
	<u>13,734,235</u>	<u>139,543,608</u>	<u>(1,405,674)</u>	<u>(9,216)</u>

Merger reserve

The merger reserve arose as a result of the difference between consideration paid over the share capital of Northeast Precision Sdn. Bhd., NE Components Sdn. Bhd., NE Integrated Sdn. Bhd., NE Technologies Sdn. Bhd. and NE Solutions Sdn. Bhd. pursuant to business combinations under common control.

13. BORROWINGS

	Group	
	2024 RM	2023 RM
Current liabilities		
<i>Secured</i>		
Term loans	<u>1,985,013</u>	<u>1,471,451</u>
Non-current liabilities		
<i>Secured</i>		
Term loans	<u>33,576,050</u>	<u>26,282,341</u>
Total borrowings		
<i>Secured</i>		
Term loans	<u>35,561,063</u>	<u>27,753,792</u>

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) All borrowings are denominated in Ringgit Malaysia.
- (c) Borrowings of the Group are secured by way of:
 - (i) First legal charge over the properties of the Group as disclosed in Note 4(c), Note 5(d) and Note 6(g) to the financial statements; and
 - (ii) Joint and several guarantee by certain Directors of the Group.
- (d) Information on financial risks of borrowings and their maturity is disclosed in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

14. DEFERRED TAX LIABILITIES

- (a) The deferred tax liabilities are made up of the following:

	Group	
	2024 RM	2023 RM
Balance as at 1 October 2023/2022	5,634,800	4,289,900
Recognised in profit or loss (Note 21)	(473,700)	1,344,900
Balance as at 30 September	5,161,100	5,634,800
Subject to income tax:		
Property, plant and equipment	5,161,100	5,634,800

- (b) The components and movements of deferred tax liabilities during the financial year are as follows:

	Group	
	2024 RM	2023 RM
Balance as at 1 October 2023/2022	5,634,800	4,289,900
Recognised in profit or loss (Note 21)		
- relating to origination and reversal of temporary differences	89,700	944,300
- (over)/underprovision in prior years	(563,400)	400,600
Balance as at 30 September	5,161,100	5,634,800

- (c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of the financial position are as follows:

	Group and Company	
	2024 RM	2023 RM
Property, plant and equipment	552	0
Unutilised tax losses		
- Expires by 30 September 2034	435,974	0
	436,526	0

Deferred tax assets of the Group and the Company had not been recognised in respect of these items as it was not probable that taxable profits of the Group and the Company would be available against which the deductible temporary differences can be utilised.

The amount and availability of these items to be carried forward up to the period as disclosed above are subject to the agreement of the local tax authority. Unutilised tax losses of the Group and the Company incorporated in Malaysia can be carried forward up to ten (10) consecutive years of assessment immediately following the year of assessment under the tax legislation of Inland Revenue Board.

NOTES TO THE FINANCIAL STATEMENTS

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15. TRADE AND OTHER PAYABLES

	Group		Company	
	2024 RM	2023 RM	2024 RM	2023 RM
Trade payables				
Third parties	3,385,719	4,270,435	0	0
Other payables				
Third parties	802,647	2,897,061	343,505	2,216
Amounts owing to a:				
- subsidiary	0	0	814,039	0
- related party	0	0	0	3,200
Accruals	3,086,370	3,121,195	94,210	3,800
Deposit received	321,110	304,460	0	0
Dividend payable	0	2,000,000	0	0
	4,210,127	8,322,716	1,251,754	9,216
	7,595,846	12,593,151	1,251,754	9,216

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2023: 30 days to 90 days).
- (c) Non-trade portion of amount owing to a subsidiary is unsecured, interest-free and payable within the next twelve (12) months.
- In the previous financial year, non-trade portion of amount owing to a related party is unsecured, interest-free and payable within the next twelve (12) months.
- (d) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2024 RM	2023 RM	2024 RM	2023 RM
Ringgit Malaysia	7,318,041	12,223,875	1,251,754	9,216
United States Dollar	247,708	369,276	0	0
British Pound	30,097	0	0	0
	7,595,846	12,593,151	1,251,754	9,216

- (e) Information on financial risks of trade and other payables is disclosed in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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16. CAPITAL COMMITMENTS

	2024 RM	Group 2023 RM
Capital expenditure in respect of purchase of property, plant and equipment		
- approved but not contracted for	62,778,000	0
- contracted for but not provided for	1,584,900	183,540
	64,362,900	183,540

17. REVENUE

	1.10.2023 to 30.9.2024 RM	Group 1.10.2022 to 30.9.2023 RM
Revenue from contracts with customers:		
Sale of goods	90,143,162	93,334,556
Timing of revenue recognition:		
At a point in time	90,143,162	93,334,556

Disaggregation of revenue from contracts with customers

Disaggregation of revenue of the Group by geographical market is disclosed in Note 25(a) to the financial statements.

Sale of goods

Revenue from sale of goods is recognised at a point in time when the Group satisfies a performance obligation by transferring a promised goods to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.

There is no right of return and warranty provided to the customers on the sale of goods.

There is no significant financing component in the revenue arising from sale of goods as the sales are made on the credit terms not exceeding twelve (12) months.

NOTES TO THE FINANCIAL STATEMENTS

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18. EMPLOYEE BENEFITS

	Group		Company	
	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM	1.10.2023 to 30.9.2024 RM	18.7.2022 to 30.9.2023 RM
Directors' fees	114,751	235,000	114,751	0
Wages, salaries, overtime and bonuses	20,087,147	20,963,596	11,267	0
Contributions to defined contribution plan	1,256,389	1,488,101	0	0
Social security contributions	238,705	217,347	0	0
Employment insurance system contributions	12,117	12,843	0	0
	21,709,109	22,916,887	126,018	0

Included in the employee benefits of the Group are Directors' remuneration amounting to RM3,496,316 (2023: RM4,487,912).

19. OTHER OPERATING INCOME

	Group		Company	
	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM	1.10.2023 to 30.9.2024 RM	18.7.2022 to 30.9.2023 RM
Scrap sales	1,370,507	1,599,066	0	0
Rental received from:				
- investment properties	246,000	199,000	0	0
- non-current assets held for sale	0	23,000	0	0
Interest income	834,416	100,979	29	0
Gain on disposal of:				
- property, plant and equipment	121,995	332,352	0	0
- non-current assets held for sale	0	94,088	0	0
Gain on foreign exchange:				
- realised	0	264,354	0	0
- unrealised	0	1,041,803	0	0
	2,572,918	3,654,642	29	0

Interest income

Interest income is recognised as it accrues, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCE COSTS

	Group	
	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM
Interest expense on:		
- bank guarantee	11,730	10,304
- lease liabilities	128,438	213,501
- term loans	1,348,423	990,407
	<u>1,488,591</u>	<u>1,214,212</u>

21. TAX EXPENSE

	Group		Company	
	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM	1.10.2023 to 30.9.2024 RM	18.7.2022 to 30.9.2023 RM
The major components of the tax expense are:				
Current tax expense based on profit for the financial year/period	5,605,500	4,090,300	0	0
Under/(Over)provision of tax expense in prior years	<u>189,098</u>	<u>(458,789)</u>	<u>0</u>	<u>0</u>
	<u>5,794,598</u>	<u>3,631,511</u>	<u>0</u>	<u>0</u>
Deferred tax expense (Note 14):				
- relating to origination and reversal of temporary differences	89,700	944,300	0	0
- (over)/underprovision in prior years	<u>(563,400)</u>	<u>400,600</u>	<u>0</u>	<u>0</u>
	<u>(473,700)</u>	<u>1,344,900</u>	<u>0</u>	<u>0</u>
Total tax expense	<u>5,320,898</u>	<u>4,976,411</u>	<u>0</u>	<u>0</u>

- (a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2023: 24%) of the estimated taxable profits for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

21. TAX EXPENSE (Cont'd)

- (b) The numerical reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM	1.10.2023 to 30.9.2024 RM	18.7.2022 to 30.9.2023 RM
Profit/(Loss) before tax	<u>19,064,025</u>	<u>23,336,971</u>	<u>(1,396,458)</u>	<u>(9,216)</u>
Tax at the applicable tax rate of 24% (2023: 24%)	4,575,400	5,600,900	(335,200)	(2,212)
Tax effects of:				
- expenses not deductible for tax purposes	1,602,722	612,388	230,400	2,212
- income not subject to tax	(104,300)	(457,400)	0	0
- different tax rate for first RM600,000 of chargeable income	(180,000)	(129,400)	0	0
- utilisation of reinvestment allowance	(303,422)	(591,888)	0	0
Deferred tax assets not recognised during the year	104,800	0	104,800	0
Under/(Over)provision of tax expense in prior years	189,098	(458,789)	0	0
(Over)/Underprovision of deferred tax in prior years	<u>(563,400)</u>	<u>400,600</u>	<u>0</u>	<u>0</u>
Tax expense for the financial year/period	<u>5,320,898</u>	<u>4,976,411</u>	<u>0</u>	<u>0</u>

22. DIVIDEND [2023 ONLY]

	Group	
	Dividend per share RM	Amount of dividend RM

30 September 2023

In respect of financial year ended 30 September 2023:

Single tier interim dividend declared by NE Components Sdn. Bhd., paid on 23 November 2023

4 2,000,000

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

23. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to the owners of the Company by weighted average number of ordinary shares outstanding during the financial year.

	1.10.2023 to 30.9.2024 RM	Group 1.10.2022 to 30.9.2023 RM
Profit attributable to the owners of the Company (RM)	<u>13,743,127</u>	<u>18,360,560</u>
Weighted average number of ordinary shares outstanding during the financial year (unit) *	<u>571,011,000</u>	<u>740,000,000</u>
Basic earnings per ordinary share (sen)	<u>2.41</u>	<u>2.48</u>

* Number of ordinary shares outstanding for the financial year 30 September 2023 was the expected number of ordinary shares of the Company upon completion of listing of the ordinary shares of the Company on ACE Market of Bursa Malaysia Securities Berhad.

(b) Diluted

Diluted earnings per ordinary share equals basic earnings per ordinary share as the Group does not have any potential dilutive ordinary shares in issue during and at the end of the financial year.

24. RELATED PARTY DISCLOSURES

(a) Identities 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 operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

Related parties of the Group include:

- (i) Ultimate holding company, Mountain Range Sdn. Bhd.;
- (ii) Direct subsidiaries as disclosed in Note 7 to the financial statements;
- (iii) Companies in which Directors of the Group have significant financial and controlling interests; and
- (iv) Key management personnel, which is defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the Directors and the key senior management of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

24. RELATED PARTY DISCLOSURES (Cont'd)

- (b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year:

	Group	
	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM
Related party:		
Rental expense	<u>0</u>	<u>32,400</u>

The related party transactions described above were undertaken on mutually agreed and negotiated terms.

- (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

	Group		Company	
	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM	1.10.2023 to 30.9.2024 RM	18.7.2022 to 30.9.2023 RM
Directors' fees	114,751	235,000	114,751	0
Salaries and other emoluments	4,237,376	4,824,667	11,267	0
Contributions to defined contribution plan	509,505	578,961	0	0
Social security contributions	13,410	10,397	0	0
Employment insurance system contributions	1,532	1,188	0	0
	<u>4,876,574</u>	<u>5,650,213</u>	<u>126,018</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

25. OPERATING SEGMENTS

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely precision engineering works.

No segment information is presented as the Directors views the Group as a single reportable segment.

(a) Geographical information

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated.

All the assets and liabilities of the Group are derived from Malaysia. Hence, no additional disclosure is made on geographical breakdown/details of the segment assets and liabilities of the Group.

Revenue information based on geographical location of customers is as follows:

	1.10.2023 to 30.9.2024 RM	Group 1.10.2022 to 30.9.2023 RM
Revenue from external customers:		
Malaysia	26,166,873	24,362,242
North America	25,769,959	33,625,218
Europe	23,378,867	22,337,421
Other Asian countries	14,424,199	12,925,758
Oceania	236,483	71,660
South America	166,781	12,257
	90,143,162	93,334,556

(b) Major customers

The following are major customers with revenue equal or more than ten percent (10%) of revenue of the Group.

	1.10.2023 to 30.9.2024 RM	Group 1.10.2022 to 30.9.2023 RM
Customer A group of companies	19,850,281	31,521,614
Customer B group of companies	9,633,113	*
	29,483,394	31,521,614

* Less than 10%

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

26. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that the Group would be able to continue as going concern whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged throughout the reporting periods.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order 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 or processes throughout the reporting periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings and lease liabilities, less cash and bank balances. Capital represents equity attributable to the owners of the Company. A detailed calculation is shown below:

	Group	
	2024 RM	2023 RM
Borrowings (Note 13)	35,561,063	27,753,792
Lease liabilities (Note 5)	1,403,113	3,300,230
Less: Cash and bank balances (Note 10)	(87,056,893)	(81,905,603)
Net cash	(50,092,717)	(50,851,581)
Total capital	156,487,735	142,743,610
Net cash	(50,092,717)	(50,851,581)
Equity	106,395,018	91,892,029
Gearing ratio	*	*

* Gearing ratio is not presented as the Group is in net cash position.

As at the end of the reporting period, the Company did not have any borrowings. As such, no gearing ratio has been presented.

Pursuant to the requirements of Guidance Note No. 3/2006 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of more than twenty-five percent (25%) of the issued and paid-up capital of the Group. The Company has complied with this requirements for the financial year ended 30 September 2024.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

26. FINANCIAL INSTRUMENTS (Cont'd)

- (b) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

Financial instruments that are not carried at fair values and whose carrying amounts are a reasonable approximation of fair values

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of each reporting period.

The carrying amount of the non-current position of borrowings is reasonable approximation of fair value due to the insignificant impact of discounting.

- (c) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from the unpredictability of the financial markets.

The Group and the Company are exposed mainly to credit risk, liquidity and cash flow risk, foreign currency risk and interest rate risk. Information on the management of the related exposures is detailed below:

- (i) Credit risk

Deposits with licensed banks and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are creditworthy debtors with good payment records with the Group. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit. The credit period is generally for a period of thirty (30) days extending up to one hundred twenty (120) days for major customers. Nevertheless, the management of the Group may give longer credit terms by discretion. The Group consistently monitors its outstanding trade receivables to minimise credit risk.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(i) Credit risk (Cont'd)

Exposure to credit risk

Receivables and other financial assets

At the end of the reporting period, the maximum exposure of the Group to credit risk is substantially represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivable on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period are as follows:

	Group			
	2024		2023	
	RM	% of total	RM	% of total
By geographical location				
Malaysia	5,427,875	35%	3,632,090	26%
Other Asian countries	2,949,746	19%	1,762,944	13%
North America	1,971,201	13%	3,401,149	25%
Europe	4,889,219	32%	4,877,753	35%
Oceania	55,555	1%	23,821	1%
	15,293,596	100%	13,697,757	100%

At the end of the reporting period, approximately 13% (2023: 23%) of the trade receivables of the Group were due from one (1) (2023: two (2)) major customers.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(ii) Liquidity and cash flow risk

The exposure of the Group to liquidity and cash flow risk arises primarily from mismatches of maturities of financial assets and financial liabilities.

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	On demand or within one (1) year RM	One (1) to five (5) years RM	More than five (5) years RM	Total RM
30 September 2024				
Trade and other payables	7,595,846	0	0	7,595,846
Lease liabilities	1,170,662	322,978	0	1,493,640
Borrowings	3,570,661	14,282,643	29,865,804	47,719,108
Total undiscounted financial liabilities	12,337,169	14,605,621	29,865,804	56,808,594
30 September 2023				
Trade and other payables	12,593,151	0	0	12,593,151
Lease liabilities	2,025,556	1,493,639	0	3,519,195
Borrowings	2,728,183	10,912,733	24,097,190	37,738,106
Total undiscounted financial liabilities	17,346,890	12,406,372	24,097,190	53,850,452

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(ii) Liquidity and cash flow risk (Cont'd)

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations (Cont'd).

Company	On demand or within one (1) year RM	One (1) to five (5) years RM	More than five (5) years RM	Total RM
30 September 2024				
Other payables	1,251,754	0	0	1,251,754
Total undiscounted financial liabilities	1,251,754	0	0	1,251,754
30 September 2023				
Other payables	9,216	0	0	9,216
Total undiscounted financial liabilities	9,216	0	0	9,216

(iii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the entities within the Group. The currency giving rise to this risk is primarily in United States Dollar ('USD'), Euro ('EUR') and British Pound ('GBP').

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the USD, EUR and GBP exchange rate against the respective functional currency of the Group, with all other variables held constant:

	Group Effect on profit after tax	
	2024 RM	2023 RM
USD/RM		
- strengthen by 5% (2023: 5%)	789,948	1,887,327
- weaken by 5% (2023: 5%)	(789,948)	(1,887,327)
EUR/RM		
- strengthen by 5% (2023: 5%)	117,884	224,631
- weaken by 5% (2023: 5%)	(117,884)	(224,631)
GBP/RM		
- strengthen by 5% (2023: 5%)	217,931	178,370
- weaken by 5% (2023: 5%)	(217,931)	(178,370)

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(iii) Foreign currency risk (Cont'd)

Sensitivity analysis of other foreign currencies are not disclosed as it is not material to the Group and the Company.

The effect on equity of the Group and of the Company is not presented as it is not affected by the changes in foreign currency exchange rate.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from interest-bearing deposits and interest-bearing borrowings from financial institutions. The Group borrows at floating rate of interest to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of reporting period changed by fifty (50) basis points with all other variables held constant:

	Group	
	Effect on profit after tax	
	2024	2023
	RM	RM
- Increase by 0.5% (2023: 0.5%)	135,133	105,464
- Decrease by 0.5% (2023: 0.5%)	(135,133)	(105,464)

Sensitivity analysis for fixed rate deposits with licensed banks at the end of the reporting period is not presented as it is not affected by changes in interest rates.

The effect on the equity of the Group is not presented as it is not affected by the changes in interest rate.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(iv) Interest rate risk (Cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rate ('WAEIR') and weighted average incremental borrowing rate ('WAIBR') as at the end of each reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

Group	Note	WAEIR/ WAIBR *	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to three (3) years RM	Three (3) to four (4) years RM	Four (4) to five (5) years RM	More than five (5) years RM	Total RM
30 September 2024									
Fixed rates									
Deposits with licensed banks	10	3.53	51,954,079	0	0	0	0	0	51,954,079
Lease liabilities	5	5.26*	(1,096,920)	(163,369)	(103,349)	(39,475)	0	0	(1,403,113)
Floating rates									
Term loans	13	4.81	(1,985,013)	(2,078,869)	(2,177,288)	(2,280,499)	(2,388,743)	(24,650,651)	(35,561,063)
30 September 2023									
Fixed rates									
Deposits with licensed banks	10	2.68	5,886,057	0	0	0	0	0	5,886,057
Lease liabilities	5	4.68*	(1,870,045)	(1,121,853)	(165,508)	(103,349)	(39,475)	0	(3,300,230)
Floating rates									
Term loans	13	4.73	(1,471,451)	(1,541,926)	(1,615,888)	(1,693,519)	(1,775,009)	(19,655,999)	(27,753,792)

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

28. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

28.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year:

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 112 <i>International Tax Reform - Pillar Two Model Rules</i>	See MFRS 112 paragraph 98M

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and the Company.

28.2 New MFRSs and Amendments to MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2024

Title	Effective Date
Amendments to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-Current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025
Amendments to MFRS 9 and MFRS 7 <i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Annual Improvements to MFRS Accounting Standards - Volume 11	1 January 2026
MFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
MFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company is in the process of assessing the impact of implementing these Standards and Amendments to the Standards, since the effects would only be observable for future financial years.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2024

29. SIGNIFICANT EVENTS DURING THE YEAR

- (a) The Company acquired the entire issued share capital of NE Components Sdn. Bhd. comprising of 500,000 ordinary shares from the vendors for a purchase consideration of RM31,630,700 which was satisfied via the issuance of 126,522,800 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.
- (b) The Company acquired the entire issued share capital of NE Integrated Sdn. Bhd. comprising of 1,000,000 ordinary shares from the vendors for a purchase consideration of RM19,602,900 which was satisfied via the issuance of 78,411,600 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.
- (c) The Company acquired the entire issued share capital of NE Solutions Sdn. Bhd. comprising of 50,000 ordinary shares from the vendors for a purchase consideration of RM2,468,100 which was satisfied via the issuance of 9,872,400 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.
- (d) The Company acquired the entire issued share capital of NE Technologies Sdn. Bhd. comprising of 150,000 ordinary shares from the vendors for a purchase consideration of RM15,121,500 which was satisfied via the issuance of 60,486,000 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.
- (e) The Company acquired the entire issued share capital of Northeast Precision Sdn. Bhd. comprising of 1,500,000 ordinary shares from the vendors for a purchase consideration of RM73,929,300 which was satisfied via the issuance of 295,717,200 new ordinary shares to the vendors at an issue price of RM0.25 per share and completed on 5 January 2024.

30. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 26 September 2024, the Company issued a prospectus in connection with the Initial Public Offering ('IPO') and the listing of and quotation for the entire enlarged share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ('the Listing'). The IPO involves the offering of 220,789,000 ordinary shares in the Company in conjunction with the listing of and quotation for the entire ordinary shares in the Company on the ACE Market of Bursa Malaysia Securities Berhad comprising an offer for sale of 51,800,000 existing ordinary shares in the Company and a public issue of 168,989,000 new ordinary shares in the Company. The IPO and the Listing were completed on 15 October 2024.

31. STATUTORY DISCLOSURE

Pursuant to Section 249(4)(e) of Companies Act 2016, details of auditors' remuneration payable by the Group and the Company during the financial year/period were as follows:

	Group		Company	
	1.10.2023 to 30.9.2024 RM	1.10.2022 to 30.9.2023 RM	1.10.2023 to 30.9.2024 RM	18.7.2022 to 30.9.2023 RM
Statutory audit	116,000	100,000	26,000	2,800
Non-audit related services	2,500	0	2,500	0
	<u>118,500</u>	<u>100,000</u>	<u>28,500</u>	<u>2,800</u>

SHAREHOLDINGS STATISTIC

AS AT 31 DECEMBER 2024

Number of ordinary shares in issued : 740,000,000
Class of Equity Securities : Ordinary shares
Voting Rights : One vote per share

LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Name	Direct	%	Indirect	%
Mountain Range Sdn. Bhd.	397,321,608	53.69	-	-
Ng Chay Chin	32,387,900	4.38	397,321,608*	53.69
Chong Eew Hean	25,900,000	3.50	397,321,608*	53.69

Note:

* Deemed interest by virtue of Section 8(4) of the Companies Act 2016 ("Act")

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

Name	Direct	%	Indirect	%
Dato' Seri Lee Kah Choon	1,300,000	0.18	-	-
Ng Chay Chin	32,387,900	4.38	397,321,608*	53.69
Chong Ewe Hean	25,900,000	3.50	397,321,608*	53.69
Dato' Faiza Binti Zulkifli	800,000	0.11	-	-
Ong Kim Nam	800,000	0.11	-	-
Ong Guat Ean	300,000	0.04	-	-

Note:

* Deemed interest by virtue of Section 8(4) of the Act

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS

No. of Holders	Size of Holdings	Total Holdings	%
-	less than 100 shares	-	-
264	100 to 1,000 shares	136,500	0.02
844	1,001 to 10,000 shares	4,822,000	0.65
735	10,001 to 100,000 shares	29,364,900	3.97
192	100,001 to less than 5% of issued shares	308,354,992	41.67
1	5% and above of issued shares	397,321,608	53.69
2,036		740,000,000	100.00

SHAREHOLDINGS STATISTIC

AS AT 31 DECEMBER 2024

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

	NAMES	NO. OF SHARES HELD	%
1.	Mountain Range Sdn. Bhd.	397,321,608	53.69
2.	Ng Chay Chin	32,387,900	4.38
3.	Chong Ewe Hean	25,900,000	3.50
4.	Tang Ah Lek	23,610,000	3.19
5.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An For Citibank New York (Norges Bank 22)	20,500,000	2.77
6.	Ng Meng Hang	18,500,000	2.50
7.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An For Citibank New York (Norges Bank 19)	12,869,000	1.74
8.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account Chong Yoke Heong (E-BMM)	9,950,000	1.35
9.	Huang, Honghui	9,409,392	1.27
10.	Ng Chai Hee	8,880,000	1.20
11.	Universal Trustee (Malaysia) Berhad KAF Tactical Fund	7,528,200	1.02
12.	Yin Thien Hee	7,400,000	1.00
13.	Ooi Eng Leong	7,000,000	0.95
14.	Goh Chuan Kong	6,408,000	0.87
15.	DB (Malaysia) Nominees (Tempatan) Sendirian Berhad Exempt An For AHAM Asset Management Berhad (TSTAC/CLNTT)	4,958,800	0.67
16.	Lim Boon Kheng	4,655,000	0.63
17.	Cheah Kiang Yew	3,500,000	0.47
18.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For KAF Islamic Dividend Income Fund (290411)	3,157,800	0.43
19.	Lim Kooi Ean	3,000,000	0.41
20.	Amanahraya Trustees Berhad AHAM Aiiman Quantum Fund	2,978,100	0.40
21.	Cartaban Nominees (Tempatan) Sdn. Bhd. RHB Trustees Berhad For KAF Vision Fund	2,761,000	0.37
22.	Amanahraya Trustees Berhad AHAM Growth Fund	2,685,700	0.36
23.	HSBC Nominees (Asing) Sdn. Bhd. J.P. Morgan Securities PLC	2,195,900	0.30
24.	Teoh Lay Hong	2,050,000	0.28
25.	Ang Heng Choon	2,000,000	0.27
26.	Wong Shan Hoe	2,000,000	0.27
27.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For AHAM Equity Fund (930090)	1,864,000	0.25
28.	KAF Trustees Berhad KIFB For Altima, Inc	1,707,700	0.23
29.	Amanahraya Trustees Berhad PMB Dana Bestari	1,700,000	0.23
30.	CIMB Group Nominees (Tempatan) Sdn. Bhd CIMB Islamic Trustee Berhad For PMB Shariah Equity Fund	1,600,000	0.22

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2nd Annual General Meeting ("AGM") of **NORTHEAST GROUP BERHAD** ("Company") will be held at **Bagan Hall, 9th Floor, Crowne Plaza Penang Straits City, Jalan Bagan Luar, Bandar Selat, 12000 Butterworth, Pulau Pinang** on Wednesday, 26 February 2025 at 10.30 a.m. or at any adjournment thereof, for the following purposes: -

A G E N D A

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 September 2024 together with the Reports of the Directors and Auditors thereon.
2. To re-elect Mr. Ng Chay Chin, who retires in accordance with Article 88 of the Company's Constitution, and being eligible has offered himself for re-election. **(Resolution 1)**
3. To re-elect the following Independent Non-Executive Directors who retire in accordance with Article 95 of the Company's Constitution, and being eligible has offered themselves for re-election: -
 - 3.1 Dato' Seri Lee Kah Choon **(Resolution 2)**
 - 3.2 Dato' Faiza Binti Zulkifli **(Resolution 3)**
 - 3.3 Mr. Ong Kim Nam **(Resolution 4)**
 - 3.4 Ms Ong Guat Ean **(Resolution 5)**
4. To approve the payment of Directors' Fees amounting to RM170,000 for the financial year ending 30 September 2025. **(Resolution 6)**
5. To approve the payment of Directors' Other Benefits of up to RM14,000 from 27 February 2025 to the next AGM of the Company. **(Resolution 7)**
6. To re-appoint Messrs BDO PLT, the retiring Auditors, as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 8)**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following as Ordinary Resolution with or without modifications: -

7. **Authority to Issue Shares Pursuant to the Companies Act 2016** **(Resolution 9)**

"THAT, subject always to the Companies Act 2016 ("Act"), the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the provisions of the Constitution of the Company and approval of any relevant governmental and/or regulatory authorities, where such approval is required, the Board of Directors of the Company ("Board") be and is hereby empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the capital of the Company, at any time upon such terms and conditions, for such purposes as the Board may, in its absolute discretion deem fit, provided that the aggregate number of the shares issued pursuant to this resolution does not exceed ten (10%) per centum of the issued share capital of the Company for the time being and the Board be and is also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities ("Mandate") and that such authority shall continue in force until the conclusion of the next AGM of the Company;

THAT pursuant to Section 85 of the Act, to be read together with Article 10 of the Company's Constitution, approval be and is hereby given to waive the statutory pre-emptive rights conferred upon the shareholders of the Company in respect of the allotment and issuance of new shares pursuant to the Mandate AND THAT such new shares when allotted shall rank *pari passu* in all respects with the existing class of ordinary shares;

AND FURTHER THAT the Board is exempted from the obligation to offer such new shares first to the existing shareholders of the Company in respect of the allotment and issuance of new shares pursuant to the Mandate."

NOTICE IS HEREBY GIVEN that for purpose of determining a member who shall be entitled to attend the 2nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 19 February 2025. Only a depositor whose name appears on the Record of Depositors as at 19 February 2025 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

Ch'ng Lay Hoon
SSM PC No.: 201908000494 MAICSA 0818580
Company Secretary
Penang

27 January 2025

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. Proxy

- 1.1 A member entitled to attend, speak and vote at the AGM is entitled to appoint proxy(ies) to attend, participate, speak and vote in his stead.
- 1.2 Where a member is an authorised nominee ("AN") as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), the AN may appoint proxy(ies) in respect of each securities account it holds which is credited with ordinary shares of the Company.
- 1.3 Where a member of the Company is an exempt authorised nominee ("EAN") as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), the EAN may appoint proxy(ies) in respect of each omnibus account it holds.
- 1.4 Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- 1.5 The appointment of a proxy may be made in hard copy form or by electronic means and must be received by the Company not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof. If the appointer is a corporation, under its common seal or in such other manner approved by its directors. Any alteration to the instrument appointing a proxy must be initialed.
- 1.6 Pursuant to Rule 8.31A of the ACE Market Listing Requirements issued by Bursa Malaysia Securities Berhad ("Bursa Securities"), all resolutions set out in the Notice of 2nd AGM will be put to vote on poll.

2. Audited Financial Statements for the financial year ended 30 September 2024

The audited financial statements are laid in accordance with Section 340(1)(a) of the Act for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

3. Explanatory Notes On Special Business

Resolution 9: Authority to Issue Shares

The proposed Resolution 9, if passed, will give a mandate to the Directors of the Company, from the date of above AGM, authority to issue and allot shares in the Company up to and not exceeding in total ten (10%) per centum of the issued share capital of the Company for the time being, for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.

The general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time.

At this juncture, there is no decision to issue any new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company would make an announcement in respect of the purpose and utilisation of the proceeds arising from such issue.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Rule 8.29 (2) of the ACE Market Listing Requirements of Bursa Securities

Save for re-election of Directors, there is no Director standing for election at the 2nd AGM of the Company.

The retiring Directors have confirmed that they do not have any conflict of interest or potential conflict of interest that arise, or might arise, where they have interest, whether direct or indirect financial interest as well as non-financial interest or competing loyalties or interests which are in conflict with the Company or its subsidiaries.

LIST OF PROPERTIES

AS AT 30 SEPTEMBER 2024

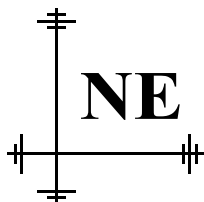
Registered Owner/Location	Description/ Existing use	Land Area/ Built-up area (sq.ft.)	Tenure (Expiry date)	Age (Years)	Carrying Amounts as at 30.09.2024 (RM'000)	Date of Acquisition
Northeast Precision Sdn. Bhd. (Factory 1) 1088 Jalan Juru, Kawasan Perindustrian Juru, 14100 Simpang Ampat, Pulau Pinang	Double-storey factory building annexed with a double-storey office/ Used as Manufacturing plant and office	58,329.63/ 44,034.00	Leasehold (60 years' lease expiring on 19 April 2039)	16	3,207	11 July 2008
Northeast Precision Sdn. Bhd. (Factory 2) 868, Plot 41, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang	Single-storey factory building annexed with a double-storey office building/ PT 181 used as Manufacturing plant, warehouse and office; and Lot 20460 used as Accommodation for workers	135,549.82/ 74,788.19	Leasehold (PT 181: 60 years' lease expiring on 4 February 2057; and Lot 20460: 60 years' lease expiring on 2 October 2073)	7	8,541	16 October 2017
NE Integrated Sdn. Bhd. (Factory 3) 1946, Lorong IKS Bukit Minyak 1, Taman IKS Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang	Double-storey factory building with 3-storey office building annexed with a double-storey factory building with warehouse/ Used as Manufacturing plant, office and warehouse	93,473.80/ 89,646.00	Leasehold (60 years' lease expiring on 10 January 2056)	6	9,762	15 November 2018
Northeast Precision Sdn. Bhd. 8, Lorong Industri Ringan 4, Kawasan Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang	Double-storey bungalow light industry factory/ Vacant. Intended to convert the factory to a temporary accomodation for production workers.	12,766/ 5,627	Freehold	10	2,144	15 October 2014
NE Components Sdn. Bhd. 1178 Jalan Kebun Baru, Taman Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang	Single-storey semi-detached factory annexed with double-storey office/ Rented to Wilpack Food servides Sdn Bhd for industrial use	12,518.43/ 6,252.86	Freehold	9	2,912	9 September 2015

LIST OF PROPERTIES

AS AT 30 SEPTEMBER 2024

Registered Owner/Location	Description/ Existing use	Land Area/ Built-up area (sq.ft.)	Tenure (Expiry date)	Age (Years)	Carrying Amounts as at 30.09.2024 (RM'000)	Date of Acquisition
NE Components Sdn. Bhd. 6, Lorong Industri Ringan 4, Kawasan Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang	Double-storey of bungalow light industry factory/ Rented to Ircare Sdn Bhd for office, research and development and/ or production of products	12,766/ 5,627	Freehold	10	2,433	15 October 2014
Northeast Precision Sdn. Bhd. 8, Jalan Carnation, Taman Carnation, 14000 Bukit Mertajam, Pulau Pinang	Double-storey shop office/ Vacant. Intended to be used as accommodation for employees	1,334.72/ 2,478	Freehold	11	347	30 September 2013
Northeast Precision Sdn. Bhd. Lot 1368, Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 788	Vacant land/ Vacant. Intended to build accommodation for local employees, if required	100,710.71/ Nil	Freehold	5	4,712	14 October 2019
NE Components Sdn. Bhd. Lot 1143, Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 603	Vacant land/ Vacant. Intended to build the New Factory	222,983.62/ Nil	Freehold	1	12,829	4 January 2023
NE Components Sdn. Bhd. Lot 1144, Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 889	Vacant land/ Vacant. Intended to use for future factory expansion	197,631.70/ Nil	Freehold	0.5	11,391	13 March 2024

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NORTHEAST GROUP BERHAD

(Registration No.: 202201025913 (1471610-P))

PROXY FORM

CDS A/C. No.	No. of Ordinary Shares Held

I/We _____
(Full name of a member in BLOCK LETTERS as per Identity Card ("MYKAD")/Passport/Certificate of Incorporation*)

MYKAD/Passport No./Company No.* _____ of _____

(Address in full)

Telephone no.* _____, being a member of NORTHEAST GROUP BERHAD ("Company")

hereby appoint _____
(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD/Passport No./Company No.* _____ of _____

(Address in full)

And/or failing him/her,* _____
(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD/Passport No./Company No.* _____ of _____

(Address in full)

or failing the abovenamed proxies, the Chairman of the Meeting as my/our* proxy to vote for me/us* on my/our* behalf at the 2nd Annual General Meeting of the Company, to be held at **Bagan Hall, 9th Floor, Crowne Plaza Penang Straits City, Jalan Bagan Luar, Bandar Selat, 12000, Butterworth, Pulau Pinang** on **Wednesday, 26 February 2025 at 10.30 a.m.** and at any adjournment thereof. My/our proxy/proxies* is to be vote as indicated below:

Resolutions	For	Against
As Ordinary Business:		
1. Re-election of Mr. Ng Chay Chin as Director		
2. Re-election of Dato' Seri Lee Kah Choon as Director		
3. Re-election of Dato' Faiza Binti Zulkifli as Director		
4. Re-election of Mr. Ong Kim Nam as Director		
5. Re-election of Ms Ong Guat Ean as Director		
6. Approval of Directors' Fees for the financial year ending 30 September 2025		
7. Approval of Directors' Other Benefits from 27 February 2025 to the next AGM		
8. Re-appointment of Messrs BDO PLT as Auditors and to authorise the Directors to fix their remuneration		
As Special Business:		
9. Approval to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016		

(Please indicate with "X" in the spaces on how you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain from voting at his discretion.)

*Strike out whichever not applicable

Dated this day of 2025

The proportions of my/our* holding to be represented by my/our* proxies are as follows: -

	No. of Shares	Percentage
First Proxy		
Second Proxy		
Total		100%

Signature(s)/Common Seal of Member(s)

Notes:

- A member entitled to attend, speak and vote at the AGM is entitled to appoint proxy(ies) to attend, participate, speak and vote in his stead
- Where a member is an authorised nominee ("AN") as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), the AN may appoint proxy(ies) in respect of each securities account it holds which is credited with ordinary shares of the Company.
- Where a member of the Company is an exempt authorised nominee ("EAN") as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), the EAN may appoint proxy(ies) in respect of each omnibus account it holds.
- Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- The appointment of a proxy may be made in hard copy form or by electronic means and must be received by the Company not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof. If the appointer is a corporation, under its common seal or in such other manner approved by its directors. Any alteration to the instrument appointing a proxy must be initialed. Kindly refer to the Administrative Details for further guidance.
- For the purpose of determining a member who shall be entitled to attend this 2nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 19 February 2025. Only a depositor whose name appears on the Record of Depositors as at 19 February 2025 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Personal Data Privacy:

By submitting the duly executed proxy form, the member and his/her proxy consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM of the Company and any adjournment thereof.



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AFFIX STAMP

NORTHEAST GROUP BERHAD

(Registration No.: 202201025913 (1471610-P))

The Company Secretary
Suite 12-A, Level 12, Menara Northam
55 Jalan Sultan Ahmad Shah
10050 George Town, Pulau Pinang, Malaysia

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NORTHEAST GROUP BERHAD

(Registration No.: 202201025913 (1471610-P))

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