
CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

As part of our Group’s ordinary course of business, we have entered into certain transactions with entities that, upon [REDACTED], will become our connected persons within the meaning given under Chapter 20 of the GEM Listing Rules. Following the [REDACTED], these transactions will continue and will constitute continuing connected transactions under the GEM Listing Rules.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon [REDACTED], the following transactions will constitute fully-exempt continuing connected transactions under the GEM Listing Rules:

Procurement of components and accessories

Our precision component engineering services require the use of certain U.S. made components, parts and materials. Such U.S. made components, parts and materials are usually procured for a specific product of a particular U.S. based customer and may not be suitable for all products of the particular U.S. based customer or products supplied to other U.S. based customers. Our Directors are of the view that, given the relatively smaller quantity of components, parts and materials we need for our business operations (as compared to sizable conglomerates), it is more costly for us to directly procure from local U.S. suppliers who generally impose significant minimum order quantities on international orders. Our Directors note that certain local U.S. suppliers also tend to supply to international customers via their offshore distributors who charge a high margin and also impose high minimum order quantities.

As Metasurface & Co (formerly known as Q’son Corp) is based in the U.S., it could procure parts and components directly from U.S. based manufacturers, distributors or stockists in a more cost-effective manner by saving on piece price and international shipping cost and by a lower minimum order quantity, as compared to procurement of U.S. made components and parts through Singapore distributors or stockists who generally charge a high margin and require a higher minimum order quantity that our Directors consider excessive to our business needs. Singapore distributors or stockists may also wait for sufficiently large accumulated orders before they ship the parts to Singapore which results in inflexible shipment and delays in our receipt of these parts which may affect our production schedule. To the best of our Directors’ knowledge and based on our Group’s communications with the relevant suppliers based in the U.S., certain suppliers do not tend to directly ship and sell the components, parts and materials to customers outside of the U.S. Therefore, Mr. Jee Wee Liang (brother of Mrs. Chua and brother-in-law of Mr. Chua), who resides in the U.S., established Metasurface & Co to help facilitate our Group’s procurement of components, parts and materials in the U.S. Upon receiving requests of specific components, parts and materials from our customers, the Group would then approach Metasurface & Co to request for fee quotes from independent local U.S. suppliers. Upon approval from our Group on the fee quotes, Metasurface & Co would then procure the parts from local independent U.S. suppliers directly and ship the parts to Singapore according to the schedule indicated by us. Metasurface & Co’s pricing

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mechanism is based on the procurement cost of the parts plus (i) administrative and other miscellaneous costs, and (ii) shipping costs incurred, whereas other independent suppliers may charge for the identical components, parts and materials at higher marked-up prices.

During the Track Record Period, we procured components, parts and materials, including stainless steel screw heads, corrosion resistant ball screws, pull-handles and helicoils (the “**US Procurements**”) from U.S. based suppliers through Metasurface & Co. Since our Group was the sole customer of Metasurface & Co. during the Track Record Period, our purchases from Metasurface & Co are identical to the revenue contribution of our Group to Metasurface & Co, which amounted to approximately S\$0.4 million and S\$0.1 million for the years ended 31 December 2022 and 2023, respectively.

Metasurface & Co is directly wholly-owned by Mr. Jee Wee Liang, brother of Mrs. Chua (an executive Director and a Controlling Shareholder). Metasurface & Co is therefore an associate of a connected person of our Company under the GEM Listing Rules.

We expect that the annual amounts to be charged to us by Metasurface & Co under the US Procurements will continue to be less than HK\$3,000,000 and each of the applicable percentage ratios (as defined in the GEM Listing Rules) will continue to be less than 5%. As such, the US Procurements constitute *de minimis* transactions and are fully-exempt continuing connected transactions under Rule 20.74 of the GEM Listing Rules. Therefore, such transactions will be exempted from the reporting, announcement, annual review and shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. We will ensure that the US Procurements will comply with the other applicable provisions under the GEM Listing Rules.

Shared administrative services

During the Track Record Period, in our ordinary and usual course of business, we shared with Metaoptics Technologies our administrative resources, including but not limited to accounting and book keeping resources and supporting staff resources (the “**Shared Administrative Services**”). As Metaoptics Technologies was a subsidiary of our Group during the Track Record Period until the relevant disposal in May 2023, we did not formally allocate these resources and their corresponding expenses to Metaoptics Technologies. During the Track Record Period, the Shared Administrative Services paid by Metaoptics Technologies to our Group amounted to nil and approximately S\$3,000 for the years ended 31 December 2022 and 2023, respectively.

On 24 November 2023, we have formalised the Shared Administrative Services and entered into a framework agreement (the “**Shared Administrative Services Agreement**”) with Metaoptics Technologies for a term commencing on 1 June 2023 until 31 December 2024 and thereafter shall be renewed in writing for subsequent periods of three years, subject to compliance with the GEM Listing Rules, pursuant to which, we shall share with Metaoptics Technologies the Shared Administrative Services by charging Metaoptics Technologies for the Shared Administrative Services

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on an at cost basis annually and that the relevant costs must be identifiable and allocated to Metaoptics Technologies based on actual expenses incurred by us. The cost basis shall be calculated by actual time cost spent by the relevant personnel.

As at the Latest Practicable Date, Metaoptics Technologies is owned as to approximately 33.33% by Mr. Thng, an executive Director and a substantial Shareholder. Metaoptics Technologies is therefore an associate of a connected person of our Company under the GEM Listing Rules.

We expect that the amounts to be charged to Metaoptics Technologies under the Shared Administrative Services will continue to be on an at cost basis, and the costs involved will continue to be identifiable and allocated to us and Metaoptics Technologies on a fair and equitable basis. As such, the Shared Administrative Services will constitute fully-exempt continuing connected transactions under Rule 20.96 of the GEM Listing Rules. We will ensure that the Shared Administrative Services will comply with the other applicable provisions under the GEM Listing Rules.

Letter of appointment

Mr. SOH Cheng Heong (“**Mr. CH Soh**”) is a brother of Mr. Soh (a director of SGP Malaysia and a member of our senior management) and a brother-in-law of Ms. Pang (a director of SPW, a Shareholder and the spouse of Mr. Soh), and therefore an associate of connected persons of our Company under the GEM Listing Rules. Mr. CH Soh has been general manager of SPW since 12 April 2021 (the “**Employment**”). On 26 May 2023, Mr. CH Soh entered into a supplemental agreement with SPW pursuant to which the end date of the term of his employment was amended to 11 April 2024.

During the years ended 31 December 2022 and 2023, the aggregate remuneration to Mr. CH Soh amounted to approximately S\$91,000 and S\$130,000, respectively. We expect Mr. CH Soh will continue to be employed by our Group in the same position upon and following the [REDACTED]. We expect that the annual remuneration payable to Mr. CH Soh shall continue to be less than HK\$3,000,000, as determined by our Directors with reference to Mr. CH Soh’s remuneration under his letter of appointment and the expected adjustments in remuneration during the term of employment. Each of the applicable percentage ratios (as defined in the GEM Listing Rules) will continue to be less than 5%. As such, the Employment constitutes a *de minimis* transaction and is a fully-exempt continuing connected transaction under Rule 20.74 of the GEM Listing Rules. Therefore, such transaction will be exempted from the reporting, announcement, annual review and shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. We will ensure that the Employment will comply with the applicable provisions under the GEM Listing Rules.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the US Procurements, the Shared Administrative Services and the Employment and the terms of each of them have been and will be conducted on normal commercial terms and in the interests of our Company and our Shareholders as a whole.