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The Board of Directors
Northeast Group Berhad
Suite 12-A, Level 12, Menara Northam
55 Jalan Sultan Ahmad Shah
10050 George Town
Pulau Pinang

Date: 18 March 2024

Our ref: GCB/TZH/SJH/nw

Dear Sir/Madam

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report ("this report") of Northeast Group Berhad ("Northeast" or "the Company")

Opinion

We have audited the combined financial information of the Company and its Combining Entities as defined in Note 5 (collectively referred to as the "Group") which comprise the combined statements of financial position as at 30 September 2021, 30 September 2022 and 30 September 2023 of the Group, and combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 30 September 2021, 30 September 2022 and 30 September 2023 and notes to the combined financial statements, including a summary of significant accounting policies as set out in this report (collectively referred to herein as "the Combined Financial Statements").

This Combined Financial Statements have been prepared for inclusion in the prospectus of the Company ("Prospectus") in connection with the admission of Northeast to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing"). This report is given for the purposes of complying with the ACE Market Listing Requirements of Bursa Securities ("Listing Requirements"), the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the Combined Financial Statements give a true and fair view of the financial position of the Group as at 30 September 2021, 30 September 2022 and 30 September 2023, and of their financial performance and their cash flows for each of the financial years ended 30 September 2021, 30 September 2022 and 30 September 2023 in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and IFRS Accounting Standards.

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 *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence and Other Ethical Responsibilities

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

Directors' Responsibility for the Combined Financial Statements

The Directors of the Company ("Directors") are responsible for the preparation of the Combined Financial Statements that gives a true and fair view in accordance with MFRSs and IFRS Accounting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of Combined Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the Combined Financial Statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and 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 Combined Financial Statements.

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 Combined Financial Statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

(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;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

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

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

(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 to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the Combined Financial Statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the Combined Financial Statements of the Group, including the disclosures, and whether the Combined Financial Statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation; and

(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 Combined Financial Statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Matters

This report has been prepared solely to comply with the Listing Requirements and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the Listing and for no other purposes. As such, this report should not be used for any other purpose without our prior written consent. 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
03535/11/2024 J
Chartered Accountant

Penang
Dated: 18 March 2024

NORTHEAST GROUP BERHAD
(Incorporated in Malaysia)

ACCOUNTANT'S REPORT

COMBINED STATEMENTS OF FINANCIAL POSITION

The audited combined statements of financial position as at 30 September 2021, 30 September 2022 and 30 September 2023 are set out below:

	Note	2023 RM'000	2022 RM'000	2021 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	65,317	47,973	49,208
Right-of-use assets	7	17,262	16,692	12,654
Investment properties	8	5,385	7,666	9,482
		87,964	72,331	71,344
Current assets				
Inventories	9	2,492	3,587	2,921
Trade and other receivables	10	15,534	22,332	17,577
Current tax assets		4,330	654	517
Cash and bank balances	11	81,906	71,050	52,853
		104,262	97,623	73,868
Non-current assets held for sale	12	-	1,606	-
TOTAL ASSETS		192,226	171,560	145,212
EQUITY AND LIABILITIES				
Equity attributable to common controlling shareholders of the combining entities				
Invested equity *	13	3,200	3,200	2,900
Retaining earnings		139,543	123,183	86,132
TOTAL EQUITY		142,743	126,383	89,032
LIABILITIES				
Non-current liabilities				
Borrowings	14	26,282	18,666	22,990
Lease liabilities	7	1,430	2,380	41
Deferred tax liabilities	15	5,635	4,290	2,950
		33,347	25,336	25,981

* Number of ordinary shares on combined basis

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NORTHEAST GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION (continued)

The audited combined statements of financial position as at 30 September 2021, 30 September 2022 and 30 September 2023 are set out below (continued):

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Current liabilities				
Trade and other payables	16	12,593	16,325	26,666
Borrowings	14	1,471	982	1,225
Lease liabilities	7	1,870	1,489	287
Current tax liabilities		202	1,045	2,021
		16,136	19,841	30,199
TOTAL LIABILITIES		49,483	45,177	56,180
TOTAL EQUITY AND LIABILITIES		192,226	171,560	145,212

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NORTHEAST GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The audited combined statements of profit or loss and other comprehensive income for the financial years ended 30 September 2021, 30 September 2022 and 30 September 2023 are set out below:

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Revenue	19	93,335	144,515	113,207
Cost of sales		(57,885)	(89,738)	(78,377)
Gross profit		35,450	54,777	34,830
Other operating income	21	3,654	10,573	3,916
Gain/(Loss) on impairment on trade receivables, net	10(f)	50	(966)	(230)
Distribution expenses		(2,592)	(2,870)	(1,715)
Administrative expenses		(12,013)	(12,731)	(10,551)
Finance costs	22	(1,213)	(981)	(951)
Profit before tax		23,336	47,802	25,299
Tax expense	23	(4,976)	(9,731)	(5,483)
Profit for the financial years		18,360	38,071	19,816
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		18,360	38,071	19,816
Profit attributable to common controlling shareholders of the combining entities		18,360	38,071	19,816
Total comprehensive income attributable to the common controlling shareholders of the combining entities		18,360	38,071	19,816
Earnings per ordinary share attributable to the common controlling shareholders of the combining entities				
Basic and diluted (sen)	25	2.48	5.14	2.68

NORTHEAST GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY

The audited combined statements of changes in equity for the financial years ended 30 September 2021, 30 September 2022 and 30 September 2023 are set out below:

	Note	Invested equity RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 October 2020		2,300	66,316	68,616
Profit for the financial year		-	19,816	19,816
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	19,816	19,816
Transaction with common controlling shareholders:				
Issuance of share capital	13	600	-	600
Balance as at 30 September 2021		2,900	86,132	89,032
Balance as at 1 October 2021		2,900	86,132	89,032
Profit for the financial year		-	38,071	38,071
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	38,071	38,071
Transactions with common controlling shareholders:				
Incorporation of a combining entity	13	*	-	*
Issuance of share capital	13	300	-	300
Dividend	24	-	(1,020)	(1,020)
Balance as at 30 September 2022		3,200	123,183	126,383

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NORTHEAST GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

The audited combined statements of changes in equity for the financial years ended 30 September 2021, 30 September 2022 and 30 September 2023 are set out below (continued):

	Note	Invested equity RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 October 2022		3,200	123,183	126,383
Profit for the financial year		-	18,360	18,360
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	18,360	18,360
Transaction with common controlling shareholders:				
Dividend	24	-	(2,000)	(2,000)
Balance as at 30 September 2023		3,200	139,543	142,743

* Less than RM1,000

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NORTHEAST GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS

The audited combined statements of cash flows for the financial years ended 30 September 2021, 30 September 2022 and 30 September 2023 are set out below:

	Note	2023 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		23,336	47,802	25,299
Adjustments for:				
Depreciation of:				
- property, plant and equipment	6	6,648	5,725	6,092
- right-of-use assets	7	1,091	1,066	709
- investment properties	8	89	179	140
Gain on disposals of:				
- property, plant and equipment	21	(332)	(2,412)	-
- right-of-use assets	21	-	(1)	-
- non-current assets held for sale	21	(94)	-	-
Impairment losses on:				
- investment properties	8	-	31	-
- trade receivables	10(f)	50	1,323	230
Interest expense	22	1,213	981	951
Interest income	21	(101)	(21)	(29)
Property, plant and equipment written off	6	-	29	-
Reversal of impairment loss on trade receivables	10(f)	(100)	(357)	-
Unrealised gain on foreign exchange, net		(1,042)	(3,807)	(523)
Operating profit before changes in working capital		30,758	50,538	32,869
Decrease/(Increase) in inventories		1,095	(666)	(2,158)
Decrease/(Increase) in trade and other receivables		6,511	(5,296)	753
(Decrease)/Increase in trade and other payables		(6,575)	(10,343)	4,069
Cash generated from operations		31,789	34,233	35,533
Interest received		101	21	29
Interest paid		(1,000)	(863)	(921)
Tax refunded		322	225	89
Tax paid		(8,472)	(9,729)	(3,449)
Net cash from operating activities		22,740	23,887	31,281

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NORTHEAST GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (continued)

The audited combined statements of cash flows for the financial years ended 30 September 2021, 30 September 2022 and 30 September 2023 are set out below (continued):

	Note	2023 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of:				
- property, plant and equipment	6(b)	(10,787)	(8,484)	(13,065)
- right-of-use assets	7(d)	(371)	(605)	-
Proceeds from disposal of:				
- property, plant and equipment		340	6,491	-
- right-of-use assets		-	1	-
- non-current assets held for sale		1,700	-	-
Net cash used in investing activities		(9,118)	(2,597)	(13,065)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of lease liabilities		752	-	-
Repayment of:				
- term loans		(2,933)	(4,567)	(1,114)
- lease liabilities	7	(1,962)	(1,190)	(603)
Proceeds from:				
- incorporation of a combining entity	13	-	*	-
- issuance of ordinary shares	13	-	300	600
Dividends paid	24	-	(1,020)	-
Net changes in deposits with licensed banks with maturity of more than three (3) months		(14)	(13)	(22)
Net cash used in financing activities		(4,157)	(6,490)	(1,139)
Net increase in cash and cash equivalents		9,465	14,800	17,077
Effects of exchange rate changes on cash and cash equivalents		1,377	3,384	428
Cash and cash equivalents at beginning of financial years		70,246	52,062	34,557
Cash and cash equivalents at end of financial years	11(e)	81,088	70,246	52,062

* Less than RM1,000

NORTHEAST GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (continued)

The audited combined statements of cash flows for the financial years ended 30 September 2021, 30 September 2022 and 30 September 2023 are set out below (continued):

Reconciliation of Liabilities Arising from Financing Activities

	Lease liabilities (Note 7) RM'000	**Term loans (Note 14) RM'000**
Balance as at 1 October 2020	901	25,329
Cash flows	(603)	(1,114)
Non-cash flows:		
- Unwinding of interest (Note 7)	30	-
Balance as at 30 September 2021	328	24,215
Balance as at 1 October 2021	328	24,215
Cash flows	(1,190)	(4,567)
Non-cash flows:		
- Additions in lease liabilities	4,613	-
- Unwinding of interest (Note 7)	118	-
Balance as at 30 September 2022	3,869	19,648
Balance as at 1 October 2022	3,869	19,648
Cash flows	(1,962)	8,105
Non-cash flows:		
- Additions in lease liabilities	1,180	-
- Unwinding of interest (Note 7)	213	-
Balance as at 30 September 2023	3,300	27,753

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NORTHEAST GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

1. CORPORATE INFORMATION

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.

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.

These Combined Financial Statements for the financial years ended are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The principal activity of the Company is activities of holding companies. The principal activities of the Combining Entities are set out in Note 5 to the Combined Financial Statements.

2. BASIS OF PREPARATION

The Accountants' Report comprises the Combined Financial Statements of the Company and its Combining Entities as defined in Note 5 (collectively referred to as the "Group") for the financial years ended ("FYE(s)") 30 September 2021, 30 September 2022 and 30 September 2023. The Combined Financial Statements of the Group consist of the audited financial statements of the Company and its Combining Entities and are prepared solely for inclusion in the Prospectus of the Company in connection with the Listing.

The Combined Financial Statements of the Group are prepared using the audited financial statements of the respective companies within the Group for the relevant financial years are as follows:

Company	Relevant Financial Years/Period
Northeast Group Berhad[(1)]	For the financial period from 18 July 2022 (date of incorporation) to 30 September 2023
Northeast Precision Sdn Bhd	FYE 30 September 2021 FYE 30 September 2022 FYE 30 September 2023
NE Components Sdn Bhd [(2)]	FYE 30 September 2021 FYE 30 September 2022 FYE 30 September 2023
NE Integrated Sdn Bhd [(3)]	FYE 30 September 2021 FYE 30 September 2022 FYE 30 September 2023

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

2. BASIS OF PREPARATION (continued)

The Combined Financial Statements of the Group are prepared using the audited financial statements of the respective companies within the Group for the relevant financial years are as follows (continued):

Company	Relevant Financial Years/Period
NE Technologies Sdn Bhd (4)	FYE 30 September 2021 FYE 30 September 2022 FYE 30 September 2023
NE Solutions Sdn Bhd (5)	FYE 30 September 2021 FYE 30 September 2022 FYE 30 September 2023

(1) There were no audited financial statements for Northeast Group Berhad for the FYEs 30 September 2021 and 30 September 2022 as the Company was only incorporated on 18 July 2022.

(2) Prior to the financial period ended 30 September 2021, the financial year end for the statutory audit of NE Components Sdn Bhd was on 30 June 2020 and the statutory audit of NE Components Sdn Bhd for the financial period ended 30 September 2021 was from 1 July 2020 to 30 September 2021 which is within the Relevant Financial Years. The financial statements of NE Components Sdn Bhd for FYE 30 September 2021 was re-audited by BDO PLT and prepared in accordance with MFRSs and IFRS Accounting Standards for inclusion into the Combined Financial Statements of the Group.

(3) Prior to the financial period ended 30 September 2021, the financial year end for the statutory audit of NE Integrated Sdn Bhd was for FYE 31 March 2021 which is within the Relevant Financial Years. The financial statements of NE Integrated Sdn Bhd for FYE 30 September 2021 was re-audited by BDO PLT and prepared in accordance with MFRSs and IFRS Accounting Standards for inclusion into the Combined Financial Statements of the Group.

(4) Prior to the financial period ended 30 September 2021, the financial year end for the statutory audit of NE Technologies Sdn Bhd was for FYE 31 December 2020 which is within the Relevant Financial Years. The financial statements of NE Technologies Sdn Bhd for FYE 30 September 2021 was re-audited by BDO PLT and prepared in accordance with MFRSs and IFRS Accounting Standards for inclusion into the Combined Financial Statements of the Group.

(5) Prior to the financial period ended 30 September 2021, the financial year end for the statutory audit of NE Solutions Sdn Bhd was on 31 May 2020 and the statutory audit of NE Solutions Sdn Bhd for the financial period ended 30 September 2021 was from 1 June 2020 to 30 September 2021 which is within the Relevant Financial Years. The financial statements of NE Solutions Sdn Bhd for FYE 30 September 2021 was re-audited by BDO PLT and prepared in accordance with MFRSs and IFRS Accounting Standards for inclusion into the Combined Financial Statements of the Group.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

2. BASIS OF PREPARATION (continued)

The audited financial statements of all the companies within the Group for the Relevant Financial Years / Period reported above were not subject to any qualification, modification or disclaimer.

The financial information of this Report is based on the respective audited financial statements of the Group with applicable appropriate adjustments and reclassifications made for the purpose of this Report.

All information, including the combined financial statements, have been extracted from the audited financial statements of the Group during the relevant reporting periods.

The Combined Financial Statements consist of the financial statements of Combining Entities as disclosed in Note 5 to the Combined Financial Statements, which are prepared in accordance with MFRSs, IFRS Accounting Standards and based on the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountants in relation to the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities.

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

The financial information as presented in the Combined Financial Statements may not correspond with the consolidated financial statements of the Group, after incorporating/effecting the relevant acquisitions as the Combined Financial Statements reflect business combination under common control for the purpose of the Listing. Consequently, such financial information from the Combined Financial Statements does not purport to predict the financial positions, results of operations and cash flows of the Group.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

The Combined Financial Statements have been prepared under the historical cost convention except as otherwise stated in Combined Financial Statements.

The preparation of the Combined 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. The areas involving such judgements, estimates and assumptions are disclosed in Note 4 to the Combined Financial Statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

3.2 Common control business combinations

3.2.1 Business combinations under common control

Business combination involving entities under common control are accounted for by applying the pooling of interest method of accounting. The assets and liabilities of the merger entities are reflected at their carrying amounts reported in the respective individual Combining Entity's financial statements.

In a business combination under common control, any differences between the cost of the merger and the share capital of the 'acquired' entity are reflected within equity as merger reserve.

The combined statement of profit or loss and other comprehensive income reflects the results of the combining entities for the full financial period and the comparatives are presented as if the entities had always been combined since the date for which the entities had come under common control.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Common control business combinations (continued)

3.2.2 Business combinations not under common control

Business combinations not under common control are accounted for by applying the acquisition method of accounting.

In a business combination accounted for by applying the acquisition method of accounting, the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Right-of-use assets and lease liabilities are recognised and measured in accordance with MFRS 16 *Leases*;

(c) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(d) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity; and

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 9 *Financial Instruments* are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 9 *Financial Instruments*. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Common control business combinations (continued)

3.2.2 Business combinations not under common control (continued)

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the combined statements of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

3.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss in the period in which the costs are incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment except for freehold land are stated at cost less any accumulated depreciation and any accumulated impairment losses, if any.

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 rates used are as follows:

Freehold buildings	4%
Leasehold buildings	2.5% - 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%

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment and depreciation (continued)

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.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 3.6 to the Combined Financial Statements on impairment of non-financial assets).

The residual value, useful lives and depreciation method of previous estimates shall be reviewed if there is indication of impairment to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

3.4 Right-of-use assets and lease liabilities

<u>The Group as lessee</u>

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

(a) Period covered by an option to extend the lease if the lessee is reasonably certain to exercise that options; and

(b) Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create economic incentive for the lessee to exercise the option to extend the lease or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Right-of-use assets and lease liabilities (continued)

The Group as lessee (continued)

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets of RM20,000 and below. Short-term leases are leases with a lease term of twelve (12) months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use assets are initially recorded at cost, which comprises:

(i) The amount of the initial measurement of the lease liability;

(ii) Any lease payments made at or before the commencement date of the lease, less any lease incentives received;

(iii) Any initial direct costs incurred by the Group; and

(iv) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease terms of right-of-use assets are as follows:

Leasehold land	25 years - 56 years
Motor vehicles	5 years – 7 years
Machineries	3 years

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales, if any, are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Investment properties

Investment properties are initially measured at cost, including transaction costs, less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the carrying amount of the investment properties or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of investment properties are recognised in profit or loss as incurred.

After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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 investments properties are as follows:

Freehold buildings	2% - 4%
Shop office	4%

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

3.6 Impairment of non-financial assets

The carrying amount of assets, except for financial assets and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss has recognised.

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18 MAR 2024
BDO PLT
(201906000013 (LLP0018825-LCA) & AF 0206)
Chartered Accountants
Penang

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment of non-financial assets (continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

3.7 Inventories

Inventories are determined using first-in first-out method and stated at the lower of cost and estimated selling price less costs to complete and sell.

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.

Inventories are assessed for impairment at the end of each reporting period by comparing the carrying amount of each item of inventory with its selling price less costs to complete and sell. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

3.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the combined statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

(a) Financial assets

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss ("FVTPL"), directly attributable transaction costs.

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

(i) Financial assets measured at amortised cost

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

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process. Financial assets are carried net of impairment losses, if any.

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income ("FVTOCI"), if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group had elected an irrevocable option to designate its equity instruments not held for trading other than investments in subsidiaries at initial recognition as financial assets measured at FVTPL.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

(a) Financial assets (continued)

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

Cash and bank balances are measured at amortised cost. Cash and cash equivalents consist of cash on hand, balances and deposits with licensed banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less and are used by the Group in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

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

A regular way of purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

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

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

(i) Financial liabilities measured at FVTPL

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

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

(ii) Financial liabilities measured at amortised cost

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

(b) Financial liabilities (continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Financial guarantee contract

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

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities, if any, are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities, if any, are only removed from the combined statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(d) Equity

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

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

(d) Equity (continued)

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution.

On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

3.9 Impairment of financial assets

The Group recognises an impairment loss allowance for expected credit losses on a financial asset that is measured at amortised cost.

The Group recognises allowance for impairment losses for trade receivables based on the simplified approach in accordance with MFRS 9 *Financial Instruments* and measures the allowance for impairment loss based on a lifetime expected credit loss from initial recognition.

The Group recognises allowance for impairment losses for other receivables based on the three-stage general approach within MFRS 9 using the forward-looking expected credit loss model.

At the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets other than trade receivables by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.11 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes and real property gains taxes payable on the disposal of properties, if any.

Taxes in the combined statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the combined statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) The same taxable entity; or

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Income taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either (continued):

(ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax related to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates by the Government which have the substantive effect of actual enactment by the end of each reporting period.

3.12 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the Combined Financial Statements.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Revenue recognition

(a) Sale of goods

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

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognise revenue at the point in time.

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

Revenue is measured at the fair value of consideration received or receivable.

Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring a promised good 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.

(b) Other income

(i) Interest income

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

(ii) Rental income

Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Employee benefits

(a) Short-term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short-term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

The Group makes contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

3.16 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Combined Financial Statements are presented in Ringgit Malaysia.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Fair value measurements

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

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

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

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

3.18 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts would be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets shall be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. The probability of shareholders' approval (if required in the jurisdiction) is considered as part of the assessment of whether the sale is highly probable.

The sale is expected to qualify for recognition as a completed sale within one (1) year from the date of classification. However, an extension of the period required to complete the sale does not preclude the assets from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Group and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

A non-current asset is classified as held for distribution to owners when the entity is committed to distribute the asset to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the distribution is highly probable.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Non-current assets held for sale (continued)

Immediately before the initial classification as held for sale, the carrying amounts of the assets are measured in accordance with applicable MFRSs. On initial classification as held for sale, non-current assets are measured at the lower of its carrying amount before the initial classification as held for sale and fair value less costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

Non-current assets held for sale are classified as current assets in the combined statements of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current assets classified as held for sale is presented separately.

If the asset is being classified as non-current assets held for sale or held for distribution but subsequently, the criteria for classification is not met, it will cease to be classified as non-current assets held for sale and will be measured at the lower of:

(i) its carrying amount before the assets were classified as held for sale or held for distribution, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale or held for distribution; and

(ii) its recoverable amount at the date of the subsequent decision not to sell or distribute.

3.19 Earnings per ordinary share

(a) Basic

Basic earnings per share for the financial year is calculated by dividing the profit for the financial year attributable to the common controlling shareholders of the Group by the expected number of ordinary shares of the Company upon the completion of the Listing.

(b) Diluted

Diluted earnings per share for the financial year is calculated by dividing the profit for the financial year attributable to the common controlling shareholders of the combining entities by the expected number of ordinary shares of the Company upon the completion of the Listing, adjusted for the effects of potential dilutive ordinary shares.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Operating segments

Operating segments are defined as components of the Group that:

(a) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

  (i) The combined reported profit of all operating segments that did not report a loss; and

  (ii) The combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the Combined Financial Statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

4.2 Critical judgements made in applying accounting policies

There are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements.

4.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade receivables

The impairment allowances of trade receivables are based on assumptions about risk of default and expected credit loss rate. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, the existing market conditions including forward looking estimates i.e. consumer price index and gross domestic product index, at the end of reporting period.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

5. COMBINING ENTITIES

Details of the combining entities are as follows:

Name of combining entities	Country of incorporation/ Principal place of business	Effective interest in equity held based on voting interests 2023 %	2022 %	2021 %	Principal activities
Northeast Precision Sdn Bhd	Malaysia	100	100	100	Precision engineering works
NE Components Sdn Bhd	Malaysia	100	100	100	Precision engineering works
NE Integrated Sdn Bhd	Malaysia	100	100	100	Precision engineering works
NE Technologies Sdn Bhd	Malaysia	100	100	100	Precision engineering works
NE Solutions Sdn Bhd	Malaysia	100	100	100	Precision engineering works

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

6. PROPERTY, PLANT AND EQUIPMENT

30 September 2023	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Machinery, tools and equipment RM'000	Renovation and electrical installation RM'000	Office equipment, furniture and fittings and fire alarm system RM'000	Motor vehicles RM'000	Factory equipments RM'000	Capital work-in-progress RM'000	Total RM'000
At cost										
Balance as at 1 October 2022	4,353	-	7,531	63,925	1,122	4,528	1,106	35	5,907	88,507
Additions	12,829	-	314	8,116	244	1,082	85	-	-	22,670
Disposals	-	-	-	(1,377)	-	-	(757)	-	-	(2,134)
Reclassifications	-	-	5,547	-	-	-	-	-	(5,547)	-
Transfer (to)/from right-of-use (Note 7)	-	-	-	(940)	-	-	635	-	-	(305)
Transfer from investment properties (Note 8)	1,405	1,230	-	-	-	-	-	-	-	2,635
Balance as at 30 September 2023	18,587	1,230	13,392	69,724	1,366	5,610	1,069	35	360	111,373
Accumulated depreciation										
Balance as at 1 October 2022	-	-	1,951	34,829	644	2,160	939	11	-	40,534
Current charge	-	-	343	5,604	87	556	54	4	-	6,648
Disposals	-	-	-	(1,369)	-	-	(757)	-	-	(2,126)
Transfer (to)/from right-of-use properties (Note 7)	-	-	-	(78)	-	-	635	-	-	557
Transfer from investment properties (Note 8)	-	443	-	-	-	-	-	-	-	443
Balance as at 30 September 2023	-	443	2,294	38,986	731	2,716	871	15	-	46,056
Carrying amount										
Balance as at 30 September 2023	18,587	787	11,098	30,738	635	2,894	198	20	360	65,317

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

6. PROPERTY, PLANT AND EQUIPMENT (continued)

30 September 2022	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Machinery, tools and equipment RM'000	Renovation and electrical installation RM'000	Office equipment, furniture and fittings and fire alarm system RM'000	Motor vehicles RM'000	Factory equipments RM'000	Capital work-in-progress RM'000	Total RM'000
At cost										
Balance as at 1 October 2021	5,962	3,399	5,005	57,547	1,421	3,664	2,278	35	7,192	86,503
Additions	-	-	233	6,170	33	942	98	-	1,008	8,484
Disposals	(1,609)	(3,399)	-	-	(313)	(5)	(1,823)	-	-	(7,149)
Written off	-	-	-	-	(19)	(73)	-	-	-	(92)
Reclassifications	-	-	2,293	-	-	-	-	-	(2,293)	-
Transfer from right-of-use assets (Note 7)	-	-	-	208	-	-	553	-	-	761
Balance as at 30 September 2022	4,353	-	7,531	63,925	1,122	4,528	1,106	35	5,907	88,507
Accumulated depreciation										
Balance as at 1 October 2021	-	947	1,713	29,872	794	1,805	2,157	7	-	37,295
Current charge	-	68	238	4,863	92	408	52	4	-	5,725
Disposals	-	(1,015)	-	-	(228)	(4)	(1,823)	-	-	(3,070)
Written off	-	-	-	-	(14)	(49)	-	-	-	(63)
Transfer from right-of-use assets (Note 7)	-	-	-	94	-	-	553	-	-	647
Balance as at 30 September 2022	-	-	1,951	34,829	644	2,160	939	11	-	40,534
Carrying amount										
Balance as at 30 September 2022	4,353	-	5,580	29,096	478	2,368	167	24	5,907	47,973

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18 MAR 2024
BDO PLT
(201906000013 (LLP0018825-LCA) & AF 0206)
Chartered Accountants
Penang

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

6. PROPERTY, PLANT AND EQUIPMENT (continued)

30 September 2021	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Machinery, tools and equipment RM'000	Renovation and electrical installation RM'000	Office equipment, furniture and fittings and fire alarm system RM'000	Motor vehicles RM'000	Factory equipments RM'000	Capital work-in-progress RM'000	Total RM'000
At cost										
Balance as at 1 October 2020	7,367	4,629	5,005	46,834	1,294	2,845	1,085	35	4,973	74,067
Additions	-	-	-	9,768	127	819	132	-	2,219	13,065
Transfer from right-of-use assets (Note 7)	-	-	-	945	-	-	1,061	-	-	2,006
Transfer to investment properties (Note 8)	(1,405)	(1,230)	-	-	-	-	-	-	-	(2,635)
Balance as at 30 September 2021	5,962	3,399	5,005	57,547	1,421	3,664	2,278	35	7,192	86,503
Accumulated depreciation										
Balance as at 1 October 2020	-	1,106	1,512	24,319	687	1,430	1,052	3	-	30,109
Current charge	-	173	201	5,188	107	375	44	4	-	6,092
Transfer from right-of-use assets (Note 7)	-	-	-	365	-	-	1,061	-	-	1,426
Transfer to investment properties (Note 8)	-	(332)	-	-	-	-	-	-	-	(332)
Balance as at 30 September 2021	-	947	1,713	29,872	794	1,805	2,157	7	-	37,295
Carrying amount										
Balance as at 30 September 2021	5,962	2,452	3,292	27,675	627	1,859	121	28	7,192	49,208

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Chartered Accountants
Penang

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

6. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) As at the end of the reporting period, the carrying amounts of the property, plant and equipment charged as securities for credit facilities granted to the Group as disclosed in Note 14(c) to the Combined Financial Statements are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Freehold land	18,587	4,353	5,962
Freehold building	787	-	2,452
Leasehold building	8,040	2,316	-
Capital work-in-progress	360	5,907	7,192
	27,774	12,576	15,606

(b) The Group made the following cash payments to purchase property, plant and equipment:

	2023 RM'000	2022 RM'000	2021 RM'000
Purchase of property, plant and equipment	22,670	8,484	13,065
Financed by term loans	(11,038)	-	-
Unpaid and included under other payables	(845)	-	-
Cash payments on purchase of property, plant and equipment	10,787	8,484	13,065

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as lessee

Right-of-use assets

Carrying amount	Balance as at 1.10.2022 RM'000	Additions RM'000	Depreciation RM'000	Transfer (to)/from property, plant and equipment (Note 6) RM'000	Balance as at 30.9.2023 RM'000
Leasehold land	12,006	-	(375)	-	11,631
Motor vehicles	149	799	(141)	*	807
Machineries	4,537	-	(575)	862	4,824
	16,692	799	(1,091)	862	17,262

Carrying amount	Balance as at 1.10.2021 RM'000	Additions RM'000	Disposals RM'000	Depreciation RM'000	Transfer to property, plant and equipment (Note 6) RM'000	Balance as at 30.9.2022 RM'000
Leasehold land	12,381	-	-	(375)	-	12,006
Motor vehicles	143	175	*	(169)	*	149
Machineries	130	5,043	-	(522)	(114)	4,537
	12,654	5,218	*	(1,066)	(114)	16,692

* Less than RM1,000

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

Right-of-use assets (continued)

Carrying amount	Balance as at 1.10.2020 RM'000	Depreciation RM'000	Transfer to property, plant and equipment (Note 6) RM'000	Balance as at 30.9.2021 RM'000
Leasehold land	12,826	(445)	-	12,381
Motor vehicles	361	(218)	*	143
Machineries	756	(46)	(580)	130
	13,943	(709)	(580)	12,654

Lease liabilities

Carrying amount	Balance as at 1.10.2022 RM'000	Additions RM'000	Lease payments RM'000	Interest expense RM'000	Balance as at 30.9.2023 RM'000
Motor vehicles	153	428	(112)	18	487
Machineries	3,716	752	(1,850)	195	2,813
	3,869	1,180	(1,962)	213	3,300

* Less than RM1,000

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

Lease liabilities (continued)

Carrying amount	Balance as at 1.10.2021 RM'000	Additions RM'000	Lease payments RM'000	Interest expense RM'000	Balance as at 30.9.2022 RM'000
Motor vehicles	317	148	(325)	13	153
Machineries	11	4,465	(865)	105	3,716
	328	4,613	(1,190)	118	3,869

Carrying amount	Balance as at 1.10.2020 RM'000	Lease payments RM'000	Interest expense RM'000	Balance as at 30.9.2021 RM'000
Motor vehicles	677	(384)	24	317
Machineries	224	(219)	6	11
	901	(603)	30	328

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Lease liabilities (continued)

	2023 RM'000	2022 RM'000	2021 RM'000
Represented by:			
Current liabilities	1,870	1,489	287
Non-current liabilities	1,430	2,380	41
	3,300	3,869	328
Lease liabilities owing to financial institutions	3,300	3,869	328

(a) As at the end of the reporting period, leasehold land with carrying amount of RM11,632,228 (2022: RM12,006,780; 2021: RM12,381,332) have been charged to financial institutions for banking facilities granted to the Group as disclosed in Note 14(c) to the Combined Financial statements.

(b) The Group has certain leases of hostel and office 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.

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

	2023 RM'000	2022 RM'000	2021 RM'000
Depreciation of right-of-use assets			
- included in cost of sales	950	897	491
- included in administrative expenses	141	169	218
Expense relating to short-term leases			
- included in cost of sales	-	-	2
- included in administrative expenses	162	100	46
Expense relating to leases of low-value assets			
- included in administrative expenses	24	23	12
Interest expense on lease liabilities			
- included in finance costs	213	118	30
	1,490	1,307	799

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

	2023 RM'000	2022 RM'000	2021 RM'000
Included in net cash from operating activities:			
Payment relating to short-term leases and low value assets	186	123	60
Included in net cash used in investing activities:			
Purchase of right-of-use assets	371	605	-
Included in net cash used in financing activities:			
Payment for lease liabilities	1,962	1,190	603
	2,519	1,918	663

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(e) Information on financial risks of lease liabilities is disclosed in Note 29 to the Combined Financial Statements.

8. INVESTMENT PROPERTIES

	Freehold land RM'000	Freehold buildings RM'000	Total RM'000
30 September 2023			
At cost			
Balance as at 1 October 2022	5,097	3,209	8,306
Transfer to property, plant and equipment (Note 6)	(1,405)	(1,230)	(2,635)
Balance as at 30 September 2023	3,692	1,979	5,671
Accumulated depreciation			
Balance as at 1 October 2022	-	640	640
Current charge	-	89	89
Transfer to property, plant and equipment (Note 6)	-	(443)	(443)
Balance as at 30 September 2023	-	286	286
Carrying amount			
Balance as at 30 September 2023	3,692	1,693	5,385

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

8. INVESTMENT PROPERTIES (continued)

	Freehold land RM'000	Freehold buildings RM'000	Shop office RM'000	Total RM'000
30 September 2022				
At cost				
Balance as at 1 October 2021	5,097	3,209	2,242	10,548
Transfer to non-current assets held for sale (Note 12)	-	-	(2,242)	(2,242)
Balance as at 30 September 2022	5,097	3,209	-	8,306
Accumulated depreciation				
Balance as at 1 October 2021	-	551	515	1,066
Current charge	-	89	90	179
Transfer to non-current assets held for sale (Note 12)	-	-	(605)	(605)
Balance as at 30 September 2022	-	640	-	640
Accumulated impairment losses				
Balance as at 1 October 2021	-	-	-	-
Current charge	-	-	31	31
Transfer to non-current assets held for sale (Note 12)	-	-	(31)	(31)
Balance as at 30 September 2022	-	-	-	-
Carrying amount				
Balance as at 30 September 2022	5,097	2,569	-	7,666

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

8. INVESTMENT PROPERTIES (continued)

	Freehold land RM'000	Freehold buildings RM'000	Shop office RM'000	Total RM'000
30 September 2021				
At cost				
Balance as at 1 October 2020	3,692	1,979	2,242	7,913
Transfer from property, plant and equipment (Note 6)	1,405	1,230	-	2,635
Balance as at 30 September 2021	5,097	3,209	2,242	10,548
Accumulated depreciation				
Balance as at 1 October 2020	-	168	426	594
Current charge	-	51	89	140
Transfer from property, plant and equipment (Note 6)	-	332	-	332
Balance as at 30 September 2021	-	551	515	1,066
Carrying amount				
Balance as at 30 September 2021	5,097	2,658	1,727	9,482

(a) The fair value of the investment properties for disclosure purposes, which is at Level 3 of the fair value hierarchy, is estimated to be at approximately RM8,492,759 (2022: RM10,909,071; 2021: RM11,663,357). The fair value was determined based on Directors' estimation using the market comparison method by reference to market evidence of transaction prices of similar properties and recent experience in the location and category of the properties being valued. The unobservable input into this valuation method is price per square foot of comparable properties. The estimated fair value would increase if the historical sales transaction prices were higher and vice versa.

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

(b) Rental income generated from rental of investment properties of the Group during the financial year amounted to RM199,000 (2022: RM289,500; 2021: RM187,250).

(c) Direct operating expenses arising from investment properties which generated rental income to the Group during the financial year are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Quit rent and assessment	13	23	18
Repair and maintenance	-	-	1

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

8. INVESTMENT PROPERTIES (continued)

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

	2023 RM'000	2022 RM'000	2021 RM'000
Less than one (1) year	246	143	348
One (1) to two (2) years	218	-	237
Two (2) to three (3) years	99	-	60
	563	143	645

(e) As at the end of the reporting period, the carrying amounts of the investment properties charged as securities for credit facilities granted to the Group as disclosed in Note 14(c) to the Combined Financial Statements are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Freehold land	3,691	5,097	5,097
Freehold buildings	1,693	2,569	2,658
Shop office	-	-	1,727
	5,384	7,666	9,482

9. INVENTORIES

	2023 RM'000	2022 RM'000	2021 RM'000
At cost			
Raw materials	875	1,170	985
Work-in-progress	779	1,816	1,466
Finished goods	838	601	470
	2,492	3,587	2,921

During the financial year, the inventories of the Group recognised as cost of sales amounted to RM57,884,573 (2022: RM89,738,297; 2021: RM78,377,172).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

10. TRADE AND OTHER RECEIVABLES

	2023 RM'000	2022 RM'000	2021 RM'000
Trade receivables			
Third parties	15,312	22,731	17,897
Less: Impairment losses	(1,615)	(1,665)	(699)
	13,697	21,066	17,198
Other receivables			
Third parties	109	148	169
Amount owing by a related party	-	29	4
Deposits	1,710	981	206
	1,819	1,158	379
Total receivables	15,516	22,224	17,577
Prepayments	18	108	-
	15,534	22,332	17,577

(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 (2022: 30 days to 90 days; 2021: 30 days to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(c) The non-trade portion of amount owing by a related party is unsecured, interest free and repayable within the next twelve (12) months.

(d) The currency exposure profile of total receivables excluding prepayments is as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Ringgit Malaysia	2,883	7,752	4,990
United States Dollar	10,371	13,741	11,564
Euro Dollar	2,036	273	377
Singapore Dollar	36	66	303
British Pound	140	392	200
Japanese Yen	50	-	143
	15,516	22,224	17,577

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
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10. TRADE AND OTHER RECEIVABLES (continued)

(e) 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 combined 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.

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 are as follows:

	Gross carrying amount RM'000	Impairment RM'000	Net carrying amount RM'000
30 September 2023			
Current	7,274	43	7,231
1 to 30 days	3,831	43	3,788
31 to 60 days	2,366	73	2,293
61 to 90 days	389	58	331
More than 90 days	129	75	54
Credit impaired - individually impaired	1,323	1,323	-
	15,312	1,615	13,697
30 September 2022			
Current	13,853	73	13,780
1 to 30 days	3,892	36	3,856
31 to 60 days	2,049	59	1,990
61 to 90 days	530	30	500
More than 90 days	1,084	144	940
Credit impaired - individually impaired	1,323	1,323	-
	22,731	1,665	21,066
30 September 2021			
Current	11,208	147	11,061
1 to 30 days	1,859	62	1,797
31 to 60 days	1,288	64	1,224
61 to 90 days	392	45	347
More than 90 days	3,150	381	2,769
	17,897	699	17,198

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10. TRADE AND OTHER RECEIVABLES (continued)

(e) (continued)

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

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

(f) Movements in the impairment allowance for trade receivables are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Lifetime ECL allowance			
Balance as at 1 October 2022/2021/2020	342	699	469
Charge for the financial year	50	-	230
Reversal of impairment losses	(100)	(357)	-
Balance as at 30 September	292	342	699
Credit impaired			
Balance as at 1 October 2022/2021/2020	1,323	-	-
Charge for the financial year	-	1,323	-
Balance as at 30 September	1,323	1,323	-

(g) 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.

(h) Information on financial risks of trade and other receivables is disclosed in Note 29 to the Combined Financial Statements.

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11. CASH AND BANK BALANCES

	2023 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	76,020	70,246	52,062
Deposits with licensed banks	5,886	804	791
	81,906	71,050	52,853

(a) Cash and bank balances are classified as financial assets measured at amortised cost.

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

	2023 RM'000	2022 RM'000	2021 RM'000
Ringgit Malaysia	33,806	30,716	8,829
United States Dollar	39,665	37,513	42,319
British Pound	4,554	2,801	1,705
Euro Dollar	3,876	20	-
Chinese Yuan	5	-	-
	81,906	71,050	52,853

(c) The effective interest rate of deposits with licensed banks of the Group ranged from 2.65% to 2.70% (2022: 1.65%; 2021: 1.65%) per annum.

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

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

	2023 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	76,020	70,246	52,062
Deposits with licensed banks	5,886	804	791
As per combined statements of financial position	81,906	71,050	52,853
Less:			
Deposits with licensed banks with maturity more than three (3) months	(818)	(804)	(791)
As per combined statements of cash flows	81,088	70,246	52,062

(f) Information on financial risks of cash and bank balances is disclosed in Note 29 to the Combined Financial Statements.

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12. NON-CURRENT ASSETS HELD FOR SALE

	2023 RM'000	2022 RM'000	2021 RM'000
Shop offices*	-	1,606	-

* Transferred from investment properties (Note 8)

(a) On 15 September 2022, a combining entity, Northeast Precision Sdn Bhd entered into a sale and purchase agreement with Tang Cho Phong, a related party who is the son of a shareholder of two (2) of the combining entities for the disposal of a unit of 2 storey shop office held under GRN 139264, Lot 9903, Mukim 15, Daerah Seberang Perai Selatan, Negeri Pulau Pinang bearing assessment address No. 90, Jalan Tasek Mutiara 2, Bandar Tasek Mutiara, 14120 Simpang Ampat, Pulau Pinang during the financial year for a consideration of RM700,000. As at 30 September 2022, the conditions precedent stipulated in the sale and purchase agreement remains unfulfilled.

The sale and purchase agreement was completed during the financial year 30 September 2023.

(b) On 19 September 2022, a combining entity, Northeast Precision Sdn Bhd entered into a sale and purchase agreement with Tang Cho Chiang, a related party who is the son of a shareholder of two (2) of the combining entities for the disposal of a unit of 2 storey shop office held under GRN 139265, Lot 9904, Mukim 15, Daerah Seberang Perai Selatan, Negeri Pulau Pinang bearing assessment address No. 92, Jalan Tasek Mutiara 2, Bandar Tasek Mutiara, 14120 Simpang Ampat, Pulau Pinang during the financial year for a consideration of RM1,000,000. As at 30 September 2022, the conditions precedent stipulated in the sale and purchase agreement remains unfulfilled.

The sale and purchase agreement was completed during the financial year 30 September 2023.

(c) Gain on disposal of the shop offices amounted to RM94,088 (2022:Nil, 2021:Nil) was recognised as an income in other operating income.

13. INVESTED EQUITY

For the purpose of these Combined Financial Statements, the invested equity as at 30 September 2023, 30 September 2022 and 30 September 2021 are the aggregate of the share capital of the other combining entities, namely Northeast Precision Sdn Bhd, NE Components Sdn Bhd, NE Integrated Sdn Bhd, NE Technologies Sdn Bhd and NE Solutions Sdn Bhd.

	Number of ordinary shares	Amount RM'000
30 September 2023		
Issued and fully paid up with no par value:		
Balance as at 1 October /30 September	3,200,002	3,200

NOTES TO THE COMBINED FINANCIAL STATEMENTS
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13. INVESTED EQUITY (continued)

	Number of ordinary shares	Amount RM'000
30 September 2022		
Issued and fully paid up with no par value:		
Balance as at 1 October 2021	2,900,000	2,900
Incorporation of a combining entity	2	*
Issuance of share capital	300,000	300
Balance as at 30 September 2022	3,200,002	3,200
30 September 2021		
Issued and fully paid up with no par value:		
Balance as at 1 October 2020	2,300,000	2,300
Issuance of share capital	600,000	600
Balance as at 30 September 2021	2,900,000	2,900

* Less than RM1,000

(a) As at 30 September 2023, 2022 and 2021, the number of ordinary shares is on combined basis.

(b) During the financial year ended 30 September 2021, the issued and paid-up ordinary shares of the combining entity, NE Integrated Sdn Bhd was increased from RM400,000 to RM1,000,000 by way of issuance of 600,000 new ordinary shares of RM1 each for cash totalling RM600,000.

(c) On 18 July 2022, a combining entity, Northeast Group Sdn Bhd was incorporated with an issued and fully paid-up ordinary shares of RM2.

(d) During the financial year ended 30 September 2022, the issued and paid-up ordinary shares of the combining entities, Northeast Precision Sdn Bhd was increased from RM1,200,000 to RM1,500,000 by way of issuance of 300,000 new ordinary shares at RM1 each for cash totalling RM300,000.

(e) The common controlling shareholders of the combining entities are entitled to receive dividends as and when declared by the Group and is entitled to one (1) vote per ordinary share at meetings of the Group. All ordinary shares rank pari passu with regard to the residual assets of the Group.

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14. BORROWINGS

	2023 RM'000	2022 RM'000	2021 RM'000
Current liabilities			
Secured			
Term loans	1,471	982	1,225
Non-current liabilities			
Secured			
Term loans	26,282	18,666	22,990
Total borrowings			
Secured			
Term loans	27,753	19,648	24,215

(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 certain properties of the Group as disclosed in Note 6(a), Note 7(a) and Note 8(e) to the Combined Financial Statements;

(ii) Corporate guarantee by a combining entity which have been fully settled as at the end of the financial year ended 30 September 2022; and

(iii) Joint and several guarantee by certain Directors of the Group.

(d) Information on financial risks of borrowings and their maturity is disclosed in Note 29 to the Combined Financial Statements.

15. DEFERRED TAX LIABILITIES

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

	2023 RM'000	2022 RM'000	2021 RM'000
Balance as at 1 October 2022/2021/2020	4,290	2,950	2,396
Recognised in profit or loss (Note 23)	1,345	1,340	554
Balance as at 30 September	5,635	4,290	2,950
Subject to income tax:			
Property, plant and equipment	5,635	4,290	2,950

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15. DEFERRED TAX LIABILITIES

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

	2023 RM'000	2022 RM'000	2021 RM'000
Balance as at 1 October 2022/2021/2020	4,290	2,950	2,396
Recognised in profit or loss (Note 23):			
- relating to origination and reversal of temporary differences	944	1,314	799
- under/(over)provision in prior years	401	26	(245)
Balance as at 30 September	5,635	4,290	2,950

16. TRADE AND OTHER PAYABLES

	2023 RM'000	2022 RM'000	2021 RM'000
Trade payables			
Third parties	4,270	7,513	13,068
Other payables			
Third parties	2,898	4,123	4,862
Amount owing to Directors	-	-	5,040
Amount owing to a Shareholder	-	358	1,035
Accruals	3,121	3,840	2,398
Deposit received	304	491	263
Dividend payable	2,000	-	-
	8,323	8,812	13,598
	12,593	16,325	26,666

(a) Total 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 (2022: 30 days to 180 days; 2021: 30 days to 180 days).

(c) Non-trade portion of amount owing to Directors and a Shareholder are unsecured, interest-free and payable within the next twelve (12) months or upon demand in cash and cash equivalents. Subsequent to the financial year ended 30 September 2021, the amount owing to the Directors has been fully settled. Subsequent to the financial year ended 30 September 2022, the amount owing to a Shareholder has been fully settled.

(d) The currency exposure profile of trade and other payables is as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Ringgit Malaysia	12,224	16,237	26,570
United States Dollar	369	86	96
British Pound	-	2	*
	12,593	16,325	26,666

* Less than RM1,000

NOTES TO THE COMBINED FINANCIAL STATEMENTS
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16. TRADE AND OTHER PAYABLES (continued)

(e) Information on financial risks of trade and other payables is disclosed in Note 29 to the Combined Financial Statements.

17. CAPITAL COMMITMENTS

	2023 RM'000	2022 RM'000	2021 RM'000
Capital expenditure in respect of purchase of property, plant and equipment			
- approved but not contracted for	-	10,560	10,681
- contracted but not provided for	184	256	-
	184	10,816	10,681

18. CONTINGENT LIABILITIES

	2023 RM'000	2022 RM'000	2021 RM'000
Secured			
Financial guarantees given in respect of:			
Bank facilities utilised by a combining entity	-	-	3,593

The financial guarantees have not been recognised since the fair value on initial recognition was negligible.

19. REVENUE

	2023 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers:			
Sale of goods	93,335	144,515	113,207
Timing of revenue recognition:			
At a point in time	93,335	144,515	113,207

Disaggregation of revenue from contracts with customers

Disaggregation of revenue of the Group by geographical market is disclosed in Note 27(a) to the Combined Financial Statements.

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20. EMPLOYEE BENEFITS

	2023 RM'000	2022 RM'000	2021 RM'000
Directors' fees	235	1,766	1,283
Wages, salaries, overtime and bonuses	20,980	19,094	17,595
Contributions to defined contribution plan	1,488	1,375	1,107
Social security contributions	217	174	162
Employment insurance system contributions	13	12	10
	22,933	22,421	20,157

Included in the employee benefits of the Group are the remuneration of Directors and other key management personnel as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Directors' fees	235	1,766	1,283
Salaries and other emoluments	4,825	4,945	4,413
Contributions to defined contribution plan	579	594	533
Social security contributions	10	10	11
Employment insurance system contributions	1	1	1
	5,650	7,316	6,241

21. OTHER OPERATING INCOME

	2023 RM'000	2022 RM'000	2021 RM'000
Scrap sales	1,599	2,893	3,176
Rental income from:			
- investment properties	199	290	187
- factory	-	10	-
- non-current assets held for sale	23	-	-
Interest income	101	21	29
Insurance claim received	-	294	-
Gain on disposal of:			
- property, plant and equipment	332	2,412	-
- right-of-use assets	-	1	-
- non-current assets held for sale	94	-	-
Realised gain on foreign exchange	264	845	-
Unrealised gain on foreign exchange	1,042	3,807	524
	3,654	10,573	3,916

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22. FINANCE COSTS

	2023 RM'000	2022 RM'000	2021 RM'000
Interest expense on:			
- bank guarantee	10	11	8
- lease liabilities	213	118	30
- term loans	990	852	913
	1,213	981	951

23. TAX EXPENSE

	2023 RM'000	2022 RM'000	2021 RM'000
The major components of the tax expense are:			
Current tax expense based on profit for the financial years	4,090	8,773	5,103
Overprovision of tax expense in prior years	(459)	(543)	(174)
	3,631	8,230	4,929
Deferred tax expense (Note 15):			
Relating to origination and reversal of temporary differences	944	1,314	799
Under/(Over)provision in prior years	401	26	(245)
	1,345	1,340	554
Real property gains tax	-	161	-
Total tax expense	4,976	9,731	5,483

(a) The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2022: 24%; 2021: 24%) of the estimated taxable profits for the fiscal year.

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23. TAX EXPENSE (continued)

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

	2023 RM'000	2022 RM'000	2021 RM'000
Profit before tax	23,336	47,802	25,299
Tax at the applicable tax rate of 24% (2022: 24%; 2021: 24%)	5,600	11,470	6,071
Tax effects of:			
- expenses not deductible for tax purposes	611	910	638
- income not subject to tax	(457)	(1,451)	(173)
- real property gains tax	-	161	-
- different tax rate for first RM600,000 of chargeable income	(129)	(136)	(137)
- utilisation of reinvestment allowance	(591)	(706)	(497)
Overprovision of tax expense in prior years	(459)	(543)	(174)
Under/(Over)provision of deferred tax in prior years	401	26	(245)
Tax expense for the financial year	4,976	9,731	5,483

24. DIVIDENDS

	Dividend per share RM	Amount of dividend RM'000
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	4.00	2,000
30 September 2022		
In respect of financial year ended 30 September 2022: Single tier interim dividend declared by Northeast Precision Sdn Bhd, paid on 8 September 2022	0.85	1,020

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25. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial years is calculated by dividing the profit for the financial years attributable to the common controlling shareholders of the combining entities by the expected number of ordinary shares of the Company pursuant to the Listing.

	2023	2022	2021
Profit attributable to the common controlling shareholders of the combining entities (RM'000)	18,360	38,071	19,816
Expected number of shares upon completion of the Listing (unit'000)	740,000	740,000	740,000
Basic earnings per ordinary share (sen)	2.48	5.14	2.68

(b) Diluted

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

26. 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 entities.

The related parties are companies in which certain Directors of the Group and their family members have significant financial and controlling interests.

Related parties of the Group refer to combining entities as disclosed in Note 5 to the Combined Financial Statements.

(b) In addition to the transactions and balances detailed elsewhere in the Combined Financial Statements, the Group had the following transactions with related parties during the financial years:

	2023 RM'000	2022 RM'000	2021 RM'000
Related parties:			
Disposal of investment properties	-	1,700	-
Rental expense	(32)	(37)	(24)

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

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26. RELATED PARTY DISCLOSURES (continued)

(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.

The total compensation of Directors and key management personnel during the financial year is disclosed in Note 20 to the Combined Financial Statements.

27. 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:

	2023 RM'000	2022 RM'000	2021 RM'000
Revenue from external customers:			
Malaysia	24,362	33,026	24,548
North America	33,625	59,148	56,056
Europe	22,337	35,057	19,617
Other Asian countries	12,926	17,235	12,933
Oceania	72	49	53
South America	13	-	-
	93,335	144,515	113,207

(b) Major customers

A major customer with revenue equal to or more than ten percent (10%) of the Group's revenue amounting to RM31,521,614 (2022: RM67,769,614; 2021: RM57,679,231).

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28. 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 common controlling shareholders of the Group. A detailed calculation is shown below:

	2023 RM'000	**2022 RM'000**	**2021 RM'000**
Borrowings	27,753	19,648	24,215
Lease liabilities	3,300	3,869	328
Less: Cash and bank balances	(81,906)	(71,050)	(52,853)
Net cash	(50,853)	(47,533)	(28,310)
Total capital	142,743	126,383	89,032
Net cash	(50,853)	(47,533)	(28,310)
Equity	91,890	78,850	60,722
Gearing ratio	*	*	*

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

The Group is not subject to any externally imposed capital requirements as at the end of each reporting period.

(b) Method 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 at 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 value, either due to their short-term nature or that they are floating rate instruments that are re-priced at market interest rates on or near the end of each reporting period.

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

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28. FINANCIAL INSTRUMENTS (continued)

(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).

29. 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 is 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:

(a) Credit risk

Cash deposits 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.

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 combined statements of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

Financial guarantees

At the 30 September 2021, the maximum exposure to credit risk in relation to financial guarantees given amounted to RM3,592,880 representing the outstanding banking facilities of the combining entity.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables 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:

	2023		**2022**		**2021**	
	RM'000	**% of total**	**RM'000**	**% of total**	**RM'000**	**% of total**
By geographical location						
Malaysia	3,632	26.51%	8,474	40.23%	5,911	34.37%
Other Asian countries	1,763	12.87%	3,636	17.26%	3,364	19.56%
North America	3,401	24.83%	2,088	9.91%	3,578	20.81%
Europe	4,877	35.61%	6,859	32.56%	4,303	25.02%
Oceania	24	0.18%	9	0.04%	42	0.24%
	13,697	100.00%	21,066	100.00%	17,198	100.00%

At the end of the reporting period, approximately 23% (2022: 17%; 2021: 25%) of the trade receivables of the Group were due from two (2) (2022: one (1); 2021: two (2)) major customers.

(b) 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risk (continued)

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

	On demand or within one (1) year RM'000	One (1) to five (5) years RM'000	More than five (5) years RM'000	Total RM'000
Financial liabilities				
30 September 2023				
Trade and other payables	12,593	-	-	12,593
Lease liabilities	2,026	1,494	-	3,520
Borrowings	2,728	10,913	24,097	37,738
Total undiscounted financial liabilities	17,347	12,407	24,097	53,851
30 September 2022				
Trade and other payables	16,325	-	-	16,325
Lease liabilities	1,679	2,503	-	4,182
Borrowings	1,834	7,334	17,659	26,827
Total undiscounted financial liabilities	19,838	9,837	17,659	47,334
30 September 2021				
Trade and other payables	26,666	-	-	26,666
Lease liabilities	301	42	-	343
Borrowings	2,060	8,241	22,696	32,997
Financial guarantees*	3,593	-	-	3,593
Total undiscounted financial liabilities	32,620	8,283	22,696	63,599

* The disclosure represents the maximum amount that is required to be settled in the event of a default, where applicable call on the Group to pay for the combining entity.

(c) 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").

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Foreign currency risk (continued)

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 functional currency of the Group, with all other variables held constant:

	2023 RM'000	2022 RM'000	2021 RM'000
Effects on profit after tax			
USD/RM			
- Strengthen by 5%	1,887	1,944	2,044
- Weaken by 5%	(1,887)	(1,944)	(2,044)
Effects on equity			
USD/RM			
- Strengthen by 5%	-	-	-
- Weaken by 5%	-	-	-
Effects on profit after tax			
EUR/RM			
- Strengthen by 5%	225	11	14
- Weaken by 5%	(225)	(11)	(14)
Effects on equity			
EUR/RM			
- Strengthen by 5%	-	-	-
- Weaken by 5%	-	-	-
Effects on profit after tax			
GBP/RM			
- Strengthen by 5%	178	121	72
- Weaken by 5%	(178)	(121)	(72)
Effects on equity			
GBP/RM			
- Strengthen by 5%	-	-	-
- Weaken by 5%	-	-	-

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) 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:

	2023 RM'000	2022 RM'000	2021 RM'000
Effects on profit after tax			
Interest rate			
- increase by 0.5%	105	75	92
- decrease by 0.5%	(105)	(75)	(92)
Effects on equity			
Interest rate			
- increase by 0.5%	-	-	-
- decrease by 0.5%	-	-	-

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18 MAR 2024
BDO PLT
(201906000013 (LLP0018825-LCA) & AF 0206)
Chartered Accountants
Penang

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

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:

	Note	WAEIR/ WAIBR* %	Within one (1) year RM'000	One (1) to two (2) years RM'000	Two (2) to three (3) years RM'000	Three (3) to four (4) years RM'000	Four (4) to five (5) years RM'000	More than five (5) years RM'000	Total RM'000
As at 30 September 2023									
Fixed rates									
Deposits with licensed banks	11	2.68	5,886	-	-	-	-	-	5,886
Lease liabilities	7	4.68*	(1,870)	(1,122)	(166)	(103)	(39)	-	(3,300)
Floating rate									
Term loans	14	4.73	(1,471)	(1,541)	(1,616)	(1,694)	(1,775)	(19,656)	(27,753)
As at 30 September 2022									
Fixed rates									
Deposits with licensed banks	11	1.65	804	-	-	-	-	-	804
Lease liabilities	7	4.58*	(1,489)	(1,554)	(782)	(33)	(11)	-	(3,869)
Floating rate									
Term loans	14	4.52	(982)	(1,026)	(1,074)	(1,122)	(1,174)	(14,270)	(19,648)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

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 (continued):

	Note	WAEIR/ WAIBR* %	Within one (1) year RM'000	One (1) to two (2) years RM'000	Two (2) to three (3) years RM'000	Three (3) to four (4) years RM'000	Four (4) to five (5) years RM'000	More than five (5) years RM'000	Total RM'000
As at 30 September 2021									
Fixed rates									
Deposits with licensed banks	11	1.65	791	-	-	-	-	-	791
Lease liabilities	7	3.46*	(287)	(41)	-	-	-	-	(328)
Floating rate									
Term loans	14	3.38	(1,225)	(1,270)	(1,306)	(1,354)	(1,404)	(17,656)	(24,215)

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

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

(a) On 27 December 2023, the issued and fully paid-up capital of Northeast Group Sdn Bhd ("Northeast") was increased from RM2 to RM1,000 by way of issuance of 998 new ordinary shares at RM1 each by way of cash. 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.

(b) Northeast acquired the entire issued share capital of NE Components Sdn Bhd ("NE Components") 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 of Northeast ("Northeast Shares") to the vendors at an issue price of RM0.25 per share. The acquisition was completed on 5 January 2024. Following this, Northeast regards NE Components as its wholly-owned subsidiary.

(c) Northeast acquired the entire issued share capital of NE Integrated Sdn Bhd ("NE Integrated") 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 Northeast Shares to the vendors at an issue price of RM0.25 per share. The acquisition was completed on 5 January 2024. Following this, Northeast regards NE Integrated as its wholly-owned subsidiary.

(d) Northeast acquired the entire issued share capital of NE Solutions Sdn Bhd ("NE Solutions") 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 Northeast Shares to the vendors at an issue price of RM0.25 per share. The acquisition was completed on 5 January 2024. Following this, Northeast regards NE Solutions as its wholly-owned subsidiary.

(e) Northeast acquired the entire issued share capital of NE Technologies Sdn Bhd ("NE Technologies") 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 Northeast Shares to the vendors at an issue price of RM0.25 per share. The acquisition was completed on 5 January 2024. Following this, Northeast regards NE Technologies as its wholly-owned subsidiary.

(f) Northeast acquired the entire issued share capital of Northeast Precision Sdn Bhd ("Northeast Precision") 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 Northeast Shares to the vendors at an issue price of RM0.25 per share. The acquisition was completed on 5 January 2024. Following this, Northeast regards Northeast Precision as its wholly-owned subsidiary.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

31. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

31.1 New MFRSs adopted during the financial years

The Group 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
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to MFRS 116 *Property, Plant and Equipment – Proceed before Intended Use*	1 January 2022
Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022

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

31.2 New MFRSs and Amendments to MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023

Title	Effective Date
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 17 *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 Comparative Information*	1 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*)	1 January 2023
Amendments to MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to *MFRS 16 Leases – Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to MFRS 101 *Non-current Liabilities with Covenants*	1 January 2024
Amendments to MFRS 107 and MFRS 7 *Supplier Finance Arrangements*	1 January 2024
Amendments to MFRS 121 *Lack of Exchangeability*	1 January 2025
Amendments to MFRS 112 *International Tax Reform – Pillar Two Model Rules*	See MFRS 112 paragraph 98M
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group 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 COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021

STATEMENT BY DIRECTORS

We, Ng Chay Chin and Chong Ewe Hean, being two of the Directors of Northeast Group Berhad, state that, in the opinion of the Directors, the combined financial statements set out on pages 4 to 70 are drawn up so as to give a true and fair view of the financial position of the Group as at 30 September 2021, 2022 and 2023 and of the financial performance and cash flows of the Group for the financial years ended 30 September 2021, 2022 and 2023 in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 18 March 2024

Ng Chay Chin
Director

Chong Ewe Hean
Director

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18 MAR 2024
BDO PLT
(201906000013 (LLP0018825-LCA) & AF 0206)
Chartered Accountants
Penang