

3. DETAILS OF OUR IPO

3.1 OPENING AND CLOSING OF APPLICATION

The Application for our Issue Shares will open at 10.00 a.m. on [●] and close at 5.00 p.m. on [●]. Late applications will not be accepted.

3.2 INDICATIVE TIMETABLE

The indicative timetable for our IPO is set out below:

Event	Time / date
Issuance of Prospectus/ Opening of Application	10.00 a.m., [●]
Closing of Application	5.00 p.m., [●]
Balloting of Application	[●]
Allotment/ transfer of our IPO Shares to successful applicants	[●]
Listing	[●]

If there is any change to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper within Malaysia and announce it on Bursa Securities' website accordingly.

3.3 PARTICULARS OF OUR IPO

Our IPO consists of the Public Issue and Offer for Sale, totalling 220,789,000 IPO Shares, representing approximately 29.84% of our enlarged issued share capital.

3.3.1 Public Issue

Our Public Issue of 168,989,000 Issue Shares, representing approximately 22.84% of our enlarged issued share capital, will be allocated in the following manner, at the IPO Price, subject to the clawback and reallocation provisions as set out in Section 3.3.4 of this Prospectus:

(i) Malaysian Public

37,000,000 Issue Shares, representing approximately 5.00% of our enlarged issued share capital, will be made available for application by the Malaysian Public by way of balloting as follows:

- (a) 18,500,000 Issue Shares, representing approximately 2.50% of our enlarged issued share capital, will be made available to the Bumiputera Malaysian Public; and
- (b) 18,500,000 Issue Shares, representing approximately 2.50% of our enlarged issued share capital, will be made available to the Malaysian Public.

3. DETAILS OF OUR IPO (CONT'D)

(ii) Eligible Persons

29,600,000 Issue Shares (being Pink Form Allocations), representing 4.00% of our enlarged issued share capital, will be made available for application by the Eligible Persons. The details are as follows:

Eligible Persons	No. of persons	Aggregate no. of Issue Shares allocated
Eligible Directors ⁽ⁱ⁾	4	3,700,000
Eligible employees and business associates who have contributed to the success of our Group ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	250	25,900,000
Total	254	29,600,000

Notes:

- (i) The allocation to eligible Directors is based on, amongst others, their respective roles, responsibilities and anticipated contributions to our Group. The allocation of Issue Shares reserved for the eligible Directors is as follows:

Name	Designation	No. of Issue Shares allocated
Dato' Seri Lee Kah Choon	Independent Non-Executive Chairman	1,300,000
Dato' Faiza Binti Zulkifli	Independent Non-Executive Director	800,000
Ong Kim Nam	Independent Non-Executive Director	800,000
Ong Guat Ean	Independent Non-Executive Director	800,000
Total		3,700,000

- (ii) The criteria of allocation to eligible employees (as approved by our Board) are based on, amongst others, the following:

- (a) the eligible employee must be a full-time and confirmed employee of our Group and on our Group's payroll; and
- (b) seniority, job grade, length of service, past performance and contributions to our Group and any other factors considered relevant by our Board.

- (iii) The criteria of allocation to eligible business associates are based on, amongst others, their length of business relationship with our Group, current and past contributions and support to our Group, and as approved by our Board. This may include our customers, suppliers, sub-contractors and business associates who have contributed to the success of our Group.

Save for their Pink Form Allocations, our Company is not aware as to whether any of our substantial shareholders, Directors or Key Senior Management have the intention to subscribe for our IPO Shares.

3. DETAILS OF OUR IPO (CONT'D)

(iii) Private placement to Selected Investors

61,689,000 Issue Shares, representing approximately 8.34% of our enlarged issued share capital, will be made available for application by way of private placement to Selected Investors.

(iv) Private placement to identified Bumiputera investors approved by the MITI

40,700,000 Issue Shares, representing 5.50% of our enlarged issued share capital, will be made available for application by way of private placement to identified Bumiputera investors approved by the MITI.

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3. DETAILS OF OUR IPO (CONT'D)

3.3.2 Offer for Sale

Our Selling Shareholders will offer a total of 51,800,000 Offer Shares, representing approximately 9.07% of our existing issued share capital as at the LPD or approximately 7.00% of our enlarged issued share capital, at the IPO Price, by way of private placement to Bumiputera investors approved by the MITI, subject to the clawback and reallocation provisions as set out in Section 3.3.4 of this Prospectus.

Details of our Selling Shareholders are as follows:

Name/ Address	Material relationship with our Group within the past 3 years	Direct shareholdings as at the LPD		Offer Shares to be offered pursuant to the Offer for Sale		Direct shareholdings immediately after our IPO	
		No. of Shares	(i)%	No. of Shares	(ii)%	No. of Shares	(ii)%
Ng Chay Chin/ 2, Jalan Bukit Minyak Permai 1 Taman Bukit Minyak Permai 14000 Bukit Mertajam Pulau Pinang	<ul style="list-style-type: none"> Promoter Substantial shareholder Director of NE Components, NE Integrated, NE Solutions, NE Technologies and Northeast Precision Key Senior Management 	37,000,000	6.48	7,400,000	1.00	29,600,000	4.00
Chong Ewe Hean/ 119-08-3A, Putra Marine Resort Bayan Indah Sungai Nibong 11900 Bayan Lepas Pulau Pinang	<ul style="list-style-type: none"> Promoter Substantial shareholder Director of NE Components, NE Integrated, NE Solutions, NE Technologies and Northeast Precision Key Senior Management 	29,600,000	5.18	3,700,000	0.50	25,900,000	3.50
Ng Chai Hee/ 23, Lorong Seri Tambun 2 Taman Seri Tambun 14100 Simpang Ampat Pulau Pinang	<ul style="list-style-type: none"> Specified Shareholder Director of NE Integrated and NE Technologies Key Senior Management 	12,580,000	2.20	3,700,000	0.50	8,880,000	1.20

3. DETAILS OF OUR IPO (CONT'D)

Name/ Address	Material relationship with our Group within the past 3 years	Direct shareholdings as at the LPD		Offer Shares to be offered pursuant to the Offer for Sale		Direct shareholdings immediately after our IPO	
		No. of Shares	(i)%	No. of Shares	(ii)%	No. of Shares	(ii)%
Ng Meng Hang/ 6598 I Block C Taman Mak Mandin 13400 Butterworth Pulau Pinang	<ul style="list-style-type: none"> Shareholder An employee of Northeast Group Director of NE Components and Northeast Precision⁽ⁱⁱⁱ⁾ 	37,740,000	6.61	19,240,000	2.60	18,500,000	2.50
Tang Ah Lek/ 6, Jalan Bukit Minyak Permai 1 Taman Bukit Minyak Permai 14000 Bukit Mertajam Pulau Pinang	<ul style="list-style-type: none"> Shareholder 	34,780,000	6.09	12,580,000	1.70	22,200,000	3.00
Yin Thien Hee/ 179, Jalan Padang 09800 Serdang Kedah	<ul style="list-style-type: none"> Shareholder Director of NE Components Key Senior Management 	12,580,000	2.20	5,180,000	0.70	7,400,000	1.00

Notes:

- (i) Based on the issued share capital of 571,011,000 Shares after the Acquisitions.
- (ii) Based on the enlarged issued share capital of 740,000,000 Shares after our IPO.
- (iii) Resigned as Director of NE Components and Northeast Precision on 27 September 2022.

Based on the IPO Price, the Offer for Sale will raise gross proceeds of approximately RM[●], which will accrue entirely to our Selling Shareholders. The Offer Shares are not underwritten as they will be made available for subscription by way of private placement to identified Bumiputera investors approved by the MITI, the expenses of which will be fully borne by our Selling Shareholders.

3. DETAILS OF OUR IPO (CONT'D)

3.3.3 Underwriting and allocation of the IPO Shares

In summary, subject to the clawback and reallocation provisions as set out in Section 3.3.4 of this Prospectus, our IPO Shares will be allocated in the following manner:

	Public Issue		Offer for Sale		Total	
	No. of Issue Shares	(i)%	No. of Offer Shares	(i)%	No. of IPO Shares	(i)%
Malaysian Public (via balloting):						
▪ Bumiputera	18,500,000	2.50	-	-	18,500,000	2.50
▪ Non-Bumiputera	18,500,000	2.50	-	-	18,500,000	2.50
Eligible Persons:						
▪ Directors	3,700,000	0.50	-	-	3,700,000	0.50
▪ Employees and business associates who have contributed to the success of our Group	25,900,000	3.50	-	-	25,900,000	3.50
Private placement to Selected Investors	61,689,000	8.34	-	-	61,689,000	8.34
Private placement to identified Bumiputera investors approved by the MITI	40,700,000	5.50	51,800,000	7.00	92,500,000	12.50
Total	168,989,000	22.84	51,800,000	7.00	220,789,000	29.84

Note:

(i) Based on the enlarged issued share capital of 740,000,000 Shares after our IPO.

The 37,000,000 Issue Shares made available for application by the Malaysian Public (via balloting) and the 29,600,000 Issue Shares under the Pink Form Allocations are fully underwritten by our Sole Underwriter.

The 154,189,000 IPO Shares made available for application by way of private placement to Selected Investors and identified Bumiputera investors approved by the MITI are not underwritten. Irrevocable undertakings [have been] or will be obtained from Selected Investors and identified Bumiputera investors approved by the MITI to subscribe for our IPO Shares made available under the private placement.

There is no over-allotment or "greenshoe" option that will increase the number of our IPO Shares.

3. DETAILS OF OUR IPO (CONT'D)

3.3.4 Clawback and reallocation

Our IPO Shares shall be subject to the following clawback and reallocation provisions:

(i) Malaysian Public

In the event of under-subscription of our Issue Shares by the Malaysian Public, and subject to a corresponding over-subscription by the Eligible Persons or Selected Investors under the private placement, the remaining portion will be clawed back and reallocated to the Eligible Persons and/or offered to Selected Investors under the private placement, the proportion of which will be at the discretion of our Sole Placement Agent and our Board.

Any remaining Issue Shares not subscribed for will be subscribed by our Sole Underwriter in accordance with the terms of the Underwriting Agreement.

(ii) Eligible Persons

In the event of under-subscription of our Issue Shares by the Eligible Persons under the Pink Form Allocations, the unsubscribed Issue Shares will be reallocated to other Eligible Persons who have applied for excess Issue Shares (if any) ("**Excess Shares**") in addition to their pre-determined allocation. Such Excess Shares will be allocated to the Eligible Persons who have applied for Excess Shares on a fair and equitable basis in the following priority:

- (a) firstly, allocation on a proportionate basis based on the number of Excess Shares they applied for; and
- (b) secondly, to minimise odd lots.

Our Board reserves the right to allocate to the Eligible Persons who have applied for Excess Shares in addition to their pre-determined allocation at the discretion of our Board in such manner as it deems fit and expedient in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (a) and (b) above is achieved. Our Board also reserves the right to accept or reject any Excess Shares application, in full or in part, without assigning any reason.

In the event of under-subscription by the other Eligible Persons (after reallocation of Excess Shares to other Eligible Persons), and subject to a corresponding over-subscription by the Malaysian Public or Selected Investors under the private placement, the remaining portion will be clawed back and reallocated to the Malaysian Public and/or offered to Selected Investors under the private placement, the proportion of which will be at the discretion of our Sole Placement Agent and our Board.

Thereafter, any remaining Issue Shares not subscribed for will be subscribed by our Sole Underwriter in accordance with the terms of the Underwriting Agreement.

3. DETAILS OF OUR IPO (CONT'D)

(iii) Private placement to Selected Investors

In the event of under-subscription of the Issue Shares by Selected Investors under the private placement and subject to a corresponding over-subscription by the Malaysian Public or Eligible Persons, the remaining portion will be clawed back and reallocated to the Malaysian Public and/or offered to the Eligible Persons, the proportion of which will be at the discretion of our Sole Placement Agent and our Board.

(iv) Private placement to identified Bumiputera investors approved by the MITI

In the event of under-subscription of our IPO Shares by identified Bumiputera investors approved by the MITI under the private placement and subject to a corresponding over-subscription by the Malaysian Public or Selected Investors under the private placement, the remaining portion will be clawed back and reallocated as follows:

- (a) firstly, to the Malaysian institutional investors which are part of Selected Investors under Section 3.3.1(iii) of this Prospectus; and
- (b) secondly, to the Bumiputera Malaysian Public which are part of the Malaysian Public under Section 3.3.1(i) of this Prospectus.

Thereafter, any remaining IPO Shares will be made available for other Malaysian Public under Section 3.3.1(i) of this Prospectus and/or offered to other Selected Investors under Section 3.3.1(iii) of this Prospectus, the proportion of which will be at the discretion of our Sole Placement Agent and our Board. If still under-subscribed, such IPO Shares will be made available for subscription by the Eligible Persons.

The clawback and reallocation provisions will not apply in the event there is an over-subscription in all of the allocations of our IPO Shares at the closing date of our IPO.

Our IPO Shares will be allocated in a fair and equitable manner and the basis of allocation for such IPO Shares shall take into account the desirability of distributing such IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public shareholding spread requirement of Bursa Securities and to establish a liquid market for our Shares.

As at the LPD, to the best of our knowledge and belief:

- (i) there are no substantial shareholders, Directors or Key Senior Management who have indicated to our Board that they intend to subscribe for our IPO Shares, save for the Issue Shares made available for application under the Pink Form Allocations; and
- (ii) there is no person who intends to subscribe for more than 5.00% of our IPO Shares.

3.3.5 Minimum subscription level

There is no minimum subscription in terms of the amount of proceeds to be raised from our IPO. However, in order to comply with the public spread requirements of the Listing Requirements, the minimum subscription level will be the number of Shares required to be held by public shareholders.

3. DETAILS OF OUR IPO (CONT'D)

Pursuant to the Listing Requirements, at least 25.00% of our enlarged issued share capital must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the time of our Admission. Prior to our Admission, we will ensure that this requirement is met through the balloting process and the private placement exercise to ensure that a minimum 200 public shareholders holding not less than 100 Shares each is in place and at least 25.00% of our enlarged issued share capital are held by public shareholders.

If the public spread requirement is not met, we may not be able to proceed with our Listing. In such event, monies paid in respect of all applications will be returned in full, without interest or any share of revenue or benefits arising therefrom. If such monies are not returned in full within 14 days after we become liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly. Please refer to Section 8.3.5 of this Prospectus for details in the event there is a delay in or termination of our Listing.

3.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

	No. of Shares	RM
Issued share capital as at the LPD	571,011,000	142,753,500
New Shares to be issued pursuant to the Public issue	168,989,000	⁽ⁱ⁾ [●]
Enlarged issued share capital upon Listing	740,000,000	[●]
Shares to be offered under the Offer for Sale	51,800,000	[●]
IPO Price		[●]
Market capitalisation upon Listing (based on our IPO Price and enlarged issued share capital upon Listing)		[●]

The Offer for Sale would not have any effect on our issued share capital as the Offer Shares are already in existence prior to our IPO.

Note:

- (i) Calculated based on the IPO Price of RM[●] per Issue Share and after deducting estimated listing expenses of approximately RM[●], which are listing expenses that are directly attributable to our IPO and as such, will be debited against the share capital of our Company. These expenses comprise brokerage fee, underwriting commission and placement fee.

As at the date of this Prospectus, we only have 1 class of shares in our Company, namely ordinary shares.

The Issue Shares will, upon allotment and issuance, rank equally in all respects with our existing Shares including voting rights, and will be entitled to all rights, dividends and other distributions that may be declared subsequent to the date of allotment of the Issue Shares.

The Offer Shares rank equally in all respects with our existing issued Shares including voting rights, and will be entitled to all rights, dividends and other distributions that may be declared subsequent to the date of transfer of the Offer Shares.

3. DETAILS OF OUR IPO (CONT'D)

Subject to any special right attaching to any Share which we may issue in the future, our shareholders shall, in proportion to the amount paid on the Shares held by them, be entitled to share the profits paid out by us as dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution, after the satisfaction of any preferential payment in accordance with the Act and our liabilities.

At our general meeting, each shareholder shall be entitled to vote in person, by proxy, by attorney or by other duly authorised representative. Subject to the Listing Requirements, any resolution put to vote at the meeting shall be decided by way of poll. On a poll, each shareholder present either in person or by proxy, attorney or other duly authorised representative shall have 1 vote for every Share held or represented. A proxy may but need not be a member of our Company.

3.5 BASIS OF ARRIVING AT THE IPO PRICE

3.5.1 IPO Price

Our Directors, Promoters and Selling Shareholders have determined and agreed on the IPO Price of RM[●] per IPO Share in consultation with our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter, after taking into consideration the following:

- (i) our EPS of approximately 2.48 sen based on our PAT for FYE 2023 of approximately RM18.36 million and our enlarged issued share capital of 740,000,000 Shares, which translate into a price-to-earnings multiple of approximately [●] times;
- (ii) our pro forma NA per Share of RM[●] as at 30 September 2023 based on our enlarged issued share capital of 740,000,000 Shares after our IPO and subsequent to the use of proceeds from our IPO;
- (iii) our business overview and financial performance as described in Sections 6 and 11 of this Prospectus respectively;
- (iv) our competitive strengths as set out in Section 6.4 of this Prospectus;
- (v) our future plans and business strategies as set out in Section 6.5 of this Prospectus; and
- (vi) the overview and outlook of the precision engineering industry in Malaysia as described in Section 7 of this Prospectus.

You should note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in our Shares. You are also reminded to carefully consider the risk factors as set out in Section 8 of this Prospectus before deciding to invest in our Shares.

3.5.2 Expected market capitalisation

Based on the IPO Price of RM[●] per IPO Share, the total market capitalisation of our Company upon Listing will be approximately RM[●].

3. DETAILS OF OUR IPO (CONT'D)

3.6 DILUTION

Dilution is the amount by which the price paid by the investors for our IPO Shares exceeds our pro forma NA per Share immediately after our IPO.

Our pro forma NA per Share as at 30 September 2023 (after adjustments for subsequent events*) but before our IPO was approximately RM0.25 per Share.

Pursuant to the issuance of 168,989,000 new Shares under our IPO and after adjusting for the use of proceeds from our IPO, our pro forma NA per Share based on our enlarged issued share capital upon Listing of 740,000,000 Shares would be approximately RM[●] per Share.

The table below illustrates such dilution on a per Share basis:

	RM
IPO Price	[●]
Pro forma NA per Share as at 30 September 2023 after subsequent events* but before our IPO	0.25
Pro forma NA per Share as at 30 September 2023 after subsequent events* and after giving effect to our IPO as well as the use of proceeds from our Public Issue	[●]
Increase in pro forma NA per Share to our existing shareholders	[●]
Dilution in pro forma NA per Share to new investors	[●]
Dilution in pro forma NA per Share to new investors as a percentage of the IPO Price	[●]%

Note:

* Comprising the following subsequent events that occurred after 30 September 2023:

- (i) declaration of dividends amounting to RM2.00 million by NE Components on 18 September 2023, which was paid on 23 November 2023;
- (ii) increase in the issued share capital of Northeast from RM2 to RM1,000 by way of issuance of 998 new Shares on 27 December 2023; and
- (iii) completion of the Acquisitions on 5 January 2024.

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3. DETAILS OF OUR IPO (CONT'D)

Save as disclosed below, none of our Directors, Key Senior Management, substantial shareholders or persons connected with them have acquired any securities in our Company, neither have they entered into any transaction which grants them the right to acquire any of our Shares since our incorporation up to the date of this Prospectus:

	No. of Shares held after the Acquisitions and novation of Shares to Mountain Range but before our IPO	⁽ⁱ⁾ No. of Shares from our IPO	Total consideration RM	Effective cost per Share RM
Promoter and substantial shareholder Mountain Range	397,321,608	-	99,330,402	0.25
Promoters, substantial shareholders and Directors				
Ng Chay Chin	37,000,000	-	9,250,000	0.25
Chong Ewe Hean	29,600,000	-	7,400,000	0.25
Directors				
Dato' Seri Lee Kah Choon	-	1,300,000	[●]	[●]
Dato' Faiza Binti Zulkifli	-	800,000	[●]	[●]
Ong Kim Nam	-	800,000	[●]	[●]
Ong Guat Ean	-	800,000	[●]	[●]
Key Senior Management				
Ng Chai Hee	12,580,000	-	3,145,000	0.25
Yin Thien Hee	12,580,000	-	3,145,000	0.25
Tan Suat Hoon	-	1,000,000	[●]	[●]
Persons connected to the Directors/ substantial shareholders/ Key Senior Management				
Ng Ai Li ⁽ⁱⁱ⁾	-	2,000,000	[●]	[●]
Chen Bun Chong ⁽ⁱⁱ⁾	-	2,000,000	[●]	[●]
New investors from our IPO	-	212,089,000	[●]	[●]

Notes:

- (i) Assuming all Pink Form Allocations are fully subscribed.
- (ii) Ng Ai Li is the sister and Chen Bun Chong is the brother-in-law of both Ng Chay Chin and Ng Chai Hee. They are employees of Northeast Group.

3. DETAILS OF OUR IPO (CONT'D)

3.7 USE OF PROCEEDS

We expect to use the gross proceeds raised from our Public Issue amounting to approximately RM[•] in the following manner:

Details of the use of proceeds	Section	Estimated timeframe for the use of proceeds from the date of our Listing	RM'000	%
Construction of the New Factory	3.7.1	Within 36 months	[•]	[•]
Repayment of bank borrowings	3.7.2	Within 12 months	[•]	[•]
Purchase of new CNC machines	3.7.3	Within 36 months	[•]	[•]
Working capital	3.7.4	Within 12 months	[•]	[•]
Estimated listing expenses	3.7.5	Within 1 month	[•]	[•]
Total			[•]	100.00

3.7.1 Construction of the New Factory

As at the LPD, our business activities are carried out at 3 factories located in Juru and Bukit Minyak, Pulau Pinang, further details are as follows:

Factories	Operating company	Existing use	Land area sq ft	Built-up area sq ft
Factory 1	NE Technologies	Manufacturing plant and office	58,329.63	44,034.00
Factory 2	NE Components and Northeast Precision	Manufacturing plant, office, warehouse and accommodation for workers	135,549.82	74,788.19
Factory 3	NE Integrated and NE Solutions	Manufacturing plant, office and warehouse	93,473.80	89,646.00
Total			287,353.25	208,468.19

We intend to construct the New Factory and we plan to move:

- (i) NE Components' business operations from Factory 2 to the New Factory; and
- (ii) NE Technologies' business operations from Factory 1 to the New Factory.

Currently, NE Components is running their business operations in Factory 2 which Northeast Precision owns and also operates in. NE Components occupies an area of approximately 36.60% of the factory's total floor space (covering production, warehouse, QA & QC and plating area) whilst the remaining floor space, approximately 63.40%, is occupied by Northeast Precision. Currently, Factory 2's production floor space is fully utilised and as such, we plan to construct the New Factory to enable NE Components to house its operations and to increase its production floor space to cater for the manufacturing of its products. This in turn will also allow Northeast Precision to use the floor space that was previously occupied by NE Components for its own manufacturing activities after NE Components moves into the New Factory.

3. DETAILS OF OUR IPO (CONT'D)

In addition, NE Technologies, which is currently operating in Factory 1, will relocate their business operations to the New Factory upon completion, as currently the production floor space is fully utilised and it requires a larger production floor space to cater for its manufacturing activities to cater to the demand for its products. Thereafter, we plan to use Factory 1 to expand our value-added service offerings, namely for our plating and anodising surface finishings. Such expansion in Factory 1 (including purchase of new machineries and equipment, renovation and fittings as well as relevant moving costs) will only take place after the completion of construction of the New Factory and will be funded via internally generated funds and/or bank borrowings.

Please refer to Section 6.5.1 of this Prospectus for further details of the production floor space utilisation for Factory 1, Factory 2 and Factory 3.

In view of the above and as part of our future plans and business strategies, the construction of the New Factory is part of our business expansion plan to grow our Group's business operations and to house the new CNC machines to be purchased (as disclosed in Section 6.5.2 of this Prospectus) to produce more complex and higher mix of precision engineering components as well as to grow our customer base and serve more local and international customers. The New Factory is also part of our Group's effort to increase production capacity to cater for our production needs. For FYE 2023, our Group's utilisation rates for CNC milling machines, CNC turning machines and CNC automatic lathe machines were approximately 73.30%, 85.10% and 93.70% respectively.

For the New Factory, NE Components had acquired Lot 1143 from Sheng Kimn Hong Sdn Bhd, an unrelated party to our Group, Promoters, substantial shareholders or Directors, for a cash consideration of approximately RM12.26 million. The acquisition was funded via bank borrowings as well as internally generated funds. The land title has been registered in favour of NE Components on 12 April 2023 and the acquisition was completed on 3 May 2023. Please refer to Section 13.5(iv) and Annexure A of this Prospectus for further details on the sales and purchase agreement entered into with Sheng Kimn Hong Sdn Bhd and the property details on Lot 1143 respectively.

We intend to construct a 2-storey factory with a 1 storey sub-basement parking lot with a built-up area of approximately 227,687 sq ft on Lot 1143.

The New Factory is expected to comprise, amongst others, 1 floor of production area, 2 warehouses, 3 meeting rooms, 2 engineering offices and 2 administrative offices. The New Factory is expected to have a total production floor space of approximately 79,020 sq ft, which can accommodate approximately 200 units of CNC machines (consisting of existing and new CNC machines as stated in Section 3.7.3 of this Prospectus), being the main machines our Group uses in our production activities. The New Factory is also expected to have a QA & QC area, an administrative area and a storage/ warehouse area of approximately 24,467 sq ft, 20,425 sq ft and 15,240 sq ft, respectively.

The construction of the New Factory is expected to cost approximately RM50.40 million*, comprising, amongst others, piling works, main building works, mechanical and electrical works. We intend to use RM[●] or approximately [●]% of the gross proceeds raised from the Public Issue for the construction of the New Factory, with the remaining balance of approximately RM[●] to be funded via internally generated funds and/or bank borrowings. As at the LPD, the construction of the New Factory has not commenced.

* The estimated construction cost of the New Factory is based on a quotation obtained from an architectural firm.

3. DETAILS OF OUR IPO (CONT'D)

The breakdown of the construction cost of the New Factory is estimated to be as follows:

Details	RM'000
Main building and piling works	36,902
Mechanical and electrical works	7,000
Infrastructure works and ancillary building	4,135
Preliminaries and setting up costs ⁽ⁱ⁾	2,363
Total	(ii)(iii) 50,400

Notes:

- (i) Preliminaries and setting up costs, include, amongst others, putting up of scaffolding and site installation services.
- (ii) The breakdown of the funds to be utilised for the construction of the New Factory may vary depending on the actual construction cost and requirements of our Group closer to completion.
- (iii) Excluding, amongst others, costs for site clearance and earthworks, contributions and fees to relevant authorities, professional fees, furniture and fittings and interior designing works.

As at the LPD, our Group has yet to incur any construction cost listed above for the New Factory.

We need to obtain the following permits/approvals prior to commencing construction of the New Factory:

- (i) planning permission and building plan approval to be obtained from MBSP;
- (ii) civil and structural as well as mechanical and electrical plans approval;
- (iii) permit for land filling and earthworks to be obtained from Jabatan Kerja Raya Pulau Pinang and MBSP; and
- (iv) permit to commence construction work to be obtained from MBSP.

The indicative timeline for the construction of the New Factory is as follows:

Timeframe	Milestones
2 nd quarter of 2024	<ul style="list-style-type: none"> • Finalise design and layout plan of the New Factory • Submit planning permission and building plan • Surrender the title to the land office and convert the land use to industrial
4 th quarter 2024	<ul style="list-style-type: none"> • Obtain planning permission and building plan approval • Submission and approval of earthwork plan • Obtain permission to commence construction • Commence construction of the New Factory
4 th quarter 2026	<ul style="list-style-type: none"> • Completion of construction of the New Factory with CCC • Purchase of new CNC machines

3. DETAILS OF OUR IPO (CONT'D)

Timeframe	Milestones
1 st quarter 2027	<ul style="list-style-type: none">• Installation of new CNC machines• Commence operations of the New Factory

In the event the actual construction cost of the New Factory is lower than the amount allocated above, the excess will be used for our working capital purposes.

Please refer to Sections 6.5 and 8.1.5 of this Prospectus for further details on our future plans and business strategies and related risks in relation to the implementation of our future plans and business strategies respectively.

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3. DETAILS OF OUR IPO (CONT'D)

3.7.2 Repayment of bank borrowings

As at the LPD, our total bank borrowings (including lease liabilities) owing to financial institutions is approximately RM29.67 million.

We intend to use RM[●] or approximately [●]% of the gross proceeds raised from the Public Issue to partially repay our outstanding bank borrowings as follows:

No.	Details	Borrower	Purpose	Interest rate per annum/ Maturity date	Outstanding amount as at the LPD	⁽ⁱ⁾ Proposed repayment from Public Issue proceeds
					RM'000	RM'000
1.	RHB Islamic Bank Berhad (Term loan)	NE Components	Acquisition of Lot 1143	⁽ⁱⁱ⁾ Base financing rate – 2.40%/ October 2038	10,658	[●]
2.	Public Bank Berhad (Term loan)	Northeast Precision	Acquisition of lands (together with existing buildings erected thereon) for Factory 2	⁽ⁱⁱⁱ⁾ BLR – 2.20%/ May 2037	5,031	[●]
3.	Public Bank Berhad (Term loan)	NE Integrated	Acquisition of land (together with existing buildings erected thereon) for Factory 3	⁽ⁱⁱⁱ⁾ BLR – 2.30%/ September 2035	3,478	[●]
4.	Public Bank Berhad (Term loan)	Northeast Precision	Acquisition of Lot 1368	⁽ⁱⁱⁱ⁾ BLR + 0.50%/ July 2034	2,158	[●]
	Total				21,325	[●]

Notes:

- (i) Our Group intends to make a partial repayment of our outstanding bank borrowings via the gross proceeds raised from our Public Issue.
- (ii) As at the LPD, the base financing rate is 6.70% per annum.
- (iii) As at the LPD, the BLR is 6.72% per annum.

3. DETAILS OF OUR IPO (CONT'D)

The repayment of the abovementioned bank borrowings will reduce our gearing ratio from 0.22 times to [●] times based on the pro forma consolidated statements of financial position as at 30 September 2023 and is expected to result in an annual interest savings of approximately RM[●] based on the prevailing interest rates. However, the actual interest savings may vary depending on the applicable interest rate at the time of repayment. The partial repayment of the abovementioned outstanding bank borrowings will not result in any penalty or early repayment fee being incurred by our Group.

In the event the outstanding amount of any of the bank borrowings owing to the financial institutions, as listed above, is lower than the allocated proceeds proposed for repayment, the excess amount will be utilised to repay the other bank borrowings as listed above. Subsequently, if there is any excess balance, it will be allocated for our working capital purposes.

3.7.3 Purchase of new CNC machines

In conjunction with the construction of the New Factory to cater for our expansion needs and to increase our Group's overall production capacity, we intend to use approximately RM[●] or approximately [●]% of the gross proceeds raised from the Public Issue to purchase new CNC machines.

We plan to upgrade and increase the number of CNC machines to allow us to meet the demand from our existing and new customers in terms of order size, complexity as well as to reduce delivery lead time.

Details on the CNC machines to be purchased are as follows:

Type of CNC machines	Functions	No. of units	Total estimated cost ⁽ⁱ⁾
			RM'000
CNC milling	Machine that employs computerised controls and rotating multi-point cutting tools to progressively remove excess material from the workpiece and produce a custom-designed part or component	20	[●]
CNC turning	Machine that spins the final workpiece or material at high speed with a cutting tool progressively shaves away material to produce a custom-designed part or component	4	[●]
CNC turn-mill	Machine that combines both turning and milling processes	3	[●]
CNC automatic lathe	Machine that is mechanically operated and require little human intervention to cut, sand, drill, deform and turn workpiece. It is also able to perform the turn milling process for smaller precision machine parts and components	3	[●]
CNC indexer	Machine that uses indexing to position a work piece for various applications including machining, positioning and inspection	6	[●]
Total		36	[●]

3. DETAILS OF OUR IPO (CONT'D)

Note:

- (i) Based on quotations obtained from suppliers and inclusive of relevant installation costs. The estimated cost of the CNC machines and corresponding ancillary accessories is subject to change if the quotations obtained are being revised by our suppliers.

The majority of the above CNC machines will be allocated between Northeast Precision and NE Technologies and will be installed in Factory 2 and the New Factory respectively. The additional new CNC milling machines, CNC turning machines and CNC automatic lathe machines are expected to increase our Group's operating capacity by approximately 8.51%, 13.33% and 25.00% respectively. Please refer to Section 6.13 of this Prospectus for further details on our Group's operating capacity and utilisation rate of our CNC machines for FYE 2023. The increase in our overall production capacity is in line with our plan to grow our customer base and serve more local and international customers. Further, the additional production capacity would allow us to cater for the orders from both existing and potential new customers. As at the LPD, we have not procured or entered into any purchase orders or binding arrangements for the purchase of these new CNC machines.

In the event the allocated proceeds are insufficient for the purchase of the new CNC machines, any shortfall will be funded via internally generated funds. Conversely, if the actual cost is lower than the amount allocated above, the excess will be allocated for our working capital purposes.

3.7.4 Working capital

In line with our Group's expected expansion and business growth, our Group expects to consume a higher amount of raw materials to meet the demand of our existing customers as well as to cater to potential new customers' orders. For the Financial Years Under Review, raw materials, being one of the main components of our cost of sales, account for approximately 36.39%, 38.02% and 25.91% of our total cost of sales, respectively.

We intend to use approximately RM[●] or [●]% of the gross proceeds raised from the Public Issue for the purchase of our main raw materials, such as aluminium, copper and stainless steel. Such amount was arrived at after considering the additional raw materials required to support our future plans and business strategies as set out in Section 6.5 of this Prospectus.

Our Group is currently and in the past been funding our working capital via internally generated funds. As such, the additional working capital is expected to enhance our Group's liquidity and cash flow and will place us in a better position to accept more orders from our customers.

3.7.5 Estimated listing expenses

We intend to allocate RM[●] or approximately [●]% of the gross proceeds raised from the Public Issue to pay for our listing expenses as follows:

Details	RM'000
Professional fees ⁽ⁱ⁾	[●]
Underwriting, placement and brokerage fees	[●]
Fees to authorities	[●]
Printing and advertising expenses	[●]
Miscellaneous expenses and contingencies ⁽ⁱⁱ⁾	[●]
Total	[●]

3. DETAILS OF OUR IPO (CONT'D)

Notes:

- (i) Includes advisory/ professional fees for, amongst others, our Principal Adviser, Solicitors, Reporting Accountants, IMR and Company Secretary.
- (ii) Comprising any other incidental or related expenses in connection with our IPO such as IPO-related event expenses/ roadshows and funds reserved for contingency purposes.

In the event the allocated proceeds are insufficient for the listing expenses, any shortfall will be funded via internally generated funds whereas any excess will be used for our working capital purposes.

Pending the eventual use of the proceeds from the Public Issue, we intend to place the proceeds (including accrued interest, if any) or any balance thereof with licensed financial institutions in Malaysia and/or in money market instruments.

Our Company will not receive any proceeds from the Offer for Sale. The gross proceeds raised from the Offer for Sale of approximately RM[●] will accrue entirely to our Selling Shareholders. Our Selling Shareholders will bear all expenses relating to the Offer of Sale, including the placement fee in respect of the Offer Shares, which is estimated to be approximately RM[●].

3.8 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEES

3.8.1 Brokerage fee

We will pay brokerage fee for the 66,600,000 Issue Shares made available for application by the Malaysian Public and Eligible Persons under Sections 3.3.1(i) and 3.3.1(ii) of this Prospectus respectively, at the rate of [●]% (exclusive of any applicable tax) on the IPO Price in respect of all successful applications which bear the stamp of either Affin Hwang IB, the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

3.8.2 Underwriting commission

Affin Hwang IB, as our Sole Underwriter has agreed to underwrite 66,600,000 Issue Shares made available for application by the Malaysian Public and the Eligible Persons under Sections 3.3.1(i) and 3.3.1(ii) of this Prospectus respectively. As stipulated in the Underwriting Agreement, we will pay our Sole Underwriter an underwriting commission at the rate of [●]% (exclusive of any applicable tax) of the total value of the underwritten Shares.

3.8.3 Placement fee

We will pay our Sole Placement Agent a placement fee at the rate of [●]% (exclusive of any applicable tax) of the value of the 102,389,000 Issue Shares reserved for the private placement to Selected Investors and identified Bumiputera investors approved by the MITI under Sections 3.3.1(iii) and 3.3.1(iv) of this Prospectus respectively.

Our Selling Shareholders will also pay our Sole Placement Agent a placement fee of [●]% (exclusive of any applicable tax) of the IPO Price multiplied by the number of Offer Shares successfully placed out to identified Bumiputera investors approved by the MITI under Section 3.3.2 of this Prospectus.

3. DETAILS OF OUR IPO (*CONT'D*)

3.9 DETAILS OF THE UNDERWRITING ARRANGEMENT

We have entered into the Underwriting Agreement with our Sole Underwriter to underwrite 66,600,000 Issue Shares made available for application by the Malaysian Public and the Eligible Persons under Sections 3.3.1(i) and 3.3.1(ii) of this Prospectus (“**Underwritten Shares**”), subject to the clawback and reallocation provisions as set out in Section 3.3.4 of this Prospectus and upon the terms and subject to the conditions of the Underwriting Agreement.

Details of the underwriting commission are set out in Section 3.8.2 of this Prospectus while the salient terms of the Underwriting Agreement are as follows:

- (i) [●];

3. DETAILS OF OUR IPO (*CONT'D*)

3.10 TRADING AND SETTLEMENT IN SECONDARY MARKET

Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS, which is operated by Bursa Depository. This will take effect in accordance with the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, our Company will not deliver share certificates to the subscribers or purchasers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS Accounts, either directly in their names or through authorised nominees. Persons whose names appear in our Record of Depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to their respective CDS Accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10.00 payable for each transfer not transacted on the market.

Shares held in CDS Accounts may not be withdrawn from the CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares are required to trade under the odd lot market. Settlement and payment of trades done on a "ready" basis on Bursa Securities generally takes place on the 2nd Market Day following the transaction date.

It is expected that our Shares will commence trading on Bursa Securities about 10 Market Days after the close of the IPO. Subscribers of our Shares will not be able to sell or otherwise deal in our Shares (except by way of a book-entry transfer to other CDS Account in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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