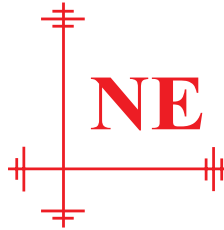


THIS DOCUMENT HAS NOT BEEN REGISTERED BY BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”). THE INFORMATION IN THIS DOCUMENT MAY BE SUBJECT TO FURTHER AMENDMENTS BEFORE BEING REGISTERED BY BURSA SECURITIES. UNDER NO CIRCUMSTANCES SHALL THIS DOCUMENT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES.

P R O S P E C T U S



NORTHEAST GROUP BERHAD
(Registration No. 202201025913 (1471610-P))
(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING (“IPO”) IN CONJUNCTION WITH THE LISTING OF NORTHEAST GROUP BERHAD (“NORTHEAST” OR “COMPANY”) ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) COMPRISING:

- (I) **PUBLIC ISSUE OF 168,989,000 NEW ORDINARY SHARES IN OUR COMPANY (“SHARES”) (“ISSUE SHARE(S)”) IN THE FOLLOWING MANNER:**
- 37,000,000 ISSUE SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - 29,600,000 ISSUE SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES AS WELL AS BUSINESS ASSOCIATES WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR COMPANY AND SUBSIDIARIES;
 - 61,689,000 ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND
 - 40,700,000 ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY OF MALAYSIA (“MITI”);

AND

- (II) **OFFER FOR SALE OF 51,800,000 EXISTING SHARES (“OFFER SHARE(S)”) BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MITI,**

AT AN IPO PRICE OF RM[•] PER ISSUE SHARE / OFFER SHARE, PAYABLE IN FULL UPON APPLICATION

PRINCIPAL ADVISER, SPONSOR, SOLE PLACEMENT AGENT AND SOLE UNDERWRITER



AFFIN HWANG INVESTMENT BANK BERHAD
(Registration No. 197301000792 (14389-U))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 (“CMSA”).

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER 6 MONTHS FROM THE DATE OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 129 OF THIS PROSPECTUS.

[BURSA SECURITIES HAS APPROVED OUR ADMISSION TO THE OFFICIAL LIST OF THE ACE MARKET OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED SHARE CAPITAL ON THE ACE MARKET OF BURSA SECURITIES. THIS PROSPECTUS HAS BEEN REGISTERED BY BURSA SECURITIES.] THE APPROVAL OF OUR IPO AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. BURSA SECURITIES HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENT OF THIS PROSPECTUS.

THIS PROSPECTUS IS DATED [•]

All defined terms used in this Prospectus are defined under “Presentation of Information”, “Definitions” and “Glossary of Technical Terms” commencing on pages ix, xi and xxii of this Prospectus respectively.

RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Affin Hwang IB, being our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our offering.

STATEMENTS OF DISCLAIMER

[Approval has been granted by Bursa Securities for the listing of and quotation for our Shares being offered.] Admission to the Official List of the ACE Market of Bursa Securities is not to be taken as an indication of the merits of our offering, our Company or our Shares.

Bursa Securities is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

[This Prospectus, together with the Application Form, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.]

OTHER STATEMENTS

Investors should note that they may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our offering, for which any person set out in Section 236 of the CMSA, is responsible.

Investors should note that any agreement by our Sole Underwriter to underwrite our Issue Shares under the Public Issue is not to be taken as an indication of the merits of our Shares being offered.

[Our Shares are classified as Shariah compliant by the Shariah Advisory Council of the SC.] This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the Shariah Advisory Council of the SC. The new status is released in the updated list of Shariah compliant securities, on the last Friday of May and November.

This Prospectus is prepared and published solely in connection with our offering under the laws of Malaysia. Our Shares are offered in Malaysia solely based on the contents of this Prospectus. Our Company, Promoters, Selling Shareholders, Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter have not authorised anyone to provide you with information which is not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Promoters, Selling Shareholders, Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter, or any of their respective directors or any other persons involved in our offering.

This Prospectus was prepared and published in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

The distribution of this Prospectus and our offering are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia. Our Company, Promoters, Selling Shareholders, Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. No action has been taken to permit a public offering of the securities of our Company based on this Prospectus or the distribution of this Prospectus outside Malaysia.

This Prospectus may not be used for the purpose of and does not constitute an offer to sell or an invitation to buy the securities offered under our offering in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or is unlawful. This Prospectus shall also not be used to make an offer of or invitation to buy the securities offered under our offering to any person to whom it is unlawful to do so. The distribution of this Prospectus and the sale of our Shares offered under our offering in certain jurisdictions may be restricted by law. Our Company, Promoters, Selling Shareholders and Principal Adviser require you to inform yourselves of and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our offering, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith. It shall be your sole responsibility, if you are or may be subject to the laws of any countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether your application for our offering would result in the contravention of any law of such country or jurisdiction which you may be subject to. Neither we nor our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter nor any other advisers in relation to our offering shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, voidable or void in any such country or jurisdiction.

Further, it shall also be your sole responsibility to ensure that your application for our offering would be in compliance with the terms of this Prospectus and would not be in contravention of any law of countries or jurisdictions other than Malaysia to which you may be subject to. We will further assume that you have accepted our offering in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the electronic Prospectus and the copy of this Prospectus registered with Bursa Securities are the same.

You are advised that the internet is not a fully secured medium and that your Internet Share Application may be subject to risks of problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of an electronic Prospectus, you should immediately request from us or our Issuing House, a paper/ printed copy of this Prospectus. In the event of any discrepancies arising between the contents of the electronic Prospectus and the contents of the paper/ printed copy of this Prospectus for any reason whatsoever, the contents of the paper/ printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with Bursa Securities, shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as “**Third Party Internet Sites**”) whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- (iii) any data, information, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer systems or loss of data resulting from the downloading of any such data, information, files or other material.

Where an electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an electronic Prospectus, to the extent of the contents of the electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed through web browser or other relevant software;
- (ii) the Internet Participating Financial Institutions shall not be responsible for the integrity of the contents of an electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions, and subsequently communicated or disseminated in any manner to you or other parties; and
- (iii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an electronic Prospectus, the accuracy and reliability of an electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or cost, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party’s personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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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.

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PRESENTATION OF INFORMATION

All references to “our Company” or “Northeast” in this Prospectus are to Northeast Group Berhad. All references to “our Group” or “Northeast Group” in this Prospectus are to our Company and our subsidiaries collectively. All references to “we”, “us”, “our” and “ourselves” in this Prospectus are to our Company and where the context otherwise requires, shall include our subsidiaries. Unless the context otherwise requires, references to “Management” in this Prospectus are to our Directors and Key Senior Management as at the date of this Prospectus, and statements to our beliefs, expectations, estimates and opinions are those of our Management.

All references to “you” are to our prospective investors.

All references to the “LPD” in this Prospectus are to [29 February] 2024, being the latest practicable date prior to the registration of this Prospectus with Bursa Securities.

Other abbreviations and acronyms used in this Prospectus are defined in the “Definitions” section and technical terms used in this Prospectus are defined in the “Glossary of Technical Terms” section. Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Any reference to persons shall, where applicable, include companies and corporations.

Any reference in this Prospectus to any provision of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to the provision of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

All references to times and dates in this Prospectus are references to times and dates in Malaysia, unless otherwise stated.

The word “approximately” used in this Prospectus indicates that a number is not an exact one, but that number is usually rounded off to the nearest thousandth, millionth or 2 decimal places. Certain amounts and percentage figures included in this Prospectus have been subjected to rounding adjustments. As a result, any discrepancy in the tables or charts between the amounts listed and totals in this Prospectus is due to rounding adjustments.

This Prospectus includes statistical data provided by us and various third parties and cites third party projections regarding growth and performance of the industry in which we operate as well as our estimated market share in the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us or is extracted from the Independent Market Research Report (“**IMR Report**”) prepared by Smith Zander International Sdn Bhd (“**SMITH ZANDER**”), an independent market researcher, as included in Section 7 of this Prospectus. In compiling their data for the review, SMITH ZANDER had relied on its research methodology, industry sources, published materials, their private databanks and direct contacts within the industry. Further, third party projections, including the projections from the IMR Report, cited in this Prospectus are subject to uncertainties that could cause actual data to differ materially from the projected figures. We cannot give any assurance that the projected figures will be achieved and you should not place undue reliance on the statistical data and third party projections cited in this Prospectus.

If there are any discrepancies or inconsistencies between the English and Bahasa Malaysia versions of this Prospectus, the English version shall prevail. The information on our website or any website, directly or indirectly, linked to such website does not form part of this Prospectus and you should not rely on the information for the purpose of your decision on whether or not to invest in our Shares. Further, if there is any discrepancy between the contents of such website relating to our Group and this Prospectus, the information contained in this Prospectus shall prevail.

FORWARD LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and prospects of our Group for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminologies such as the words “expect”, “believe”, “anticipate”, “plan”, “aim”, “intend”, “estimate”, “forecast”, “may”, “will”, “would”, “project” and “could” or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) the general industry environment, including the demand for and supply of our products;
- (ii) our future overall business development and operations plans;
- (iii) our business strategies, trends and competitive position and the effect of such competition;
- (iv) potential growth opportunities;
- (v) our financial performance and financing plan including future earnings, cash flows and liquidity; and
- (vi) the regulatory environment and the effects of future regulation.

Factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking statements in this Prospectus include those discussed in Section 8 of this Prospectus on “Risk Factors” and Section 11.3 of this Prospectus on “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made based on information available to us as at the LPD and made only as at the LPD.

Should we become aware of any subsequent significant change or development affecting matters disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment/ transfer of our IPO Shares, we will issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

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DEFINITIONS

Unless the context otherwise requires, the following definitions shall apply throughout this Prospectus:

ACE Market	:	ACE Market of Bursa Securities
Acquisitions	:	Acquisition of NE Components, Acquisition of NE Integrated, Acquisition of NE Solutions, Acquisition of NE Technologies and Acquisition of Northeast Precision, collectively
Acquisition of NE Components	:	The acquisition by Northeast of the entire issued share capital of NE Components from Ng Chay Chin, Yin Thien Hee, Chong Ewe Hean, Ng Meng Hang and Ng Chai Hee for a purchase consideration of RM31,630,700, which was satisfied entirely via the issuance of 126,522,800 new Shares at an issue price of RM0.25 per Share. The Acquisition of NE Components was completed on 5 January 2024
Acquisition of NE Integrated	:	The acquisition by Northeast of the entire issued share capital of NE Integrated from Ng Chay Chin, Chong Ewe Hean, Huang HongHui and Ng Chai Hee for a purchase consideration of RM19,602,900, which was satisfied entirely via the issuance of 78,411,600 new Shares at an issue price of RM0.25 per Share. The Acquisition of NE Integrated was completed on 5 January 2024
Acquisition of NE Solutions	:	The acquisition by Northeast of the entire issued share capital of NE Solutions from Ng Chay Chin and Chong Ewe Hean for a purchase consideration of RM2,468,100, which was satisfied entirely via the issuance of 9,872,400 new Shares at an issue price of RM0.25 per Share. The Acquisition of NE Solutions was completed on 5 January 2024
Acquisition of NE Technologies	:	The acquisition by Northeast of the entire issued share capital of NE Technologies from Ng Chay Chin, Chong Ewe Hean, Ng Meng Hang, Tang Ah Lek and Ng Chai Hee for a purchase consideration of RM15,121,500, which was satisfied entirely via the issuance of 60,486,000 new Shares at an issue price of RM0.25 per Share. The Acquisition of NE Technologies was completed on 5 January 2024
Acquisition of Northeast Precision	:	The acquisition by Northeast of the entire issued share capital of Northeast Precision from Ng Chay Chin, Chong Ewe Hean, Ng Meng Hang and Tang Ah Lek for a purchase consideration of RM73,929,300, which was satisfied entirely via the issuance of 295,717,200 new Shares at an issue price of RM0.25 per Share. The Acquisition of Northeast Precision was completed on 5 January 2024
Act	:	Companies Act 2016
ADA	:	Authorised Depository Agent
Admission	:	Admission of our Shares to the Official List
Affin Hwang IB, Principal Adviser, Sponsor, Sole Placement Agent or Sole Underwriter	:	Affin Hwang Investment Bank Berhad (Registration No. 197301000792 (14389-U))
Application	:	Application for our Issue Shares by way of Application Form, Electronic Share Application or Internet Share Application

DEFINITIONS (CONT'D)

Application Form	:	Application form for the application of our Issue Shares accompanying this Prospectus
ATM	:	Automated teller machine
Authorised Financial Institution(s)	:	Authorised financial institution(s) participating in the Internet Share Application in respect of the payment for our Issue Shares
BLR	:	Base lending rate
Board	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CAD software	:	Computer-aided design software
CAGR	:	Compounded annual growth rate
CAM software	:	Computer-aided manufacturing software
CCC	:	Certificate of completion and compliance
CDS	:	Central depository system
CDS Account	:	An account established by Bursa Depository for a depositor to record his deposits or withdrawals of securities and to deal in such securities
CF	:	Certificate of fitness
CMSA	:	Capital Markets and Services Act 2007
CNC machine	:	Computer Numerical Control machine
COA	:	Certificate of accommodation
Constitution	:	Constitution of our Company
COVID-19	:	Coronavirus disease 2019
Director(s)	:	The director(s) of our Company and shall have the meaning given in Section 2 of the CMSA
E&E	:	Electrical and electronics
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EIS	:	Employment Insurance System
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated, distributed, stored or hosted on digital platforms or electronic storage mediums, including but not limited to website, mobile application, email, compact disc, thumb drive and cloud-based storage

DEFINITIONS (CONT'D)

Electronic Share Application	:	Application for our Issue Shares through a Participating Financial Institution's ATMs
Eligible Person(s)	:	Eligible Director(s), employee(s) and business associate(s) who have contributed to the success of our Group
EPF	:	Employees Provident Fund
EPS	:	Earnings per Share
ESG	:	Environmental, social and governance
Factory 1	:	A double-storey factory building annexed with a double-storey office building erected on a leasehold industrial land known as Lot 21062 (formerly known as Lot 521), Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under PM 460 (formerly known as PM 65) located at 1088 Jalan Juru, Kawasan Perindustrian Juru, 14100 Simpang Ampat, Pulau Pinang
Factory 2	:	A single-storey factory building annexed with a double-storey office building erected on a leasehold industrial land known as PT 181, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under HSD 16517 and Lot 20460, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under PN 10893 located at 868, Plot 41, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang
Factory 3	:	A double-storey factory building with 3-storey office building annexed with a double-storey factory building with warehouse erected on a leasehold land known as Lot 7703, Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under PN 10420 located at 1946, Lorong IKS Bukit Minyak 1, Taman IKS Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang
Financial Years Under Review	:	FYE 2021, FYE 2022 and FYE 2023, collectively
FYE	:	Financial year ended/ ending 30 September, as the case may be
GP	:	Gross profit
HMLV	:	High mix low volume
IMR or SMITH ZANDER	:	Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V))
IMR Report	:	Independent Market Research Report prepared by SMITH ZANDER
Internet Participating Financial Institution(s)	:	Participating financial institution(s) for the Internet Share Application, as listed in Section 14.6 of this Prospectus
Internet Share Application	:	Application for our Issue Shares through an Internet Participating Financial Institution
IPO	:	Initial public offering of our IPO Shares comprising the Public Issue and Offer for Sale, collectively

DEFINITIONS (CONT'D)

IPO Price	:	RM[●] for each IPO Share
IPO Share(s)	:	Issue Shares and Offer Shares, collectively
Issue Share(s)	:	168,989,000 new Shares to be issued pursuant to the Public Issue
Issuing House	:	Malaysian Issuing House Sdn Bhd (Registration No. 199301003608 (258345-X))
Key Senior Management	:	Key senior management of our Group, including our Managing Director and Executive Director and those as set out in Section 4.5 of this Prospectus
Listing	:	Listing of and quotation for the entire enlarged issued share capital of Northeast on the ACE Market
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
Lot 1143	:	A piece of vacant freehold land known as Lot 1143, Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 603
Lot 1368	:	A piece of vacant freehold land known as Lot 1368, Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 788
Lot 20449	:	A double-storey bungalow light industry factory erected on a freehold land known as Lot 20449, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM2255 located at 8, Lorong Industri Ringan 4, Kawasan Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang
LPD	:	[29 February] 2024, being the latest practicable date prior to the registration of this Prospectus with Bursa Securities
Malaysian Public	:	Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	A day on which Bursa Securities is open for trading in securities, which may include a surprise holiday (being a day that is declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the beginning of the calendar year)
MBSP	:	Majlis Bandaraya Seberang Prai
MCCG	:	Malaysian Code on Corporate Governance
MCO	:	The nationwide Movement Control Order imposed by the Government of Malaysia under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 as a measure to contain the outbreak of COVID-19
MFRS	:	Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board
MIDA	:	Malaysian Investment Development Authority
MITI	:	Ministry of Investment, Trade and Industry of Malaysia

DEFINITIONS (CONT'D)

Moratorium Period	:	Moratorium period of 6 months will be imposed on the sale, transfer or assignment of our Shares held by our Specified Shareholders from the date of our Admission, in accordance with Rule 3.19(1A)(b) of the Listing Requirements
Mountain Range	:	Mountain Range Sdn Bhd (Registration No. 202201038646 (1484343-M))
MyIPO	:	Intellectual Property Corporation of Malaysia
N/A	:	Not applicable
NA	:	Net assets
NBV	:	Net book value
New Factory	:	A proposed 2-storey factory with 1 storey sub-basement parking lot to be constructed on Lot 1143
Northeast or Company	:	Northeast Group Berhad (Registration No. 202201025913 (1471610-P))
Northeast Group or Group	:	Our Company and subsidiaries, collectively
Northeast Share(s) or Share(s)	:	Ordinary share(s) in our Company
Offer for Sale	:	Offer for sale of the Offer Shares at the IPO Price by our Selling Shareholders
Offer Share(s)	:	51,800,000 existing Shares to be offered by our Selling Shareholders pursuant to the Offer for Sale
Official List	:	A list specifying all securities listed on Bursa Securities
Participating Financial Institution(s)	:	Participating financial institution(s) for the Electronic Share Application, as listed in Section 14.5 of this Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PDC	:	Penang Development Corporation
Pink Form Allocations	:	29,600,000 Issue Shares made available for application by the Eligible Persons
Promoters	:	The promoters of Northeast, namely Mountain Range, Ng Chay Chin and Chong Ewe Hean, details of which are set out in Section 4.1 of this Prospectus
Prospectus	:	This Prospectus dated [●] in relation to our IPO

DEFINITIONS (CONT'D)

Public Issue	: Public issue of 168,989,000 Issue Shares at the IPO Price comprising:
	(i) 37,000,000 Issue Shares available for application by the Malaysian Public;
	(ii) 29,600,000 Issue Shares available by the Eligible Persons;
	(iii) 61,689,000 Issue Shares by way of private placement to Selected Investors; and
	(iv) 40,700,000 Issue Shares by way of private placement to identified Bumiputera investors approved by the MITI.
QA & QC	: Quality Assurance and Quality Control
R&D	: Research and development
Rules of Bursa Depository	: The rules of Bursa Depository as issued under the SICDA
SAC	: Shariah Advisory Council of the SC
SC	: Securities Commission Malaysia
Selected Investors	: Being the investors that meet the requirements of sophisticated investors in the Guidelines on Categories of Sophisticated Investors issued by the SC and subscribe for our IPO Shares through private placement
Selling Shareholders	: The selling shareholders pursuant to the Offer for Sale, namely, Ng Chay Chin, Chong Ewe Hean, Ng Chai Hee, Ng Meng Hang, Tang Ah Lek and Yin Thien Hee, details of which are set out in Section 3.3.2 of this Prospectus
Share Registrar	: Boardroom Share Registrars Sdn Bhd (Registration No. 199601006647 (378993-D))
SICDA	: Securities Industry (Central Depositories) Act 1991 of Malaysia
SOCISO	: Social Security Organisation
Specified Shareholder(s)	: The specified shareholders of Northeast are Mountain Range, Ng Chay Chin, Chong Ewe Hean and Ng Chai Hee
sq ft	: square feet
sq m	: square meter
UK	: United Kingdom
Underwriting Agreement	: The underwriting agreement dated [●] entered into between our Company and our Sole Underwriter for the purpose of our IPO
USA	: United States of America
Voluntary Moratorium Shareholders	: Ng Meng Hang, Tang Ah Lek and Yin Thien Hee, collectively

DEFINITIONS (CONT'D)

SUBSIDIARIES OF OUR COMPANY

NE Components	:	NE Components Sdn Bhd (Registration No. 200901020646 (863743-W))
NE Integrated	:	NE Integrated Sdn Bhd (Registration No. 201201003919 (977444-P))
NE Solutions	:	NE Solutions Sdn Bhd (Registration No. 201501018590 (1143922-K))
NE Technologies	:	NE Technologies Sdn Bhd (Registration No. 200601024605 (744359-T))
Northeast Precision	:	Northeast Precision Sdn Bhd (Registration No. 200401019379 (657883-H))

CURRENCIES

EUR	:	Euro, the lawful currency of European Union
GBP	:	Great Britain Pound, the lawful currency of the UK
RM and sen	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
SGD	:	Singapore Dollar, the lawful currency of Singapore
USD	:	United States Dollar, the lawful currency of the USA

OUR CUSTOMERS AND SUPPLIERS

Customers

Customer A group of companies : Customer A is a group of companies comprising 2 companies incorporated in USA (“**Company A1**” and “**Company A2**”), a company incorporated in Russia (“**Company A3**”), a company incorporated in Germany (“**Company A4**”), and a company incorporated in Italy (“**Company A5**”), which are mainly involved in the development, manufacturing and sale of photonics components such as fiber lasers, fiber amplifiers and diode lasers.

Company A2, Company A3, Company A4 and Company A5 are related companies of Company A1, which is listed on the Nasdaq Stock Market.

We are unable to disclose the identities of Customer A group of companies by virtue of the mutual confidentiality and non-disclosure agreement executed with Company A1, which contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to Customer A group of companies without prior written consent. Prior written consent requested by us to disclose its name in the Prospectus was not provided by Company A1.

DEFINITIONS (CONT'D)

Customer B group of companies : Customer B is a group of companies comprising a company incorporated in UK (“**Company B1**”), a company incorporated in China (“**Company B2**”), a company incorporated in Poland (“**Company B3**”), and a company incorporated in USA (“**Company B4**”), which are mainly involved in the supply of photonics machine tools, laser equipment and electronics for industrial applications.

Company B1, Company B2, Company B3 and Company B4 are not listed on any stock exchange.

We are unable to disclose the identities of Customer B group of companies by virtue of the confidential disclosure agreement as well as confidentiality and non-use agreement executed with Company B1 and Company B2, respectively as these agreements contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to Customer B group of companies without prior written consent. Prior written consent requested by us to disclose its name in the Prospectus was not provided by Company B1.

Customer C group of companies : Customer C is a group of companies comprising a company incorporated in Germany (“**Company C1**”), a company incorporated in Singapore (“**Company C2**”), a company incorporated in Malaysia (“**Company C3**”), and a company incorporated in the UK (“**Company C4**”), which are mainly involved in the manufacturing of semiconductor equipment and surface mount technology equipment.

Company C1, Company C2, Company C3 and Company C4 are held by a parent company incorporated in the Cayman Islands, which is listed on the Hong Kong Stock Exchange.

We are unable to disclose the identities of Customer C group of companies by virtue of the non-disclosure agreement executed with Company C2, which contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to Customer C group of companies without prior written consent. Prior written consent requested by us to disclose its name in the Prospectus was not provided by Company C2.

Customer D : Customer D is a company incorporated in Thailand, which is mainly involved in the provision of precision optical, electro-mechanical and electronic manufacturing services for original equipment manufacturers of optical communication components, modules and subsystems, industrial lasers and sensors.

Customer D is the subsidiary of a company incorporated in the Cayman Islands, which is listed on the New York Stock Exchange.

We are unable to disclose the identity of Customer D by virtue of the mutual non-disclosure agreement executed with Customer D which contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to Customer D without prior written consent. Prior written consent requested by us to disclose its name in the Prospectus was not provided by Customer D.

DEFINITIONS (CONT'D)

Customer E group of companies : Customer E is a group of companies comprising a company incorporated in USA ("**Company E1**"), a company incorporated in Malaysia ("**Company E2**") and a company incorporated in Hungary ("**Company E3**"), which are mainly involved in the provision of automated test and measurement system solutions for various industries including the telecommunication industry.

Company E1, Company E2 and Company E3 are held by a parent company incorporated in the USA, which is listed on the New York Stock Exchange.

We are unable to disclose the identities of Customer E group of companies by virtue of the agreement to protect information executed with Company E2 which contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to Customer E group of companies without prior written consent. Prior written consent requested by us to disclose its name in the Prospectus was not provided by Company E2.

Customer F group of companies : Customer F is a group of companies comprising a company incorporated in Switzerland ("**Company F1**") and a company incorporated in Malaysia ("**Company F2**"), which are mainly involved in the manufacturing of vacuum valves, multi-valve units, vacuum modules and edge-welded metal bellows for various industries, including the semiconductor industry.

Company F1 and Company F2 are held by a parent company incorporated in Switzerland, which is listed on the SIX Swiss Exchange.

We are unable to disclose the identities of Customer F group of companies by virtue of the non-disclosure agreement executed with Company F2 as this agreement contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to Customer F group of companies without prior written consent. Prior written consent requested by us to disclose its name in the Prospectus was not provided by Company F2.

Customer G group of companies : Customer G is a group of companies comprising a company incorporated in Singapore ("**Company G1**") and a company incorporated in Sweden ("**Company G2**"), which are mainly involved in the supply of customised mechanical parts and sub-assemblies for various industries, including the semiconductor industry.

Company G1 and Company G2 are not listed on any stock exchange.

We are unable to disclose the identities of Customer G group of companies by virtue of the confidential disclosure agreement executed with Company G1 as this agreement contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to Customer G group of companies without prior written consent. Prior written consent requested by us to disclose its name in the Prospectus was not provided by Company G1.

DEFINITIONS (CONT'D)

Suppliers

Supplier A : Supplier A is a company incorporated in Malaysia which is mainly involved in the trading of copper busbars, tapes and other copper products, manufacturing and trading of earthing and lightning materials, as well as trading of other electronic products.

Supplier A is not listed on any stock exchange.

We are unable to disclose the identity of Supplier A as prior written consent requested by us to disclose its name in the Prospectus was not provided by Supplier A.

Supplier B : Supplier B is a company incorporated in Malaysia which, through its subsidiaries, is mainly involved in the manufacturing and trading of aluminium extrusions as well as other aluminium products.

Supplier B is listed on the Main Market of Bursa Securities.

We are unable to disclose the identity of Supplier B as prior written consent requested by us to disclose its name in the Prospectus was not provided by Supplier B.

Supplier C : Supplier C is a sole proprietorship registered in Malaysia which is mainly involved in the provision of CNC machining, surface finishing as well as metal and plastic fabrication services.

Supplier C is not listed on any stock exchange.

We are unable to disclose the identity of Supplier C by virtue of the mutual non-disclosure agreement executed with Supplier C, which contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to Supplier C without prior written consent. Prior written consent requested by us to disclose its name in the Prospectus was not provided by Supplier C.

Supplier D : Supplier D is a company incorporated in Malaysia which is mainly involved in the provision of metal engineering services.

Supplier D is not listed on any stock exchange.

We are unable to disclose the identity of Supplier D by virtue of the mutual non-disclosure agreement executed with Supplier D, which contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to Supplier D without prior written consent. Prior written consent requested by us to disclose its name in the Prospectus was not provided by Supplier D.

DEFINITIONS (CONT'D)

Supplier E : Supplier E is a company incorporated in Malaysia which is mainly involved in the trading of steel, stainless steel, brass and aluminium, amongst others.

Supplier E is not listed on any stock exchange.

We are unable to disclose the identity of Supplier E by virtue of the mutual non-disclosure agreement executed with Supplier E, which contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to Supplier E without prior written consent. Prior written consent requested by us to disclose its name in the Prospectus was not provided by Supplier E.

Supplier F : Supplier F is a company incorporated in Malaysia which is mainly involved in the provision of precision parts machining and assembly services.

Supplier F is not listed on any stock exchange.

We are unable to disclose the identity of Supplier F by virtue of the mutual non-disclosure agreement executed with Supplier F, which contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to Supplier F without prior written consent. Prior written consent requested by us to disclose its name in the Prospectus was not provided by Supplier F.

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GLOSSARY OF TECHNICAL TERMS

This glossary contains an explanation of certain terms used throughout this Prospectus in connection with and in the context of our business. The terminologies and their meanings may not correspond to the standard industry usage of these terms.

Amplifier	:	A device used to increase the voltage, current or power of a signal
Anodic oxide finish	:	An anodic coating created through an electrolytic process to form a protective layer on metal surface
Chromate	:	A chemical compound derived from chromium that is commonly used as surface finishing to achieve certain decorative appearance or functionalities such as to resist corrosion and conduct electricity
Connector	:	A device used to join electric circuits
Electrolyte solution	:	A solution that has the ability to conduct electricity and is commonly used in electrolytic processes
Electrolytic process	:	A process where metal components are submerged in electrolyte solutions, and through the application of electric current, a layer of metal is deposited on the surface of the metal components to achieve decorative or protective functionalities
Electroless nickel	:	A surface finishing where a layer of nickel-phosphorous is deposited on the surface of a component without the use of electric current
Fibre lasers	:	A type of laser that uses optical fibre as the gain medium to generate a stable and narrow light beam which is efficient for applications in various sectors, including manufacturing, healthcare and telecommunication
Glass-to-metal seals	:	An airtight seal between glass and metal that is able to withstand harsh environment (e.g. extreme temperature, moisture, pressure or exposure to chemicals) while allowing the flow of electric current
Graphite	:	A form of carbon that is commonly used as surface finishing to achieve certain functionalities such as to reduce friction, conduct electricity, resist corrosion and withstand high temperatures
Heat sink	:	A device used to disperse heat from electronic devices to prevent overheating
Header	:	A device consisting of one or more rows of pins moulded to a plastic base that act as an interface to allow connection of external wires and components
Industrial optical cameras	:	Imaging devices that are used in industrial applications such as visual inspections and production process monitoring
Micron	:	A unit of length that is commonly used to measure small objects. One micron is one-thousandth of a millimetre or 0.001 millimetre
Nickel sulfamate	:	A solution used in plating processes to deposit nickel on the surface of a component to achieve functionalities such as resist corrosion and conduct electricity

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Optoelectronics	:	The technology of using electronic systems and devices to detect and manipulate light which often involves the interaction of light and electronic signals
Photodiodes	:	Components that convert light into electric current
Photonics	:	The technology of the generation, detection and manipulation of light for various purposes such as communication, imaging and sensing
Radio frequency	:	A form of electromagnetic energy that produces radio waves which enables wireless communication
Rhodium	:	A metal that is able to resist corrosion, enhance durability and provide reflective and bright finishing when coated on the surface of a component
Silver over nickel	:	A surface finishing where a layer of silver is deposited on the surface of a component that has previously been plated with a layer of nickel
Solderability	:	The ability of a material surface to be bonded by solder to form a reliable mechanical and electrical connection.
Surface-mount technology	:	An assembly and production method whereby components are mounted directly onto the surface of a printed circuit board
Terminal	:	A component that is used to facilitate the connection of wires and cables
Ultrasonic cleaning machine	:	A cleaning device that uses vibrations to produce high-frequency sound waves in a solution to remove contaminants on the surface of a component

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Designation	Nationality	Address
Dato' Seri Lee Kah Choon	Independent Non-Executive Chairman	Malaysian	961, Tingkat Aman 4 Teluk Air Tawar 13050 Butterworth Pulau Pinang
Ng Chay Chin	Managing Director	Malaysian	2, Jalan Bukit Minyak Permai 1 Taman Bukit Minyak Permai 14000 Bukit Mertajam Pulau Pinang
Chong Ewe Hean	Executive Director	Malaysian	119-08-3A, Putra Marine Resort Bayan Indah Sungai Nibong 11900 Bayan Lepas Pulau Pinang
Dato' Faiza Binti Zulkifli (f)	Independent Non-Executive Director	Malaysian	51, Jalan Suarasa 4/1 Avenue 4 Lake Valley Bandar Tun Hussein Onn 43200 Cheras Selangor
Ong Kim Nam	Independent Non-Executive Director	Malaysian	9-3-3, The Waterfront Persiaran Tanjung Bungah 11200 Tanjung Bungah Pulau Pinang
Ong Guat Ean (f)	Independent Non-Executive Director	Malaysian	3, Solok Jelutong 11600 George Town Pulau Pinang

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Ong Kim Nam	Chairman	Independent Non-Executive Director
Dato' Faiza Binti Zulkifli (f)	Member	Independent Non-Executive Director
Ong Guat Ean (f)	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (CONT'D)

NOMINATION COMMITTEE

Name	Designation	Directorship
Ong Guat Ean (f)	Chairman	Independent Non-Executive Director
Dato' Faiza Binti Zulkifli (f)	Member	Independent Non-Executive Director
Ong Kim Nam	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Dato' Faiza Binti Zulkifli (f)	Chairman	Independent Non-Executive Director
Ong Guat Ean (f)	Member	Independent Non-Executive Director
Ong Kim Nam	Member	Independent Non-Executive Director

Note:

(f) refers to female

COMPANY SECRETARY

: Ch'ng Lay Hoon
Suite 12-A, Level 12, Menara Northam
55 Jalan Sultan Ahmad Shah
10050 George Town
Pulau Pinang

Telephone No. : +604 228 0511
Professional : Malaysian Institute of Chartered
qualification Secretaries and Administrators
("MAICSA") (MAICSA Membership
No.: 0818580 / SSM PC. No.:
201908000494)

REGISTERED OFFICE

: Suite 12-A, Level 12, Menara Northam
55 Jalan Sultan Ahmad Shah
10050 George Town
Pulau Pinang

Telephone No. : +604 228 0511
E-mail : general@enetcorpsb.com

CORPORATE DIRECTORY (CONT'D)

- HEAD/MANAGEMENT OFFICE** : 1946, Lorong IKS Bukit Minyak 1
Taman IKS Bukit Minyak
14100 Simpang Ampat
Pulau Pinang
- Telephone No. : +604 502 0303
Website : www.northeast.my
E-mail : info@northeast.my
- PRINCIPAL ADVISER,
SPONSOR, SOLE PLACEMENT
AGENT AND SOLE
UNDERWRITER** : Affin Hwang Investment Bank Berhad
Level 33, Menara AFFIN
Lingkaran TRX
Tun Razak Exchange
55188 Kuala Lumpur
- Telephone No. : +603 2142 3700
- AUDITORS AND REPORTING
ACCOUNTANTS** : BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206))
Chartered Accountants
51-21-F, Menara BHL
Jalan Sultan Ahmad Shah
10050 Pulau Pinang
- Telephone No. : +604 222 0149
Partner in-charge : Goh Chee Beng
Approval No. : 03535/11/2024 J
Professional : Chartered Accountant,
qualification : Malaysian Institute of Accountants
(Membership no. 43250)
- SOLICITORS** : Wong Beh & Toh
1st Floor, Nos. 173 & 174
Jalan Kelab Cinta Sayang
Taman Ria Jaya
08000 Sungai Petani
Kedah
- Telephone No. : +604 442 9081
- INDEPENDENT MARKET
RESEARCHER** : Smith Zander International Sdn Bhd
15-01, Level 15, Menara MBMR
1 Jalan Syed Putra
58000 Kuala Lumpur
- Telephone No. : +603 2732 7537
Managing Partner : Dennis Tan Tze Wen
Professional : Bachelor of Science from Memorial
qualification : University of Newfoundland, Canada

(Please refer to Section 7 of this Prospectus for the profile of the firm and signing partner)

CORPORATE DIRECTORY (CONT'D)

SHARE REGISTRAR : Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor

Telephone No. : +603 7890 4700
Fax No. : +603 7890 4670

ISSUING HOUSE : Malaysian Issuing House Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor

Telephone No. : +603 7890 4700
Fax No. : +603 7890 4670

LISTING SOUGHT : ACE Market of Bursa Securities

SHARIAH STATUS : [Approved by the SAC]

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1. APPROVALS AND CONDITIONS

1.1 APPROVALS AND CONDITIONS

1.1.1 Bursa Securities

Bursa Securities had, vide its letter dated [●], approved our Admission and Listing on the ACE Market.

The approval from Bursa Securities is subject to the following conditions:

No.	Conditions	Status of compliance
[●]	[●]	[●]
[●]	[●]	[●]

1.1.2 SC

Our listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated [●], approved the resultant equity structure of our Company pursuant to our Listing under the Bumiputera equity requirements for public listed companies, subject to the following conditions:

No.	Conditions	Status of compliance
[●]	[●]	[●]
[●]	[●]	[●]

The effects of our Listing on the equity structure of our Company are as follows:

Category of shareholders	As at the LPD		After our IPO	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Bumiputera public investors via balloting	-	-	⁽ⁱ⁾ 18,500,000	2.50
- Bumiputera investors to be approved by the MITI	-	-	⁽ⁱⁱ⁾ 92,500,000	12.50
Total Bumiputera	-	-	111,000,000	15.00
Non-Bumiputera	561,601,608	98.35	⁽ⁱⁱ⁾ 619,590,608	83.73
Total Malaysians	561,601,608	98.35	730,590,608	98.73
Foreigner	9,409,392	1.65	9,409,392	1.27
Total	571,011,000	100.00	740,000,000	100.00

Notes:

- (i) Assuming the IPO Shares allocated to Bumiputera public investors via balloting and Bumiputera investors approved by the MITI are fully subscribed.
- (ii) Assuming all the Eligible Persons that are allocated with the Pink Form Allocations are non-Bumiputera.

1. APPROVALS AND CONDITIONS (CONT'D)

1.1.3 MITI

The MITI had, vide its letter dated [●], taken note and has no objection to our Listing.

1.1.4 SAC

The SAC had, vide its letter dated [●], classified our Shares as Shariah-compliant securities based on our audited combined financial statements for the FYE 2023.

1.2 MORATORIUM ON OUR SHARES

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 a period of 6 months from the date of our admission to the Official List in accordance with Rule 3.19(1A)(b) of the Listing Requirements.

The moratorium shall also apply to the shareholders of Mountain Range, namely Ng Chay Chin, Chong Ewe Hean, Ng Chai Hee, Ng Meng Hang, Tang Ah Lek and Yin Thien Hee, who have collectively provided an undertaking that they will not sell, transfer or assign their respective shares in Mountain Range during the Moratorium Period in accordance with Rule 3.19 of the Listing Requirements.

In addition, Ng Meng Hang, Tang Ah Lek and Yin Thien Hee, who are the shareholders of Mountain Range, have also undertaken not to sell, transfer or assign any of their shareholdings in our Company during the Moratorium Period.

The details of our Shares that will be placed under moratorium are as follows:

	No. of Shares to be held under moratorium	(i)(ii)%
Specified Shareholders and substantial shareholders		
Mountain Range	397,321,608	53.69
Ng Chay Chin	29,600,000	4.00
Chong Ewe Hean	25,900,000	3.50
Specified Shareholder		
Ng Chai Hee	8,880,000	1.20
Voluntary Moratorium Shareholders		
Ng Meng Hang	18,500,000	2.50
Tang Ah Lek	22,200,000	3.00
Yin Thien Hee	7,400,000	1.00
Total	509,801,608	68.89

Notes:

- (i) Assuming the Pink Form Allocations are fully subscribed by the Eligible Persons.
- (ii) Based on the enlarged issued share capital of 740,000,000 Shares after our IPO.

1. APPROVALS AND CONDITIONS (CONT'D)

The moratorium has been fully accepted by the Specified Shareholders and Voluntary Moratorium Shareholders who have provided written undertakings that they will not sell, transfer or assign their respective shareholdings in our Company during the Moratorium Period.

The moratorium restrictions are specially endorsed on the share certificates representing the Shares held by the Specified Shareholders and Voluntary Moratorium Shareholders which are under moratorium to ensure that our Share Registrar does not register any sale, transfer or assignment that contravenes with such restrictions. In compliance with the restrictions, our Share Registrar will issue share certificates representing the moratorium block of Shares with the moratorium clause endorsed on them together with a letter providing details of the moratorium to Bursa Depository.

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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.

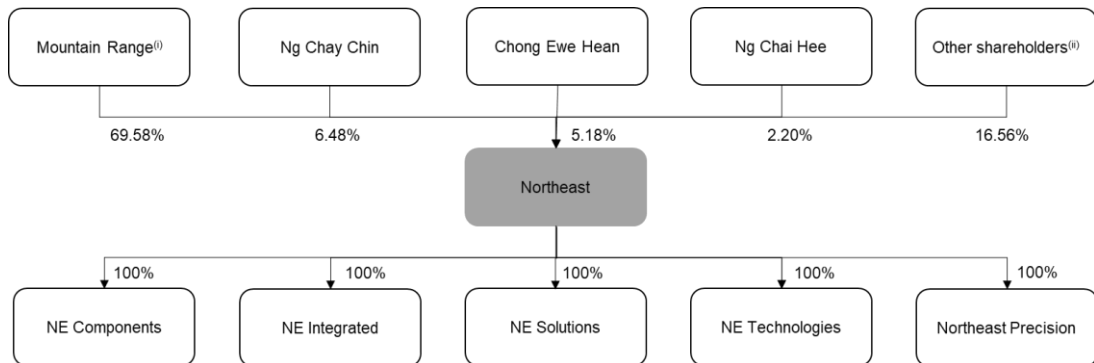
2.2 OUR BUSINESS

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)

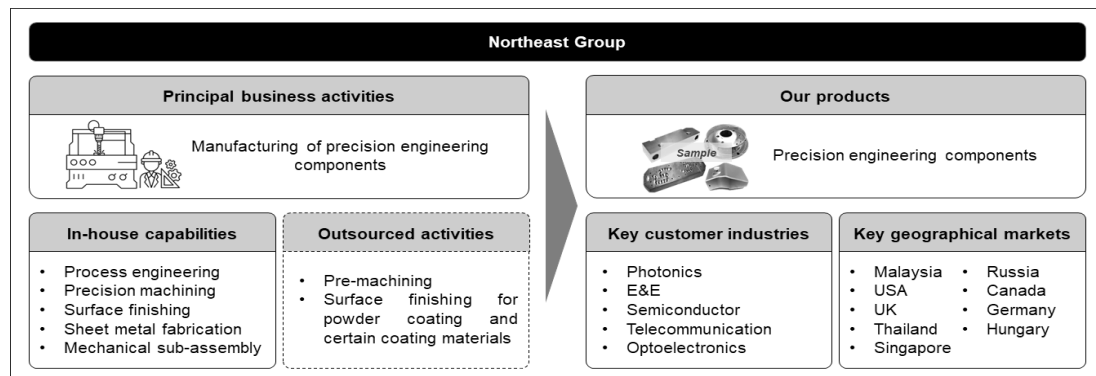
As at the LPD, our group structure is as follows:



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.

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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4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

4.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

4.1.1 Shareholdings of our 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.

Our Promoters and substantial shareholders do not have different voting rights from other shareholders of our Company as all our Shares before and after our IPO are of the same class.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

Save as disclosed above, there is no other person who, directly or indirectly, jointly or severally, exercises control over our Company as at the LPD. There is also no arrangement between our Company and our shareholders with any third party, which may, at a subsequent date, result in a change in control of our Company.

4.1.2 Profiles of our Promoters and substantial shareholders

The profiles of our Promoters and/or substantial shareholders are as follows:

(i) Mountain Range

Mountain Range was incorporated in Malaysia on 18 October 2022 under the Act as a private limited company. The principal activity of Mountain Range is investment holding to hold Shares in our Company.

As at the LPD, the issued share capital of Mountain Range is RM1,000 comprising 1,000 ordinary shares.

As at the LPD, the directors of Mountain Range are Ng Chay Chin and Chong Ewe Hean.

The details of the shareholders and their respective shareholdings in Mountain Range are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Ng Chay Chin	Malaysian	453	45.30	-	-
Chong Ewe Hean	Malaysian	267	26.70	-	-
Ng Meng Hang	Malaysian	135	13.50	-	-
Tang Ah Lek	Malaysian	87	8.70	-	-
Yin Thien Hee	Malaysian	32	3.20	-	-
Ng Chai Hee	Malaysian	26	2.60	-	-
Total		1,000	100.00	-	-

As at the LPD, Mountain Range does not have any interest in other companies other than in Northeast.

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4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) Ng Chay Chin

Ng Chay Chin, a Malaysian age 50, is our Promoter, substantial shareholder and Managing Director. He is responsible for overseeing our Group's overall day-to-day management and formulation of operational plans and strategies. He was appointed to our Board on 18 July 2022.

In 1993, he completed his secondary education at Sekolah Menengah Kebangsaan Serdang, Kedah.

He has approximately 30 years of experience in machine setup, maintenance and troubleshooting as well as manufacturing operations of precision engineering components.

In 1994, he began his career as an Apprentice in a shipyard in Singapore, where he was involved in mechanical works of parts and components for shipbuilding. In the same year, he left Singapore and returned to Malaysia to join AE Technology Sdn Bhd as an Apprentice. He was involved in maintenance and troubleshooting of stamping moulds for metal stamping operations.

In 1995, he left AE Technology Sdn Bhd and joined Eng Teknologi Sdn Bhd, a wholly-owned subsidiary of Eng Teknologi Holdings Bhd (a company previously listed on the Second Board of Kuala Lumpur Stock Exchange ("KLSE") and which was subsequently transferred to the Main Board of KLSE before it was delisted in 2012) as a Machining Technician. He was involved in setting up CNC machines for the manufacturing of precision engineering components.

In 1996, he joined DMS Microcut Sdn Bhd as a Technician where he was responsible for configuring, calibrating as well as troubleshooting machines. In 1998, he was promoted to Engineer where he was responsible for leading a team of technicians in handling machine operations, including machine programming for the manufacturing of precision engineering components.

In 1999, he left DMS Microcut Sdn Bhd and joined Micro-Mechanics Technology Sdn Bhd as a Machinist where he was involved in similar tasks of handling machine operations, including machine programming for the manufacturing of precision engineering components.

In 2001, he left Micro-Mechanics Technology Sdn Bhd and joined Auer Precision Asia Sdn Bhd as Technical Supervisor where he was involved in supervising the day-to-day operations of the technical department.

In 2002, he left Auer Precision Asia Sdn Bhd and joined Eng Teknologi Holdings Bhd as an Engineering Manager. He was stationed at the company's Philippines operations and was responsible for setting up the auto-lathe department as well as overseeing the production operations department. In 2004, he left Eng Teknologi Holdings Bhd.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

After accumulating approximately 9 years of working experience in the precision engineering industry, he became a shareholder of Northeast Precision in 2004. Over the years, together with Chong Ewe Hean, he continued to lead the expansion of our Group's business by growing our manufacturing capabilities, customer base and export markets.

As at the LPD, he holds a directorship in a private limited company as disclosed in Section 4.2.3(ii) of this Prospectus.

(iii) Chong Ewe Hean

Chong Ewe Hean, a Malaysian age 52, is our Promoter, substantial shareholder and Executive Director. He is responsible for spearheading our Group's business development activities, including formulation of business development strategies and exploring new business opportunities and customer industries for business ventures and expansion. He was appointed to our Board on 18 July 2022.

In 1991, he completed his secondary education from Kolej Vokasional Batu Lanchang, Pulau Pinang.

He has approximately 31 years of experience in business development, sales and manufacturing operations of precision engineering components.

In 1992, he began his career with Polytool Engineering Sdn Bhd as an Intern where he was involved in material handling and mechanical works.

In 1993, he left Polytool Engineering Sdn Bhd and joined Eng Hardware Engineering Sdn Bhd, a wholly-owned subsidiary of Eng Teknologi Holdings Bhd (a company previously listed on the Second Board of KLSE and which was subsequently transferred to the Main Board of KLSE before it was delisted in 2012) as a Tooling Technician Supervisor. He was responsible for overseeing the tooling department. In 1999, he was transferred to Engtek Precision Philippines, Inc, a subsidiary of Eng Teknologi Holdings Bhd, and promoted to Engineering and Production Manager. He was responsible for overseeing the daily operations and development of the Precision Tooling and CNC Turning Divisions of the company. In 2001, he was redesignated as Senior Manager of Sales and Marketing, where he was involved in overseeing the sales and marketing functions of the company, including engaging new customers and expanding product offerings to new customer industries. In 2003, he left Engtek Precision Philippines, Inc and returned to Malaysia.

After accumulating approximately 11 years of working experience in the precision engineering industry, he incorporated Northeast Precision together with Ng Meng Hang in 2004 to venture into the manufacturing of precision engineering components. Over the years, together with Ng Chay Chin, he continued to lead the expansion of our Group's business by growing our manufacturing capabilities, customer base and export markets.

As at the LPD, he holds a directorship in a private limited company as disclosed in Section 4.2.3(iii) of this Prospectus.

Please refer to Section 4.7 of this Prospectus for further details on the association or family relationships between our Promoters, substantial shareholders, Directors and Key Senior Management.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

4.1.3 Changes in our Promoters' and substantial shareholders' shareholdings in our Company

The changes in our Promoters' and substantial shareholders' shareholdings in our Company since the date of our incorporation on 18 July 2022 up to the LPD and after our IPO are as follows:

Name	As at 18 July 2022 (date of incorporation)				After the Acquisitions and novation of Shares to Mountain Range and as at the LPD				After our IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	(i)%	No. of Shares	(i)%	No. of Shares	(ii)%	No. of Shares	(ii)%	No. of Shares	(iii)%	No. of Shares	(iii)%
Promoters and substantial shareholders												
Mountain Range	-	-	-	-	397,321,608	69.58	-	-	397,321,608	53.69	-	-
Ng Chay Chin	1	50.00	-	-	37,000,000	6.48	^(iv) 397,321,608	69.58	29,600,000	4.00	^(iv) 397,321,608	53.69
Chong Ewe Hean	1	50.00	-	-	29,600,000	5.18	^(iv) 397,321,608	69.58	25,900,000	3.50	^(iv) 397,321,608	53.69
Substantial shareholders												
Ng Meng Hang	-	-	-	-	37,740,000	6.61	-	-	18,500,000	2.50	-	-
Tang Ah Lek	-	-	-	-	34,780,000	6.09	-	-	22,200,000	3.00	-	-

Notes:

- (i) Based on issued share capital of 2 Shares.
- (ii) Based on the issued share capital of 571,011,000 Shares after the Acquisitions and as at the LPD.
- (iii) Based on the enlarged issued share capital of 740,000,000 Shares after our IPO.
- (iv) Deemed interest by virtue of his interest in Mountain Range pursuant to Section 8 of the Act.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

4.1.4 Benefits paid or intended to be paid or given to our Promoters and substantial shareholders

Save for the following, there is no other amount or benefit that has been paid or intended to be paid or given to our Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus:

- (i) the distribution of dividends by Northeast Precision and NE Components for FYE 2022 and FYE 2023, respectively to our Promoters and substantial shareholders are as follows:

	FYE 2022	FYE 2023
	RM'000	RM'000
Ng Chay Chin	255	700
Chong Ewe Hean	255	350

- (ii) issuance of our Shares as consideration pursuant to the Acquisitions as set out in Section 5.1.1 of this Prospectus; and
- (iii) aggregate remuneration and benefits paid and proposed to be paid for services rendered to our Group in all capacities are as set out in Section 4.2.4 of this Prospectus.

4.2 BOARD OF DIRECTORS

4.2.1 Shareholdings of our Directors

The details of our Directors and their respective shareholdings in our Company before our IPO/ as at the LPD and after our IPO (assuming each of our Directors subscribe in full for their respective entitlements under the Pink Form Allocations as set out in Section 3.3.1(ii) of this Prospectus) are as follows:

Name	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)%
Dato' Seri Lee Kah Choon	-	-	-	-	1,300,000	0.18	-	-
Ng Chay Chin	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	29,600,000	5.18	⁽ⁱⁱⁱ⁾ 397,321,608	69.58	25,900,000	3.50	⁽ⁱⁱⁱ⁾ 397,321,608	53.69
Dato' Faiza Binti Zulkifli	-	-	-	-	800,000	0.11	-	-
Ong Kim Nam	-	-	-	-	800,000	0.11	-	-
Ong Guat Ean	-	-	-	-	800,000	0.11	-	-

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

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.

Save for Ng Chay Chin and Chong Ewe Hean who are the shareholders of Mountain Range, none of our Directors represents any corporate shareholder on our Board. Please refer to Section 4.7 of this Prospectus for details on the associations or family relationships and associations between our Promoters, substantial shareholders, Directors and Key Senior Management.

4.2.2 Profiles of our Directors

The profiles of our Directors, save for Ng Chay Chin and Chong Ewe Hean which are set out in Sections 4.1.2(ii) and 4.1.2(iii) of this Prospectus respectively, are as follows:

(i) Dato' Seri Lee Kah Choon

Dato' Seri Lee Kah Choon, a Malaysian age 64, is our Independent Non-Executive Chairman and was appointed to our Board on 15 January 2024.

In 1985, he obtained his Bachelor of Laws from the University of Southampton, UK. In 1986, he was called to the Bar of England and Wales at the Honourable Society of the Middle Temple. In 1987, he obtained his Master of Arts in Laws and Practice from The City University, UK. He was also called to the Malaysian Bar in the same year. Since 2019, he has been a Certified Financial Planner by the Financial Planning Association of Malaysia.

In 1987, he began his career with Messrs. Wong-Chooi & Mohd. Nor as a Legal Assistant, where he was responsible for providing legal services related to conveyancing, trust and estate, banking and corporate. In 1991, he was admitted as a Partner of the firm before leaving in 1998.

In 1999, he founded his own legal practice, Messrs. KC Lee & Partners to provide legal advisory services. As the Managing Partner, he focused on conveyancing, trust and estate, banking and corporate services.

In 2004, he relinquished his position in Messrs. KC Lee & Partners to undertake the role of Parliamentary Secretary to the Ministry of Health of Malaysia. He was responsible for assisting the Minister on health matters in Malaysia, answering legal related questions and tabling reports on behalf of the Minister in the house of Parliament during the absence of the Minister. In 2008, he left the position.

In 2008, he was appointed as a Director of several government-linked corporations. These included the Penang Development Corporation (the development agency of the State Government of Penang, where its principal activities include being the government think-tank, industrial park development, township development, urban redevelopment, affordable housing and investments) until 2023, as well as Invest-in-Penang Berhad (a non-profit entity of the Penang State Government with the primary purpose of promoting investments within Penang) until 2023. Further, he was a Director of Penang Hill Corporation (a firm established with the primary objectives of managing the funicular system and the development of Penang Hill) from 2010 to 2023. He was also a Special Investment Advisor to the Chief Minister of Penang until 2023.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

As at the LPD, he sits on the board of several public listed companies and private limited companies as disclosed in Section 4.2.3(i) of this Prospectus.

He does not have any relationship with our Promoters, substantial shareholders, Directors and Key Senior Management.

(ii) Dato' Faiza Binti Zulkifli

Dato' Faiza Binti Zulkifli, a Malaysian age 64, is our Independent Non-Executive Director and was appointed to our Board on 15 January 2024. She is also the Chairman of our Remuneration Committee and a member of our Audit and Risk Management Committee and Nomination Committee.

She obtained her Bachelor of Law (Honours) from Universiti Malaya in 1984 and Master of Laws in Information Technology and Intellectual Property Law from University of East Anglia, Norwich, UK in 2006. She was admitted to the Malaysian Bar as an Advocate and Solicitor in 2020. She also obtained a Diploma in Professional Translation (legal module) from Institut Terjemahan Negara Malaysia in 2018.

In 1984, she began her career as a Magistrate, where she was responsible for presiding over civil and criminal matters in the Magistrate Court until 1988. In 1988, she was appointed as the Assistant Director of the Malaysian Legal Aid Department in Perak. She was responsible for handling legal aid cases in the areas of family law, small estate (distribution), hire purchase, tenancy matters, road accidents and consumer claims.

From 1991 to 2002, she was appointed as a Legal Advisor for the Ministry of Domestic Trade and Consumer Affairs. She was responsible for managing and supervising all legal matters and appeared as Legal Counsel for the Ministry in civil cases. During her tenure with the Ministry, she was involved in various working committees in formulating strategies and policies and reviewing matters pertaining to the development of domestic trade, in particular in the distributive trade and consumerism sectors.

From 2002 to 2007, she was appointed as a Senior Assistant Parliamentary Draftsman at the Attorney General's Chambers of Malaysia. She was involved in drafting and vetting primary and subsidiary legislations and advising ministries on legal matters.

From 2007 to 2013, she was appointed as the Penang State Legal Advisor. She was responsible for managing and supervising legal matters in all Penang State departments. She was also a member of the Penang State Executive Council, member of the State Planning Committee, and the State Land Committee. She also appeared as Legal Counsel for the state in civil cases.

From 2014 to 2017, she served as the Chairman of the Advisory Board in the Prime Minister's Department. She was responsible for presiding over appeal cases filed by detainees detained under the preventive laws (laws against subversion, organised violence, and acts and crimes prejudicial to the public emergency powers).

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

From 2017 to 2018, she served as the Chairman of the Customs Appeal Tribunal under the Ministry of Finance where she presided over appeal cases filed by persons dissatisfied with the decisions of the Director General of Customs. Her last position with the government before her retirement in 2020 was being the Chairman of the Special Commissioners of Income Tax under the Ministry of Finance (from 2018 to 2020). She was responsible for presiding as Chairman in appeal cases filed by taxpayers against the assessment of the Director General of Inland Revenue Board, Malaysia.

From April 2022 to January 2023, she was appointed as a member of Suruhanjaya Perkhidmatan Air Negara. Additionally, in March 2022, she was appointed as a member of the Panel of the Tribunal for Consumer Claims Malaysia for a period of 3 years until February 2025.

As at the LPD, she sits on the board of several public listed companies as disclosed in Section 4.2.3(iv) of this Prospectus.

She does not have any relationship with our Promoters, substantial shareholders, Directors and Key Senior Management.

(iii) Ong Kim Nam

Ong Kim Nam, a Malaysian age 68, is our Independent Non-Executive Director and was appointed to our Board on 15 January 2024. He is also the Chairman of our Audit and Risk Management Committee and a member of our Nomination Committee and Remuneration Committee.

He obtained his professional qualification from the Association of Chartered Certified Accountants, UK ("**ACCA**") and was admitted as a member of ACCA in 1992. He has been a Chartered Accountant with the Malaysian Institute of Accountants ("**MIA**") since 1993 and a Fellow of ACCA since 1997.

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

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

In 1994, he left A.A. Anthony & Co Sdn Bhd and founded OKN Management PLT (formerly known as OKN Management (M) Sdn Bhd), a company specialising in providing advisory services on matters pertaining to financial management and taxation. As the founder, he oversees the overall operations of the company and formulates strategies to drive the growth of the company.

As at the LPD, he sits on the board of a public listed company as disclosed in Section 4.2.3(v) of this Prospectus.

He does not have any relationship with our Promoters, substantial shareholders, Directors and Key Senior Management.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iv) Ong Guat Ean

Ong Guat Ean, a Malaysian age 60, is our Independent Non-Executive Director and was appointed to our Board on 15 January 2024. She is also the Chairman of our Nomination Committee and a member of our Audit and Risk Management Committee and Remuneration Committee.

In 1988, she obtained her Bachelor of Law (Honours) from Universiti Malaya. She was admitted to the Malaysian Bar as an Advocate and Solicitor in 1989. In 1999, she obtained her Master of Business Administration from Universiti Sains Malaysia.

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

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

As at the LPD, she does not hold any directorship in any public listed companies or private limited companies.

She does not have any relationship with our Promoters, substantial shareholders, Directors and Key Senior Management.

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4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

4.2.3 Involvement of our Directors in other principal business activities outside our Group

The principal business activities performed by our Directors outside our Group as at the LPD and their present directorships in companies outside our Group and in the past 5 years preceding the LPD are as follows:

(i) Dato' Seri Lee Kah Choon

Company name/Firm Name	Principal business activities	Designation	Involvement in principal business activities other than as a director
<i>Present involvement:</i>			
Aemulus Holdings Berhad	Investment holding (a public listed company with subsidiaries principally engaged in designing and developing automated test equipment and test and measuring instruments and provision of design consultancy and test related services)	Independent Non-Executive Chairman	Shareholder with approximately 0.002% direct equity interest
Cereal Products (M) Sdn Bhd	Manufacturing and marketing of cereal products	Director	-
Federal Oats Mills Sdn Bhd	Manufacturer of oats	Director	-
Khong Guan Vegetable Oil Refinery Sdn Bhd	Repacking, refining and marketing of edible oil	Director	-
L&P Global Berhad	Investment holding and provision of management services to its subsidiaries (a public listed company with subsidiaries principally engaged in provision of integrated industrial packaging solutions)	Independent Non-Executive Director	Shareholder with approximately 0.089% direct equity interest
Leong Hong Oil Mill Sdn Bhd	Marketing of pollard and bran as well as investment holding company	Director	-
NationGate Holdings Berhad	Investment holding (a public listed company with subsidiaries principally engaged in providing electronic manufacturing services)	Independent Non-Executive Director	Shareholder with approximately 0.084% direct equity interest

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

Company name/Firm Name	Principal business activities	Designation	Involvement in principal business activities other than as a director
<i>Previous involvement:</i>			
BPO Premier Sdn Bhd	Property development (dissolved on 31 January 2022)	Director (ceased directorship on 10 June 2019)	-
Invest-In-Penang Berhad	Promoting investment in the state of Penang	Director (ceased directorship on 30 September 2023)	-
Island Golf Properties Bhd	Operation of the Penang Golf Club which provides golfing and social facilities	Director (ceased directorship on 21 August 2020)	-
PDC Premier Holdings Sdn Bhd	Investment holding company and provision of human resource related and management consultancy services	Director (ceased directorship on 9 October 2023)	-
Premier Horizon Ventures Sdn Bhd	Provision of project management consultancy services, including construction management and supervision	Director (ceased directorship on 10 June 2019)	-
Malaysia Debt Ventures Berhad	Provision of financing facilities to the information and communication technology ("ICT"), biotechnology and other emerging technology sectors as mandated by the Government of Malaysia to spur the development of the ICT and biotechnology sectors in Malaysia	Non-Executive Chairman (ceased directorship on 28 October 2020)	-

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) Ng Chay Chin

Company name/Firm Name	Principal business activities	Designation	Involvement in principal business activities other than as a director
<i>Present involvement:</i>			
Mountain Range	Investment holding company	Director	Shareholder with approximately 45.30% direct equity interest
<i>Previous involvement:</i>			
FY Builder Sdn Bhd	Engineering consultancy services in relation to property construction	Director (ceased directorship on 1 June 2022)	-
Nordost Sdn Bhd	Operating cafe and operating restaurant (dissolved on 3 January 2020)	Director (deemed ceased directorship as at the dissolution date on 3 January 2020)	-
Starwave Sdn Bhd	Provision of painting services and general repairs for industrial, commercial and domestic buildings	Director (ceased directorship on 31 May 2023)	-

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) Chong Ewe Hean

Company name/Firm Name	Principal business activities	Designation	Involvement in principal business activities other than as a director
<i>Present involvement:</i>			
Mountain Range	Investment holding company	Director	Shareholder with approximately 26.70% direct equity interest
<i>Previous involvement:</i>			
Nordost Sdn Bhd	Operating cafe and operating restaurant (dissolved on 3 January 2020)	Director (deemed ceased directorship as at the dissolution date on 3 January 2020)	-
Starwave Sdn Bhd	Provision of painting services and general repairs for industrial, commercial and domestic buildings	Director (ceased directorship on 31 May 2023)	-

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iv) Dato' Faiza Binti Zulkifli

Company name/Firm Name	Principal business activities	Designation	Involvement in principal business activities other than as a director
<i>Present involvement:</i>			
ARK Resources Holdings Berhad	Investment holding and provision of management services (a public listed company with subsidiaries principally engaged in property development, civil, building, construction and engineering works and turnkey construction)	Independent Non-Executive Director	-
Mestron Holdings Berhad	Investment holding (a public listed company with subsidiaries principally engaged in manufacturing of steel poles, trading of outdoor lighting products, renewable energy and property development)	Independent Non-Executive Chairman	-
NationGate Holdings Berhad	Investment holding (a public listed company with subsidiaries principally engaged in providing electronic manufacturing services)	Independent Non-Executive Director	Shareholder with approximately 0.001% direct equity interest and negligible indirect equity interest by virtue of her children pursuant to Section 59(11)(c) of the Act
<i>Previous involvement:</i>			
Nil	-	-	-

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(v) Ong Kim Nam

Company name/Firm Name	Principal business activities	Designation	Involvement in principal business activities other than as a director
<i>Present involvement:</i>			
Eng Kah Corporation Berhad	Investment holding (a public listed company with subsidiaries principally engaged in providing manufacturing, sales, marketing and distributing of personal care, household, perfume products, and home fragrance and aromatherapy souvenir)	Independent Non-Executive Director	Shareholder with approximately 0.01% direct equity interest and 0.03% indirect equity interest by virtue his spouse pursuant to Section 59(11)(c) of the Act
OKN Management PLT*	Provision of accounting, bookkeeping and auditing activities, tax consultancy, information communication technology system security services	Partner	-
<i>Previous involvement</i>			
PWF Corporation Berhad	Investment holding and provision of management services (a public listed company with subsidiaries principally engaged in providing broiler farming, breeding of day-old chicks, manufacturing and selling of poultry feeds and pet food, processing and distributing of poultry products)	Independent Non-Executive Director (ceased directorship on 31 May 2023)	Shareholder with approximately 0.07% direct equity interest
Sincere Commercial Services Sdn Bhd	Commercial services (dissolved on 6 December 2019)	Director (deemed ceased directorship as at the dissolution date on 6 December 2019)	-

Note:

* As part of the service provided by OKN Management PLT to its limited liability partnership customers, Ong Kim Nam is also acting as compliance officer for some of these customers.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(vi) Ong Guat Ean

Company name/Firm Name	Principal business activities	Designation	Involvement in principal business activities other than as a director
<i>Present involvement:</i>			
Annie Ong-Teng & Associates	Provision of legal services	Partner	-
<i>Previous involvement:</i>			
Nil	-	-	-

Our Managing Director and Executive Director are not involved in any business activities outside our Group save for Mountain Range, which is an investment holding company holding Shares of our Company. As such, their involvement will not affect their ability to perform their roles and responsibilities as well as their contributions to our Group.

The involvement of our Independent Non-Executive Directors in other business activities outside our Group will not affect their contributions to our Group as their involvement in our Company are to the extent of attending meetings and discharging their responsibilities as independent directors.

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4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

4.2.4 Remuneration and material benefits-in-kind of our Directors

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for services rendered to us in their capacities to our Group for the FYEs 2023 and 2024 are as follows:

FYE 2023 (Actual):

	Directors' fees	Salary	Bonus	Allowances and benefits-in-kind	Other emoluments ⁽ⁱ⁾	Total
Name	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Dato' Seri Lee Kah Choon	-	-	-	-	-	-
Ng Chay Chin	187	2,010	-	24	245	2,466
Chong Ewe Hean	48	1,780	-	24	218	2,070
Dato' Faiza Binti Zulkifli	-	-	-	-	-	-
Ong Kim Nam	-	-	-	-	-	-
Ong Guat Ean	-	-	-	-	-	-

FYE 2024 (Proposed):

	Directors' fees	Salary	Bonus ⁽ⁱⁱⁱ⁾	Allowances and benefits-in-kind	Other emoluments ⁽ⁱ⁾	Total
Name	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Dato' Seri Lee Kah Choon ⁽ⁱⁱ⁾	34	-	-	1	-	35
Ng Chay Chin	-	1,500	-	24	181	1,705
Chong Ewe Hean	-	1,500	-	24	181	1,705
Dato' Faiza Binti Zulkifli ⁽ⁱⁱ⁾	28	-	-	3	-	31
Ong Kim Nam ⁽ⁱⁱ⁾	30	-	-	4	-	34
Ong Guat Ean ⁽ⁱⁱ⁾	28	-	-	3	-	31

Notes:

- (i) These comprise contributions to EPF, SOCSO and EIS.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

- (ii) Dato' Seri Lee Kah Choon, Dato' Faiza Binti Zulkifli, Ong Kim Nam and Ong Guat Ean were appointed to our Board on 15 January 2024. Hence, the total for FYE 2024 is based on a pro rata basis.
- (iii) The final bonus will be determined later based on the individual's performance as well as our Group's business performance and cash flows at the time of assessment.

The remuneration of our Directors must be considered and recommended by our Remuneration Committee and subsequently be approved by our Board. Our Directors' fees must be further approved/endorsed by our shareholders pursuant to an ordinary resolution passed at a general meeting.

4.3 BOARD PRACTICES

Our Board is responsible in leading and managing our Company in an effective and responsible manner and all our Directors have an equal responsibility for our operations and corporate accountability.

With the limit set by our Constitution, our Board is responsible for the governance and management of our Company, which include reviewing and adopting a strategic plan and direction for our Group, overseeing the conduct and performance of our Group's businesses to evaluate whether our businesses are being properly managed, identifying our Group's principal risks and ensuring the implementation of appropriate internal controls and mitigation measures, establishing a succession plan for our senior management, as well as reviewing the adequacy and the integrity of the management information and internal control system of our Group.

4.3.1 Term of office of our Board

The details of our Directors, all of whom are Malaysians, the expiration of each of their current term of office and the period they have served in office as at the LPD are as follows:

Name	Age	Designation	Date of appointment	Date of expiration of the current term of office	Approximate no. of years in office up to the LPD
Dato' Seri Lee Kah Choon	64	Independent Non-Executive Chairman	15 January 2024	Shall retire at our 2 nd annual general meeting (" AGM ") to be held in 2025	Less than 1 year
Ng Chay Chin	50	Managing Director	18 July 2022	Shall retire at our 2 nd AGM to be held in 2025	Less than 2 years
Chong Ewe Hean	52	Executive Director	18 July 2022	Shall retire at our 3 rd AGM to be held in 2026	Less than 2 years
Dato' Faiza Binti Zulkifli	64	Independent Non-Executive Director	15 January 2024	Shall retire at our 2 nd AGM to be held in 2025	Less than 1 year

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

Name	Age	Designation	Date of appointment	Date of expiration of the current term of office	Approximate no. of years in office up to the LPD
Ong Kim Nam	68	Independent Non-Executive Director	15 January 2024	Shall retire at our 2 nd AGM to be held in 2025	Less than 1 year
Ong Guat Ean	60	Independent Non-Executive Director	15 January 2024	Shall retire at our 2 nd AGM to be held in 2025	Less than 1 year

In accordance with our Constitution, an election of Directors shall take place each year at the annual general meeting of our Company where 1/3 of our Directors who are subject to retirement by rotation for the time being or if their number is not 3 or a multiple of 3, then the number nearest to 1/3 shall retire from office and be eligible for re-election, provided that all Directors shall retire from office at least once in every 3 years. A retiring Director shall be eligible for re-election. A Director retiring at a meeting shall retain office until the conclusion of the meeting.

Our Board acknowledges and takes cognisance of the MCCG which contains best practices and guidance for listed companies to improve upon or to enhance their corporate governance as it forms an integral part of their business operations and culture.

Our Board believes that our current Board composition provides an appropriate balance in terms of skills, knowledge and experience to promote the interest of all shareholders and to govern our Group effectively.

Our Board is committed to achieving and sustaining high standards of corporate governance and we have considered the additional best practices and guidance set out in the MCCG which includes the non-involvement of our Chairman in our Audit and Risk Management Committee, Nomination Committee and Remuneration Committee and for our Company to have at least 30% women directors on our Board.

4.3.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee was formed by our Board on 15 January 2024. The members of our Audit and Risk Management Committee consist of the following:

Name	Designation	Directorship
Ong Kim Nam	Chairman	Independent Non-Executive Director
Dato' Faiza Binti Zulkifli	Member	Independent Non-Executive Director
Ong Guat Ean	Member	Independent Non-Executive Director

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Our Audit and Risk Management Committee undertakes, amongst others, the following functions:

External audits

- (i) to nominate and recommend the appointment and reappointment of external auditors taking into consideration the adequacy of experience, resources and audit fee, and any issue regarding resignation or dismissal of the external auditors;
- (ii) to review with the external auditors, the nature, scope and plan of the audit before the commencement of the audit and report the same to our Board;
- (iii) to review with the external auditors, their audit report and evaluation of accounting policies and systems of internal controls and risk management, and report the same to our Board;
- (iv) to review the circumstances of non-audit services that can be entered into and procedures that must be followed by the external auditors; and
- (v) to monitor the external auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid compared to other quote(s) obtained for similar services and other related requirements; and
- (vi) to ensure proper policies and procedures are established to assess the suitability, objectivity and independence of the external auditors to safeguard the quality and reliability of audited financial statements, including obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of reference of all relevant professional and regulatory requirements.

Internal audits

- (i) to review and report to our Board the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (ii) to review and report the same to our Board on the internal audit reviews, processes, the results of the internal audit reviews, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations by the internal audit function;
- (iii) to review the adequacy of our Group's risk profile and risk management framework, and assess the resources and knowledge of the senior management and employees involved in the risk management process;
- (iv) to review the effectiveness of the internal control systems and risk management system deployed by the senior management to address those risks, and recommend corrective measures undertaken to remedy failings and/or weaknesses;
- (v) to communicate and monitor the risk assessment results to our Board; and

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (vi) to review the statement of risk management and internal control for disclosure in the annual report and ensure that such disclosure is in compliance with the requirements of the relevant authorities.

Financial reporting

- (i) to make recommendations to our Board, review the quarterly and year-end financial statements and report the same to our Board, focusing particularly on:
 - (a) any changes in or implementation of major accounting policies;
 - (b) significant matters highlighted including financial reporting issues, significant judgement made by the senior management, significant and unusual events or transactions, and how these matters are addressed;
 - (c) significant adjustments arising from the audit;
 - (d) the going concern assumption; and
 - (e) compliance with accounting standards and other legal requirements.

Others

- (i) to review any related party transactions (including recurrent related party transactions) and conflict of interest situation that may arise within our Group (including any transaction, procedure or course of conduct that raises questions of management integrity) and report the same to our Board;
- (ii) to review any related party transaction entered into by our Company or our Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms, on terms not more favourable to the related parties than those generally available to the public, and to ensure that our Directors report such transaction annually to the shareholders in the annual report;
- (iii) to maintain and keep under review the whistle-blowing mechanism of our Group which shall be in accordance with Whistleblowing Policy, as well as an effective and efficient set of investigation procedures, which aims to provide protection and confidentiality;
- (iv) to ensure that the results of any audit, reviews of risk assessment, control measures and performance are reported to all top-level management, including the full Board and acted upon;
- (v) have the resources which are required to perform its duties, including assigning a competent person or function to be responsible for all anti-corruption and anti-bribery compliance matters;
- (vi) ensure the internal and external trainings in relation to anti-corruption and anti-bribery are developed for Directors, senior management and all employees;
- (vii) review the major findings of any corruption and whistle-blower matters, deliberate and decide on the appropriate actions required on such matters until the matters are resolved satisfactorily; and

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

- (viii) to review and verify the allocation of options or granting of shares to employees under employees' share issuance scheme, if any.

4.3.3 Nomination Committee

Our Nomination Committee was formed by our Board on 15 January 2024. The members of our Nomination Committee consist of the following:

Name	Designation	Directorship
Ong Guat Ean	Chairman	Independent Non-Executive Director
Dato' Faiza Binti Zulkifli	Member	Independent Non-Executive Director
Ong Kim Nam	Member	Independent Non-Executive Director

Our Nomination Committee undertakes, amongst others, the following functions:

- (i) to recommend to our Board, candidates for all directorship vacancies to be filled;
- (ii) to recommend to our Board, candidates to fill the seats on Board committees and recommend to our Board in respect of Directors' independence and conflicts of interests, if any, and the steps to be taken to manage potential conflicts of interest;
- (iii) to assess the skill gaps and training needs of each Director, review the fulfilment of such training and disclose such details in the annual report as appropriate;
- (iv) to review our Board's succession plans taking into consideration the present size, structure and composition of the Board and Board Committees as well as the required skills mix, experience and competency required, and make recommendations to our Board with regard to any adjustments that are deemed necessary;
- (v) to assist our Board to review, on an annual basis, the appropriate balance and size of non-executive participation in establishing procedures and processes toward an annual assessment of the effectiveness of our Board as a whole and the contribution of each individual Director and Board committee member;
- (vi) to assess the effectiveness of our Board as a whole annually, the Board committees and contribution of each individual Director to determine whether such Directors or Board committees and its members (as the case may be) have carried out their duties in accordance with the Board Charter and their respective terms of reference. All assessments and evaluations carried out by the Nomination Committee in the discharge of its functions should be properly documented; and
- (vii) to review the tenure of each Director and perform annual re-election of Directors with consideration of satisfactory evaluation on their performance and contribution.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

4.3.4 Remuneration Committee

Our Remuneration Committee was formed by our Board on 15 January 2024. The members of our Remuneration Committee consist of the following:

Name	Designation	Directorship
Dato' Faiza Binti Zulkifli	Chairman	Independent Non-Executive Director
Ong Kim Nam	Member	Independent Non-Executive Director
Ong Guat Ean	Member	Independent Non-Executive Director

Our Remuneration Committee undertakes, amongst others, the following functions:

- (i) to set, review, recommend and advise the policy framework relating to the remunerations of our Directors and Key Senior Management;
- (ii) to review and recommend to our Board the remuneration packages of our Directors (both executive and non-executive) and Key Senior Management including bonuses, incentives, benefits-in-kind, severance payments, any grant of entitlement under share scheme (where applicable) based on merit, qualification and competence taking into consideration the operating results, individual performance and comparable market statistics;
- (iii) to review the history of and proposals for the remuneration package of each of the Board committees; and
- (iv) ensure frequent communication with the Nomination Committee to align remuneration policies and procedures to succession planning and ensure risk outcomes are adequately considered in the design of remuneration policies and procedures.

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4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

4.4 MANAGEMENT REPORTING STRUCTURE

The following chart illustrates the management reporting structure of our Group:



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4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

4.5 KEY SENIOR MANAGEMENT

4.5.1 Shareholdings of our Key Senior Management

Save for the shareholdings of Ng Chay Chin and Chong Ewe Hean, being our Managing Director and Executive Director respectively, which have been set out in Section 4.2.1 of this Prospectus, the details of our Key Senior Management and their respective shareholdings in our Company as at the LPD and after our IPO (assuming each of our Key Senior Management subscribes in full for their respective entitlements under the Pink Form Allocations as set out in Section 3.3.1(ii) of this Prospectus) are as follows:

Name	Designation	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)%
Ng Chai Hee	Senior Operations Director	12,580,000	2.20	-	-	8,880,000	1.20	-	-
Yin Thien Hee	Senior Business & Sales Director	12,580,000	2.20	-	-	7,400,000	1.00	-	-
Tan Suat Hoon	Chief Financial Officer	-	-	-	-	1,000,000	0.14	-	-

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.

Save for Ng Chay Chin and Chong Ewe Hean who are the representatives of Mountain Range, none of our Key Senior Management are representatives of any corporate shareholder.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

4.5.2 Profiles of our Key Senior Management

The profiles of our other Key Senior Management are as follows:

(i) **Ng Chai Hee**

Ng Chai Hee, a Malaysian age 46, is our Senior Operations Director. He is responsible for overseeing the overall operations and manufacturing activities of our Group.

In 1994, he completed Form 3 in Sekolah Menengah Serdang, Kedah.

He has approximately 28 years of experience in machine configuration and troubleshooting, as well as manufacturing operations of precision engineering components.

In 1996, he began his career when he joined Eng Teknologi Sdn Bhd, a wholly-owned subsidiary of Eng Teknologi Holdings Bhd (a company previously listed on the Second Board of the KLSE and was subsequently transferred to the Main Board of the KLSE before it was delisted in 2012) as a Technician. He was responsible for configuring, calibrating as well as troubleshooting machines.

In 1999, he left Eng Teknologi Sdn Bhd and joined Mahlin Min Aik Corporation Sdn Bhd as a Technician. Similarly, he was responsible for configuring, calibrating as well as troubleshooting machines. In 2001, he joined JCY HDD Technology Sdn Bhd, a wholly-owned subsidiary of JCY International Berhad (a company previously listed on the Main Market of Bursa Securities) as Shift Leader, where he was responsible for planning and monitoring production schedules of hard disk components.

In 2004, he left JCY HDD Technology Sdn Bhd and joined Engtek Precision Philippines, Inc, a wholly-owned subsidiary of Eng Teknologi Holdings Bhd, as a Technical Supervisor. He was responsible for supervising production planning activities and implementation of operational strategies in the manufacturing of precision engineering components. He left Engtek Precision Philippines Inc. after a few months in June 2004 and returned to Malaysia in the same year.

In July 2004, he joined our Group as a Manager where he was involved in coordinating and managing our day-to-day operations and manufacturing activities. In 2010, he was redesignated to Operations Manager where he assumed similar responsibilities. In 2014 and 2022, he was promoted to General Manager and Senior General Manager respectively, where he was responsible for overseeing the overall operations and manufacturing activities of our Group. In 2023, he was promoted to Senior Operations Director, a position he holds to date.

As at the LPD, he does not hold any directorship in any public listed companies or private limited companies.

Save as disclosed in Section 4.7 of this Prospectus, he has no other relationships with our Promoters, substantial shareholders, Directors and other Key Senior Management.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) Yin Thien Hee

Yin Thien Hee, a Malaysian age 51, is our Senior Business & Sales Director. He is responsible for managing and overseeing the sales and marketing activities of our Group.

In 1995, he obtained his Diploma of Mechanical Engineering from Federal Institute of Technology Malaysia (in affiliation with and recognised by Northumbria University in Newcastle, UK and University of Sunderland, UK).

He has approximately 28 years of experience in the material handling and automation equipment industry as well as the precision engineering industry.

In 1996, he began his career with G-Force Sdn Bhd as a Sales Executive, where he was involved in the sales of material handling equipment and customer services. He left G-Force Sdn Bhd in the same year.

In 1997, he joined Alstron Engineering (M) Sdn Bhd as a Sales Engineer, where he was responsible for the sales of automation equipment as well as managing customer relationships. In 1999, he left Alstron Engineering (M) Sdn Bhd to join Shanghai Komark Labels & Labelling Co. Ltd in China as a Sales Engineer, where he was involved in business development activities to drive the sales of automation equipment.

In 2001, he left Shanghai Komark Labels & Labelling Co. Ltd to join Clearpack Automation Suzhou Co. Ltd in China as a Sales Manager, where he was responsible for managing and leading a sales team, managing customer relationships as well as generating sales for automation equipment. In 2004, he left Clearpack Automation Suzhou Co Ltd in China and returned to Malaysia.

In 2005, he joined Wong Engineering Industries Sdn Bhd as a Sales Manager. He was involved in business development activities to drive the sales of precision engineering components.

In 2008, he left Wong Engineering Industries Sdn Bhd and joined LKT Precision Engineering Sdn Bhd as Business Development Manager. He was involved in business development activities to drive the sales of precision engineering components.

In 2009, he left LKT Precision Engineering Sdn Bhd and joined our Group as a Manager where he was involved in business development activities to expand our customer base and to drive the sales of our precision engineering components. In 2019, he was appointed as Business Director where he was responsible for managing and executing our business development strategies and activities. In 2022, he was redesignated as our Marketing Director and was promoted to Senior Business & Sales Director in 2023, a position he holds to-date.

As at the LPD, he does not hold any directorship in any public listed companies or private limited companies.

Save as disclosed in Section 4.7 of this Prospectus, he has no other relationships with our Promoters, substantial shareholders, Directors and other Key Senior Management.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

(iii) Tan Suat Hoon

Tan Suat Hoon, a Malaysian age 55, is our Chief Financial Officer. She is responsible for overseeing the accounting, financial and corporate matters of our Group.

She obtained her Diploma in Commerce (Management Accounting) from Tunku Abdul Rahman College, Kuala Lumpur in 1992. She was admitted as an Associate of the Chartered Institute of Management Accountants, UK ("**CIMA**") and the ACCA in 1996 and as Fellow for both CIMA and ACCA in 2001. She has also been a Chartered Accountant with MIA since 1996. She is presently a member of CIMA and MIA.

She has accumulated more than 20 years of experience in corporate finance, advisory and debt capital market in the investment banking industry, and was involved in initial public offerings, capital and fund-raising exercises, corporate restructuring, mergers and acquisitions, privatisations and take-overs.

She began her career as an Audit Assistant with KPMG Peat Marwick (now known as KPMG) in 1992 and left as an Audit Senior in 1996, where she was involved in audit assignments of private and public listed companies in various industries.

In 1996, she joined Malaysia International Merchant Bankers Berhad (which was taken over by EON Bank Berhad and subsequently by Hong Leong Bank Berhad) as an Executive in Corporate Finance and left in 2002 as a Manager, where she was involved in providing advisory and consultancy services, as well as managing corporate exercises for clients in various industries.

In 2002, she joined AmInvestment Bank Berhad as a Manager in Corporate Finance and left in 2017 as a Senior Vice President, where she was responsible for providing advisory and consultancy services as well as coordinating and leading corporate exercises for clients in various industries.

In 2017, she joined Pen Petroleum Sdn Bhd as Senior Group Finance Manager where she was responsible for supervising the daily functions of the finance department. In 2018, she left Pen Petroleum Sdn Bhd and joined Kenanga Investment Bank Berhad as Senior Vice President in Corporate Finance where she was responsible for providing advisory and consultancy services as well as leading corporate finance exercises for clients in various industries.

In June 2021, she left Kenanga Investment Bank Berhad and joined Texchem Corporation Sdn Bhd, a subsidiary of Texchem Resources Bhd ("**TRB**"), as Group Chief Financial Officer and was responsible for finance and treasury matters for TRB's group of companies which are involved in the industrial, polymer engineering, food and restaurant segments. She was transferred to TRB as the Special Officer-Regulatory, Presidential Office in July 2022 before she left in September 2022. She was responsible for ensuring compliance of TRB with relevant regulatory requirements and managing ad-hoc projects assigned by the Presidential Office.

In September 2022, she joined our Group as our Chief Financial Officer where she assumed her current responsibilities.

As at the LPD, she sits on the board of several public listed companies as disclosed in Section 4.5.3(iii) of this Prospectus.

She does not have any relationship with our Promoters, substantial shareholders, Directors and Key Senior Management.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

4.5.3 Involvement of our Key Senior Management in other principal business activities outside our Group

Save for the involvement of Ng Chay Chin and Chong Ewe Hean, being our Managing Director and Executive Director respectively, which have been set out in Section 4.2.3 of this Prospectus, the principal business activities performed by our Key Senior Management outside our Group as at the LPD and their present directorships in companies outside our Group and in the past 5 years preceding the LPD are as follows:

(i) Ng Chai Hee

Company name/Firm Name	Principal business activities	Designation	Involvement in principal business activities other than as a director
<i>Present involvement:</i> Mountain Range	Investment holding company	-	Shareholder with approximately 2.60% direct equity interest
<i>Previous involvement:</i> FY Builder Sdn Bhd	Engineering consultancy services in relation to property construction	Director (ceased directorship on 4 November 2019)	-

(ii) Yin Thien Hee

Company name/Firm Name	Principal business activities	Designation	Involvement in principal business activities other than as a director
<i>Present involvement:</i> Mountain Range	Investment holding company	-	Shareholder with approximately 3.20% direct equity interest
<i>Previous involvement:</i> FY Builder Sdn Bhd	Engineering consultancy services in relation to property construction	Director (ceased directorship on 4 November 2019)	-

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) Tan Suat Hoon

Company name/Firm Name	Principal business activities	Designation	Involvement in principal business activities other than as a director
<i>Present involvement:</i>			
Central Global Berhad	Investment holding (a public listed company with subsidiaries principally engaged in manufacturing, sales and trading of self-adhesive label stocks and tape, contractor and construction of building and infrastructure and trading of building materials, provision of information technology and related services; investment holding in property and real estate and operation of general facilities that produce electric energy and construction of power plants)	Independent Non-Executive Director	-
Elridge Energy Holdings Berhad	Investment holding (a public limited company with proposed subsidiaries principally engaged in manufacturing and trading of biomass fuel products, particularly palm kernel shells as well as wood pellets)	Independent Non-Executive Director	-
PGF Capital Berhad	Investment holding, trading of fibre glasswool and its related products and provision of management services (a public listed company with subsidiaries principally engaged in manufacturing, sale and trading of fibre glasswool and its related products; property development, investment holding in property, manufacturing and trading of building and hygiene products and plantation of tropical fruits)	Independent Non-Executive Director	-

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company name/Firm Name	Principal business activities	Designation	Involvement in principal business activities other than as a director
Smart Asia Chemical Bhd	Investment holding (a public limited company with proposed subsidiaries principally engaged in the development, manufacturing, distribution and sale of decorative paints and protective coatings for household and industrial applications)	Independent Non-Executive Director	-
<i>Previous involvement:</i>			
Nil	-	-	-

Ng Chai Hee and Yin Thien Hee are not involved in any business activities outside our Group save for Mountain Range, which is an investment holding company holding Shares of our Company. As such, their involvement will not affect their ability to perform their roles and responsibilities as well as their contributions to our Group.

In addition, the involvement of Tan Suat Hoon in Central Global Berhad, Elridge Energy Holdings Berhad, PGF Capital Berhad and Smart Asia Chemical Bhd as an Independent Non-Executive Director is not expected to require a significant amount of her time and affect her contribution to our Group as her involvement in business activities outside our Group are to the extent of attending meetings and discharging her responsibilities as an independent director. Her attendance in these meetings requires minimal travelling time as most of the meetings are conducted virtually, thus, allowing her to spend the majority of her time in our Group. Further, apart from Tan Suat Hoon, our Group's accounting and finance function is supported by a team of 5 personnel, one of whom is also a qualified accountant and holds the position of Financial Controller.

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4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

4.5.4 Remuneration and material benefits-in-kind of our Key Senior Management

Save for the aggregate remuneration and material benefits-in-kind paid and proposed to be paid to Ng Chay Chin and Chong Ewe Hean, being our Managing Director and Executive Director respectively which have been set out in Section 4.2.4 of this Prospectus, the aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our other Key Senior Management for services rendered to us in their capacities to our Group for the FYEs 2023 and 2024 are as follows:

Name	Remuneration band	
	FYE 2023 (Actual)	FYE 2024 (Proposed)
	RM'000	RM'000
Ng Chai Hee	200 - 250	200 - 250
Yin Thien Hee	550 - 600	550 - 600
Tan Suat Hoon	350 - 400	350 - 400

4.6 SERVICE CONTRACTS

As at the LPD, we do not have any existing or proposed service contract with our Directors or Key Senior Management, which provides for benefits upon termination of employment.

4.7 ASSOCIATIONS OR FAMILY RELATIONSHIPS BETWEEN OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Save as disclosed below, there is no association or family relationship between any of our Promoters, substantial shareholders, Directors and Key Senior Management:

Name	Position	Relationship
Ng Chay Chin	Promoter, substantial shareholder, Director and Key Senior Management	<ul style="list-style-type: none"> Brother of Ng Chai Hee Director and substantial shareholder of Mountain Range
Chong Ewe Hean	Promoter, substantial shareholder, Director and Key Senior Management	<ul style="list-style-type: none"> Director and substantial shareholder of Mountain Range
Ng Chai Hee	Specified Shareholder and Key Senior Management	<ul style="list-style-type: none"> Brother of Ng Chay Chin Shareholder of Mountain Range
Yin Thien Hee	Shareholder and Key Senior Management	<ul style="list-style-type: none"> Shareholder of Mountain Range

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

4.8 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

None of our Promoters, Directors and Key Senior Management is or has been involved in any of the following events (whether in or outside Malaysia) as at the LPD:

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he or she was a partner or any corporation of which he or she was a director or member of key senior management;
- (ii) such person was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, such person was charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his or her or its part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, such person was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his or her or its part that relates to the capital market;
- (vi) such person was the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him or her or it from engaging in any type of business practice or activity;
- (vii) in the last 10 years, such person has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) any unsatisfied judgment against such person.

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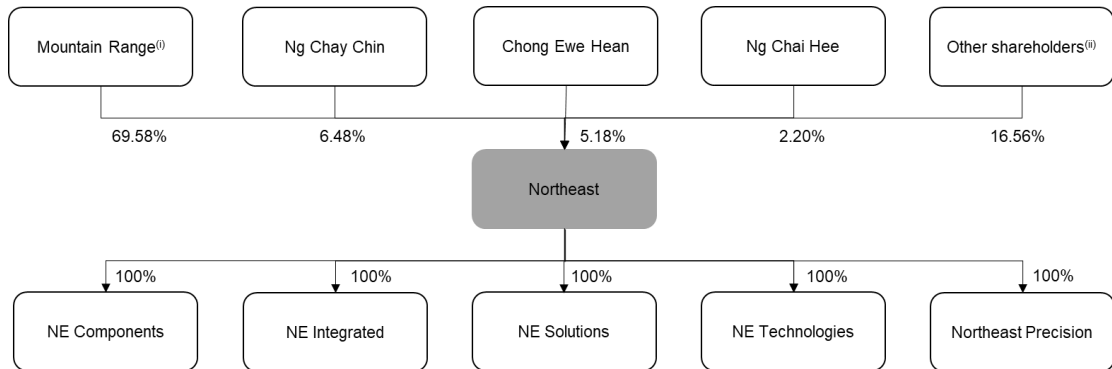
5. INFORMATION ON OUR GROUP

5.1 OUR COMPANY

Our Company was incorporated in Malaysia under the Act on 18 July 2022 as a private company limited by shares under the name of 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. Precision engineering components are parts that are precisely machined in exact and accurate dimensions (i.e. tolerances for variation of up to a single-digit micron range) to be further processed and/or assembled to form end-products by our customers.

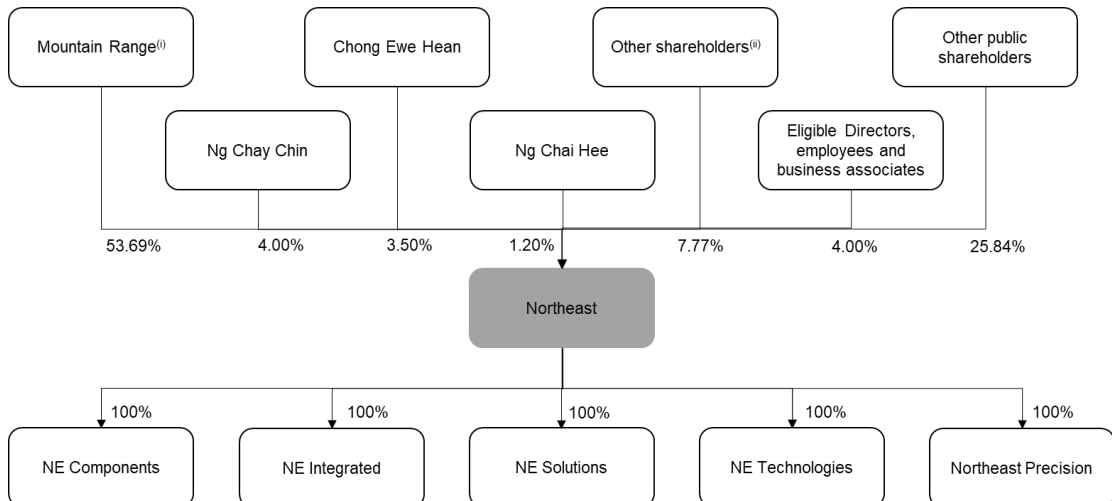
As at the LPD, our group structure is as follows:



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%).

Upon Listing, our group structure will be as follows:



5. INFORMATION ON OUR GROUP (CONT'D)

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 (2.50%), Tang Ah Lek (3.00%), Yin Thien Hee (1.00%) and Huang HongHui (1.27%).

Please refer to Section 5.2 of this Prospectus for further details on our subsidiaries.

5.1.1 Acquisitions

In conjunction with, and as an integral part of our Listing, the details of the Acquisitions are as follows:

(i) Acquisition of NE Components

On 5 January 2024, our Company acquired the entire issued share capital in NE Components comprising 500,000 ordinary shares from the vendors for a purchase consideration of RM31,630,700. The purchase consideration was wholly satisfied via the issuance of 126,522,800 new Shares at an issue price of RM0.25 per Share to the following vendors (who then novated a portion of their Shares to a holding company, Mountain Range):

Vendors	Shareholding in NE Components		Purchase Consideration RM	No. of new Shares issued
	No. of shares	%		
Ng Chay Chin	175,000	35.00	11,070,745.00	⁽ⁱ⁾ 1,137,937
Chong Ewe Hean	87,500	17.50	5,535,372.50	⁽ⁱ⁾ 964,418
Ng Meng Hang	87,500	17.50	5,535,372.50	⁽ⁱ⁾ 4,857,464
Yin Thien Hee	100,000	20.00	6,326,140.00	⁽ⁱ⁾ 12,580,000
Ng Chai Hee	50,000	10.00	3,163,070.00	⁽ⁱ⁾ 2,185,216
Mountain Range	-	-	-	⁽ⁱ⁾ 104,797,765
Total	500,000	100.00	31,630,700	126,522,800

Note:

- (i) The following vendors novated a total of 104,797,765 new Shares, issued to them pursuant to the Acquisition of NE Components, to Mountain Range as follows:

	No. of new Shares novated to Mountain Range
Ng Chay Chin	43,145,043
Chong Ewe Hean	21,177,072
Ng Meng Hang	17,284,026
Yin Thien Hee	12,724,560
Ng Chai Hee	10,467,064
Total	104,797,765

5. INFORMATION ON OUR GROUP (CONT'D)

The purchase consideration of NE Components of RM31,630,700 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of NE Components as at 30 September 2023 of RM31,630,734. The Acquisition of NE Components was completed on 5 January 2024 and thereafter, NE Components has become a wholly-owned subsidiary of Northeast.

(ii) Acquisition of NE Integrated

On 5 January 2024, our Company acquired the entire issued share capital in NE Integrated comprising 1,000,000 ordinary shares from the vendors for a purchase consideration of RM19,602,900. The purchase consideration was wholly satisfied via the issuance of 78,411,600 new Shares at an issue price of RM0.25 per Share to the following vendors (several of whom then novated a portion of their Shares to a holding company, Mountain Range):

	Shareholding in NE Integrated		Purchase Consideration RM	No. of new Shares issued
	No. of shares	%		
Ng Chay Chin	720,000	72.00	14,114,088	⁽ⁱ⁾ 2,525,048
Chong Ewe Hean	120,000	12.00	2,352,348	⁽ⁱ⁾ 1,997,417
Ng Chai Hee	40,000	4.00	784,116	3,136,464
Huang HongHui	120,000	12.00	2,352,348	9,409,392
Mountain Range	-	-	-	⁽ⁱ⁾ 61,343,279
Total	1,000,000	100.00	19,602,900	78,411,600

Note:

- (i) The following vendors novated a total of 61,343,279 new Shares, issued to them pursuant to the Acquisition of NE Integrated, to Mountain Range as follows:

	No. of new Shares novated to Mountain Range
Ng Chay Chin	53,931,304
Chong Ewe Hean	7,411,975
Total	61,343,279

The purchase consideration of NE Integrated of RM19,602,900 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of NE Integrated as at 30 September 2023 of RM19,602,985. The Acquisition of NE Integrated was completed on 5 January 2024 and thereafter, NE Integrated has become a wholly-owned subsidiary of Northeast.

5. INFORMATION ON OUR GROUP (CONT'D)

(iii) Acquisition of NE Solutions

On 5 January 2024, our Company acquired the entire issued share capital in NE Solutions comprising 50,000 ordinary shares from the vendors for a purchase consideration of RM2,468,100. The purchase consideration was wholly satisfied via the issuance of 9,872,400 new Shares at an issue price of RM0.25 per Share to the following vendors:

	Shareholding in NE Solutions		Purchase Consideration RM	No. of new Shares issued
	No. of shares	%		
Ng Chay Chin	25,000	50.00	1,234,050	4,936,200
Chong Ewe Hean	25,000	50.00	1,234,050	4,936,200
Total	50,000	100.00	2,468,100	9,872,400

The purchase consideration of NE Solutions of RM2,468,100 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of NE Solutions as at 30 September 2023 of RM2,468,194. The Acquisition of NE Solutions was completed on 5 January 2024 and thereafter, NE Solutions has become a wholly-owned subsidiary of Northeast.

(iv) Acquisition of NE Technologies

On 5 January 2024, our Company acquired the entire issued share capital in NE Technologies comprising 150,000 ordinary shares from the vendors for a purchase consideration of RM15,121,500. The purchase consideration was wholly satisfied via the issuance of 60,486,000 new Shares at an issue price of RM0.25 per Share to the following vendors (one of whom then novated a portion of his Shares to a holding company, Mountain Range):

	Shareholding in NE Technologies		Purchase Consideration RM	No. of new Shares issued
	No. of shares	%		
Ng Chay Chin	55,500	37.00	5,594,955	22,379,820
Chong Ewe Hean	25,500	17.00	2,570,655	10,282,620
Ng Meng Hang	25,500	17.00	2,570,655	⁽ⁱ⁾ 593,661
Tang Ah Lek	25,500	17.00	2,570,655	10,282,620
Ng Chai Hee	18,000	12.00	1,814,580	7,258,320
Mountain Range	-	-	-	⁽ⁱ⁾ 9,688,959
Total	150,000	100.00	15,121,500	60,486,000

Note:

- (i) The following vendor novated a total of 9,688,959 new Shares, issued to him pursuant to the Acquisition of NE Technologies, to Mountain Range as follows:

	No. of new Shares novated to Mountain Range
Ng Meng Hang	9,688,959

5. INFORMATION ON OUR GROUP (CONT'D)

The purchase consideration of NE Technologies of RM15,121,500 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of NE Technologies as at 30 September 2023 of RM15,121,544. The Acquisition of NE Technologies was completed on 5 January 2024 and thereafter, NE Technologies has become a wholly-owned subsidiary of Northeast.

(v) Acquisition of Northeast Precision

On 5 January 2024, our Company acquired the entire issued share capital in Northeast Precision comprising 1,500,000 ordinary shares from the vendors for a purchase consideration of RM73,929,300. The purchase consideration was wholly satisfied via the issuance of 295,717,200 new Shares at an issue price of RM0.25 per Share to the following vendors (who then novated a portion of their Shares to a holding company, Mountain Range):

	Shareholding in Northeast Precision		Purchase Consideration RM	No. of new Shares issued
	No. of shares	%		
Ng Chay Chin	450,000	30.00	22,178,790	⁽ⁱ⁾ 6,020,495
Chong Ewe Hean	450,000	30.00	22,178,790	⁽ⁱ⁾ 11,418,845
Ng Meng Hang	300,000	20.00	14,785,860	⁽ⁱ⁾ 32,288,875
Tang Ah Lek	300,000	20.00	14,785,860	⁽ⁱ⁾ 24,497,380
Mountain Range	-	-	-	⁽ⁱ⁾ 221,491,605
Total	1,500,000	100.00	73,929,300	295,717,200

Note:

- (i) The following vendors novated a total of 221,491,605 new Shares, issued to them pursuant to the Acquisition of Northeast Precision, to Mountain Range as follows:

	No. of new Shares novated to Mountain Range
Ng Chay Chin	82,694,665
Chong Ewe Hean	77,296,315
Ng Meng Hang	26,854,565
Tang Ah Lek	34,646,060
Total	221,491,605

The purchase consideration of Northeast Precision of RM73,929,300 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of Northeast Precision as at 30 September 2023 of RM73,929,367. The Acquisition of Northeast Precision was completed on 5 January 2024 and thereafter, Northeast Precision has become a wholly-owned subsidiary of Northeast.

5. INFORMATION ON OUR GROUP (CONT'D)

5.1.2 Share capital

As at the LPD, our issued share capital is RM142,753,500 comprising 571,011,000 Shares.

The changes in our issued share capital since the date of our incorporation up to the LPD are as follows:

Date of allotment	No. of Shares allotted	Consideration	Cumulative issued share capital RM
18 July 2022	2	Cash	2.00
27 December 2023	998	Cash	1,000.00
5 January 2024	571,010,000	Other than cash pursuant to the Acquisitions	142,753,500

None of our Shares were issued at a discount, on special terms or based on instalment payment terms.

Upon completion of our IPO, our enlarged share capital will increase to RM[●] comprising 740,000,000 Shares.

As at the LPD, we do not have any outstanding warrants, options, convertible securities or uncalled capital in respect of our Shares.

5.2 OUR SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE COMPANY

As at the LPD, the details of our subsidiaries are as follows:

Name and registration no.	Date and place of incorporation	Our effective equity interest %	Issued share capital RM	Principal activities
NE Components (200901020646 (863743-W))	9 July 2009 / Malaysia	100.00	500,000	Precision engineering works
NE Integrated (201201003919 (977444-P))	9 February 2012 / Malaysia	100.00	1,000,000	Precision engineering works
NE Solutions (201501018590 (1143922-K))	11 May 2015 / Malaysia	100.00	50,000	Precision engineering works
NE Technologies (200601024605 (744359-T))	15 August 2006 / Malaysia	100.00	150,000	Precision engineering works
Northeast Precision (200401019379 (657883-H))	30 June 2004 / Malaysia	100.00	1,500,000	Precision engineering works

As at the LPD, we do not have any joint venture or associate companies.

5. INFORMATION ON OUR GROUP *(CONT'D)*

5.2.1 NE Components

(i) History and business

NE Components was incorporated in Malaysia under the Companies Act 1965 (and deemed registered under the Act) on 9 July 2009 as a private company limited by shares under the name of NE Components Sdn Bhd.

The principal place of business of NE Components is at 868, Plot 41, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang. It is currently principally involved in precision engineering works.

(ii) Share capital

As at the LPD, the issued share capital of NE Components is RM500,000 comprising 500,000 ordinary shares.

There is no change in the issued share capital of NE Components for the Financial Years Under Review and up to the LPD.

None of the ordinary shares of NE Components were issued at a discount, on special terms or based on instalment payment terms.

As at the LPD, NE Components does not have any outstanding warrants, options, convertible securities or uncalled capital in respect of its shares.

(iii) Shareholder

NE Components is a wholly-owned subsidiary of our Company.

(iv) Subsidiary, joint venture and associate company

As at the LPD, NE Components does not have any subsidiary, joint venture or associate companies.

5.2.2 NE Integrated

(i) History and business

NE Integrated was incorporated in Malaysia under the Companies Act 1965 (and deemed registered under the Act) on 9 February 2012 as a private company limited by shares under the name of Sage Millimeter Sdn Bhd. On 24 December 2013, the company changed its name to NE Integrated Sdn Bhd.

The principal place of business of NE Integrated is at 1946, Lorong IKS Bukit Minyak 1, Taman IKS Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang. It is currently principally involved in precision engineering works.

(ii) Share capital

As at the LPD, the issued share capital of NE Integrated is RM1,000,000 comprising 1,000,000 ordinary shares.

5. INFORMATION ON OUR GROUP (CONT'D)

The changes in the issued share capital of NE Integrated for the Financial Years Under Review and up to the LPD are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative issued share capital	
			No. of shares	RM
15 October 2020	600,000	Cash	1,000,000	1,000,000

None of the ordinary shares of NE Integrated were issued at a discount, on special terms or based on instalment payment terms.

As at the LPD, NE Integrated does not have any outstanding warrants, options, convertible securities or uncalled capital in respect of its shares.

(iii) Shareholder

NE Integrated is a wholly-owned subsidiary of our Company.

(iv) Subsidiary, joint venture and associate company

As at the LPD, NE Integrated does not have any subsidiary, joint venture or associate companies.

5.2.3 NE Solutions

(i) History and business

NE Solutions was incorporated in Malaysia under the Companies Act 1965 (and deemed registered under the Act) on 11 May 2015 as a private company limited by shares under the name of NE Solutions Sdn Bhd.

The principal place of business of NE Solutions is at 1946, Lorong IKS Bukit Minyak 1, Taman IKS Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang. It is currently principally involved in precision engineering works.

(ii) Share capital

As at the LPD, the issued share capital of NE Solutions is RM50,000 comprising 50,000 ordinary shares.

There is no change in the issued share capital of NE Solutions for the Financial Years Under Review and up to the LPD.

None of the ordinary shares of NE Solutions were issued at a discount, on special terms or based on instalment payment terms.

As at the LPD, NE Solutions does not have any outstanding warrants, options, convertible securities or uncalled capital in respect of its shares.

(iii) Shareholder

NE Solutions is a wholly-owned subsidiary of our Company.

5. INFORMATION ON OUR GROUP (CONT'D)

(iv) Subsidiary, joint venture and associate company

As at the LPD, NE Solutions does not have any subsidiary, joint venture or associate companies.

5.2.4 NE Technologies**(i) History and business**

NE Technologies was incorporated in Malaysia under the Companies Act 1965 (and deemed registered under the Act) on 15 August 2006 as a private company limited by shares under the name of NE Technologies Sdn Bhd.

The principal place of business of NE Technologies is at 1088, Jalan Juru, Kawasan Perindustrian Juru, 14100 Simpang Ampat, Pulau Pinang. It is currently principally involved in precision engineering works.

(ii) Share capital

As at the LPD, the issued share capital of NE Technologies is RM150,000 comprising 150,000 ordinary shares.

There is no change in the issued share capital of NE Technologies for the Financial Years Under Review and up to the LPD.

None of the ordinary shares of NE Technologies were issued at a discount, on special terms or based on instalment payment terms.

As at the LPD, NE Technologies does not have any outstanding warrants, options, convertible securities or uncalled capital in respect of its shares.

(iii) Shareholder

NE Technologies is a wholly-owned subsidiary of our Company.

(iv) Subsidiary, joint venture and associate company

As at the LPD, NE Technologies does not have any subsidiary, joint venture or associate companies.

5.2.5 Northeast Precision**(i) History and business**

Northeast Precision was incorporated in Malaysia under the Companies Act 1965 (and deemed registered under the Act) on 30 June 2004 as a private company limited by shares under the name of Northeast Precision Sdn Bhd.

The principal place of business of Northeast Precision is at 868, Plot 41, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang. It is currently principally involved in precision engineering works.

(ii) Share capital

As at the LPD, the issued share capital of Northeast Precision is RM1,500,000 comprising 1,500,000 ordinary shares.

5. INFORMATION ON OUR GROUP (CONT'D)

The changes in the issued share capital of Northeast Precision for the Financial Years Under Review and up to the LPD are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative issued share capital	
			No. of shares	RM
29 September 2022	300,000	Cash	1,500,000	1,500,000

None of the ordinary shares of Northeast Precision were issued at a discount, on special terms or based on instalment payment terms.

As at the LPD, Northeast Precision does not have any outstanding warrants, options, convertible securities or uncalled capital in respect of its shares.

(iii) Shareholder

Northeast Precision is a wholly-owned subsidiary of our Company.

(iv) Subsidiary, joint venture and associate company

As at the LPD, Northeast Precision does not have any subsidiary, joint venture or associate companies.

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6. BUSINESS OVERVIEW

6.1 OUR HISTORY

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 10 January 2024, we converted to a public limited company for the purpose of the 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.

The table below sets out the history and key business milestones of our business since our inception in 2004:

Year	Key events and milestones
2004	<ul style="list-style-type: none"> Northeast Precision was incorporated on 30 June 2004 by our Executive Director, Chong Ewe Hean, along with another shareholder, Ng Meng Hang. We commenced our business operations at a shoplot in Bukit Tengah, Pulau Pinang, in the manufacturing of precision engineering components. We started manufacturing and supplying precision engineering components for the telecommunication industry by securing sales from TEMEX Microwave, a customer in the Philippines, which is involved in the manufacturing of radio frequency related components.
2005	<ul style="list-style-type: none"> We grew our customer base in the telecommunication industry and expanded our export market to the UK and USA by securing sales from Filtronic Broadband Ltd (a manufacturer of electronic components that transmit, receive and condition radio waves) and M2 Global Technology Ltd (a supplier of microwave products and precision manufactured products and services), respectively.
2006	<ul style="list-style-type: none"> NE Technologies was incorporated on 15 August 2006 by our Managing Director, Ng Chay Chin, our Executive Director, Chong Ewe Hean along with another shareholder, Ng Meng Hang. As our service offerings improved, we expanded our customer industry portfolio to include the photonics industry when we secured sales from Customer A group of companies, a group of companies which are mainly involved in the development, manufacturing and sale of photonics components such as fibre lasers, fibre amplifiers and diode lasers. Customer A group of companies remain as our top major customer in the Financial Years Under Review. We further widened our global reach by securing orders from our first customer in Thailand, namely Aerotek Co., Ltd, a manufacturer of telecommunication components.
2007	<ul style="list-style-type: none"> We expanded our manufacturing capabilities to include surface finishing by providing plating services to complement the manufacturing of precision engineering components.

6. BUSINESS OVERVIEW (CONT'D)

Year	Key events and milestones
2008	<ul style="list-style-type: none"> • We acquired a piece of land measuring approximately 58,329.63 sq ft in Kawasan Perindustrian Juru, Pulau Pinang, with the intention of constructing Factory 1 to expand our operations. • With our experience in the manufacturing of precision engineering components for the telecommunication and photonics industries, we began serving the semiconductor industry by securing orders from Incavo Pte Ltd, a company based in Singapore which is involved in the manufacturing of semiconductor test components and systems. This also marked the expansion of our export market to Singapore. • NE Technologies commenced business operations at another rented shoplot in Bukit Tengah, Pulau Pinang, in the manufacturing of precision engineering components.
2009	<ul style="list-style-type: none"> • NE Components was incorporated on 9 July 2009 by our Managing Director, Ng Chay Chin, our Senior Operations Director, Ng Chai Hee, and our Senior Business & Sales Director, Yin Thien Hee. • NE Components commenced business operations at another rented shoplot in Bukit Tengah, Pulau Pinang, in the manufacturing of precision engineering components. • Our customer industry portfolio continued to expand when we secured sales from an optoelectronics industry player based in the USA, which is involved in the manufacturing of glass-to-metal seals for connectors, terminals and headers.
2011	<ul style="list-style-type: none"> • We leveraged on our industry experience gained along the years and further broadened our customer industry portfolio when we secured sales from an E&E industry player, namely Customer D, a company based in Thailand which is involved in the provision of precision optical, electro-mechanical and electronics manufacturing services, original equipment manufacturers of optical communication components, modules and subsystems, industrial lasers and sensors. • The construction of Factory 1 with a total built-up area of approximately 21,603.17 sq ft was completed.
2012	<ul style="list-style-type: none"> • NE Integrated was incorporated on 9 February 2012 by our Managing Director, Ng Chay Chin, and our Executive Director, Chong Ewe Hean. • In early 2012, we moved our entire operations from the shoplots in Bukit Tengah, Pulau Pinang to Factory 1.
2014	<ul style="list-style-type: none"> • We acquired a single storey semi-detached factory with 2 storey office with a total built-up area of approximately 6,555 sq ft, bearing the assessment address of No. 117 Lorong IKS Juru 5, Taman Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang ("Lot 117") to expand our production floor space as our business continued to grow. • NE Integrated commenced business operations at Lot 117 in the manufacturing of precision engineering components. • We also acquired Lot 20449 with a total built-up area of approximately 5,627 sq ft to expand our production floor space.

6. BUSINESS OVERVIEW (CONT'D)

Year	Key events and milestones
2015	<ul style="list-style-type: none"> We acquired a single storey semi-detached factory with 2 storey office with a total built-up area of approximately 6,555 sq ft, bearing the assessment address of No. 119, Lorong IKS Juru 5, Taman Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang (“Lot 119”) to expand our production floor space as our business continued to grow. NE Solutions was incorporated on 11 May 2015 by our Managing Director, Ng Chay Chin and our Executive Director, Chong Ewe Hean, along with another shareholder, Ng Meng Hang. NE Solutions commenced business operations at Lot 119 in the manufacturing of precision engineering components. We expanded our manufacturing capabilities to include another value-added service, namely sheet metal fabrication, where fabricated sheet metal are used as enclosures for our precision engineering components. We received our first ISO 9001:2008 Quality Management System certification, which was awarded to NE Integrated, for the scope of manufacturing of mechanical components for telecommunication, electronics, aerospace and automotive industries.
2016	<ul style="list-style-type: none"> We received ISO 9001:2008 Quality Management System certification awarded to Northeast Precision, NE Components and NE Technologies for the scope of manufacturing and assembly of mechanical components for telecommunication, electronics, aerospace and automotive industries.
2017	<ul style="list-style-type: none"> We acquired a piece of land together with a double-storey factory with a total built-up area of approximately 42,584.18 sq ft in Taman Perindustrian Bukit Minyak, Pulau Pinang to set up Factory 2 as our business continued to grow.
2018	<ul style="list-style-type: none"> We acquired a piece of land together with a single-storey detached warehouse annexed with a single-storey open-sided detached factory, single-storey lab, single-storey office block and other ancillary buildings with a total built-up area of approximately 94,235.13 sq ft in Taman IKS Bukit Minyak, Pulau Pinang, to set up Factory 3 as our business grew further.
2021	<ul style="list-style-type: none"> The renovation of Factory 2 with a total built-up area of approximately 74,788.19 sq ft was completed.
2022	<ul style="list-style-type: none"> The renovation of Factory 3 with a total built-up area of approximately 89,646.00 sq ft was completed. We completed the disposals of Lot 117 and Lot 119. Following which, the production activities and machineries in Lot 117 and Lot 119 were relocated to Factory 3, whereas the sheet metal fabrication operations in Lot 119 were relocated to Lot 20449 temporarily. We had 266 units of CNC machines that were used for our manufacturing activities as at 30 September 2022. In December 2022, we ceased our operations in Lot 20449 and our sheet metal fabrication operations in Lot 20449 were subsequently relocated to Factory 3.
2023	<ul style="list-style-type: none"> As part of our expansion plans, we acquired Lot 1143 with the intention to construct the New Factory. Please refer to Section 6.5.1 of this Prospectus for further details on these expansion plans.

6. BUSINESS OVERVIEW (CONT'D)

6.2 OUR PRINCIPAL ACTIVITIES

6.2.1 Principal activities and business model

We are principally involved in the manufacturing of precision engineering components used in the photonics, E&E, semiconductor, telecommunication and optoelectronics industries. Precision engineering components are parts that are precisely machined in exact and accurate dimensions (i.e. tolerances for variation of up to a single-digit micron range) to be further processed and/or assembled to form end-products by our customers.

We are engaged by our customers to manufacture customised precision engineering components according to their requirements. We leverage on our engineering and machining capabilities to manufacture precision engineering components according to our customers' requirements and precise specifications, with details as follows:

- **Process engineering** – we carry out process engineering to design manufacturing processes for the precision engineering components that we manufacture, which includes designing 2-dimensional (“2D”) and 3-dimensional (“3D”) drawings with detailed dimensions and specifications, outlining manufacturing process details (e.g. tools required, precise dimensions of excessive parts to be removed and processing sequence), generating programmed commands for CNC machines to carry out precision machining, preparing and calibrating the cutting, turning and milling tools required in CNC machines, as well as performing simulations on the entire process to ensure our manufacturing processes meet our customers' requirements.
- **Precision machining** – we produce precision engineering components from raw materials (e.g. copper, aluminium, stainless steel and carbon steel) through a technical and detail-oriented process called precision machining. Precision machining involves the usage of a series of CNC machines to perform various functions such as cutting, turning and milling on raw materials to achieve a precise cut, shapes and sizes according to the detailed specifications of our customers.

In addition to manufacturing customised precision engineering components, we also provide value-added services comprising surface finishing, sheet metal fabrication and mechanical sub-assembly upon request by customers to complement our offerings, with details as follows:

- **Surface finishing** – we offer surface finishing services such as: (i) sandblasting process where abrasive particles (e.g. graphite) are sprayed onto the precision engineering components to create smoother surfaces; (ii) plating process where a coating of metal (e.g. gold, silver over nickel, electroless nickel, or chromate) is applied over the precision engineering components to achieve various desirable properties such as to protect against corrosion, improve solderability, increase strength, reduce friction and alter conductivity, amongst others; and (iii) anodising process where the metal surface of the precision engineering components are converted into an anodic oxide finish that is durable, decorative, and corrosion-resistant through an electrolytic process.
- **Sheet metal fabrication** – we carry out sheet metal fabrication to support our precision machining operations, where metal sheets are processed through different manufacturing methods such as cutting, bending and welding to form the desired shapes, which are then used as enclosures for our precision engineering components.

6. BUSINESS OVERVIEW (CONT'D)

- **Mechanical sub-assembly** – we offer assembly services where multiple precision engineering components are combined to form sub-assembly products according to our customers' requirements that are then delivered to our customers to undergo subsequent processing or assembly into their end-products.

Please refer to Section 6.7 of this Prospectus for further information on our Group's business and operational process.

Our Group is involved in the entire process of the manufacturing of precision engineering components through our in-house expertise from process engineering to mechanical sub-assembly, except for pre-machining and surface finishing for certain plating materials which we outsource to subcontractors, when required.

Pre-machining is a manufacturing process undertaken before precision machining, where parts of our raw material are removed through milling, cutting or turning, into a form closer to the desired shapes and dimensions for precision machining. We outsource the pre-machining of certain types of raw materials, including hardened steel and large-sized metal materials. Pre-machining is outsourced to subcontractors to speed up our production lead time and to allow us to focus our resources on process engineering and precision machining which require higher expertise.

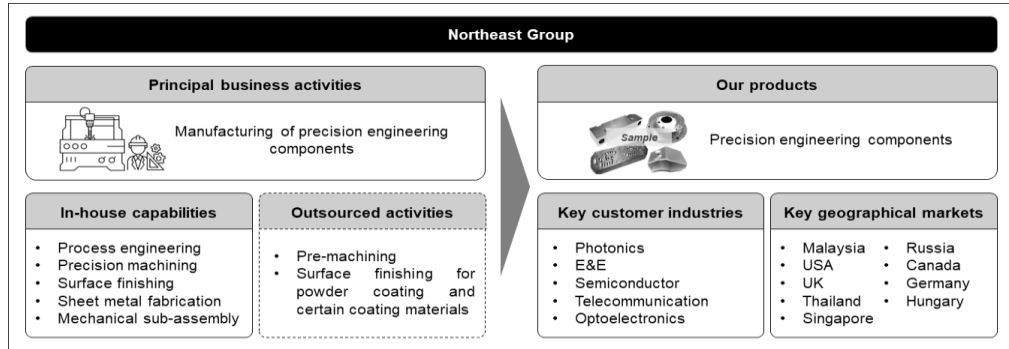
Our Group also outsources certain surface finishing services, including powder coating and finishing that uses certain plating materials such as nickel sulfamate, rhodium and certain types of gold. These surface finishing processes are generally not commonly requested by our customers and thus, we did not invest in in-house capabilities to provide these finishing services.

In the event of resource constraints due to spikes in sales orders, we may outsource certain limited precision machining works to our subcontractors in order to ensure timely delivery to our customers. Our Group focuses on HMLV manufacturing, which is the process of producing a high variety of products in small quantities. HMLV manufacturing is commonly used to manufacture unique and complex components with specific quality requirements, and/or to cater for customers who prefer to maintain a low inventory of components. HMLV manufacturing generally requires higher and more advanced engineering skills, as it requires manufacturers to be flexible and adaptable to customers' changing requirements and technical specifications on precision engineering components. Our ability in offering HMLV manufacturing is attributed to our team of engineering managers who are equipped with process engineering knowledge and industry know-how, which enable us to adapt to changing requirements quickly by developing or adjusting manufacturing processes accordingly. Please refer to Section 6.4.2 of this Prospectus for further details on our engineering and machining capabilities as well as industry know-how.

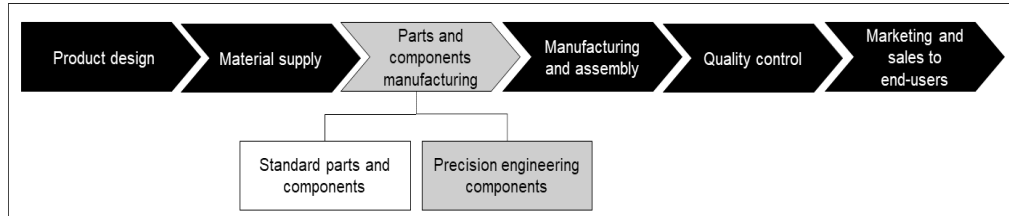
Our business operations are based in Pulau Pinang, and we serve local customers and overseas customers from, amongst others, USA, UK, Thailand, Singapore, Russia, Canada, Germany and Hungary.

6. BUSINESS OVERVIEW (CONT'D)

Our Group's business model and activities are summarised as follows:



Our Group plays a pivotal role in the manufacturing industry value chain as precision engineering components manufactured by us are further processed and/or used for assembly for our customers' end-products, as shown below:






Source: SMITH ZANDER

Please refer to the IMR Report in Section 7 of this Prospectus for further details on the role of precision engineering components manufacturing in the manufacturing industry value chain.

Our products

Our products are precision engineering components that are customised and manufactured according to our customers' requirements and specifications. These products have highly precise specifications which will be further processed and/or used for assembly for our customers' end-products.

Precision engineering components that we manufacture are used in the photonics, E&E, semiconductor, telecommunication and optoelectronics industries, with examples illustrated in the table below:

Application	Examples of precision engineering components	Examples of customers' end products
Photonics	 Photronics housing	 Photronics housing
		 Fibre optic connector

6. BUSINESS OVERVIEW (CONT'D)

Application	Examples of precision engineering components		Examples of customers' end products
E&E	 E&E casing	 E&E casing	 E&E housing
Semiconductor	 Ultrasonic cleaning machine components	 Surface-mount technology pallets	 Semiconductor automation machines
Telecommunication	 Microwave antenna and heat sink	 Radiofrequency microwave filters	 Antenna
Optoelectronics	 Photodiodes	 Optoelectronics housing	 Industrial optical cameras

6.2.2 Locations

Our business operations are based in Malaysia at the following locations:

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

Please refer to Section A.1 of Annexure A of this Prospectus for further details on the above properties.

6. BUSINESS OVERVIEW (CONT'D)

6.2.3 Warranty

Our Group does not provide any warranties to our customers for precision engineering components manufactured. However, in cases where our customers notify us about any defects such as scratches or discrepancies in dimensions, we will rework the defective products, if possible, or replace the defective products at our own cost.

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 or replaced by our Group. Our Group had not received any claims for monetary refunds in the Financial Years Under Review and this, in turn, shows our customers' confidence towards our Group's product quality.

6.3 OUR REVENUE SEGMENTATION BY CUSTOMER INDUSTRIES AND GEOGRAPHICAL MARKETS

Our Group is principally involved in the manufacturing of precision engineering components used in the photonics, E&E, semiconductor, telecommunication and optoelectronics industries. In the Financial Years Under Review, our customers from the photonics industry were the largest contributors to our Group's total revenue, at approximately 59.00%, 55.86% and 45.65% respectively.

The table below sets out our revenue by customer industries for the Financial Years Under Review:

Customer industries	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Photonics	66,799	59.00	80,724	55.86	42,611	45.65
E&E	18,892	16.69	21,600	14.95	17,440	18.69
Semiconductor	13,139	11.61	21,039	14.56	14,724	15.78
Telecommunication	9,179	8.11	12,634	8.74	13,492	14.45
Optoelectronics	5,198	4.59	8,518	5.89	5,068	5.43
Total	113,207	100.00	144,515	100.00	93,335	100.00

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.

6. BUSINESS OVERVIEW (CONT'D)

The table below sets out our Group's revenue by geographical markets for the Financial Years Under Review:

Geographical markets	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Local⁽ⁱ⁾	24,548	21.68	33,026	22.85	24,362	26.10
Overseas						
USA	54,723	48.34	57,576	39.84	30,592	32.78
UK	10,751	9.50	16,106	11.14	13,515	14.48
Thailand	5,645	4.99	6,961	4.82	6,485	6.95
Singapore	5,958	5.26	8,079	5.59	4,719	5.06
Russia	5,517	4.87	14,340	9.92	3,779	4.05
Canada	1,333	1.18	1,572	1.09	3,033	3.25
Germany	771	0.68	1,622	1.12	2,612	2.80
Hungary	1,437	1.27	1,804	1.25	1,564	1.68
Others ⁽ⁱⁱ⁾	2,524	2.23	3,429	2.38	2,674	2.85
	88,659	78.32	111,489	77.15	68,973	73.90
Total	113,207	100.00	144,515	100.00	93,335	100.00

Notes:

- (i) Local revenue was mainly generated from subsidiaries/ related companies of multinational corporations.
- (ii) Others comprise, amongst others, China, India, Japan, Pakistan, Poland and Switzerland.

Please refer to Section 11.3.3(i) of this Prospectus for further information on the discussion of our revenue.

6.4 OUR COMPETITIVE STRENGTHS

6.4.1 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 as detailed in Section 6.4.3 of this Prospectus.

6. BUSINESS OVERVIEW (CONT'D)

The growth of our Group is reflected in our expanded service offerings, from initially offering precision machining services and later offering surface finishing, sheet metal fabrication and mechanical sub-assembly as value-added services to our customers. In addition, the scale of our business operations has also grown throughout the years, leading to the expansion of our manufacturing sites from a shop lot in 2004 to the current 3 factories located in Pulau Pinang with an aggregate built-up area of approximately 208,468.19 sq ft. As at the LPD, we have a total production area of approximately 109,353 sq ft, comprising the production areas in Factory 1, Factory 2 and Factory 3. Furthermore, in the Financial Years Under Review, we also increased the number of CNC machines used in our manufacturing activities from 242 units (as at 30 September 2021) to 277 units (as at 30 September 2023).

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 further drive the growth of our Group.

6.4.2 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. Such process is carried out whenever we receive new product requests, with the aim to increase our manufacturing efficiency whilst maintaining the quality of our products. We have 277 units of CNC machines as at 30 September 2023 that are able to perform precision machining on various types of materials, i.e. copper, aluminium, stainless steel and carbon steel.

Further, we actively engage with our customers to keep abreast on industry updates as well as to gain feedback and industry insights, including understanding the application of our precision engineering components in their production/assembly process or end-products. The feedback and insights allow us to continuously enhance our process engineering and precision machining processes to better serve our customers (i.e. meeting their requirements and precise specifications) and to maintain the competitiveness of our products, manufacturing and engineering capabilities. In addition, through customer feedback, we are able to gain insights on their industries such as the increasing trend towards smaller components. This in turn allows us to adapt and improve our expertise and capabilities to meet current market demands. Further, we keep abreast with the latest manufacturing technology and engineering knowledge by referring to publications such as Photonics Spectra. Our engineering and machining capabilities have enabled us to cater to the needs of a broad customer base for precision engineering components used in various industries, namely photonics, E&E, semiconductor, telecommunication and optoelectronics.

Our Group believes that with our engineering and machining capabilities as well as our knowledge and industry know-how of the precision engineering industry, we will be able to continue meeting the needs of our customers for precision engineering components by achieving their product requirements and specifications.

6. BUSINESS OVERVIEW (CONT'D)

6.4.3 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. In the Financial Years Under Review, 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 attributable to the quality of our products which meet their stringent internal QA & QC measures as well as internationally recognised standards. Our subsidiaries have also been awarded with ISO 9001:2015 Quality Management System certifications, further details are set out in Section 6.15 of this Prospectus. This provides confidence to international customers, thus enabling us to successfully secure export sales.

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. Our long-standing relationship with our customers have also led to referrals of our Group to potential customers by our business associates.

Our Group believes that 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. Please refer to Section 6.16 of this Prospectus for further details on our major customers.

6.4.4 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 our customers' confidence towards us. 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.

In addition, as mentioned in Section 6.4.3 above, 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. Please refer to Section 6.15 of this Prospectus for further details on our quality assurance and verification.

6. BUSINESS OVERVIEW (CONT'D)

Further, upon customers' requests, product qualification audits will be performed by our new customers on our Group prior to mass manufacturing to assess our ability to meet their requirements on various aspects such as product quality, manufacturing facilities, manufacturing processes and production capacity. Please refer to Section 6.7 of this Prospectus for further details on product qualification audits conducted by our customers. Prior to the COVID-19 pandemic, some of our existing customers conducted performance audits on an ad-hoc basis to assess our ability to meet their requirements. However, during the outbreak of the COVID-19 pandemic, our customers did not conduct any performance audits on our Group due to travel restrictions. As the COVID-19 pandemic subsided and business activities normalised, our customers have been able to conduct ad-hoc performance audits physically at our factories. Over the years, we continue to pass the performance audits and secure additional sales from our existing customers. 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.

Our stringent quality control measures and compliance to internationally recognised standards have allowed us to maintain our business reputation in delivering quality products, enabling us to attract new customers as well as to retain existing customers. In addition, given that our products are mainly exported, our Group's ability to meet the qualification criteria of international customers demonstrates our customers' confidence towards the quality of our products.

6.4.5 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, Ng Chay Chin and Executive Director, Chong Ewe Hean, have 30 years and 31 years of experience respectively, in the precision engineering components manufacturing industry. Their technical and industry knowledge have been instrumental in leading the overall strategic direction and business development of our Group. Please refer to Section 4.1.2 of this Prospectus for the profiles of our Managing Director and Executive Director.

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 4.5.2 of this Prospectus for the profiles of our Key Senior Management.

6. BUSINESS OVERVIEW (CONT'D)

6.5 OUR FUTURE PLANS AND BUSINESS STRATEGIES

6.5.1 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, the production floor space and the utilisation rate of the production floor space of each of our factory are as follows:

Factories	Built-up area	Production floor space available	Production floor space utilised as at the LPD	Utilisation rate of production floor space
	sq ft	sq ft	sq ft	%
Factory 1	44,034.00	28,740.00	28,740.00	100.00
Factory 2	74,788.19	47,090.00	47,090.00	100.00
Factory 3	89,646.00	33,523.00	33,523.00	100.00
Total	208,468.19	109,353.00	109,353.00	

Based on the above, the production floor space in all of 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. As such, 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 to expand our production floor space and production capacity.

In January 2023, we entered into a sales and purchase agreement to acquire Lot 1143 with the intention to construct the New Factory with an approximate built-up area of 227,687 sq ft on this piece of land. 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 to support our production activities. The New Factory is also expected to have a QA & QC, 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 estimated to cost approximately RM50.40 million in total, comprising, amongst others, piling works, main building works, mechanical and electrical works. We intend to use RM[●] 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. We intend to commence the construction of the New Factory in the 4th quarter of 2024, and to commence operations in New Factory 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.

6. BUSINESS OVERVIEW (CONT'D)

6.5.2 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 new CNC machines to support our production needs. The CNC machines which our Group intends to purchase are as follows:

Type of CNC machine	Functions	No. of units
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 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 process	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 workpiece for various applications including machining, positioning and inspection	6
Total		36

The purchase of these new CNC machines is estimated to cost approximately RM[●] which will be funded through the gross proceeds raised from the Public Issue. Please refer to Section 3.7.3 of this Prospectus for further breakdown of the cost of these CNC machines.

The CNC machines to be purchased by our Group are expected to increase our estimated annual operating capacity, further details as follows:

Type of machine	No. of units	Estimated annual operating capacity (hours)
CNC milling	20	118,800
CNC turning	4	23,760
CNC turn-mill	3	17,820
CNC automatic lathe	3	17,820
CNC indexer	6	*N/A
Total	36	

Note:

* CNC indexer machines do not have an annual operating capacity as it is used as an attachment to the CNC milling machines to improve the capability of our CNC milling machines by increasing the accuracy of our precision engineering works.

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.

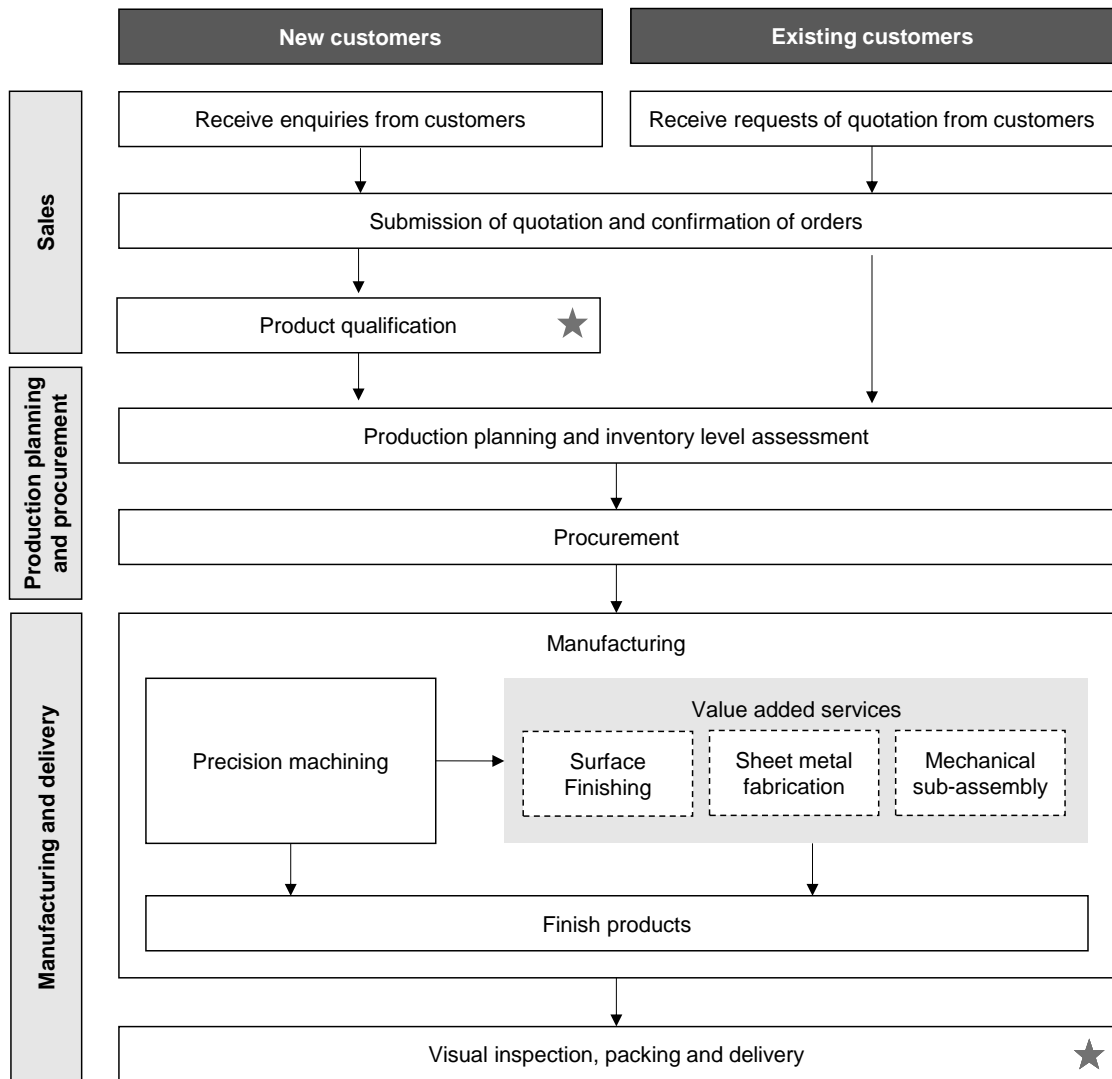
6. BUSINESS OVERVIEW (CONT'D)

6.6 SEASONALITY

During the Financial Years Under Review and up to the LPD, we did not experience any material seasonality in our business.

6.7 OUR BUSINESS AND OPERATIONAL PROCESS

The operational processes of our Group involve the following:



Notes:

★ Indicates processes where quality checks are carried out.

--- Indicates our value-added services which are provided to customers upon request.

6. BUSINESS OVERVIEW (CONT'D)

Sales

New customers

- (i) Receive enquiries from customers

When we receive enquiries from our customers, we will go through the product request to determine the product feasibility and specification requirements of the product request, to ensure we are able to fulfil the required product specifications.

- (ii) Submission of quotation and confirmation of orders

Thereafter, our customers will request for a quotation, and we will then prepare a quotation based on the complexity of the products to be manufactured, cost of raw materials, delivery timeline and order amount, for submission to our customers. Following which, our customers will issue a purchase order as confirmation of order for mass manufacturing. Upon customers' request, we will then go through a product qualification process with our customers in order to be qualified as their manufacturer to manufacture the required components.

- (iii) Product qualification

During product qualification, we are assessed by our customers in terms of our production capacity, capability and consistency of our product quality. As part of the process, we carry out process engineering where we design our manufacturing processes and techniques used to achieve cost efficiency and consistency in product quality, based on the drawing and requirements received from our customers. We may also work closely with our customer's product engineers to adjust the design or measurements of the components, if necessary, to optimise the overall manufacturing, assembly and quality of their end products.

We use CAD software for 2D and 3D product design, engineering and modelling, which enable us to design the detailed manufacturing process for precision engineering components according to our customers' specifications. We will also determine the tools required to be used in CNC machines for cutting, turning and milling, as well as generate programmed commands using CAM software for CNC machines to carry out precision machining. Please refer to Section 6.2.1 of this Prospectus for details on our process engineering activities and Section 6.12 of this Prospectus for details on the use of software in product qualification stage.

Thereafter, we will manufacture prototypes of components for assessment and testing by our customers to ensure the components meet their exact specifications and requirements. Depending on our customers' request, we may produce multiple batches of prototypes in differing quantities to demonstrate the consistency of our quality and manufacturing capabilities. Prior to delivering prototypes to our customers, we will perform quality checks on prototypes manufactured to ensure that the prototypes meet their requirements.

The product qualification period varies based on the complexity of the components and our customers' timeline. The typical duration to complete a product qualification process is up to 5 months.

Upon completing the product qualification process and receiving approval from our customers on the final product prototype, we will then proceed to production planning and procurement.

6. BUSINESS OVERVIEW (CONT'D)

Existing customers

When we receive requests for quotation from our customers, we will prepare a quotation based on the previous quotation, taking into account the prevailing cost of raw materials, delivery timeline and order amount, for submission to our customers. Thereafter, our customers will issue a purchase order for any new orders as confirmation of order for the mass manufacturing.

Production planning and procurement

(i) Production planning and inventory level assessment

A production plan is formalised prior to production run, taking into consideration the availability of raw materials and production capacity for mass manufacturing. We will check the availability of raw materials required in our inventory prior to sourcing from our approved suppliers, if required. If sufficient raw materials are available, the required raw materials will be sent to the manufacturing line in accordance with manufacturing schedule.

Prior to mass manufacturing, we will also perform checking and calibration on the tools to be used in CNC machines to ensure that the tools are in good condition to produce precision engineering components in the exact and accurate dimensions as required by our customers.

(ii) Procurement




We will source for the raw materials from our approved suppliers if we do not have sufficient raw materials in our inventory. Upon receipt of the raw materials, we will conduct quality checks to ensure that the raw materials received are in accordance to our specification and quantity, as well as in good condition. Raw materials that have passed our internal quality control checks will be stored in our warehouse.

Further, we may also engage approved subcontractors to carry out pre-machining works for certain types of raw materials including hardened steel and large-sized metal materials, as and when required. Our pre-machining subcontractors are evaluated by our Group based on multiple aspects such as their track record, technical expertise, manufacturing experience and capacity, financial performance as well as market reputation prior to being qualified as our approved subcontractors. For subcontracted pre-machining works, we will oversee the progress to ensure timely completion and that the pre-machined components are in accordance with our requirements. Upon the receipt of pre-machined components from our subcontractors, we will conduct quality checks on the pre-machined components on a sampling basis to ensure these components meet our desired requirements. Should the pre-machined components received from our subcontractors fail to meet our requirements, the components will be returned to our subcontractors for rework or replacement. As at the LPD, we have an approved list of 30 pre-machining subcontractors. As such, we are not reliant on any single subcontractor to carry out pre-machining works for our raw materials.



Manufacturing and delivery

Upon completion of the setup of CNC machines and receipt of raw materials from our suppliers or pre-machined components from subcontractors, we will commence manufacturing of precision engineering components. The manufacturing of precision engineering components involves precision machining, and/or any or all of our value-added services comprising surface finishing, sheet metal fabrication and mechanical sub-assembly, upon requests by our customers.


6. BUSINESS OVERVIEW (CONT'D)

Manufacturing process	Description
Precision machining	<p>Raw materials or pre-machined components will be placed into CNC machines to undergo various machining processes to be shaped into the desired final precise shapes and sizes according to our customers' specifications.</p> <ul style="list-style-type: none"> <li data-bbox="533 495 683 521">• Machining <div style="display: flex; align-items: flex-start; margin-top: 10px;">  <div style="margin-left: 20px;"> <p>Raw materials or pre-machined components will be loaded into various machines to undergo cutting, milling and turning. Samples of the precision engineering components are collected from each manufacturing batch and will be sent for quality check to ensure that precise specifications and dimensions are achieved in accordance with our customers' requirements.</p> </div> </div> <li data-bbox="533 994 695 1021">• Degreasing <div style="display: flex; align-items: flex-start; margin-top: 10px;">  <div style="margin-left: 20px;"> <p>The precision engineering components will be sent to the degreasing line to remove water-based coolant that is present on the components. Water-based coolant is used during machining processes to dissipate heat arising from frictions on specific spots undergoing machining processes to facilitate precision cutting and prevent the cuttings and materials from being deformed. Chips and dust which are accumulated on the surface of the components during machining processes will also be removed using water-based coolants.</p> </div> </div> <li data-bbox="533 1422 679 1449">• Deburring <div style="display: flex; align-items: flex-start; margin-top: 10px;">  <div style="margin-left: 20px;"> <p>The precision engineering components will be deburred manually by our production workers using materials such as sandpaper to remove any excess burr which is the unwanted edges or small pieces of materials that remain attached to the precision engineering components after degreasing process.</p> </div> </div> <p>Completed precision engineering components that are deemed finished products will be packed and delivered to our customers. Upon requests by our customers, completed precision engineering components may undergo value-added process, i.e. surface finishing and/or mechanical sub-assembly before packing and delivery.</p>


6. BUSINESS OVERVIEW (CONT'D)

Manufacturing process	Description
Surface finishing	<p>After the deburring of precision engineering components, we may send the precision engineering components for sandblasting, plating or anodising as part of our surface finishing services upon request by customers.</p> <ul style="list-style-type: none"> <li data-bbox="533 488 715 517">• Sandblasting <div style="display: flex; align-items: flex-start; margin-top: 10px;"> <div style="flex: 1;">  </div> <div style="flex: 2; padding-left: 10px;"> <p>Precision engineering components will be sandblasted to smoothen the surface and remove any surface contaminants. Samples of the precision engineering components will be sent for visual quality checks after sandblasting to ensure all the surfaces of the precision engineering components are evenly smoothened and surface contaminants are thoroughly removed.</p> </div> </div> <li data-bbox="533 920 647 949">• Plating <div style="display: flex; align-items: flex-start; margin-top: 10px;"> <div style="flex: 1;">  </div> <div style="flex: 2; padding-left: 10px;"> <p>Precision engineering components will be dipped into desired metal solution based on customers' specifications, to form a layer of coating on the surface of the components. The precision engineering components will then undergo cleaning process to remove any surface contaminants, before being sent to the oven for drying. Samples of the coated precision engineering components will be sent for visual quality checks to ensure all surfaces of the precision engineering components are evenly coated with the desired coating materials and thickness.</p> </div> </div> <li data-bbox="533 1375 679 1404">• Anodising <div style="display: flex; align-items: flex-start; margin-top: 10px;"> <div style="flex: 1;">  </div> <div style="flex: 2; padding-left: 10px;"> <p>Precision engineering components will be submerged into acid electrolyte solution to form an anodic oxide finish on the surface of the components. The components will then go through secondary processes such as colouring and sealing by immersing the components into colouring and sealing solutions. Thereafter, the precision engineering components will undergo cleaning process to remove any surface contaminants. Following which, the precision engineering components will be sent to the oven for drying.</p> </div> </div>

6. BUSINESS OVERVIEW (CONT'D)

Manufacturing process	Description
	<p>Samples of the anodised precision engineering components will then be sent for visual quality checks after the drying process to ensure the surfaces of these components meet the desired requirements.</p> <p>Precision engineering components that have undergone surface finishing process may be packed or delivered to our customers or may be sent for mechanical sub-assembly process upon requests by customers.</p> <p>We also engage approved subcontractors to carry out certain surface finishing processes, including powder coating and finishing that uses certain plating materials, such as nickel sulfamate, rhodium and certain types of gold, which our Group does not cover. Our surface finishing subcontractors are evaluated by our Group based on multiple aspects such as their track record, technical expertise, experience and capacity, financial performance as well as market reputation prior to being qualified as approved subcontractors. For subcontracted plating works, we will oversee the manufacturing progress to ensure timely completion and that the products meet our customers' requirements. Upon receiving the powder coated or plated precision engineering components from our subcontractors after the surface finishing processes, we will conduct quality checks on the components on a sampling basis to ensure these components meet the desired requirements. Powder coated or plated components that fail to meet the desired requirements will be returned to our subcontractors for rework. For the Financial Years Under Review, we were not reliant on any single subcontractors as plating service providers are generally available in the market.</p>
Sheet metal fabrication	 <p>Upon customers' request, we may also fabricate sheet metal to support our mechanical sub-assembly operations. Under sheet metal fabrication process, metal sheets will be loaded into various machines to undergo cutting, bending and/or welding to form the desired shapes. Samples of the fabricated sheet metal components will be sent for quality check to ensure the products meet our customers' requirements.</p>

6. BUSINESS OVERVIEW (CONT'D)

Manufacturing process	Description
Mechanical sub-assembly	 <p>Upon request by our customers, we may also provide mechanical sub-assembly services where we assemble multiple precision engineering components and fabricated sheet metal components to form a sub-assembly product.</p>

Final visual inspection check is carried out on all precision engineering components before being packed and shipped out in accordance with the shipping schedules.

6.8 SALES AND MARKETING

Our Group's sales and marketing team, led by Chong Ewe Hean, our Executive Director, as well as Yin Thien Hee, our Senior Business & Sales Director, are responsible for planning and executing sales and marketing activities, attending to enquiries from potential customers, serving existing customers and coordinating product qualification process. Our Group's sales and marketing activities are as follows:

(i) Direct approach and industry networking

We secure new customers by conducting internet searches on players that operate in the existing industries that we serve, namely photonics, E&E, semiconductor, telecommunication and optoelectronics industries and subsequently directly approaching them. Our sales and marketing team promotes our products and showcases our engineering, quality and production capabilities to potential customers, and also follows up closely with our existing customers to remain up-to-date with their new product launches to identify opportunities to secure more sales.

(ii) Referrals from business associates

We secure new customers through referrals from our business associates, including our customers, approved suppliers and subcontractors. Our ability in maintaining the quality of our products, coupled with our established history and proven track record has brought in referrals through recommendations by our business associates, whom we constantly maintain good relationships with.

(iii) Corporate website

We have established our corporate website at www.northeast.my as a platform to introduce and broadcast our offerings and our engineering and machining capabilities to potential customers. Our corporate website also serves to provide immediate searchable information on our Group.

The current widespread use of the internet as a source of information enables us to cross geographical boundaries and facilitates access from any part of the world, enhancing our potential market reach and exposure.

All our sales are conducted on purchase order basis as we do not enter into long-term contracts with our customers.

6. BUSINESS OVERVIEW (CONT'D)

6.9 KEY AWARDS RECOGNITION

The awards and recognitions received by our Group in the Financial Years Under Review are as follows:

Year	Awards and recognitions	Awarded entity	Awarding body
2021	Export Excellence Awards – Exporter of the Year: Small and Medium Enterprise	Northeast Precision	Standard Chartered Bank, Malaysia and Star Media Group Berhad
2021	Export Excellence Awards – Machinery, Electrical & Electronic (Small and Medium Enterprise)	Northeast Precision	Standard Chartered Bank, Malaysia and Star Media Group Berhad
2022	Golden Eagle Award 2022 Malaysia 100 Excellent Enterprise – Top 2 Winner of Excellent Eagle	Northeast Precision	Nanyang Siang Pau
2022	Platinum Business Awards 2022 – SME Export Excellence Award	Northeast Precision	SME Association of Malaysia
2022	Enterprise 50 Award	Northeast Precision	SME Corporation Malaysia
2023	Platinum Business Awards 2023 – SME Export Excellence Award	Northeast Precision	SME Association of Malaysia
2023	Golden Eagle Award 2023 Malaysia 100 Excellent Enterprises – Top 1 Winner of Excellent Eagle	Northeast Precision	Nanyang Siang Pau

6.10 TYPES, SOURCES AND AVAILABILITY OF PRINCIPAL RAW MATERIALS AND INPUTS

The breakdown of our Group's purchases of supplies and services in the Financial Years Under Review is as follows:

Supplies and services	FYE 2021		FYE 2022		FYE 2023	
	RM'000	% of total purchases	RM'000	% of total purchases	RM'000	% of total purchases
Raw materials	29,060	51.76	32,892	52.37	11,986	42.43
Aluminium	9,681	17.24	14,033	22.35	5,878	20.81
Copper	16,041	28.58	14,665	23.35	3,913	13.85
Stainless steel	1,566	2.79	2,885	4.59	1,846	6.54
Carbon steel	1,305	2.32	819	1.30	309	1.09
Plastics	467	0.83	490	0.78	40	0.14

6. BUSINESS OVERVIEW (CONT'D)

Supplies and services	FYE 2021		FYE 2022		FYE 2023	
	RM'000	% of total purchases	RM'000	% of total purchases	RM'000	% of total purchases
Subcontractor services ⁽ⁱ⁾	19,775	35.23	21,810	34.73	9,635	34.10
Tools and implements	4,636	8.26	4,889	7.78	4,003	14.17
Consumables ⁽ⁱⁱ⁾	1,761	3.14	2,017	3.21	2,016	7.14
Packing materials	904	1.61	1,197	1.91	610	2.16
Total	56,136	100.00	62,805	100.00	28,250	100.00

Notes:

- (i) Comprises pre-machining, plating and powder coating services.
- (ii) Includes amongst others, coolant and oil, plating materials, coating powders and sandpapers.

Raw materials are our largest purchase of supplies, in which aluminium, copper, stainless steel, carbon steel and plastics are our raw materials. Aluminium, copper, stainless steel, carbon steel and plastics collectively contributed approximately 51.76%, 52.37% and 42.43% of our Group's total purchases in the Financial Years Under Review respectively. Aluminium, copper, stainless steel, carbon steel and plastics are used as materials for manufacturing of precision engineering components. These materials are readily available and are mostly sourced from local suppliers. The prices of aluminium, copper, stainless steel, carbon steel and plastics are subject to price fluctuations according to the global commodity prices as a result of demand and supply conditions. Nevertheless, we are able to pass on any increase in cost of raw materials to our customers as actual purchases of raw materials will only be made upon confirmation of orders from our customers.

We did not face any raw material supply disruption or delays that affected our business operations in the Financial Years Under Review and up to the LPD as we generally maintain a buffer of up to 10% of raw materials for our orders; hence, we were able to meet all our orders placed by our customers.



6.11 R&D

Due to the nature of our business where we manufacture precision engineering components according to our customers' specifications and requirements, we do not carry out any R&D activities in relation to our business operations. Nevertheless, we continuously improve our engineering and machining capabilities to enhance the productivity of our business operations and consistency of our product quality. Please refer to Section 6.4.2 of this Prospectus for details of our engineering and machining capabilities.


6. BUSINESS OVERVIEW (CONT'D)

6.12 SOFTWARE AND MACHINES USED

We use various software and machines to carry out our manufacturing processes, with examples and details as follows:

Software / machine	Description
CAD software tool	We use various CAD software such as SolidWorks and Spaceclaim for 2D and 3D product design, engineering and modelling. The software enables our engineering team to design detailed manufacturing process for precision engineering components according to our customers' specifications under process engineering stage.
CAM software tool	We use various CAM software such as Surfcam and Esprit TNG to generate and load programmed commands, based on drawing produced from CAD software tool, into CNC machines. Further, the CAM software tool is also used to control the operation of CNC machines through programmed commands to automate the manufacturing process.
CNC machines	<p>CNC machines refer to automated machines used in our manufacturing process. These machines are controlled through programmed commands encoded in CAM software tool, based on drawings produced from CAD software tool.</p> <p>The CNC machines that we use are CNC milling machines, CNC turning machines and CNC automatic lathe machines, as illustrated below:</p> <p>CNC milling machine</p> <div style="display: flex; align-items: center;">  <div data-bbox="970 1122 1369 1285"> <p>Machine that employs computerised controls and rotating multi-point cutting tools to remove excess materials from workpieces to produce custom-designed parts or components</p> </div> </div> <p>CNC turning machine</p> <div style="display: flex; align-items: center;">  <div data-bbox="970 1509 1369 1646"> <p>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</p> </div> </div>

6. BUSINESS OVERVIEW (CONT'D)

Software / machine	Description
	<p>CNC automatic lathe machine</p>  <p>Machine that is able to cut, sand, drill, deform and turn workpiece, as well as perform turn milling process for smaller precision machine parts and components</p> <p>The use of CNC machines allows for high-speed milling and turning, which will increase operating efficiencies and process accuracies. Further, CNC machines also allow for high-precision profile machining or shaping, enabling us to refine our product finishing through cutting/shaping of complex geometries and patterns without deformation.</p>
Coordinate measuring machines	<p>We use coordinate measuring machines in our quality control processes. A coordinate measuring machine is used to measure the dimensions of components in high precision and accuracy. The coordinate measuring machines enable us to conduct inspections on our components to ensure they meet our customers' requirements.</p>

6.13 OPERATING CAPACITY AND UTILISATION

We utilise a number of machines and equipment to manufacture precision engineering components in accordance to our customers' product designs and requirements. The production time and the type of machinery and equipment used vary, depending on the complexity of the precision engineering components to be manufactured.

Our estimated annual operating capacity and utilisation rate based on the running time of our CNC machines for FYE 2023 are as follows:

Type of machine	No. of units as at 30 September 2023	Actual annual operating hours	Estimated annual operating capacity ⁽ⁱ⁾ (hours)	Utilisation rate (%) ⁽ⁱⁱ⁾
CNC milling	235	1,023,231	1,395,900	73.30
CNC turning	30	151,657	178,200	85.10
CNC automatic lathe	12	66,792	71,280	93.70
Total	277			

Notes:

(i) The estimated annual operating capacity is calculated based on:

No. of CNC machines x 5.5 working days per week x 52 weeks per year x 22 working hours per day^(a) – (No. of CNC machines x 16 non-operating working days^(b) x 22 working hours per day)

(a) Based on 2 shifts per day, 8 working hours as well as overtime of 4 working hours (including breaktime of 1 hour) per shift.

(b) Non-operating working days refer to certain public holidays which our Group observes and days off to cater for stock takes.

(ii) Utilisation rate is computed based on actual annual operating hours divided by estimated annual operating capacity hours and multiplied by 100%.

6. BUSINESS OVERVIEW (CONT'D)

6.14 MATERIAL MACHINERY AND EQUIPMENT

As at 30 September 2023, the material machinery and equipment used in our business operations are as follows:

Type of machine	No. of units	Average life span (years)	Age range of machinery (years)	NBV as at 30 September 2023 (RM'000)
CNC milling	235	10	0 to 17	24,762
CNC turning	30	10	0 to 14	2,797
CNC automatic lathe	12	10	1 to 11	1,675
Coordinate measuring	20	10	0 to 17	2,531
Total	297			31,765

6.15 QUALITY ASSURANCE AND VERIFICATION

Our Group places strong emphasis on the quality of all products manufactured. Our quality management system is supported by our in-house QA & QC team, where they conduct quality control procedures at various stages of our manufacturing process, as detailed in Section 6.7 of this Prospectus. We adopt a stringent internal quality assurance policy in our operations to ensure our products adhere to both internal and international standards.

Further, some of our customers conduct performance audits on an ad-hoc basis to assess our ability to achieve their requirements, in terms of product quality, manufacturing facilities, manufacturing processes and production capacity. In order to continue meeting expectations and securing sales from our customers, it is crucial for us to continuously uphold the highest quality standards in our operations.

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6. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we have obtained the following certifications through our subsidiaries:

Awarded subsidiary	Standard	Certification body	Date first awarded	Current validity period	Scope of certification
NE Technologies (Factory 1)	ISO 9001:2015 Quality Management System	TÜV Rheinland Cert GmbH	12 April 2016	12 April 2022 – 11 April 2025	Manufacturing and assembly of mechanical components for telecommunication and electronics industries
NE Components (Factory 2)	ISO 9001:2015 Quality Management System	TÜV Rheinland Cert GmbH	12 April 2016	12 April 2022 – 11 April 2025	Manufacturing and assembly of mechanical components for telecommunication and electronics industries
Northeast Precision (Factory 2)	ISO 9001:2015 Quality Management System	TÜV Rheinland Cert GmbH	12 April 2016	12 April 2022 – 11 April 2025	Manufacturing and assembly of mechanical components for telecommunication, electronics, aerospace and automotive industries
NE Integrated (Factory 3)	ISO 9001:2015 Quality Management System	TÜV Rheinland Cert GmbH	28 October 2015	28 October 2021 – 27 October 2024	Manufacturing of mechanical components for telecommunication, electronics, aerospace and automotive industries

6.16 MAJOR CUSTOMERS

Our Group's top 5 major customers, as a percentage of our total revenue, for the Financial Years Under Review are as follows:

Customers ⁽ⁱ⁾	Length of relationship as at the LPD (years)	Revenue contribution		Industry
		RM'000	%	
FYE 2021				
Customer A group of companies	18	57,679	50.95	Photonics
Customer B group of companies	12	7,538	6.66	Photonics
Customer C group of companies	9	6,562	5.80	Semiconductor
Customer D	13	5,407	4.78	E&E
Customer E group of companies	8	4,182	3.69	Telecommunication
Total		81,368	71.88	
FYE 2022				
Customer A group of companies	18	67,770	46.90	Photonics
Customer B group of companies	12	10,867	7.52	Photonics
Customer F group of companies	18	9,558	6.61	Semiconductor
Customer C group of companies	9	8,139	5.63	Semiconductor
Customer G group of companies	10	6,689	4.63	Optoelectronics
Total		103,023	71.29	

6. BUSINESS OVERVIEW (CONT'D)

Customers ⁽ⁱ⁾	Length of relationship as at the LPD (years)	Revenue contribution		Industry
		RM'000	%	
FYE 2023				
Customer A group of companies	18	31,522	33.77	Photonics
Customer B group of companies	12	7,593	8.14	Photonics
Customer E group of companies	8	6,868	7.36	Telecommunication
Customer D	13	6,210	6.65	E&E
Customer F group of companies	18	5,981	6.41	Semiconductor
Total		58,174	62.33	

Note:

- (i) We are unable to disclose the name of the customers due to the non-disclosure/ confidentiality agreements executed with the respective customers, which contain non-disclosure clauses that prohibit the disclosure of confidential information in relation to the customers without their prior written consent. Consent had been subsequently sought but was not provided by the customers.

For the Financial Years Under Review, our top 5 major customers contributed approximately 71.88%, 71.29% and 62.33% to our Group's total revenue respectively. All our sales are conducted on purchase order basis as we do not enter into any long-term contracts with our customers.

We are dependent on Customer A group of companies as they contributed approximately 50.95%, 46.90% and 33.77% to our total revenue for the Financial Years Under Review respectively. Our Group's sales to Customer A group of companies are transacted on purchase order basis. Therefore, if Customer A group of companies cease to purchase our products and services, we may experience a reduction in sales which could result in a loss of revenue if we are not able to replace Customer A group of companies with new customers or with additional orders from existing customers in a timely manner. However, we are of the view that with our Group's continual improvement in engineering and machining capabilities as well as our long-term business relationship with Customer A group of companies for the past 18 years, we are expected to continue securing orders from Customer A group of companies. Further, the revenue contribution from Customer A group of companies has been on a reducing trend from approximately 50.95% in FYE 2021 to approximately 33.77% in FYE 2023 as we had in FYE 2022 and FYE 2023 secured 10 new customers in each financial year. Please refer to Section 8.1.1 of this Prospectus for the risk factor involving our dependency on Customer A group of companies.

6. BUSINESS OVERVIEW (CONT'D)

6.17 MAJOR SUPPLIERS

Our Group's top 5 major suppliers, as a percentage of our total purchases, for the Financial Years Under Review are as follows:

Suppliers ⁽ⁱ⁾	Length of relationship as at the LPD (years)	Purchases		Major products or services purchased
		RM'000	%	
FYE 2021				
Supplier A	11	15,768	28.09	Copper
Tong Heer Aluminium Industries Sdn Bhd	18	3,765	6.70	Aluminium
Supplier B	19	2,260	4.03	Aluminium
Supplier C	4	1,541	2.75	Pre-machining services
Supplier D	12	1,376	2.45	Plating services
Total		24,710	44.02	
FYE 2022				
Supplier A	11	14,304	22.78	Copper
Tong Heer Aluminium Industries Sdn Bhd	18	5,311	8.46	Aluminium
Supplier B	19	3,822	6.08	Aluminium
Supplier E	12	2,351	3.74	Stainless steel
UA Materials Sdn Bhd	18	1,553	2.47	Aluminium
Total		27,341	43.53	
FYE 2023				
Supplier A	11	3,604	12.76	Copper
UA Materials Sdn Bhd	18	1,592	5.63	Aluminium
Supplier B	19	1,543	5.46	Aluminium
Supplier E	12	1,449	5.13	Stainless steel
Supplier F	14	1,065	3.77	Pre-machining services
Total		9,253	32.75	

Note:

- (i) We are unable to disclose the name of the suppliers due to the mutual non-disclosure agreement executed with some of the suppliers, which contained non-disclosure clauses that prohibit the disclosure of confidential information in relation to the suppliers without their prior written consent. Consent had been subsequently sought but was not provided by the suppliers.

For the Financial Years Under Review, our top 5 major suppliers contributed approximately 44.02%, 43.53% and 32.75% of our Group's total purchases respectively. All of our top 5 major suppliers for the Financial Years Under Review are based in Malaysia.

In the Financial Years Under Review, Supplier A was our Group's largest supplier, contributing approximately 28.09%, 22.78% and 12.76% to our Group's total purchases respectively. Our Group's purchases from Supplier A are mainly copper. We believe that we will be able to continue to purchase copper from Supplier A based on our long-standing business relationship of approximately 11 years and our on-going efforts in maintaining a good relationship with them.

6. BUSINESS OVERVIEW (CONT'D)

In the event Supplier A ceases to supply copper to our Group, we will still be able to source from other copper suppliers. As at the LPD, we have identified 6 alternative qualified suppliers for the supply of copper in specifications required by us and we will be able to source copper from them if Supplier A ceases to supply copper to our Group. Premised on the above, we are not dependent on Supplier A for the supply of copper.

Although we do not have any long-term contracts with our major suppliers, we have not experienced any major disruptions from our major suppliers in the Financial Years Under Review. We are not dependent on any of our other major suppliers and are able to source for the same supplies from alternative suppliers in the event that our other major suppliers cease to supply materials to our Group.

6.18 BUSINESS INTERRUPTIONS

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

Notwithstanding the above, the outbreak of the COVID-19 pandemic in Malaysia since 2020 had led to minor and slight interruptions to our business operations as we experienced temporary suspension of business operations due to movement restrictions imposed by the Government of Malaysia, further details as follows:

- From 18 March 2020 to 18 April 2020, our operations were temporarily suspended due to the imposition of the 1st MCO; and
- 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.

The above did not result in any material adverse impact to our business and operations.

Save for the temporary disruptions to our business activities as disclosed above, our Group had been able to operate as per the standard operating procedures imposed by the Government of Malaysia and there were no other material disruptions in our operations during the COVID-19 pandemic that caused a material adverse impact to our financial performance in the Financial Years Under Review.

Although we experienced slight delays in sales order delivery due to the temporary suspension of our business operations as mentioned above as well as a disruption in the 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.

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 and we generally maintain a buffer of up to 10% of raw materials for our orders. Further, our financial performance was not impacted as we managed to record growth in our revenue and PAT for FYE 2022, amidst the pandemic.

Following the transition into the 'Endemic Phase' effective April 2022, there has been no adverse impact to our business operations, cash flows, liquidity, financial position and financial performance.


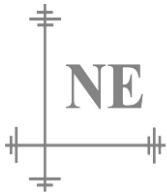
6. BUSINESS OVERVIEW (CONT'D)

6.19 DEPENDENCY ON CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES, PERMITS AND PRODUCTION OR BUSINESS PROCESSES

As at the LPD, save as disclosed in Section 6.20 and Annexure B of this Prospectus, there are no other contracts including commercial or financial contracts, intellectual property rights, licences, permits and production or business processes which our Group's business or profitability is materially dependent on.

6.20 INTELLECTUAL PROPERTIES

As at the LPD, save as disclosed below, we do not have any intellectual property rights registered and/or in the process of registration:

Trademark	Issuing Authority	Registered Owner/ Applicant	Trademark number/ Application number	Filing date/ Date of expiry	Class	Description	Status as at the LPD
	MyIPO	Northeast	TM2024005612	27 February 2024/ N/A	7	Hydraulic engines and motors; laser welding machines; machines for manufacturing semiconductors; valves as machine components; all included in Class 7	Pending approval
	MyIPO	NE Components	TM2024005613	27 February 2024/ N/A	7	Hydraulic engines and motors; laser welding machines; machines for manufacturing semiconductors; valves as machine components; all included in Class 7	Pending approval

6. BUSINESS OVERVIEW (CONT'D)

6.21 EMPLOYEES

As at 30 September 2023, we have a total workforce of 453 employees, of which 128 are local employees and 325 are foreign employees. The following sets out the number of employees in our Group according to the business functions as at 30 September 2023:

Category	As at 30 September 2023			
	Permanent employees		Contract / temporary employees	
	Local	Foreign	Local	Foreign
Director	2	-	-	-
Key Senior Management	3	-	-	-
Admin, Human Resources and Finance	12	-	-	4
Engineering*	15	-	-	39
Facility Maintenance	5	-	-	-
Production	53	-	1	255
Purchasing	2	-	-	-
QA & QC	32	-	-	27
Sales and Marketing	3	-	-	-
Total	127	-	1	325

Note:

* Comprising engineering managers, technicians and operators.

As at the LPD, we have a total workforce of 481 employees, of which 137 are local employees and 344 are foreign employees. The following sets out the number of employees in our Group according to the business functions as at the LPD:

Category	As at the LPD			
	Permanent employees		Contract / temporary employees	
	Local	Foreign	Local	Foreign
Director	2	-	-	-
Key Senior Management	3	-	-	-
Admin, Human Resources and Finance	13	-	-	4
Engineering*	18	-	-	37
Facility Maintenance	5	-	-	-
Production	54	-	1	275
Purchasing	2	-	-	-
QA & QC	36	-	-	28
Sales and Marketing	3	-	-	-
Total	136	-	1	344

Note:

* Comprising engineering managers, technicians and operators.

6. BUSINESS OVERVIEW (CONT'D)

As at the LPD, our Group has obtained the following COAs from Jabatan Tenaga Kerja Semenanjung Malaysia for accommodations built within the compound of Factory 2 to house a total of 300 employees:

Date of COA/ Date of expiry	Company	Location	No. of employees
25 August 2022/ 25 August 2025	Northeast Precision	868, Plot 41, Jalan Perindustrian Bukit Minyak, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang	120
3 May 2023/ 3 May 2026	Northeast Precision	868, Plot 41, Jalan Perindustrian Bukit Minyak, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang	170
14 August 2023/ 14 August 2026	Northeast Precision	868, Plot 41, Jalan Perindustrian Bukit Minyak, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang	10
Total			300

In addition to the above, our Group has also through an accommodation service provider, Westlite Dormitory (Bukit Minyak) Sdn Bhd (“**Westlite Dormitory**”), provided accommodation to 63 employees. Westlite Dormitory has obtained COA dated 5 December 2023 from Jabatan Tenaga Kerja Semenanjung Malaysia for the accommodation located at 38, Jalan Perniagaan Seri Tambun, Taman Westlite Dormitory Bukit Tambun, 14100 Simpang Ampat, Pulau Pinang for a period of 3 years up to 5 December 2026 to house a total of 3,321 workers.

None of our employees belong to any labour unions. The relationship and cooperation between our management and our employees have been good over the years and this is expected to continue in the future. Our Group is in compliance with statutory minimum wage, EPF, EIS, SOCSO and human resources development fund levy in relation to our employees. As at the LPD, there has been no industrial dispute pertaining to our employees.

6.22 GOVERNING LAWS, REGULATIONS, RULES OR REQUIREMENTS

The relevant laws, regulations, rules or requirements governing the conduct of our Group’s business and environmental issues which are material to our Group’s business or operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to and is only intended to provide general information to investors. It is not intended to be a substitute for independent professional advice.

(i) Local Government Act 1976

The Local Government Act 1976 (“**LGA**”) is enacted to revise and consolidate the laws relating to local government in Peninsular Malaysia. Every licence or permit granted by the local authority shall be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason therefor.

Pursuant to the LGA, a person fails to exhibit or produce his licence on the licensed premises shall be liable to a fine not exceeding RM500 or to imprisonment for a term not exceeding 6 months or to both.

6. BUSINESS OVERVIEW (CONT'D)

(ii) Industrial Co-ordination Act 1975

The Industrial Co-ordination Act 1975 (“**ICA 1975**”) requires manufacturing companies with shareholders’ funds of RM2.5 million and above or engaging 75 or more full-time paid employees to apply for a manufacturing licence from the MITI. Failure to observe and adhere to the licensing requirements under the ICA 1975 will constitute an offence which is punishable on conviction by a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 per day during which the non-compliance continues.

The licensing officer may also at his discretion revoke a licence if the manufacturer to whom a licence is issued:

- (a) has not complied with any condition imposed in the licence;
- (b) is no longer engaged in the manufacturing activity in respect of which the licence is issued; or
- (c) has made a false statement in his application for the licence.

The licensing officer may also withhold or suspend the revocation of the licence if he is satisfied that the act or omission on the part of the manufacturer under the above situations was due to some cause beyond his control and there is a reasonable prospect of such act or omission being remedied within such period as the licensing officer may direct.

(iii) Atomic Energy Licensing Act 1984 and Radiation Protection (Licensing) Regulations 1986

Atomic Energy Licensing Act 1984 (“**AEL**”) governs amongst other, the licensing of nuclear installation and of activities, dealing in, possessing or disposing of any radioactive material, nuclear material, prescribed substance or irradiating apparatus. Radiation Protection (Licensing) Regulations 1986 (“**RPLR**”) governs amongst others, the classification of the licences.

Pursuant to the AEL, no person shall site, construct or operate a nuclear installation, deal in, possess or dispose of any radioactive material, nuclear material, prescribed substance or irradiating apparatus, unless he is the holder of a valid licence issued under AEL for such purpose and as specified in the licence. The licensing authority is the Atomic Energy Licensing Board.

A person who commits an offence under AEL is, on conviction, where no penalty is expressly provided therefor, liable to imprisonment for a term not exceeding 10 years or a fine not exceeding RM100,000 or both. Where an offence under AEL is committed by a body corporate, every person who at the time of the commission of the offence was a director or officer of that body corporate commits that offence unless he provides that he exercised all due diligence and took all reasonable precautions to prevent the commission of such offence and that such offence was committed without his knowledge, consent and connivance.

The appropriate authority may also at any time under any of the following circumstances in its discretion cancel, or suspend for such period as it may think fit, any licence issued under the AEL:

- (a) where the licensee has committed an offence under AEL;

6. BUSINESS OVERVIEW (CONT'D)

- (b) where the licensee has committed a breach of any of the conditions of the licence;
- (c) where the licensee ceases to work or operate the nuclear installation in respect of which the licence was issued; or
- (d) where in the opinion of the appropriate authority it would be in the public interest so to do.

(iv) The Poisons Act, 1952 and Poisons (Sodium Hydroxide) Regulations, 1962

The Poisons Act, 1952 regulates the importation, possession, manufacture, compounding, storage, transport, sale and use of poisons. Poisons (Sodium Hydroxide) Regulations, 1962 (“PSHR”) regulates the sale and purchase of sodium hydroxide. A person who sells sodium hydroxide to a purchaser who does not hold a permit to purchase it or buys sodium hydroxide from a seller who does not hold a licence to it, commits an offence. A permit to purchase, store and use of sodium hydroxide may be issued under PSHR and such permit shall state the maximum quantity of sodium hydroxide that may be purchased and the purpose for which it is required, and shall expire on 31 December after the date of issue.

Any person who contravenes the above provisions shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM3,000 or to a term of imprisonment not exceeding 1 year or to both. Provided that if the act or omission with which such person is charged is in the opinion of the court of such a nature as to amount to wilful default or culpable negligence, which endangered or was likely to endanger human life, such person shall be liable, on conviction, to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding 2 years or both. Where a person charged with an offence against Poisons Act, 1952 or of any regulation made thereunder is a body corporate every person who, at the time of the commission of such offence, is a director or officer of such body corporate may be charged jointly in the same proceedings with such body corporate and where the body corporate is convicted of the offence charged, every such director or officer shall be deemed to be guilty of such offence unless he proves that the offence was committed without his knowledge or that he took reasonable precautions to prevent its commission.

(v) The Environmental Quality Act 1974

The Environmental Quality Act 1974 (“EQA 1974”) governs the enforcement of waste disposal in Malaysia in order to control pollution.

The EQA 1974 regulates, amongst others, the deposit or disposal of any scheduled wastes on land or into Malaysian waters; receiving or sending, or causing or permitting to be received or sent any scheduled wastes in or out of Malaysia; or transiting or causing or permitting the transit of scheduled wastes. Any person who fails to comply with the relevant requirement shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a period not exceeding 5 years or to both.

6. BUSINESS OVERVIEW (CONT'D)

The EQA 1974 further provides that where an offence against the EQA 1974 or any regulations made thereunder has been committed by a company, firm, society or other body of persons, any person who at the time of committing the offence is a director, chief executive officer, manager, or other similar officer or a partner of the company, firm, society or other body of persons or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he provides that the offence was committed without his consent or connivance and that he has exercised all such diligence as to prevent committing the offence as he ought to have exercised having regard to the nature of his functions in that capacity and to all the circumstances.

(vi) Workers Minimum Standards of Housing and Amenities (Amendment) Act 2019

Pursuant to Section 24D(1) of the Workers Minimum Standards of Housing and Amenities (Amendment) Act 2019 ("**WMSHA 2019**"), no accommodation shall be provided to an employee unless certified with a COA.

An application for a COA could be made by an employer or a centralised accommodation provider to Jabatan Tenaga Kerja Semenanjung Malaysia. An employer who contravenes the said section 24(D)(1) commits an offence, and shall, on conviction, be liable to a fine not exceeding RM50,000. A centralised accommodation provider who contravenes the said section 24(D)(1) commits an offence, and shall, on conviction, be liable to a fine not exceeding RM50,000 or imprisonment for a term not exceeding 1 year or to both.

There are no non-compliances with the aforesaid laws, regulations, rules and requirements as at the LPD.

6.23 ESG PRACTICES

Our Board takes cognisance of the sustainability governance as set out in the Listing Requirements in relation to Sustainability Reporting Framework, Bursa Securities' Sustainability Reporting Guide (3rd Edition) and MCCG.

Our Group has established a sustainability policy and sustainability governance structure in March 2023 and May 2023, respectively to govern our Group's commitment to ESG principles in ensuring environmentally responsible operations, conducting business responsibly and manufacturing precision engineering components reliably.

Our Board, supported by our Audit and Risk Management Committee, has the oversight and ultimate accountability of sustainability matters.

Our Group focuses on the following ESG practices:

(i) Environmental

- (a) **Energy efficiency:** Reduce energy consumption by installing energy-efficient light-emitting diode as well as installation of timer controls of perimeter and signage lightings and practise switching off lightings and air conditioning when not in use.
- (b) **Water management:** Monitor and manage water consumption by harvesting rainwater for watering plants and cleaning purpose and installing self-release water tap for high usage areas.
- (c) **Emissions reduction:** Install machine covers for CNC machines to prevent oil mist to escape into the air of the production floor environment.

6. BUSINESS OVERVIEW (CONT'D)

- (d) **Waste reduction:** Implement general waste recycling activities for materials such as paper, plastics and metal to minimise the generation of waste materials.
- (e) **Environmental compliance:** Ensure strict adherence to environmental regulations and standards including those concerning emissions, air quality and non-hazardous waste handling.

(ii) Social

- (a) **Employees' health and safety:** Prioritise employees' health and safety by providing regular training, protective equipment such as mask, safety shoes and gloves and implementing safety protocols to reduce workplace accidents and incidents.
- (b) **Diversity and inclusion:** Foster a diverse and inclusive working environment by promoting a culture of fairness, diversity in hiring and promotions and equal opportunities for all employees.
- (c) **Community engagement:** Engage with the local community and support social initiatives such as local employment and providing monthly education allowance to needy university students under our apprenticeship programme to build positive relationships and goodwill.
- (d) **Compliance and ethics:** Comply with labour related laws including Minimum Wages Order 2022 by ensuring fair wages, working hours and compensation (where applicable) for our employees besides ensuring adherence to all relevant regulations and industry standards, while promoting ethical conduct throughout our Group.

(iii) Governance

- (a) **Board oversight:** Ensure that our Board provides effective oversight of sustainability related risks and opportunities.
- (b) **Ethical business practices:** Establish and enforce ethical business conduct throughout our Group as we have adopted the Code of Conduct and Ethics, Anti-Bribery & Corruption Policy, Anti-Money Laundering Policy and Whistle-Blowing Policy.
- (c) **Transparency and disclosure:** Provide transparent reporting on ESG performance, financial data and operational performance indicators to our stakeholders.
- (d) **Risk management:** Establish the Enterprise Risk Management Framework, identify and manage operational, financial, sustainability and reputational risks related to the manufacturing processes and products.
- (e) **Regulatory compliance:** Ensure compliance with industry-specific regulations and standards, especially those disclosed in Section 6.22 of this Prospectus.
- (f) **Data security and privacy:** Implement data security and privacy measures to protect sensitive information, especially if dealing with proprietary formulations or customers' data.

As part of our Group's sustainability management procedures, our Group assesses the materiality of sustainability matters on an annual basis or when such need arises (whichever earlier) by engaging our stakeholders, including customers, suppliers, investors, relevant authorities, employees and the broader community in order to align our ESG practices to ensure impactful sustainability performance.

7. INDUSTRY OVERVIEW

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SMITH ZANDER

Date: **22 MAR 2024**

The Board of Directors

Northeast Group Berhad

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

Dear Sirs / Madams,

Independent Market Research Report on the Precision Engineering Industry in Malaysia (“IMR Report”)

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“**SMITH ZANDER**”) for inclusion in the Prospectus in conjunction with the proposed initial public offering and listing of Northeast Group Berhad (“**Northeast**”) on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which Northeast and its subsidiaries (“**Northeast Group**”) operate and to offer a clear understanding of the industry and market dynamics. As Northeast Group is principally involved in the manufacturing of precision engineering components, the scope of work for this IMR Report will thus address the following areas:

- (i) Engineering support industry in Malaysia, being the broader industry in which Northeast Group operates in;
- (ii) Precision engineering industry in Malaysia, being the sub-segment of the engineering support industry in which Northeast Group operates in;
- (iii) Key industry drivers, risks and challenges of the precision engineering industry in Malaysia; and
- (iv) Competitive landscape of the precision engineering industry in Malaysia.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report.

For and on behalf of SMITH ZANDER:



DENNIS TAN
 MANAGING PARTNER

7. INDUSTRY OVERVIEW (CONT'D)

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The research for this IMR Report was completed on 11 March 2024.

For further information, please contact:

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 26 years of experience in market research and strategy consulting, including over 21 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

7. INDUSTRY OVERVIEW (CONT'D)

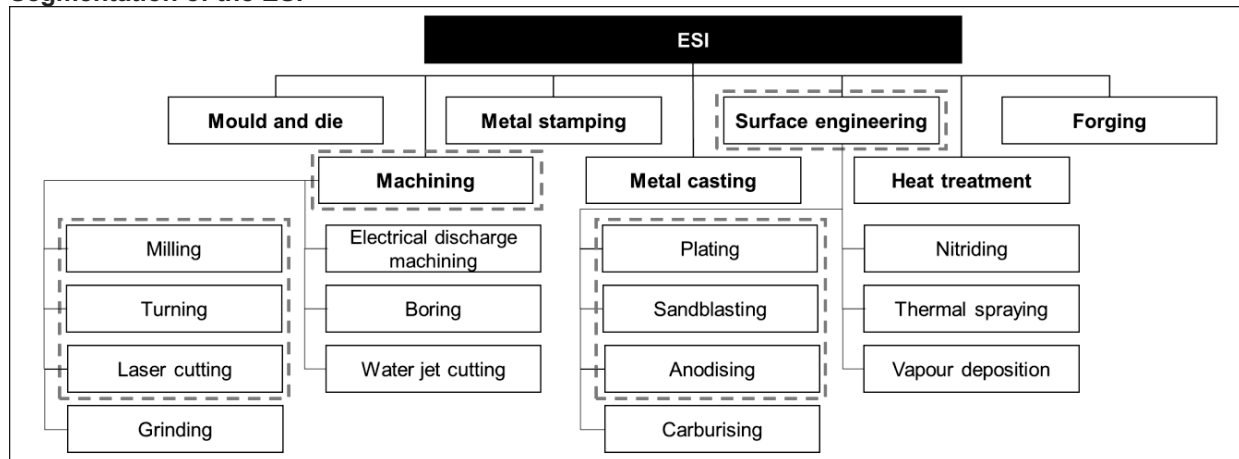
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1 THE ENGINEERING SUPPORT INDUSTRY (“ESI”) IN MALAYSIA

Overview

ESI comprises industry players who are mainly engaged in the production of intermediate products which are used for the production or assembly into finished products for various industrial applications. According to the Malaysian Investment Development Authority (“MIDA”), the ESI is primarily divided into seven segments, namely mould and die, machining, metal stamping, metal casting, surface engineering, heat treatment and forging.

Segmentation of the ESI



Notes:

- [---] denotes the segments in which Northeast Group is involved in.
- This list is not exhaustive.

Source: SMITH ZANDER

Details of the respective segments of the ESI are as follows:

- Mould and die** refer to tools used for the shaping of material into components. A mould is a hollow cavity of a desired geometrical shape in which liquid substance such as molten metal is poured into and allowed to cool to create a solidified component. On the other hand, a die is a solid or hollow metal of customised shape used for cutting or stamping material to a desired shape or profile. Moulds and dies can be reused and allow mass production of components through processes such as metal casting and metal stamping.
- Machining**, also known as precision machining, refers to the process of cutting, shaping or removing excess material from a workpiece (which is typically metal) to create **precision engineering components** with the desired shape and size. There are various types of machining techniques such as milling, turning, boring, grinding, electrical discharge machining, laser cutting and water jet cutting. Details of the various types of machining techniques are as follows:
 - Milling – involves the use of rotary cutting tools to remove material from a workpiece.
 - Turning – involves the use of a stationary cutting tool to remove material from the outer diameter of a rotating workpiece.
 - Boring – involves the use of a single-point cutting tool or boring head to enlarge an existing hole of a workpiece to a specific diameter.
 - Grinding – involves the use of a rotating wheel to remove material from the surface of a workpiece.
 - Electrical discharge machining – also known as spark eroding or wire erosion, is a process of material removal from the workpiece surface by means of applying a series of repeated electrical discharges to shape the workpiece to its desired shape.
 - Laser cutting – a non-contact, thermal-based process which uses laser beam to cut and etch a specific design on a material or workpiece.
 - Water jet cutting – a cold cutting process that uses ultra high-pressure water, mixed with or without an abrasive, to cut material into specific shapes and designs.

The abovementioned machining techniques can be performed using computer numerical controlled (“CNC”) machines, which are machines installed with computer software programmed by users with instructions to cut and shape a workpiece according to specifications with high precision.

7. INDUSTRY OVERVIEW (CONT'D)

SMITH ZANDER

- (iii) **Metal stamping**, also known as metal pressing, refers to a cold forming process where stamping dies are used to transform a flat sheet metal (in either coil or blank form) into desired shape and size. Some stamping techniques include punching, blanking, embossing and bending.
- (iv) **Metal casting** refers to the process in which molten metal is poured into a mould of a desired geometrical shape and left to cool to create a solidified component. There are various types of metal casting methods which include die casting, investment casting, plaster casting and sand casting.
- (v) **Surface engineering**, also known as surface finishing, refers to the finishing process of modifying or coating the surface of metallic or non-metallic components for the purpose of, amongst others, enhancing corrosion and wear resistance, improving the aesthetic appearance, and/or enhancing the durability and performance of the components. There are various types of surface engineering techniques such as plating, sandblasting, anodising, carburising, nitriding, thermal spraying and vapour deposition. Details of the various types of surface engineering techniques are as follows:
 - (a) Plating – a coating process that involves the deposition of a thin layer of metal covering the surface of a component, generally to increase the surface resistance to corrosion and/or enhance aesthetic appearance.
 - (b) Sandblasting – a blasting process that involves the spraying of abrasive materials under high pressure on a surface, generally to smoothen a rough surface and/or remove excess/unwanted material on a surface.
 - (c) Anodising – an electrochemical process that forms a layer of oxide on a surface, generally to increase the surface resistance to corrosion and/or enhance aesthetic appearance.
 - (d) Carburising – a thermal-based process that involves the diffusion of carbon onto a surface, generally to increase the surface hardness.
 - (e) Nitriding – a thermal-based process that involves the diffusion of nitrogen onto a surface, generally to increase the surface hardness.
 - (f) Thermal spraying – a coating process that involves the spraying of heated or melted coating materials (e.g. metals, carbides and ceramics) onto a surface, generally to increase the surface resistance to corrosion and heat as well as to enhance aesthetic appearance.
 - (g) Vapour deposition – a coating process that involves the condensation of coating materials in vapour state to form a solid layer over a surface, generally to increase the surface resistance to corrosion.
- (vi) **Heat treatment** involves the heating of metal to a specific temperature and subsequently cooling the metal at a controlled rate to alter and/or achieve the desired physical and/or mechanical properties of the metal.
- (vii) **Forging** refers to a process of shaping metals into its desired shape using compressive force through hammering, pressing or rolling.

2 THE PRECISION ENGINEERING INDUSTRY IN MALAYSIA

Overview

Precision engineering is an engineering discipline involving the design, development and/or production of, amongst others, precision equipment, devices, components, systems, modules and processes, with emphasis on high accuracy and low tolerances. Precision engineering enables the creation of highly-precise and accurate components.

Northeast Group is principally involved in the manufacturing of metal precision engineering components with manufacturing capabilities in precision machining and surface finishing, which are two of the seven aforementioned segments of ESI under **Chapter 1 – The Engineering Support Industry in Malaysia** of this IMR Report. As such, for the purpose of this IMR Report, precision engineering refers to the manufacturing of precision engineering components, which are intermediate products used for various industrial applications.

Precision engineering components refer to highly precise machinery parts that are manufactured to the desired shape and size based on customers' requirements and exact specifications. The raw materials used in the manufacturing of precision engineering components include metal, plastic or ceramic.

Precision engineering components are intermediate products used for production and/or assembly into finished products for various industrial applications such as photonics, electrical and electronics (“**E&E**”), semiconductor, telecommunications, optoelectronics, aerospace, automotive, medical instruments and equipment as well as data storage industries.

7. INDUSTRY OVERVIEW (CONT'D)

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The following table shows some examples of precision engineering components used for the respective industrial applications:

Applications of precision engineering components

Industrial applications	Examples of precision engineering components
Photonics	Enclosures for laser amplifiers and laser housing for laser engraving machines
E&E	Heat sinks, casings and enclosures, sockets and connectors
Semiconductor	Electrostatic chucks, vacuum chambers and vacuum flanges
Telecommunications	Amplifier housings, antenna components and microwave tower parts
Optoelectronics	Photodiodes, phototransistors, photoresistors and cathode ray tubes (CRT)
Aerospace	Transducer parts, air foils, engine pistons and landing gear parts for aircraft
Automotive	Rotors, rollers, bearings, shafts and valve nozzles
Medical instruments and equipment	Implants, machined parts in magnetic resonance imaging (MRI) scanners and computed tomography (CT) scanners
Data storage	Actuators and hard disk drive covers

Note: This list is not exhaustive.

Source: SMITH ZANDER

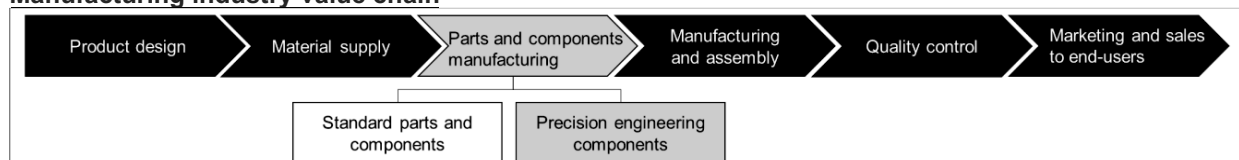
Precision engineering components are essential for various end-user industries as the finished products of the respective end-user industries rely on such components to function effectively and safely. For instance, in the photonics industry, accuracy is imperative in the manufacturing of photonic instrumentation components as components such as laser amplifiers consistently require miniature and precisely manufactured parts and components to sustain its efficient and reliable operations. As such, precision engineering components which are produced with high accuracy and to the exact specifications are required for the manufacturing of photonic instrumentation components to ensure that all the components manufactured can be fitted or assembled perfectly together and function accordingly.

Further, in the E&E industry, as consumer E&E products are becoming smaller to enhance portability, the parts and components to be assembled into finished E&E products are also getting smaller with tighter tolerances. Such parts and components can be produced with high precision through precision engineering.

Precision engineering components manufacturing is one of the key segments of the manufacturing industry value chain and is classified under the parts and components manufacturing segment together with standard parts and components manufacturing. Standard parts and components refer to commonly-used parts and components that are mass-produced based on internationally accepted standards in terms of structure, size and other aspects, which can be used for a wide variety of applications.

Some end-user industries such as the photonics, E&E, semiconductor, optoelectronics and telecommunications industries are heavily dependent on the parts and components manufacturing industry especially for precision engineering components to support their manufacturing activities. These end-user industry players typically outsource part or all of the precision engineering components manufacturing works to achieve quality, consistency and cost efficiency, instead of investing and maintaining a full range of manufacturing facilities required to manufacture their products. As such, the precision engineering industry plays a crucial role in offering support to end-user industries by supplying precision engineering components as intermediate products for the production and/or assembly of finished products.

Manufacturing industry value chain



Notes:

- denotes the segment in which Northeast Group is involved in.
- This list is not exhaustive.

Source: SMITH ZANDER

7. INDUSTRY OVERVIEW (CONT'D)

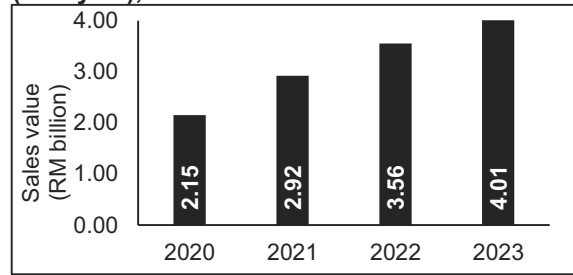
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Industry Performance, Size and Growth

As Northeast Group is principally involved in the manufacturing of precision engineering components using metal materials through two types of manufacturing processes, namely precision machining and surface finishing, the industry size of precision engineering in this report is measured based on the manufacturing sales value of machining, treatment and coating of metals which includes milling and turning of metalwork pieces, and plating and anodising of metal.

The precision engineering industry in Malaysia increased from RM2.15 billion in 2020 to RM3.56 billion in 2022 at a compounded annual growth rate (“CAGR”) of 28.68%, despite the outbreak of the Coronavirus disease 2019 (“COVID-19”) pandemic. In 2023, the precision engineering industry in Malaysia further increased by 12.64% to RM4.01 billion. The growth of the precision engineering industry in Malaysia from 2020 to 2023, was supported by the demand for precision engineering components from end-user industries globally, with further details set out in Chapter 3 – Key Industry Drivers, Risks and Challenges of this IMR Report.

Industry size of precision engineering (Malaysia), 2020 – 2023



Source: Department of Statistics Malaysia (“DOSM”)

3 KEY INDUSTRY DRIVERS, RISKS AND CHALLENGES

Key Industry Drivers

► Growth in end-user industries drives the demand for precision engineering components

Precision engineering components are used for industrial applications in numerous end-user industries. As a supporting industry to the end-user industries, the demand for precision engineering components is driven by, and generally correlates to, the growth of these end-user industries. Revenue from the photonics, E&E, semiconductor and telecommunications industries are the major contributors to Northeast Group’s revenue. Further, Northeast Group supplies to customers in Malaysia and various overseas customers. As such, the following will focus on the global performance and outlook of these end-user industries:

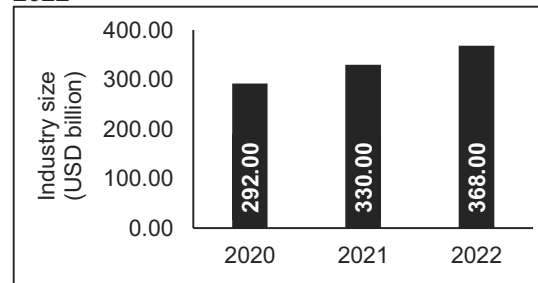
• Photonics industry

Photonics refers to the science of generating, detecting, manipulating, transmitting and amplifying full electromagnetic spectrum (e.g. gamma rays, x-rays, ultraviolet and infrared light) through various devices, mediums and technologies. Some examples of photonic devices and equipment include solar and photovoltaic cells, sensors and detectors, laser diodes, light-emitting diodes (LEDs) and optical fibres. The application of photonics devices and equipment spreads across numerous sectors such as data communications, manufacturing, healthcare and renewable energy.

The global photonics industry, represented by the revenue from global photonics components production, grew at a CAGR of 12.26% from USD292.00 billion (RM1.23 trillion¹) in 2020 to USD368.00 billion (RM1.62 trillion¹) in 2022. SMITH ZANDER estimates the global photonics industry to have grown by 1.49% to USD373.50 billion (RM1.71 trillion¹) in 2023.

Moving forward, the demand for photonic devices and equipment is expected to continue increasing, as photonic devices and equipment play a vital role in Industry 4.0 to support quantum communication, industrial internet of things, 5G communications and 3-dimensional (3D) printing.

Photonics industry size (Global), 2020 – 2022



Sources: The International Society for Optics and Photonics (“SPIE”), SMITH ZANDER

¹ Exchange rate from USD to RM converted based on average annual exchange rates of the respective years, extracted from published information from Bank Negara Malaysia (“BNM”).

2020	USD1=RM4.2016
------	---------------

2022	USD1=RM4.4005
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2023	USD1=RM4.5653
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7. INDUSTRY OVERVIEW (CONT'D)

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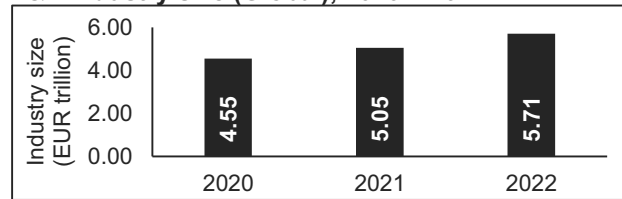
Furthermore, as photonic devices and equipment become increasingly complex and require higher speed and power efficiency while reducing in size and weight, it requires highly precise engineering components to ensure that these devices and equipment will function efficiently, thus driving the growth and demand for precision engineering components.

• **E&E industry**

E&E are products designed to perform specific functions through the use of electrical energy or the control of flow of electrons. E&E products developed today play essential roles in various industries such as manufacturing and telecommunications, as well as in consumers' daily lives.

The global E&E industry grew at a CAGR of 12.02% from EUR4.55 trillion (RM21.82 trillion²) in 2020 to EUR5.71 trillion (RM26.44 trillion²) in 2022. According to ZVEI – German Electrical and Electronic Manufacturers' Association, the global E&E industry is expected to have grown by 8.93% to EUR6.22 trillion (RM30.70 trillion²) in 2023, demonstrating continuing demand for E&E products.

E&E industry size (Global), 2020 – 2022



Sources: ZVEI – German Electrical and Electronic Manufacturers' Association, SMITH ZANDER

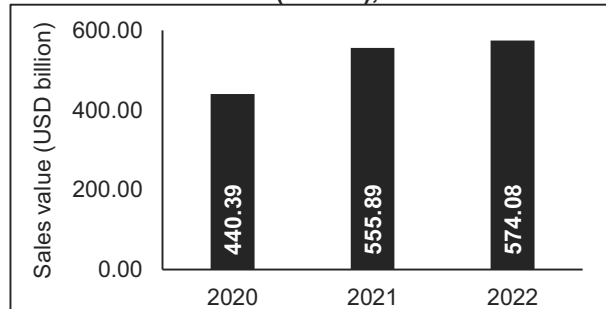
• **Semiconductor industry**

A semiconductor is a substance which possesses specific electrical properties. Semiconductors are integral components in many products including E&E products, automobiles and medical equipment to perform certain functions such as operational control, data transmission and processing, sensing, wireless connectivity and power management.

The global semiconductor industry is represented by global semiconductor sales. Global semiconductor sales increased at a CAGR of 14.17% from USD440.39 billion (RM1.85 trillion) in 2020 to USD574.08 billion (RM2.53 trillion) in 2022.

However, the WSTS estimated that global semiconductor sales decreased by 9.40% to USD520.13 billion (RM2.37 trillion) in 2023, in response to rising inflation rates and normalisation of demand for consumer electronics after the COVID-19 pandemic induced spike in 2021.

Semiconductor sales (Global), 2020 – 2022



Sources: World Semiconductor Trade Statistics ("WSTS"), SMITH ZANDER

Notwithstanding this, the WSTS projects global semiconductor sales to increase by 13.12% to USD588.36 (RM2.69 trillion³) in 2024, thus continuing to spur the growth of the semiconductor equipment industry, which will in turn drive the demand for precision engineering components.

• **Telecommunications industry**

Telecommunications refer to the exchange of information over long distances by electrical and electromagnetic technologies via voice, data and video transmissions. Some examples of telecommunications infrastructure, devices and equipment that facilitate transmission of information include telecommunications towers, fibre-optic cables, routers, roof antenna, satellite dishes and mobile phones.

² Exchange rate from EUR to RM was converted based on average annual exchange rates of the respective years, extracted from published information from BNM.

2020	EUR1=RM4.7955
------	---------------

2022	EUR1=RM4.6300
------	---------------

2023	EUR1=RM 4.9359
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³ Exchange rate from USD to RM in 2024 was converted based on average annual exchange rates in 2023 extracted from published information from BNM at USD1 = RM 4.5653.

7. INDUSTRY OVERVIEW (CONT'D)

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The global telecommunications industry is represented by global mobile operators' revenue and investment. The global telecommunications industry, increased at a CAGR of 1.43% from USD1.04 trillion (RM4.37 trillion) in 2020 to USD1.07 trillion (RM4.71 trillion) in 2022.

Additionally, the GSMA stated that the global telecommunications industry in 2023 increased by 3.74% to USD1.11 trillion (RM5.07 trillion) and estimates that the industry will increase to USD1.25 trillion (RM5.71 trillion⁴) by 2030, indicating stable positive growth for the period.

According to the United Nations ("UN") Secretary-General's Roadmap for Digital Corporation on universal connectivity, the UN targets that by 2030, every individual globally will have access to the internet and is covered by the latest mobile network technology. Furthermore, following the development of 5G mobile technology, there will be an increasing demand to upgrade existing and/or develop telecommunications infrastructure, device and equipment. All of these will continue to drive the demand for telecommunications related precision engineering components.

► Increase in outsourcing manufacturing works to engineering support companies including precision engineering industry players to achieve cost-effectiveness

End-user industries have either reduced or completely ceased the manufacturing of intermediate products (e.g. precision engineering components) since the emergence of engineering support companies, coupled with the increasing design and quality requirements of these intermediate products. With continuous technological advancements in products developed in end-user industries, the precision engineering components required for the manufacturing of end-user products are more complex and require higher precision. To manufacture these complex and highly-precise components in an efficient and cost-effective manner, it is crucial for the manufacturers to be equipped with relevant machinery, human resources, engineering capabilities and industry experience.

Thus, instead of allocating resources to manufacture precision engineering components in-house, end-user industry players are more focused on developing and designing new end-user products while leaving the manufacturing of precision engineering components to precision engineering industry players that are equipped with the relevant expertise and resources.

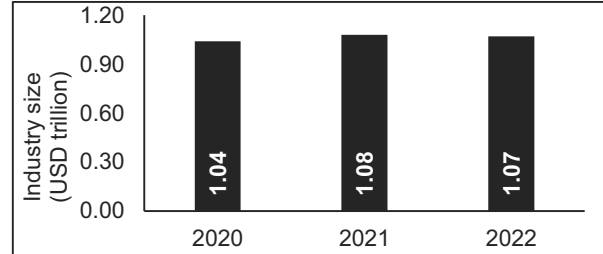
This outsourcing trend has, and is expected to continue to, support the growth of the precision engineering industry in Malaysia.

► Government initiatives in supporting the precision engineering industry

According to MIDA, Malaysia is internationally-recognised for its capabilities in engineering activities and quality production. In this regard, in order to remain competitive, precision engineering industry players are improving workplace health and safety, keeping abreast with the latest technologies to meet customers' requirements as well as continuously upgrading their manufacturing facilities. This includes the adoption of smart manufacturing technologies to transform their manufacturing processes, which is in-line with the Government's initiative towards Industry 4.0 which encourages the adoption of Industry 4.0 technologies and processes and to boost the attractiveness of Malaysia as a preferred manufacturing location.

According to MIDA, total investments amounting to RM968.00 million were approved in 2022 for 26 projects in the machining segment, which formed the most significant share of investments among the ESI segments, making up 71.70% of total investments in the ESI (RM1.35 billion). Further, total investments amounting to RM81.50 million were approved in 2022 for 6 projects in the surface finishing segment.

Telecommunications industry (Global) 2020 – 2022



Sources: Global System for Mobile Communications ("GSMA"), SMITH ZANDER

⁴ Exchange rate from USD to RM in 2030 was converted based on average annual exchange rates in 2023 extracted from published information from BNM at USD1 = RM 4.5653.

7. INDUSTRY OVERVIEW (CONT'D)

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► Continuous innovation in product development in end-user industries drives the demand for precision engineering components manufacturing services

In view of rapid technological advancements and changing consumer needs, end-user industry players are constantly undertaking product innovation to enhance their products to remain competitive in their respective industries. End-user products have been trending towards smaller size and/or greater complexity to incorporate more functions and/or enhance the efficiency and quality of products to meet consumer needs. Consequently, components used for these end-user products are also increasingly smaller in size and greater in complexity to the point such end-user industry players may not have the capability or resources to manufacture such components in-house effectively. Hence, these industry players engage precision engineering industry players who are better-equipped with the relevant expertise and resources to manufacture such components with higher precision.

Key Industry Risks and Challenges

► Reliance on foreign workers

The issue of labour shortages is common in the manufacturing industry (including the precision engineering industry) in Malaysia where Malaysia is dependent on foreign workers as a result of limited supply of local workers for manufacturing-related operations. Any quota restrictions or suspensions in the hiring of foreign workers may cause difficulties in employing sufficient labour. Further, any increase in the levy rate for foreign workers or minimum wages for employees will increase the cost of labour.

If a suspension or similar policy issues were to cause a suspension or cessation of future intake of foreign workers, the precision engineering component manufacturers may have to source for local workers which may come at higher cost. Precision engineering component manufacturers who are unable to pass on the increase in labour costs to their customers may experience material impact on their profitability. Further, any delays in hiring sufficient number of local workers may result in operational disruptions which would subsequently affect production schedules and cause delays in production and delivery schedules as well as potential order cancellations from customers. Consequently, this may affect the precision engineering component manufacturers' business and financial performance.

► Exposure to global aluminium and copper price fluctuations

Metal is a key raw material used in the manufacturing of precision engineering components. Aluminium and copper are two of the main types of metal being used for the manufacturing of precision engineering components. The prices of aluminium and copper in Malaysia are driven by their respective global prices.

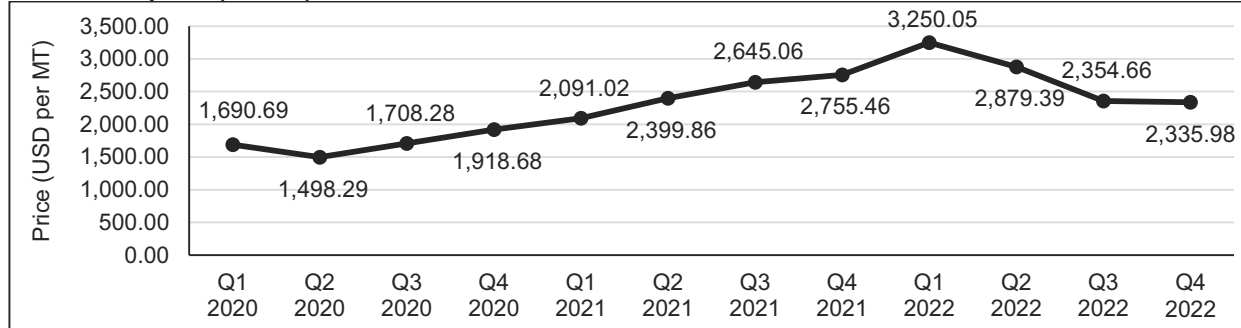
Aluminium is susceptible to price fluctuations as a result of demand and supply conditions, prices of raw materials for the production of aluminium such as bauxite, and prevailing energy costs. In the second quarter ("Q2") of 2020, the quarterly average global aluminium price ("**Global Aluminium Price**") decreased to USD1,498.29 per metric ton ("**MT**") mainly due to weak global vehicle demand which was impacted by the outbreak of the COVID-19 pandemic in early 2020. Nonetheless, the global aluminium market observed a gradual increase in price starting from the third quarter ("**Q3**") of 2020 up until the first quarter ("**Q1**") of 2022. The increase in Global Aluminium Price in the second half of 2020 was primarily supported by strong demand for aluminium in China. Subsequently, the Global Aluminium Price increased in 2021 due to factors such as surging demand for vehicles and other manufactured goods, aluminium supply reduction in China, higher import costs and energy supply shortages. As for the increase in Global Aluminium Price for Q1 2022 which reached USD3,250.05 per MT, it was mainly due to production curtailments (especially European smelters) in view of high energy costs, depleted global inventories and disruptions to the supply of alumina. The Global Aluminium Price then declined to USD2,335.98 per MT in fourth quarter ("**Q4**") 2022, following the increase in interest rates by the Federal Reserve which reduced the demand for industrial commodities including aluminium and the increase in aluminium output in China.

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7. INDUSTRY OVERVIEW (CONT'D)

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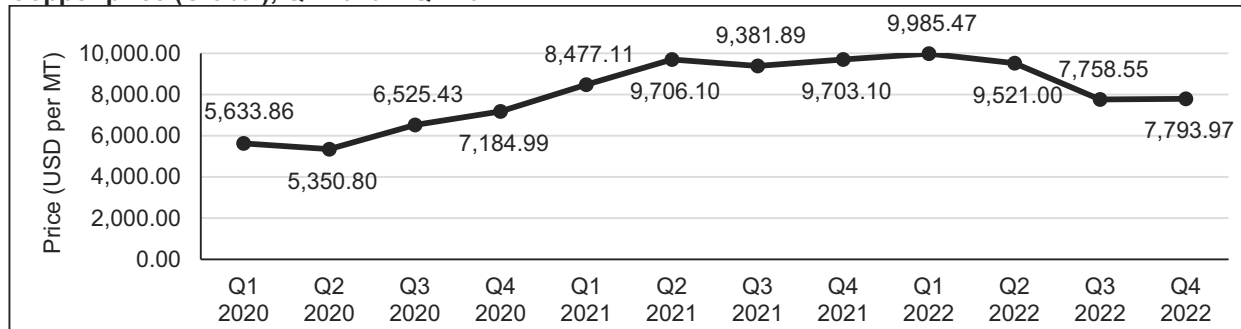
Aluminium price (Global), Q1 2020 – Q4 2022



Sources: World Bank, SMITH ZANDER

Meanwhile, copper is also susceptible to price fluctuations as a result of demand and supply conditions of copper in the global market. The quarterly average global copper price (“Global Copper Price”) declined by 5.02% to USD5,350.80 per MT in Q2 of 2020 due to the economic impact caused by the COVID-19 pandemic. Subsequently, the Global Copper Price increased by 81.40% to USD9,706.10 per MT in Q2 2021 as global economic activities rebounded along with an increase in the demand for electric vehicles where copper is one of the main raw materials used in the manufacturing of components for electric vehicles. The Global Copper Price then declined by 3.34% to USD9,381.89 per MT in Q3 2021 and increased by 6.43% to USD9,985.47 per MT in Q1 2022. Following that, the Global Copper Price declined by 21.95% to USD7,793.97 per MT in Q4 2022 due to the increase in interest rates by the Federal Reserve.

Copper price (Global), Q1 2020 – Q4 2022



Sources: World Bank, SMITH ZANDER

Any material increases in the price of aluminium and/or copper may lead to a rise in cost of production for precision engineering industry players, as well as carrying cost for maintaining inventories. If the precision engineering industry players are unable to pass on the increased material cost to their customers, they may have to bear the increased costs which could materially impact their financial performance.

► **Adverse economic conditions may adversely impact sales of precision engineering components manufacturing services**

The performance of certain end-user industries such as E&E, which are customers of the precision engineering industry is, to a certain extent, dependent on the state of the economy. A growing economy will contribute to increasing disposable income and purchasing power of consumers as well as spending budgets of businesses, which will spur demand for end-user products from various industries. However, a decline in the economy may conversely cause a reduction in the demand for end-user products, which may negatively impact the overall financial performance of the end-user industry players as well as precision engineering industry players.

In view of the outbreak of the Russia-Ukraine war and aftermath effect of the COVID-19 pandemic, global economic growth is projected to slow down from 3.50% in 2022 to 3.00% in 2023 and 2.90% in 2024. This may disrupt the demand for precision engineering components as the end-user industries may experience a slowdown due to a reduction in demand for end-user products. In addition, should there be any other incidents which may lead to adverse economic conditions or financial crisis in the future, this may negatively impact the end-user industries and subsequently have an adverse impact on the precision engineering components industry players’ financial performance.

7. INDUSTRY OVERVIEW (CONT'D)

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4 COMPETITIVE LANDSCAPE OF THE PRECISION ENGINEERING INDUSTRY IN MALAYSIA

Overview

This section focuses on the precision engineering industry players in Malaysia as Northeast Group is principally involved in the manufacturing of precision engineering components in Malaysia.

The precision engineering industry players generally compete in terms of technical capabilities, pricing, quality of products and services, delivery timing and manufacturing capacities. Precision engineering industry players are also required to have strong understanding of the required specifications of the precision engineering components as well as the precision machining techniques. Industry players who have strong technical expertise in understanding their customers' specifications have competitive advantage as they are able to enhance, modify and adapt their manufacturing processes in order to ensure that the precision engineering components manufactured are of high quality and accuracy in accordance to customers' requirements and exact specifications.

The precision engineering industry is competitive with substantial barriers of entry as new entrants require high initial capital for the purchase of automated machinery and equipment, as well as high operating cost for the maintenance of machinery and equipment. Further, industry players have to constantly keep abreast with the latest technologies to continuously improve their manufacturing process to remain competitive in the industry. Additionally, industry players are required to go through product qualification processes with their customers which could be time-consuming, whereby customers will assess the industry players in terms of manufacturing capacity, capability and consistency in product quality. Due to the time-consuming qualification process, once a customer approves and appoints an industry player to manufacture their precision engineering components, the customer is likely to continue engaging the industry player over the long term to ensure consistency in product quality.

Key Industry Players

The basis for selection of the key industry players in the precision engineering industry in Malaysia is as follows:

- Companies involved in the manufacturing of precision engineering components with manufacturing capabilities in precision machining. These companies may or may not be involved in surface finishing; and
- Companies which recorded more than RM50.00 million but less than RM300.00 million in revenue based on their respective latest available financial years.

The identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.

Company name	Business activities	Latest available financial year	Revenue ⁽¹⁾ (RM million)	Gross profit/(loss) margin (%)	Profit/(loss) after tax margin (%)
UWC Berhad	Provision of precision metal fabrication and value-added assembly services, fabrication of precision machined components, and contract manufacturing of automated test equipment.	31 July 2023	271.74	N/A ⁽²⁾	19.81
Syntum (M) Sdn Bhd	Provision of manufacturing and assembly of precision machine parts and components, used in the printing and imaging, automotive, industrial and power tools as well as consumer appliances and lifestyles industries.	30 June 2023	219.23	12.66	8.32
Grand Venture Technology Sdn Bhd	Manufacturing of precision machining and sheet metal components and modules for the semiconductor, analytical life sciences, electronics, aerospace, medical and other industries.	31 December 2022	182.56	28.89	13.59

7. INDUSTRY OVERVIEW (CONT'D)

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Company name	Business activities	Latest available financial year	Revenue ⁽¹⁾ (RM million)	Gross profit/ (loss) margin (%)	Profit/ (loss) after tax margin (%)
Eng Teknologi Sdn Bhd	Manufacturing of precision engineering components for industrial products and data storage products.	31 December 2022	152.48	23.88	14.38
CPE Technology Berhad	Provision of precision machining services for precision-machined parts and components used in the semiconductor, life science and medical, sport equipment, sensor equipment, security, opto-mechanical, aerospace, instrumentation, automotive, general engineering as well as oil and gas industries.	30 June 2023	145.28	35.45	20.85
Coraza Integrated Technology Berhad	Provision of fabrication services for intermediate metal products, ranging from metal piece parts to precision machined components.	31 December 2022	143.35	26.11	10.26
Northeast Group	Manufacturing of precision engineering components used in the photonics, E&E, semiconductor, telecommunications and optoelectronics industries.	30 September 2023	93.34	37.98	19.67
YBS International Berhad	Provision of high precision mould design and fabrication, plastic injection moulding, metal stamping and CNC turning, electronic manufacturing services and connector solution.	31 March 2023	88.87	17.03	3.56
SFP Tech Holdings Berhad	Provision of sheet metal fabrication, CNC machining, mechanical assembly and automated equipment solutions provider.	31 December 2022	85.78	50.08	37.28
AT Systematization Berhad	Design and manufacturing of industrial automation systems and machinery, provision of customised machining and toolings and jigs and fixtures, manufacturing and sale of gloves, as well as operation and production of renewable energy.	31 March 2023	60.80	(12.51)	(136.10)
Prodelcon Sdn Bhd	Manufacturing and assembly of high precision tooling and component parts used in the photonics, radio frequency microwave and medical industries.	30 June 2023	57.19	32.74	15.77
Wong Engineering Corporation Berhad	Manufacturing of high precision component parts and provision of sheet metal fabrication, surface treatment and finishing as well as semi-modular and final assembly services.	31 October 2023	52.70	6.93	(14.39)

Notes:

- Latest available as at 11 March 2024.

(1) Company may be involved in other businesses besides the manufacturing of precision engineering components and as such, revenue is presented on a total revenue basis and may include revenue from other business segments.

(2) Not available – information not available in the latest annual reports.

Sources: Northeast Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

Industry Share

In 2023, the precision engineering industry in Malaysia, as represented by manufacturing sales value of machining, treatment and coating of metals, was recorded at RM4.01 billion. For the financial year ended 30 September 2023, revenue recorded by Northeast Group stood at RM93.34 million and thereby Northeast Group captured an industry share of 2.33% in Malaysia.

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8. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS BEFORE INVESTING IN OUR COMPANY.

8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

8.1.1 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. Please refer to Section 8.2.3 of this Prospectus for further details on our exposure to risks relating to the economic, political and/or legal environment in the markets in which we export our products to.

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. Please refer to Definitions and Section 6.16 of this Prospectus for further information on Customer A group of companies.

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 the current level in the future. In the event Customer A group of companies cease to purchase our Group's products and services, we may experience a reduction in sales which could result in a loss of revenue and our Group's financial performance may be adversely affected, if we are unable to replace Customer A group of companies with new customers or with additional orders from existing customers in a timely manner.

Our ability to continue securing sales from our existing customers is dependent on several factors, including our ability to meet these customers' specifications and requirements, competitive pricing, timely delivery of products, as well as continued customer service. Nonetheless, in the event that we are able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and/or maintain/improve our profit margins. If such adverse events occur, our financial performance will be adversely affected.

Further, the demand for our products is also dependent on the demand from the end-user markets for our customers' products. The changes in end-user markets of our customers may be influenced by factors including, amongst others, the state of the economy, political and regulatory environment, spending trends, and demand for their products. If the demand for our customers' products decreases, the production activities of our customers are also likely to decrease, leading to lower demand for our products and services. Accordingly, a decline in demand from our customers' end-user markets may adversely affect our financial performance.

8. RISK FACTORS (CONT'D)

8.1.2 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.

Our revenue breakdown transacted in RM and foreign currencies in the Financial Years Under Review are as follows:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
RM	19,947	17.62	30,117	20.84	21,290	22.81
USD	90,049	79.55	110,441	76.42	63,385	67.91
EUR	616	0.54	851	0.59	5,884	6.31
GBP	1,756	1.55	2,264	1.57	2,015	2.16
Japanese Yen (JPY)	320	0.28	319	0.22	638	0.68
SGD	519	0.46	512	0.35	123	0.13
Swiss franc (CHF)	-	-	11	0.01	-	-
Total	113,207	100.00	144,515	100.00	93,335	100.00

We are exposed to foreign exchange transaction risk, mainly arising from our revenue exposure to USD, representing approximately 79.55%, 76.42% and 67.91% of our total revenue in the Financial Years Under Review respectively.

For illustration purposes, assuming the exchange rate between the USD and RM fluctuates by 5.00%, this will result in an increase or decrease in our Group's PAT for the FYE 2023 by approximately RM1.89 million, depending on the strengthening or weakening of the USD against RM. Please refer to Note 29(c) of the Accountants' Report in Section 12 of this Prospectus for further details of the sensitivity analysis to the Group on the change in the USD, EUR and GBP exchange rate against RM.

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. Please refer to Section 11.3.4(i) of this Prospectus for further details on the impact of fluctuation in foreign exchange on our financial performance in the Financial Years Under Review.

8. RISK FACTORS (CONT'D)

8.1.3 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. With their experience as well as technical and industry knowledge in the precision engineering components manufacturing industry and our business, they play a pivotal role in formulating and implementing business strategies and policies to drive the future development and growth of our Group. Further, our Key Senior Management are equipped with the relevant knowledge and skills in their respective fields of work to ensure a smooth operation of our business. Please refer to Sections 4.1.2 and 4.5.2 of this Prospectus for the profiles of our Managing Director, Executive Director and Key Senior Management.

We recognise that our Group's continuing success and future growth depend significantly on the capabilities and efforts of our Managing Director, Executive Director and Key Senior Management. 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. If we are unable to attract suitable talents to replace the loss of any of our Managing Director, Executive Director and Key Senior Management in a timely manner, this may affect the results of operations, financial performance and prospects of our Group.

8.1.4 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. Our engineering managers' expertise in process engineering and their in-depth industry knowledge, together with our technicians' technical know-how, allow us to adapt to changing requirements quickly by developing or adjusting manufacturing processes accordingly whilst maintaining the quality of our products, which is one of the key factors in driving our business growth over the years.

We compete with other industry players within the precision engineering industry in Malaysia and other engineering support industry segments to recruit and retain engineering managers and technicians. 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 precision engineering industry.

Although we have not previously faced any shortage of engineering managers or technicians that may have led to major disruptions to our operations, there can be no assurance that we will be able to recruit, develop and retain an adequate number of engineering managers and technicians to support the future growth and expansion of our Group.

8. RISK FACTORS (CONT'D)

8.1.5 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:

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

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

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 our plans and business strategies. The implementation of these plans and business strategies could also be adversely affected by a variety of other factors such as more efficient manufacturing process adopted by our competitors or more attractive pricing offered by our competitors, which may affect the attractiveness of our products.

Hence, there can be no assurance that the effort and expenditure spent on the implementation of our future plans and business strategies will yield the expected results in growing our business in terms of financial performance and market presence. We are also not able to guarantee that we will be successful in executing our future plans and business strategies, nor can we assure that we will be able to anticipate all the business, operational and industry risks arising from these future plans and business strategies. Such failure may lead to an adverse effect on our business operations and financial performance.

8.1.6 The absence of long-term contracts with our 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. The precision engineering components that we manufacture are subject to customers' changing requirements and technical specifications depending on the changes in, amongst others, their products and/or assembly process; hence, the purchase orders from our customers may vary from time to time.

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 precision engineering components 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.

While our Group continuously seeks to ensure customers' satisfaction by continuously improving our product quality, maintaining and strengthening existing business relationships as well as establishing relationships with new customers to grow our clientele base, any external factors such as adverse economic conditions, significant price reductions by our competitors or a slowdown in the demand for precision engineering components in the customer industries that we serve, may negatively impact our sales in view of the absence of long-term contracts, which will subsequently negatively impact the financial performance of our Group.

8. RISK FACTORS (CONT'D)

8.1.7 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, resulting in interruptions to, or prolonged suspension of our operations.

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, which may lead to interruptions to the operations at our manufacturing facilities and/or damage to our machinery and equipment. In addition, any occurrence of force majeure events such as war, strikes and/or riots may prohibit us from performing our operations. The occurrence of these unexpected events may affect our ability to meet the agreed upon delivery schedule with our customers.

Moreover, the outbreak of infectious diseases such as COVID-19 may cause disruptions to our business activities due to possible imposition of movement restrictions by the Government as a containment measure to curb the spread of the virus. This may result in an adverse impact on our financial performance, as our business operations may be temporarily suspended. Further, any large-scale outbreak or pandemics may result in interruptions to global business and economic activities, which may consequently lead to closure of businesses and eventually causing disruptions in the global supply chain. This may affect our business activities adversely, as we may experience delays from our suppliers and delays in fulfilling our customers' orders. Please refer to Section 6.18 of this Prospectus for details on the disruptions to our Group's business activities caused by the COVID-19 pandemic during the Financial Years Under Review.

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. As such, there is no assurance that we will be able to record profits or have sufficient funds for our operations to recover from the damages caused by such events. In the Financial Years Under Review and up to the LPD, save for the temporary disruptions of our business operations as disclosed in Section 6.18 of this Prospectus, we have not experienced any major interruptions to our business operations caused by unexpected equipment failures, fire, natural disasters, force majeure events and/or outbreak of infectious diseases. Notwithstanding this, there is no assurance that we will not encounter such events and our business operations and/or financial performance will not be adversely affected should such events occur in the future.

8.1.8 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.

8. RISK FACTORS (CONT'D)

Our net impairment gain/(loss) on trade receivables for the Financial Years Under Review were as follows:

	Audited		
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
Net impairment gain/(loss) on trade receivables	(230)	(966)	50

Please refer to Sections 11.3.3(v) and 11.4.8(i) of this Prospectus for further details on our net impairment gain/(loss) on trade receivables as well as trade receivables turnover period for the Financial Years Under Review respectively.

8.1.9 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 the industry to protect against various losses and liabilities such as fire, theft, armed robbery, machinery breakdown, amongst others. As at the LPD, we have the following insurance policies for our operations:

Type of insurance policies	Sum insured RM'000
Fire	72,724
Machinery breakdown	850
Theft, armed robbery or holdup	3,700
All risks	62,276
Public liability	2,000
Employers' liability	500
Personal accident	16,400
Total	158,450

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. If our insurance policies are unable to cover the full losses or liabilities suffered, we may experience an adverse effect on our financial performance.

Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business operations and financial performance.

8.1.10 We are exposed to regulatory compliance risk

We are exposed to regulatory compliance risk as our business operations are subject to various laws, regulations and rules. Please refer to Annexure B of this Prospectus for further information of our Group's major approvals, licences and permits.

8. RISK FACTORS (CONT'D)

Our major approvals, licences and permits are subject to compliance with the relevant laws, regulations, and requirements (including conditions imposed by the various issuing bodies). In the event of non-compliance by our Group, these approvals, licences and permits may be terminated, revoked or may not be renewed upon expiry. Notwithstanding our internal process are in place to monitor and ensure continuous compliance with the respective conditions imposed by the relevant authorities (if any) as well as to monitor the validity of our approvals, licences and permits (if any), there can be no assurance that we will be able to comply with the conditions imposed or we will be able to renew these licences, permits and approvals in a timely manner. Failure to do so may adversely affect our business operations and our future financial performance.

In addition, 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. As at the LPD, save as disclosed above, we have complied with the relevant laws, regulations and requirements that apply to our major approvals, licences and permits.

8.1.11 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.

If adequate funding is not available when needed, or is available only on unfavourable terms, meeting our capital needs or otherwise taking advantage of business opportunities or responding to competitive pressures may become challenging, which could have a material and adverse effect on our business, financial condition and results of operations.

Please refer to Section 11.4.3 of this Prospectus for further details on our borrowings.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We are dependent on the availability of manual labour, including foreign workers for our manufacturing activities

While we rely on machines to carry out precision machining to manufacture precision engineering components, we are still dependent on manual labour to carry out some processes such as visual inspection, surface finishing and packaging. Amongst our employees under the Production and QA & QC departments, local employees accounted for approximately 23.10% whereas foreign employees accounted for approximately 76.90% as at the LPD. Please refer to Section 6.21 of this Prospectus for more information on our number of foreign workers according to business functions.

8. RISK FACTORS (CONT'D)

The outbreak of COVID-19 pandemic in Malaysia beginning early 2020 led to a slowdown in the manufacturing sector; and from the imposition of movement restrictions on 18 March 2020 until the re-opening of applications for the hiring of foreign workers on 15 February 2022, foreign workers were not allowed to enter Malaysia. During the period of hiring freeze for foreign workers, our Group experienced a shortage of manual labour as we were unable to hire foreign workers. On 14 June 2022, we received approval from the Ministry of Human Resources to hire and bring in foreign workers from their home countries. As at the LPD, our Group has a sufficient workforce of 91 local and 303 foreign employees to support our manufacturing activities.

Should there be any re-imposition of the hiring freeze for foreign workers in the future, it may affect our Group's manufacturing activities due to the reduced workforce capacity. In such circumstances, we will be required to hire local workers which may result in our Group having to incur higher labour costs, which may have an impact on our financial performance.

8.2.2 We are exposed to fluctuations in raw materials prices and shortages of raw materials

The raw materials used in our manufacturing activities are aluminium, copper, stainless steel, carbon steel and plastics. In the Financial Years Under Review, raw materials constituted approximately 51.76%, 52.37% and 42.43% of our Group's total purchases respectively. Please refer to Section 6.10 of this Prospectus for the breakdown of our purchases of supplies and services in the Financial Years Under Review.

The prices of raw materials such as aluminium, copper, stainless steel, carbon steel and plastics are subject to price fluctuations as a result of, amongst others, global demand and supply conditions, as well as global and regional economic conditions (e.g. the COVID-19 pandemic and uncertainties arising from the sanctions on Russia). Please refer to the IMR Report in Section 7 of this Prospectus for details on fluctuations of raw material prices. Our Group generally has been able to pass on any increase in cost, due to fluctuations in the prices of raw materials, to our customers. However, there is no assurance that we will be able to continue passing on the increase in cost to our customers. As such, failure to pass on the increase in cost to our customers may result in a substantial increase in our cost of sales, thus affecting our financial performance.

In addition, the nature of our operations requires us to obtain sufficient quantities of raw materials in a timely manner and at acceptable prices in order to continue our operations and meet the demand from our customers. While we have not encountered any shortages of raw materials in the Financial Years Under Review, there is no assurance that such incident will not occur in the future. Any sudden shortages of raw materials may affect our business operations and that there is no assurance that we will be able to obtain raw materials from new suppliers in a timely manner or at reasonably acceptable prices. In the event that we are required to pay higher cost to new suppliers for these raw materials and that we are unable to pass on the increase in cost to our customers in a timely manner, it may adversely affect our financial condition and results of operations.

8.2.3 We are subject to the risks relating to the economic, political and/or legal environment in the markets in which we export our products to

Notwithstanding that we principally operate in Malaysia, our revenue is mainly derived from export sales. In the Financial Years Under Review, our export sales accounted for approximately 78.32%, 77.15% and 73.90% of our total revenue respectively. As we continue to expand our business, our financial performance and results of operations will continue to be subject to the economic and political conditions in the countries where we transact business. For example, any increase in import tariffs of precision engineering components due to economic and political conditions in the countries where we export our products may result in a decrease in demand for our products due to increased pricing, and this may adversely affect our financial performance.

8. RISK FACTORS (CONT'D)

In particular, exports to customers in the USA were the largest contributor to our Group's revenue in the Financial Years Under Review. Sales to customers in the USA amounted to approximately 48.34%, 39.84% and 32.78% of our Group's revenue in the Financial Years Under Review respectively. As such, we are exposed to concentration risk arising from our exports to the USA. Notwithstanding that we have not encountered any circumstances that had negatively affected our exports to the USA in the Financial Years Under Review, there is no assurance that any changes in the economic, political and/or legal environment in the USA and global trade conditions, if any, will not affect our exports to the USA in the future. While we may be able to continue exporting our products to other countries in the event that our exports to the USA were to be affected, there is no assurance that we will be able to secure additional sales from our existing customers and sales from new customers in a timely manner to replace the lost in sales to our customers in the USA. This could result in a loss of revenue and will have an adverse impact on our financial performance.

8.2.4 We face competition from other industry players

According to the IMR Report, the precision engineering industry in Malaysia is competitive with substantial barriers of entry as high initial capital and operating costs are required for new players to enter the industry. We generally compete with other industry players in terms of technical capabilities, pricing, quality of products and services, delivery timing and manufacturing capabilities. Please refer to the IMR Report in Section 7 of this Prospectus for further details on the competitive landscape of the precision engineering industry.

Our current and potential customers have the option of ordering precision engineering components from other industry players. As such, the competition that we face from other industry players may impact our revenue and profitability as we may be forced to be more price competitive in order to secure sales orders from existing and new customers. Failure to remain competitive may result in, amongst others, adverse effects, reduction in revenue and/or profit margins, loss of existing customers and/or failure to secure new customers, which may in turn adversely affect our financial performance and growth prospects.

8.2.5 We may not be able to adapt to technological developments in our industry

Our Group is principally engaged in the manufacturing of precision machined components that are used in the photonics, E&E, semiconductor, telecommunication and optoelectronics industries. As such, our business is subject to technological changes such as, amongst others, the engineering expertise and machining technology required in the manufacturing of precision engineering components for our customers' industries. In the event we fail to keep pace with these technological changes and do not remain technologically competitive, we may not be able to retain our existing customers or attract new customers and our operations and financial performance may be adversely affected.

As such, our future success is dependent on our ability to adapt to the changing technological developments whilst maintaining the quality of our products and continuously improving our manufacturing efficiency in a timely manner.

There can be no assurance that our adoption of new and relevant technologies, as well as our manufacturing and engineering capabilities, can be successfully developed in time to adapt to technological developments to meet our customers' expectation.

8. RISK FACTORS (CONT'D)

8.3 RISKS RELATING TO OUR SHARES AND OUR LISTING

8.3.1 No prior market for our Shares

Prior to our Listing, there has been no prior public market for our Shares. Hence, we cannot assure you that upon our Listing, an active market for our Shares will develop, or if developed, such a market can be sustained. There is also no assurance that there will be a liquid market for our Shares traded on the ACE Market. Please refer to the cautionary statement disclosed in the cover page of this Prospectus.

Notwithstanding that the IPO Price was determined after taking into consideration of various factors such as our financial and operating history and our future plans and business strategies, we cannot assure you that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and that the market price of our Shares will not decline below the IPO Price.

8.3.2 The trading price and trading volume of our Shares may be volatile

Economic, political conditions and growth potential of the various sectors of the economy as well as external factors such as the performance of regional and global stock exchanges and the inflow or outflow of foreign funds contribute to the volatility of trading price and volumes of our Shares on Bursa Securities. The market price of our Shares may fluctuate significantly and rapidly due to, amongst others, the following factors, some of which are beyond our control:

- (i) general operational and business risks of our Group;
- (ii) variations in our financial results and operations;
- (iii) failure of our Managing Director, Executive Director and Key Senior Management in implementing business and growth strategies;
- (iv) departures of our Key Senior Management;
- (v) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (vi) changes in market valuations of listed shares in general or share prices of companies with similar businesses to our Group;
- (vii) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events and factors;
- (viii) fluctuations in stock market prices and volumes;
- (ix) changes in government policy, legislation or regulation; and/or
- (x) involvement in claims, litigation, arbitration or other forms of dispute resolution.

Accordingly, there can be no assurance that the market price of our Shares will not be subject to volatility or trade at prices below the IPO Price.

8. RISK FACTORS (CONT'D)

8.3.3 The interest of our Promoters who control our Company may not be aligned with the interest of our shareholders

Our Promoters will collectively hold an aggregate of 452,821,608 Shares, representing approximately 61.19% of our enlarged issued share capital upon our Listing. As a result, they will be able to effectively control the business direction and management of our Group, including the election of Directors, the timing and payment of dividends as well as having substantial voting control over our Group. As such, our Promoters will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they and persons connected with them are required to abstain from voting either by law, relevant guidelines or regulations. Therefore, there may be a risk of non-alignment of interests by our Promoters with those of our other shareholders.

8.3.4 Possible sale of a substantial number of Shares in the public market following our IPO could adversely affect the price of our Shares

Upon the completion of our IPO and Listing, our Promoters will collectively hold an aggregate of 452,821,608 Shares, representing approximately 61.19% of our enlarged issued share capital.

It is possible that our Promoters may dispose of some or all of their Shares after the Moratorium Period, pursuant to their own investment objectives. If our Promoters sell, or are perceived as intending to sell, a substantial amount of our Shares, the market price for our Shares could be adversely affected.

8.3.5 There may be a delay in or termination of our Listing

Our Listing could be delayed or terminated due to the possible occurrences of certain events, which include the following:

- (i) our Sole Underwriter exercises its rights under the Underwriting Agreement or our Sole Placement Agent exercises its rights under the placement agreement to discharge itself from its obligations thereunder;
- (ii) we are unable to meet the public shareholding spread requirement under the Listing Requirements of having at least 25.00% of our enlarged issued share capital, for which our Listing is sought, being in the hands of at least 200 public shareholders holding not less than 100 Shares each at the point of our Listing; and/or
- (iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

Although we endeavour to comply with the various regulatory requirements, in any event these events as mentioned above occurs, the investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the application within 14 days, failing which the provisions of Section 243(2) of the CMSA shall apply. Our Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC upon expiration of that period until the full refund is made.

If our Listing is aborted/ terminated and our Shares have been allotted to the investors, all monies paid in respect of all applications for our IPO Shares will be refunded to the investors only by way of cancellation of share capital as provided under Sections 116 and 117 of the Act and its related rules.

8. RISK FACTORS (CONT'D)

Such cancellation requires the approval of the shareholders by special resolution in a general meeting, the consent of our creditors (if required), with the sanction of the High Court of Malaysia or with notice to be sent to the Director General of the Inland Revenue Board and Registrar of Companies within 7 days of the date of the special resolution and meeting the solvency requirements under Section 117(3) of the Act. There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

Nonetheless, our Board will endeavour to comply with the various regulatory requirements, including, inter alia, public shareholding spread requirements for our Listing. However, there can be no assurance that the abovementioned factors/ events will not cause a delay in or non-implementation of our Listing.

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9. RELATED PARTY TRANSACTIONS

9.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

9.1.1 Material related party transactions

Save for the Acquisitions as disclosed in Section 5.1.1 of this Prospectus, there are no other material related party transactions entered or to be entered into by our Group for the Financial Years Under Review and up to the LPD.

Our Board also confirms that there are no other material related party transactions that have been effected after the LPD or entered by our Group but not yet effected up to the date of this Prospectus.

After our Listing, we will also be required to seek our shareholders' approval each time we enter into a material related party transaction in accordance with the Listing Requirements. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

9.1.2 Related party transactions entered into that are unusual in their nature or condition

Our Group has not entered into any transactions that are unusual in their nature or condition, involving goods, services, tangible or intangible assets, with a related party for the Financial Years Under Review and up to the LPD.

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9. RELATED PARTY TRANSACTIONS (CONT'D)

9.1.3 Loans and/or financial assistance made to/from or for the benefit of a related party

Save as disclosed below, our Group has not granted/received any loan and/or financial assistance to/from or for the benefit of a related party that is material to our Group for the Financial Years Under Review and up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
				FYE 2021	FYE 2022	FYE 2023	From 1 October 2023 up to the LPD
				RM'000	RM'000	RM'000	RM'000
1.	Ng Chay Chin, Yin Thien Hee and NE Components	<p>Ng Chay Chin is our Promoter, substantial shareholder and Managing Director.</p> <p>Ng Chay Chin is also a director and substantial shareholder of Mountain Range.</p> <p>Yin Thien Hee is our Key Senior Management.</p> <p>Yin Thien Hee is also a shareholder of Mountain Range.</p> <p>They are the directors of NE Components.</p>	Advances to NE Components for working capital requirements	165	-	-	-

9. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
				FYE 2021	FYE 2022	FYE 2023	From 1 October 2023 up to the LPD
				RM'000	RM'000	RM'000	RM'000
2.	Ng Chay Chin, Chong Ewe Hean and NE Integrated	<p>Ng Chay Chin is our Promoter, substantial shareholder and Managing Director.</p> <p>Chong Ewe Hean is our Promoter, substantial shareholder and Executive Director.</p> <p>They are also the directors and substantial shareholders of Mountain Range.</p> <p>They are the directors of NE Integrated.</p>	Advances to NE Integrated for working capital requirements	3,101	-	-	-

9. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
				FYE 2021	FYE 2022	FYE 2023	From 1 October 2023 up to the LPD
				RM'000	RM'000	RM'000	RM'000
3.	Ng Chay Chin, Chong Ewe Hean and NE Solutions	<p>Ng Chay Chin is our Promoter, substantial shareholder and Managing Director.</p> <p>Chong Ewe Hean is our Promoter, substantial shareholder and Executive Director.</p> <p>They are also the directors and substantial shareholders of Mountain Range.</p> <p>They are the directors of NE Solutions.</p>	Advances to NE Solutions for working capital requirements	308	-	-	-

9. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
				FYE 2021	FYE 2022	FYE 2023	From 1 October 2023 up to the LPD
				RM'000	RM'000	RM'000	RM'000
4.	Ng Chay Chin and NE Technologies	Ng Chay Chin is our Promoter, substantial shareholder and Managing Director. He is also a director and substantial shareholder of Mountain Range. He is a director of NE Technologies.	Advances to NE Technologies for working capital requirements	62	-	-	-
5.	Ng Chay Chin, Chong Ewe Hean and Northeast Precision	Ng Chay Chin is our Promoter, substantial shareholder and Managing Director. Chong Ewe Hean is our Promoter, substantial shareholder and Executive Director. They are also the directors and substantial shareholders of Mountain Range. They are the directors of Northeast Precision.	Advances to Northeast Precision for working capital requirements	1,055	-	-	-

9. RELATED PARTY TRANSACTIONS (CONT'D)

The advances made by our related parties were not on an arm's length basis as they were unsecured, interest-free and repayable within the next 12 months or upon demand. As at the LPD, the advances above have been fully settled.

Moving forward, our Group has put in place relevant internal control and compliance procedures in relation to advances and loans to/by related parties, and no further advances or loans will be given/received to/from any related parties of our Group unless such advances and loans are permitted under applicable law and the Listing Requirements and brought to our Audit and Risk Management Committee and our Board for deliberation and approval.

9.1.4 Personal guarantee

Ng Chay Chin, Chong Ewe Hean, Yin Thien Hee and/or Ng Chai Hee had extended personal guarantees for financing facilities extended by Affin Bank Berhad, Hong Leong Bank Berhad, OCBC Al-Amin Bank Berhad, OCBC Bank (Malaysia) Berhad, Public Bank Berhad and RHB Islamic Bank Berhad to our Group (collectively, "Financers"). Please refer to Section 11.4.3 of this Prospectus for further details on these financing facilities' personal guarantees.

In conjunction with our Listing, our Group has obtained the conditional consents from the Financers to discharge the above personal guarantees by substituting the same with a corporate guarantee from our Company upon our successful Listing.

9.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

9.2.1 Audit and Risk Management Committee's review

Our Audit and Risk Management Committee reviews any related party transactions (including recurrent related party transactions) and any conflict of interest situations (including potential conflict of interest) that may arise within our Group (including any transaction, procedure or course of conduct that raises questions of management's integrity).

Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to monitor related party transactions and conflict of interest. It also sets the procedures and processes to ensure that transactions are carried out in the best interest of our Company, on an arm's length basis and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties and are not detrimental to our minority shareholders. Amongst others, the related parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations and/or voting on the transactions.

All reviews by our Audit and Risk Management Committee are reported to our Board for further action.

9. RELATED PARTY TRANSACTIONS (*CONT'D*)

9.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. It is the policy of our Group that all related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Company, on an arm's length basis and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties, and are not detrimental to our minority shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situation and intend for the framework to comply with the Listing Requirements and adhere to the best extent possible with the guiding principles set out in the MCCG upon our Listing.

The procedures which may form part of the framework include, amongst others, the following:

- (i) our Board shall ensure that at least half of our Board members are Independent Non-Executive Directors and will undertake an annual assessment of the independence of our Independent Non-Executive Directors;
- (ii) our Board will be required to declare any direct or indirect interest that they may have in any business arrangement that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will then propose the transactions to our Audit and Risk Management Committee for evaluation and assessment which would in turn, make the appropriate recommendations to our Board.

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10. CONFLICT OF INTEREST

10.1 INTEREST IN BUSINESSES AND CORPORATIONS WHICH CARRY ON A SIMILAR TRADE AS THAT OF OUR GROUP OR WHICH ARE OUR CUSTOMERS OR SUPPLIERS

As at the LPD, none of our Directors and substantial shareholders have any interest, direct or indirect, in other businesses or corporations which are:

- (i) carrying on a similar trade as that of our Group; or
- (ii) customers or suppliers of our Group.

10.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST**10.2.1 Affin Hwang IB**

Affin Hwang IB confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter for our IPO.

10.2.2 BDO PLT

BDO PLT confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Auditors and Reporting Accountants for our IPO.

10.2.3 Wong Beh & Toh

Wong Beh & Toh confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Solicitors for our IPO.

10.2.4 SMITH ZANDER

SMITH ZANDER confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Independent Market Researcher for our IPO.

10.2.5 Share Registrar

Boardroom Share Registrars Sdn Bhd confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Share Registrar for our IPO.

10.2.6 Issuing house

Malaysian Issuing House Sdn Bhd confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Issuing House for our IPO.

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11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated under the Act on 18 July 2022. 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. As such, the financial statements of our Group comprise:

- (i) the combined statements of financial position as at 30 September 2021, 30 September 2022 and 30 September 2023;
- (ii) the combined statements of profit or loss and other comprehensive income for FYEs 2021, 2022 and 2023;
- (iii) the combined statements of changes in equity for FYEs 2021, 2022 and 2023; and
- (iv) the combined statements of cash flows for FYEs 2021, 2022 and 2023.

The historical combined financial statements for FYEs 2021, 2022 and 2023 were prepared as if our Group structure had been in existence throughout the Financial Years Under Review. All intra-group balances, transactions, income and expenses have been eliminated on combination.

The historical combined financial information presented below should be read in conjunction with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as set out in Section 11.3 of this Prospectus and the Accountants’ Report, together with its accompanying notes as set out in Section 12 of this Prospectus.

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11. FINANCIAL INFORMATION (CONT'D)

11.1.1 Historical combined statements of profit or loss and other comprehensive income of our Group

The table below sets out the combined statements of profit or loss and other comprehensive income 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
Other operating income	3,916	10,573	3,654
Net impairment gain/(loss) on trade receivables	(230)	(966)	50
Distribution expenses	(1,715)	(2,870)	(2,592)
Administrative expenses	(10,551)	(12,731)	(12,013)
Finance costs	(951)	(981)	(1,213)
PBT	25,299	47,802	23,336
Tax expense	(5,483)	(9,731)	(4,976)
PAT	19,816	38,071	18,360
Other comprehensive income, net of tax	-	-	-
Total comprehensive income attributable to the common controlling shareholders of the combining entities	19,816	38,071	18,360
GP margin ⁽ⁱ⁾ (%)	30.77	37.90	37.98
EBITDA ⁽ⁱⁱ⁾ (RM'000)	33,162	55,732	32,276
EBITDA margin ⁽ⁱⁱⁱ⁾ (%)	29.29	38.56	34.58
PBT margin ^(iv) (%)	22.35	33.08	25.00
PAT margin ^(v) (%)	17.50	26.34	19.67
Basic and diluted EPS ^(vi) (sen)	2.68	5.14	2.48

Notes:

- (i) GP margin is computed based on GP divided by revenue.
(ii) EBITDA is computed as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
PAT	19,816	38,071	18,360
Add: Tax expense	5,483	9,731	4,976
Finance costs	951	981	1,213
Depreciation	6,941	6,970	7,828
Less: Interest income	(29)	(21)	(101)
EBITDA	33,162	55,732	32,276

11. FINANCIAL INFORMATION (CONT'D)

- (iii) EBITDA margin is computed based on EBITDA divided by revenue.
- (iv) PBT margin is computed based on PBT divided by revenue.
- (v) PAT margin is computed based on PAT divided by revenue.
- (vi) For comparative purposes, the basic EPS is computed based on PAT divided by the enlarged issued share capital of 740,000,000 Shares after our IPO. For information purposes, the diluted EPS is equal to the basic EPS as there were no potential dilutive securities in issue during the respective Financial Years Under Review.

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11. FINANCIAL INFORMATION (CONT'D)

11.1.2 Historical combined statements of financial position of our Group

The table below sets out the combined statements of financial position of our Group as at the end of the Financial Years Under Review:

	Audited		
	As at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
ASSETS			
Property, plant and equipment	49,208	47,973	65,317
Right-of-use assets	12,654	16,692	17,262
Investment properties	9,482	7,666	5,385
Total non-current assets	71,344	72,331	87,964
Inventories	2,921	3,587	2,492
Trade and other receivables	17,577	22,332	15,534
Current tax assets	517	654	4,330
Cash and bank balances	52,853	71,050	81,906
Total current assets	73,868	97,623	104,262
Non-current assets held for sale	-	1,606	-
Total assets	145,212	171,560	192,226
EQUITY AND LIABILITIES			
Invested equity	2,900	3,200	3,200
Retained earnings	86,132	123,183	139,543
Total equity attributable to the common controlling shareholders of the combining entities/ NA	89,032	126,383	142,743
Borrowings	22,990	18,666	26,282
Lease liabilities	41	2,380	1,430
Deferred tax liabilities	2,950	4,290	5,635
Total non-current liabilities	25,981	25,336	33,347
Trade and other payables	26,666	16,325	12,593
Borrowings	1,225	982	1,471
Lease liabilities	287	1,489	1,870
Current tax liabilities	2,021	1,045	202
Total current liabilities	30,199	19,841	16,136
Total liabilities	56,180	45,177	49,483
Total equity and liabilities	145,212	171,560	192,226

11. FINANCIAL INFORMATION (CONT'D)

11.2 CAPITALISATION AND INDEBTEDNESS

The table below sets out our Group's capitalisation and indebtedness as at 31 January 2024 and the pro forma capitalisation and indebtedness of our Group which has been prepared on the assumption that our IPO and the use of proceeds to be raised from our Public Issue had occurred on 31 January 2024:

	Unaudited as at 31 January 2024	After our IPO and use of proceeds
	RM'000	RM'000
Indebtedness		
<u>Current</u>		
Secured and guaranteed		
- Lease liabilities	1,863	[•]
- Term loans	1,493	[•]
<u>Non-current</u>		
Secured and guaranteed		
- Lease liabilities	817	[•]
- Term loans	25,816	[•]
Total indebtedness	29,989	[•]
Capitalisation		
Equity	149,913	[•]
Total capitalisation	149,913	[•]
Total capitalisation and indebtedness	179,902	[•]
Gearing ratio (times) ⁽ⁱ⁾	0.20	[•]

Note:

(i) Calculated based on total indebtedness divided by total capitalisation.

The above pro forma capitalisation and indebtedness of our Group is provided for illustrative purposes only and does not represent our actual capitalisation and indebtedness as at 31 January 2024 or in the future.

11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis in respect of the financial condition and results of operations of our Group for the Financial Years Under Review should be read in conjunction with the Accountants' Report together with its accompanying notes as set out in Section 12 of this Prospectus.

11. FINANCIAL INFORMATION (CONT'D)

The discussion and analysis contain data derived from our Group's audited combined financial statements as well as forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ significantly from those projected in the forward-looking statements. The factors that may cause future results to differ significantly from those included in the forward-looking statements include, but not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 8 of this Prospectus.

There are no accounting policies which are peculiar to our Group. For further information on the significant accounting policies of our Group, please refer to Note 3 of the Accountants' Report included in Section 12 of this Prospectus.

11.3.1 Overview of our operations

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. Precision engineering components are parts that are precisely machined in exact and accurate dimensions (i.e. tolerances for variation of up to a single-digit micron range) to be further processed and/or assembled to form end-products by our customers. To complement our product offerings, we also provide surface finishing, sheet metal fabrication and mechanical sub-assembly as value-added services to our customers upon request.

Please refer to Section 6 of this Prospectus for further information on our Group's business overview.

11.3.2 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been and are expected to be affected by, amongst others, the following factors:

(i) Demand and supply conditions

Our revenue and profit are dependent on the demand and supply conditions of the engineering support industry. In particular, our services are driven by technological advancement in the industries we cater to (mainly photonics, E&E and semiconductor), where we stand to benefit from the evolving technological trends such as invention of new technologies and advancement of current technologies. In addition, technological advancement in these industries will also lead to a need for us to invest and upgrade our machinery and equipment to keep up with the new technology trend as part of our business operations.

Nonetheless, if we are unable to keep up with the latest technological changes or invest in upgrading our machinery and equipment, this may have an adverse impact to our Group as a result of the loss of orders from customers. The demand and supply of our products, being precision engineering components, are also influenced by other factors such as support from the government and public sector, expansion in the global economy, protectionism by major economies as well as downward pricing pressure from our customers.

11. FINANCIAL INFORMATION (CONT'D)

(ii) Dependency on export markets and a major customer

We are dependent on export markets as a majority of our sales are derived from overseas customers as set out in Section 11.3.3(i)(b) of this Prospectus. Any unfavourable changes in economic, political and/or legal environment 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.

Our customers do not enter into long-term contracts with our Group. Our sales are secured by way of purchase orders from our customers, which may vary from time to time, depending on their needs.

Our Group is dependent on a major customer, namely Customer A group of companies, which accounted for approximately RM57.68 million (50.95%), RM67.77 million (46.90%) and RM31.52 million (33.77%) of our revenue for the Financial Years Under Review respectively. In the event Customer A group of companies cease to purchase our Group's products and services, or there is a loss of any of our other major customers, we may experience a reduction in sales which could result in a loss of revenue if our Group is unable to replace Customer A group of companies with new customers or with additional orders from existing customers in a timely manner and this would adversely impact our business and financial performance. Please refer to Section 8.1.1 of this Prospectus for further details on this risk factor.

(iii) Availability of engineering managers and technicians

We are dependent on the availability of engineering managers who are involved in leading the process engineering and continuous improvement of our machining and manufacturing process. We are also dependent on the availability of technicians to set up our machines for the production of precision engineering components, as well as performing upkeep on our machinery, tools and equipment. As such, our production activities are dependent, to a large extent, on our ability to attract and retain engineering managers and technicians with the right technical expertise, professional integrity and commitment. Hence, our ability to operate and compete could be adversely affected if we are unable to attract, train, motivate and retain competent engineering managers and technicians. We may offer competitive remuneration packages and attractive incentives to reward and motivate our engineering managers and technicians and to retain them in our Group. However, this could in turn adversely affect our business and financial performance should we fail to pass on the increased cost to our customers.

Although we have not previously experienced any major impact on our business and financial performance due to the availability and costs of employing engineering managers and technicians, there is no assurance that we will be able to recruit, develop and retain an adequate number of such employees. If we are unable to hire and/or retain our engineering managers and technicians, this may have a material and adverse effect on our operations and financial performance.

11. FINANCIAL INFORMATION (CONT'D)

(iv) Dependency on the availability, quality and price fluctuations of raw materials

Our operations are dependent on a consistent supply of quality raw materials, such as aluminium, copper, stainless steel and carbon steel. We must obtain the raw materials on a timely basis in order for us to turn around and deliver our products on a timely basis to our customers. Any prolonged disruption in the supplies of these raw materials and/or raw materials that do not meet our quality standards will disrupt our business operations.

In addition, our raw materials, particularly aluminium, copper and steel, are subject to price fluctuations which are driven by their respective global prices. As such, our metal raw materials are price sensitive, and we face the risk of fluctuating prices. Although we can pass on such risks by increasing the selling price of our products to maintain our profit margin, such action would result in our products becoming less competitive in the market and in turn may have a material and adverse financial impact on our Group.

(v) Dependency on continuously securing new purchase orders

The sustainability of our business and financial performance is dependent on our ability to continuously secure new purchase orders of similar or large value or volume from our existing or new customers. We do not have any long-term contracts with our customers which could guarantee our future financial performance as all our sales are secured via purchase orders.

Over the years, we have maintained a good working relationship with our customers by delivering precision engineering components that meet their specifications and requirements on a timely basis. Testament to this, we have recurrent purchase orders issued by our customers during the Financial Years Under Review and up to the LPD. However, there is no assurance that the absence of long-term contracts with our customers will not affect our business and financial performance.

(vi) Impact of fluctuation in foreign exchange, interest rate, inflation and government/economic/fiscal/monetary policies

Please refer to Section 11.3.4 of this Prospectus for further information on the impact of fluctuation in foreign exchange, interest rate, inflation and government/economic/fiscal/monetary policies.

11. FINANCIAL INFORMATION (CONT'D)

11.3.3 Results of operations

The components of our Group's combined statements of profit or loss and other comprehensive income as well as the analysis of the results of our Group's operations for the Financial Years Under Review are as follows:

(i) Revenue

Our Group only has 1 business segment, namely precision machining where we manufacture customised precision engineering components for our customers. Our Group's precision machining revenue can be segregated into the following customer industries:

- Photonics;
- E&E;
- Semiconductor;
- Telecommunication; and
- Optoelectronics.

Our revenue is recognised upon delivery and acceptance of our products by our customers. During the Financial Years Under Review, our revenue is derived from both local and overseas markets. Revenue from the overseas market are mainly from USA, UK, Thailand, Singapore, Russia, Canada, Germany and Hungary.

Our sales are mainly denominated in USD and RM. For FYEs 2021, 2022 and 2023, approximately 79.55%, 76.42% and 67.91% of our Group's total revenue were denominated in USD respectively.

We do not practise any fixed pricing policy. The selling prices of our products are determined and negotiated on a case-to-case basis, and may vary according to various factors such as complexity, technical specifications and requirements, volume of order and raw material prices. Therefore, the selling prices of our products are inclusive of value-added services comprising surface finishing, sheet metal fabrication and/or mechanical sub-assembly (if any), upon request by our customers.

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11. FINANCIAL INFORMATION (CONT'D)

(a) Revenue by customer industries

The table below sets out our Group's revenue by customer industries for the Financial Years Under Review:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Photonics	66,799	59.00	80,724	55.86	42,611	45.65
E&E	18,892	16.69	21,600	14.95	17,440	18.69
Semiconductor	13,139	11.61	21,039	14.56	14,724	15.78
Telecommunication	9,179	8.11	12,634	8.74	13,492	14.45
Optoelectronics	5,198	4.59	8,518	5.89	5,068	5.43
Total	113,207	100.00	144,515	100.00	93,335	100.00

During the Financial Years Under Review, our Group's revenue is primarily derived from the photonics, E&E as well as semiconductor industries, which in aggregate accounted for approximately 87.30%, 85.37% and 80.12% of our revenue for FYEs 2021, 2022 and 2023 respectively.

(b) Revenue by geographical markets

The table below sets out our Group's revenue by geographical markets for the Financial Years Under Review:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Local⁽ⁱ⁾	24,548	21.68	33,026	22.85	24,362	26.10
Overseas						
USA	54,723	48.34	57,576	39.84	30,592	32.78
UK	10,751	9.50	16,106	11.14	13,515	14.48
Thailand	5,645	4.99	6,961	4.82	6,485	6.95
Singapore	5,958	5.26	8,079	5.59	4,719	5.06
Russia	5,517	4.87	14,340	9.92	3,779	4.05
Canada	1,333	1.18	1,572	1.09	3,033	3.25
Germany	771	0.68	1,622	1.12	2,612	2.80
Hungary	1,437	1.27	1,804	1.25	1,564	1.68
Others ⁽ⁱⁱ⁾	2,524	2.23	3,429	2.38	2,674	2.85
	88,659	78.32	111,489	77.15	68,973	73.90
Total	113,207	100.00	144,515	100.00	93,335	100.00

Notes:

- (i) Local revenue was mainly generated from subsidiaries/ related companies of multinational corporations.
- (ii) Others comprise, amongst others, China, India, Japan, Pakistan, Poland and Switzerland.

11. FINANCIAL INFORMATION (CONT'D)

USA was the largest revenue contributor to our Group, contributing approximately 48.34%, 39.84% and 32.78% of our Group's total revenue for FYEs 2021, 2022 and 2023 respectively. The revenue from the USA market was mainly derived from the photonics industry.

The geographical profile of our Group's revenue contribution varies from year to year according to the demand and location of the existing and new customers secured by our Group in a particular year.

(c) Commentaries on revenue:**FYE 2021 as compared to FYE 2022**

Our Group's revenue increased by approximately RM31.31 million or 27.66% from approximately RM113.21 million for FYE 2021 to approximately RM144.52 million for FYE 2022.

The increase in our Group's revenue was mainly due to the following:

- (i) an increase in revenue from the photonics industry by approximately RM13.93 million or 20.85% from approximately RM66.80 million for FYE 2021 to approximately RM80.72 million for FYE 2022. The increase in revenue was mainly attributable to the increase in sales to Customer A group of companies and Customer B group of companies of approximately RM10.09 million and approximately RM3.33 million respectively;
- (ii) an increase in revenue from the semiconductor industry by approximately RM7.90 million or 60.13% from approximately RM13.14 million for FYE 2021 to approximately RM21.04 million for FYE 2022. The increase in revenue was mainly attributable to the increase in sales to Customer F group of companies of approximately RM5.51 million;
- (iii) an increase in revenue from the telecommunication industry by approximately RM3.46 million or 37.64% from approximately RM9.18 million for FYE 2021 to approximately RM12.63 million for FYE 2022. The increase in revenue was mainly attributable to the increase in sales to Customer E group of companies of approximately RM2.34 million; and
- (iv) an increase in revenue from the optoelectronics industry by approximately RM3.32 million or 63.87% from approximately RM5.20 million for FYE 2021 to approximately RM8.52 million for FYE 2022. The increase in revenue was mainly attributable to the increase in sales to Customer G group of companies of approximately RM2.53 million.

The increase in sales to the abovementioned customers was mainly attributable to a higher volume of orders received due to: (a) existing and new precision engineering components orders from our customers; and (b) pent up orders arising from COVID-19 pandemic.

11. FINANCIAL INFORMATION (CONT'D)

By geographical markets, in line with the above increase in revenue, our Group's local market contribution increased by approximately RM8.48 million or 34.54% from approximately RM24.55 million for FYE 2021 to approximately RM33.03 million for FYE 2022. Such increase was mainly contributed by customers in the semiconductor and E&E industries. Our Group's overseas market contribution also increased by approximately RM22.83 million or 25.75% from approximately RM88.66 million for FYE 2021 to approximately RM111.49 million for FYE 2022. This was mainly contributed by the increase in revenue from USA, UK, Thailand, Singapore and Russia of approximately RM20.47 million, which are mainly customers in the photonics, E&E, telecommunication and optoelectronics industries.

FYE 2022 as compared to FYE 2023

Our Group's revenue decreased by approximately RM51.18 million or 35.42% from approximately RM144.52 million for FYE 2022 to approximately RM93.34 million for FYE 2023.

The decrease in our Group's revenue was mainly due to the following:

- (i) a decrease in revenue from the photonics industry by approximately RM38.11 million or 47.21% from approximately RM80.72 million for FYE 2022 to approximately RM42.61 million for FYE 2023. The decrease in revenue was mainly attributable to the decrease in sales to Customer A group of companies and Customer B group of companies of approximately RM36.25 million and RM3.27 million respectively;
- (ii) a decrease in revenue from the semiconductor industry by approximately RM6.32 million or 30.02% from approximately RM21.04 million for FYE 2022 to approximately RM14.72 million for FYE 2023. The decrease in revenue was mainly attributable to the decrease in sales to Customer C group of companies and Customer F group of companies of approximately RM3.04 million and RM3.58 million respectively; and
- (iii) a decrease in revenue from the E&E industry by approximately RM4.16 million or 19.26% from approximately RM21.60 million for FYE 2022 to approximately RM17.44 million for FYE 2023. The decrease in revenue was mainly attributable to the decrease in sales to one of our customers of approximately RM3.16 million.

The decrease in sales to the abovementioned customers was mainly attributable to lower volume of orders received due to: (a) no orders for new precision engineering components from our existing customers; (b) the slowdown in global semiconductor and E&E industries in 2023 in response to, amongst others, weakening demand in the end user markets; and (c) over-stocking by our customers in FYE 2022.

11. FINANCIAL INFORMATION (CONT'D)

By geographical markets, in line with the above decrease in revenue, our Group's local market contribution decreased by approximately RM8.66 million or 26.23% from approximately RM33.03 million for FYE 2022 to approximately RM24.36 million for FYE 2023. Such decrease was mainly due to lower sales from customers in the photonics, semiconductor and E&E industries. Our Group's overseas market contribution also decreased by approximately RM42.52 million or 38.13% from approximately RM111.49 million for FYE 2022 to approximately RM68.97 million for FYE 2023. This was mainly attributable to the decrease in revenue from USA, UK, Thailand, Singapore and Russia of approximately RM43.97 million, which are mainly customers in the photonics, semiconductor and E&E industries. The decrease was partially offset by the increase in revenue from Canada of approximately RM1.46 million.

(ii) Cost of sales

Our Group's cost of sales comprises 3 main components, namely production overheads, material costs and labour costs. The major components of our cost of sales are production overheads and raw materials, which collectively accounted for 83.43%, 85.48% and 74.90% of our cost of sales for FYEs 2021, 2022 and 2023 respectively.

Our Group's purchases are mainly denominated in RM. For FYEs 2021, 2022 and 2023, our purchases denominated in RM is approximately 98.20%, 97.43% and 94.38% respectively.

Our Group does not maintain cost of sales by customer industries or geographical markets as our accounting system does not capture such information. Further, as all our products are precision engineering components and we only have 1 business segment, i.e. precision machining, there is no specific allocation of costs by product or business segment. For information purpose, the selling price of our precision engineering components is also inclusive of the value-added services comprising surface finishing, sheet metal fabrication and/or mechanical sub-assembly (if any), upon request by our customers. Please refer to Section 6.2.1 of this Prospectus for further details on our principal activities and business model.

(a) Cost of sales by cost components

The table below sets out our Group's cost of sales by cost components for the Financial Years Under Review:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Production overheads	36,868	47.04	42,593	47.46	28,360	48.99
Material costs	28,523	36.39	34,113	38.02	14,996	25.91
Labour costs	12,986	16.57	13,032	14.52	14,529	25.10
Total	78,377	100.00	89,738	100.00	57,885	100.00

11. FINANCIAL INFORMATION (CONT'D)

Production overheads

Production overheads accounted for approximately 47.04%, 47.46% and 48.99% of our Group's total cost of sales for FYEs 2021, 2022 and 2023 respectively.

Production overheads comprise mainly subcontractors' cost, depreciation of machinery and equipment, utilities costs, depreciation of right-of-use assets, insurance, maintenance costs, tools and implements, packing materials, as well as ancillary cost for our engineering managers and production workers such as staff welfare, permit, visa and levy fee.

Material costs

Material costs, comprising mainly aluminium, copper, stainless steel and carbon steel, accounted for approximately 36.39%, 38.02% and 25.91% of our Group's total cost of sales for FYEs 2021, 2022 and 2023 respectively. Please refer to Section 6.10 of this Prospectus for further details of the raw materials purchased by us to be used in our production activities.

We source a majority of our raw materials from local suppliers whilst some of our raw materials such as aluminium and copper are sourced from overseas suppliers. We will obtain quotations for raw materials from our suppliers before we proceed to submit our quotation to our customers; hence, actual purchases of raw materials will only be made upon confirmation of orders from our customers.

Due to our Group's focus on HMLV manufacturing where our products are subject to frequent change in requirements and technical specifications by our customers, the raw materials consumed for each product can vary in terms of type of metal, shape, size and thickness specified by our customers. As such, despite similar measurement unit in terms of quantity being used, the material cost varies from one product to another depending on our customers' requirements.

During the Financial Years Under Review, our cost of sales vary as a result of fluctuation in certain raw material prices such as aluminium, copper and stainless steel. Please refer to Section 8.2.2 of this Prospectus for further details on the risk factor and impact of raw materials price fluctuation to our Group.

Labour costs

Labour costs accounted for approximately 16.57%, 14.52% and 25.10% of our Group's total cost of sales for FYEs 2021, 2022 and 2023 respectively.

Labour costs comprise mainly salaries (including overtime), indirect staff costs relating to the support of production activities such as QA & QC staff, statutory contributions, bonus and wages.

11. FINANCIAL INFORMATION (CONT'D)

(b) Commentaries on cost of sales:**FYE 2021 as compared to FYE 2022**

Our Group's cost of sales increased by approximately RM11.36 million or 14.49%, from approximately RM78.38 million for FYE 2021 to approximately RM89.74 million for FYE 2022.

The increase in the cost of sales was mainly due to the following:

- (i) an increase in production overheads of approximately RM5.73 million mainly due to an increase in:
 - (a) subcontractors' cost of approximately RM2.03 million as we outsourced more surface finishing processes such as plating and sandblasting as well as pre-machining of certain precision engineering components to our subcontractors as it is more cost effective as compared to doing them in-house;
 - (b) purchase of tools and implements as well as packing materials of approximately RM0.55 million to cater to higher purchase orders made by our customers;
 - (c) permit, visa and levy fees pursuant to additional employment and renewal of our foreign workers' (who are involved in production activities) employment permit or visa of approximately RM1.24 million; and
 - (d) electricity charges and electrical fitting of approximately RM0.57 million and RM0.44 million respectively.
- (ii) an increase in material costs of approximately RM5.59 million due to higher consumption of raw materials, which was consistent with our revenue growth.

FYE 2022 as compared to FYE 2023

Our Group's cost of sales decreased by approximately RM31.85 million or 35.49%, from approximately RM89.74 million for FYE 2022 to approximately RM57.89 million for FYE 2023.

The decrease in the cost of sales was mainly due to the following:

- (i) a decrease in material costs of approximately RM19.12 million due to lower aluminium and steel prices as well as lower consumption of raw materials, which was in line with the lower sales recorded for the financial year; and
- (ii) a decrease in production overheads of approximately RM14.23 million mainly due to a decrease in subcontractors' cost of approximately RM12.18 million as we outsourced less pre-machining process as well as surface finishing for certain plating materials to our subcontractors which was in line with the lower orders received for the financial year.

The above decrease was partially offset by the increase in labour costs of approximately RM1.50 million mainly due to hiring of additional production workers.

11. FINANCIAL INFORMATION (CONT'D)

(iii) GP and GP margin

(a) GP

The table below sets out our Group's GP for the Financial Years Under Review:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Precision machining	34,830	100.00	54,777	100.00	35,450	100.00
Overall GP	34,830	100.00	54,777	100.00	35,450	100.00

(b) GP margin

The table below sets out our Group's GP margin for the Financial Years Under Review:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	%	%	%
Precision machining	30.77	37.90	37.98
Overall GP margin	30.77	37.90	37.98

As stated in Section 11.3.3(i) of this Prospectus, we do not practise any fixed pricing policy as the selling prices of our products are determined and negotiated on a case-to-case basis and may vary according to various factors such as complexity, technical specifications and requirements, volume of order and raw material prices. Therefore, the selling prices of our products are inclusive of value-added services comprising surface finishing, sheet metal fabrication and/or mechanical sub-assembly (if any), upon request by our customers. As such, the GP margin of our products is also not fixed.

(c) Commentaries on GP and GP margin:

FYE 2021 as compared to FYE 2022

Our Group's GP increased by approximately RM19.95 million or 57.27% from approximately RM34.83 million for FYE 2021 to approximately RM54.78 million for FYE 2022. The increase in GP was mainly due to: (i) the increase in revenue by approximately RM31.31 million or 27.66% from approximately RM113.21 million for FYE 2021 to approximately RM144.52 million for FYE 2022; and (ii) increase in GP margin which is explained below.

Our Group's overall GP margin increased by approximately 7.13% from approximately 30.77% for FYE 2021 to approximately 37.90% for FYE 2022. The increase in GP margin was mainly due to economies of scale, i.e. less machinery time spent to produce the same precision engineering components which resulted in lower labour costs and production overhead cost, as well as higher selling price arising from the strengthening of USD.

11. FINANCIAL INFORMATION (CONT'D)

FYE 2022 as compared to FYE 2023

Our Group's GP decreased by approximately RM19.33 million or 35.28% from approximately RM54.78 million for FYE 2022 to approximately RM35.45 million for FYE 2023. The decrease in GP was in line with the decrease in revenue by approximately RM51.18 million or 35.42% from approximately RM144.52 million for FYE 2022 to approximately RM93.34 million for FYE 2023.

Our Group's overall GP margin increased slightly by approximately 0.08% from approximately 37.90% for FYE 2022 to approximately 37.98% for FYE 2023. The increase in GP margin was mainly due to our Group wide cost control measures undertaken, such as reduction of unnecessary employee overtime and control of raw materials purchases, where we have aligned the raw material orders with our Group's production schedule to reduce inventory holding cost, in response to the slowdown in global semiconductor and E&E industries in 2023 and continued efficient production process.

(iv) Other operating income

The table below sets out our Group's other operating income for the Financial Years Under Review:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Scrap sales ⁽ⁱ⁾	3,176	81.10	2,893	27.36	1,599	43.76
Unrealised gain on foreign exchange	524	13.38	3,807	36.01	1,042	28.52
Gain on disposal of property, plant and equipment	-	-	⁽ⁱⁱ⁾ 2,413	22.82	⁽ⁱⁱⁱ⁾ 426	11.66
Realised gain on foreign exchange	-	-	845	7.99	264	7.22
Rental income	187	4.78	300	2.84	222	6.08
Interest income	29	0.74	21	0.20	101	2.76
Insurance claim received	-	-	294	2.78	-	-
Total	3,916	100.00	10,573	100.00	3,654	100.00

Notes:

- (i) Scrap sales comprise proceeds from the sale of: (a) scrap metal materials from our production activities such as aluminium, copper, stainless steel and carbon steel; and (b) certain raw materials which are no longer used in our production activities.
- (ii) Include gain on disposal of right-of-use assets of approximately RM1,000.
- (iii) Include gain on disposal of non-current assets held for sale of approximately RM0.09 million.

11. FINANCIAL INFORMATION (CONT'D)

(a) Commentaries on other operating income:

FYE 2021 as compared to FYE 2022

Our Group's other operating income increased by approximately RM6.66 million or 169.99% from approximately RM3.92 million for FYE 2021 to approximately RM10.57 million for FYE 2022.

The increase in other operating income was mainly due to the following:

- (i) increase in unrealised gain on foreign exchange of approximately RM3.28 million due to the strengthening of USD (majority of our sales were denominated in USD) against RM at the end of the financial year; and
- (ii) gain on disposal of 2 properties during the financial year, namely, 2 units of single storey semi-detached factory with 2 storey office located in Taman Industri Ringan Juru, Pulau Pinang of approximately RM2.41 million.

FYE 2022 as compared to FYE 2023

Our Group's other operating income decreased by approximately RM6.92 million or 65.44% from approximately RM10.57 million for FYE 2022 to approximately RM3.65 million for FYE 2023.

The decrease in other operating income was mainly due to the following:

- (i) decrease in unrealised gain on foreign exchange of approximately RM2.77 million due to lower foreign currency denominated sales for the financial year;
- (ii) lower gain on disposal of property, plant and equipment of approximately RM0.43 million in FYE 2023 against approximately RM2.41 million in FYE 2022; and
- (iii) decrease in scrap sales of approximately RM1.29 million due to lower amount of scrap metal materials sold as a result of lower consumption of metal materials in line with the lower orders received.

(v) Net impairment gain/(loss) on trade receivables

The table below sets out our Group's net impairment gain/(loss) on trade receivables for the Financial Years Under Review:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Net impairment gain/(loss) on trade receivables	(230)	100.00	(966)	100.00	50	100.00

11. FINANCIAL INFORMATION (CONT'D)

Our 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 (“ECL”) from initial recognition. The amount of ECL was assessed at each reporting period to reflect changes in credit risk since the initial recognition of trade receivables.

Our 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.

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 ECL for the trade receivables.

(a) Commentaries on net impairment gain/(loss) on trade receivables:

FYE 2021 as compared to FYE 2022

Our Group’s net impairment loss on trade receivables increased by approximately RM0.74 million or 320.00% from approximately RM0.23 million for FYE 2021 to approximately RM0.97 million for FYE 2022.

The increase in net impairment loss on trade receivables was mainly attributable to individually impaired trade receivables of approximately RM1.32 million that was past due for more than 365 days which are outstanding from one of our customers. Our Group had in the past attempted to collect the amount owing by this customer as the products had already been delivered and accepted, and there were no disputes by them on the products. Such increase was partially offset by the reversal of impairment loss amounting to approximately RM0.36 million after taking into consideration the individually impaired trade receivables from one of our customers, the lower probability of non-payment of the remaining trade receivables and lower amount of expected loss arising from default for FYE 2022.

FYE 2022 as compared to FYE 2023

Our Group recorded net impairment gain on trade receivables of approximately RM0.05 million for FYE 2023.

The net impairment gain on trade receivables was mainly due to lower impaired trade receivables of RM0.05 million for FYE 2023 as compared to impairment on trade receivables of RM1.32 million for FYE 2022 as well as the reversal of impairment loss amounting to approximately RM0.10 million as a result of lower recognition of ECL.

11. FINANCIAL INFORMATION (CONT'D)**(vi) Administrative expenses**

Our Group's administrative expenses for the Financial Years Under Review are as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Directors' remuneration	6,241	59.15	7,286	57.23	5,293	44.06
Staff costs	929	8.81	2,102	16.51	3,095	25.76
Depreciation	833	7.90	815	6.40	750	6.24
Legal and professional fees	2	0.02	147	1.15	254	2.11
Consultancy fees	89	0.84	290	2.28	226	1.89
Hostel expenses	37	0.35	132	1.04	208	1.73
Rental expenses	81	0.77	123	0.97	185	1.54
Software maintenance fee	45	0.43	-	-	167	1.39
Audit fees	71	0.67	83	0.65	149	1.24
Assessment	93	0.88	101	0.79	143	1.19
Medical fees	437	4.14	207	1.63	137	1.14
Security services	164	1.55	163	1.28	137	1.14
Printing and stationeries	77	0.73	121	0.95	125	1.04
Others ⁽ⁱ⁾	1,452	13.76	1,161	9.12	1,144	9.53
Total	10,551	100.00	12,731	100.00	12,013	100.00

Note:

- (i) Others comprise, amongst others, insurance, staff welfare, quit rent, postage and courier charges, telephone and internet expenses, and realised loss on foreign exchange.

(a) Commentaries on administrative expenses:**FYE 2021 as compared to FYE 2022**

Our Group's administrative expenses increased by approximately RM2.18 million or 20.66% from approximately RM10.55 million for FYE 2021 to approximately RM12.73 million for FYE 2022.

The increase in administrative expenses was mainly attributable to the following:

- (i) increase in staff costs of approximately RM1.17 million following from the hiring of staff mainly for the administrative, human resource and finance department. In addition, there was also a bonus payout during FYE 2022 which was in line with the improved performance of our Group for FYE 2022; and

11. FINANCIAL INFORMATION (CONT'D)

- (ii) increase in Directors' remuneration of approximately RM1.05 million mainly due to salary increment which was in line with the improved performance of our Group for FYE 2022, increased in Directors' fees as well as bonus payout during FYE 2022.

The above increase was partially offset by the decrease in realised loss on foreign exchange of approximately RM0.27 million mainly due to strengthening of USD during the financial year.

FYE 2022 as compared to FYE 2023

Our Group's administrative expenses decreased by approximately RM0.72 million or 5.64% from approximately RM12.73 million for FYE 2022 to approximately RM12.01 million for FYE 2023.

The decrease in administrative expenses was mainly attributable to the decrease in Directors' remuneration of approximately RM1.99 million as lower Directors' fees, bonus and salaries were paid during the financial year, which was in line with our Group's overall performance for FYE 2023.

The above decrease was partially offset by the increase in staff cost and software maintenance fee of approximately RM0.99 million and RM0.17 million respectively.

(vii) Distribution expenses

The table below sets out our Group's distribution expenses for the Financial Years Under Review:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Freight charges	878	51.19	1,679	58.50	1,442	55.63
Travelling expenses	520	30.32	707	24.63	678	26.16
Transportation costs	168	9.80	283	9.86	335	12.92
Others ⁽ⁱ⁾	149	8.69	201	7.01	137	5.29
Total	1,715	100.00	2,870	100.00	2,592	100.00

Note:

- (i) Others comprise maintenance of motor vehicles, road tax and insurance and forwarding charges.

(a) Commentaries on distribution expenses:

FYE 2021 as compared to FYE 2022

Our Group's distribution expenses increased by approximately RM1.16 million or 67.35% from approximately RM1.72 million for FYE 2021 to approximately RM2.87 million for FYE 2022.

11. FINANCIAL INFORMATION (CONT'D)

The increase in distribution expenses was mainly attributable to the increase in:

- (i) freight charges of approximately RM0.80 million mainly due to higher air freight charges incurred to cater for the increased in overseas sales during the financial year;
- (ii) travelling expenses of approximately RM0.19 million due to the increase in travelling (both domestic and international) after the upliftment of travel restrictions which was imposed previously due to COVID-19; and
- (iii) transportation costs of approximately RM0.11 million mainly due to higher employee shuttle bus cost to transport our production workers from their hostels to our factories.

FYE 2022 as compared to FYE 2023

Our Group's distribution expenses decreased by approximately RM0.28 million or 9.69% from approximately RM2.87 million for FYE 2022 to approximately RM2.59 million for FYE 2023.

The decrease in distribution expenses was mainly attributable to the decrease in freight charges of approximately RM0.24 million as we have lower overseas sales for the financial year.

(viii) Finance costs

The table below sets out our Group's finance costs for the Financial Years Under Review:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:						
Term loans	913	96.00	852	86.85	990	81.62
Lease liabilities	30	3.15	118	12.03	213	17.56
Bank guarantee	8	0.85	11	1.12	10	0.82
Total	951	100.00	981	100.00	1,213	100.00

(a) Commentaries on finance costs:

FYE 2021 as compared to FYE 2022

Our Group's finance costs increased slightly by approximately RM0.03 million or 3.15% from approximately RM0.95 million for FYE 2021 to approximately RM0.98 million for FYE 2022. The increase in finance costs was mainly due to higher interest expenses on lease liabilities as a result of higher lease liabilities that were recognised in the financial year amounting to approximately RM3.87 million as compared to approximately RM0.33 million recognised in the previous year.

11. FINANCIAL INFORMATION (CONT'D)

FYE 2022 as compared to FYE 2023

Our Group's finance costs increased by approximately RM0.23 million or 23.65% from approximately RM0.98 million for FYE 2022 to approximately RM1.21 million for FYE 2023. The increase in finance costs was mainly due to higher amount of bank borrowings in the financial year amounting to approximately RM27.75 million as compared to approximately RM19.65 million in FYE 2022 as a term loan of approximately RM11.04 million was drawn down for the acquisition of Lot 1143 in FYE 2023. This has resulted in higher interest expenses being incurred in the financial year.

(ix) PBT and PBT margin

The table below sets out our Group's PBT and PBT margin for the Financial Years Under Review:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	25,299	47,802	23,336
PBT margin (%)	22.35	33.08	25.00

(a) Commentaries on PBT and PBT margin:

FYE 2021 as compared to FYE 2022

Our Group's PBT increased by approximately RM22.50 million or 88.95% from approximately RM25.30 million for FYE 2021 to approximately RM47.80 million for FYE 2022. The increase in PBT was mainly contributed by the increase in GP and other operating income of approximately RM19.95 million and RM6.66 million respectively. However, the increase in PBT was partially offset by higher distribution expenses, higher administrative expenses and higher net impairment loss on trade receivables of approximately RM1.16 million, RM2.18 million and RM0.74 million respectively.

As a result of the above, our Group's PBT margin increased from approximately 22.35% for FYE 2021 to approximately 33.08% for FYE 2022.

FYE 2022 as compared to FYE 2023

Our Group's PBT decreased by approximately RM24.47 million or 51.18% from approximately RM47.80 million for FYE 2022 to approximately RM23.34 million for FYE 2023. The decrease in PBT was mainly attributable to lower GP and other operating income of approximately RM19.33 million and RM6.92 million respectively. Such decrease was partially offset by lower distribution expenses and lower administrative expenses of approximately RM0.28 million and RM0.72 million respectively. Our Group registered a net impairment gain of approximately RM0.05 million for FYE 2023 as compared to a net impairment loss of approximately RM0.97 million for FYE 2023 on trade receivables.

As a result of the above, our Group's PBT margin decreased from approximately 33.08% for FYE 2022 to approximately 25.00% for FYE 2023.

11. FINANCIAL INFORMATION (CONT'D)

(x) Tax expense

The table below sets out our Group's tax expense together with the comparison between our Group's effective and statutory tax rates for the Financial Years Under Review:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Current tax expense based on profit for the financial year			
- current year	5,103	8,773	4,090
- overprovision of tax expense in prior years	(174)	(543)	(459)
	4,929	8,230	3,631
Deferred tax expense			
- relating to origination and reversal of temporary differences	799	1,314	944
- under/(over) provision in prior years	(245)	26	401
	554	1,340	1,345
Real property gains tax	-	161	-
Total	5,483	9,731	4,976
Effective tax rate ⁽ⁱ⁾ (%)	21.67	20.36	21.32
Statutory tax rate (%)	24.00	24.00	24.00

Note:

- (i) Effective tax rate is computed by dividing the total tax expense over PBT for the respective financial year.

For the Financial Years Under Review, we do not have any outstanding or provision for withholding tax.

(a) Commentaries on tax expense:

FYE 2021

Our Group's effective tax rate was at 21.67% for FYE 2021. The effective tax rate for FYE 2021 was lower than the statutory tax rate of 24.00% mainly due to the following:

- (i) over provision of tax expense in previous year amounting to approximately RM0.17 million mainly due to over estimation of non-deductible expenses and under estimation of allowable expenses;
- (ii) over provision of deferred tax in prior year amounting to approximately RM0.25 million mainly due to temporary differences between the taxable income and accounting income;
- (iii) lower corporate tax rate of 17.00% (on the first RM600,000 of chargeable income) enjoyed by entities (with paid-up capital of RM2.50 million or less and gross income of not more than RM50.00 million) within our Group (save for Northeast Precision as its gross income has exceeded RM50.00 million);

11. FINANCIAL INFORMATION (CONT'D)

- (iv) non-chargeable income of approximately RM0.17 million such as unrealised gain on foreign exchange; and
- (v) utilisation of reinvestment allowance of approximately RM0.50 million.

Notwithstanding the above, our Group's tax expenses were partially offset against expenses not deductible for tax purposes of approximately RM0.64 million such as depreciation and interest expense on certain term loans.

FYE 2022

Our Group's effective tax rate was at 20.36% for FYE 2022. The effective tax rate for FYE 2022 was lower than the statutory tax rate of 24.00% mainly due to the following:

- (i) over provision of tax expense in previous year amounting to approximately RM0.54 million mainly due to over estimation of non-deductible expenses and under estimation of allowable expenses;
- (ii) lower corporate tax rate of 17.00% (on the first RM600,000 of chargeable income) enjoyed by entities (with paid-up capital of RM2.50 million or less and gross income of not more than RM50.00 million) within our Group (save for Northeast Precision as its gross income has exceeded RM50.00 million);
- (iii) non-chargeable income of approximately RM1.45 million such as unrealised gain on foreign exchange; and
- (iv) utilisation of reinvestment allowance of approximately RM0.71 million for the financial year.

Notwithstanding the above, our Group's tax expenses were partially offset against expenses not deductible for tax purposes of approximately RM0.91 million such as depreciation, professional fees for company secretary, insurance and interest expense on certain term loans.

FYE 2023

Our Group's effective tax rate was at 21.32% for FYE 2023. The effective tax rate for FYE 2023 was lower than the statutory tax rate of 24.00% mainly due to the following:

- (i) over provision of tax expense in previous year amounting to approximately RM0.46 million mainly due to over estimation of non-deductible expenses and under estimation of allowable expenses;
- (ii) lower corporate tax rate of 17.00% (on the first RM600,000 of chargeable income) enjoyed by entities (with paid-up capital of RM2.50 million or less and gross income of not more than RM50.00 million) within our Group (save for Northeast Precision as its gross income has exceeded RM50.00 million);
- (iii) non-chargeable income of approximately RM0.46 million such as unrealised gain on foreign exchange; and

11. FINANCIAL INFORMATION (CONT'D)

- (iv) utilisation of reinvestment allowance of approximately RM0.59 million for the financial year.

Notwithstanding the above, our Group's tax expenses were partially offset against expenses not deductible for tax purposes of approximately RM0.61 million such as depreciation, professional fees for company secretary, insurance and interest expense on certain term loans.

(xi) PAT and PAT margin

The table below sets out our Group's PAT and PAT margin for the Financial Years Under Review:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
PAT (RM'000)	19,816	38,071	18,360
PAT margin (%)	17.50	26.34	19.67

Our Group's PAT and PAT margins were generally consistent with the PBT and PBT margins as our tax effective rates are between 20.36% and 21.67% for the Financial Years Under Review.

11.3.4 Impact of fluctuation in foreign exchange, interest rate, inflation and government/economic/fiscal/monetary policies

(i) Foreign exchange

We are exposed to foreign exchange risk as our export sales, which accounted for approximately 78.32%, 77.15% and 73.90% of our revenue for the Financial Years Under Review, are predominantly denominated in USD. As such, we are exposed to fluctuations in foreign exchange rates and any adverse movements in the foreign exchange markets may have a negative impact on our financial performance and operating results.

The impact of foreign exchange fluctuations on our financial performance during the Financial Years Under Review are as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Realised gain/(loss) on foreign exchange	(267)	845	264
Unrealised gain on foreign exchange	524	3,807	1,042
Net gain on foreign exchange	257	4,652	1,306
PBT	25,299	47,802	23,336
Net gain on foreign exchange as a percentage of PBT (%)	1.02	9.73	5.60

Based on the above, we are exposed to foreign exchange gains or losses during the conversion of foreign currency into RM, mainly arising from the timing differences between our billings and the actual receipts of payments from our foreign customers.

11. FINANCIAL INFORMATION (CONT'D)

We do not use any financial instrument to hedge our exposure against transactions in foreign currency. However, we closely monitor the movement of the foreign exchange to manage our foreign currency risks. We also maintain foreign currency accounts whereby collections arising from our foreign sales are used to settle our payments in the same foreign currency. This would provide, to a certain extent, a natural hedge against the foreign exchange fluctuations.

(ii) Interest rate

Our exposure to interest rate fluctuations arises from floating rate bank borrowings which is pegged to the base financing rate as stipulated by our financial institutions that may change from time to time. As such, any increase in the interest rate of our floating rate bank borrowings will raise the cost of our borrowings and our finance costs, which in turn may have an adverse effect on our financial performance.

Our Group has monitored interest rate movements to ensure that the most competitive rates are secured and where appropriate, borrowing arrangements and interest bearing instruments are restructured or reduced.

Our Group's total borrowings (comprising term loans owing to financial institutions which are based on floating interest rates) and the corresponding finance costs for the Financial Years Under Review are as follows:

	As at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
Total borrowings	24,215	19,648	27,753
Finance costs	913	852	990

Our Group's financial results for the Financial Years Under Review were not materially affected by fluctuations in interest rates.

As at the LPD, our Group's total borrowings (comprising term loans owing to financial institutions) stood at approximately RM27.15 million.

(iii) Inflation

Our business, financial condition or results of our operations for the Financial Years Under Review were not materially affected by inflation. Nevertheless, there can be no assurance that future inflation such as future increases in subcontractors' costs, material costs and labour costs would not have an impact on our business and financial performance.

(iv) Government/economic/fiscal/monetary policies

We are subject to the risks of government, economic, fiscal or monetary policies, where any unfavourable change may materially affect our business, financial performance and prospects of the engineering support industry in which we operate. For the Financial Years Under Review, our results were not adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies.

11. FINANCIAL INFORMATION (CONT'D)

11.4 LIQUIDITY AND CAPITAL RESOURCES

11.4.1 Working capital

For the Financial Years Under Review, we have financed our operations through cash generated from our operations, suppliers' credit and external borrowings from financial institutions. The principal use of these funds is mainly to finance our working capital requirements, which include purchases of raw materials and machineries as well as payments to our suppliers, along with the repayment of bank borrowings.

As at 30 September 2023, we have cash and bank balances of approximately RM81.91 million.

As at 30 September 2023, our working capital, which is calculated based on total current assets less total current liabilities, was approximately RM88.13 million. This represents a current ratio of approximately 6.46 times.

Based on the above, after taking into consideration our expected cash flows to be generated from our operations, funding requirements for our committed capital expenditure, our existing level of cash and bank balances and the proceeds to be raised from our Public Issue, our Board is of the opinion that we will have sufficient working capital for at least 12 months from the date of this Prospectus.

11.4.2 Cash flows

The table below sets out the summary of our Group's cash flows for the Financial Years Under Review:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Net cash from operating activities	31,281	23,887	22,740
Net cash used in investing activities	(13,065)	(2,597)	(9,118)
Net cash used in financing activities	(1,139)	(6,490)	(4,157)
Net increase in cash and cash equivalents	17,077	14,800	9,465
Effects of exchange rate changes on cash and cash equivalents	428	3,384	1,377
Cash and cash equivalents at beginning of financial year	34,557	52,062	70,246
Cash and cash equivalents at end of financial year	52,062	70,246	81,088

There is no legal, financial or economic restriction on our subsidiaries' ability to transfer/receive funds to/from our Company in the form of cash dividends, loans or advances, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenant.

11. FINANCIAL INFORMATION (CONT'D)

Commentaries on cash flows:**FYE 2021****(i) Net cash from operating activities**

For FYE 2021, our Group's operating profit before changes in working capital was approximately RM32.87 million. After adjusting for the following key items, our net cash from operating activities was approximately RM31.28 million:

- (a) decrease in trade and other receivables of approximately RM0.75 million mainly due to prompt payments from our customers;
- (b) increase in trade and other payables of approximately RM4.07 million mainly due to delayed payments made to our suppliers as a result of the imposition of numerous MCOs imposed by the Government of Malaysia;
- (c) income tax paid of approximately RM3.45 million; and
- (d) increase in inventories of approximately RM2.16 million mainly due to higher amount of work-in-progress and finished goods, which are pending completion of production process or delivery as these orders are only required to be fulfilled in the next financial year.

(ii) Net cash used in investing activities

For FYE 2021, our Group recorded net cash used in investing activities of approximately RM13.07 million which was mainly attributed to the following:

- (a) purchase of machinery, tools and equipment such as CNC machines, which are used in our production activities, of approximately RM9.77 million;
- (b) purchase of office equipment, furniture and fittings and fire alarm system of approximately RM0.82 million; and
- (c) capital work-in-progress for Factory 2 and Factory 3 of approximately RM2.22 million.

(iii) Net cash used in financing activities

For FYE 2021, our Group recorded net cash used in financing activities of approximately RM1.14 million which was mainly attributed to the following:

- (a) repayment of term loans of approximately RM1.11 million; and
- (b) repayment of lease liabilities of approximately RM0.60 million.

This was, however, partially offset by the proceeds from the issuance of new ordinary shares in NE Integrated of approximately RM0.60 million.

11. FINANCIAL INFORMATION (CONT'D)

FYE 2022**(i) Net cash from operating activities**

For FYE 2022, our Group's operating profit before changes in working capital was approximately RM50.54 million. After adjusting for the following key items, our net cash from operating activities was approximately RM23.89 million:

- (a) increase in trade and other receivables of approximately RM5.30 million due to higher sales FYE 2022 which resulted in higher billings and amounts due from customers;
- (b) decrease in trade and other payables of approximately RM10.34 million mainly due to repayment of amount owing to our Directors and shareholder as well as payment to our suppliers and subcontractors during the financial year;
- (c) income tax paid of approximately RM9.73 million; and
- (d) increase in inventories of approximately RM0.67 million mainly due to higher amount of work-in-progress as these orders are only required to be fulfilled in the next financial year and higher amount of raw materials as we purchase more raw materials towards the end of FYE 2022 to cater for the anticipated increase in our customers' orders in the forthcoming financial year.

(ii) Net cash used in investing activities

For FYE 2022, our Group recorded net cash used in investing activities of approximately RM2.60 million which was mainly attributed to the following:

- (a) purchase of machinery, tools and equipment such as CNC machines, which are used in our production activities, of approximately RM6.17 million;
- (b) purchase of office equipment, furniture and fittings and fire alarm system mainly for our newly renovated factories, namely Factory 2 and Factory 3, of approximately RM0.94 million; and
- (c) capital work-in-progress mainly for Factory 3 of approximately RM1.01 million.

This was, however, partially offset by the proceeds from the disposal of 2 properties, being a single storey semi-detached factory with 2 storey office and a 1½ storey semi-detached factory located at Taman Industri Ringan Juru, Pulau Pinang of approximately RM6.48 million.

(iii) Net cash used in financing activities

For FYE 2022, our Group recorded net cash used in financing activities of approximately RM6.49 million which was mainly attributed to the following:

- (a) payment of dividend of RM1.02 million;

11. FINANCIAL INFORMATION (CONT'D)

- (b) repayment of term loans of approximately RM4.57 million; and
- (c) repayment of lease liabilities of approximately RM1.19 million.

FYE 2023**(i) Net cash from operating activities**

For FYE 2023, our Group's operating profit before changes in working capital was approximately RM30.76 million. After adjusting for the following key items, our net cash from operating activities was approximately RM22.74 million:

- (a) decrease in trade and other receivables of approximately RM6.51 million mainly due to lower sales in FYE 2023 which resulted in lower billings and amounts due from customers;
- (b) decrease in trade and other payables of approximately RM6.57 million mainly due to lower purchase of raw materials and consumables which resulted in lower payables to our suppliers and subcontractors during the financial year;
- (c) income tax paid of approximately RM8.47 million; and
- (d) decrease in inventories of approximately RM1.10 million mainly due to lower amount of work-in-progress and raw materials, which is in line with the lower orders received for the financial year.

(ii) Net cash used in investing activities

For FYE 2023, our Group recorded net cash used in investing activities of approximately RM9.12 million which was mainly attributed to the purchase of machineries, tools and equipment of approximately RM8.12 million and office equipment, furniture and fittings and fire alarm system of approximately RM1.08 million.

This was, however, partially offset by the proceeds from the disposal of 2 properties, being 2 units of double storey shop office, located at Bandar Tasek Mutiara, Simpang Ampat, Pulau Pinang of RM1.70 million.

(iii) Net cash used in financing activities

For FYE 2023, our Group recorded net cash used in financing activities of approximately RM4.16 million which was mainly attributed to the repayment of term loans and lease liabilities of approximately RM2.93 million and RM1.96 million respectively. This was, however, partially offset by the drawdown of lease liabilities of approximately RM0.75 million.

11. FINANCIAL INFORMATION (CONT'D)

11.4.3 Borrowings

Our total outstanding borrowings as at 30 September 2023 stood at approximately RM31.05 million. All of our borrowings are secured, interest-bearing and denominated in RM, details of which are set out below:

Type of borrowings	Purpose	Tenure	Interest rate per annum	As at 30 September 2023		
				Payable within 12 months	Payable after 12 months	Total
				RM'000	RM'000	RM'000
Term loans ⁽ⁱ⁾⁽ⁱⁱ⁾	Purchase of properties	15 to 25 years	4.30 to 7.22	1,471	26,282	27,753
Lease liabilities ⁽ⁱⁱⁱ⁾	Purchase of machinery and equipment, and motor vehicles	3 to 5 years	2.41 to 5.66	1,870	1,430	3,300
Total				3,341	27,712	31,053

Notes:

- (i) Comprises 7 term loans to finance/ part finance the acquisition of the following:
- lands (together with existing buildings erected thereon) for Factory 2;
 - land (together with existing buildings erected thereon) for Factory 3;
 - Lot 1368;
 - Lot 1143;
 - a unit of double storey bungalow light industry factory located at Kawasan Industri Ringan Juru, Simpang Ampat, Pulau Pinang;
 - a unit of double storey bungalow light industry factory located at Kawasan Industri Ringan Juru, Simpang Ampat, Pulau Pinang; and
 - a unit of single storey semi-detached factory annexed with double-storey office located at Taman Industri Ringan Juru, Simpang Ampat, Pulau Pinang.
- (ii) Based on floating rates.
- (iii) Comprises 24 hire purchase facilities owing to financial institutions.

11. FINANCIAL INFORMATION (CONT'D)

The maturity profile of our total outstanding borrowings as at 30 September 2023 is set out below:

	As at 30 September 2023			
	Within 1 year	2 to 5 years	More than 5 years	Total
	RM'000	RM'000	RM'000	RM'000
Term loans	1,471	6,626	19,656	27,753
Lease liabilities	1,870	1,430	-	3,300
Total	3,341	8,056	19,656	31,053

The bank borrowings granted to us from the financial institutions are secured by way of charge over our freehold land and buildings, investment properties, leasehold land and building and CNC machines, as well as jointly and severally guaranteed by certain Directors of our Group.

Our Group has obtained conditional consents from the financial institutions to discharge the Directors and/or shareholder from their personal guarantees by substituting the same with a corporate guarantee from our Company upon successful completion of our Listing. The details of bank borrowings as well as the securities charges are as follows:

Details of bank borrowings	Securities provided
Hong Leong Bank Berhad for facilities granted to NE Components consisting of fixed term loans	<ul style="list-style-type: none"> - Charges over a double storey bungalow light industry factory and a single-storey semi-detached factory annexed with double-storey office - Joint and several guarantees by: <ul style="list-style-type: none"> • Ng Chay Chin • Chong Ewe Hean • Ng Meng Hang • Yin Thien Hee
RHB Islamic Bank Berhad for facilities granted to NE Components consisting of a full flexi Commodity Murabahah term financing-i	<ul style="list-style-type: none"> - Charges over Lot 1143 - Joint and several guarantees by: <ul style="list-style-type: none"> • Ng Chay Chin • Chong Ewe Hean • Yin Thien Hee
Public Bank Berhad for facilities granted to NE Integrated consisting of fixed term loan and bankers' guarantee	<ul style="list-style-type: none"> - Charges over Factory 3 - Joint and several guarantees by: <ul style="list-style-type: none"> • Ng Chay Chin • Chong Ewe Hean • Ng Chai Hee

11. FINANCIAL INFORMATION (CONT'D)

Details of bank borrowings	Securities provided
Public Bank Berhad for facilities granted to Northeast Precision consisting of a fixed term loan	<ul style="list-style-type: none"> - Charges over a double-storey bungalow light industry factory - Joint and several guarantees by: <ul style="list-style-type: none"> • Ng Chay Chin • Chong Ewe Hean • Ng Meng Hang
Public Bank Berhad for facilities granted to Northeast Precision consisting of fixed term loan and bankers' guarantee	<ul style="list-style-type: none"> - Charges over Factory 2 and Lot 20460 - Joint and several guarantees by: <ul style="list-style-type: none"> • Ng Chay Chin • Chong Ewe Hean • Ng Meng Hang
Public Bank Berhad for facilities granted to Northeast Precision consisting of a fixed term loan	<ul style="list-style-type: none"> - Charges over a parcel of freehold land - Joint and several guarantees by: <ul style="list-style-type: none"> • Ng Chay Chin • Chong Ewe Hean • Ng Meng Hang
OCBC Bank (Malaysia) Berhad for facilities granted to Northeast Precision consisting of trade lines (letter of guarantee)	<ul style="list-style-type: none"> - Charges over Factory 1 - Joint and several guarantees by: <ul style="list-style-type: none"> • Ng Chay Chin • Chong Ewe Hean • Ng Meng Hang
Affin Bank Berhad for hire purchase granted to NE Components	<ul style="list-style-type: none"> - Guarantee by Yin Thien Hee
OCBC Al-Amin Bank Berhad for hire purchase granted to NE Components	<ul style="list-style-type: none"> - Charges over 5 CNC machines under the hire purchase - Joint and several guarantees by: <ul style="list-style-type: none"> • Ng Chay Chin • Chong Ewe Hean • Ng Meng Hang • Yin Thien Hee
OCBC Al-Amin Bank Berhad for hire purchase granted to NE Integrated	<ul style="list-style-type: none"> - Charges over 9 CNC machines under the hire purchase - Joint and several guarantees by: <ul style="list-style-type: none"> • Ng Chay Chin • Chong Ewe Hean • Ng Chai Hee

11. FINANCIAL INFORMATION (CONT'D)

Details of bank borrowings	Securities provided
OCBC Al-Amin Bank Berhad for hire purchase granted to NE Technologies	- Charges over 7 CNC machines under the hire purchase - Joint and several guarantees by: <ul style="list-style-type: none"> • Ng Chay Chin • Chong Ewe Hean • Ng Chai Hee • Ng Meng Hang
Public Bank Berhad for hire purchase granted to Northeast Precision	- Guarantee by Ng Chay Chin
Public Bank Berhad for hire purchase granted to Northeast Precision	- Guarantee by Chong Ewe Hean

There have been no defaults on any payment of either interest and/or principal sums in respect of any of our borrowings for the Financial Years Under Review and up to the LPD. We also do not encounter seasonality in the trend of our borrowings.

As at the LPD, we are not in breach of any terms and conditions or covenants associated with our credit arrangements or bank borrowings which can materially affect our financial position, results of business operations, or the investment by holders of our Shares.

11.4.4 Material commitments

As at the LPD, save as disclosed below, our Group does not have any other material commitment for capital expenditure, which upon becoming enforceable, may have a material effect on our financial position:

	RM'000
Capital expenditure in respect of purchase of property, plant and equipment	
- Approved but not contracted for	[•]
- Contracted but not provided for	135
Total	[•]

The material commitments above are for, amongst others, the expansion of our production capacity, which include the construction of the New Factory as well as purchase of new CNC machines. We expect to fund our material commitments above through our internally generated funds and/or bank borrowings as well as approximately RM[•] from the proceeds raised from our Public Issue.

Please refer to Sections 3.7 and 6.5 of this Prospectus for the details on the use of proceeds raised from our Public Issue and our future plans and business strategies, respectively.

11. FINANCIAL INFORMATION (CONT'D)

11.4.5 Contingent liabilities

As at the LPD, our Board confirms that there are no contingent liabilities, which upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

11.4.6 Material investments and divestitures

Save as disclosed below, we have not undertaken any material investments and divestitures during the Financial Years Under Review and up to the LPD:

	FYE 2021	FYE 2022	FYE 2023	From 1 October 2023 up to the LPD
	RM'000	RM'000	RM'000	RM'000
<u>Material investments</u>				
Machinery, tools and equipment	(i)9,768	(i)6,170	(i)8,116	-
Capital work-in-progress	(ii)2,219	(iii)1,008	-	-
Office equipment, furniture, and fittings and fire alarm system	-	-	1,082	-
Lot 1143	-	-	12,829	-
Total	11,987	7,178	22,027	-
<u>Material divestitures</u>				
Property, plant and equipment	-	(iv)6,480	-	-
Non-current assets held for sale	-	-	(v)1,700	-
Total	-	6,480	1,700	-

Notes:

- (i) Being the purchase of machinery, tools and equipment such as CNC machines which are used in our production activities.
- (ii) Being capital work-in-progress mainly for the renovation of Factory 2 and Factory 3.
- (iii) Being capital work-in-progress mainly for the renovation of Factory 3.
- (iv) Being the disposal of 2 properties, being a single storey semi-detached factory with 2 storey office and a 1½ storey semi-detached factory located at Taman Industri Ringan Juru, Simpang Ampat, Pulau Pinang for a total cash consideration of RM6.48 million.
- (v) Being the disposal of 2 properties, being 2 units of double storey shop office located at Bandar Tasek Mutiara, Simpang Ampat, Pulau Pinang for a total cash consideration of RM1.70 million.

The above material investments were funded through a combination of internally generated funds and bank borrowings. As at the LPD, we do not have any material capital expenditures and divestitures currently in progress.

11. FINANCIAL INFORMATION (CONT'D)

11.4.7 Material litigation or arbitration proceedings

As at the LPD, we are not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the past 12 months immediately preceding the date of this Prospectus.

11.4.8 Key financial ratios

The table below sets out our Group's key financial ratios for the Financial Years Under Review:

	Audited		
	As at 30 September		
	2021	2022	2023
Trade receivables turnover period ⁽ⁱ⁾ (days)	55	53	54
Trade payables turnover period ⁽ⁱⁱ⁾ (days)	61	31	27
Inventories turnover period ⁽ⁱⁱⁱ⁾ (days)	14	15	16
Current ratio ^(iv) (times)	2.45	5.00	6.46
Gearing ratio ^(v) (times)	0.28	0.19	0.22
Net gearing ratio ^(vi) (times)	(0.32)	(0.38)	(0.36)

Notes:

- (i) Trade receivables turnover period is computed based on trade receivables over revenue for the respective financial year multiplied by the number of days in the respective financial year.
- (ii) Trade payables turnover period is computed based on trade payables over cost of sales for the respective financial year multiplied by the number of days in the respective financial year.
- (iii) Inventories turnover period is computed based on inventories over cost of sales for the respective financial year multiplied by the number of days in the respective financial year.
- (iv) Current ratio is computed based on total current assets over total current liabilities as at the end of the respective financial year.
- (v) Gearing ratio is computed based on total borrowings (including lease liabilities owing to financial institutions) over total equity attributable to the common controlling shareholders of the combining entities as at the end of the respective financial year.
- (vi) Net gearing ratio is computed based on total borrowings (including lease liabilities owing to financial institutions), net of cash and bank balances, over total equity attributable to the common controlling shareholders of the combining entities as at the end of the respective financial year.

11. FINANCIAL INFORMATION (CONT'D)

(i) Trade receivables turnover period

	Audited		
	As at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
Trade receivables	17,198	21,066	13,697
Revenue	113,207	144,515	93,335
Trade receivables turnover period ⁽ⁱ⁾ (days)	55	53	54

Note:

- (i) Trade receivables turnover period is computed based on trade receivables over revenue for the respective financial year multiplied by the number of days in the respective financial year.

For FYE 2023, the credit term granted to our customers ranges from 30 days to 120 days (FYE 2022 and FYE 2021: 30 days to 90 days). Each credit application is assessed and approved after taking into consideration various factors such as the background and creditworthiness (including payment history) of our customers, business relationship with our customers as well as transaction volume and value.

Our trade receivables turnover period stood at 55 days, 53 days and 54 days for the Financial Years Under Review respectively, which were within the normal credit term granted to our customers.

For FYE 2022, our trade receivables turnover period decreased to 53 days (FYE 2021: 55 days) mainly due to higher impairment losses recorded as a result of an individually impaired trade receivables from one of our customers of approximately RM1.32 million.

Our trade receivables turnover period for FYE 2023 of 54 days was generally consistent with that of FYE 2022 of 53 days.

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11. FINANCIAL INFORMATION (CONT'D)

The ageing analysis of our trade receivables as at 30 September 2023 and the subsequent collections and balance of our trade receivables as at the LPD are set out below:

	Within credit period	Exceeding credit period			Total
		Not more than 30 days	Between 31 to 60 days	More than 60 days	
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	7,231	3,788	2,293	385	13,697
% of total trade receivables	52.79	27.66	16.74	2.81	100.00
Subsequent collections up to and including the LPD	7,217	3,759	2,288	313	13,577
Outstanding trade receivables as at the LPD (net of subsequent collections)	14	29	5	72	120
% of trade receivables net of subsequent collections	11.67	24.17	4.16	60.00	100.00

As at 30 September 2023, our total trade receivables stood at approximately RM13.70 million, of which approximately RM6.47 million or 47.21% of our trade receivables exceeded the normal credit period. This was mainly due to the payment processing time by our multinational customers, which typically occurs at month end regardless of the invoice date, and are hence typically slightly overdue.

As at the LPD, we have collected approximately RM13.58 million, representing approximately 99.12% of our total trade receivables as at 30 September 2023. We are still in the midst of collecting the outstanding trade receivables of approximately RM0.12 million from our customers. Our Board is of the opinion that the outstanding trade receivables are recoverable after taking into consideration these customers' payment history. We have taken a constant effort to recover the outstanding amount, including follow-up calls and correspondences.

We have a credit control policy in place and the exposure to credit risk is monitored on an ongoing basis. As part of our credit control policy, our Group assesses whether any of the trade receivables are credit impaired on an annual basis based on the operating performance of our customers, changes in contractual terms, payment trends and past due information.

11. FINANCIAL INFORMATION (CONT'D)

(ii) Trade payables turnover period

	Audited		
	As at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
Trade payables	13,068	7,513	4,270
Cost of sales	78,377	89,738	57,885
Trade payables turnover period ⁽ⁱ⁾ (days)	61	31	27

Note:

- (i) Trade payables turnover period is computed based on trade payables over cost of sales for the respective financial year multiplied by the number of days in the respective financial year.

For FYE 2023, the credit term granted by our suppliers ranges from 30 days to 90 days (FYE 2022 and FYE 2021: 30 days to 180 days). It is our practice to make prompt payments to our suppliers in order to foster good business relationship with them to safeguard the continuity of supplies at competitive pricing.

Our trade payables turnover period stood at 61 days, 31 days and 27 days for the Financial Years Under Review respectively, which were within/lower than the normal credit term granted by our suppliers.

For FYE 2022, our trade payables turnover period decreased to 31 days (FYE 2021: 61 days) as we paid our suppliers and subcontractors within a shorter timeframe in FYE 2022 instead of a longer period during the imposition of numerous MCOs by the Government of Malaysia in FYE 2021.

For FYE 2023, our trade payables turnover period decreased to 27 days (FYE 2022: 31 days) mainly due to the decrease in trade payables as a result of lower purchase of raw materials and subcontractors' service, which was in line with the lower sales recorded for the financial year.

11. FINANCIAL INFORMATION (CONT'D)

The ageing analysis of our trade payables as at 30 September 2023 and the subsequent payments and balance of our trade payables as at the LPD are set out below:

	Within credit period	Exceeding credit period			Total
		Not more than 30 days	Between 31 to 60 days	More than 60 days	
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	3,945	79	138	108	4,270
% of total trade payables	92.39	1.85	3.23	2.53	100.00
Subsequent payments up to and including the LPD	3,945	79	138	44	4,206
Outstanding trade payables as at the LPD (net of subsequent payments)	-	-	-	64	64
% of trade payables net of subsequent payments	-	-	-	100.00	100.00

As at 30 September 2023, our total trade payables stood at approximately RM4.27 million, of which approximately RM0.33 million or 7.61% of our trade payables exceeded the normal credit period. This was mainly due to some of our suppliers allow us a longer payment period in view of our Group's established relationships with them and payment history.

As at the LPD, we have paid approximately RM4.21 million, representing approximately 98.50% of our total trade payables as at 30 September 2023.

We have not been involved in any dispute with any of our suppliers nor has any legal action been initiated by them against us during the Financial Years Under Review and up to the LPD.

11. FINANCIAL INFORMATION (CONT'D)

(iii) Inventories turnover period ratio

	Audited		
	As at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
Inventories			
– Raw materials	985	1,170	875
– Work-in-progress	1,466	1,816	779
– Finished goods	470	601	838
Total	2,921	3,587	2,492
Cost of sales	78,377	89,738	57,885
Inventories turnover period ⁽ⁱ⁾ (days)	14	15	16

Note:

- (i) Inventories turnover period is computed based on inventories over cost of sales for the respective financial year multiplied by the number of days in the respective financial year.

As we focus on HMLV manufacturing, we only commence our production (including production planning, inventory level assessment and procurement of raw materials) upon receiving confirmed order from our customers and manufacture in accordance with their specifications and requirements.

For FYE 2022, our inventories turnover period increased to 15 days (FYE 2021: 14 days) mainly due to higher amount of work-in-progress as these orders are only required to be fulfilled in the next financial year and higher amount of raw materials as we purchase more raw materials towards the end of FYE 2022 to cater for the anticipated increase in our customers' orders in the forthcoming financial year.

For FYE 2023, our inventories turnover period increased marginally to 16 days (FYE 2022: 15 days) mainly due to the slight increase in finished goods due to timing difference in the delivery of orders to customers in the next financial year.

We review our slow moving/obsolete inventories of more than 12 months by adopting a specific identification approach which requires our management to consider the shelf life and frequency of demand of our inventories. As our management's judgement and estimates are required, possible changes in these estimates could result in impairment to the inventories.

We are of the opinion that there are no material slow moving/obsolete inventories as at the LPD premised on the following:

- our raw materials are primarily metal, which are long-lasting in nature;
- work-in-progress and finished goods primarily consist of metal piece parts and precision engineering components manufactured in accordance to customers' specifications and requirements and supported by confirmed purchase orders; and
- we have not experienced any provision for slow moving/ obsolete inventories throughout the Financial Years Under Review.

11. FINANCIAL INFORMATION (CONT'D)

(iv) Current ratio

	Audited		
	As at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
Current assets	73,868	99,229	104,262
Current liabilities	30,199	19,841	16,136
Current ratio ⁽ⁱ⁾ (times)	2.45	5.00	6.46

Note:

- (i) Current ratio is computed based on total current assets over total current liabilities as at the end of the respective financial year.

Current ratio measures our Group's liquidity and our ability to meet our short-term obligations.

Our current ratio increased from 2.45 times as at 30 September 2021 to 5.00 times as at 30 September 2022 mainly due to:

- (a) an increase in our current assets of approximately RM25.36 million or 34.33% which was mainly attributable to the increase in our cash and bank balances of approximately RM18.20 million as well as trade and other receivables of approximately RM4.76 million; and
- (b) a decrease in our current liabilities of approximately RM10.36 million or 34.30% which was mainly attributable to the decrease in our trade and other payables of approximately RM10.34 million and current tax liabilities of approximately RM0.98 million. This was, however, partially offset by the increase in lease liabilities of approximately RM1.20 million.

Our current ratio increased from 5.00 times as at 30 September 2022 to 6.46 times as at 30 September 2023 mainly due to:

- (a) an increase in our current assets of approximately RM5.03 million or 5.07% which was mainly attributable to the increase in our cash and bank balances of approximately RM10.86 million as well as increase in current tax assets of RM3.68 million. However, the increase in current assets was partially offset by the decrease in trade and other receivables of approximately RM6.80 million, decrease in inventory of approximately RM1.10 million and the disposal of non-current asset held for sale of approximately RM1.61 million in FYE 2022; and
- (b) a decrease in our current liabilities of approximately RM3.70 million or 18.67% which was mainly attributable to the decrease in our trade and other payables of approximately RM3.73 million as well as decrease in current tax liabilities of approximately RM0.84 million. However, the decrease in current liabilities was partially offset by the increase in borrowings of approximately RM0.49 million and increase in lease liabilities of approximately RM0.38 million.

11. FINANCIAL INFORMATION (CONT'D)

(v) Gearing ratio

	Audited		
	As at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
Total borrowings ⁽ⁱ⁾	24,543	23,517	31,053
Total equity attributable to the common controlling shareholders of the combining entities	89,032	126,383	142,743
Gearing ratio ⁽ⁱⁱ⁾ (times)	0.28	0.19	0.22
Net gearing ratio ⁽ⁱⁱⁱ⁾ (times)	(0.32)	(0.38)	(0.36)

Notes:

- (i) Comprises term loans and lease liabilities owing to financial institutions.
- (ii) Gearing ratio is computed based on total borrowings (including lease liabilities owing to financial institutions) over total equity attributable to the common controlling shareholders of the combining entities as at the end of the respective financial year.
- (iii) Net gearing ratio is computed based on total borrowings (including lease liabilities owing to financial institutions), net of cash and bank balances, over total equity attributable to the common controlling shareholders of the combining entities as at the end of the respective financial year.

Our gearing ratio decreased from 0.28 times as at 30 September 2021 to 0.19 times as at 30 September 2022. This was mainly due to:

- (a) repayment of term loans of approximately RM4.57 million;
- (b) repayment of lease liabilities of approximately RM1.19 million; and
- (c) increase in our total equity attributable to the common controlling shareholders of the combining entities of approximately RM37.35 million which was mainly attributable to the net profit generated during FYE 2022 of approximately RM38.07 million.

Our gearing ratio increased from 0.19 times as at 30 September 2022 to 0.22 times as at 30 September 2023 mainly due to the drawdown of a term loan of approximately RM11.04 million for the acquisition of Lot 1143. This was partially offset by the increase in our total equity attributable to the common controlling shareholders of the combining entities of approximately RM16.36 million which was mainly attributable to the net profit generated during FYE 2023 of approximately RM18.36 million.

11.4.9 Types of financial instruments used

As at the LPD, save for borrowings as disclosed in Section 11.4.3 of this Prospectus, we do not have or use any other financial instruments. We finance our operations mainly through cash generated from our operations, credit extended by our suppliers as well as external borrowings from financial institutions.

11. FINANCIAL INFORMATION (CONT'D)

However, from accounting perspective, financial instruments comprise deposits with financial institutions, cash and bank balances, trade and other receivables, trade and other payables as well as borrowings as shown in our combined statements of financial position. These financial instruments are used in our ordinary course of business.

11.4.10 Treasury policies and objectives

Our main treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet the estimated commitments arising from our operational expenditures and financial liabilities. Our principal sources of liquidity are our cash and bank balances, cash generated from our operations and external borrowings from financial institutions.

In our ordinary course of business, we deal with customers and suppliers from both local and overseas markets, where transactions are denominated in both local as well as foreign currencies. We maintain bank accounts in USD, RM, GBP, EUR and Chinese Yuan, such that collections can be used to settle payments of the same currency (where possible). This provides, to a certain extent, a natural hedge against fluctuations in the foreign exchange and mitigates our exposure to foreign exchange risks. We may consider hedging instruments such as derivatives contracts available in the financial markets to hedge against foreign exchange risks should the need arise.

Our operations were not subject to any material impact arising from interest rate fluctuations throughout the Financial Years Under Review. Accordingly, we have not entered into any financial instrument to hedge against the fluctuations in the interest rate. We manage our exposure to interest rate fluctuations by maintaining a combination of fixed rate and floating rate borrowings.

Our Group monitors the adequacy of capital on an on-going basis. Our strategy is to maintain the debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions. It is also the responsibility of our Directors to identify, quantify, monitor and control the key risks (credit, liquidity, currency and interest rate) associated with these activities.

11.5 TREND INFORMATION

As at the LPD, our Board confirms that there are no:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on the financial performance, position and operations of our Group other than those disclosed in this Section and in Sections 6 and 8 of this Prospectus;
- (ii) material commitment for capital expenditure, save as set out in Section 11.4.4 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this Section and in Sections 6 and 8 of this Prospectus;

11. FINANCIAL INFORMATION (CONT'D)

- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's revenue and/or profits as well as our Group's liquidity and capital resources, save for those that have been disclosed in this Section and in Sections 6 and 8 of this Prospectus; and
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position other than those disclosed in this Section and in Sections 6 and 8 of this Prospectus.

11.6 SIGNIFICANT CHANGES

There are no other significant changes that have occurred which may have a material effect on the financial position and results of our Group since 30 September 2023 up to the date of this Prospectus.

11.7 ORDER BOOK

We do not maintain an order book as we do not have any long-term contracts with our customers as our sales are made based on confirmed purchased orders that we receive from our customers on an on-going basis.

Notwithstanding the above, our revenue/business operations are sustainable in the absence of long-term contracts, premised on the following:

- (i) with approximately 20 years of cumulative market presence, we have established ourselves as a reputable manufacturer within the precision engineering industry. We have attained an understanding of our customers' needs and requirements and this has enabled us to work closely with them over the years; and
- (ii) we have maintained long-term relationships with our customers and we believe that these relationships have allowed us to secure orders from them in the past, and will allow us to continue securing orders from them in the future. Our long-term relationships with our customers have allowed us to develop our reputation in the precision engineering industry.

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11. FINANCIAL INFORMATION (CONT'D)

11.8 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.

The level of dividends should also not be treated as an indication of our Group's future dividend policy and shall not constitute legally binding statements. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future.

Any declarations and payment of dividends in the future will be at the discretion of our Board. No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

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11. FINANCIAL INFORMATION (CONT'D)

11.9 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



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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: BDO/ GCB/TZH/SJH/nw

Dear Sirs

NORTHEAST GROUP BERHAD (“NORTHEAST” OR “COMPANY”) AND ITS SUBSIDIARIES (“NORTHEAST GROUP” OR “GROUP”)

REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2023 (“This Report”)

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of the Group prepared by the Board of Directors of the Company (“Board of Directors”). The Pro Forma Consolidated Statements of Financial Position as at 30 September 2023 together with the accompanying notes thereon, for which we have stamped for the purpose of identification only, have been prepared for inclusion in the prospectus of the Company (“Prospectus”) in connection with the listing of and quotation for the entire enlarged issued share capital of Northeast on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“the Listing”).

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Consolidated Statements of Financial Position are described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and are specified in paragraphs 9.18 and 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia (“Prospectus Guidelines”).

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors to illustrate the impact of the transactions as set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position as at 30 September 2023 had the transactions been effected as at 30 September 2023. As part of this process, information about the consolidated financial position of the Group has been extracted by the Board of Directors from the audited combined statements of financial position of the Group as at 30 September 2023.

Directors’ Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Board of Directors is solely responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis as described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

11. FINANCIAL INFORMATION (CONT'D)



Reporting Accountants' Independence and Quality Management

The Firm applies Malaysian Approved Standard on Quality Management, ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly, the Firm is required to design, implement and operate a system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board of Directors on the basis described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those whom those reports or opinion were addressed by us at the dates of their issue.

The purpose for inclusion of the Pro Forma Consolidated Statements of Financial Position in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted statements of financial position of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 30 September 2023, would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis set out in the Notes to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- (a) the related pro forma adjustments give appropriate effect to those criteria; and
- (b) the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

11. FINANCIAL INFORMATION (CONT'D)

**Reporting Accountants' Responsibility (continued)**

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position has been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

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

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position of the Group has been compiled, in all material respects, on the basis described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

This Report has been prepared solely for the purpose stated above, in connection with the Listing. As such, this Report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this Report contrary to the aforesaid purpose.

Yours faithfully,

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

Penang

Goh Chee Beng
03535/11/2024 J
Chartered Accountant

11. FINANCIAL INFORMATION (CONT'D)

Northeast Group Berhad
Registration No. 202201025913 (1471610-P)
Pro Forma Consolidated Statements of Financial Position

1. PRO FORMA GROUP AND BASIS OF PREPARATION**1.1 Pro Forma Group**

The Pro Forma Consolidated Statements of Financial Position of Northeast Group Berhad (“Northeast” or “Company”) and its subsidiaries (collectively referred to as “Northeast Group” or “Group”) as at 30 September 2023 (“Pro Forma Consolidated SOFP”) together with the notes thereon, for which the Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“the Listing”).

1.2 Basis of Preparation

The Pro Forma Consolidated SOFP has been prepared based on the audited combined statements of financial position of the Group as of 30 September 2023, which were prepared in accordance with Malaysian Financial Reporting Standards (“MFRSS”), IFRS Accounting Standards and the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia.

The Pro Forma Consolidated SOFP are combined using merger method as the Company and the entities within the Group are under common control by the same parties, both before and after the acquisition of the Group, and control is not transitory. When the merger method is used, the difference between the cost of investment recorded by the Company and the share capital of NE Components Sdn. Bhd. (“NE Components”), NE Integrated Sdn. Bhd. (“NE Integrated”), NE Solutions Sdn. Bhd. (“NE Solutions”), NE Technologies Sdn. Bhd. (“NE Technologies”) and Northeast Precision Sdn. Bhd. (“Northeast Precision”) are accounted for as merger reserves in the Pro Forma Consolidated SOFP.

The audited combined financial statements of the Group for the financial year ended 30 September 2023 used in preparation of the Pro Forma Consolidated SOFP were not subject to any audit qualification, modification or disclaimer.

The Pro Forma Consolidated SOFP of the Group comprise Pro Forma Consolidated SOFP as at 30 September 2023, adjusted for the impact of the events or transactions as set out in Note 2 and Note 3 to the Pro Forma Consolidated SOFP.

Due to its nature, the Pro Forma Consolidated SOFP is not necessarily indicative of the financial position of the Group that would have attained had the effects of the transactions as set in Note 3 actually occurred at the respective dates. Further, such information does not predict the Group’s future financial position.

2. SUBSEQUENT EVENTS OCCURRING AFTER 30 SEPTEMBER 2023**2.1 Distribution of dividend**

On 18 September 2023, NE Components has declared dividend of RM2,000,000 each to its existing shareholders, which was paid on 23 November 2023. The total payment of dividend amounted to RM2,000,000 are illustrated in the Pro Forma Consolidated SOFP to show effects of this transaction had it been effected on 30 September 2023.

2.2 Issuance of shares

On 27 December 2023, the issued and fully paid-up capital of the Company was increased from RM2 to RM1,000 by way of issuance of 998 new ordinary shares at an issue price of RM1 each by way of cash.



11. FINANCIAL INFORMATION (CONT'D)

Northeast Group Berhad
Registration No. 202201025913 (1471610-P)
Pro Forma Consolidated Statements of Financial Position

2. SUBSEQUENT EVENTS OCCURRING AFTER 30 SEPTEMBER 2023 (continued)

2.3 Acquisitions of subsidiaries

The Company had acquired an aggregate issued share capital of RM3,200,000 comprising 3,200,000 ordinary shares in NE Components, NE Integrated, NE Solutions, NE Technologies and Northeast Precision from each of the vendors (“the Acquisitions”). The Acquisitions were wholly satisfied via the issuance of 571,010,000 new ordinary shares of the Company to the respective vendors (who then novated a portion of their shares to a holding company, Mountain Range Sdn Bhd) (“Share(s)”) at an issue price of RM0.25 per Share.

The Acquisitions were completed on 5 January 2024. Subsequently, the Company was converted to a public limited company on 10 January 2024.

3. LISTING SCHEME

In conjunction with, and as an integral part of the Listing, the Company proposed to undertake the following:

3.1 Initial Public Offering (“IPO”)

3.1.1 Public Issue and Offer for Sale

Public issue of 168,989,000 new Shares and an offer for sale of 51,800,000 existing Shares, representing approximately 22.84% and 7.00% respectively of the enlarged total number of issued shares of the Company, at an indicative IPO price of RM[•] per Share.

3.1.2 Listing

Admission to the Official List of Bursa Securities and the listing of and quotation for the Company’s entire enlarged issued share capital of the Company of RM[•] (prior to the use of proceeds from the Public Issue) comprising 740,000,000 Shares on the ACE Market of Bursa Securities.

3.2 Use of Proceeds from the Public Issue

The gross proceeds from the Public Issue of RM[•] are expected to be used in the following manner:

	RM’000
Construction of new factory ¹	[•]
Repayment of bank borrowings	[•]
Purchase of new Computer Numerical Control (“CNC”) machineries ¹	[•]
Working capital requirements ¹	[•]
Estimated listing expenses ²	[•]
	[•]
	[•]

Notes:

- (1) As at latest practicable date of the prospectus, the Group has yet to enter into any contracted binding agreement or issued any purchase order in relation to the proceeds earmarked for construction of new factory, new CNC machineries, together with proceeds earmarked for working capital purposes. As such, the amount of gross proceeds have been included in cash and bank balances for purposes of illustration in the Pro Forma Consolidated SOFP.
- (2) The estimated listing expenses totaling RM[•] to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses. A total of RM[•] is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM[•] are assumed to be attributable to the Listing and as such, will be expensed off to the statement of profit or loss and other comprehensive income. As at 30 September 2023, listing expenses amounted to RM[•] had been included under prepayment.



11. FINANCIAL INFORMATION (CONT'D)

Northeast Group Berhad
Registration No. 202201025913 (1471610-P)
Pro Forma Consolidated Statements of Financial Position

3. PRO FORMA CONSOLIDATED SOFP AS AT 30 SEPTEMBER 2023

The Pro Forma Consolidated SOFP as at 30 September 2023 has been prepared for illustrative purposes only to show the effects on the audited combined statement of financial position of the Group as at 30 September 2023 based on the assumptions that the transactions as set out in Note 2 and Note 3 had been effected on 30 September 2023, and should be read in conjunction with the notes accompanying the Pro Forma Consolidated SOFP.

	<u>Audited</u>	<u>Pro Forma I</u>		<u>Pro Forma II</u>		<u>Pro Forma III</u>	
Note	As at 30 September 2023 RM'000	Adjustments for subsequent events RM'000	After subsequent events RM'000	Adjustments for IPO RM'000	After Pro Forma I and After IPO RM'000	Adjustments for Use of Proceeds from the Public Issue RM'000	After Pro Forma II and Use of Proceeds from the Public Issue RM'000
ASSETS							
Non-current assets							
Property, plant and equipment	65,317	-	65,317	-	65,317	-	65,317
Right-of-use assets	17,262	-	17,262	-	17,262	-	17,262
Investment properties	5,385	-	5,385	-	5,385	-	5,385
	87,964	-	87,964	-	87,964	-	87,964
Current assets							
Inventories	2,492	-	2,492	-	2,492	-	2,492
Trade and other receivables	15,534	-	15,534	-	15,534	-	15,534
Current tax assets	4,330	-	4,330	-	4,330	-	4,330
Cash and bank balances	81,906	(1,999)	79,907	[•]	80,196	[•]	80,196
	104,262	(1,999)	102,263	[•]	103,262	[•]	103,262
TOTAL ASSETS	192,226	(1,999)	190,227	[•]	191,226	[•]	191,226
EQUITY AND LIABILITIES							
Equity attributable to the common controlling shareholders of the combining entities/owners of the parent							
Invested equity/Share capital	3,200	139,554	142,754	[•]	142,754	[•]	142,754
Merger reserves	-	(139,553)	(139,553)	-	(139,553)	-	(139,553)
Retained earnings	139,543	-	139,543	-	139,543	-	139,543
	142,743	1	142,744	[•]	142,744	[•]	142,744



11. FINANCIAL INFORMATION (CONT'D)

Northeast Group Berhad
Registration No. 202201025913 (1471610-P)
Pro Forma Consolidated Statements of Financial Position

3. PRO FORMA CONSOLIDATED SOFP AS AT 30 SEPTEMBER 2023 (continued)

The Pro Forma Consolidated SOFP as at 30 September 2023 has been prepared for illustrative purposes only to show the effects on the audited combined statement of financial position of the Group as at 30 September 2023 based on the assumptions that the transactions as set out in Note 2 and Note 3 had been effected on 30 September 2023, and should be read in conjunction with the notes accompanying the Pro Forma Consolidated SOFP (continued).

	Audited	Pro Forma I		Pro Forma II		Pro Forma III	
Note	As at 30 September 2023 RM'000	Adjustments for subsequent events RM'000	After subsequent events RM'000	Adjustments for IPO RM'000	After Pro Forma I and After IPO RM'000	Adjustments for Use of Proceeds from the Public Issue RM'000	After Pro Forma II and Use of Proceeds from the Public Issue RM'000
LIABILITIES							
Non-current liabilities							
Borrowings	26,282	-	26,282	-	26,282	-	26,282
Lease liabilities	1,430	-	1,430	-	1,430	-	1,430
Deferred tax liabilities	5,635	-	5,635	-	5,635	-	5,635
	33,347	-	33,347	-	33,347	-	33,347
Current liabilities							
Trade and other payables	12,593	(2,000)	10,593	-	10,593	-	10,593
Borrowings	1,471	-	1,471	-	1,471	-	1,471
Lease liabilities	1,870	-	1,870	-	1,870	-	1,870
Current tax liabilities	202	-	202	-	202	-	202
	16,136	(2,000)	14,136	-	14,136	-	14,136
TOTAL LIABILITIES	49,483	(2,000)	47,483	-	47,483	-	47,483
TOTAL EQUITY AND LIABILITIES	192,226	(1,999)	190,227	[•]	[•]	[•]	[•]
Net assets (RM'000)	142,743		142,744		[•]		[•]
Number of ordinary shares assumed in issue ('000)	3,200		571,010		740,000		740,000
Net assets attributable to equity holders per ordinary share (RM)	44.61		0.25		[•]		[•]



11. FINANCIAL INFORMATION (CONT'D)

Northeast Group Berhad
Registration No. 202201025913 (1471610-P)
Pro Forma Consolidated Statements of Financial Position

4. PRO FORMA CONSOLIDATED SOFP AS AT 30 SEPTEMBER 2023 (continued)**4.1 Pro Forma Adjustments to the Pro Forma Consolidated SOFP as at 30 September 2023****4.1.1 Pro Forma I**

Pro Forma I is stated after incorporating the effects for the subsequent events as set out in Note 2.1, Note 2.2 and Note 2.3.

4.1.2 Pro Forma II

Pro Forma II is stated after incorporating the effects of Pro Forma I and effect after the completion of the IPO as set out in Note 3.1.

4.1.3 Pro Forma III

Pro Forma III is stated after incorporating the effects of Pro Forma II and effect after the use of proceeds from the Public Issue as set out in Note 3.2.

4.2 Notes to the Pro Forma Consolidated SOFP as at 30 September 2023**4.2.1 Trade and Other Receivables**

The movements of trade and other receivables are as follows:

	RM'000
As at 30 September 2023/Pro Forma I/Pro Forma II	15,534
Use of proceeds from the Public Issue	
- Estimated listing expenses which are included under prepayment	[•]
Pro Forma III	[•]

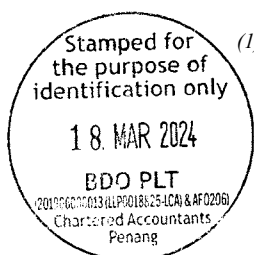
4.2.2 Cash and Bank Balances

The movements of cash and bank balances are as follows:

	RM'000
As at 30 September 2023	81,906
Distribution of dividend	(2,000)
Issuance of shares	1
Pro Forma I	79,907
Proceeds from the Public Issue	[•]
Pro Forma II	[•]
Use of proceeds from the Public Issue	
- Estimated listing expenses ¹	[•]
- Repayment of bank borrowings	[•]
Pro Forma III	[•]

Note:

(1) *The estimated listing expenses totaling RM[•] to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses. As at 30 September 2023, listing expenses amounted to RM[•] had been paid and included under prepayment. The remaining listing expenses payable are RM[•].*



11. FINANCIAL INFORMATION (CONT'D)

Northeast Group Berhad
Registration No. 202201025913 (1471610-P)
Pro Forma Consolidated Statements of Financial Position

4. PRO FORMA CONSOLIDATED SOFP AS AT 30 SEPTEMBER 2023 (continued)

4.2 Notes to the Pro Forma Consolidated SOFP as at 30 September 2023 (continued)

4.2.3 Invested Equity/Share Capital

The movements of invested equity/share capital are as follows:

	RM'000
As at 30 September 2023	3,200
Issuance of Shares	1
Issuance of Shares pursuant to Acquisitions	142,753
Elimination of share capital of Northeast Precision, NE Components, NE Integrated, NE Technologies and NE Solutions	<u>(3,200)</u>
Pro Forma I	142,754
Proceeds from the Public Issue	<u>[•]</u>
Pro Forma II	[•]
Use of proceeds from the Public Issue	[•]
- Estimated listing expenses which are directly attributable to issuance of new Shares	<u>[•]</u>
Pro Forma III	<u><u>[•]</u></u>

Upon completion of the transactions as mentioned in Note 2 and Note 3 respectively, the enlarged issued share capital of the Company will be RM[•] comprising 740,000,000 Shares.

4.2.4 Merger Reserves

The movements of merger reserves are as follows:

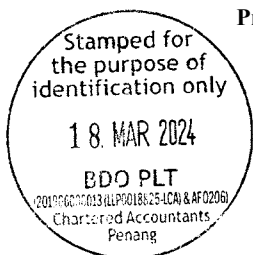
	RM'000
As at 30 September 2023	-
Completions of the Acquisitions	<u>(139,553)</u>
Pro Forma I/ Pro Forma II/Pro Forma III	<u>(139,553)</u>

The merger reserve arose as a result of the difference between consideration paid over the share capital of the combining entities pursuant to business combinations under common control.

4.2.5 Retained Earnings

The movements of retained earnings are as follows:

	RM'000
As at 30 September 2023/Pro Forma I/Pro Forma II	139,543
Use of proceeds from the Public Issue	[•]
- Estimated listing expenses	<u>[•]</u>
Pro Forma III	<u><u>[•]</u></u>



11. FINANCIAL INFORMATION (CONT'D)

Northeast Group Berhad
Registration No. 202201025913 (1471610-P)
Pro Forma Consolidated Statements of Financial Position

4. PRO FORMA CONSOLIDATED SOFP AS AT 30 SEPTEMBER 2023 (continued)

4.2 Notes to the Pro Forma Consolidated SOFP as at 30 September 2023 (continued)

4.2.6 Borrowings

The movements of borrowings are as follows:

	RM'000
<u>Non-current</u>	
As at 30 September 2023/Pro Forma I/Pro Forma II	26,282
Use of proceeds from the Public Issue	
- Repayment of bank borrowings	<u>[•]</u>
Pro Forma III	<u><u>[•]</u></u>

4.2.7 Trade and Other Payables

The movements of trade and other payables are as follows:

	RM'000
As at 30 September 2023	12,593
Distribution of dividend	<u>(2,000)</u>
Pro Forma I/II/III	<u><u>10,593</u></u>



11. FINANCIAL INFORMATION (CONT'D)

*Northeast Group Berhad
Registration No. 202201025913 (1471610-P)
Pro Forma Consolidated Statements of Financial Position*

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted on behalf of the Board of Directors of the Company in accordance with a resolution dated 18 March 2024.

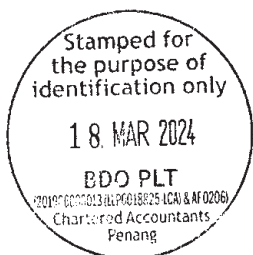


.....
NG CHAY CHIN
DIRECTOR



.....
CHONG EWE HEAN
DIRECTOR

Penang
Date: 18 March 2024



12. ACCOUNTANTS' REPORT



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 Jalan Sultan Ahmad Shah
 10050 Penang
 Malaysia
 SST No: P11-1809-32000112

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.

12. ACCOUNTANTS' REPORT (CONT'D)



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;

12. ACCOUNTANTS' REPORT (CONT'D)


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

12. ACCOUNTANTS' REPORT (CONT'D)

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
		<u>87,964</u>	<u>72,331</u>	<u>71,344</u>
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
		<u>104,262</u>	<u>97,623</u>	<u>73,868</u>
Non-current assets held for sale	12	-	1,606	-
TOTAL ASSETS		<u>192,226</u>	<u>171,560</u>	<u>145,212</u>
EQUITY AND LIABILITIES				
<i>Equity attributable to common controlling shareholders of the combining entities</i>				
Invested equity *	13	3,200	3,200	2,900
Retaining earnings		<u>139,543</u>	<u>123,183</u>	<u>86,132</u>
TOTAL EQUITY		<u>142,743</u>	<u>126,383</u>	<u>89,032</u>
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
		<u>33,347</u>	<u>25,336</u>	<u>25,981</u>

* Number of ordinary shares on combined basis



12. ACCOUNTANTS' REPORT (CONT'D)

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
		<u>16,136</u>	<u>19,841</u>	<u>30,199</u>
TOTAL LIABILITIES		<u>49,483</u>	<u>45,177</u>	<u>56,180</u>
TOTAL EQUITY AND LIABILITIES		<u>192,226</u>	<u>171,560</u>	<u>145,212</u>

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12. ACCOUNTANTS' REPORT (CONT'D)

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



12. ACCOUNTANTS' REPORT (CONT'D)

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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12. ACCOUNTANTS' REPORT (CONT'D)

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		<u>3,200</u>	<u>139,543</u>	<u>142,743</u>

* Less than RM1,000

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12. ACCOUNTANTS' REPORT (CONT'D)

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



12. ACCOUNTANTS' REPORT (CONT'D)

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



12. ACCOUNTANTS' REPORT (CONT'D)

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	<u>328</u>	<u>24,215</u>
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	<u>3,869</u>	<u>19,648</u>
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	<u>3,300</u>	<u>27,753</u>

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12. ACCOUNTANTS' REPORT (CONT'D)

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



12. ACCOUNTANTS' REPORT (CONT'D)**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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12. ACCOUNTANTS' REPORT (CONT'D)**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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12. ACCOUNTANTS' REPORT (CONT'D)

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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12. ACCOUNTANTS' REPORT (CONT'D)

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:

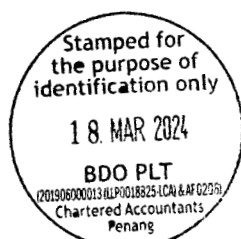
- (a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) Right-of-use assets and lease liabilities are recognised and measured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



12. ACCOUNTANTS' REPORT (CONT'D)

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%



12. ACCOUNTANTS' REPORT (CONT'D)

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

The Group as lessee

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.



12. ACCOUNTANTS' REPORT (CONT'D)

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.



12. ACCOUNTANTS' REPORT (CONT'D)**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.



12. ACCOUNTANTS' REPORT (CONT'D)**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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12. ACCOUNTANTS' REPORT (CONT'D)

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.



12. ACCOUNTANTS' REPORT (CONT'D)

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.



12. ACCOUNTANTS' REPORT (CONT'D)

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.

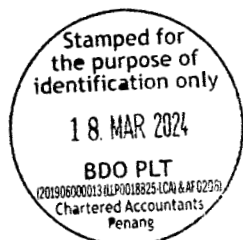
Recognised insurance liabilities, if any, are only removed from the combined statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(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.



12. ACCOUNTANTS' REPORT (CONT'D)

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.



12. ACCOUNTANTS' REPORT (CONT'D)

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



12. ACCOUNTANTS' REPORT (CONT'D)

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.

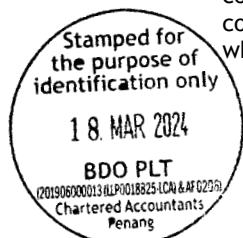
Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

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.



12. ACCOUNTANTS' REPORT (CONT'D)

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.



12. ACCOUNTANTS' REPORT (CONT'D)**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.



12. ACCOUNTANTS' REPORT (CONT'D)

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:

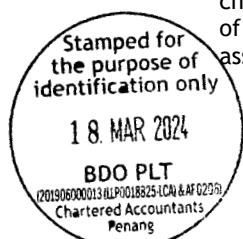
- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding 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.



12. ACCOUNTANTS' REPORT (CONT'D)**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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12. ACCOUNTANTS' REPORT (CONT'D)

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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12. ACCOUNTANTS' REPORT (CONT'D)**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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12. ACCOUNTANTS' REPORT (CONT'D)**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			Principal activities
		2023 %	2022 %	2021 %	
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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12. ACCOUNTANTS' REPORT (CONT'D)

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

6. PROPERTY, PLANT AND EQUIPMENT

	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
30 September 2023										
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



12. ACCOUNTANTS' REPORT (CONT'D)

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	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
30 September 2022										
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



12. ACCOUNTANTS' REPORT (CONT'D)

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	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
30 September 2021										
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



12. ACCOUNTANTS' REPORT (CONT'D)**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
	<u>27,774</u>	<u>12,576</u>	<u>15,606</u>

- (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	<u>10,787</u>	<u>8,484</u>	<u>13,065</u>



12. ACCOUNTANTS' REPORT (CONT'D)

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

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

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

* Less than RM1,000



12. ACCOUNTANTS' REPORT (CONT'D)

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)

	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
Carrying amount				
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

	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
Carrying amount					
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



12. ACCOUNTANTS' REPORT (CONT'D)

**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)

	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
Carrying amount					
Motor vehicles	317	148	(325)	13	153
Machineries	11	4,465	(865)	105	3,716
	328	4,613	(1,190)	118	3,869

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



12. ACCOUNTANTS' REPORT (CONT'D)

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
	<u>3,300</u>	<u>3,869</u>	<u>328</u>
Lease liabilities owing to financial institutions	<u>3,300</u>	<u>3,869</u>	<u>328</u>

- (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
	<u>1,490</u>	<u>1,307</u>	<u>799</u>

- (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
	<u>2,519</u>	<u>1,918</u>	<u>663</u>



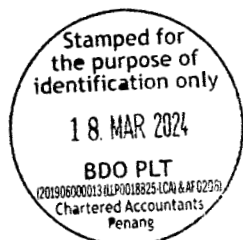
12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

- (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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12. ACCOUNTANTS' REPORT (CONT'D)

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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12. ACCOUNTANTS' REPORT (CONT'D)

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



12. ACCOUNTANTS' REPORT (CONT'D)**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
	<u>563</u>	<u>143</u>	<u>645</u>

- (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
	<u>5,384</u>	<u>7,666</u>	<u>9,482</u>

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
	<u>2,492</u>	<u>3,587</u>	<u>2,921</u>

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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12. ACCOUNTANTS' REPORT (CONT'D)**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)
	<u>13,697</u>	<u>21,066</u>	<u>17,198</u>
Other receivables			
Third parties	109	148	169
Amount owing by a related party	-	29	4
Deposits	1,710	981	206
	<u>1,819</u>	<u>1,158</u>	<u>379</u>
Total receivables	15,516	22,224	17,577
Prepayments	18	108	-
	<u>15,534</u>	<u>22,332</u>	<u>17,577</u>

- (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
	<u>15,516</u>	<u>22,224</u>	<u>17,577</u>

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12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****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.

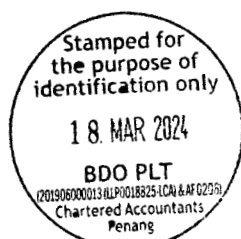
During the process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (consumer price index and gross domestic product index) affecting the ability of the customers to settle the receivables and multiplied by the amount of the expected loss arising from 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	-
	<u>15,312</u>	<u>1,615</u>	<u>13,697</u>
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	-
	<u>22,731</u>	<u>1,665</u>	<u>21,066</u>
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
	<u>17,897</u>	<u>699</u>	<u>17,198</u>



12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****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	<u>292</u>	<u>342</u>	<u>699</u>
Credit impaired			
Balance as at 1 October 2022/2021/2020	1,323	-	-
Charge for the financial year	-	1,323	-
Balance as at 30 September	<u>1,323</u>	<u>1,323</u>	<u>-</u>

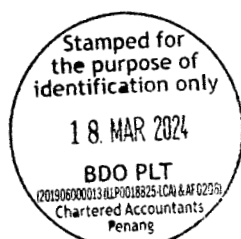
(g) Impairment for other receivables are recognised based on the general approach within MFRS 9 *Financial Instruments* using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit 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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12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****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
	<u>81,906</u>	<u>71,050</u>	<u>52,853</u>

- (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	-	-
	<u>81,906</u>	<u>71,050</u>	<u>52,853</u>

- (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	<u>81,906</u>	<u>71,050</u>	<u>52,853</u>
Less:			
Deposits with licensed banks with maturity more than three (3) months	<u>(818)</u>	<u>(804)</u>	<u>(791)</u>
As per combined statements of cash flows	<u>81,088</u>	<u>70,246</u>	<u>52,062</u>

- (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. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****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	<u>3,200,002</u>	<u>3,200</u>



12. ACCOUNTANTS' REPORT (CONT'D)

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

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	<u>3,200,002</u>	<u>3,200</u>
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	<u>2,900,000</u>	<u>2,900</u>

* 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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12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****14. BORROWINGS**

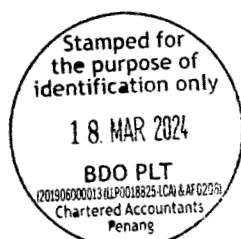
	2023 RM'000	2022 RM'000	2021 RM'000
Current liabilities			
<i>Secured</i>			
Term loans	<u>1,471</u>	<u>982</u>	<u>1,225</u>
Non-current liabilities			
<i>Secured</i>			
Term loans	<u>26,282</u>	<u>18,666</u>	<u>22,990</u>
Total borrowings			
<i>Secured</i>			
Term loans	<u>27,753</u>	<u>19,648</u>	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

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) All borrowings are denominated in Ringgit Malaysia.
- (c) Borrowings of the Group are secured by way of:
- (i) First legal charge over 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)	<u>1,345</u>	<u>1,340</u>	<u>554</u>
Balance as at 30 September	<u>5,635</u>	<u>4,290</u>	<u>2,950</u>
Subject to income tax:			
Property, plant and equipment	<u>5,635</u>	<u>4,290</u>	<u>2,950</u>



12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****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	<u>5,635</u>	<u>4,290</u>	<u>2,950</u>

16. TRADE AND OTHER PAYABLES

	2023 RM'000	2022 RM'000	2021 RM'000
Trade payables			
Third parties	<u>4,270</u>	<u>7,513</u>	<u>13,068</u>
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	<u>2,000</u>	<u>-</u>	<u>-</u>
	<u>8,323</u>	<u>8,812</u>	<u>13,598</u>
	<u>12,593</u>	<u>16,325</u>	<u>26,666</u>

- (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	*
	<u>12,593</u>	<u>16,325</u>	<u>26,666</u>

* Less than RM1,000



12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****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	-
	<u>184</u>	<u>10,816</u>	<u>10,681</u>

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
	<u>-</u>	<u>-</u>	<u>3,593</u>

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	<u>93,335</u>	<u>144,515</u>	<u>113,207</u>
Timing of revenue recognition:			
At a point in time	<u>93,335</u>	<u>144,515</u>	<u>113,207</u>

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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12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****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
	<u>22,933</u>	<u>22,421</u>	<u>20,157</u>

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
	<u>5,650</u>	<u>7,316</u>	<u>6,241</u>

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
	<u>3,654</u>	<u>10,573</u>	<u>3,916</u>

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12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****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
	<u>1,213</u>	<u>981</u>	<u>951</u>

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)
	<u>3,631</u>	<u>8,230</u>	<u>4,929</u>
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)
	<u>1,345</u>	<u>1,340</u>	<u>554</u>
Real property gains tax	-	161	-
Total tax expense	<u>4,976</u>	<u>9,731</u>	<u>5,483</u>

- (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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12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****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	<u>23,336</u>	<u>47,802</u>	<u>25,299</u>
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	<u>4,976</u>	<u>9,731</u>	<u>5,483</u>

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	<u>4.00</u>	<u>2,000</u>
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	<u>0.85</u>	<u>1,020</u>



12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****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)	<u>18,360</u>	<u>38,071</u>	<u>19,816</u>
Expected number of shares upon completion of the Listing (unit'000)	<u>740,000</u>	<u>740,000</u>	<u>740,000</u>
Basic earnings per ordinary share (sen)	<u>2.48</u>	<u>5.14</u>	<u>2.68</u>

(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	<u>(32)</u>	<u>(37)</u>	<u>(24)</u>

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



12. ACCOUNTANTS' REPORT (CONT'D)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
30 SEPTEMBER 2023, 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021****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	-	-
	<u>93,335</u>	<u>144,515</u>	<u>113,207</u>

(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).



12. ACCOUNTANTS' REPORT (CONT'D)

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

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	<u>(81,906)</u>	<u>(71,050)</u>	<u>(52,853)</u>
Net cash	<u>(50,853)</u>	<u>(47,533)</u>	<u>(28,310)</u>
Total capital	142,743	126,383	89,032
Net cash	<u>(50,853)</u>	<u>(47,533)</u>	<u>(28,310)</u>
Equity	<u>91,890</u>	<u>78,850</u>	<u>60,722</u>
Gearing ratio	<u>*</u>	<u>*</u>	<u>*</u>

* 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.



12. ACCOUNTANTS' REPORT (CONT'D)

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

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.



12. ACCOUNTANTS' REPORT (CONT'D)

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%
	<u>13,697</u>	<u>100.00%</u>	<u>21,066</u>	<u>100.00%</u>	<u>17,198</u>	<u>100.00%</u>

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.



12. ACCOUNTANTS' REPORT (CONT'D)**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	<u>17,347</u>	<u>12,407</u>	<u>24,097</u>	<u>53,851</u>
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	<u>19,838</u>	<u>9,837</u>	<u>17,659</u>	<u>47,334</u>
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	<u>32,620</u>	<u>8,283</u>	<u>22,696</u>	<u>63,599</u>

* 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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12. ACCOUNTANTS' REPORT (CONT'D)

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%	<u>(1,887)</u>	<u>(1,944)</u>	<u>(2,044)</u>
Effects on equity			
USD/RM			
- Strengthen by 5%	-	-	-
- Weaken by 5%	<u>-</u>	<u>-</u>	<u>-</u>
Effects on profit after tax			
EUR/RM			
- Strengthen by 5%	225	11	14
- Weaken by 5%	<u>(225)</u>	<u>(11)</u>	<u>(14)</u>
Effects on equity			
EUR/RM			
- Strengthen by 5%	-	-	-
- Weaken by 5%	<u>-</u>	<u>-</u>	<u>-</u>
Effects on profit after tax			
GBP/RM			
- Strengthen by 5%	178	121	72
- Weaken by 5%	<u>(178)</u>	<u>(121)</u>	<u>(72)</u>
Effects on equity			
GBP/RM			
- Strengthen by 5%	-	-	-
- Weaken by 5%	<u>-</u>	<u>-</u>	<u>-</u>

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



12. ACCOUNTANTS' REPORT (CONT'D)**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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12. ACCOUNTANTS' REPORT (CONT'D)

**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 More than					Total RM'000
				two (2) years RM'000	three (3) years RM'000	four (4) years RM'000	five (5) years RM'000	five (5) years 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)



12. ACCOUNTANTS' REPORT (CONT'D)

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 More than				Total RM'000
				two (2) years RM'000	three (3) years RM'000	four (4) years RM'000	five (5) years 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)	(24,215)



12. ACCOUNTANTS' REPORT (CONT'D)**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.



12. ACCOUNTANTS' REPORT (CONT'D)

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
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceed before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	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
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 Comparative Information</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)</i>	1 January 2023
<i>Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)</i>	1 January 2023
<i>Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to MFRS 16 Leases - Lease Liability in a Sale and Leaseback</i>	1 January 2024
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2024
<i>Amendments to MFRS 101 Non-current Liabilities with Covenants</i>	1 January 2024
<i>Amendments to MFRS 107 and MFRS 7 Supplier Finance Arrangements</i>	1 January 2024
<i>Amendments to MFRS 121 Lack of Exchangeability</i>	1 January 2025
<i>Amendments to MFRS 112 International Tax Reform - Pillar Two Model Rules</i>	See MFRS 112 paragraph 98M
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	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.



12. ACCOUNTANTS' REPORT (CONT'D)

**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



13. ADDITIONAL INFORMATION

13.1 EXTRACT OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the provisions of our Constitution and by applicable laws. The words and expressions appearing in the following provisions shall have the same meaning used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

Words	Meanings
“ACE Market”	Means ACE Market of Bursa Securities or any other market of Bursa Securities on which the Company is listed at the relevant time.
“Act”	Means the Companies Act 2016 and any statutory modification, amendment or re-enactment thereof and any other legislation for the time being in force made thereunder and any written law for the time being in force concerning companies and affecting the Company.
“Authorised Nominee”	Means a person who is authorised to act as nominee as specified under the Rules of Bursa Depository.
“Beneficial Owner”	Means the ultimate owner of the Deposited Securities who is the person who is entitled to all rights, benefits, powers and privileges and is subject to all liabilities, duties and obligations in respect of, or arising from, the Deposited Securities, and does not include a nominee of any description.
“Board”	Means the Company’s Board of Directors and where the context permits or requires, shall mean the Directors whose number is not less than the required quorum acting as a Board of Directors.
“Bursa Securities”	Means Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W)) or such other name by which it may be known from time to time.
“Bursa Depository”	Means Bursa Malaysia Depository Sdn. Bhd. (Registration No.:198701006854 (165570-W)) and/or its nominee.
“Company”	Means NORTHEAST GROUP BERHAD (Registration No.: 202201025913 (1471610-P)).
“Constitution”	Means this constitution as originally framed or as altered from time to time by Special Resolution.
“Deposited Securities”	Means a security standing to the credit of a securities account and includes a security in a securities account that is in suspense as contained in the Central Depositories Act and/or the Rules of Bursa Depository.
“Depositor”	Means a holder of a Security Account.
“Director(s)”	Means the director for the time being of the Company (inclusive of alternate or nominee directors).

13. ADDITIONAL INFORMATION (CONT'D)

“Electronic form”	Means any document or information sent, supplied, conveyed or transmitted initially and received at its destination by the intended recipient by means of electronic equipment in any form or modes for the processing (which expression includes digital compression) or storage of data received, conveyed or transmitted via wire, radio, optical, cloud, website means or any other electromagnetic means or equivalent and as permitted under the Listing Requirements or any combination thereof.
“Exempt Authorised Nominee”	Means an authorised nominee defined under the SICDA, which is exempted from compliance with the provision of Section 25A(1) of the SICDA.
“Listing Requirements”	Means ACE Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time.
“market day”	Means any day between Monday to Friday (inclusive of both days) on which Bursa Securities is open for trading of securities and which is not a public holiday.
“Member(s)”	Means any person for the time being holding shares in the Company and whose name appears in the Register of Member or the Record of Depositors (except Bursa Depository Nominees Sdn. Bhd.).
“Office”	Means the registered office for the time being of the Company.
“Ordinary Resolution”	Means a resolution passed in accordance with the conditions prescribed in Section 291 of the Act.
“Record of Depositors”	Means the record of depositors provided by Bursa Depository to the Company under Chapter 24.0 of the Rules of Bursa Depository.
“Register of Members”	Means the register of members to be kept pursuant to the Act.
“Rules of Bursa Depository”	The rules of Bursa Depository as issued under the SICDA
“Seal”	Means the common seal of the Company.
“Secretary”	Means any person or persons appointed to perform the duties of the secretary of the Company and shall include a joint, temporary, assistant or deputy secretary.
“Securities”	Means securities as defined in Section 2 of the Capital Markets and Services Act 2007 or any modification, amendments or re-enactment thereof for the time being in force.
“Security Account”	Means an account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such Securities by the Depositor.

13. ADDITIONAL INFORMATION (CONT'D)

“SICDA”	Means the Securities Industry (Central Depositories) Act 1991 and every statutory amendment, modification or re-enactment thereof for the time being in force.
“Special Resolution”	Means a resolution passed in accordance with the conditions prescribed in Section 292 of the Act.

13.1.1 Remuneration of DirectorsArticle 97 – Fees and benefits for non-executive Directors

The fees of the Directors, and any benefits payable to the Directors including compensation for loss of employment of a Director shall from time to time be determined by an Ordinary Resolution of the Company in meeting of Members and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that:

- (a) salaries payable to executive Director(s) may not include a commission on or percentage of turnover;
- (b) fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;
- (c) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
- (d) fees and benefits to Directors shall not be increased except pursuant to an Ordinary Resolution of the Company passed in meeting of Members, where notice of the proposed increase has been given in the notice convening meeting.

Article 98 – Reimbursement of expenses

The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Board or Member.

Article 99 – Special fees and benefits

Subject to Article 97, any Director who by request of the Board serves on any committee or perform special services for any purposes of the Company may be paid such exact fees and benefits as the Board may determine.

Article 117 – Appointment or removal of an alternate Director

A Director may appoint any person (other than a Director) approved by a majority of the other Directors to act as his alternate Director and at his discretion by way of a notice to the Company, remove such alternate Director from office. An alternate Director may only be appointed as an alternate to one (1) Director. Any fee paid by the Company to an alternate Director shall be deducted from that Director's remuneration.

Any appointment or removal of an alternate Director may be made in writing and send by hand, post, facsimile or in any other form or manner, electronic or otherwise, as approved by the Board.

13. ADDITIONAL INFORMATION (CONT'D)

Article 121 – Remuneration

The remuneration of a Managing Director shall be fixed by the Board and may be by way of salary or otherwise but such remuneration shall not include a commission on or percentage of turnover but it may be a term of his appointment that he shall receive pension, gratuity or other benefits upon his retirement.

13.1.2 Voting and borrowing powers of our DirectorsArticle 101 – Business of Company to be managed by the Board

The business of the Company shall be managed by the Board, who may exercise all such powers of the Company as are not by the Act, the Listing Requirements or by the Constitution required to be exercised by the Company in meeting of the Members, subject nevertheless to any of this Constitution, to the provisions of the Act, the Listing Requirements and to such regulations, being not inconsistent with the Constitution or such provisions, as may be prescribed by Ordinary Resolution of the Company in meeting of the Members, but no regulation made by the Company in meeting of the Members shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

Article 102 – The Board's borrowing power

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company, or its subsidiaries PROVIDED ALWAYS that nothing contained in the Constitution shall authorise the Board to borrow any money or mortgage or charge any of the Company's undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

Article 112 – Chairman to have casting vote

Subject to the Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Board and PROVIDED ALWAYS that in case of an equality of votes, the chairperson of the meeting shall have a second or casting vote. However, in the case of an equality of votes and where only two (2) Directors form a quorum, a chairperson of a meeting at which only such a quorum is present or at which only two (2) Directors are competent to vote on the question at issue, shall not have a casting vote.

Article 114 – Disclosure of interest by Directors

Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by law. Subject to Section 222 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

13. ADDITIONAL INFORMATION (CONT'D)

Article 115 – Power to vote

Subject to Article 114 hereof, a Director shall vote in respect of:

- (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.

Article 116 – Directors may become directors of other corporation

A Director of the Company may be or become a Director or other officer of or otherwise be interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation, which is directly or indirectly interested in the Company as shareholder or otherwise and no such Director shall be accounted to the Company for any remuneration or other benefit received by him as a Director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation in such manner and in all aspects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation) and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed, a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid PROVIDED ALWAYS that he has complied with Section 221 of the Act and other relevant provisions of the Act and the Constitution.

13.1.3 Changes in capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rightsArticle 8 – Class of shares

The share in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, voting, return of capital or otherwise as set out in the Constitution.

Article 9 – Alteration of share capital

Subject always to the provision of Article 8 hereof, the Company shall have the power to increase or reduce the capital, to consolidate or subdivide the shares into shares of larger or smaller amounts to issue all or any part of the original or any additional capital as fully paid or partly paid shares, and with any special or preferential rights or privileges, or subject to any special terms or conditions and either with or without any special designation and also from time to time alter, modify, commute, abrogate or deal with any such privileges, terms, conditions or designations in accordance with the regulations for the time being of the Company.

13. ADDITIONAL INFORMATION (CONT'D)

Article 10 – Allotment of shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of the Act, Listing Requirements, the Constitution, and to the provisions of any resolution of the Company, the Board may issue, allot or otherwise dispose of such shares to such persons at such price, on such terms and conditions, with such preferred, deferred, or other special rights and subject to such restrictions and at such times the Board may determine PROVIDED ALWAYS that:

- (a) shares in the Company shall not be issued to transfer a controlling interest in the Company without the prior approval of shareholders in meeting of Members;
- (b) in the case of shares other than ordinary shares, no special rights shall be attached until the same has been expressed in the Constitution; and
- (c) no Directors shall participate in a scheme that involves in a new issuance of shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

Article 11 – Rights of preference shareholders

Subject to the Act, any preference shares may with the sanction of an Ordinary Resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed and the Company shall not issue preference shares ranking in priority over preference shares already issued but may issue preference shares ranking equally therewith.

A holder of preference shares must have a right to vote in each of the following circumstances:

- (a) during such period as the preferential dividend or any part thereof remains in arrear and unpaid, such period starting from a date not more than twelve months, or such lesser period as the articles may provide, after the due date of the dividend;
- (b) upon any resolution which varies the rights attached to such shares; or
- (c) upon any resolution for the winding up of the company.

A holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports, audited financial statements and attending meetings.

13. ADDITIONAL INFORMATION (CONT'D)

Article 13 – Modification of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of seventy-five per centum (75%) of the issued shares of that class, or with the sanction of a Special Resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting the provisions of the Constitution relating to meetings of Members shall mutatis mutandis apply so that the necessary quorum shall be two (2) persons at least holding or representing by proxy at least one-third (1/3) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such Special Resolution, the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

Article 14 – Alteration of rights by issuance of new shares

The rights conferred upon the holders of the shares of any class issued with preferred or other rights, shall unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards to participation in the profits or assets of the Company in some or in all aspects pari passu therewith.

Article 55 – Power to increase capital

The Company may from time to time, whether all the shares for the time being issued shall have been fully called up or not, by Ordinary Resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase may direct.

Article 56 – Offer of new shares or securities

Subject to any direction to the contrary that may be given by the Company in meeting of Members, all new shares or other convertible securities of whatever kind, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of meetings of Members in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares and securities offered and limiting a time within which the offer, if not accepted shall be deemed to be declined and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Board may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Board may also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Board, be conveniently offered under Article 56.

13. ADDITIONAL INFORMATION (CONT'D)

Article 57 – Ranking of new shares

Except so far as otherwise provided by the conditions of issue in the Constitution, any shares capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital.

Article 58 – Power to alter capital

- (a) The Company may alter its share capital in any one or more of the following ways by passing an Ordinary Resolution to:
- (i) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
 - (ii) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; or
 - (iii) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.
- (b) The Company may alter its share capital in any one or more of the following ways by passing a Special Resolution to:
- (i) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; or
 - (ii) reduce its share capital, in any manner subject to the requirements and consents required, and with any incident authorised, under the Act and the Listing Requirements.

13.1.4 Transfer of securities

Article 42 – No restriction on transfer of fully paid-up listed securities

Subject to the Act, the Constitution, Rules of Bursa Depository and except as may be required by law, there shall be no restriction on the transfer of fully paid-up listed Securities in the Company.

Article 43 – Transfer of securities

The transfer of any listed Securities or class of listed Securities of the Company shall be by way of book entry by Bursa Depository in accordance with the Rules of Bursa Depository and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemptions that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed Securities.

13. ADDITIONAL INFORMATION (CONT'D)

13.2 LIMITATION ON THE RIGHT TO OWN SECURITIES AND/OR EXERCISE VOTING RIGHTS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his/her/its Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his/her/its Shares to the Ministry of Finance and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository (“**Depositor**”) by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be our shareholder and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

Subject to the above, there is no limitation on the right to own our Shares, including limitations on non-resident or foreign shareholders’ right to hold or exercise voting rights on our Shares imposed by Malaysian law or by our Constitution.

13.3 SHARE CAPITAL

- (i) As at the date of this Prospectus, we have only 1 class of shares, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (ii) The details of the share capital of our Company and our subsidiaries together with their respective changes for the Financial Years Under Review and up to the LPD are disclosed in Sections 5.1.2 and 5.2 of this Prospectus respectively.
- (iii) Save as disclosed in Section 5 of this Prospectus, there is no more than 10% of share capital of our Company or our subsidiaries has been paid for with assets other than cash, within the past 3 years from the LPD.
- (iv) Save for the issuance of our subscribers’ Shares upon our incorporation, the new Shares issued for the Acquisitions and to be issued for the Public Issue as disclosed in Sections 5.1.2 and 3.3.1 of this Prospectus respectively, no Shares, debentures, warrants, options, convertible securities or uncalled capital of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 2 years preceding the date of this Prospectus.
- (v) As at the date of this Prospectus, neither our Company nor our subsidiaries have any outstanding warrant, option, convertible security or uncalled capital.
- (vi) Save for the Pink Form Allocations as disclosed in Section 3.3.1(ii) of this Prospectus, there is no other scheme involving our Directors and employees in the capital of our Group.
- (vii) No Shares will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of this Prospectus.

13. ADDITIONAL INFORMATION (CONT'D)

13.4 EXCHANGE CONTROLS

As at the date of this Prospectus, we do not have any foreign subsidiary or associated company which requires repatriation of capital and remittance of profits by or to our Group.

13.5 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contract (not being contract in the ordinary course of business) during the Financial Years Under Review and up to the date of this Prospectus:

- (i) On 22 December 2021, NE Integrated entered into a sale and purchase agreement with ATC Surface Finishing Sdn Bhd (“**ATC Surface**”) to dispose 1 unit of single storey semi-detached factory with 2 storey office bearing the assessment address of 117, Lorong IKS Juru 5, Taman Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang erected on Lot 20188, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 2190 in for a cash consideration of RM3,240,000. The said disposal was completed on 26 May 2022.
- (ii) On 22 December 2021, NE Integrated entered into a sale and purchase agreement with ATC Surface to dispose 1 unit of single storey semi-detached factory with 2 storey office bearing the assessment address of 119, Lorong IKS Juru 5, Taman Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang, erected on Lot 20189, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under No. Hakmilik GM 2191 for a cash consideration of RM3,240,000. The said disposal was completed on 26 May 2022.
- (iii) On 19 September 2022, Northeast Precision entered into a sale and purchase agreement with Tang Cho Chiang to dispose a double storey shop office bearing the assessment address of 92, Jalan Tasek Mutiara 2, Bandar Tasek Mutiara, 14120 Simpang Ampat, Pulau Pinang erected on Lot 9904, Mukim 15, Daerah Seberang Perai Selatan, Negeri Pulau Pinang held under GRN 139265 for a cash consideration of RM1,000,000. The said disposal was completed on 27 December 2022.
- (iv) On 4 January 2023, NE Components entered into a sale and purchase agreement with Sheng Kimn Hong Sdn Bhd to purchase all that piece of freehold vacant land known as Lot 1143, Mukim 14, Daerah Seberang Perai Tengah Pulau Pinang held under GM 603 for cash consideration of RM12,264,100.00. The said acquisition was completed on 3 May 2023.
- (v) Our Company had on [●], entered into the Underwriting Agreement with the Sole Underwriter for the underwriting of 66,600,000 Issue Shares under Sections 3.3.1(i) and 3.3.1(ii) of this Prospectus, in accordance with the terms and conditions as set out in the Underwriting Agreement. Further details of the Underwriting Agreement are set out in Section 3.9 of this Prospectus.

13.6 PUBLIC TAKE-OVER

None of the following has occurred during the last financial year up to the LPD:

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by us in respect of other company’s shares.

13. ADDITIONAL INFORMATION (CONT'D)

13.7 CONSENTS

- (i) Our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter, Company Secretary, Solicitors, Share Registrar and Issuing House have given their respective written consents for the inclusion in this Prospectus of their names and all references in the form and context in which such names appear before the issue of this Prospectus, and such consents have not subsequently been withdrawn.
- (ii) Our Auditors and Reporting Accountants have given their written consent for the inclusion in this Prospectus of their name, Accountants' Report, Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Statements of Financial Position as at 30 September 2023, and all references thereto in the form and context in which they are contained in this Prospectus before the issue of this Prospectus, and such consent has not subsequently been withdrawn.
- (iii) Our IMR has given their written consent for the inclusion in this Prospectus of their name, IMR Report and all references thereto in the form and context in which they are contained in this Prospectus before the issue of this Prospectus, and such consent has not subsequently been withdrawn.

13.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at Suite 12-A, Level 12, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 George Town, Pulau Pinang during normal office hours for a period of 6 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the audited financial statements of Northeast for the period from 18 July 2022 (date of incorporation) to 30 September 2023;
- (iii) the audited financial statements of each of our subsidiaries for the Financial Years Under Review;
- (iv) the IMR Report as included in Section 7 of this Prospectus;
- (v) the Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Statements of Financial Position as at 30 September 2023 as included in Section 11.9 of this Prospectus;
- (vi) the Accountants' Report as included in Section 12 of this Prospectus;
- (vii) the material contracts referred to in Section 13.5 of this Prospectus; and
- (viii) the letters of consent referred to in Section 13.7 of this Prospectus.

13. ADDITIONAL INFORMATION (CONT'D)

13.9 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Affin Hwang IB, being our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR ISSUE SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

14.1 OPENING AND CLOSING OF APPLICATION

Application for our Issue Shares will be accepted and closed at the time and date stated as below:

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., [●]

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., [●]

If there is any change to the time or date for the closing of the applications for our Issue Shares, 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. The dates for the balloting of the applications for our Issue Shares, the allotment of our Issue Shares and our Listing would then be extended accordingly.

Late Applications will not be accepted.

14.2 METHODS OF APPLICATION

Application must accord with the terms of our Prospectus and our Constitution. You agree to be bound by our Constitution. The submission of an Application Form does not mean that your Application will succeed.

14.2.1 Application for our Issue Shares by the Malaysian Public and the Eligible Persons

Types of Application and category of investors	Application method
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only
Applications by the Eligible Persons	Pink Application Form only

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

14.2.2 Application for our IPO Shares via private placement

Types of Application and category of investors	Application method
Applications by: (i) Selected Investors	Our Sole Placement Agent will contact the Selected Investors directly. They should follow the Sole Placement Agent's instructions
(ii) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera investors directly. They should follow the MITI's instructions

14.3 ELIGIBILITY

14.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE (1)** Application Form for **each category** from each applicant will be considered and **APPLICATION MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES**.

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

AN APPLICANT WHO WISHES TO APPLY FOR ISSUE SHARES OFFERED TO THE MALAYSIAN PUBLIC USING A JOINT BANK ACCOUNT SHOULD COMMUNICATE WITH THE FINANCIAL INSTITUTION IN CHARGE OF IPO APPLICATION TO PROVIDE THE MATCHING NAME IN THE JOINT BANK ACCOUNT AGAINST HIS/ HER CDS ACCOUNT TO THE ISSUING HOUSE. THIS IS TO ENSURE THAT THE ISSUING HOUSE RECEIVES THE IPO APPLICATION WHERE THE NAME IN THE JOINT BANK ACCOUNT MATCHES AGAINST THE NAME IN THE CDS ACCOUNT AND TO MINIMISE THE INCIDENT OF REJECTED IPO APPLICATION DUE TO "CDS ACCOUNT BELONGS TO OTHER PERSON". OUR COMPANY, PRINCIPAL ADVISER AND ISSUING HOUSE ARE NOT RESPONSIBLE FOR ANY ISSUE ARISING THEREAFTER.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

14.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares;
 - (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit the Application by using only 1 of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

14.3.3 Application by the Eligible Persons

Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation.

The Eligible Persons who have made applications using the Pink Application Form may still apply for our Issue Shares allocated to the Malaysian Public using the White Application Form or through the Electronic Share Application or the Internet Share Application.

14.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions printed therein or which are illegible will not be accepted.

The FULL amount payable is RM[●] for each Issue Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO. [●]**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Each completed Application Form accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd
(Registration No. 199301003608 (258345-X))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

- (ii) or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on [●] or by such other time and date specified in any change to the time or date for the closing of the applications for our Issue Shares. We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

14.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Application may be made through the ATMs of these Participating Financial Institutions and their branches namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

14.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of these Internet Participating Financial Institutions namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Malaysia Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

14.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board, reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

14.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House's website at www.mih.com.my within 1 Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.00% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation provisions as set out in Section 3.3.4 of this Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by our Sole Underwriter based on the terms of the Underwriting Agreement.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

14.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

14.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the National Registration Identity Card ("NRIC") or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by the issuance of banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

14.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot.
- (iv) For Applications that are held in reserve and subsequently unsuccessful or partially successful, the relevant Participating Financial Institution or Internet Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution or Internet Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

14.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

- (i) Our Issue Shares allotted to you will be credited into your CDS Account.
- (ii) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. Consequently, our Issue Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealing in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No share certificates will be issued to you and you shall not be entitled to withdraw any deposited security held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

14.11 ENQUIRIES

Enquiries in respect of the Application may be directed as follows:

Mode of Application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at telephone no. +603-7890 4700
Electronic Share Application	The relevant Participating Financial Institution
Internet Share Application	The relevant Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities or the Issuing House at the telephone no. +603-7890 4700 between 5 to 10 Market Days (during office hours only) after the final ballot day.

ANNEXURE A: OUR MATERIAL PROPERTIES

A.1 MATERIAL PROPERTIES OWNED BY OUR GROUP

As at the LPD, the details of the material properties owned by our Group are as follows:

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
1.	Northeast Precision (Factory 1)	<p>Title identification: Lot 21062 (formerly known as Lot 521), Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under PM 460 (formerly known as PM 65)</p> <p>Postal address: 1088 Jalan Juru, Kawasan Perindustrian Juru, 14100 Simpang Ampat, Pulau Pinang</p> <p>Tenure: 60 years' lease expiring on 19 April 2039</p>	<p>Description: Double-storey factory building annexed with a double-storey office building</p> <p>Existing use: Manufacturing plant and office</p> <p>Category of land use: Industrial</p>	8 December 2011 and 27 February 2023	58,329.63/ 44,034.00	<p>Major restriction in interest: This land shall not be transferred, charged, leased or sub-leased, rented or whatsoever transaction without the written consent from the state authority.</p> <p>Major express condition: This land shall be used for "mechanical component factory" only.</p> <p>Major encumbrances: This property is charged to OCBC Bank (Malaysia) Berhad via presentation no. 0701SC2009000960 created on 12 March 2009.</p>	3,444

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
2.	Northeast Precision (Factory 2)	<p>Title identification: PT 181, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under HSD 16517 ("PT 181"); and</p> <p>Lot 20460, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under PN 10893 ("Lot 20460").</p> <p>Postal address: 868, Plot 41, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang</p> <p>Tenure: PT 181: 60 years' lease expiring on 4 February 2057</p> <p>Lot 20460: 60 years' lease expiring on 2 October 2073</p>	<p>Description: Single-storey factory building annexed with a double-storey office building</p> <p>Existing use: <u>PT 181</u> Manufacturing plant, warehouse and office</p> <p><u>Lot 20460</u> Accommodation for workers</p> <p>Category of land use: Industrial</p>	12 September 2003, 14 April 2009 and 10 January 2022	135,549.82/ 74,788.19	<p>Major restriction in interest: <u>PT 181</u></p> <p>(a) This land shall not be transferred, charged, leased or sub-leased, rented or whatsoever transaction without the written consent from the state authority.</p> <p>(b) The land hereby alienated shall not be divided or subdivided.</p> <p>(c) The usage of the land hereby alienated together with the building shall be subject to the approval of PDC and state authority.</p> <p><u>Lot 20460</u> This land shall not be transferred, charged, leased or sub-leased, rented or whatsoever transaction without the written consent from the state authority.</p>	8,780

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
						<p>Major express condition: <u>PT 181</u> The registered proprietor after PDC shall comply with all terms and conditions of the sale and purchase agreement entered into with PDC.</p> <p><u>Lot 20460</u> This land shall be used for industrial only.</p> <p>Major encumbrances: This property is charged to Public Bank Berhad via presentation no. 0799SC2018010995 created on 25 April 2018.</p>	

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
3.	NE Integrated (Factory 3)	<p>Title identification: Lot 7703, Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under PN 10420</p> <p>Postal address: 1946, Lorong IKS Bukit Minyak 1, Taman IKS Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang</p> <p>Tenure: 60 years' lease expiring on 10 January 2056</p>	<p>Description: Double-storey factory building with 3-storey office building annexed with a double-storey factory building with warehouse</p> <p>Existing use: Manufacturing plant, office and warehouse</p> <p>Category of land use: Industrial</p>	12 October 1995 and 30 May 2023	93,473.80/ 89,646.00	<p>Major restriction in interest: This land shall not be transferred, charged, leased or sub-leased, rented or whatsoever transaction without the written consent from the state authority.</p> <p>Major express condition: This land shall be used for industrial only.</p> <p>Major encumbrances: This property is charged to Public Bank Berhad via presentation no. 0799SC2019001976 created on 30 January 2019.</p>	10,135

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
4.	Northeast Precision	<p>Title identification: Lot 20449, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 2255</p> <p>Postal address: 8, Lorong Industri Ringan 4, Kawasan Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang</p> <p>Tenure: Freehold</p>	<p>Description: Double-storey bungalow light industry factory</p> <p>Existing and proposed use: Vacant. Intended to convert the factory to a temporary accommodation for production workers, if required.</p> <p>Category of land use: Nil</p>	30 June 2016	12,766/ 5,627	<p>Major restriction in interest: Nil</p> <p>Major express condition: (First Grade) This land: (a) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Collector's right of way; (b) subject to the implied condition that land is liable to be re-entered if it is abandoned for more than 3 years, shall revert to the State only if the proprietor for the time being dies without heirs; and</p>	2,193

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
						<p>(c) the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract and such produce or deposit and remove it beyond the boundaries of the land).</p> <p>Major encumbrances: This property is charged to Public Bank Berhad via presentation no. 0701SC2016004711 created on 21 December 2016.</p>	

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
5.	NE Components	<p>Title identification: Lot 20435, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 2240</p> <p>Postal address: 1178 Jalan Kebun Baru, Taman Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang</p> <p>Tenure: Freehold</p>	<p>Description: Single-storey semi- detached factory annexed with double- storey office</p> <p>Existing use: Rented to Wilpack Food Services Sdn Bhd for industrial use⁽ⁱ⁾</p> <p>Category of land use: Industrial</p>	22 January 2016 and 8 January 2021	12,518.43/ 6,252.86	<p>Major restriction in interest: Nil</p> <p>Major express condition: This land shall be used for industrial only.</p> <p>Major encumbrances: This property is charged to Hong Leong Bank Berhad via presentation no. 0701SC2015005399 created on 9 December 2015.</p>	2,934

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
6.	NE Components	<p>Title identification: Lot 20448, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 2254</p> <p>Postal address: 6, Lorong Industri Ringan 4, Kawasan Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang</p> <p>Tenure: Freehold</p>	<p>Description: Double-storey of bungalow light industry factory</p> <p>Existing use: Rented to Ircare Sdn Bhd for office, research and development and/or production of products⁽ⁱⁱ⁾</p> <p>Category of land use: Nil</p>	30 June 2016	12,766/ 5,627	<p>Major restriction in interest: Nil</p> <p>Major express condition: (First Grade) This land: (a) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Collector's right of way; (b) subject to the implied condition that land is liable to re-entered if it is abandoned for more than three years, shall revert to the State only if the proprietor for the time being dies without heirs; and</p>	2,451

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
						<p>(c) the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract and such produce or deposit and remove it beyond the boundaries of the land).</p> <p>Major encumbrances: This property is charged to Hong Leong Bank Berhad via presentation no. 0701SC2016004615 created on 15 December 2016.</p>	

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
7.	Northeast Precision	<p>Title identification: Lot 20223, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GRN 155629</p> <p>Postal address: 8, Jalan Carnation, Taman Carnation, 14000 Bukit Mertajam, Pulau Pinang</p> <p>Tenure: Freehold</p>	<p>Description: Double-storey shop office</p> <p>Existing and proposed use: Vacant. Intended to be used as accommodation for employees, if required.</p> <p>Category of land use: Nil</p>	4 December 2015	1,334.72/ 2,478	<p>Major restriction in interest: Nil</p> <p>Major express condition: (First Grade) This land: (a) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Land Administrator's right of way; (b) subject to the implied condition that land is liable to be re-entered if it is abandoned for more than 3 years, shall revert to the State only if the proprietor for the time being dies without heirs; and</p>	370

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
						(c) the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract and such produce or deposit and remove it beyond the boundaries of the land). Major encumbrances: Nil	

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
8.	Northeast Precision	<p>Title identification: Lot 1368, Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 788</p> <p>Postal address: Nil</p> <p>Tenure: Freehold</p>	<p>Description: Vacant land</p> <p>Existing and proposed use: Vacant. Intended to build accommodation for local employees, if required.</p> <p>Category of land use: Nil</p>	N/A	100,710.71/ Nil	<p>Major restriction in interest: Nil</p> <p>Major express condition: (First Grade) This land: (a) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Collector's right of way; (b) subject to the implied condition that land is liable to be re-entered if it is abandoned for more than 3 years, shall revert to the State only if the proprietor for the time being dies without heirs; and</p>	4,712

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

No.	Registered/ Beneficial Owner	Title identification/ Postal address or locality/ Tenure	Description of property/ Existing or proposed use/ Category of land use	Date of issuance of CF/ CCC	Land area/ Built-up area (sq ft)	Major restriction in interest/ condition/ encumbrances	Audited NBV as at 30 September 2023
							RM'000
						<p>(c) the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land).</p> <p>Major encumbrances: This property is charged to Public Bank Berhad via presentation no. 0701SC2019004979 created on 20 December 2019.</p>	
9.	NE Components	<p>Title identification: Lot 1143, Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 603</p> <p>Postal address: Nil</p> <p>Tenure: Freehold</p>	<p>Description: Vacant land</p> <p>Existing and proposed use: Vacant. Intended to build the New Factory⁽ⁱⁱⁱ⁾</p> <p>Category of land use: Nil</p>	N/A	222,983.62/ Nil	<p>Major restriction in interest: Nil</p> <p>Major express condition: Nil</p> <p>Major encumbrances: This property is charged to RHB Islamic Bank Berhad via presentation no. 0701SC2023001469 created on 12 April 2023.</p>	12,829

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

Notes:

Date of tenancy agreement	Landlord	Tenant	Monthly rental (RM)	Duration	Termination clause
(i) 15 June 2023	NE Components	Wilpack Food Services Sdn Bhd	9,500	5 July 2023 until 4 July 2025	<p>In the event the tenant shall desire to terminate the tenancy agreement prematurely before the date of expiration, the tenant shall give the landlord 3 months' notice in advance or RM28,500.00 in lieu of thereof as agreed liquidated damages and not by way of penalty. The rental deposit for the amount of RM28,500.00 paid by the tenant shall be refunded to the tenant without interest. The utility deposit for the amount of RM9,000.00 paid by the tenant shall be only refunded to the tenant upon proof of full settlement of all charges on all utilities supplied to the demised premises (including but not limited to water, electricity, sewerage and tele-communication facilities) being tendered by the tenant.</p> <p>In the event the landlord shall desire to terminate the tenancy prematurely before the date of expiration, the landlord shall give tenant 3 months' notice in advance or RM28,500.00 in lieu of thereof as agreed liquidated damages and not by way of penalty. The rental deposit for the amount of RM28,500.00 paid by the tenant shall be refunded to the tenant without interest. The utility deposit for the amount of RM9,000.00 paid by the tenant shall only be refunded to the tenant upon proof of full settlement of all charges on all utilities supplied to the demised premises (including but not limited to water, electricity, sewerage and tele-communication facilities) being tendered by the tenant.</p>
(ii) 26 June 2023	NE Components	Ircare Sdn Bhd	11,000	1 August 2023 until 31 July 2026	<p>The tenancy shall not be terminated by either party during the first 2 years (not applicable during renewal).</p> <p>During the third year, both parties shall be entitled to terminate the tenancy at any time with 3 months prior written notice to the other party and the termination shall not incur any forfeiture of deposits, penalty or liability payable by terminating party except for any outstanding rental, if any.</p>

ANNEXURE A: OUR MATERIAL PROPERTIES (CONT'D)

(iii) Please refer to Sections 3.7.1 and 6.5.1 of this Prospectus for further details on the construction of the New Factory.

As at the LPD, all properties disclosed above are not in breach of any land use condition or current regulatory requirements, land rules, building regulations or environmental issues which may materially affect our operations and the utilisation of the said properties.

A.2 MATERIAL PROPERTIES RENTED BY OUR GROUP

As at the LPD, we do not have any material properties rented by our Group for our business operations.

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ANNEXURE B: OUR MAJOR LICENCES AND PERMITS

As at the LPD, the details of our major licences and permits for our operations, together with the main conditions imposed and the corresponding status of compliance, are as follows:

No.	Licensee	Approving Authority/ Issuer	Description of Licence/ Permit	Licence No./ Registration No.	Effective date/ Date of expiry	Major conditions Imposed	Status of compliance
1.	NE Components	M BSP	Business licence for precision engineering works factory, office, warehouse and advertisement board "NE Components Sdn Bhd" located at 868, Plot 41, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang.	PRI/02/20220527/7279	5 December 2023/ 31 December 2024	Nil	N/A
2.	NE Integrated	M BSP	Business licence for precision engineering works factory, office, store, advertisement board "NE Integrated Sdn Bhd" located at 1946, Lorong IKS Bukit Minyak 1, Taman IKS Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang.	PRI/02/20220524/9835	5 December 2023/ 31 December 2024	Nil	N/A

ANNEXURE B: OUR MAJOR LICENCES AND PERMITS (CONT'D)

No.	Licensee	Approving Authority/ Issuer	Description of Licence/ Permit	Licence No./ Registration No.	Effective date/ Date of expiry	Major conditions Imposed	Status of compliance
3.	NE Solutions	MBSP	Business licence for precision engineering works factory, office, warehouse and advertisement board "NE Solutions Sdn Bhd" located at 1946, Lorong IKS Bukit Minyak 1, Taman IKS Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang.	PRI/02/20230303/8044	5 December 2023/ 31 December 2024	Nil	N/A
4.	NE Technologies	MBSP	Business licence for manufacture of engineering tools, office, warehouse and advertisement board "NE Technologies Sdn Bhd" located at 1088, Jalan Juru, Kawasan Perindustrian Juru, 14100 Simpang Ampat, Pulau Pinang.	PRI/02/20220706/1471	5 December 2023/ 31 December 2024	Nil	N/A

ANNEXURE B: OUR MAJOR LICENCES AND PERMITS (CONT'D)

No.	Licensee	Approving Authority/ Issuer	Description of Licence/ Permit	Licence No./ Registration No.	Effective date/ Date of expiry	Major conditions Imposed	Status of compliance
5.	Northeast Precision	MBSP	Business licence for precision engineering works, factory, office, warehouse and advertising board "Northeast Precision Sdn Bhd" located at 868, Plot 41, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang.	PRI/02/20220420/6076	5 December 2023/ 31 December 2024	Nil	N/A
6.	Northeast Precision	MBSP	Business licence for operating hostel located at 868, Plot 41, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang.	PRI/01/20220706/9467	5 December 2023/ 31 December 2024	Nil	N/A

ANNEXURE B: OUR MAJOR LICENCES AND PERMITS (CONT'D)

No.	Licensee	Approving Authority/ Issuer	Description of Licence/ Permit	Licence No./ Registration No.	Effective date/ Date of expiry	Major conditions Imposed	Status of compliance
7.	Northeast Precision	MBSP	Business licence for manufacture of engineering tools, factory, office, warehouse and advertisement board "Northeast Precision Sdn Bhd" located at 1088, Jalan Juru, Kawasan Perindustrian Juru, 14100 Simpang Ampat, Pulau Pinang.	PRI/02/20221208/9502	14 September 2023/ 31 December 2024	Nil	N/A
8.	NE Components	MITI/ MIDA	Manufacturing licence for "Precision machined parts and components"	A024712 (Serial No. A041091)	15 August 2022/ Valid until and unless revoked or surrendered	<p>(a) Site: 868, Plot 41, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang (subject to approval from the local authority).</p> <p>(b) MITI and MIDA must be notified on any disposal of shares in the company.</p> <p>(c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.</p>	<p>Complied</p> <p>Complied</p> <p>Noted</p>

ANNEXURE B: OUR MAJOR LICENCES AND PERMITS (CONT'D)

No.	Licensee	Approving Authority/ Issuer	Description of Licence/ Permit	Licence No./ Registration No.	Effective date/ Date of expiry	Major conditions Imposed	Status of compliance
						<p>(d) The company must meet the condition of the capital investment per employee (“CIPE”) ratio of at least RM140,000.</p> <p>(e) Total full-time workforce shall comprise at least 80% Malaysians by 31 December 2024. Employment of foreign workers including outsourced workers shall be subject to the current policies.</p> <p>(f) The company shall submit information on investment performance and project implementation under ICA 1975 and the Malaysian Investment Development Authority (Incorporation) Act, 1965 (“MIDA Act”) when required by MIDA.</p>	<p>Complied</p> <p>To be complied⁽ⁱ⁾</p> <p>Noted</p>

ANNEXURE B: OUR MAJOR LICENCES AND PERMITS (CONT'D)

No.	Licensee	Approving Authority/ Issuer	Description of Licence/ Permit	Licence No./ Registration No.	Effective date/ Date of expiry	Major conditions Imposed	Status of compliance
						(g) The company shall implement its projects as approved and in accordance with the prevailing laws and regulations in Malaysia.	Complied
9.	NE Integrated	MITI/ MIDA	Manufacturing licence for "Precision machined parts and components"	A024568 (Serial No. A042030)	21 June 2022/ Valid until and unless revoked or surrendered	<p>(a) Site: 1946, Lorong IKS Bukit Minyak, Taman IKS Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang (subject to approval from the local authority).</p> <p>(b) MITI and MIDA must be notified on any disposal of shares in the company.</p> <p>(c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.</p>	<p>Complied</p> <p>Complied</p> <p>Noted</p>

ANNEXURE B: OUR MAJOR LICENCES AND PERMITS (CONT'D)

No.	Licensee	Approving Authority/ Issuer	Description of Licence/ Permit	Licence No./ Registration No.	Effective date/ Date of expiry	Major conditions Imposed	Status of compliance
						<p>(d) The company must meet the condition of the CIPE ratio of at least RM140,000.</p> <p>(e) Total full-time workforce shall comprise at least 80% Malaysians by 31 December 2024. Employment of foreign workers including outsourced workers shall be subject to the current policies.</p> <p>(f) The company shall submit information on investment performance and project implementation under the ICA 1975 and the MIDA Act when required by MIDA.</p> <p>(g) The company shall implement its projects as approved and in accordance with the prevailing laws and regulations in Malaysia.</p>	<p>Complied</p> <p>To be complied⁽ⁱ⁾</p> <p>Complied</p> <p>Complied</p>

ANNEXURE B: OUR MAJOR LICENCES AND PERMITS (CONT'D)

No.	Licensee	Approving Authority/ Issuer	Description of Licence/ Permit	Licence No./ Registration No.	Effective date/ Date of expiry	Major conditions Imposed	Status of compliance
10.	NE Technologies	MITI/ MIDA	Manufacturing licence for "Precision machined parts and components"	A024736 (Serial No. A041119)	3 October 2022/ Valid until and unless revoked or surrendered	<p>(i) Site: 1088, Jalan Juru, Kawasan Perindustrian Juru, 14100 Simpang Ampat, Pulau Pinang (subject to approval from the relevant local authority).</p> <p>(ii) MITI and MIDA must be notified on any disposal of shares in the company.</p> <p>(iii) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.</p> <p>(iv) The company must meet the condition of the CIPE ratio of at least RM140,000.</p> <p>(v) Total full-time workforce shall comprise at least 80% Malaysians by 31 December 2024. Employment of foreign workers including outsourced workers shall be subject to the current policies.</p>	<p>Complied</p> <p>Complied</p> <p>Noted</p> <p>Complied</p> <p>To be complied⁽ⁱ⁾</p>

ANNEXURE B: OUR MAJOR LICENCES AND PERMITS (CONT'D)

No.	Licensee	Approving Authority/ Issuer	Description of Licence/ Permit	Licence No./ Registration No.	Effective date/ Date of expiry	Major conditions Imposed	Status of compliance
						(vi) The company shall submit information on investment performance and project implementation under the ICA 1975 and the MIDA Act when required by MIDA.	Complied
						(vii) The company shall implement its projects as approved and in accordance with the prevailing laws and regulations in Malaysia.	Complied
11.	Northeast Precision	MITI/ MIDA	Manufacturing licence for "Precision mechanical components"	A024643 (Serial No. A041003)	29 August 2022/ Valid until and unless revoked or surrendered	(a) Site: 868, Plot 41, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang (subject to approval from the relevant local authority). (b) MITI and MIDA must be notified on any disposal of shares in the company.	Complied. Complied

ANNEXURE B: OUR MAJOR LICENCES AND PERMITS (CONT'D)

No.	Licensee	Approving Authority/ Issuer	Description of Licence/ Permit	Licence No./ Registration No.	Effective date/ Date of expiry	Major conditions Imposed	Status of compliance
						(c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels. (d) The company shall implement its projects as approved and in accordance with the prevailing laws and regulations in Malaysia.	Noted Complied
12.	Northeast Precision (Ng Chay Chin)	Atomic Energy Licensing Board	Atomic Energy Licence: Class C licence under the Radiation Protection (Licensing) Regulation 1986 to purchase, own, possess, handle, use and store irradiating apparatus as stated in the said licence.	LPTA/A/1395 (Serial No. 1395-25740)	15 May 2021/ 14 May 2024	(a) The responsible personnel for the licence is Ng Chay Chin. (b) The licence is not transferable.	Noted Noted
13.	Tang Cho Chiang of Northeast Precision	Ministry of Health	Permit to purchase, store and use of Sodium Hydroxide under Poisons (Sodium Hydroxide) Regulations, 1962	013229	1 January 2024/ 31 December 2024	To purchase up to a maximum of 600kg solid and 7,200 kg liquid Sodium Hydroxide for wastewater treatment and cleaning purpose.	Complied

ANNEXURE B: OUR MAJOR LICENCES AND PERMITS (CONT'D)

No.	Licensee	Approving Authority/ Issuer	Description of Licence/ Permit	Licence No./ Registration No.	Effective date/ Date of expiry	Major conditions Imposed	Status of compliance
14.	Norshidah binti Hashim of NE Integrated	Ministry of Health	Permit to purchase, store and use of Sodium Hydroxide under Poisons (Sodium Hydroxide) Regulations, 1962	013257	1 January 2024/ 31 December 2024	To purchase up to a maximum of 600kg solid Sodium Hydroxide for water treatment and product cleaning purpose.	Complied

Note:

- (i) As at the LPD, NE Components, NE Integrated and NE Technologies have yet to comply with this condition or submit an application to MITI to vary such condition under section 4(4) of the ICA 1975. In the event NE Components, NE Integrated and NE Technologies are unable to comply with this condition by 31 December 2024 and an extension of time application is not approved by MITI, MITI may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and/or revoking the licence for any breach or non-compliance of the condition. As at the LPD, NE Components, NE Integrated and NE Technologies have approximately 17.39%, 23.68% and 67.24% of local workforce respectively.

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