RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the [REDACTED]. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. This document contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the [REDACTED] could decline due to any of these risks and you may lose all or part of your investment.

Our Directors believe that there are certain risks involved in our business operations, which can be classified into: (i) risks relating to our business and the industry in which we operate, (ii) risks relating to the [REDACTED], and (iii) risks relating to statements made in this document.

RISKS RELATING TO OUR BUSINESS AND THE INDUSTRY IN WHICH WE OPERATE

We derive a significant portion of our revenue from our major customers and we cannot assure you that we will successfully maintain business relationships with our major customers and there is no assurance that we will be able to secure new orders from other customers of similar size

During the Track Record Period, we derived a significant portion of our revenue from our major customers. For the years ended 31 December 2022 and 2023, our five largest customers for the corresponding year accounted for approximately 76.0% and 80.0% of our total revenue, respectively. Furthermore, Customer A contributed to 31.8% and 21.7% of our total revenue for the years ended 31 December 2022 and 2023, respectively. To the best knowledge of our Directors, Customer B, Customer C and Customer D are contract manufacturers and/or service providers of Customer A, and it is possible that certain products we manufactured for these customers may be supplied, directly or indirectly, by them to Customer A. See "Business — Our Customers". According to the CIC Report, it is not uncommon for market participants in the semiconductor segment of precision component engineering industry to have a highly concentrated customer base since the end-use semiconductor manufacturing equipment industry is concentrated and dominated by a limited pool of advanced semiconductor equipment manufacturers with the top three market players accounting for more than 40% of the global market share in terms of revenue in 2023.

We expect revenue from our five largest customers, including Customer A, to continue to account for a significant portion of our revenue. As we do not enter into a long term contract or framework sales agreement with some of our major customers, we cannot assure you that we will be able to maintain business relationships with all our major customers and there is no assurance that we will be able to secure new orders from other customers of similar size. If any of our five largest customers, in particular Customer A, ceases business relationships with us due to reasons including but not limited to us no longer being its approved supplier, or its business and financial performance suffers a decline for any reason, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to diversify our customer portfolio and expand into new markets

We have strategically focused on the provision of precision component engineering services for the semiconductor industry. For the years ended 31 December 2022 and 2023, 91.3% and 87.9% of our total revenue was generated from sales to the semiconductor industry, respectively. The global semiconductor industry and the global semiconductor manufacturing equipment industry are driven by fluctuation of inventory and worldwide economic growth. Accordingly, our business may be adversely affected by the market downturn in the global semiconductor industry. According to the CIC Report, the global semiconductor manufacturing equipment market recorded a CAGR of 14.6% from US$61.7 billion in 2019 to US$106.3 billion in 2023. Even though the revenue of global semiconductor industry and global semiconductor manufacturing equipment industry are expected to grow further in the long term, the demand for semiconductor products may experience brief periods of ups and downs in the short term. In particular, the global semiconductor manufacturing equipment market is expected to witness a transition year in 2024 from the de-stocking of inventories accumulated starting in 2023 and have a strong rebound in 2025 and further increase to US$180.6 billion in 2028 driven by capacity expansion, new fabrication projects, and demand for advanced equipment and solutions across the front-end and back-end segments, including wafer processing, testing, assembly, packaging, etc., of the semiconductor industry, and supportive policies of the semiconductor industry across the world, including Singapore Manufacturing 2030 vision (the government's 10 year plan to increase the manufacturing value-add of Singapore by 50% by 2030 and for Singapore to become a global business, innovation and talent hub for advanced manufacturing), CHIPS and Science Act (a U.S. federal statute enacted in 2022 which provides support to develop domestic production of semiconductors with incentives such as subsidies and investment tax credits in the U.S.), The European Chips Act (an act came into force in 2023 to incentivise public and private investments in semiconductor manufacturing facilities in Europe), etc. according to the CIC Report. The volatility and uncertainty within the global semiconductor industry and the global semiconductor manufacturing equipment industry are driven by systemic economic, political, or financial crisis and impact of tariffs and/or other trade barriers. We cannot guarantee that the favourable development of the global semiconductor industry and the global semiconductor manufacturing equipment industry will sustain and grow as projected or at all. If the global semiconductor industry and the global semiconductor manufacturing equipment industry cannot achieve the projected growth as disclosed in this document, our Group's business, expansion plans, financial condition and results of operations will be materially and adversely affected.

Our major markets are located in Singapore, Malaysia and the U.S. We intend to diversify our customer portfolio, expand into other industries and enhance our market presence in the aerospace and data storage industries, and expand geographically beyond our major markets. However, we may not be able to successfully expand into new industries or new markets or further expand our presence in the aerospace and data storage industries as there are other established international and local precision component engineering service providers operating in such markets which may possess more in depth experience, more established customer relationships, higher level of expertise, technical know-how and financial ability to capitalise on pricing strategies and to offer more comprehensive services to gain an edge over us in competition. For further information on the competitive landscape of the industry, see "Industry Overview".

Demand for our precision component engineering services depends on, among other things, the trends and developments in the downstream industries, such as semiconductor, aerospace and data storage, and the condition of the global economy

We primarily provide precision engineering services to downstream customers which are involved in manufacturing of equipment for the semiconductor, aerospace and data storage industries. As such, demand for our precision engineering services is closely correlated to the market development of these industries, which in turn depends on the respective demand for the products in these industries. Besides, we mainly manufacture parts and components for integration and assembly into the manufacturing equipment of our customers. The product lifecycle of the machinery and manufacturing equipment produced by our customers will also have a corresponding effect on the demand for our precision engineering services.

Factors affecting our end-markets are beyond our control. If any factor occurs in the future which results in material slowdown of any or all of our major end-markets, or the growth of our end-markets is not sustained, our business, financial condition, results of operations and prospects may be materially and adversely affected. In particular, if future demands for semiconductors related products decrease for any reason, Customer A and other customers in the semiconductor sector may experience a corresponding decrease in demand for their manufacturing equipment, which in turn may materially reduce demand for our precision component engineering services and materially and adversely affect our business, results of operations and financial condition.

We do not enter into long-term agreements with most of our customers

We do not enter into a long-term contract or framework sales agreement with most of our customers, which is not uncommon in the precision engineering industry according to the CIC Report. As our customers mainly place orders with us on an order-by-order basis, there is no assurance that our customers will continue placing orders with us at a comparable level as they did during the Track Record Period or at all.

The volume of purchase orders from our customers may vary significantly from time to time and we cannot guarantee that our business will grow or remain stable as it did during the Track Record Period. If our customers reduce their orders or cease placing orders with us, our business, financial condition and results of operations may be materially and adversely affected.

We may be unable to effectively and efficiently manage the supply and quality of our raw materials and we generally do not enter into long term supply agreements with our major suppliers of raw materials

Our manufacturing process involves precision machining and precision welding of components and parts using raw materials specified by our customers according to the product specifications. We procure raw materials from third party suppliers, some of which are designated by our customers, and we may outsource some of the production processes to third party suppliers. Although we have implemented stringent control over procurement, inspection and acceptance of raw materials and outsourced processes, we may not be able to ensure the adequacy of supply and quality of raw materials procured and processes outsourced.

We generally do not maintain long term supply agreements with our major suppliers or maintain excess inventories of raw materials. If, for whatever reason, any of our major suppliers of raw materials and third party service providers ceases to supply us with sufficient amount of raw materials and processing services, it would cause disruption in our supplies and we may experience material production delays. If any of these events occurs, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our business and results of operations may be materially and adversely affected if we fail to retain or hire qualified engineering staff and production personnel

We consider knowledge, skills and experience of our technical staff as one of our most valuable assets which differentiate us from our competitors and believe that one of the major factors to our success is the continued service of our core team of experienced employees. As our manufacturing processes mainly involve the operation of CNC machines and welding technique by our technical staff, the skills of our labour to achieve the high precision engineering standard demanded by our customers are critical to our quality of services. Our production team generates internal production work instructions to set out the manufacturing process for different orders. The expertise of our production team will determine the quality of our products. Our future success requires the continued service of our current skilled engineering staff and our ability to recruit additional skilled engineering staff in the future. As at 31 December 2023, we had in total 106 production staff members in our Singapore Factory and Malaysia Factory. According to the CIC Report, competition for technicians for advanced manufacturing is intense in Singapore due to COVID-19 travel restrictions and the number of foreign workers a manufacturer can employ is limited by the applicable quota or the dependency ratio ceiling.

Since the outbreak of COVID-19 pandemic, it is more difficult for us to hire high quality engineering staff due to the immobility caused by travel restrictions, and the government levy we have to pay in relation to employment of foreign workers. For details, see "Regulatory Overview". If we fail to retain or recruit high-quality engineering staff, we may experience difficulties in employing new production techniques, expanding our production capacities or maintaining product quality, which may in turn materially and adversely impact our business, results of operations and our reputation.

In addition, skilled and experienced engineers who are accustomed to our complex production process are not easily and quickly accessible. As a result, if a large number of these engineers terminate employment with us in a short period of time, we may encounter interruption to our production, which would have a material adverse effect on our operations.

Part of our workforce is made up of foreign workers and inability to recruit foreign workers could materially and adversely affect our operations and financial performance

Our business is dependent on the employment of foreign workers because local manufacturing labour force is limited and relatively more costly. As advised by our Singapore Legal Advisers and Malaysia Legal Advisers, supply of foreign labour in Singapore and Malaysia is subject to certain laws and regulations. For details of the relevant laws and regulations, see "Regulatory Overview". Any shortage in the supply of foreign workers or any further restriction on the number of foreign workers that we can employ for our business will materially and adversely affect our operations and financial performance. As at 31 December 2023, we had 62 and 4 foreign workers in our Singapore Factory and Malaysia Factory, respectively. Consequently, our operations and financial performance may be adversely affected by any shortage in the supply of foreign workers and any increase in cost of foreign labour.

In particular, as advised by our Singapore Legal Advisers, the number of workers that an employer in the manufacturing sector can employ in Singapore is subject to quota and levy imposed by the Ministry of Manpower. For details, see "Regulatory Overview — Laws and Regulations in Singapore — Employment of Foreign Manpower Act". The tightening of such quota and any increase in the percentage of foreign workers we employ as part of the total workforce could increase the amount of levy we need to pay, which may increase our operating expenses and adversely affect our business and financial performance. In Malaysia, as advised by our Malaysia Legal Advisers, a valid employment permit is required for non-citizens to be employed in Malaysia. For details, see "Regulatory Overview — Laws and Regulations in Malaysia — Employment and Labour Protection — Employment (Restriction) Act 1968". Any change in policies regarding the employment of foreign workers in Singapore and Malaysia may affect the supply of foreign labour and cause disruptions to our operations, thus causing delays in our productions.

Fluctuations in labour cost and prices of raw materials could negatively impact our operations and adversely affect our profitability and we may not be able to pass on our increased costs of labour and raw materials to our customers

For the years ended 31 December 2022 and 2023, our direct labour costs amounted to approximately S$4.4 million and S$5.3 million, representing approximately 18.9% and 22.0% of our total cost of sales, respectively. Also, as advised by our Singapore Legal Adviser, levy is imposed by the Ministry of Manpower of Singapore on employers for each foreign worker hired. According to the CIC Report, with the continuous development of the economy, the average monthly salaries in the manufacturing industry in Singapore and Malaysia have shown an increasing trend during 2019 to 2023. In particular, the average monthly salaries in the manufacturing industry increased by 6.8% and 31.0% in Singapore and Malaysia, respectively in 2022 due to economic recovery from COVID-19 pandemic in both countries and the increase in minimum wage in Malaysia. In the event that there is any significant increase in the staff costs due to rising government levy on foreign workers or the minimum wage rate, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

Also, during the Track Record Period, we generally procured raw materials primarily including aluminium for our production. According to the CIC Report, prices for iron and steel and aluminium in Malaysia, the U.S., the EU and South Africa are forecasted to grow at CAGRs ranging from 1.1% to 4.0% and 0.3% to 5.7% , respectively, from 2023 to 2028. For the prices and price fluctuation for our major raw materials in the market during the Track Record Period, see "Industry Overview — Cost analysis of the precision component engineering industry in Singapore". If the price of our raw materials substantially increases, we may incur additional costs to acquire sufficient quantity of these materials to meet our production needs. Although we source certain raw materials from suppliers designated by our customers, we may not be able to shift the increase in cost of raw materials to our customers effectively. If we are unable to increase the prices of our products to set-off any increase in our costs of raw materials in a timely manner, our profit margin and results of operations may be materially and adversely affected.

In addition, if raw materials are not available with the suppliers designated by our customers at acceptable prices or with the required quantity and quality or at all, we may need to identify other alternative sources of raw materials. If we cannot identify alternative sources of raw materials when needed, at acceptable prices or with the required quantity and quality, or at all, the resulting loss of production volume may materially and adversely affect our ability to deliver products to our customers in a timely manner, or at all, and therefore our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our business could be adversely affected by long lead time for procurement of machinery and equipment, the shortened useful life cycle of our machinery and equipment and our reliance on our major machinery suppliers and we generally do not enter into long term agreements with our machinery and equipment suppliers

The success of our business depends on our ability to acquire sufficient quantities of quality machinery and equipment, such as CNC machines, welding machines, coordinate measuring machine and helium leak detector, on commercially acceptable terms and in a timely manner. We maintain a list of qualified suppliers from which to procure our machinery and equipment and our different machinery and equipment used in the precision component engineering process are mostly manufactured by overseas suppliers in Taiwan, Germany and Japan.

In case of any machinery and equipment breakdown, we have to procure spare parts from our machinery suppliers for replacement or wait for our suppliers to provide maintenance services on-site. If the lead time for sourcing the relevant machinery or equipment or parts or provision of maintenance services is longer than expected, we may be unable to deliver the precision engineering services to our customers in time or we may need to source such machinery or equipment at a higher price than anticipated.

Also, the useful life of our machinery and equipment may be shorter than expected as we continue to replace our existing machinery with more advanced versions before the end of their originally expected useful life. We have invested and expect to continue to invest in machinery and equipment for our production and we depreciate the cost of such machinery and equipment over their expected useful life. However, manufacturing technology may evolve rapidly, and we may decide to upgrade our manufacturing process with more advanced equipment more quickly than expected. The useful life of any equipment that would be retired early as a result would then be shortened, causing the depreciation on such equipment to be accelerated. For the years ended 31 December 2022 and 2023, we incurred depreciation expenses on property, plant and equipment in total of approximately S$1.1 million and S$1.3 million among our cost of sales and administrative expenses, respectively. To the extent we own our production machinery and equipment, our results of operations could be negatively impacted by the fluctuations of our depreciation expenses.

Also, we mainly source our machinery and equipment from certain machinery suppliers. However, we generally do not enter into long-term agreements with our major machinery and equipment suppliers as we would like to reserve our flexibility to source our machinery as well as various auxiliary tools in different models or from different suppliers in accordance with our customers' requirements. The relationships between us and our major suppliers for machinery and equipment and the willingness of such suppliers to supply machinery and auxiliary tools to us will be critical to our business and operations. If any of our major suppliers does not continue to supply us with the necessary machinery and auxiliary tools and we fail to source from new suppliers in due course with competitive prices or at all, our business, financial condition and results of operations could be adversely affected.

We may fail to maintain and renew our industry-specific certifications in relation to our quality control and production technologies

Our production of precision engineering parts and components requires a high degree of accuracy, repeatability and efficiency. As such, the effectiveness of our quality control system is of utmost importance to our business. The quality assurance of our products requires us to adopt a stringent quality control system which involves us placing a significant amount of capital and human resources to ensure that every step of the production processes is being strictly monitored. For details of our quality control, see "Business — Quality management". If we are unable to maintain our effective quality control system or to renew our quality control certifications, it may result in a decrease in demand for our services which would diminish our competitiveness in the precision engineering market. Furthermore, we may risk delivering products or services that are faulty, irregular or ineffective, which in turn would cause us to become liable to various product liability claims or other forms of litigation.

In addition, some of our existing or potential customers require us to source products only from suppliers that are accredited with certain certifications in relation to technological standards. They may also have specific internal procedures and standards that potential suppliers need to meet before qualifying as their approved suppliers such as obtaining SSQA certification and ASME BPVC Section IX: 2017 certification, passing specific internal procedures such as copy exact training and assessment, acquiring certifications such as ISO 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018 certifications and cleanroom licence. These industry-specific certifications are crucial to the operation of our business and are generally subject to periodical review and renewal by the relevant issuing authorities. However, we cannot assure you that we can successfully renew these certifications or that these certifications are sufficient for us to conduct all of our present or future business. Moreover, as we further develop and expand our operations, we may need to obtain additional approvals, permits, licences and/or certifications. New and more stringent laws and regulations may be adopted from time to time by different authorities of jurisdictions where we operate. As such, we may be required to obtain additional approvals, permits, licences and/or certifications in order to comply with such new and stricter laws and regulations. If we fail to obtain or maintain any of the required licences or approvals, our operations may be interrupted or restricted, or we may be subject to potential penalties. Any such interruption or penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Besides, our customers may also require us to source raw materials from the designated suppliers approved by them. Accordingly, if we fail to effectively maintain our production standards or renew any of our certifications, pass the specific internal procedures and standards, or source from the designated suppliers, these customers may cease to place orders with us or reduce orders to be placed with us, and we may be unable to maintain or develop business relationships with these existing and potential customers.

We may not be able to respond to change in technical requirements to meet the product specifications by our customers in an efficient and timely manner and we may not be able to maintain our expertise in engineering, technological and manufacturing process

The downstream industries of our customers, including semiconductors, aerospace and data storage industries, are constantly evolving and the technical requirements for our products utilised in such industries are ever-changing. As a result, the technical requirements and the product specifications in the precision engineering industry are subject to continuous evolutions and changes. As we strategically focus on manufacturing high-precision and highly complex machined components, our products may be required to meet increasingly demanding requirements in light of product specifications and precision parameters. Therefore, we are required to respond adequately and promptly to these evolutions and changes to remain competitive.

In the past, our endeavours to improve our manufacturing technologies and processes placed us in a competitive position. We believe our continuous efforts in enhancing our manufacturing technologies and processes will be critical to our ability to continuously improve the quality and performance of our products and services to meet the expectations of our customers. However, we cannot assure you that we could successfully adapt to the changing product specifications and performance parameters in the future. If we fail to adapt to the changing product specifications and precision parameters in an efficient and timely manner or at all, or if our manufacturing technologies and processes are rendered obsolete, we may not be able to manufacture products and provide services that meet our customers' evolving needs or adapt to the market trends or enable us to effectively compete with our competitors, in which case our business, financial positions, results of operations and prospects could be materially and adversely affected.

Any failure to adequately protect our accumulated expertise and technical know-how or any potential infringement of third party intellectual property rights by us may adversely affect our business and reputation

We rely substantially on our accumulated expertise and technical know-how to conduct our business. The success of our business depends on our ability to protect and apply our technical know-how relevant to our production process without infringing the proprietary rights of other third parties. However, we cannot ensure that we will be able to continue applying our expertise to design and generate internal production work instructions and to programme such instructions into the relevant machinery and equipment successfully to meet our customers' requirements, the failure of which could reduce or eliminate our competitive advantages, which could in turn adversely affect our business.

Also, there is also a risk that third parties may bring a claim against us for infringing their intellectual property rights, thereby requiring us to defend or settle any related intellectual property infringement allegations or disputes. We may be required to incur substantial costs to develop non-infringing alternatives or to obtain the required licences.

There is no assurance that we will succeed in developing such alternatives or in obtaining such licences on reasonable terms, or at all, and any failure to do so may disrupt our designing processes, damage our reputation and adversely affect our results of operations.

Leakage of confidential technical information could damage our reputation and substantially harm our business and results of operations

During the course of our operations, we are routinely exposed to confidential information such as the design in the customer production drawings which our customers provide to us and require us to maintain strict confidentiality on the highly sensitive technical know-how. We rely on the security of our computer system, non-disclosure agreements, anonymising product drawings, the integrity of our staff and physical security of our premises to preserve confidentiality of these information. Also, the technicians are not given access to our email system to prevent the dissemination of confidential information electronically. Despite the above measures, our servers may be vulnerable to hacking, data theft and subsequent leakage of confidential information to unauthorised third parties. It is our contractual obligations to our customers to preserve confidentiality of sensitive information. We may be exposed to potential liabilities, such as complaints, claims, legal actions initiated by our customers or potential termination of business relationships arising from any leakage or loss of confidential data. Our reputation, business and financial position may be materially and adversely affected as a result.

We rely substantially on our senior management and key personnel

In order to keep pace with the evolving technological advancements, we rely on our key personnels to gather industry intelligence and insights to stay tuned with the highly dynamic end-use industries. Also, we rely on our key personnel and senior management to provide our Group with long term strategic planning and direction as well as to maintain relationships with our customers. As such, our operation performance substantially depends on the retention of our senior management and key personnel. For details of the biographical information of our Directors and senior management team, see "Directors and Senior Management". We cannot assure you that we will be able to retain members of our senior management and key personnel in the future. In the event of their departure or absence, we may not be able to recruit suitable candidates for replacement in a timely manner and on acceptable terms or at all, which may materially and adversely affect our business, financial condition and results of operations.

A material disruption of our operations could adversely affect our business

Our production facilities are subject to operation risks, such as the breakdown or failure of our major equipment, power supply shortage or maintenance, natural disasters, industrial accidents and the need to comply with the requirements of relevant government authorities, which could therefore lead to temporary, permanent, partial or complete shut-downs in our operations.

The occurrence of any of these risks may result in a material adverse effect on our results of operations and if continue, even on our business prospects. We may be required to carry out planned shutdowns of our production facilities for maintenance, statutory inspections and testing. Our business, financial condition and results of operations may be adversely affected by any disruption of operations at our production facilities, whether caused by any of the factors mentioned above or otherwise.

We may not be able to renew our current leases or locate desirable alternatives for our production facilities in Singapore

Our headquarter in Singapore, which is also one of our production facilities, is presently located on a premise leased from an independent third party. Upon expiry of such lease in Singapore, which is expected to be 30 January 2038, we may not be able to successfully negotiate an extension of the lease and may therefore be forced to relocate our production facility, or the rent we pay may increase significantly. Also, if we commit any material breach on the provisions under the lease agreement, the lease may be terminated prior to the expiry date. This could disrupt our operations and adversely affect our profitability. In addition, we may not be able to obtain new leases at desirable locations and on acceptable terms to accommodate our future growth or at all, which could materially and adversely affect our business, financial condition and results of operations.

We have limited insurance coverage which could expose us to significant costs and business disruption

During the Track Record Period and up to the Latest Practicable Date, we maintained various insurance policies such as business insurance (which covers property, business interruption, public and production broadform liability), work injury compensation insurance, hospital and surgical (for foreign workers) policy, industrial all risk insurance, public liability insurance and combined general liability insurance, in line with the industry practice. However, we cannot give assurance that our current insurance policies are sufficient to cover all the risks associated with our operations. Any business disruption, litigation or natural disaster may consume our management resources, affect our reputation and/or require us to spend significant sums on legal costs. There is no assurance that the insurance policies we maintain are sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies for sufficient compensations and on a timely manner, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We are exposed to risk of inventories obsolescence

We had inventories of approximately S$7.9 million and S$6.6 million as at 31 December 2022 and 2023, respectively. Our inventories mainly consist of raw materials, work in progress, finished goods and product consumables. During the Track Record Period, we have entered into a consignment arrangement with Customer A, under which we, as consignor are required to deliver specified items when the stock level of such item drops below a minimum level up to the maximum level as determined by Customer A. For details, see "Business — Our customers — Customer concentration and reliance on our five largest customers — PACE Agreements". Demand for our precision component engineering services depends on, among other things, the trends and developments in the downstream industries. Any unexpected change in the economic condition or degree of economic activities of our customers may render our inventories obsolete. We measure our inventories at the lower of cost and net realisable value. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. As such, failure to manage our inventories effectively may adversely affect our financial condition and results of operations. We have written off finished goods with cost of approximately S$130,000 and nil for the years ended 31 December 2022 and 2023 respectively. Besides, we have made inventory provision of nil and approximately S$0.4 million for the years ended 31 December 2022 and 2023, respectively. The amount and proportion of our inventories written off or provided may further increase, which may have an adverse impact on our financial position and results of operations.

Our cash flows and working capital may deteriorate due to potential mismatch in time between receipt of payments from our customers, and payments to our third party suppliers and service providers and failure of our customers to pay the amounts owed to us in a timely manner may adversely affect our liquidity, financial condition and operating results

To remain competitive, we need to retain a sufficient level of working capital to guarantee smooth business operations and support the growth in demand for our products. During the Track Record Period, we typically granted our customers a credit term of 30 to 60 days from the date of invoice, whereas the credit term typically offered by our suppliers also ranged from 30 to 60 days. However, certain overseas suppliers may require us to make payment in advance either in full purchase amount or 50% partial down payment payable upon placing order. With our revenue continuously growing, any cashflow mismatch due to the lead time in our production may put us at liquidity risk. Further, any default or delay in payment by our customers or our failure to collect trade receivables from them in a timely manner or at all may broaden our cashflow mismatch, which may result in potential cashflow shortfalls in the future and adversely affect our liquidity, financial condition and results of operations.

During the Track Record Period, we mainly satisfy our working capital needs from cash generated from our operating activities, borrowings and funds from our shareholders and investors. However, there can be no assurance that the cash flow generated from our operations will be sufficient to fund our future development and expansion plans, nor can we assure you that we may always be able to timely or fully obtain additional external financing on satisfactory or commercially acceptable terms, or at all. Our ability to obtain adequate external financing on commercially acceptable terms will depend on a number of factors, including our financial performance and results of operations, as well as other factors beyond our control, including the global and regional economies, prevailing interest rates, the applicable laws, regulations, rules and conditions in connection with our industry and the underlying industries of our customers in the geographical regions where we operate. As such, if we fail to obtain the desired financing in a timely manner or at commercially acceptable terms or at all, our business and operations may suffer and the implementation of our business plans may be delayed.

In addition, although our customers generally have good repayment record during the Track Record Period, if any of our customers have insufficient liquidity or face any financial difficulty, we may encounter significant delays or defaults in payments owed to us by such customers, and we may need to extend our payment terms or restructure the receivables owed to us, which could have a material adverse effect on our financial condition. Any deterioration in the financial condition of our customers could affect such customers' ability to settle our receivables in a timely manner or at all or result in the customers going into bankruptcy or reorganisation proceedings, which will increase the risk of uncollectible receivables.

Share-based payments and [REDACTED] may have a material and adverse effect on our financial performance and share-based payments may dilute shareholding of the existing Shareholders

During the Track Record Period, our share-based payments arose from grant of shares and exercise of anti-dilution rights granted to certain employees and shareholders of our Group. In particular, the anti-dilution rights were designed to reward our key management members and employees for their continual contribution to us, including the development and expansion of our business and introduction of external investors. For more information, see "History and Development — Corporate Development — Anti-dilution Undertaking". For the years ended 31 December 2022 and 2023, we incurred share-based payments for the shareholders and the employees of approximately S$1.2 million and S$3.2 million, respectively. Expenses incurred with respect to such share-based payments had increased our operating expenses and therefore had a material and adverse effect on our financial performance during the Track Record Period. The grant of shares and exercise of anti-dilution rights granted to certain employees and shareholders of our Group, which led to our share-based payments may dilute the shareholdings of our existing Shareholders. We expect to further incur [REDACTED] (including [REDACTED]) of approximately S$[REDACTED] (based on the mid-point of our indicative price range for the [REDACTED]) by the completion of the [REDACTED], of which an estimated amount of approximately S$[REDACTED] will be charged to our consolidated statement of comprehensive income for the year ending 31 December 2024. Such [REDACTED] we expect to further incur may have a material and adverse impact on our financial performance for the year ending 31 December 2024.

Increase in the interest rates would increase our borrowing costs which could adversely affect our business and financial condition

As at 31 December 2022 and 2023, we had total borrowings amounting to approximately S$5.5 million and S$4.2 million, respectively. Some of the borrowings carry a variable interest rate and hence our Group is subject to the interest rate risk.

We expect that some of our bank borrowings will continue to be subject to variable interest rates in the future. Hence, the interest expense on borrowings incurred by us may follow the trend of the prevailing interest rates and the cost of funds of the lenders. We have not hedged against interest rate risks. If there is any substantial increase in interest rate, our interest expenses, cash flows and financial performance may be adversely and materially affected.

We may record impairment losses of goodwill and/or other intangible assets in the future

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. As at 31 December 2022 and 2023, the carrying amount of our goodwill was approximately S$4.4 million and S$4.4 million, respectively. Our intangible assets mainly include (i) know-how transferred by Mr. Thng to our Group in 2021 in exchange for his acquisition of certain shareholdings in Metasurface Technologies and Metaoptics Technologies, (ii) customer relationship and customer contracts recognised from the acquisition of SPW, and (iii) licence granted by Accelerate to our Group pursuant to the Licence Agreement for us to use its technologies and intellectual property rights to develop enhancements and commercialise its technologies and licenced products for a consideration of approximately S$2.9 million. Our intangible assets amounted to S$6.7 million and S$2.3 million as at 31 December 2022 and 2023, respectively. There was no provision for impairment of goodwill nor impairment of intangible assets made during the years ended 31 December 2022 and 2023, respectively. We are required to test our goodwill and intangible assets with infinite useful life for impairment annually. We are also required to test the intangible assets with finite useful life when there is an impairment indicator. We may record impairment of goodwill and/or intangible assets if the carrying value of our goodwill and intangible assets are determined to be lower than the recoverable amount. Any material impairment losses could negatively affect our financial condition and performance.

We are subject to credit risk for trade and other receivables arising from our customers and other parties

Failure to collect our trade and other receivables fully or timely may have material adverse effect on our business operations and financial condition. We usually grant our customers a credit period ranging from 30 to 60 days. As at 31 December 2022 and 2023, we had trade and other receivables of approximately S$9.3 million and S$7.7 million, respectively. As a result, we may be exposed to credit risk.

For the years ended 31 December 2022 and 2023, the average trade receivables turnover days were approximately 65 days and 69 days, respectively. Based on the impairment review conducted by our management, during the Track Record Period, we expect the occurrence of losses from non-performance by the counterparties of our trade and other receivables was remote and loss allowance provision for our trade and other receivables was immaterial. As a result, there was no bad debt or provision on our trade receivables made during the Track Record Period. In the event that the actual recoverability is lower than expected, we may need to make provision on our trade receivables, which may in turn materially and adversely affect our business, financial condition, and results of operations. Our customers may experience financial difficulties, which could negatively impact our ability to collect the amount due to us. Such adverse financial condition may negatively affect the length of time that it will take for us to collect the associated trade receivables or impact the likelihood of ultimate collection, which could result in an adverse effect on our business, financial condition, and results of operations. For more details on our trade and other receivables, see "Financial Information — Description of Selected Consolidated Statements of Financial Position Line Items — Trade and other receivables".

We are subject to risk of currency fluctuations

During the Track Record Period, our sales are mainly denominated in SGD and USD while our purchases are mainly denominated in SGD, Malaysian ringgit and USD and our reporting and functional currency is SGD. In addition, we have production facilities and/or offices in Singapore and Malaysia, of which overheads are settled in local currencies and therefore expose us to foreign exchanges risks. Our net currency exchange gains or (losses) for the years ended 31 December 2022 and 2023 amounted to approximately S$108,000 and S$(489,000), respectively. For more information on our currency exchange gain or loss, see "Financial Information — Description of Selected Consolidated Statements of Comprehensive Income Line Items — Other Gains".

Fluctuations in foreign exchange rates are subject to various unforeseen factors and unpredictable. We cannot guarantee that we will not suffer losses on our foreign exchange in the future. During the Track Record Period, we did not use forward contracts or other derivative instruments to manage our foreign exchange risks as our foreign currency exposure has been partially mitigated by the offsetting of our foreign currency cash and bank balance as well as receivables against our foreign currency payables. Any fluctuation in exchange rates may have an adverse effect on our results of operations. Foreign exchange risks to each individual entity within our Group arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Any future exchange rate volatility relating to the SGD, Malaysian ringgit and USD may give rise to uncertainties in the value of our net assets, earnings and dividends. Appreciation of the value of the SGD and Malaysian ringgit against USD may subject us to increased competition from foreign competitors, and depreciation in the value of the SGD and Malaysian ringgit against USD may adversely affect the value of our net assets, earnings and dividends that can be distributed from our subsidiaries in Singapore and Malaysia.

We may be subject to additional tax liabilities in connection with our transfer pricing arrangements, which could have adverse impacts on our financial condition

During the Track Record Period, we carried out certain intra-group transactions, in particular the sales and purchase of tangible goods between Metasurface Technologies and SGP Malaysia relating to our transfer pricing arrangements. Metasurface Technologies developed business opportunities and secured transactions from customers. From time to time, Metasurface Technologies assigned production orders which are simpler and involve intensive labour activities and polishing procedures to SGP Malaysia and sold raw materials to SGP Malaysia at original purchase cost for further processing; and SGP Malaysia then manufactured the finished goods based on Metasurface Technologies's instructions and sold the finished goods back to Metasurface Technologies based on standard costs incurred during production which include raw material costs, direct labour cost and machine costs as well as production overhead cost. For details regarding our transfer pricing arrangements, see "Business — Transfer pricing arrangements". Our profit allocation and income tax positions in the jurisdictions in connection with such transfer pricing arrangements are subject to the applicable rules and regulations with respect to transfer pricing in these jurisdictions as well as interpretations by the relevant tax authorities in these applicable jurisdictions. Significant judgement and the use of estimates are required in determining the reasonableness of our profit allocation and income tax positions in terms of our transfer pricing arrangements. Based on the assessment results of the independent transfer pricing tax consultant, the sales and purchase of tangible goods between Metasurface Technologies and SGP Malaysia during the Track Record Period could be considered as reasonable and generally consistent with the arm's length principle from both Singapore and Malaysia transfer pricing perspectives, and in compliance with the relevant transfer pricing rules, guidance and regulations in Singapore and Malaysia. However, there is no assurance that the respective tax authorities would not challenge the appropriateness of our transfer pricing arrangements or that the relevant regulations or standards governing such arrangements will not be subject to future changes. If a competent tax authority of the relevant jurisdiction later determines that the transfer prices and the transaction terms that we have adopted as well as our historical income tax provisions and accruals are not appropriate, such authority may require the relevant subsidiaries to re-assess the transfer prices and re-allocate the income or adjust the taxable income. If we are considered not to be in compliance with the applicable transfer pricing rules and regulations, the relevant tax authority may also have the power to order us to pay all outstanding tax with statutory interest or fines.

We recorded accumulated losses during the Track Record Period, which may adversely affect our ability to declare and pay dividends

We recorded accumulated losses of approximately S$10.7 million and S$6.1 million as at 31 December 2022 and 2023, respectively.

We have generated profits of approximately S$2.7 million and S$4.4 million for the year ended 31 December 2022 and 2023, respectively, which has partially offset and reduced our accumulated losses position as at 31 December 2022 and 2023. However, we cannot assure you that we will be able to continue to generate net profits in the future. We incorporated Metaoptics Technologies on 15 June 2021 in Singapore as our insignificant subsidiary with the intention of investing and venturing into metalens technology business. Subsequent to various rounds of investments and share transfers, Metaoptics Technologies became our associate upon completion of the reorganisation. Any loss arising from the investments and share transfers may render our Group a net loss position during the financial periods when such transactions occur and increase our accumulated losses. For more information, see "Financial Information — Overview". We may still continue to record accumulated loss. Such accumulated loss may adversely affect our distributable reserves and hence our overall ability to declare and pay dividends after the [REDACTED].

We may not be entitled to government grants in the future

From time to time, we may receive different kinds of wage support and government grants for our operation in Singapore. For the years ended 31 December 2022 and 2023, we received government grants, mainly consisting of Wage Credit Scheme and Special Employment Credit in Singapore, of approximately S$86,000 and S$87,000, respectively. For more details in relation to the government grants we received during the Track Record Period, see "Financial information — Other Income". It is in the Singapore government's sole discretion to decide when, under what conditions and the amount of grants to be given or whether the government grants should be given to us at all. We do not rely heavily on government grants during the Track Record Period, but we cannot assure you that we will continue to be entitled to any government grants or the Singapore government will not impose new conditions for receiving the government grants in the future. If we are unable to obtain or maintain the government grants or any other favourable government incentives in the future, our business, financial condition and results of operations may be affected.

Our credit facilities contain covenants that may limit our ability to operate our business and any material breach of the undertakings and/or covenants in our credit facilities could adversely affect our business and financial condition

The agreements for our bank borrowings contain a number of undertakings and covenants which include but not are limited to:

— Restriction on change of control and disposal of material assets

— Financial covenants restricting us from incurring additional indebtedness or encumbrance over our assets

— Compliance with certain financial thresholds set out in the relevant facility letter(s)/agreement(s), such as a certain level of minimum tangible net worth and loan to equity ratio

— Obligation to notify the relevant lender(s) in the event that we plan for listing

These covenants and undertakings could restrict our ability to respond to changes in business and economic conditions, to engage in potentially beneficial transactions and to obtain other required financing.

Our current liabilities included borrowings by our Group with a total carrying amount of approximately S$5.5 million, S$4.0 million and S$[3.7] million as at 31 December 2022, 31 December 2023 and 30 April 2024, respectively.

Our Directors confirm that we have not received, during the Track Record Period and up to the Latest Practicable Date, any notice of material breach of any covenant or undertaking which may result in early termination or modification of any credit facilities contracts or agreements which are material to our business. Nevertheless, if we fail to comply with any of such undertakings and covenants in all material aspects in the future, it may constitute a breach of the relevant contracts or agreements, and as a result may entitle the lender(s) to accelerate the maturity of the credit facilities or terminate the relevant credit facilities with us. In any of these events, our business, operating results, and financial condition could be adversely and materially affected.

We may be unable to successfully develop or market commercially viable products and technologies in relation to optical metalens in a timely manner, or at all to respond to changes in market conditions

In 2021, we entered into the Licence Agreement with Accelerate, pursuant to which, Accelerate grants our Group the rights to, among others, use Accelerate's technologies and intellectual property rights to develop enhancements on and to commercialise Accelerate's technologies and licenced products, and we intend to ride on the strategic cooperation to capture market opportunities in the field of optical metalens. Development of meta optics technology and products require substantial technical, financial and human resources. However, we cannot assure you that such efforts will allow us to successfully deliver the intended results.

According to the CIC Report, the optical metalens industry is rapidly developing at its early stage of commercialization with relatively low product awareness. Companies need to have strong research and development capabilities to demonstrate their technological know-how to support product development and to successfully penetrate into the existing and potential application fields. It is also important for companies to enter the field early to gain the first-mover advantage and establish brand awareness and reputation before others enter into the market. In addition, a large amount of capital is also required to cover the cost of product design and development as well as product manufacturing and distribution. We cannot guarantee that we will be able to develop and manufacture optical metalens that successfully meet the needs of our customers. Also, we cannot assure you that we will be able to develop and introduce new optical metalens products in a timely and effective manner and our meta optics products may not be commercially successful or yield the anticipated returns to cover our investment costs. Moreover, our competitors may launch new and competing products earlier than us or market such products in a more effective manner, or our end customers may prefer their products. If our development for optical metalens is ultimately proven to be unsuccessful, our business, financial condition and operating results may be adversely affected as a result.

Personal injuries or fatal accidents may occur at our production facilities, which may subject us to administrative penalties and/or compensation claims, which could materially and adversely affect our reputation, business and financial results

In the course of our operations, we rely on our employees to adhere to and follow all safety measures and procedures we have stipulated. However, there remains risks of personal injuries or even fatal accidents in our production facilities, especially when our employees fail to comply with our safety measures, or when our supervisors fail to provide adequate trainings or guidance to implement proper safety policies and measures.

We have implemented stringent safety policies in our production at all times. For more details, see "Business — Health, Safety, Environmental, Social and Governance matters — Health and Safety, Social Responsibilities and Corporate Governance".

However, we cannot guarantee that material workplace injuries or fatal accidents will not occur in the future. In any case of material workplace accidents, we may be subject to government investigations and administrative penalties. Even if such accidents may not be caused by our fault or negligence, such accidents may still render us substantial costs and damages to our reputation, such as negative publicity, which may materially and adversely affect our business and financial results.

Our business operations and financial results may be adversely affected by the global outbreak of COVID-19

The global widespread of COVID-19 and the emergence of different variants have posed a serious public health threat in Singapore, Malaysia and globally. Though our Group and our suppliers had gradually resumed operation, the extent to which the COVID-19 outbreak may impact our production and the supply chain of raw materials will depend on future developments of the pandemic, which are highly uncertain and unpredictable.

Furthermore, with COVID-19 and the different variants spreading globally, there is no assurance that our major customers located in countries with significant reported cases of COVID-19 including the United States would be able to (a) maintain their normal business operation without significant disruptions, and/or (b) engage us to manufacture their components as usual in the event that restrictions on freight logistics or transportation bans are imposed, and there is no guarantee that we would be able to secure purchase orders from these customers with volume similar to that before. In consequence, we may suffer loss or reduction of purchase orders from our customers and thus, our operations and financial performance would be adversely affected.

Despite the continual administration and use of vaccines for preventing and controlling COVID-19 infections, their efficacy may vary among individuals and thus the effect of the vaccines on the global economy still remains uncertain. Hence, the operation and financial performance of our customers may be adversely affected by the development of COVID-19 and thus our customers may default payments to us or take longer time to settle our payments. In such event, we may incur significant impairment loss for the outstanding payments owed to us by our customers. These adverse impacts, if materialise and persist for a substantial period, may significantly and adversely affect our business operation and financial performance.

Our operations may be affected by adverse weather conditions, natural disasters, acts of God or wars and terrorism

Our business operations are vulnerable to adverse weather conditions. If the adverse weather persists or natural disasters occur, we may be prohibited from performing work at our production facilities, and as a result, we may not be able to meet the specified delivery time schedule. If we have to stop our operations during adverse weather or natural disaster, we may continue to incur operating expenses such as labour costs and other overheads and our revenue and profitability would be adversely affected.

Besides, we are subject to other acts of God which are beyond our control. Acts of wars and terrorism may also injure our employees, cause loss of lives, disrupt our operations and destroy our works performed. Such incidents could adversely affect our revenue, costs, financial conditions and growth potential. It is also difficult to predict the potential effect of these incidents and their materiality to the business of our customers and suppliers and us.

If our production is delayed and the terms and conditions do not accommodate for such delays or our customers do not grant us a sufficient time extension for the completion, we may be liable to pay for any liquidated damages to our customers according to the relevant contract terms, which will adversely affect our financial position.

We rely on computer systems for operation of our machinery and any disruptions in our system could materially and adversely affect our business

We rely on our computer systems to support our technological capabilities, including the operation of our CNC machines, and other functions. As with any computer systems, unforeseen issues may arise from time to time. In the event that our computer systems do not work effectively, our ability to receive and process adequate, accurate and timely data could be adversely affected, which in turn could inhibit our operations. Furthermore, it is possible that our computer systems could experience a complete or partial shutdown and we have to wait for our suppliers to provide on-site maintenance services. If such a shutdown occurs and we could not obtain the maintenance services to restore our operations in a timely manner or at all, it could materially and adversely affect our ability to deliver our products to our customers according to the required schedule, for which our business and reputation could be adversely affected.

There is no guarantee that regulatory requirements applicable to the industry in which we operate will not change in the future

Our operations are subject to laws and regulations that relate to matters such as employment of foreign workers, workplace health and safety, and environment. There is no guarantee that regulatory requirements applicable to our operation and our industry will not change in the future. Any change in the applicable laws and regulations may result in time-consuming and costly adjustments to our risk management and internal control systems and may increase our legal and other professional cost and burden to comply with these new laws and regulations, thereby materially and adversely affecting our business and financial position and prospect.

Changes in international trade policies and the ongoing conflict and emergence of a trade war between the U.S. and China may have an adverse effect on our business

Adverse changes and developments in the global trade policies, such as the imposition of new trade barriers, tariffs, sanctions, export controls, boycotts and other measures which are beyond our control could negatively affect the financial and economic conditions in the jurisdictions where we operate, as well as our overseas expansion plan, and thus our financial condition and results of operations.

During the Track Record Period, the U.S. government imposed various restrictions on international trade, especially with China, and in particular imposed significant increases in tariffs and restriction on trading on specific imported goods. These actions by the U.S. government have resulted in retaliation from China which may further escalate the tensions between the countries or even lead to a trade war. Any escalation in trade tensions, or the perception that such escalation or a trade war could occur, may have negative impact on the global economies. These trade tensions between China and the United States may continue and could intensify in the future, and the U.S. government could adopt a more hostile trade policy against China. Since October 2022, the U.S. government has implemented changes to export control regulations which restricted the export of certain semiconductor manufacturing equipment and related components and technologies to China.

Although our Directors believe that the tariffs and the changes in U.S. export control regulations did not lead to material adverse impact on our business in Singapore as at the Latest Practicable Date, these restrictions or regulations, and similar or more extensive restrictions or regulations that may be imposed by the U.S. or other jurisdictions in the future, may materially and adversely affect our customers' ability to export technologies, systems, devices or components to China which may be critical to their service offerings and business operations and indirectly affect their demand for our parts and components. In particular, certain of our overseas customers' international sales may depend on their ability to obtain certain export licences. Inability to obtain the required licence may cause such customers to be displaced by foreign businesses and competitors and adversely affect their results of operation. In addition, government authorities may impose conditions that require the use of local suppliers or partnerships with local companies, or engage in other efforts to promote local businesses and their local competitors, which could have a significant adverse impact on such customers' business. There can be no assurance that the current and/or future restrictions or regulations implemented by the U.S. government, or authorities in other jurisdictions, and related developments, will not have a negative impact on our business operations or prospects.

We could be adversely affected as a result of any sales or purchase we make to or from certain countries that are, or become subject to, sanctions administered by the United States, EU, UK, UN, Australia and other relevant sanctions authorities

The United States and other jurisdictions or organisations, including EU, UK, UN and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against certain countries or certain targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, we indirectly procured aluminium products from the Relevant Region through one of our suppliers in Singapore, who sourced from a sanctioned entity located in the Relevant Region. Our transactions involving the Relevant Region were limited to the aforementioned indirect procurements of Russian-origin aluminium products that were denominated in SGD and took place in Singapore. Our cost of sales attributable to such indirect procurements from the Relevant Region was approximately S$0.3 million, nil and nil for the years ended 31 December 2022 and 2023 and up to the Latest Practicable

Date, respectively, which represents approximately 1.2%, nil and nil of the Group's total cost of sales for the years ended 31 December 2022 and 2023 and up to the Latest Practicable Date respectively, and approximately 8.1%, nil and nil of the total aluminium products the Group procured for the years ended 31 December 2022 and 2023 and up to the Latest Practicable Date, respectively. Since 1 January 2023, the supplier involved in the aforementioned indirect procurements has ceased to supply any Russian-origin aluminium products to us. As advised by our International Sanctions Legal Advisers, during the Track Record Period, our indirect procurement of aluminium products from the Relevant Region from our non-sanctioned supplier in Singapore, who procured from a Russia-based Sanctioned Person designated on the Entity List maintained by the BIS, did not represent a violation of the limited restrictions on the Sanctioned Person.

Sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. We cannot provide any assurance that our future business will be free of sanctions risk or our business will conform to the expectations and requirements of the authorities of the U.S. or any other jurisdictions. Our business and reputation could be adversely affected if the authorities of the U.S., EU, UK, UN, Australia or any other relevant sanctions authorities were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of us. Our procurement of raw materials may also be subject to new or revised international trade restrictions and/or export controls, which may negatively impact the supply chain of raw materials in the future. For details of our business operations in relation to the Relevant Region, see "Business — Business Activities with Supplier in relation to the Relevant Region".

Increasing emphasis on environmental, social and governance issues may impose additional costs on us or expose us to additional risks. Failure to comply with the laws and regulations in relation to environmental, social and governance matters may subject us to penalties and adversely affect our business, financial condition and results of operations

Increasing emphasis on environmental, social and governance ("**ESG**") issues in recent years has exposed our business to changes in regulatory policies and laws and regulations associated with environmental protection and other ESG-related matters. Investor advocacy groups, institutional investors, investment funds have also placed increasing emphasis on the implications and social cost of their investments. Investors may decide to reallocate capital or commit capital based on their assessment of a company's ESG practices. ESG concern or issue or potential changes in social trend and political policies relating to ESG could increase our regulatory compliance costs or require us to alter our practices in a way that could harm our business. If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and the regulatory authorities or are perceived to have not responded appropriately to the growing concern for ESG issues, we may suffer reputational damage and our business, financial condition, and the price of our Shares may be materially and adversely affected. For more information about our ESG polices and practices, see "Business — Health, Safety, Environmental, Social And Governance Matters — Our ESG Governance."

Our business could be adversely affected due to the name changes of Metasurface Technologies and Metaoptics Technologies

Metasurface Technologies, Metaoptics Technologies and the Group's connected persons, namely Metasurface & Co and Singapore Kitchen Equipment Limited ("**SKE**"), had used "Q'son" as part of their names in their business operations. On 22 May 2013, Metasurface Technologies undertook to SKE to change the "Q'son" name within three months from the date of the undertaking, cease using the "Q'son" name or brand and cease stating that it is part of the "Q'son group of companies" (the "**Change of Name Undertaking**"). Despite the Change of Name Undertaking, Metasurface Technologies and Metaoptics Technologies had continued to use the "Q'son" name until October 2021 and September 2021, respectively. SKE has reserved its rights to pursue damages and losses in the event that it had actually suffered losses and damages arising out of or in connection with the breach of the Change of Name Undertaking by Metasurface Technologies. In the event that SKE pursues damages and losses against us, our business and our reputation could be adversely affected. Also, there is no assurance that the change of name will not affect our business relationship with our customers.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the [REDACTED], no public market for our Shares existed. Following the completion of the [REDACTED], the Stock Exchange will be the only market on which the Shares are publicly traded. There is no assurance that an active trading market for our Shares will develop or be sustained after the [REDACTED]. In addition, there is no assurance that our Shares will trade in the public market at or above the [REDACTED] subsequent to the [REDACTED]. The [REDACTED] for the Shares is expected to be fixed by the [REDACTED] and us, and may not be indicative of the market price of the Shares following the completion of the [REDACTED]. If an active trading market for our Shares does not develop or is not sustained after the [REDACTED], the market price and liquidity of our Shares may be materially and adversely affected.

The trading price and volume of our Shares may be volatile, which may result in substantial losses for our investors

The trading price of our Shares may be volatile and may fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares, changes in securities analysts' (if any) estimates of our financial performance, investors' perceptions of us and the general investment environment, changes in laws, regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies and involvement in material litigation as well as recruitment or departure of our key personnel, may cause the trading price and volume of our Shares to change drastically and unexpectedly.

Further, there will be a gap of several days between the price determination and commencement of trading of the [REDACTED]. The [REDACTED] of our Shares is expected to be determined on the [REDACTED] while our Shares will not commence trading on the Stock Exchange until the [REDACTED]. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the [REDACTED] and the [REDACTED] and hence are subject to the risk that the price of our [REDACTED] could fall during the period before trading of our [REDACTED] begins.

Future disposal or perceived disposal of a substantial number of our Shares by our major Shareholders in the public market may materially and adversely affect the prevailing market price of our Shares

Disposal of a substantial amount of our Shares in the public market after the completion of the [REDACTED], or the perception that such disposal may occur could adversely affect the market price of our Shares and materially impair our future ability to raise capital through [REDACTED] of our Shares. There is no assurance that our major Shareholders will not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

Future sale of our Shares or issuance of new Shares by us in the public market may materially and adversely affect the market price of our Shares and dilute the shareholdings of our Shareholders

Our Company may issue additional Shares in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, we may need to raise additional funds in the future to finance our operation or business expansion or new development. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of the existing Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

Investors may experience difficulties enforcing their shareholders' rights because our Company was incorporated in the Cayman Islands, and the protection of minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company was incorporated in the Cayman Islands and its affairs are governed by the Articles of Association, the Companies Act and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on the protection of minority Shareholders is set out in Appendix IV to this document.

RISKS RELATING TO STATEMENTS MADE IN THIS DOCUMENT

Investors should read the entire document and should not rely on any information contained in press articles or other media coverage regarding us and the [REDACTED]

We strongly caution our investors not to rely on any information contained in press articles or other media regarding the [REDACTED] and us. Prior to the publication of this document, there may be press and other media coverage regarding the [REDACTED] and us. Such press and other media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information to the press or media and do not accept any responsibility for such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecasts and other statistics in this document from public official documents or statements have not been independently verified and may not be reliable

Certain facts, statistics and data presented in the section headed "Industry Overview" and elsewhere in this document relating to the industries in which we operate have been derived from a market research report commissioned by us and prepared by CIC as well as various publications and industry-related sources prepared by government officials or independent third parties. We believe that the sources of the information are appropriate sources for such information, and have taken reasonable care in extracting and reproducing such information. In addition, we have no reason to believe that such information is false or misleading or that any material fact has been omitted which would render such information false or misleading. The information from the public official documents or statements has not been independently verified by us or any of the Relevant Persons ([REDACTED]) and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions are intended to identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are estimates reflecting the best judgement of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed "Risk Factors" in this document. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.