

2. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

2.1 PRINCIPAL DETAILS OF OUR IPO

Subject to the terms and conditions of this Prospectus, our Public Issue of 168,989,000 Issue Shares and Offer for Sale of 51,800,000 Offer Shares shall be allocated in the following manner:

	No. of IPO Shares
Public Issue	
- Malaysian Public	37,000,000
- Eligible Persons	29,600,000
- Selected Investors	61,689,000
- Identified Bumiputera investors approved by the MITI	40,700,000
	168,989,000
Offer for Sale	
- Identified Bumiputera investors approved by the MITI	51,800,000
Total	220,789,000
Enlarged issued share capital upon Listing	RM[●] comprising 740,000,000 Shares
IPO Price	RM[●]
Market capitalisation upon Listing (based on our IPO Price and enlarged issued share capital upon Listing)	RM[●]

Please refer to Section 3 of this Prospectus for further details of our IPO.

As at the date of submission of our listing application to Bursa Securities, we have met the quantitative criteria for admission to the Main Market of Bursa Securities. Hence, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Specified Shareholders for the Moratorium Period in accordance with Rule 3.19(1A)(b) of the Listing Requirements. In addition, the Voluntary Moratorium Shareholders have voluntarily undertaken not to sell, transfer or assign any of their shareholdings in our Company during the Moratorium Period.

Please refer to Section 1.2 of this Prospectus for further details of the moratorium on our Shares.

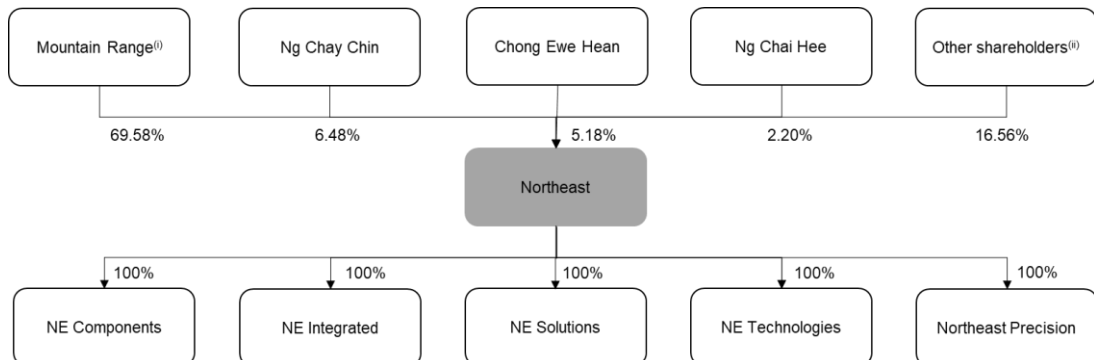
2.2 OUR BUSINESS

Our Company was incorporated in Malaysia under the Act on 18 July 2022 as a private company limited by shares under the name Northeast Group Sdn Bhd. On 5 January 2024, we completed the Acquisitions which resulted in NE Components, NE Integrated, NE Solutions, NE Technologies and Northeast Precision becoming our wholly-owned subsidiaries. Subsequently, on 10 January 2024, our Company was converted to a public limited company to facilitate our Listing and assumed our current name.

We are an investment holding company. Through our subsidiaries, we are principally involved in the manufacturing of precision engineering components used in the photonics, E&E, semiconductor, telecommunication and optoelectronics industries. The history of our Group can be traced back to 2004 with the incorporation of Northeast Precision. Please refer to Section 6.1 of this Prospectus for further details on the history and key business milestones of our Group's business operations since 2004.

2. PROSPECTUS SUMMARY (CONT'D)

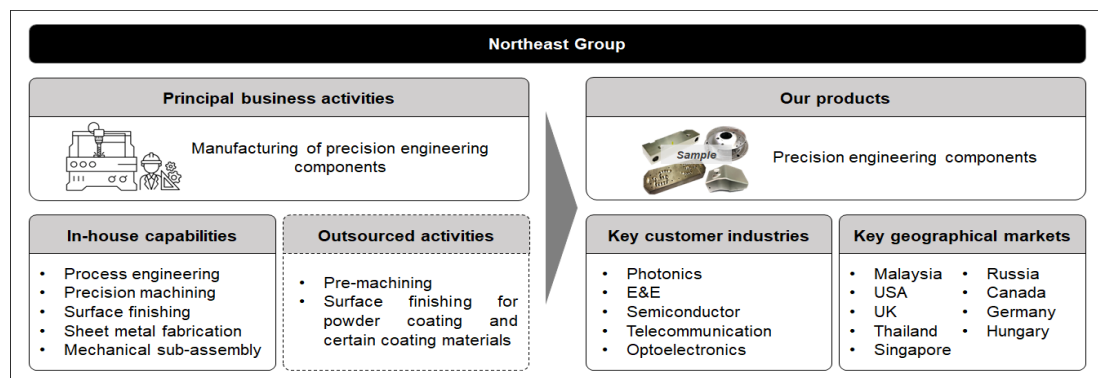
As at the LPD, our group structure is as follows:



Notes:

- (i) Mountain Range is owned by Ng Chay Chin (45.30%), Chong Ewe Hean (26.70%), Ng Meng Hang (13.50%), Tang Ah Lek (8.70%), Yin Thien Hee (3.20%) and Ng Chai Hee (2.60%).
- (ii) Consists of 4 shareholders, namely Ng Meng Hang (6.61%), Tang Ah Lek (6.09%), Yin Thien Hee (2.20%) and Huang HongHui (1.65%).

A summary of our business model is as follows:



Our revenue was mainly contributed by sales to overseas customers, which accounted for approximately 78.32%, 77.15% and 73.90% of our Group's total revenue for the Financial Years Under Review respectively. Our Group's remaining revenue was contributed by sales to local customers, representing approximately 21.68%, 22.85% and 26.10% of our Group's total revenue for the Financial Years Under Review respectively. As for revenue from overseas customers, USA was the largest contributor at approximately 48.34%, 39.84% and 32.78% to our Group's total revenue in the Financial Years Under Review respectively.

Please refer to Sections 5 and 6 of this Prospectus for further details of our Group and business respectively.

2.3 OUR COMPETITIVE STRENGTHS

- (i) **We have an established history in the manufacturing of precision engineering components**

We have an established history of approximately 20 years since we commenced our business in 2004 in the manufacturing of precision engineering components. Our industry experience gained throughout the years has led to the expansion of our business, thus allowing us to establish ourselves as a reputable manufacturer of precision engineering components, evidenced by our long-standing relationships with our customers.

2. PROSPECTUS SUMMARY (CONT'D)

We believe that our established history as a manufacturer of precision engineering components have formed a solid foundation and enhanced our reputation for us to continue securing sales from our existing as well as new customers to drive the growth of our Group.

(ii) Our engineering and machining capabilities as well as industry know-how enable us to consistently meet our customers' requirements and expectations

The growth of our Group is backed by our engineering and machining capabilities. As at the LPD, we have 4 engineering managers who are involved in leading the process engineering and continuous improvement of our machining and manufacturing process. We have 277 units of CNC machines as at 30 September 2023 that are able to perform precision machining on various types of materials.

We actively engage with our customers to keep abreast on industry updates as well as gain feedback and industry insights, including understanding the application of our precision engineering components in their production/assembly process or end-products. Further, we keep abreast with the latest manufacturing technology and engineering knowledge by referring to publications such as Photonics Spectra. Our Group believes that with our engineering and machining capabilities as well as our knowledge and industry know-how, we will be able to continue meeting the needs of our customers by achieving their product requirements and specifications.

(iii) We have an export-oriented business and long-standing relationships with our customers

We have an export-oriented business with export sales accounting for approximately 78.32%, 77.15% and 73.90% to our total revenue in the Financial Years Under Review respectively where our products were exported to, amongst others, USA, UK, Thailand, Singapore, Russia, Canada, Germany and Hungary.

Our ability to secure sales from international customers is attributed to the quality of our products which meet their stringent internal QA & QC measures as well as internationally recognised standards. In addition, our ability to deliver products to our customers in a timely manner, as well as provide value-added services upon request, have resulted in repeat orders from our customers.

The abovementioned factors have been pivotal in maintaining our reputation and customers' confidence towards our manufacturing and engineering capabilities, thus allowing our Group to establish long-standing relationships with our customers. In the Financial Years Under Review, all of our major customers have established at least 8 years of business relationship with our Group and out of which, 5 of them have established at least 10 years of business relationship with us as at the LPD.

(iv) The quality of our products is attested by our adherence to quality control measures and our compliance to internationally recognised standards

Our ability to maintain consistency in the quality of our products is critical in building confidence in our customers. We ensure the quality and consistency of our products by undertaking quality control measures set out by our QA & QC team throughout our manufacturing process. Products that do not meet our internal standards will be rejected during the quality control stage. In the Financial Years Under Review, our Group had recorded product return rates of approximately 0.61%, 0.60% and 1.03% respectively, in which the defective products were reworked, if possible, or replaced by our Group with new products.

2. PROSPECTUS SUMMARY (CONT'D)

Our Group has been awarded with certifications which attest to the standard of quality of our products. Our Group is in compliance with the internationally recognised standard of ISO 9001:2015 Quality Management System in respect of manufacturing and assembly of mechanical components for telecommunication, electronics, aerospace and automotive industries. In FYE 2023, we had 69 recurring customers out of our total customer base of 79 customers, accounting for approximately 87.34% of our total customer base.

(v) We have an experienced and hands-on Key Senior Management team

Our Group is led by our Managing Director, Executive Director and Key Senior Management who have accumulated years of experience in their respective fields and they possess the relevant expertise, industry experience and in-depth knowledge of our business operations. Our Managing Director and Executive Director are supported by our Key Senior Management team who has in-depth industry knowledge and strong functional expertise with years of experience in their respective fields. We believe our Key Senior Management team and their strong commitment to our Group can underpin our growth in the future as we continue to expand.

Please refer to Section 6.4 of this Prospectus for further details of our competitive strengths.

2.4 OUR FUTURE PLANS AND BUSINESS STRATEGIES

(i) Expand production capacity by constructing the New Factory

As at the LPD, our business activities are carried out at 3 factories located in Juru and Bukit Minyak, Pulau Pinang with a total built-up area of approximately 208,468.19 sq ft. As at the LPD, all the production floor space in our factories are fully utilised. Notwithstanding this, the utilisation rate of our CNC milling, CNC turning and CNC automatic lathe machines were approximately 73.30%, 85.10% and 93.70%, respectively, for FYE 2023. Please refer to Section 6.13 of this Prospectus for further details on our operating capacity and utilisation rate.

In order to continue expanding our business by securing additional orders and growing our customer base, it is crucial for our Group to expand our production floor space as well as production capacity to cater for our production needs. Hence, our Group intends to construct the New Factory, which is expected to have a total production floor space of approximately 79,020 sq ft and can accommodate approximately 200 units of CNC machines to support our production activities. We intend to commence the construction of the New Factory in the 4th quarter of 2024, and to commence operations in the 1st quarter of 2027. Please refer to Section 3.7.1 of this Prospectus for further details on the breakdown of the construction cost and tentative timeline for the construction of the New Factory.

(ii) Purchase new CNC machines to support our production capacity expansion

In line with our plan to expand our production capacity by setting up the New Factory, we intend to purchase 36 units of new CNC machines (comprising CNC milling, CNC turning, CNC turn-mill, CNC automatic lathe and CNC indexer) to support our production needs.

The CNC machines to be purchased are expected to increase our estimated annual operating capacity as set out in Section 6.5.2 of this Prospectus. The increase in estimated annual operating capacity will enable us to meet anticipated demand from our customers in terms of order volumes, complexity as well as to shorten delivery lead time. This is also in line with our aim to grow our customer base and serve more local and international customers for our future business growth and expansion.

Please refer to Section 6.5 of this Prospectus for further details of our future plans and business strategies.

2. PROSPECTUS SUMMARY (CONT'D)

2.5 RISK FACTORS

The following is a summary of the key risk factors that we face in our business and operations:

(i) We are dependent on export markets and a major customer

We are dependent on export markets as a majority of our sales are derived from overseas customers. In the Financial Years Under Review, our export sales contributed approximately 78.32%, 77.15% and 73.90% to our Group's revenue respectively. Any unfavourable changes in economic, political and/or legal environments in countries which we export our products to, may result in a decrease in the demand for our products and may materially affect our financial performance.

Further, we are dependent on a major customer, namely Customer A group of companies which contributed approximately 50.95%, 46.90% and 33.77% to our Group's revenue for the Financial Years Under Review respectively. Customer A group of companies have been our customer since 2006, where we supply precision engineering components to them for application in the photonics industry.

As we are dependent on Customer A group of companies, any substantial delay in the receipt of orders or decrease in the value of orders from Customer A group of companies could have an adverse effect on our financial performance. Further, as we do not enter into any long-term contracts with our customers, including Customer A group of companies, there is no assurance that Customer A group of companies will continue to purchase our products in the future or that demand from them will be sustained at current level in the future.

(ii) We are subject to foreign exchange fluctuation risks which may impact the profitability of our Group

We are exposed to the risk of foreign exchange fluctuations as our export sales and some of our local sales are transacted in foreign currencies. Our local sales which are transacted in foreign currencies, mainly USD, are generated from multinational corporations located in Malaysia. In the Financial Years Under Review, our export sales and local sales which are denominated in foreign currencies accounted for approximately 82.38%, 79.16% and 77.19% of our Group's revenue respectively.

In the Financial Years Under Review, more than 90% of our purchases are denominated in RM; hence, our exposure to foreign exchange transaction risk for our purchases is minimal.

We do not use any financial instrument to hedge our exposure against transactions in foreign currency. As such, our revenue denominated in foreign currencies is subject to foreign exchange fluctuation risk, especially USD, as more than 67.00% of our revenue in the Financial Years Under Review were denominated in USD.

(iii) We are dependent on our Managing Director, Executive Director and Key Senior Management for the continued success and growth of our business

The future growth and continuing success of our Group largely depend on the continuous contributions and involvement of our Managing Director, Executive Director and Key Senior Management. Our Managing Director, Ng Chay Chin, and Executive Director, Chong Ewe Hean, who have approximately 30 years and 31 years of experience in the precision engineering components manufacturing industry respectively, are responsible for steering the overall strategic direction of our Group.

Therefore, the loss of any of our Managing Director, Executive Director and Key Senior Management simultaneously or within a short period of time may have an unfavourable impact on our Group's operations and the future growth of our business.

2. PROSPECTUS SUMMARY (CONT'D)

(iv) We are dependent on our engineering managers and technicians

Our Group is dependent on our engineering managers and technicians to perform our business operations. Our engineering managers are involved in leading the process engineering and continuous improvement of our machining and manufacturing process. Our technicians, who are also part of our engineering team, are mainly involved in setting up the machinery for the production of precision engineering components, as well as performing upkeep on our machinery, tools and equipment.

The loss of a substantial number of our Group's engineering managers and technicians simultaneously or within a short period of time without any suitable or timely replacements, or our inability to attract or retain competent engineering managers and technicians, may adversely affect our ability to compete and grow in the industry.

(v) We may not be able to successfully implement our future plans and business strategies

We plan to grow our Group's business by expanding our production capacity, through our future plans and business strategies as follows:

- (a) expand our production capacity by constructing the New Factory; and
- (b) purchase new CNC machines to support our production capacity expansion.

The execution of our future plans and business strategies is subject to additional expenditure, such as capital expenditure, operational expenditure and other working capital requirements. Such additional expenditure may adversely affect our profit margin if we are unable to secure sufficient sales following the implementation of these future plans and business strategies. Furthermore, the implementation of these plans and business strategies may be influenced by factors beyond our control, such as changes in general market conditions, economic climate as well as political environment in Malaysia and other countries in which we export our products to, which may affect the commercial viability of such plans and business strategies.

(vi) The absence of long-term contracts with customers may result in the fluctuation of our Group's financial performance

We do not enter into any long-term contracts with our customers as our customers generally purchase precision engineering components from us by way of purchase orders. The absence of long-term contracts is mainly due to the nature of our business where we focus on HMLV manufacturing to manufacture unique and complex components with specific quality requirements and in small quantities.

As we do not have any long-term contracts with our customers, we are exposed to the risk of losing our customers as they are not obliged to purchase from us. In the event of a loss of any of our customers, particularly our major customers, as well as being unable to secure additional sales from existing customers or secure new customers in a timely manner, our financial performance may be adversely affected.

(vii) Our business operations are exposed to unexpected interruptions or delays caused by equipment failures, fire, natural disasters, force majeure events and outbreak of infectious diseases, which may be beyond our control

We rely on a diverse range of machinery and equipment to manufacture precision engineering components. These machinery and equipment may, on occasion, be out of service due to unanticipated failure or damage sustained during operations. Our business is also subject to loss due to events that are beyond our control such as fire, which may cause damage or destruction of all or part of our manufacturing facilities and machinery and equipment. Further, our business operations may also be affected by the occurrence of unexpected power failure and adverse weather conditions or natural disasters such as floods or storms.

2. PROSPECTUS SUMMARY (CONT'D)

In the event we have to halt our operations due to the abovementioned incidences, we will still be required to incur certain operating expenses such as labour costs and utility costs. Our Group's operations and financial performance may be adversely affected should the interruptions occur for a prolonged period of time.

(viii) We are exposed to credit risk and default payment by customers

In FYE 2023, we grant our customers a credit period of 30 days to 120 days upon the delivery of goods. In the event of not receiving payment within the credit period or a default in payment by our customers, our operating cash flows or financial results may be adversely affected. Further, it may also lead to impairment losses on trade receivables or the writing-off of trade receivables as bad debts, which may adversely affect our financial performance.

(ix) Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities such as fire, theft, armed robbery, machinery breakdown, amongst others. As at the LPD, we have a total sum insured of approximately RM158.45 million. Nonetheless, the insurance policies we have purchased are subject to limitations and exclusions of liability in terms of events that occur as well as the amount insured. As such, our Group's policies may be inadequate to cover all losses or liabilities suffered due to the occurrence of any unexpected events in the future.

(x) We are exposed to regulatory risk

We are exposed to regulatory compliance risk as our business operations are subject to various laws, regulations and rules.

As disclosed in Note (i) of Annexure B of this Prospectus, NE Components, NE Integrated and NE Technologies have yet to comply with one of the conditions of their manufacturing licences, namely total full-time workforce shall comprise at least 80% Malaysians by 31 December 2024. There is no assurance that NE Components, NE Integrated and NE Technologies will be able to meet such condition by 31 December 2024. In the event such condition is not met by 31 December 2024 and there is no further extension of time granted by MITI, MITI may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and/or revoking our manufacturing licences for any breach or non-compliance of the condition. Our Group's operations and financial performance will be materially affected if the manufacturing licences of NE Components, NE Integrated and NE Technologies are revoked.

(xi) We may not be able to secure funding, especially on terms acceptable to us, to meet our capital requirement

Our ability to obtain external financing is subject to various uncertainties, including our future results of operations, financial condition and cash flows, the performance of the Malaysia economy and the overseas markets in which we export our products to, the cost of financing and the condition of financial markets, and the continuing willingness of banks to provide new loans. There is no assurance that any required financing, either on a short-term or long-term basis, will be made available to us on terms satisfactory to us or at all.

Please refer to Section 8 of this Prospectus for further details of our risk factors.

2. PROSPECTUS SUMMARY (CONT'D)

2.6 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The details of our Promoters and substantial shareholders and their respective shareholdings in our Company before and after our IPO are as follows:

Name	Nationality/ Country of incorporation	Before our IPO/ As at the LPD				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(i)%	No. of Shares	(i)%	No. of Shares	(ii)%	No. of Shares	(ii)%
Promoters and substantial shareholders									
Mountain Range	Malaysia	397,321,608	69.58	-	-	397,321,608	53.69	-	-
Ng Chay Chin	Malaysian	37,000,000	6.48	⁽ⁱⁱⁱ⁾ 397,321,608	69.58	29,600,000	4.00	⁽ⁱⁱⁱ⁾ 397,321,608	53.69
Chong Ewe Hean	Malaysian	29,600,000	5.18	⁽ⁱⁱⁱ⁾ 397,321,608	69.58	25,900,000	3.50	⁽ⁱⁱⁱ⁾ 397,321,608	53.69
Substantial shareholders									
Ng Meng Hang	Malaysian	37,740,000	6.61	-	-	18,500,000	2.50	-	-
Tang Ah Lek	Malaysian	34,780,000	6.09	-	-	22,200,000	3.00	-	-

Notes:

- (i) Based on the issued share capital of 571,011,000 Shares before our IPO/as at the LPD.
- (ii) Based on the enlarged issued share capital of 740,000,000 Shares after our IPO.
- (iii) Deemed interest by virtue of his interest in Mountain Range pursuant to Section 8 of the Act.

Please refer to Section 4.1 of this Prospectus for further details of our Promoters and substantial shareholders.

2. PROSPECTUS SUMMARY (CONT'D)

2.7 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as follows:

Name	Designation
<u>Directors</u>	
Dato' Seri Lee Kah Choon	Independent Non-Executive Chairman
Ng Chay Chin	Managing Director
Chong Ewe Hean	Executive Director
Dato' Faiza Binti Zulkifli	Independent Non-Executive Director
Ong Kim Nam	Independent Non-Executive Director
Ong Guat Ean	Independent Non-Executive Director
<u>Key Senior Management</u>	
Ng Chai Hee	Senior Operations Director
Yin Thien Hee	Senior Business & Sales Director
Tan Suat Hoon	Chief Financial Officer

Please refer to Sections 4.2 and 4.5 of this Prospectus for further details of our Directors and Key Senior Management respectively.

2.8 USE OF PROCEEDS

We expect to use the gross proceeds raised from our Public Issue in the following manner:

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

Please refer to Section 3.7 of this Prospectus for further details of the use of proceeds raised from our Public Issue.

The total gross proceeds to be raised from the Offer for Sale amounting to approximately RM[●] will accrue entirely to our Selling Shareholders.

2.9 BUSINESS INTERRUPTIONS

Our Group had not experienced any material interruptions which has significantly affected our business during the past 12 months preceding the LPD.

Notwithstanding this, we experienced temporary suspension of business operations during the 1st MCO (i.e. 18 March 2020 to 18 April 2020) and during the period when our Factory 1 was temporarily closed for 6 days in August 2021 for disinfection as instructed by the Ministry of Health Malaysia due to the positive COVID-19 cases amongst our employees. Although we experienced slight delays in sales order delivery due to the temporary suspension as mentioned as well as disruption in logistics chain following the global supply chain disruption and container shortage, there was no material adverse impact on our sales and delivery schedule during the COVID-19 pandemic. We had informed our customers of the potential delay in delivery schedule when required, and we did not receive any penalty claims against our Group from our customers arising from the delays.

2. PROSPECTUS SUMMARY (CONT'D)

The outbreak of COVID-19 pandemic had also led to an increase in raw material prices in 2021 and 2022 due to the global supply chain disruptions. However, there was no material impact to our financial performance as we were able to pass on the increased cost to our customers.

Please refer to Section 6.18 of this Prospectus for further details of business interruptions to our Group.

2.10 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table sets out the key financial and operational highlights of our Group for the Financial Years Under Review:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Revenue	113,207	144,515	93,335
Cost of sales	(78,377)	(89,738)	(57,885)
GP	34,830	54,777	35,450
PBT	25,299	47,802	23,336
PAT	19,816	38,071	18,360
Total equity attributable to common controlling shareholders of the combining entities/ NA	89,032	126,383	142,743
Total borrowings	24,543	23,517	31,053
Key financial ratios:			
GP margin (%)	30.77	37.90	37.98
PBT margin (%)	22.35	33.08	25.00
PAT margin (%)	17.50	26.34	19.67
Basic and diluted EPS (sen)	2.68	5.14	2.48
Current ratio (times)	2.45	5.00	6.46
Gearing ratio (times)	0.28	0.19	0.22
Net gearing ratio (times)	(0.32)	(0.38)	(0.36)

Please refer to Section 11 of this Prospectus for further details of our financial information.

2.11 DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. As we are a holding company, our ability to pay dividends will depend on the dividends or other distributions that we receive from our subsidiaries. The payment of dividends by our subsidiaries is dependent on their distributable profits, financial performance, cash flow requirements for operations and capital expenditures and any other factors.

For information purposes, the table below sets out the dividend declared by our Group for the Financial Years Under Review:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Dividend declared	-	1,020	2,000
PAT	19,816	38,071	18,360

Save as disclosed above, our Group does not intend to declare or pay any dividend prior to our Listing.

Please refer to Section 11.8 of this Prospectus for further details of our dividend policy.