OVERVIEW

We are a precision engineering services provider headquartered in Singapore. We provide (i) precision machining services which are machining processes for removing materials from a workpiece with high accuracy to create parts and components with tight tolerance with accuracy in the range of hundreds of micrometre, and (ii) precision welding services which involve the application of weldment equipment and specialised welding technique on a workpiece in a very precise and controlled fashion and which are typically used for small parts, parts with tight dimensional tolerances, or parts requiring a barely visible line weld. Leveraging our technical capabilities, know-how and machinery and equipment, we have established our market position by providing build-to-print precision engineering services covering the precision component engineering value chain tailored to our customers' specific technical requirements and commercial needs. According to the CIC Report, we ranked fifth in terms of revenue from the semiconductor segment of the precision component engineering industry in Singapore in 2023, with a market share of approximately 3.3%.

Throughout the years, we have grown our business to serve customers in various sectors, including semiconductor, aerospace and data storage industries. Many of our customers are well-recognised international companies in these industries, including Customer A, a U.S. based corporation which supplies equipment used for fabrication of integrated circuits and displays of electronic products such as televisions, smartphones, laptops, personal computers, etc.. Our major customers have selected us as a key long-term partner as we possess essential industry-specific certifications and have passed the stringent and extended in-house supplier qualification processes of these reputable customers. We have established long-standing business relationships with our five largest customers during the Track Record Period for an average of approximately 11 years and we will seek to maintain sustainable and mutually beneficial relationships with our customers.

We have demonstrated a proven track record in providing quality and efficient precision engineering services to our customers. We have a dedicated quality control team to conduct stringent incoming, in-process and final quality assessment by conducting a wide range of technical testing, such as leak checking using helium leak detectors, to ensure that our components and parts are of the exact and precise measurements as specified by our customers. We have obtained the SSQA certification, which qualified us to conduct precision machining work in the semiconductor industry. We have also been accredited with ISO 9001:2015 quality management system certification in respect of fabrication of precision machinery parts since 2019, and ISO 14001:2015 environmental management system certification in respect of fabrication of machinery parts since 2018.

Our business is headquartered in Singapore with production facilities situated in Singapore and Malaysia. We are equipped with machinery with functions and specifications and technicians who have accumulated skills in handling different production processes which enable us to offer services to cater for the specific design and requirements of our customers. Most of our machinery and equipment can be used to produce a wide range of products for diverse end-use industries with different specifications.

The following table sets out our revenue breakdown during the Track Record Period by service type, customer sector and customer geographical location, respectively:

	For the year ended 31 December			
	2022		2023	
	S$'000	*% of total revenue*	*S$'000*	*% of total revenue*
By service type:				
Precision machining	22,913	58.6	15,545	40.1
Precision welding	16,203	41.4	23,224	59.9
Total	39,116	100.0	38,769	100.0
By customer sector:				
Semiconductor[(1)]	35,729	91.3	34,077	87.9
Aerospace[(2)]	101	0.3	1,646	4.3
Data storage[(3)]	2,423	6.2	2,411	6.2
Others[(4)]	863	2.2	635	1.6
Total	39,116	100.0	38,769	100.0
By customer geographical location:				
Singapore	20,741	53.0	14,807	38.2
Malaysia	12,627	32.3	16,072	41.5
U.S.	3,507	9.0	5,267	13.6
Others[(5)]	2,241	5.7	2,623	6.7
Total	39,116	100.0	38,769	100.0

Notes:

1. To the best knowledge of our Directors, our products supplied to customers in the semiconductor sector are mainly parts and components used in building manufacturing equipment for producing semiconductor chips, such as etching systems, deposition systems and lithography systems, and the end-use applications of the semiconductor chips manufactured include consumer electronic products such as smartphones and other mobile devices, servers, personal computers, automotive electronics, etc.

2. To the best knowledge of our Directors, applications of our products supplied to customers in the aerospace sector mainly include engineering parts for commercial aircraft.

3. To the best knowledge of our Directors, applications of our products supplied to customers in the data storage sector mainly include parts and components used in building machinery and equipment for manufacturing of hard disc.

4. Others mainly refer to (i) solar industry with applications of our products mainly include parts and components used in building machinery and equipment for producing solar panels; and (ii) oil and gas industry with applications of our products mainly include jackup rig and oil tools, to the best knowledge of our Directors.

5. Others mainly refer to Switzerland.

Investment in associate

We have invested in and ventured into the innovation and manufacturing of meta optics components through our investment in Metaoptics Technologies, an insignificant subsidiary of our Group since its incorporation in June 2021 and until completion of various rounds of investments and share transfers and currently our associate. Meta optics technology is a new technology which enables the production of flat surface lens of smaller size, lighter weight, lower power consumption and wider light as compared to existing conventional 3D Lens. Metaoptics Technologies is currently in collaboration with a renowned research institute in Singapore and seeking to expand into innovating the technology of developing and conducting mass production of meta optics components, which could be used by customers to install on the optical sensors, camera and flash lens, autonomous vehicles and augmented reality/mixed reality displays.

The global market of optical metalens industry is relatively fragmented and there are only a few market players in the field given the high technological barrier and the challenges in achieving mass production. The rapid growth of the new energy vehicle (NEV) industry, development of 5G smartphone industry, the continual expansion of other downstream industries such as artificial reality and virtual reality as well as future breakthrough of advanced manufacturing technology such as robotics, internet of things, etc. are expected to drive the growth of the optical metalens market.

According to the CIC Report, the global market size of metamaterials, including metalens, is forecast to reach US$6.0 billion by 2028. In particular, driven by the growing average number of optical components applied in each 5G smartphone and the rising 5G smartphone penetration rate, the global consumption volume of 5G smartphone optical components is expected to increase from 2.6 billion units in 2023 to 4.6 billion units by 2028 at a CAGR of 12.4% from 2023 to 2028. Also, with the continuous growth of both the average number of optical components applied in each NEV and NEV sales volume, the global consumption volume of NEV optical components is expected to grow from 235.8 million units in 2023 to 613.1 million units by 2028 at a CAGR of 21.1% from 2023 to 2028. The current global optical metalens market is still at its early stage of commercialisation with China and the U.S. leading at the forefront of the research and development. As the design and manufacturing technologies gradually get mature and as the technology application awareness increases across the global market, it is expected that more companies will enter the field in the future.

To the best of the Directors' knowledge, the optical metalens can be manufactured by the fabrication equipment from the semiconductor industry and our Group's major customers in the semiconductor sector are also expanding or contemplating to expand their business involving metalens to diversify their product portfolio. For instance, one of the portfolio companies of the venture capital arm of Customer A is creating augmented reality headsets, in which to incorporate advancements in optical technology to enhance the application. When the opportunity arises, the Group intends to leverage the current business relationship with its major customers in the semiconductor sector to provide other value-added services which involves optical metalens to its customers so as to diversify the product and service offering and increase the income streams of the Group.

For more information on the shareholding changes in Metaoptics Technologies, see "History and Development — Reorganisation".

OUR STRENGTHS

We believe the following competitive strengths have contributed, and will continue to contribute to our success and distinguish us from our competitors:

Long standing and strong business relationships with reputable international customers

Over the years, we have established a solid customer base. Our customers include reputable international companies spanning across the semiconductor, aerospace and data storage industries which have manufacturing bases across Singapore, Malaysia, Japan and the U.S. We are able to secure and maintain long-term and stable business relationships with our major customers. In particular, we have maintained business collaborations with our five largest customers for the Track Record Period for approximately 11 years on average. We have successfully retained and attracted customers due to (i) our consistently high quality, stable, versatile and efficient build-to-print services, (ii) our commitment to customer service and our timely response to our customers' varying demands which reduced their time-to-volume, (iii) the high entry barrier of the precision component engineering industry, (iv) our advanced production technologies and manufacturing capability, and (v) the mutual reliance with our customers. For more information on the mutual reliance with our customers and the high entry barrier of the precision component engineering industry, see "— Our Customers — Customer concentration and reliance on our five largest customers — Mutual and complementary reliance" and "— Competition", respectively. We believe our ability to establish long-term and sustainable business relationships with our major customers, such as Customer A, will continue to provide a key growth momentum of our Group. We have successfully capitalised on our industry reputation and stable relationships with leading industry participants to capture new business opportunities and expand our customer base. Also, by strengthening our marketing efforts including engaging more in-depth communication with our existing and prospective customers regarding their future business and development plans, we believe we are able to enhance our market presence among the existing and potential customers and further penetrate into sectors such as aerospace and data storage within the precision component engineering industry to diversify our customer base.

Advanced production technologies and manufacturing capabilities to produce products that meet various specifications required by the customers

We believe our advanced production technologies and manufacturing capabilities have been our competitive edge. Precision machining and precision welding services require expertise in planning, procurement, management and operation of machinery and equipment. We differentiate ourselves from our competitors with our technical knowledge and know-how in the diverse specifications and functionalities of precision machinery and equipment including CNC machines, coordinate measuring machines, welding machines and helium leak detectors, etc.

We are able to provide build-to-print services and manufacture products according to our customers' specifications, maximise cost effectiveness and minimise turnaround time. In order to cater to the unique and specific design of each product, our production team tailors the production flow for each individual production process by selecting the optimal combinations of machinery and equipment according to operational needs, preparing the internal production work instructions and programming such instructions into the relevant machinery and equipment. Our large fleet of machinery and equipment of various functionality allows for efficient execution of production process to accommodate the need for different programme configuration.

We leverage on our machinery and equipment in our Singapore Factory and Malaysia Factory to manufacture complex products with high efficiency and accuracy. Our machinery and equipment are highly versatile and adaptable which can accommodate various types of raw materials including aluminium and stainless steel to manufacture products of various dimensions. Throughout the years, we have continuously acquired cutting edge machinery to enhance the level of complexity of products we manufacture and improve our overall production capability. During the Track Record Period, we acquired machines such as multi-axis CNC machines, and milling machine, etc. In particular, we installed a 5-axis CNC milling machine during the Track Record Period which allows multi-dimensional movement of the milling tools. It has simplified our efforts in system configuration to manufacture complex products in one set-up. Our machinery can produce large format parts with size of more than one metre and of two feet thick. According to the CIC Report, the industry average accuracy for large format vacuum chambers is around $+/-100\,\mu m$ to $+/-10\,\mu m$. We are able to achieve an accuracy of $+/-10\,\mu m$, which is considered to be an advanced capability in the industry. This provides us with flexibility to produce a wide range of parts and components of various sizes and specifications. We are also equipped with helium leak detectors for quality management purpose.

Possession of industry-specific qualifications and certifications for precision machining and precision welding services

We place great emphasis on our production process as well as quality control and we have been accredited with the relevant industry-specific qualifications and certifications. We also have a quality control team with experienced staff equipped with sound knowledge of our machinery and equipment to conduct stringent incoming, in-process and final quality control by implementing a wide range of technical testing, such as leak checking using

helium leak detectors, a specialised device which could locate and detect leaks with high accuracy and sensitivity, and dimensional inspections using coordinate measuring machines and visual inspection to ensure that all components are of the exact and precise measurements as specified by our customers. In light of our proven track record in stringent production process and quality control, we have been awarded ISO 9001:2015 quality management system certification in respect of fabrication of precision machinery parts since 2019 and ISO 14001:2015 environmental management system certification in respect of fabrication of machinery parts since 2018.

We have also been accredited with qualifications and certifications in relation to our production technologies. According to the CIC Report, the provision of certain precision welding services requires qualifications issued by professional organisations such as the American Society of Mechanical Engineers (ASME), American Welding Society (AWS) and Semiconductor Equipment and Materials International (SEMI). We have welders accredited with ASME BPVC Section IX:2017 and are qualified to perform the relevant welding to the required standards. We also possess AWS and SEMI welding qualifications. For provision of precision machining services in the semiconductor industry, we have obtained the SSQA certification, a common quality assessment parameter for suppliers of the industry.

As reputable global leaders in their respective industries, our customers are highly selective and have stringent certification requirements and internal procedures in selecting suppliers. As part of the assessment and evaluation process, we may need to possess certain industry specific qualifications such as SSQA and ISO. We have been officially selected by Customer A as its approved supplier since 2016. From time to time, we have also passed the routine qualification assessment process of Customer A, such as their copy exact training, which strengthens our mutual relationship and gives us an edge over new entrants in the industry.

Experienced management team supported by high calibre engineers with advanced technical capabilities

Our experienced and visionary management team is led by Dato' Sri Chua, our Controlling Shareholder, executive Director, chairman of the Board, and chief executive officer, who is profoundly experienced in high precision manufacturing and has extensive knowledge in precision machining and tooling design. Mr. Soh, one of our senior management executives, has extensive experience in various welding processes including E beam welding, TIG and orbital welding. Mr. Thng, executive Director and Vice President (Special Projects) of Metasurface Technologies, has considerable experience in product and process engineering. For more information on our Directors' and senior management team's biographies, see "Directors and Senior Management". We believe that our experienced and high calibre management team has played a key role in managing and leading our business operation, which has been and will continue to be the key to our success in our future operations and business growth.

Our team of engineers with diverse areas of competency, combined with their technical knowledge, mastery and capability, has enabled us to create additional value and excellent service for our customers. We recruit high calibre engineers from various backgrounds with an aim to gather insights and expertise to enhance our business operational efficiency, tailor our services to customers to meet their dynamic needs and sustain our business growth. Our management and production teams consist of trained and qualified professionals who have experience in the precision engineering industry for over 10 years.

OUR STRATEGIES

Our business objective is to provide best-in-class value in precision engineering which is built on trust, knowledge, experience and synergies as well as to forge mutually beneficial partnership with our customers. To accomplish this objective, we plan to:

Maintain and strengthen our long-term partnership with reputable international customers as well as expand and diversify our customer base

We value our customers and will seek to further deepen our relationships with our existing customers. Our customers are mainly reputable international companies, spanning across the semiconductor, aerospace and data storage industries. We intend to conduct more in-depth communication with our existing customers through client visits to keep abreast with their latest future business plans and development to ensure that we understand and timely anticipate their needs and requirements. We aim to consistently provide high quality and reliable services to foster customer reliance on us and to create word-of-mouth that enables us to further attract other reputable international customers.

During the Track Record Period, our customers were predominately engaged in the semiconductor industry which accounted for 91.3% and 87.9% of our total revenue for the years ended 31 December 2022 and 2023, respectively. Our Directors believe that we have developed our reputation among customers in the semiconductor industry. We intend to build on our success in the semiconductor industry and reputation from the cooperation with our major customers to further expand our customer base.

We intend to strategically enhance our presence in other industries, such as data storage and aerospace. Specifically, we intend to expand our business through further cooperation with our existing customers in such other industries and exploring new customers. We believe that diversifying our customer base with a wider spread of customers from diverse industries will be critical for our future development and healthy growth.

Continue to seek business expansion and increase our scale of operation

We plan to expand our scale of operation and increase the utilisation of our production capacity by enhancing our cashflow management, supply chain management and human resources management to capitalise on the growing demand for precision engineering services and to respond to changes in market trends and customer requirements.

According to the CIC Report, the global demand for precision engineering components, driven by the advancement and ever-evolving technological developments in sectors such as semiconductor, aerospace, oil and gas, medical devices and automotive ensures a steady stream of opportunities and recurring demand for our products and services. Semiconductor manufacturing equipment industry is one of the main downstream sectors, of which the global sales increased from US$61.7 billion in 2019 to US$106.3 billion in 2023, registering a CAGR of 14.6% during the period. It is expected to further increase to US$180.6 billion in 2028 driven by capacity expansion, new fabrication projects, and high demand for advanced technologies and solutions across the front-end and back-end segments of the semiconductor industry.

Additionally, due to factors such as macro-economic conditions and dynamic international situations, certain global major semiconductor manufacturers and semiconductor equipment manufacturers have been shifting their manufacturing bases and operations from China to Southeast Asian countries, providing more business opportunities for Singapore, as a leading regional hub for advanced manufacturing, and Singaporean service providers. Within the wafer manufacturing sector in the semiconductor industry, integrated device manufacturers (IDM) companies such as Micron Technology, Infineon Technologies, NXP Semiconductors, STMicroelectronics, and along with foundry companies such as Global Foundries, United Microelectronics Corporation (UMC) and Vanguard International Semiconductor Corporation (Vanguard) had been expanding their manufacturing facilities in Singapore. In particular, Customer A announced "Singapore 2030" in December 2022. As part of the plan, Customer A planned to invest S$600 million in a new facility at Tampines Industrial Crescent in Singapore by 2024, which is expected to be a 700,000 square feet plant and include more than 200,000 square feet of equipment manufacturing clean room space, to expand its chip-making operations in the next eight years and strengthen its manufacturing capacity, R&D, ecosystem partnerships and workforce development in Singapore. According to the CIC Report, the two largest customers of Customer A are Taiwan Semiconductor Manufacturing Company Limited (TSMC) and Samsung Electronics Co. Ltd, which together accounted for more than 30% of Customer A's total net sales for each of its financial years ended 31 October 2021, 2022 and 2023. As an affiliate of TSMC, Vanguard announced in October 2023 its plan to further build a 12-inch chip plant in Singapore following its acquisition of an 8-inch chip plant in Singapore from GlobalFoundries in 2019. Another customer of Customer A, UMC announced in 2022 its plan to invest US$5 billion in a chip-making factory in Singapore, to manufacture 22 and 28 nanometer chips for cars, IoT devices and computers. The UMC's new facility in Singapore is expected to be completed by mid-2024, with initial production to commence in early 2025. Such shifting trend and strengthening of production base by the global semiconductor manufacturers and semiconductor equipment manufacturers in Singapore are expected to bring more demand for services and products of our Group.

Furthermore, apart from that the vast end-use market is expected to bring adequate and recurring demand for our services, the precision components engineering industry has relatively high entry barriers including (i) large capital investment in high-end machinery, (ii) the requirement for skilled workers and technological know-how, (iii) proven capability

and stable relationship with customers, and (iv) qualification and certification requirements, making it challenging for new entrants to enter and therefore reinforcing our Group's role in capturing the emerging demands.

Going forward, in view of the growing demand for precision components engineering services within the semiconductor industry, our Group will continue to develop the provision of precision machining and precision welding services in parallel to leverage the synergies between both service types.

Enhance our cashflow management and supply chain management

We intend to enhance our cashflow management and allocate our working capital strategically to manage our payables and receivables effectively. Our Directors believe that direct material cost will continue to be the largest component of our cost of sales in the future and it is essential to enhance our liquidity position in order to undertake more customer orders. We aim to closely monitor our working capital needs and increase our liquidity to meet the expected increase in cash flow demands during periods of high level of customer orders. Our Directors believe that by maintaining a sufficient level of working capital, we will be able to optimise our production capacity and ensure a smooth cash flow cycle.

We also intend to enhance our supply chain management and expand our upstream resources portfolio to foster our flexibility in production planning. We seek to maintain effective inventory management by managing our inventory levels to align with customer demand. To optimise our inventory control and avoid excessive inventory levels, and in order to enhance our profitability given the potential increase in raw material costs, we intend to purchase the required raw materials in appropriate quantities according to customer orders and adjust our inventory levels from time to time to accommodate any higher volume of customer orders. We did not adopt any hedging policy on raw material costs, during the Track Record Period and as at the Latest Practicable Date, as we provided our quotation to customers after obtaining the relevant quotations from suppliers. Therefore, we are able to mitigate raw material prices fluctuations by passing on the raw material costs to our customers by reflecting such costs into the respective quotation. As such, our Group did not experience any material adverse impact on our gross profit margin due to raw material prices fluctuations during the Track Record Period and up to the Latest Practicable Date and we will continue this practice going forward. We also endeavour to make timely payment to our suppliers to minimise the risk of disruption in the supply chain.

Enhance human resources management

We believe that our high calibre production team has contributed to our success and we endeavour to maintain effective human resources management system and incentive mechanism to identify, select, cultivate and retain teams of competent employees at various levels. The competition for recruitment of technically competent personnel is intense. According to the CIC Report, recruitment for technicians for precision engineering is under intense competition in Singapore. Therefore, retaining our existing technical workforce and recruitment of additional personnel are critical to expanding our operation.

In order to expand our workforce to facilitate the expansion of our scale of operation and to maximise the machine hours in operation and our production facilities utilisation rates thereof, we will continue to attract and recruit technicians with the required skills and technical know-how to improve our service capacity and competitiveness. We plan to recruit approximately five machinists, two technicians for precision welding services, one CNC programmer and one production planner with the required industry experience, technical expertise and relevant qualifications in operating precision machining, and conducting welding to cater for the increasing demand from our customers. The expected average annual salaries of machinists, technicians for precision welding services, production planner and CNC programmer to be recruited are approximately S$42,000, S$42,000, S$66,000 and S$54,000, respectively. Despite the potential increase in labour costs due to the planned recruitment of additional technicians and workers going forward as set out in the section headed "Future Plans and [REDACTED]" in this document, our Directors believe that we are able to maintain our profitability. Employing full-time workers for our production facilities is a more cost-effective solution compared to procuring external labour services as the third-party service providers generally charge a higher average hourly rate for their labour services than the remuneration we paid for our full-time workers by approximately 94.0%. Furthermore, full-time workers ensures consistent availability of labour force for our resource allocation, stability of our service quality and their familiarity with the factory's operations, thus promoting production efficiency.

In addition, our Group's production facilities for precision machining have recorded low historical utilisation rates during the Track Record Period primarily due to the limited resources for procurement of raw materials and recruitment of skilled workers to maximise the machine hours in operation. For more information, see "— Production capacity and utilisation". In view of the expected increase in demand in precision engineering services in Singapore and considering the low historical utilisation rates of our production facilities, we intend to maximise our production capacity by extending our operating hours on night shifts and by introducing and offering attractive remuneration to our existing or newly recruited employees who are willing to work on night shifts. We also intend to motivate and retain our existing high calibre employees through improving remuneration packages, other welfare and benefits to further improve their efficiency and standard of performance. We will endeavour to continue to provide systemic on-the-job trainings and development programmes to improve the technical skills of our employees. For more information, see "Future Plans and [REDACTED]." With these initiatives, we believe we will be able to enhance the quality of our services, increase labour productivity, cultivate a sense of belongings among our staff to support our long-term and sustainable growth.

Enhance our quality assurance capability and optimise our operational efficiency

As we continue to expand our business scale, our Directors believe that it is crucial for us to improve and enhance our quality assurance capability. According to the CIC report, as customers in the downstream industries are highly concentrated and usually prefer to work with only a limited number of reliable suppliers, companies that prove their ability to deliver high-quality products consistently are likely to receive more orders and gain more market shares in the long term. We believe that our past success is attributable to our stringent quality control which enables us to provide high quality precision engineering

services to our customers. We intend to further strengthen our quality control capability by upgrading our coordinate measuring machine and hence increasing the efficiency of our quality control procedures and enhancing the quality and accuracy of components we produced.

We are currently using a production management system for managing our manufacturing process and production flow in our Singapore Factory and Malaysia Factory. We intend to purchase a new production planning system and machine monitoring system for more comprehensive coverage of the production process and enable better coordination. It is expected that the new production planning system and machine monitoring system can allow us to conduct real-time data monitoring and analysis and produce daily report regarding our machine operations. As our business continues to grow and to meet the increasing requirement on information system management, improve operational efficiency and ensure effective coordination among various functions of our business, we plan to introduce a more advanced integrated ERP system to our precision machining process at our Singapore Factory to achieve better control of sales and production information, and to enhance our data analytic capabilities on production planning and quality control on a real time basis. We expect that an advanced integrated ERP system can track and monitor our production information, such as the number of our purchase orders received and/or fulfilled, our daily production volume, raw material schedule, delivery schedules and quality control information.

In addition, as we have not updated our CNC programming software since purchase in 2018, we intend to upgrade the programming software of our CNC machines to enhance the flexibility and capability of our CNC machines to reconfigure for different production scenarios. New features that we intend to acquire with the upgrade include enhanced ease and speed of development and built-in computed calculation formula. An updated programming software with improved algorithm can also improve accuracy and enhance overall performance of our CNC machines. It is also expected that an updated programming software will lower the idle time of the CNC machines and increase our production efficiency.

We also intend to purchase a new coordinate measuring machine to replace an existing coordinate measuring machine for the purpose of improving the accuracy of measuring parts against the design specifications in view of the increasing demand for our precision machining services. As at 31 December 2023, we have three coordinate measuring machines. One of the coordinate measuring machines had remaining useful life of approximately 12 years. The remaining coordinate measuring machines have been fully depreciated. Coordinate measuring machine is crucial in ensuring the quality of the parts we produce, especially as precision machining requires high precision in terms of dimensions. The new coordinate measuring machine we intend to purchase is equipped with features such as contactless probe and extra large parts measuring capability. The new coordinate measuring machine with an expected useful life of approximately 12 years is expected to replace the existing coordinate measuring machines which have been fully depreciated. With the increasing demand for our precision machining services, we expect the new coordinate measuring machine with new features and new programming software can improve the accuracy and efficiency of our quality check process.

To provide flexibility for transporting parts between our Singapore Factory and Malaysia Factory for urgent orders or delivery of parts to our customers' warehouse in Singapore upon request, we plan to expand our logistic team by purchasing an additional truck and recruiting an additional truck driver. Our existing trucks have become inadequate to meet delivery demands. As a result, our customers have had to arrange their own pickup for purchased parts and components, disrupting customer service and potentially harming customer relationships. It is expected that the new truck will have useful life of 10 years and expanding our logistic team will support the increase in demand from our customers.

For more information, see "Future Plans and [REDACTED]".

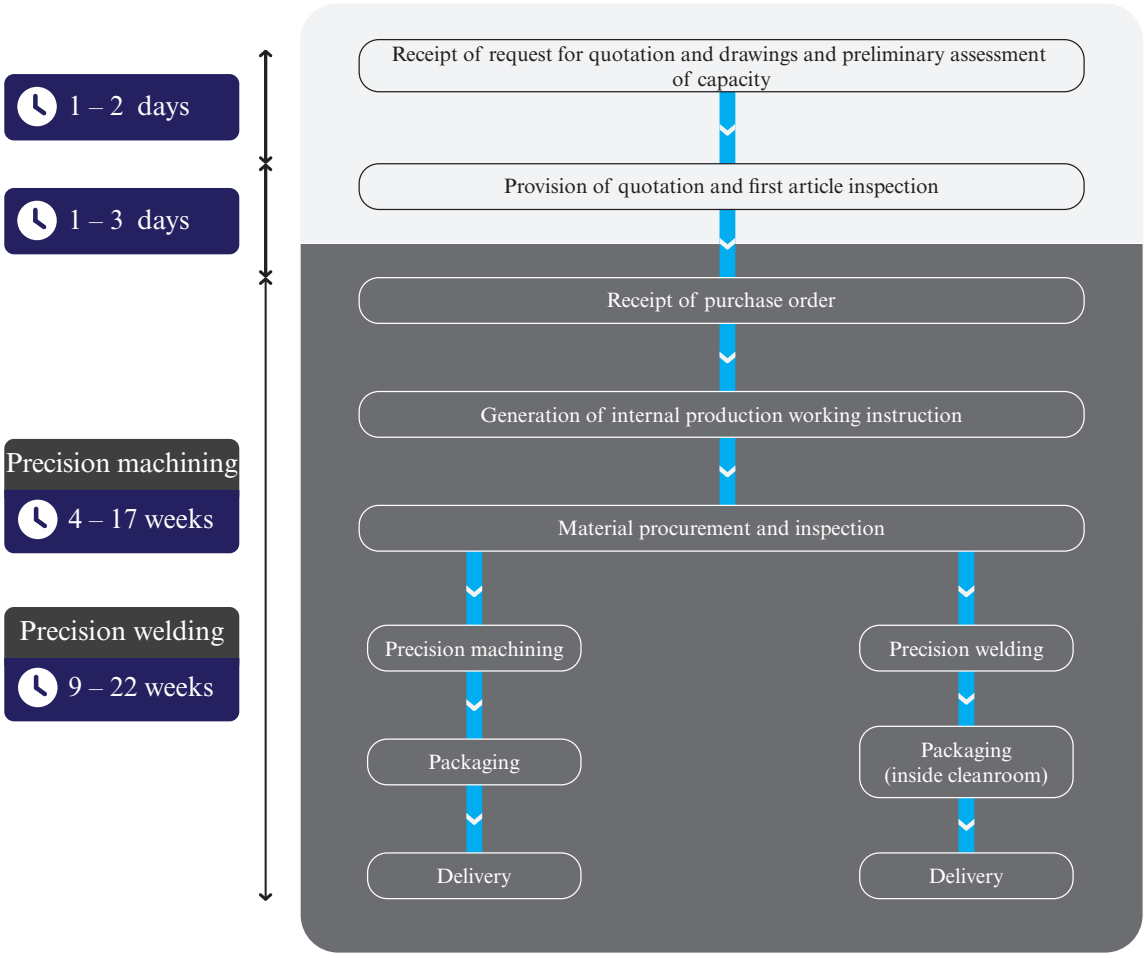
OUR BUSINESS MODEL

We generally offer our customers build-to-print precision engineering services including (i) precision machining services which are machining processes for removing materials from a workpiece with high accuracy to create parts and components with tight tolerance with accuracy in the range of hundreds of micrometre, and (ii) precision welding services which involve the application of weldment equipment and specialised welding technique on a workpiece in a very precise and controlled fashion. Precision welding is typically used for small parts, parts with tight dimensional tolerance, or parts requiring a barely visible line weld.

We have started our business providing precision machining services since 2000 and further expanded our business to precision welding services following our acquisition of SPW in December 2021. The acquisition was driven by SPW's expertise in precision welding which is a crucial value-added process in precision engineering and the synergy brought by the shared customer base between Metasurface Technologies and SPW. In particular, both precision machining and precision welding are integral to the precision engineering process. Certain ultimate products manufactured by our customers require parts produced using both precision machining and precision welding processes. With the acquisition of SPW, we are able to provide solutions for various manufacturing process of precision engineering, which has reinforced our presence in the precision component engineering value-chain.

Our business flow

The key stages in our business flow for precision machining and precision welding are set out in the diagram below:



The project lead time for precision machining from receipt of purchase orders to delivery is typically ranging from 4 to 17 weeks. The project lead time for precision welding from receipt of purchase orders to delivery is typically ranging from 9 to 22 weeks.

Receipt of request for quotation and drawing and preliminary assessment of capacity

From time to time, our customers provide us with request for quotation and the relevant product drawings (the "**Customer Production Drawings**"). Upon receipt of the request for quotation and the Customer Production Drawings, we will liaise with the customer regarding the estimated delivery schedule.

Provision of quotation and first article inspection

If, upon our assessment, we consider that we have the capability and capacity to deliver the parts and components required by our customers according to the product specifications outlined in the Customer Production Drawings, we will prepare and provide quotation(s) to our customers. The sales and/or programme managers shall prepare the official quotation/contract. The quotation(s) is determined mainly based on our preliminary estimate on the raw materials, labour hours and machine hours required to manufacture the product. For production of new parts and components, we are required to produce a first article for our customers' approval. Our quality control inspector shall inspect the first article and submit the inspection report together with the first article for our customers' approval.

Receipt of purchase order

If our customers are satisfied with our quotation(s) and the first article (in case for new parts and components, they will issue and provide us a purchase order within one to three days.

The sales and/or programme managers will handle purchase orders from customers, understanding customer requirements and submitting revised quotations when required.

Generation of internal production working instructions

Based on the Customer Production Drawings, our production team will generate the internal production working instructions, which outline in details the production flow as well as the raw materials, labour, machinery and equipment, procedures, standards and dimensions, etc. required to meet the specifications under the Customer Production Drawings for manufacturing the product.

Material procurement and inspection

Our procurement team undertakes the responsibility for material procurement and management for the entire production process from the receipt of the customers' purchase orders until the final delivery of our products.

We may be required to source certain raw materials from approved suppliers designated by our customers. In such case, we will request quotations from such approved suppliers. We liaise with our suppliers on the pricing terms, minimum order quantity, standard pack quantity and lead time.

Precision machining and precision welding

For more information on the manufacturing process of each of our precision machining and precision welding division, see "— Our manufacturing process".

Packaging and delivery

After the finished products pass our final quality inspection and checks, we will arrange for packaging of the finished products. In particular, finished products which are required to be welded inside a cleanroom will be packaged inside the cleanroom after the precision welding process.

For delivery to destinations within Singapore, our in-house logistics team is responsible for the delivery to the designated locations. For destinations outside Singapore, subject to the requirements set out in the purchase orders, external courier is arranged in accordance with our customers' instructions for their pickup from our warehouse.

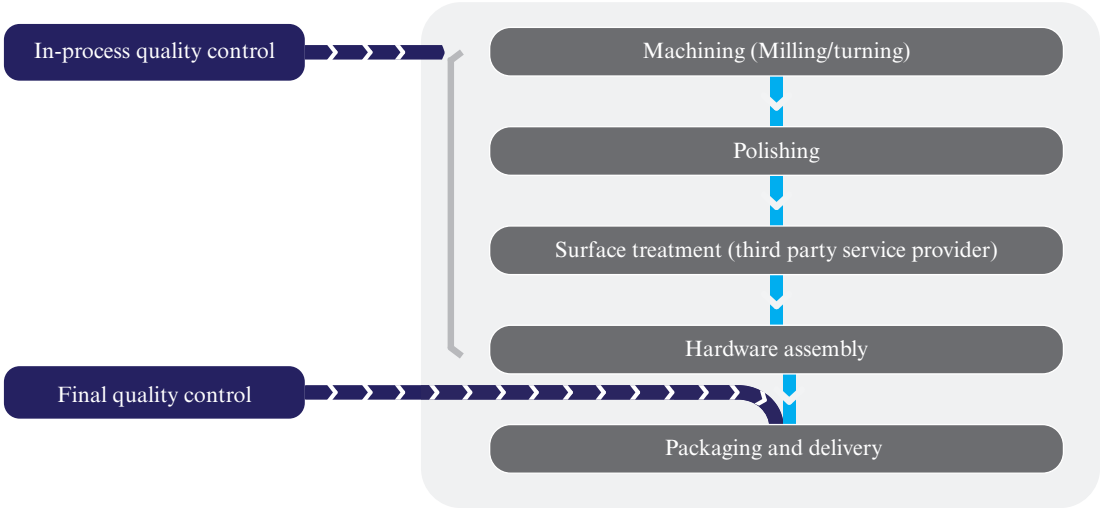
Our manufacturing process

Precision machining

Precision machining is a machining process of removing materials from a workpiece with high accuracy to create parts and components with tight tolerance with accuracy in the range of hundreds of micrometre. Types of precision machining include turning, milling, grinding and drilling, etc. The precision machining process is generally controlled using Computer Numerical Controls (CNC) system and supported by CAD-CAM software such as Solidworks, Mastercam, Hypermill.

We manufacture parts and components by machining raw materials using high precision CNC machines according to the Customer Production Drawings, such as for our customers in the semiconductor manufacturing equipment industry.

The flow chart below illustrates the production process for precision machining:



Depending on the complexity of the product specification, the project lead time for precision machining from receipt of purchase orders to delivery normally takes around 4 to 17 weeks. The production process consists of the following steps:

Machining

Machining (such as milling and turning) is a process where aluminium and other metals are processed to meet the product specifications using CNC machines. CNC machinery has a high precision automated vertical and horizontal machining centre that enables motions to be commanded through built-in programmes interpreting mathematical or numerical data inputs to conduct automatic, precise and consistent motion control in the manufacturing process.

For the manufacture of new products where new Customer Production Drawings are provided and CNC machinery is required for the production process, our programmers will create new programming instructions and generate machining codes using software such as Mastercam and Hypermill and import such instructions into the CNC machines to drive the operation. For existing products of which the production instructions have already been programmed into machining codes, the machinists will import the existing machining codes directly into the CNC machines for operation.

Milling and turning are involved in our machining process. Milling is a process which spins a cutting tool against a stationary workpiece using primarily square or rectangular bar stocks to machine components. Our machinists conduct milling using CNC milling machines (with vertical or horizontal machining centre). Turning rotates a workpiece against a cutting tool using primarily round bar stocks to machine components. Our machinists conduct the turning process using CNC turning machines (with vertical or horizontal machining centre).

Polishing

After the machining process, some of the parts and components may have irregular surface and burr. In order to meet the specifications of our customers, motorised tools are used to polish the surface of the components. As this is a relatively simplier and manual process, we may assign the polishing process to SGP Malaysia for cost efficiency provided that the production cost in Malaysia is generally lower than that in Singapore.

Surface treatment

After polishing, we will send the parts and components to third party service providers designated by our customers for surface treatment. Surface treatment involves treating the surface of parts by a variety of processes (such as electroplating and chemical plating) to enhance the corrosion protection and water resistance (as applicable). In particular, electroplating is a process of depositing coating on the surface of parts and components with a layer of chemical.

Subject to the requirements by our customers, we may outsource the surface treatment process to designated third party service providers who (i) possess the requisite licence that is required for handling chemical used in the surface treatment process, (ii) have the expertise and know-how relevant to the surface treatment process, and (iii) are equipped with the special measurement tools that are required for performing the surface treatment work.

Hardware assembly

Before packaging the finished products for delivery, we will install helicoil, a coiled-wire type of thread repair insert, to the helical ridge formed on the inside or outside of the parts and components to protect them from wear and tear.

Quality control

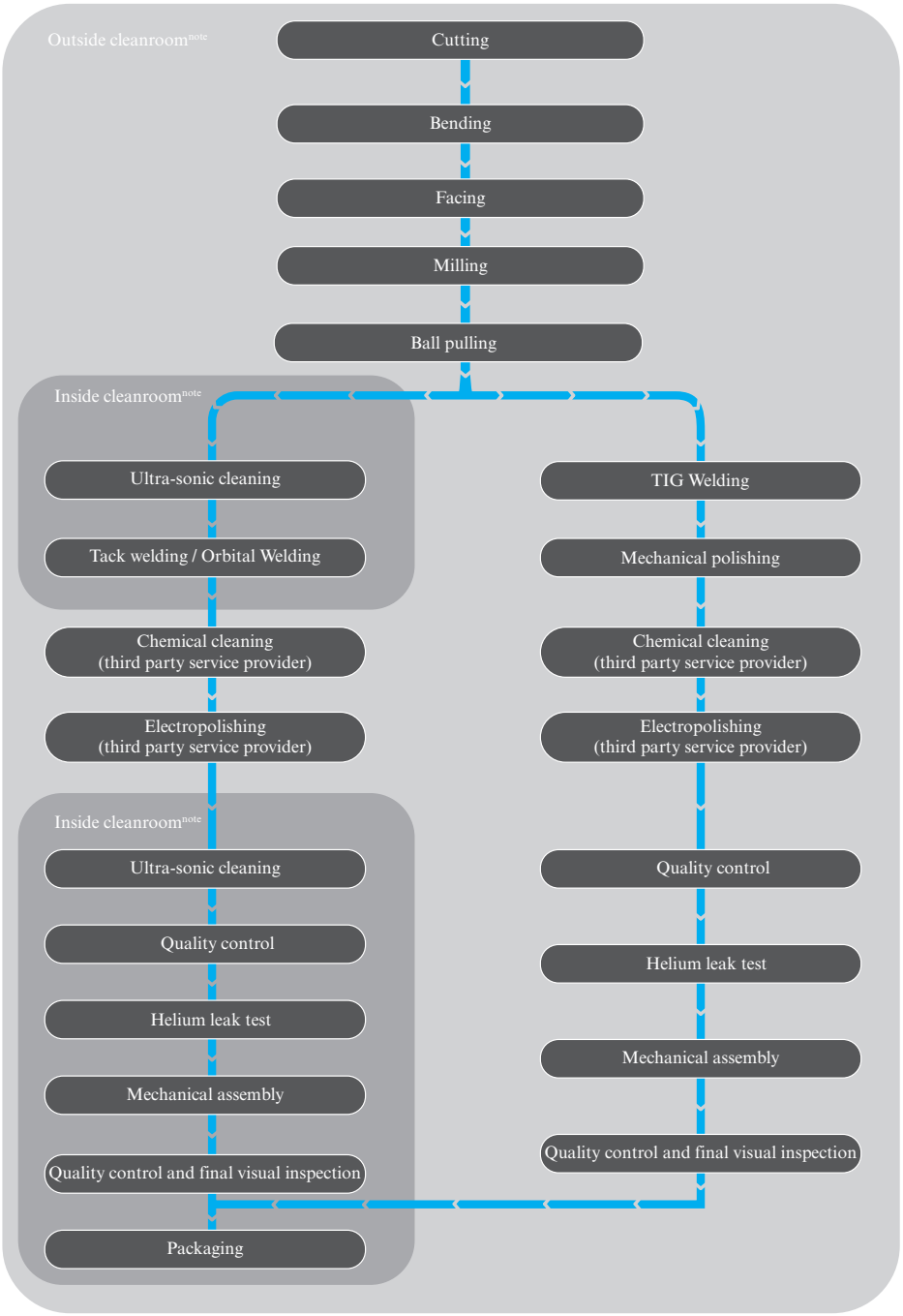
The production team has to submit the first piece or first set-up pieces of products in the production process for quality inspection. The production team will also have to submit the final product to the quality inspector for final inspection prior to packaging and delivery. The quality inspector will carry out measurement and other tests with reference to the internal production work instructions using coordinate measuring machines. For more information on our quality assurance measures, see "— Quality Management".

Precision welding

We provide welding and mechanical assembly services of gas line, mainly for semiconductor industry. Precision welding is a process which involves the use of weldment equipment and specialised welding technique on a workpiece in a very precise and controlled fashion. Dimensional tolerances are tight for both the position of the weld line as well as the depth of the weld. Precision welding is typically used for small parts, parts with tight dimensional tolerance, or parts requiring a barely visible line weld. During the precision welding process, stainless steel pipes of various diameters are cut and bended into

various shapes according to the internal production work instructions by using welding methods such as TIG or orbital welding. The final products are leak checked using helium leak detectors.

The flow chart below illustrates the production process for precision welding:



Note: Depending on the type of products for precision welding and customers' requirements, certain products which require high purity welds such as gas lines are processed in a cleanroom. For other products, all steps are conducted outside the cleanroom except for packaging.

Depending on the complexity of the product specifications, the project lead time for precision welding from receipt of purchase orders to delivery normally takes around 9 to 22 weeks. Our precision welding process generally consists of the following steps:

Cutting

Stainless steel tubes and pipes are cut into the required length according to the Customer Production Drawings and our internal production working instructions using CNC machines or manually using cold saw.

Bending

Stainless steel tubes and pipes are bent into the required shapes according to the Customer Production Drawings and our internal production working instructions manually or using CNC bending machines.

Facing

We perform facing works to remove the sharp edges at the cutting point of the stainless steel tubes and pipes after cutting and bending.

Milling

We perform milling work according to the Customer Production Drawings and our internal production working instructions. For parts that have been bent into shapes that cannot fit into CNC machines, we conduct the milling process manually in-house. For parts that can fit into CNC machines for the milling process, we may outsource the process to third parties for efficiency purposes.

For more information on our processing service providers, see "— Procurement — Procurement of processing services".

Ball pulling

Subject to the customers' requirements of specific parts, we conduct ball pulling process to form an extension to the holes on tubes.

Welding

- ***Cleanroom — Tack welding and orbital welding***

Processes such as tack welding and orbital welding which involve the application of high-purity precision welds are required to be conducted in the cleanroom.

Tack welding is a temporary welding process used to hold parts together in preparation for final welding and to maintain the desired alignment and gap between the pieces being joint.

Orbital welding is an automated welding process used to weld tubes or pipes. This process is fully programmable. During the orbital welding process, an orbital weld head rotates an electrode around the welding joint to make the required weld.

- ***Non-clean room — TIG welding***

Processes which do not involve the application of high-purity precision welds can generally be produced outside the cleanroom.

Tungsten Inert Gas (TIG) welding, also known as Gas Tungsten Arc Welding (GTAW) is a welding process that welds together materials such as stainless steel using a non-consumable tungsten electrode together with gas purge such as argon or helium. Our TIG welding process is performed semi-automatically using TIG welding machines and/or manually.

Polishing

- ***Electropolishing***

Electropolishing is an electrochemical polishing process that improves material surfaces by removing a thin layer from stainless steel or other metals. This process does not need to be conducted inside a cleanroom and is outsourced to third party service providers due to licencing requirements and requirement of specific equipment to perform the work.

- ***Mechanical polishing***

Mechanical polishing is a process of smoothing surfaces with mechanical forces to remove scratches and discoloration on the tubes after TIG welding.

Cleaning

Cleaning is conducted after the welding process to filter out contaminants and to remove weld scale.

- ***Cleanroom products — Ultra-sonic cleaning***

For products that are required to be welded and hence cleaned inside the cleanroom, we use high-frequency and high intensity sound waves (usually 50 kHz) in high purity water and chemicals to filter out contaminants and to remove stains.

- ***Non-cleanroom products — chemical cleaning***

For parts which are not required to be welded and cleaned inside a cleanroom, we engaged third party service providers to perform the chemical cleaning process. Chemical cleaning is a process to remove contaminants and weld scale using chemical such as nitric acid and hydrochloric acid. For more information on our processing service providers, see "— Procurement — Procurement of processing services".

In-process quality control

We perform dimension inspection as part of the quality control process. For products that are required to be welded inside a cleanroom, this process will be conducted inside the cleanroom accordingly.

Helium leak test

After the welding process, we perform leak test by helium leak detectors which use high purity helium gas to detect leakage in ultra-high vacuum condition to ensure there is no leakage in the welds. For products that are required to be welded inside a cleanroom, this process will be conducted inside the cleanroom accordingly.

Mechanical assembly and final quality check

For large and complex products, we may conduct mechanical assembly in accordance with the Customer Production Drawings and our internal production working instructions. The final products will undergo a series of tests and adjustments to check whether the positioning of the parts meets our customers' specifications.

Production facilities

Overview

Our production facilities are located in Singapore and Malaysia. Allocation of orders for production between the two facilities is determined according to the capacity of each facility and the technical requirements of the orders. Our Singapore Factory mainly focuses on provision of higher value-adding machining services and more complex precision machining processes. Our Malaysia Factory mainly focuses on provision of lower value-adding machining services such as polishing and some basic roughing processes. All precision welding processes are performed in our Singapore Factory.

Our production facility in Singapore

Our Singapore Factory is located in Tuas, Singapore. For more information on the property for our Singapore Factory, see "— Properties". We lease the property from an independent third party and we have performed some alteration and additional work to the property necessary for the installation of our machinery and equipment.

We generally use our Singapore Factory for manufacturing larger parts and components with more complex structures which require relatively more advanced technologies and machinery as well as skilled technicians. In particular, we maintain our machinery such as 5-axis CNC machines and coordinate measuring machine in the Singapore Factory for performing the complex machining processes. As a result, we conduct all production processes which require the use of 5-axis CNC machines in our Singapore Factory.

Our production facility in Malaysia

Our Malaysia Factory is located in Johor, Malaysia, which is situated near the border of Singapore. For more information on the property for our Malaysia Factory, see "— Properties" in this section. We generally use our Malaysia Factory for lower value-added machining services which are more labour-intensive in nature, such as polishing and some basic roughing processes to enhance cost efficiency. It is more cost effective to carry out these labour-intensive production processes in our Malaysia Factory due to the relatively lower labour costs and utilities expenses. We assign the relevant production processes to our Malaysia Factory, and subsequently transport and deliver the components and parts back to our Singapore Factory for performing the final machining and finishing processes.

Production machinery and equipment

Our production facilities are equipped with machinery and equipment. Our machinery and equipment provide comprehensive functions for the production of various types of components. We may use the same machine to manufacture specific products for different customers in different end-use industries. It enables us to produce customised high-precision components from different raw metallic materials. The estimated useful life of our plant and machinery is three to 15 years.

A CNC machine is a computer-controlled device that moves along linear or rotating axes to perform various tasks, such as cutting or drilling. Our CNC machines provide high accuracy and repeatability through automation in the manufacturing process, which improves production efficiency and enhances our manufacturing flexibility. CNC machines are categorised into 3-axis, 4-axis or 5-axis machines in accordance with the number of directions the tool within the machine can move. 4-axis and 5-axis CNC machines generally enable the manufacture of products with more complex shapes and with higher accuracy due to the capability to handle additional movement and directions of the tool within the machine.

The main machinery and equipment utilised in our production processes are set out below:

Main machinery and equipment	**Function**
Precision machining	
CNC machines	
— CNC turning machines and CNC lathe machines	To remove material from a workpiece by using stationary and rotating tools.
— CNC milling machines	To operate cutting tool programmed and managed by Computer Numerical Controls (CNC) systems to progressively remove material from a workpiece and produce a custom-designed part or component.
Coordinate measuring machines	To measure the geometry of objects by establishing discrete points on a physical surface using a contact probe.
Wire cut machines	Very high precision removal of material from workpiece using electrified wires. Accuracy is tighter than milling.
Precision welding	
Bending machines	To bend metal tubes and sheet metal at a specific angle and shape.
TIG welding machines	To produce welds with a non-consumable tungsten electrode.
Helium leak detectors	To locate and measure the size of leakage into or out of our final products with accuracy, reliability and high measurement sensitivity.

As at the Latest Practicable Date, all of the machinery and equipment were owned by us and certain machinery owned by us was acquired under hire purchase arrangements. Most of our machinery and equipment were purchased from Taiwan, Germany and Japan.

We typically maintain a list of suppliers for our production machinery and equipment. During the Track Record Period, we mainly sourced our machinery and equipment from our major machinery suppliers. We have established stable and long-term business relationships with our major machinery and equipment suppliers to ensure availability and timely supply of machinery and equipment, when required. However, we generally do

not enter into long-term agreements with our major machinery and equipment suppliers. For details of the risks relating to our reliance on our major machinery suppliers and that we generally do not enter into long term agreements with our machinery and equipment suppliers, see "Risk Factors — Risks Relating to our business and the industry in which we operate — 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".

Production capacity and utilisation

The production capacity and output of our precision component engineering services are measured by machine hours as products of our precision machining and precision welding services are highly customised and have diverse shapes, sizes and weights subject to our customer's requirements and product specifications. As a result, our Directors consider that it is difficult to estimate our production capacity and utilisation in the same way as compared to manufacturers of standard products and it is not meaningful to measure our production capacity by volume or by weight. According to CIC, our calculation basis of the production capacity and the measurement of the utilisation of our production facilities are in line with the industry norm.

The following table sets out in details the designed production capacity, actual output and utilisation rate of the major production processes in our production facilities during the Track Record Period based on information available on machine hours:

	For the year ended 31 December					
	2022			2023		
	Designed Production Capacity *(Hour)*[1]	Actual Output *(Hour)*[2]	Utilisation Rate *(%)*[3]	Designed Production Capacity *(Hour)*[1]	Actual Output *(Hour)*[2]	Utilisation Rate *(%)*[3]
Singapore Factory						
Precision machining — CNC machining process	338,240	177,408	52.5	338,240	138,285	40.9
Precision welding	144,960	113,467	78.3	144,960	171,953	118.6
Malaysia Factory						
Precision machining — CNC machining process	126,000	58,212	46.2	126,000	60,962	48.4

Notes:

(1) The designed production capacity for precision machining is calculated based on maximum machine hours for CNC machining process. The designed production capacity for precision welding is calculated based on maximum machine hours for the precision welding process. Maximum machine hours are calculated based on 20 operating hours per working day (inclusive of the switching time of production machinery and equipment for manufacturing different parts and components and taking

into account factors such as machine set-up and reconfiguration time, etc) and total working days per year (based on two shifts per day and six working days per week multiplied by 52 weeks minus the number of statutory holidays in Singapore or Malaysia for the respective year).

(2) The actual output is the total number of actual machine hours in operation.

(3) The utilisation rate is calculated by dividing actual output by designed production capacity for the same financial year on the basis set out above.

For the years ended 31 December 2022 and 2023, the utilisation rates were approximately 52.5% and 40.9% for precision machining and approximately 78.3% and 118.6% for precision welding, respectively, at our Singapore Factory and the utilisation rates were approximately 46.2% and 48.4%, respectively, for precision machining at our Malaysia Factory. According to the CIC Report, the industry average utilisation rates of the production facilities of precision machining and precision welding industry both ranged from 40% to 80% during the Track Record Period. This wide range reflects varying operational circumstances and industry demands. Companies focused on the semiconductor industry operate at lower utilisation rates of 40% to 60% as the parts and components produced for the semiconductor industry are less standardised and more complex. These parts require the use of different types of CNC machines and other machines and tools for each step of the production process. The machines required for different products may also vary widely, leading to lower utilisation rates for the higher varieties of machines. In contrast, companies mainly serving the aerospace industry and automobile industry operate at higher utilisation rates of 60% to 80%. The parts produced for these industries are relatively more standardised and more streamlined, requiring less varieties of machines, and thus leading to higher utilisation rates. The increase in utilisation rates in 2023 for precision welding at our Singapore Factory as compared to 2022 was mainly due to the procurement of labour services from independent third party service providers to increase manpower at our Singapore Factory to cope with the increase in sales of precision welding services. Our production facilities for precision machining were not fully utilised during the Track Record Period, which was primarily due to limited resources for procurement of raw materials and recruitment of skilled workers to maximise the machine hours in operation. Besides, as products of our precision machining are highly customised with diverse design specifications as requested by our customers and hence require the use of different type of machines (e.g. CNC turning machines, CNC lathe machines, CNC milling machines and other advanced tools) to complete the whole process, it would be very ideal for different type of our machines to be operated simultaneously at all production time to achieve full utilisation. For hypothetical analysis only, with reference to (i) our historical average machine hours, raw material costs and labour costs required to perform a purchase order during the Track Record Period, and (ii) our average cash and bank balances in 2022 and 2023, we have a shortage of approximately S$6.5 million and S$5.4 million of working capital for raw material procurement and staff recruitment in order to fully utilise our production capacity for precision machining at our Singapore Factory during 2022 and 2023, respectively.

During the Track Record Period, we received additional purchase orders from customers from time to time while our available human resources were still occupied with fulfilling existing orders on hand. In order to maintain positive relationship with our customers, we negotiated for longer delivery times instead of turning down purchase orders. We will also procure labour services from independent third party service providers to handle these additional or ad hoc orders if necessary. To determine whether to procure external labour service when our existing human resources are tied up, we will consider factors such as delivery schedules requested by customers, additional cost required, our current production schedule, our then available working capital and our relationship with the customer. This has resulted in our backlog of unfulfilled orders. As at 31 December 2022 and 2023 and 30 April 2024, we had a backlog of unfulfilled purchase orders of approximately S$36.1 million and S$24.9 million and S$18.4 million, respectively.

We intend to recruit additional manpower as set out in the section headed "Future Plans and [REDACTED]" in this document and/or procure labour services from third party service providers as set out in" — Deployment of labour services" in accordance with our specific business needs. For the year ended 31 December 2023, the utilisation rate for precision machining at our Singapore Factory was approximately 40.9%. If the assumptions adopted to calculate our utilisation rate remain unchanged and assuming that we have sufficient resources to employ additional staff for the year ended 31 December 2023, there would be a shortage of 43 staff to fully utilise our production capacity for precision machining at our Singapore Factory as at 31 December 2023. With the recruitment of additional manpower upon utilisation of the relevant use of [REDACTED], it is expected that the utilisation rates of our Singapore Factory will increase to approximately 64.1% and exceeding 100% (the utilisation rate of the Singapore Factory for precision welding already exceeded 100% for the year ended 31 December 2023) for precision machining and precision welding, respectively.

OUR CUSTOMERS

We have established a reputable customer base and our precision engineering capabilities coupled with our highly specialised know-how allow us to stand out among our competitors. For the years ended 31 December 2022 and 2023, we recognised revenue from a total of 36 and 36 customers, respectively.

The following table sets out our revenue breakdown by service type, customer sector and customer geographical location, respectively, for the periods indicated:

	For the year ended 31 December			
	2022		2023	
	S$'000	*% of total revenue*	*S$'000*	*% of total revenue*
By service type:				
Precision machining	22,913	58.6	15,545	40.1
Precision welding	16,203	41.4	23,224	59.9
Total	39,116	100.0	38,769	100.0
By customer sector:				
Semiconductor	35,729	91.3	34,077	87.9
Aerospace	101	0.3	1,646	4.3
Data storage	2,423	6.2	2,411	6.2
Others[(1)]	863	2.2	635	1.6
Total	39,116	100.0	38,769	100.0
By customer geographical location:				
Singapore	20,741	53.0	14,807	38.2
Malaysia	12,627	32.3	16,072	41.5
U.S.	3,507	9.0	5,267	13.6
Others[(2)]	2,241	5.7	2,623	6.7
Total	39,116	100.0	38,769	100.0

Notes:

1. Others mainly refer to solar industry and oil and gas industry.

2. Others mainly refer to Switzerland.

Major customers

We have established strong and long-standing business relationships with our major customers. In each year during the Track Record Period, revenue contributed from our five largest customers was approximately S$29.8 million and S$31.0 million, respectively, representing approximately 76.0% and 80.0%, respectively, of our total revenue. In each year during the Track Record Period, revenue contributed from our largest customer was approximately S$12.4 million and S$9.0 million, respectively, representing approximately 31.8% and 23.1%, respectively, of our total revenue. We have established and maintained business relationships with our five largest customers during the Track Record Period for approximately 11 years on average.

To the best knowledge of our Directors, Customer B, Customer C and Customer D are the 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. These contract manufacturers and service providers build equipment and/or produce parts and components for their OEM customers. Customer A, for instance, maintains a list of approved suppliers and its contract manufacturers and service providers may also be required to source from its specified list of suppliers.

Our five largest customers during the Track Record Period are independent third parties. To the best knowledge of our Directors, none of our Directors or any person who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of any of our subsidiaries (or any of their respective associates) had any interest in any of our five largest customers during the Track Record Period.

Further information on our five largest customers for each of the periods during the Track Record Period is set out as follows:

For the year ended 31 December 2022

Rank	Name of customer[1]	Services provided by us	Background and principal business	Year commencing relationship	Typical credit terms and payment method	Transaction amount and percentage of our total revenue	
						S$'000	*%*
1.	Customer A	Precision machining and precision welding	A group listed on the NASDAQ and headquartered in the U.S. (including customer entities in the U.S. and Singapore) which is principally engaged in provision of manufacturing equipment, services and software to the semiconductor, display and related industries globally. Customer A recorded net sales of approximately US$25,785 million for the year ended 30 October 2022.	2009	60 days by bank transfer	12,449	31.8
2.	Customer B	Precision machining and precision welding	A group listed on the New York Stock Exchange and headquartered in the U.S. (including customer entities in the U.S. and Malaysia) which is principally engaged in provision of advanced manufacturing services, which include design and engineering services and technology solutions. Customer B recorded sales of approximately US$2,886 million for the year ended 31 December 2022.	2011	30/60 days by bank transfer	6,317	16.1
3.	Customer C	Precision welding	A group listed on the Main Market of Bursa Malaysia and based in Malaysia which is principally engaged in the provision of services such as precision machining, sheet-metal fabrication, surface treatment, equipment integration and automation solutions. Customer C recorded revenue of approximately RM1,148 million for the year ended 31 December 2022.	2019	30 days by bank transfer	4,418	11.3
4.	Customer D	Precision machining and precision welding	A private company based in Singapore which is principally engaged in system integration of mechatronic (sub)systems and modules for original equipment manufacturers in the high-tech capital equipment industry.	2015	60 days by bank transfer	4,236	10.8
5.	Intevac Asia Pte. Ltd.	Precision machining and precision welding	A private company based in Singapore which is principally engaged in wholesale distribution of industrial machinery and equipment.	2010	30 days by bank transfer	2,361	6.0
					Sub-total	29,781	76.0
					All other customers	9,335	24.0
					Total	39,116	100.0

Notes:

1. To the best knowledge of our Directors, different entities of customers under the same ultimate common control are consolidated as one single customer to illustrate the level of concentration of such customer group for purposes of the above table of our five largest customers for the Track Record Period.

2. Customer A and Customer B were also our suppliers for a small amount of parts during the Track Record Period. For more information, see "— Overlapping Customer and Supplier".

For the year ended 31 December 2023

Rank	Name of customer[1]	Services provided by us	Background and principal business	Year commencing relationship	Typical credit terms and payment method	Transaction amount and percentage of our total revenue	
						S$'000	*%*
1.	Customer C	Precision welding	A group listed on the Main Market of Bursa Malaysia and based in Malaysia which is principally engaged in the provision of services such as precision machining, sheet-metal fabrication, surface treatment, equipment integration and automation solutions. Customer C recorded sales of approximately RM1,445 million for the year ended 31 December 2023.	2019	30 days by bank transfer	8,960	23.1
2.	Customer A	Precision machining and precision welding	A group listed on the NASDAQ and headquartered in the U.S. (including customer entities in the U.S. and Singapore) which is principally engaged in provision of manufacturing equipment, services and software to the semiconductor, display and related industries globally. Customer A recorded net sales of approximately US$26,517 million for the year ended 29 October 2023.	2009	60 days by bank transfer	8,400	21.7
3.	Customer B	Precision machining and precision welding	A group listed on the New York Stock Exchange and headquartered in the U.S. (including customer entities in the U.S. and Malaysia) which is principally engaged in provision of advanced manufacturing services, which include design and engineering services and technology solutions. Customer B recorded sales of approximately US$2,839 million for the year ended 31 December 2023.	2011	30/60 days by bank transfer	7,804	20.1
4.	Customer D	Precision machining and precision welding	A private company based in Singapore which is principally engaged in system integration of mechatronic (sub)systems and modules for original equipment manufacturers in the high-tech capital equipment industry.	2015	60 days by bank transfer	3,525	9.1
5.	Intevac Asia Pte. Ltd.	Precision machining and precision welding	A private company based in Singapore which is principally engaged in wholesale distribution of industrial machinery and equipment.	2010	30 days by bank transfer	2,327	6.0
					Sub-total	31,016	80.0
					All other customers	7,753	20.0
					Total	38,769	100.0

Notes:

1. To the best knowledge of our Directors, different entities of customers under the same ultimate common control are consolidated as one single customer to illustrate the level of concentration of such customer group for purposes of the above table of our five largest customers for the Track Record Period.

2. Customer A and Customer B were also our suppliers for a small amount of parts during the Track Record Period. For more information, see "— Overlapping Customer and Supplier".

Customer concentration and reliance on our five largest customers

For the years ended 31 December 2022 and 2023, we derived approximately 76.0% and 80.0% of our total revenue from our five largest customers, respectively. Revenue contributed from our largest customer amounted to approximately S$12.4 million and S$9.0 million, representing approximately 31.8% and 23.1% 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 certain products we manufactured for these customers may be supplied, directly or indirectly, by them to Customer A. To the best knowledge of our Directors, Customer A did not purchase such products directly from our Group as our other five largest customers whose products were subsequently supplied to Customer A may use the parts supplied by us for further processing and/or assembly before supplying to Customer A. As a result, a significant portion of our revenue during the Track Record Period was derived directly and indirectly from Customer A.

For more information of our customer concentration risk, see "Risk Factors — 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".

Background of Customer A

Customer A is currently listed on the NASDAQ and principally engaged in the provision of manufacturing equipment, services and software to the semiconductor, display and related industries globally. It supplies equipment used for fabrication of integrated circuits and displays of electronic products such as televisions, smartphones, laptops and personal computers, etc.

According to the CIC Report, Customer A is an industry leader in the global semiconductor manufacturing equipment industry in terms of revenue in 2023 with a market share of approximately 19.5% and 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 number 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.

Our business relationship with Customer A

Customer A is our largest customer (through direct sales and based on the understanding of our Directors, through indirect sales to contract manufacturers and/or service providers of Customer A) during the Track Record Period. We have obtained the Standardised Supplier Quality Assessment ("**SSQA**") certification, which qualifies us to conduct precision machining work in the semiconductor industry, and also became the approved supplier of Customer A. Metasurface Technologies started its business relationship with Customer A since 2009 and SPW started its business relationship with

Customer A since 2019. Save as disclosed, there is no any other past or present relationship (including financing, trust, fund flow or otherwise) between Customer A with our Company, our subsidiaries, shareholders, directors or senior management, or any of their respective associates.

General Sales Agreement

Customer A entered into two global supply agreements with us, one with Metasurface Technologies dated 14 May 2018 and another with SPW dated 1 February 2021 (collectively, the "**Global Supply Agreements**").

Term and renewal:	In respect of the Global Supply Agreement entered into by Metasurface Technologies, the agreement shall remain in force for a minimum of 36 months and automatically continue in perpetuity until either party provides 12 months of prior written notice to the other party to terminate the agreement. In respect of the Global Supply Agreement entered into by SPW, the agreement shall remain in force for a minimum of 60 months and automatically continue in perpetuity until either party provides 18 months of prior written notice to the other party to terminate the agreement. As at the Latest Practicable Date, neither Metasurface Technologies nor SPW had received any written notice from Customer A to terminate their respective Global Supply Agreement.
Terms of payment:	60 days from the later of (i) the date of Customer A's receipt of an invoice for the product, and (ii) Customer A's acceptance of the product. If such payment is made within 15 days of the later of (i) or (ii) above, Customer A may deduct 2% from the purchase amount as a prompt payment discount.
Pricing:	The purchase price (if not specified in the Global Supply Agreements) shall be specified in the purchase orders. The purchase price shall include manufacturing, testing, inspection and packaging fees, applicable royalties and taxes.
Quantity:	Customer A may increase the quantity of purchase items in its purchase order from time to time, which the Group shall not reject so long as it is within the scope specified in the Global Supply Agreements. Customer A is not subject to any specific or minimum purchasing volume of any items from the Group except as specified in the purchase orders.

In the event that the Group fails to deliver any items agreed by both parties in the purchase orders from Customer A, Customer A may, among others, (i) purchase products (in the same quantity that the Group fails to deliver) comparable to the relevant items in the open market or from other suppliers and claim against the Group for the difference between the contract price and the price paid in the open market or to other suppliers; and (ii) claim against the Group other costs and expenses incurred as a result of the Group's failure to deliver the relevant items. The Group did not experience any material failure in delivering any items as agreed by both parties in a purchase order nor receive any material claim from Customer A during the Track Record Period and up to the Latest Practicable Date.

Delivery and transportation fees:

Products shall be delivered according to the time, date, location and other requirements specified in the Global Supply Agreements or the purchase order. Logistics or external courier is arranged in accordance with the requirements set out in the purchase order. If needed, we will use expedited delivery methods.

Titles are transferred to Customer A upon acceptance of the item. Risk of loss shall be determined based on free carrier shipping terms.

Customer A shall pay transportation charges directly to its designated external courier. Otherwise, it shall be included in the purchase price.

Return and refund:

Title to an item only transfers to Customer A upon acceptance of the item. At any point prior to acceptance, Customer A may reject or return any item that does not conform to the specifications. Customer A may reject and return the item and recover, offset or adjust payments in respect of such item, including any costs or fees related to shipping and insuring such item. There has been no material claims from Customer A during the Track Record Period and up to the Latest Practicable Date.

Manufacturing requirements:

Customer A and our Group shall conduct first article inspection (i.e. inspect the first item produced).

Termination:	Customer A may serve a notice of default to us if we materially breach the Global Supply Agreements. We may also serve a notice of default to Customer A if it materially breaches certain clause of the Global Supply Agreement. The Global Supply Agreement shall terminate immediately upon the service of a notice of default.

PACE Agreements

Each of Metasurface Technologies and SPW entered into with Customer A an addendum to the respective Global Supply Agreement dated 1 August 2018 and 1 February 2021, respectively (collectively, the "**PACE Agreements**"). Pursuant to the PACE Agreements, we, as consignor are required to deliver items specified in the Global Supply Agreements (the "**Consignment Items**") to Customer A when the stock level of such items in Customer A's inventories drops below a minimum level. In such cases, we shall assist Customer A to replenish the relevant Consignment Items up to a maximum stock level. The Consignment Items shall be delivered to manufacturing sites of Customer A. Ownership of such Consignment Items does not transfer to Customer A until Customer A accepts and releases such item from its inventory for the purpose of using such Consignment Items.

We as seller entered into the PACE Agreements with Customer A as buyer in order to support its inventory control policy and to foster our relationship with Customer A. The relationship between us and Customer A pursuant to the PACE Agreements is that of seller and buyer. Our Directors believe that our engagements in consignment arrangements with Customer A do not result in any substantial changes to our business models and are generally in line with industry practice. The material terms of the PACE Agreements are as follows:

Details of Consignment Items:	Subject to specifications in the agreement, Consignment Items usually have a reasonably steady rate of usage. Regular communication is maintained between us and Customer A on (i) the average weekly usage of the Consignment Items, (ii) Customer A's forecast of demand for Consignment Items in the next 13 weeks, (iii) the minimum stock level and maximum stock level as well as the replenishment order, and (iv) the notice in respect of the time and amount of Consignment Items Customer A releases from its inventories.
Term of consignment:	The PACE Agreements expire upon the respective contractual expiration date or termination of the Global Supply Agreements.

Consignment prices: The selling price for any item identified as a Consignment Item (the "**Consignment Price**") is determined through mutual agreement between the Group and Customer A when such item is designated as a Consignment Item. The Consignment Price may be changed pursuant to written agreement between the Group and Customer A. Usually, an item is identified as a Consignment Item when Customer A has a reasonably steady usage rate for that item. Customer A is not required to make any prepayments for any Consignment Item.

Delivery of consignment products: The Consignment Items shall be delivered to Customer A upon receipt of replenishment order from Customer A. Delivery of a Consignment Item to Customer A's manufacturing site(s) in response to a replenishment order will not immediately constitute a transfer of title nor trigger any payment obligations, until Customer A accepts and releases such item for use. Such delivered Consignment Item remains our inventory but Customer A will bear the relevant risk of loss for each of the Consignment Items prior to acceptance and release of such items. Title of the Consignment Items will transfer to Customer A only when it accepts and releases a Consignment Item, which then also triggers its payment obligation according to the Global Supply Agreements.

Acceptance and release of consignment items: Customer A shall examine the quantity of Consignment Items at its manufacturing sites. Consignment Items delivered to Customer A shall be accepted and released no later than 180 days after issuance of replenishment orders.

If Customer A does not accept and release the Consignment Items for 180 consecutive days from delivery of such items to Customer A's manufacturing sites, we may submit a claim to Customer A within 30 days from the end of such 180-day period. Upon Customer A's review of the claim, Customer A may purchase the Consignment Items based on the Consignment Price. During the Track Record Period and up to the Latest Practicable Date, there had been no material claims issued by us to Customer A.

Termination:	Either party may terminate the respective PACE Agreement (without affecting the Global Supply Agreement) if the other party materially defaults in performing its obligations under the PACE Agreement and such default is not cured within a specified period. Customer A may also terminate the PACE Agreement if it terminates our participation in the programme in respect of the Global Supply Agreement with 90 days' prior notice to us.

Under the consignment arrangement, we recognise revenue when Customer A accepts and releases the Consignment Items from its manufacturing sites. As at 31 December 2022 and 2023, the amount of Consignment Items maintained at Customer A's manufacturing sites amounted to approximately S$0.3 million and S$0.3 million, respectively. We monitor and control the movement in inventories of Consignment Items at Customer A's manufacturing sites through our timely information sharing with Customer A and conducting on-site inventory count together with Customer A semi-annually. Customer A regularly makes available information to us regarding the outstanding amount of Consignment Items in their manufacturing site(s), the average amount of Consignment Items released for the week and its forecast of demand. We also provide to Customer A, on a weekly basis, quantity of Consignment Items manufactured and stored at our sites but yet to be delivered to Customer A's manufacturing sites. In addition, our sales department monitors the Consignment Items stored with Customer A on a weekly basis.

The Directors are of the view that there is no channel stuffing issue of the Consignment Items during the Track Record Period and up to the Latest Practicable Date. In particular, delivery of a Consignment Item to Customer A's manufacturing site(s) in response to a replenishment order will not immediately constitute a transfer of title to nor trigger any payment obligation on Customer A, until Customer A accepts and releases such item for use. Such delivered Consignment Item remains our inventory but Customer A will bear the relevant risk of loss of each of the Consignment Items prior to acceptance and release of such items. Title of the Consignment Items will be transferred to Customer A when it accepts and releases the Consignment Items, which also triggers its payment obligation according to the Global Supply Agreements. As such, we would only recognise revenue related to the Consignment Items when Customer A accepts and releases the Consignment Items pursuant to the PACE Agreements. Pursuant to the PACE Agreements, if Customer A does not accept and release the Consignment Items for 180 consecutive days from delivery of such items to Customer A's manufacturing sites, we may submit a claim to Customer A within 30 days from the end of such 180-day period. Upon Customer A's review of the claim, Customer A will issue a settlement purchase order to us and accept the Consignment Items based on the Consignment Price. Upon the issuance of a settlement purchase order and until the expiry of six months after the issuance of a settlement purchase order, if the Consignment Items remain at our warehouse (those items which Customer A did not issue replenishment order to us), Customer A may direct us to ship the Consignment Items to their designated location, hold those Consignment items on bailment or destroy the

Consignment Items. Also, pursuant to the PACE Agreements, Customer A will make available its forecast on product demand through a designated online portal to facilitate our production planning.

The Company has implemented a written policy addressing inventory management and sales return. Under the relevant policy, the accounting department of our Group has access to Customer A's inventory system which records the inventory of Consignment Items. The accounting department of our Group will then monitor the inventory level via such system regularly and when there is a shortfall on the inventory level, we may submit a claim to Customer A within 30 days from the end of the 180-day period as mentioned above. Upon Customer A's review of the claim, we will send invoice to Customer A on the inventory used and proceed to replace the shortfall of inventory. In addition, the accounting department of our Group conducts onsite stocktaking together with Customer A in June and December every year at the warehouse of Customer A. The accounting department of our Group reconciles the inventory record with the physical stock amount following the stocktaking exercise. The sales manager will also monitor the fluctuation of pricing of components and finished goods regularly. During the Track Record Period and up to the Latest Practicable Date, the period from the date of delivery of a Consignment Item to Customer A's manufacturing site(s) to the date when Customer A accepts and releases a Consignment Item ranged from approximately 10 days to 176 days. The Directors consider such measures have been effective in managing our Group's inventory and production planning during the Track Record Period and up to the Latest Practicable Date.

Taking into account the aforementioned policy, review of the PACE Agreements, discussions with the internal control consultant, the other due diligence documents and our Directors' confirmation, the Sole Sponsor concurs with the views of the Directors.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute or complaint arising from or in connection with the PACE Agreements entered in with Customer A which had caused a material adverse impact on our business or financial condition.

To the best knowledge of our Directors, Customer B, Customer C and Customer D are contract manufacturers and/or service providers of Customer A, which also produce parts and components for Customer A. Customer A maintains a list of approved suppliers and its contract manufacturers and/or service providers are also required to source from among its specified list of suppliers. As a result, it is possible that certain products we supplied to those customers may also be supplied, directly and indirectly, by them to Customer A. Nonetheless, as the sales of Customer B, Customer C and Customer D to Customer A are confidential and sensitive information to the respective customers, we are not able to ascertain the exact amount of revenue derived from sales of products to these customers which were subsequently supplied to Customer A. To the best knowledge of our Directors, Customer B, Customer C and Customer D are contract manufacturers and/or service providers of other manufacturers and certain products we manufactured for these customers during the Track Record Period might be supplied to such other

manufacturers. Hence, in the event Customer A discontinues operations with us, our Directors believe that Customer B, Customer C and Customer D will still purchase products manufactured by us.

According to the CIC Report, it is not uncommon for market participants in the semiconductor segment of the precision component engineering industry, including service providers and contract manufacturers, 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 manufactures with the top three market players accounting for more than 40% of the global market share in terms of revenue in 2023. Our Directors consider that the business model of our Group is sustainable despite the customer concentration during the Track Record Period due to the following factors:

(i) Mutual and complementary reliance

We are a long-term business partner with Customer A

We have established a long-term and growing business relationship with Customer A for approximately 15 years as at the Latest Practicable Date. We are one of Customer A's approved suppliers. We work closely with Customer A to support the production of its new products and regularly communicate with their sales representatives. Through such frequent contacts, our Directors believe that we have a sound understanding of its needs and preference which helps foster our relationship with Customer A.

We have been able to continuously enhance the production and cost efficiency on our products offered to Customer A, mainly attributable to (i) our machinery and our skilled labour, which enable us to plan and adopt more effective and cost-efficient production techniques; (ii) our in-depth understanding of Customer A's requirements through long-term partnership, which enables us to continuously optimise our production flow and price competitiveness; and (iii) the increasing purchase volume from Customer A, which enables us to achieve economies of scale in lowering the average costs of production as our technical staff become more familiar with the production flow. This in turn also benefits Customer A by allowing it to offer more competitive pricing to its customers. As such, our Directors believe that changing suppliers may potentially lead to an increase in production costs for Customer A, which may adversely affect its competitiveness. For more information, see "— Our customers — Mutual and complementary reliance — It is unduly burdensome and difficult for Customer A to seek alternative suppliers and the cost of switching suppliers for Customer A is relatively high".

In view of the long-term and growing business relationship and our track record of providing high quality parts and components to Customer A, our Directors believe that we will continue to be one of Customer A's key partners in the future. Also, any cessation of our supply of parts and components to Customer A may have an adverse impact on its business as Customer A may not be able to easily find alternative suppliers at comparable standards and cost requirement.

It is unduly burdensome and difficult for Customer A to seek alternative suppliers and the cost of switching suppliers for Customer A is relatively high

Notwithstanding the relatively strong bargaining power of Customer A as a reputable international semiconductor manufacturing equipment provider when sourcing from its suppliers including us, our Directors take the view that it may also be unduly burdensome and difficult for it to seek alternative suitable suppliers who are able to deliver comparable products and services like us within a short period of time. As such, it is more productive and reliable for them to continue working with us to maintain quality of its products and services as well as to minimise costs for the following reasons:

Manufacturing equipment used to fabricate integrated circuits (ICs) and displays are sophisticated and require stringent technical specifications and high quality standard. As a result, the parts and components we produce for Customer A are highly customised with stringent quality control requirements. The process for Customer A to identify and approve a new supplier is very costly and time consuming due to the numerous criteria and the selection process involves multiple procedures, including submission of request for assessment, pre-evaluation on the potential supplier history, supplier self-assessment, on-site inspection and post assessment process. The time required for a new supplier to obtain SSQA certification and become an approved supplier for Customer A can vary. According to the CIC Report, it may take up to three years for a new supplier to successfully complete the assessment process and obtain approval to supply to Customer A. After admitting us to the approved supplier list, Customer A has also conducted regular supplier performance management by inspection of the first article of the manufacture of new parts and components, assessments for new production processes and evaluation on our business process, training, facility and maintenance, quality, calibration, safety and packaging during the Track Record Period.

Also, in view of the surging demand for products of Customer A driven by the worldwide demand for electronic products, Customer A places strong emphasis on timely supply of parts, materials and services, including components and sub-assemblies to meet the changing technical and volume requirements of its customers. Any significant or sudden increase of volume, together with unpredictability of transportation lead time for delivery may adversely affect the ability of Customer A to meet the demand of its customers. In order to meet the volatile demand of Customer A for different parts and components, during the Track Record Period and up to the Latest Practicable Date, we had in place an arrangement with Customer A under which we will send certain specified items to the manufacturing sites of Customer A when the stock level of such item drops below a minimum stock level so that Customer A can pull directly from its warehouse for just-in-time inventory arrangement. For more information, see "— Customer concentration and reliance on our five largest customers — PACE Agreements".

As a result, it is our understanding that Customer A is satisfied with the long-term cooperation relationship with us with proven track record and we could accommodate to their just-in-time inventory policy to avoid the risks of product shortage or delay in delivery of products.

It is also unduly burdensome and difficult for our other customers which are contract manufacturers of Customer A to find alternative suppliers

As aforementioned, Customer A maintains a list of approved suppliers from whom its contract manufacturers and service providers could only source its parts. As a result, it is also difficult for our other customers which are contract manufacturers of Customer A to resort to alternative suppliers.

(ii) Increasing diversification of our customer base

Our Directors consider that our production facilities and skills of our employees are not specifically designed or trained to serve solely Customer A or the semiconductor industry but are readily transferable to cater for the needs of other end-use industries as: (i) our machinery and equipment can be efficiently re-configured so that we are able to quickly switch the production setup for manufacturing different products, (ii) the underlying skills of welding and expertise of precision engineering required are universally applicable for handling orders from different customers, and hence have wide applications in different industries, and (iii) our production flow can be adapted to meet the need of different orders from different customers. According to the CIC report, Singapore is known for its robust manufacturing and technology sectors and provides a fertile ground for precision engineering services providers such as our Group to cater to customers from a diverse range of end-use sectors locally and globally. In the semiconductor sector alone, there are more than 300 companies involved in manufacturing and repairing of semiconductor related equipment in Singapore, including local companies and multinational corporations. In Malaysia, there are approximately 200 companies involved in the production of semiconductor machinery and equipment. These companies are readily available alternative customers for the Group. We have solicited nine new customers during the year ended 31 December 2022 and three new customers during the year ended 31 December 2023. Further, our revenue contribution from direct sale to Customer A decreased from approximately 31.8% for the year ended 31 December 2022 to approximately 21.7% for the year ended 31 December 2023.

For the years ended 31 December 2022 and 2023, the utilisation rates were approximately 52.5% and 40.9% for our precision machining and approximately 78.3% and 118.6% for our precision welding, respectively at our Singapore Factory and the utilisation rates were approximately 46.2% and 48.4%, respectively for our precision machining at our Malaysia Factory. Our production facilities for precision machining were not fully utilised during the Track Record Period, primarily due to limited resources for procurement of raw materials and recruitment of skilled workers to maximise the machine hours in operation. Therefore, our Directors believe that we have spare capacity to serve other existing customers or new customers subject to the availability of working capital and skilled workers.

We have been endeavouring to expand into the oil and gas sector. According to the Oil 2023 medium-term market report forecasts published by the International Energy Agency (IEA), based on current government policies and market trends, global oil demand will rise by 6% between 2022 and 2028 and reach 105.7 million barrels per day, supported by robust demand from the petrochemical and aviation sectors.

We commenced our expansion into the oil and gas sector in 2021 by supplying parts and components such as connecting plates and rotating plates to a customer which is principally engaged in jackup rig and oil tool manufacturing. We have also entered into an agreement dated 1 October 2022 with an independent third party, which is principally engaged in trading of steel tubulars and provision of related services, pursuant to which we provided services, such as tubular thread inspection, tubular body inspection, tubular inventory management and storage and other logistic services related to tubular management during the Track Record Period (the "**TTM Agreement**"). For the year ended 31 December 2022, we also provided to the independent third party precision machining services in relation to connectors for oil and gas pipes.

In the oil and gas industry, tubulars are pipes and tubing used in exploration, drilling, and transportation of oil and natural gas. These components are required to be sufficiently robust and reliable to withstand demanding environment encountered during oil and gas operations. Pipe inspections are critical to ensuring the quality and integrity of pipes, by detecting defects such as cracks, scratches, corrosions or other structural defects in pipes. Our expertise in tubular inspection and management services has been developed through collaboration with external specialists and by continuously enhancing our internal capabilities. During the Track Record Period, we procured specialised labour services from Meson Technology, which enhanced our sector-specific skills relating to oil and gas. To strengthen our in-house capabilities in provision of oil and gas related services, we have enhanced training to our own staff, reducing dependency on external services and maintaining a sustainable skill set in-house. We have strengthened our expertise by bringing on board an experienced consultant to assist our oil and gas clients. In this regard, we have appointed Mr. Seng Chong How who has the relevant skills, knowledge and experience in the oil and gas industry to assist our expansion in the industry.

Our expertise and competitive strength in producing parts and components for the semiconductor industry and our ISO 9001:2015 procedures translate into our ability to meet the specific needs of oil and gas operations, where precision and durability are paramount. In particular, although tubular management services per se does not involve precision machining or precision welding processes, we intend to leverage the provision of tubular management services under the TTM Agreement as a springboard and our advanced CNC machining capabilities to explore further opportunities with the independent third party and other customers in the oil and gas industry for provision of services relating to precision machining and precision welding. Parts that we intend to produce for our oil and gas customers require high tolerance levels and resistance to extreme environments to be used in the oil and gas exploration, production and refining processes. Our Directors believe that we are equipped with the advanced production technologies and manufacturing capabilities to deliver products that meet various specifications required by customers in the oil and gas industry.

According to the CIC Report, the aerospace industry represents the largest segment in the precision component engineering industry in Singapore as Singapore is the leading aerospace hub within Asia, offering a comprehensive range of maintenance, repair and overhaul (MRO) services and advanced manufacturing capabilities. As a one-stop shop for all aerospace needs, many of the world's leading aerospace related OEMs and MRO service providers have been consolidating their presence in Singapore as a regional hub in Asia. Likewise, we intend to leverage our current product offering to Customer B in providing parts for commercial aircraft to solicit purchase orders from other potential new customers in the aerospace industry.

Given our long-term business relationship with Customer A, the high switching cost for Customer A towards alternative suppliers and the difficulty for our other customers which are contract manufacturers of Customer A to find alternative suppliers, our Directors believe that our existing relationship with Customer A will not materially and adversely change or terminate. Based on the review of the Global Supply Agreements, results from the due diligence interviews conducted with Customer A and other due diligence documents and Directors' confirmation, the Sole Sponsor concurs with the views of our Directors.

Pricing policy

Our pricing policy is based on a cost-plus pricing model.

In determining the selling prices of our products/services, we generally take into account factors including the cost of procurement (i.e. material costs and processing costs) and production variables and overheads which depend on the type of machines used, its complexity and machine hours and labour costs required. We normally charge higher price for more complex components and parts.

We regularly review and adjust our pricing policy based on these factors and other market conditions.

Credit policy

We generally grant our customers a credit period ranging from 30 to 60 days from the date of invoice. The length of the credit period varies on a case-by-case basis depending on: (i) the customer's business relationship with us, (ii) the expected lead time from order acceptance to delivery, (iii) the customer's reputation and credibility, (iv) the customer's specific product/service requirements, and (iv) the customer's payment history.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in collecting payments from our major customers.

General Sales Agreement

We enter into general sales agreement with some of our customers. The principal terms of our general sales agreement are summarised as below:

Principal terms		**Summary**
General rights and obligations	:	The general sales agreement typically sets out the rights and obligations of the supplier and the purchaser.
Term and renewal	:	The general sales agreement has a typical term ranging from one year to three years which are automatically renewable for successive one-year period on each anniversary date thereof.
Pricing	:	The pricing terms are generally specified in quotations, which include but not are limited to the manufacturing, testing, inspection and packaging fees, applicable royalties and taxes.
Delivery	:	We generally deliver the products to our customers via our in house logistics team for local destinations in Singapore. For delivery to locations outside Singapore, external courier would be arranged for pickup from our warehouse.
Terms of payment	:	In general, we grant our customers a credit term ranging from 30 to 60 days from the date of invoice and they settle the payment generally by bank transfer or cheque.
Termination	:	The general sales agreement may be terminated by either party's prior written notice of 60 to 90 days. Either party may also terminate the general sales agreement for cause if the other party fails to cure any material breach of the agreement within 30 days after receipt of written notice.

We are generally obliged to keep confidential the commercial and technical information that we receive from our customers and may only use the intellectual property belonging to our customers for purposes of performing the obligations under the respective general sales agreement.

Some of the general sales agreements also contain express provisions that the customers will retain exclusive ownership of all intellectual property rights relating to the products and we are liable to indemnify the customers for breach of such obligations or third party intellectual property infringement claims against our customers. Some of our customers grant us a non-exclusive, revocable and royalty-free licence to use their intellectual property for the purpose of producing the required parts and components.

For more information on the arrangements with our customers under the general sales agreements, see "— Pricing policy" and "— Product warranty, replacement and return policy".

Product warranty, replacement and return policy

We provide instructions to our production team to repair or reproduce the defective product. It generally takes approximately one week to repair or reproduce simple defective parts, and for complex parts, it generally takes approximately one to three months to repair or reproduce. In case any product defect is identified, our customers shall issue quality notification indicating the defect(s) found in the parts and return the products to us. Once our customers return the defective product to us, our quality assurance manager or representative shall review and handle their request promptly.

Upon review and approval by our quality assurance manager, our sales team would provide a return material authorisation number to the customer. Our production team would then coordinate with the quality assurance manager to investigate the cause of the defect and corrective actions will be taken accordingly.

For products that cannot be repaired or reproduced, the quality assurance manager would obtain approval to scrap the defective products. Upon completion of the repair and/or reproduction, the relevant repaired or reproduced product would then be reviewed and inspected by our quality assurance manager, prior to delivery to the customer.

If the cause of defect is due to our mishandling, we may not charge the customer for the repair or reproduction cost or may refund the customer. However, if the cause of defect is due to the customer's mishandling, we may charge the customer for the cost of repair or reproduction.

Our Directors confirm, during the Track Record Period and up to the Latest Practicable Date, that we had not experienced any material dispute or complaint arising from or in connection with the quality of our products which had caused a material adverse impact on our business or financial condition.

Sale and marketing strategy

During the Track Record Period, we generally captured our business opportunities by obtaining purchase orders from our existing customers and invitations for quotations from new customers.

Prior to commencing business with new customers, we may be required to go through their internal assessment process based on our track record performance, financial strength, internal controls, the first article inspection and production capabilities. After we are admitted to the approved supplier list of the new customers (if applicable), they will proceed with placing purchase orders with us directly.

As at 31 December 2023, our sales team are primarily responsible for handling purchase orders from customers, understanding customer requirements, reviewing the orders for acceptance and submitting quotations when required. Our sales team is also responsible for maintaining regular communication with our customers and diverting the feedback from customers to our production department for further action.

Seasonality

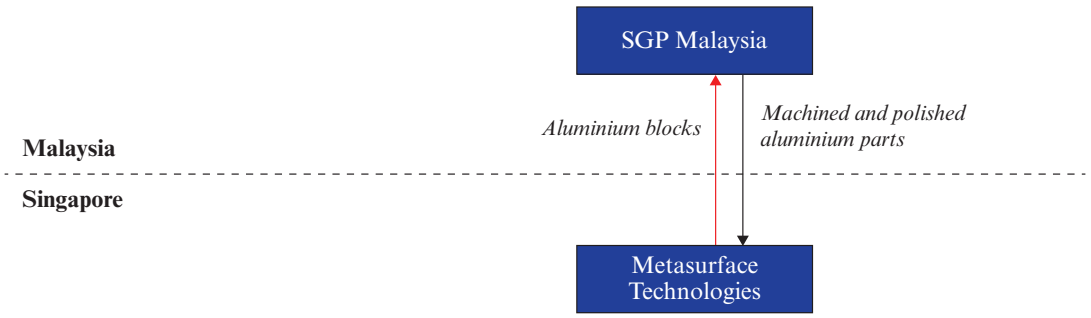
During the Track Record Period, we did not experience material seasonality. However, as far as we are aware, there is stronger demand for products in the end-use industries (such as electronic products) during festive seasons such as Thanksgiving Day and Christmas, which also drives the procurement of parts and components for manufacturing equipment of semiconductor during the second half of the year.

TRANSFER PRICING ARRANGEMENTS

Overview

During the Track Record Period, larger parts and components with more complex structures which require relatively more advanced technologies and machinery were manufactured in our Singapore Factory. To enhance cost efficiency, we assigned production orders which are simpler and involve intensive labour activities and polishing procedures to SGP Malaysia, our Malaysia Factory. SGP Malaysia purchased raw materials from Metasurface Technologies at Metasurface Technologies's original purchase cost and sold machined finished goods to Metasurface Technologies based on standard costs incurred during production which include raw material costs, direct labour and machine costs as well as production overhead costs.

The diagram below illustrates the business flow between Metasurface Technologies and SGP Malaysia during the Track Record Period:



During the Track Record Period, Metasurface Technologies developed business opportunities and secured transactions from customers. Based on the production capacity of SGP Malaysia, 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 for further processing; and SGP Malaysia manufactured the finished goods based on Metasurface Technologies's instructions and sold the finished goods back to Metasurface Technologies.

Potential tax exposure

We have engaged an independent transfer pricing tax consultant, PricewaterhouseCoopers Limited, ("**the Transfer Pricing Consultant**") to review and evaluate our Group's transfer pricing arrangements in relation to our intra-group transactions described above during the Track Record Period.

Since SGP Malaysia can be considered as a contract manufacturer to Metasurface Technologies, it should be compensated with a reasonable level of manufacturing profits that could commensurate with their manufacturing activities performed. To assess the intra-group transactions between Metasurface Technologies and SGP Malaysia, the Transfer Pricing Consultant conducted benchmarking analysis to search for comparable companies performing similar manufacturing functions and producing similar products as SGP Malaysia. The Transfer Pricing Consultant has used the transactional net margin method to identify arm's length range of full cost mark up ("**FCMU**") ratios for the comparable companies during the Track Record Period.

A total of 36 companies are identified as performing similar functions and producing similar products as SGP Malaysia and a five-year weighted average FCMU interquartile range of 3.36% to 7.61%, with a median of 5.16% were recorded. For the years ended 31 December 2022 and 2023, SGP Malaysia achieved a FCMU of 7.51% and 9.87%, respectively. The FCMU for the year ended 31 December 2022 falls within the arm's length FCMU interquartile range of the 36 comparable companies. The FCMU for the year ended 31 December 2023 falls above the arm's length interquartile range due to that certain production orders assigned to SGP Malaysia during the year involved processes requiring higher labour hours, which was reflected in the price charged to Metasurface Technologies according to the pricing policy as mentioned above (based on standard costs incurred

during production which include, among others, direct labour costs). As a result, SGP Malaysia recorded a higher profit margin given the actual monthly salaries payable to the production staff are relatively fixed. Despite that the FCMU for the year ended 31 December 2023 falls above the arm's length interquartile range, given that the characterisation of Metasurface Technologies as the overall business owner for the intra-group transactions to take up the ultimate business risk among the two parties and the statutory tax rate in Malaysia is higher that in Singapore, the financial results in Malaysia would not reduce the overall tax burden of the Group. As such, the transfer pricing analysis conducted by the Transfer Pricing Consultant concluded that our Group's intra-group transactions between Metasurface Technologies and SGP Malaysia during the Track Record Period were reasonable and generally consistent with the arm's length principle from both Singapore and Malaysia transfer pricing perspectives, in compliance with relevant transfer pricing rules, guidance and regulations in Singapore and Malaysia, and the practical risk that the transfer pricing arrangements being investigated and challenged by the relevant tax authorities is considered remote. Our Directors further confirmed that our Group's transfer pricing arrangements have not been challenged or investigated by the relevant tax authorities in Singapore or Malaysia during the Track Record Period and up to the Latest Practicable Date.

After considering the analysis results and reviewing the transfer pricing reports prepared by the Transfer Pricing Consultant, our Directors are of the view that the transfer pricing arrangements under the above intra-group transactions are considered arm's length in nature, reasonable and in compliance with the applicable transfer pricing rules, guidance and regulations in Singapore and Malaysia.

Measure to ensure on-going compliance

Our Group's transfer pricing arrangements are part of our normal business operation where an arm's length transaction price needs to be established. We have implemented a general pricing policy to follow the arm's length principle and to achieve an arm's length outcome. Our management had been and will continue to closely monitor our Group's transfer pricing arrangements including reviewing the reasonableness of the transfer pricing policy of our intra-group transactions from time to time to ensure compliance with the arm's length principle.

Our Directors (after considering the analysis results from the Transfer Pricing Consultant) confirm that our Group has fulfilled the applicable transfer pricing documentation compliance requirements in Singapore and Malaysia during the Track Record Period. Further, our Directors are not aware of any enquiry, audit or investigation by any relevant tax authority in Singapore or Malaysia with respect to the transfer pricing arrangements carried out by our Group.

PROCUREMENT

Overview

Our procurement team is responsible for the strategic purchasing planning and supplier management in relation to our procurement of raw materials. We sourced our raw materials from various independent third party suppliers mainly located in Singapore and the U.S. We maintain steady relationships with our suppliers. Although we are required by some of our customers to procure materials or processing services from certain designated suppliers, we do not depend on any of our suppliers for procurement during the Track Record Period and up to the Latest Practicable Date.

We sourced our machinery and equipment from third party manufacturers in various places including Germany, Japan and Taiwan.

In each year during the Track Record Period, purchases from our five largest suppliers were approximately S$7.5 million and S$6.8 million, respectively, representing approximately 47.4% and 52.2%, respectively, of our total purchases, and purchases from our largest supplier were approximately S$2.4 million and S$1.9 million, respectively, representing approximately 14.9% and 14.6%, respectively, of our total purchases for the years ended 31 December 2022 and 2023.

Our five largest suppliers during the Track Record Period include certain raw materials suppliers and processing service providers in Singapore. We have maintained business relationships with our five largest suppliers in each year of the Track Record Period for an average period of over six years.

Purchase of machinery and equipment

We generally procure machinery and equipment such as CNC machines, coordinate measuring machines and other equipment from our suppliers according to our production needs. According to the CIC Report, there are more than 200 suppliers based in Singapore involved in manufacturing and trading of machines such as CNC lathe machines and CNC milling machines, who can offer machines at comparable prices, terms and quality, and are potential alternative suppliers of the Group.

Purchase of raw materials

For procurement of raw materials, some of our customers may have a list of preferred or approved suppliers for sourcing the raw materials used in the manufacturing process. We would then procure such raw materials from their designated suppliers or from suppliers selected from their pre-approved lists of suppliers. After we obtain information in relation to the material type and size we need, we will send the requirements to the suppliers to seek quotations. The credit terms granted by our major suppliers are typically ranging from 30 days to 60 days. According to the CIC Report, Singapore has an established metal material market with transparent pricing. There are approximately 50 to 100 alternative suppliers

supplying metal material (e.g., aluminium) based in Singapore who can provide metal material to us with comparable prices, terms and quality, and the Group could also import metal materials from abroad.

Save for the arrangements under the PACE Agreements entered into by us with Customer A to manufacture and maintain a certain level of stocks in the manufacturing sites of Customer A from time to time (for details of which, see "— PACE Agreements" in this section), we generally make our purchase on a back-to-back basis that we only place order with our suppliers based on the volume of purchase orders we receive and our production planning. We will issue purchase requisitions and purchase orders to our suppliers according to the raw materials required for the production as per our customer request.

Upon receipt of the raw materials, we will conduct incoming quality inspection. For more information on our incoming quality control, see "— Quality Management — Incoming quality control".

Procurement of processing services

To better manage our production cost and complement our production capability and capacity, we engage third-party processing service providers for some of our non-core manufacturing processes during the Track Record Period. According to the CIC Report, there are more than 200 suppliers involved in treatment and processing of metals based in Singapore, who are readily available alternative suppliers with comparable prices, terms and quality to us.

For precision machining, we may send the parts and components to third-party processing service providers for surface treatment and cleaning, as the surface treatment and cleaning process require specific licence and special equipment to operate and such arrangement could minimise our capital expenditures, control our production costs and hence achieve cost-effectiveness of our manufacturing process.

For precision welding, we may send the parts and components to third-party processing service providers for the milling process when CNC machines are required for such process. We may also engage third-party processing service providers for cleaning process that requires the use of chemical of which specific licence is required.

We select our service providers after taking into consideration of factors such as reliability, qualification, production capacity, product quality and pricing terms and also based on the list of approved suppliers of our customers (if applicable).

We conduct incoming quality inspection to ensure the semi-finished products we receive from our processing service providers adhere to our stringent quality requirements. If there is any identified issue with the product quality, we will issue a non-compliance report and return the product to the third-party processing service provider for repair or reproduction.

Generally, we do not enter into any framework agreement with the third-party processing service providers as we only engage them on an as-needed basis. The credit terms granted by the third-party service providers are typically ranging from 30 days to 90 days.

We measure the quality of products processed by the third-party processing service providers in accordance with our quality assurance system. For more information on our quality assurance process, see "— Quality Management".

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material product quality dispute with our third party machinery and equipment suppliers, raw material suppliers or processing service providers. We believe that, if necessary, we can identify and engage substitute without material difficulty.

Management of suppliers

We impose stringent standards on selection of our suppliers. We maintain a procurement policy which comprises the evaluation process for selection of new suppliers and the annual review of existing suppliers. For more information, see "— Quality Management — Supplier management".

We usually request our supplier candidates to provide samples of their products for testing and our personnel from procurement department, quality control department and engineers from the relevant production department may jointly conduct on-site inspection on the candidates' production facility.

We constantly monitor the quality of our suppliers and perform evaluation every one or two years based on their production capacity, product and service quality, ability to timely deliver and pricing terms, including transportation costs.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage or delay in the supply of our raw materials.

Key terms with suppliers

We generally do not enter into long-term supply agreements with our suppliers but procure raw materials on an order-by-order basis. We set out below a summary of the key terms of our purchase orders to our suppliers during the Track Record Period:

Principal terms		**Summary**
Specifications	:	The purchase orders typically set out the specifications, quantities and pricing terms.
Delivery and inspection	:	Our suppliers are usually responsible for delivering the raw materials to our production facilities. We are entitled to inspect the raw materials upon arrival.

Principal terms		Summary
Payment terms	:	We generally settle our purchases with our suppliers in SGD or USD. If products are delivered in instalments, we are entitled to request for rendering separate invoices for each instalment in respect of each delivery. We usually make payment to our suppliers by bank transfer and/or cheque.
Credit terms	:	For local suppliers, we are generally granted 30 to 60 days of credit term. For overseas suppliers, payment in advance may be required either in the full purchase amount payable upon order or 50% partial down payment payable upon order and remaining balance payable prior to shipment.

Our suppliers

In each year during the Track Record Period, purchases from our five largest suppliers were approximately S$7.5 million and S$6.8 million, accounting for approximately 47.4% and 52.2% of our total purchases, respectively, and purchases from our largest supplier were approximately S$2.4 million and S$1.9 million, accounting for approximately 14.9% and 14.6% of our total purchases, respectively for the years ended 31 December 2022 and 2023.

Our Directors do not consider that our business is dependent on any single supplier and we have maintained stable business relationships with our major suppliers.

Our five largest suppliers during the Track Record Period are independent third parties. To the best knowledge of our Directors, none of our Directors or any person who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of any of our subsidiaries (or any of their respective associates) had any interest in any of our five largest suppliers in each year of the Track Record Period.

The tables below set out the details of our five largest suppliers in each year of the Track Record Period:

For the year ended 31 December 2022

Supplier	Products purchased/ service received	Background and principal business	Year commencing relationship	Typical credit terms and payment method	Transaction amount and percentage of our total purchases	
					S$'000	*%*
Supplier A	Parts	A limited liability company and based in Singapore which is principally engaged in manufacturing and supply of instrumentation solutions, valves, fittings, and systems for the ultra-high purity and process industries.	2015	30/60 days, by cheque	2,373	14.9
SL Metals Pte Ltd	Materials	A group listed on the Catalist of the Singapore Exchange Securities Trading Limited and based in Singapore which is principally engaged in supply of aluminium alloy products.	2009	60/90 days, by cheque	1,629	10.3
Banner Industries Asia Pacific Pte Ltd	Parts	A limited liability company and based in Singapore which is principally engaged in distribution of high purity components.	2021	30 days, by bank transfer	1,251	7.9
Supplier B	Parts	A limited liability company and based in Singapore which is principally engaged in wholesale of general tools including locks and hinges.	2016	60 days, by cheque	1,147	7.2
Mega Valve and Fitting Pte Ltd[(1)]	Parts	A limited liability company and based in Singapore which is principally engaged in distribution of ultra high purity products for the semiconductor and LCD industries.	2016	30 days, by cheque	1,123	7.1
				Sub-total	7,523	47.4
				All other suppliers	8,343	52.6
				Total	15,866	100.0

Note:

1. Mega Valve and Fitting Pte Ltd is also our customer during the Track Record Period. For more information, see "— Overlapping Customer and Supplier".

For the year ended 31 December 2023

Supplier	Products purchased/ service received	Background and principal business	Year commencing relationship	Typical credit terms and payment method	Transaction amount and percentage of our total purchases	
					S$'000	*%*
Supplier A	Parts	A limited liability company and based in Singapore which is principally engaged in manufacturing and supply of instrumentation solutions, valves, fittings, and systems for the ultra-high purity and process industries.	2015	30/60 days, by cheque	1,913	14.6
Mega Valve and Fitting Pte Ltd[(1)]	Parts	A limited liability company and based in Singapore which is principally engaged in distribution of ultra high purity products for the semiconductor and LCD industries.	2016	30 days, by cheque	1,468	11.2
Banner Industries Asia Pacific Pte Ltd	Parts	A limited liability company and based in Singapore which is principally engaged in distribution of high purity components.	2021	30 days, by bank transfer	1,332	10.2
Supplier C	Parts	A limited liability company and based in Singapore which is principally engaged in provision of fluid system solutions and services.	2022	60 days, by cheque	1,193	9.1
Supplier D	Parts	A group listed on the New York Stock Exchange and based in the U.S. which is principally engaged in manufacturing of motion and control technologies and systems. Supplier D recorded net sales of US$19,065 million for the year ended 31 December 2023.	2020	30 days, by cheque	932	7.1
				Sub-total	6,838	52.2
				All other suppliers	6,257	47.8
				Total	13,095	100.0

1. Mega Valve and Fitting Pte Ltd is also our customer during the Track Record Period. For more information, see "— Overlapping Customer and Supplier".

Overlapping Customer and Supplier

We may, from time to time, have overlapping suppliers and customers, which, according to the CIC Report, is a common practice for contract manufacturers and service providers in the precision engineering industry as raw material suppliers may also require precision engineering services for their own manufacturing equipment and/or products. This interdependence stems from the maturity of the precision engineering industry, close and complementary relationship between the business partners and the need for specialised expertise at each process along the supply chain.

During the Track Record Period, Mega Valve and Fitting Pte Ltd, one of our major suppliers for the years ended 31 December 2022 and 2023, procured precision welding services from us. The revenue generated from Mega Valve and Fitting Pte Ltd amounted to approximately S$21,000 and S$1,300 for the years ended 31 December 2022 and 2023, respectively.

Negotiations of the terms of our agreements with Mega Valve and Fitting Pte Ltd with respect to such overlapping transactions were conducted on an individual basis and the relevant services procured and offered were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that all of such transactions with Mega Valve and Fitting Pte Ltd during the Track Record Period were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

During the Track Record Period, certain of our top five customers procurred mainly OEM parts from their approved suppliers on our behalf. Our purchases from these customers amounted to:

- Customer A, one of our major customers: approximately S$1,900 and S$9,000 for the years ended 31 December 2022 and 2023, respectively

- Customer B, one of our major customers: approximately S$12,000 and nil for the years ended 31 December 2022 and 2023, respectively

The terms of our agreements with Customer A and Customer B with respect to such overlapping transactions were on an individual basis and the relevant products or services procured and offered were not inter-conditional with each other. Such customers procured parts from their suppliers on our behalf to speed up the procurement process, which we then used for manufacturing for such customers.

Our Directors confirmed that all of such transactions with Customer A and Customer B during the Track Record Period were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

INVENTORIES AND WAREHOUSING

Inventory control and provisioning policy

We have production facilities in Singapore and Malaysia. For more information, see "— Properties".

Our inventory mainly comprises raw materials for production, work in progress and finished goods. It is our policy to maintain an optimal inventory level to minimise our stock holding cost.

Pursuant to the consignment arrangement entered into by us with Customer A pursuant to the PACE Agreements, Customer A may request for delivery of our finished goods to their manufacturing sites on consignment basis when the stock level of such finished goods drops below a minimum stock level and subsequently accepts and releases such items when needed (no later than 180 days after issuance of the replenishment orders). For more information on the PACE Agreements, see "— Our Customers — Customer concentration and reliance on our five largest customers — Our business relationship with Customer A — PACE Agreements".

To effectively monitor our inventory level, save for the arrangement under the PACE Agreements, we generally purchase raw materials according to customers' purchase orders and market condition. Finished goods are produced and transported to customers promptly to satisfy customers' demands and therefore we endeavour to maintain minimal inventory level.

Our Directors confirm that during the Track Record Period, we have not experienced any significant delays or shortages in the supply of raw materials which would impact our operation and we do not anticipate significant difficulties in obtaining alternative sources of supply, if necessary. For more information on risk associated with supply of raw materials, see "Risk Factors — 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".

Logistics

We have our own logistics team for delivery of our products to customers located in Singapore. Our logistic team consists of two trucks and two truck drivers, incurring depreciation, hire purchase principal and interest expenses, drivers' salary, maintenance, insurance and petrol expenses of approximately S$140,000 and S$136,000, respectively for the years ended 31 December 2022 and 2023. As at 31 December 2023, each truck has a remaining useful life of three years. During the Track Record Period, the trucks have been used to deliver parts to our customers in Singapore and transporting parts between our Singapore Factory and Malaysia Factory. For customers located outside Singapore, subject to requirements set out in the purchase orders, external courier is arranged for pickup of the products from our warehouse in accordance with our customers' instructions.

During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material adverse impact on our operations as a result of failure to meet delivery schedules of our customers.

QUALITY MANAGEMENT

We are committed to ensuring quality in respect of our products and services delivered to our customers and maintaining a comprehensive quality control system. In order to control the variables within our production process, we ensure that quality checks are in place at various stages of the operational process and our quality control personnel in Singapore will be responsible for maintaining our products delivered are up to the expected standards.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material return to our suppliers or any material return from our customers which would cause any material and adverse impact on our operations or financial condition. The main quality control procedures, where applicable, are as follows:

Incoming quality control

Upon receiving raw materials from suppliers, we will first check the quality and quantity of the materials according to the purchase orders. We will also verify the specifications indicated on the certificate of conformance attached to the materials and inspect the dimension of the incoming materials according to the internal production work instructions. We will follow up with our suppliers to obtain corrective action and recovery plan when necessary. When required by our customer under any specific request, the material verification shall be conducted at least once a year by a third party on a selective basis.

Supplier management

We impose stringent standards on selection of our suppliers. For monitoring of our suppliers, we have an overall qualification and evaluation process for selection of new suppliers and review of existing suppliers. We maintain a list of approved suppliers and the procurement, production and quality control departments are responsible for the evaluation process and determining if the new or qualified supplier meets our requirements to produce critical parts or handle specific process required by our customers. For existing suppliers, we conduct regular performance evaluation based on product quality, delivery lead time and procurement costs to determine whether the suppliers can remain on our approved supplier list. We generally evaluate our existing and new suppliers based on factors such as whether the relevant supplier is on the approved supplier list of our customers (if applicable), the relevant supplier's technical capabilities, location, overall procurement costs, lead time, terms and conditions, credibility, qualification and certification as well as results from site visits. In particular, we conduct site visits to inspect the factories of new suppliers for new machinery or equipment. New suppliers of raw materials are required to submit the first article inspection report for our assessment. For certain raw materials, we are required by our customers to use their designated suppliers.

In-process inspection

Our production team submits the first piece or first set-up pieces of the semi-finished products with internal production work instructions to our quality inspector. Whenever there is any change in the machinery set-ups such as change of tools, the quality inspector is required to check the first set-up pieces before the machinists proceed to mass production. The quality inspector is required to check all the relevant dimensions of the product according to the internal production work instructions using machinery and equipment such as coordinate measuring machine, OD micrometre, thread gauge, pin gauge and surface roughness tester. If any relevant part does not pass our internal quality inspection

due to discrepancy of its dimensions with the specifications, the quality inspector will return the part together with the internal production work instructions to the production team which will then undertake corrective actions.

It is the responsibility of the machinists to send the repaired or reproduced part to the quality inspector for further inspection. The quality inspector will only accept the part when all the relevant dimensions comply with the internal production work instructions specifications.

Final inspection

Finished products shall be sent to quality inspector for final inspection. The quality inspector will conduct surface check and dimension check for each product (i.e. whether any discrepancy of dimension will affect its functionality or assembly of such product). For products which dimensions are not critical to the functionality or assembly, the quality inspector shall conduct sampling check.

Final products are inspected/verified in accordance with the requirements of the Customer Production Drawings and/or purchase orders as applicable, to ensure that the finished product and service conforms to the specified requirements. No products are dispatched, or work considered completed until all the above activities have been conducted, recorded and duly authorised.

First article inspection

Subsequent to the completion of the first article inspection conducted by the quality inspector, the inspection report together with the first article will have to be submitted for customer approval subject to the customer's requirement (if applicable). We will only continue with the mass production after obtaining approval from our customers, if needed.

Quality management certifications

We obtained a number of quality management certifications which are relevant to our operations. The following sets out a list of certifications held by us as at the Latest Practicable Date. These certifications are subject to a periodic review or renewal due to change of standard of the issuing authorities.

Certifications	Entity accredited	Expiry date
ISO 9001:2015	Metasurface Technologies	26 June 2025
ISO 14001:2015	Metasurface Technologies	26 June 2025
ISO 45001:2018	Metasurface Technologies	26 June 2025
ISO 9001:2015	SPW	7 April 2025

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any significant research and development activities. Nonetheless, we develop our manufacturing capabilities primarily through staff development and investing in our production facilities.

Investment in associate

We have invested in and ventured into the innovation and manufacturing of meta optics components through our investment in Metaoptics Technologies, which had been an insignificant subsidiary of our Group since its incorporation in June 2021 and until completion of various rounds of investments and share transfers and is currently our associate. Meta optics technology is a new technology which enables the production of flat surface lens of smaller size, lighter weight, lower power consumption and wider light as compared to existing conventional 3D Lens. Metaoptics Technologies is currently in collaboration with a renowned research institute in Singapore and seeking to expand into innovating the technology of developing and conducting mass production of meta optics components, which could be used by customers to install on the optical sensors, camera and flash lens, autonomous vehicles and augmented reality/mixed reality displays. For more information on the shareholding changes in Metaoptics Technologies, see "History and Development — Reorganisation".

Our Group became acquainted with Accelerate through introduction by Mr. Thng. Accelerate contributes to our Group's technological development by licencing to us its technologies and intellectual property rights in order for us to develop and commercialise its technologies and licenced products. It has also introduced new technologies that could enhance the value of our investment in associate through R&D collaborations with Metaoptics Technologies in the optical metalens technology business.

The Licence Agreement

After we incorporated Metaoptics Technologies with the intention of investing and venturing into metalens technology business, Accelerate, knowing that technological advancement in optics is Metaoptics Technologies' major R&D focus area, decided to licence its Technology (defined below) to us. Our Directors believe this is beneficial to both our Group and Accelerate as Accelerate could support the R&D of Metaoptics Technologies (which at that time was newly incorporated and had limited resources) while Metaoptics Technologies could help commercialise Accelerate's Licenced Products (defined below) and generate new sources of revenue (which represents investment returns to our Group and Accelerate as direct and indirect shareholders of Metaoptics Technologies, respectively). Accelerate licenced the Technology to both Metasurface Technologies and Metaoptics Technologies, but it was only utilised by Metaoptics Technologies during the Track Record Period as the Technology concerns optics. In particular, Metaoptics Technologies used the Technology to develop new versions of modifications, improvements and upgrades to the Licenced Products during the Track Record Period.

The table below sets out the salient terms of the arrangement under the Licence Agreement:

Parties:	(i) Accelerate, the licensor; and (ii) Metasurface Technologies and Metaoptics Technologies, each a licensee
Term:	10 December 2021 to 9 December 2031
Licenced right:	Accelerate grants each licensee to use the Technology to develop enhancements and to use, manufacture, distribute, market and sell Accelerate's Licenced Products.
Technology:	Know-how (such as for high resolution direct laser writing and flat optics design and manufacturing) and patents (such as optical devices and super oscillation lens) (the "**Technology**").
Licenced products:	Diffractive optical lenses, flat lenses and nanoimprint masters for use within the optical field which incorporates the Technology (the "**Licenced Products**"). A Licenced Product includes a complete system incorporating the Technology, which may include hardware, software, accessories and implementation manuals.
Fees:	*Licence fee:* Metasurface Technologies shall issue and allot ordinary shares to Accelerate representing approximately 5% of Metasurface Technologies' then total issued share capital. Accelerate was entitled to a put option right, call option right and anti-dilution right, as detailed in "— Special rights" below, which were terminated on 26 April 2023. *Royalties:* starting from 1 January 2022 until the end of the term, Metaoptics Technologies shall pay annual royalties to Accelerate constituting 1.5% of the gross revenue attributable to the Licenced Products, subject to the annual minimum royalties set out in the Licence Agreement. The annual minimum royalties are waived for the two years ending 31 December 2022 and 2023.
Payment terms of royalties:	Payable annually, within 30 days after 13 December of each year.

Commercialisation obligations:	Metaoptics Technologies shall, among others, raise capital and reach commercialisation milestones within the timeline specified in the Licence Agreement. For example, it shall have a pilot or mass production line ready for producing flat lens in Singapore by 31 December 2026.
Termination:	Metasurface Technologies or Metaoptics Technologies may request to terminate the Licence Agreement after eight years from 13 December 2021 by giving Accelerate written notice of no less than 30 days. Accelerate may agree to the proposed termination if Metasurface Technologies or Metaoptics Technologies is unable to achieve any sale of the Licenced Products and is able to demonstrate to Accelerate its best efforts have been undertaken to achieve such sale. Also, either party shall be entitled to terminate the Licence Agreement by giving written notice to the other party, in the event (i) the other party breaches the Licence Agreement and fails to remedy the breach (where capable of remedy) within 30 days upon receipt of a written notice containing full particulars of the breach, (ii) an encumbrance takes possession, or a receiver is appointed, of any property or assets of the other party, (iii) the other party makes any voluntary arrangement with its creditors, (iv) the other party goes into liquidation (except for the purpose of amalgamation or reconstruction), or (v) the other party ceases, or threatens to cease, to carry on business.

Given that the Licenced Products primarily involve optical lens which are not Metasurface Technologies and SPW's principal areas of business operations, the Directors are of the view that the Licenced Products do not and will not compete with the Group. The revenue derived from the Licenced Products attributable to Metaoptics Technologies was nil and nil for each of the two years ended 31 December 2022 and 2023 as the Licenced Products are still not commercialised yet.

INTELLECTUAL PROPERTY

We have branded and marketed our business by using "Metasurface" and 

. We rely on a combination of patent and personal data protection laws as well as non-disclosure agreements with our employees to protect our intellectual property rights and know-how.

As at the Latest Practicable Date, we held five registered trademarks in Hong Kong and Singapore and we were also the registered holder of one domain name. Further information is set out in "Statutory and General Information — B. Further information about our business — 2. Material intellectual property rights" in Appendix V to this document.

Our key employees are required to enter into a non-disclosure agreement with us, under which such employee is bound by a non-disclosure obligation during his or her employment and after termination of his or her employment in respect of any confidential information relating to us, including without limitation to any private, confidential or secret information of us obtained by the employee in the course of his or her employment.

Our Directors are of the view that we have taken all reasonable steps and measures to protect our intellectual property rights against any potential infringement. During the Track Record Period and up to the Latest Practicable Date, there had not been any material pending or threatened claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

INFORMATION TECHNOLOGY SYSTEMS

We believe that robust and reliable information technology systems are essential to sustain our competitive edge in our operations. As such, we continuously invest in the upgrade and integration of our information technology systems.

SPW has adopted the Solidwork system, a manufacturing ERP system for streamlining our precision welding manufacturing process. We have also adopted the Minitab Statistical Software for analysis of business data and for prediction and forecast of our sales. We have used the MasterChem and Hypermill software system for our turning and milling processes. We also apply use software such as MCOSMOS, CALYPSO 2020 and VDMIS for our coordinate measuring machine.

COMPETITION

Precision component engineering is widely applied to produce components with complex structures or certain special technical parts in many growing industries and the downstream customers consists of OEMs and their contract manufacturers and service providers in the diverse end-use industries, such as semiconductor, aerospace and oil & gas. According to the CIC Report, revenue of global semiconductor industry is projected to reach US$880.7 billion in 2028 with a CAGR of 10.6% between 2023 and 2028. Global sales of semiconductor manufacturing equipment also increased from US$61.7 billion in 2019 to

US$106.3 billion in 2023, registering a CAGR of 14.6% between 2019 and 2023 and is expected to reach US$180.6 billion in 2028, registering a CAGR of 11.2% between 2023 and 2028. As our Group is a precision engineering services provider, specialising in providing precision machining and precision welding services for international companies mainly in the semiconductor and other sectors, including aerospace and data storage industries. Therefore, the continual growth of the semiconductor industry in the world is expected to drive up the demand and presents more opportunities for precision components, and therefore supports the further development of Singapore's precision component engineering industry.

Our main competitors include both domestic and international companies providing precision component engineering services in Singapore. We compete with them primarily in product quality, technical level, production capacity, pricing terms, in-time delivery, span of one-stop services offerings, experience and after-sales services.

Our strategic location in Singapore positions us above our competitors outside Singapore, primarily due to macro-economic shifts affecting the regional semiconductor industry, our geographical proximity with customers and favourable domestic policies and incentives in Singapore for the precision engineering industry. Therefore, we consider the direct competition from international companies providing precision component engineering services in the semiconductor industry without presence in Singapore is relatively remote.

Due to factors such as macro-economic conditions and dynamic international situations, certain global major semiconductor manufacturers and semiconductor equipment manufacturers have been shifting their manufacturing bases and operations from China to Southeast Asia. Such changes have provided more opportunities for Singapore as a leading regional hub for advanced manufacturing, and service providers in Singapore and are expected to bring more demand for services and products of the Group. For details, see "— Impact of The Covid-19 Outbreak and U.S.- China Trade War".

In addition, among our five largest customers for the years ended 31 December 2022 and 2023, Customer A, Customer D and Intevac Asia Pte. Ltd. have production base in Singapore and Customer B and Customer C have production base in Malaysia. Customer A's decision to invest S$600 million in a new Singapore facility and decisions of its customers, such as Vanguard (an affiliate of Taiwan Semiconductor Manufacturing Company Limited (TSMC)) and United Microelectronics Corporation (UMC)), to further invest in production facilities in Singapore, further highlight the strategic value seen in local operations in Singapore. Our Group's strategic location with production facilities based in Singapore and Malaysia allows us to benefit from these developments with enhanced logistical efficiencies. This proximity and alignment with industry trend give us an edge over our competitors in other regions.

In addition, various favourable policies and measures introduced by the Singapore government such as Industry Transformation Maps (ITMs) and Precision Engineering Industry Digital Plan (IDP) also promote the further development of the precision engineering industry in Singapore, providing us further competitive edge over our competitors outside Singapore. For details, see "Industry Overview — Overview of Singapore's Precision Component Engineering Industry — Key growth drivers of Singapore's precision component engineering industry".

We seek to differentiate ourselves through our use of multi-axis CNC machines. Multi-axis CNC machines, in particular, CNC machines with more axes (directions of movements), allow for machining in multiple directions simultaneously. The 5-axis CNC machines we use in our production can move in five different directions, being three linear areas (up and down, left and right, back and forth) and two rotational axes. Compared to 3-axis or 4-axis CNC machines, which can only move in three directions or four directions respectively, 5-axis CNC machines can reach more angles and create more complex and detailed parts without the need to manually moving the machined parts for multiple processes. With more machining steps to be completed in the same timeframe, our use of multi-axis CNC machines can reduce machining cycles and operational costs in terms of the labour hours spent on manually moving the machined parts for multiple processes and the total lead time on production. Additionally, multi-axis systems facilitate more complex machining operations such as simultaneous milling, drilling and cutting, thus enhancing both production efficiency and ensuring machining accuracy. Our Directors believe that other core aspects that set us apart from our competitors and foster our competitiveness are the solid relationships with our customers though regular communication and our strong technical know-how. For more information on the competitive landscape of the industry and our competitive strengths, see "Industry Overview — Competitive Landscape of Singapore's Precision Component Engineering Industry in the Semiconductor Segment" and "Industry Overview — Competitive advantages of the Group".

According to the CIC Report, entry barriers faced by new competitors in the precision component engineering industry are (i) large capital investment required to purchase machinery and equipment to achieve high accuracy and versatility in production, (ii) intense competition for recruitment of skilled workers and difficult access to technological know-how, (iii) long-term and steady relationship with downstream customers, which creates difficulties for new players to establish mutual dependence and complimentary business relationship with customers within a short period of time, and (iv) industry specific qualification and certification requirements. For more information on these entry barriers, see "Industry Overview — Competitive Landscape of Singapore's Precision Component Engineering Industry in the Semiconductor Segment — Entry barriers for the precision component engineering industry".

EMPLOYEES

Number of employees

As at 31 December 2023, we had 141 full time employees. The following table sets out the breakdown of our employees by function and geographical location:

Function	Singapore		Malaysia	
	Number of employees	*% of total employees*	*Number of employees*	*% of total employees*
Production	69	71.1	37	84.1
Quality Control	4	4.1	4	9.1
Procurement	3	3.1	1	2.3
Sales	10	10.3	—	—
Finance, human resources and administration	11	11.4	2	4.5
Total	97	100	44	100

As at 31 December 2023, we had 62 foreign workers in Singapore and 4 foreign workers in Malaysia. As advised by our Singapore Legal Advisers, for the manufacturing sector in Singapore, the number of foreign workers that an employer can hire is limited by the quota or dependency ratio ceiling, and employers shall pay the requisite levy according to the qualification of the foreign workers employed. As advised by our Malaysia Legal Advisers, a valid employment permit is required for non-citizens to be employed in Malaysia. As advised by our Singapore Legal Advisers and Malaysia Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, our Group has complied with the relevant laws and regulations in relation to the employment of foreign workers in Singapore and Malaysia in all material aspects. For more information, see "Regulatory Overview — Laws and regulations in Singapore — Employment of Foreign Manpower Act" and "Regulatory Overview — Laws and regulations in Malaysia — Employment and Labour Protection".

Remuneration policy

As advised by our Singapore Legal Advisers and our Malaysia Legal Advisers, as at the Latest Practicable Date, we had entered into letters of appointment with our employees in accordance with the applicable laws in Singapore or Malaysia, respectively. The remuneration package we offer to our employees mainly include wages, salaries, allowance and mandatory provident fund. We generally determine our employee salaries based on each employee's qualification, experience and suitability and we intend to maintain the competitiveness of our remuneration package in order to attract and retain talented labour.

We review the performance of our employees annually for the purpose of promotion appraisals and salary adjustment. Employees are remunerated based on standard market rates and experience and bonus are awarded according to the performance of employees. We have also entered into a non-disclosure agreement with our key employees which sets out the confidentiality clause during and after the termination of employment.

Training and recruitment policies

We generally recruit our employees from open market and by referral. We intend to use our best efforts to attract and retain suitable personnel to work with us. We determine our demand for additional manpower with reference to our available manpower and our business needs.

We provide on-the-job training to our employees and comprehensive orientation for new employees in order to improve our employees' technical competence and work efficiency. Our human resources team has the overall responsibility for staff training administration and will also conduct annual review of the training matrix. All new employees shall undergo a briefing on the general rules and regulations on safety on the day of work commencement.

Trainings we provide to our employees include understanding and updates on our internal control and quality requirement regarding our customers' supply chain, industry code of conduct training to ensure that our working conditions are safe and that our business operations are environmentally friendly and conducted ethically, and the restriction of hazardous substances directive training, which provides information on the restriction of the use of certain hazardous substances in our electronic equipment. We also subsidise our welders to obtain ASME BPVC Section IX: 2017 certification.

Central Provident Fund and Employees Provident Fund

We participate in the Central Provident Fund and Employees Provident Fund and have paid the relevant contribution for our employees in accordance with the relevant laws in Singapore and Malaysia, respectively. For more information on these provident fund requirements in Singapore and Malaysia, see "Regulatory Overview — Central Provident Fund Act" and "Regulatory Overview — Employees Provident Fund Act 1991".

Deployment of labour services

During the Track Record Period, subject to our capacity, resources level and sales demand, we procured labour services from independent third party service providers and Meson Technology for our precision machining and precision welding services to handle additional or ad hoc customer orders, if necessary, when our existing human resources are tied up. Under the labour services arrangement, the service providers assigned workers to our Singapore Factory to carry out mechanical work involved in the precision machining and precision welding processes by using our own machinery and equipment, thereby increasing our Group's manpower and enhancing the utilisation rate of our production facilities. The procurement fees were paid on hourly basis and denominated in SGD.

During the Track Record Period and up to the Latest Practicable Date, as advised by our Singapore Legal Advisers and Malaysia Legal Advisers, there was no material non-compliance incident in respect of applicable labour laws and regulations in Singapore and Malaysia that would have a material adverse impact on our Group.

IMPACT OF THE COVID-19 OUTBREAK AND U.S.- CHINA TRADE WAR

U.S. — China Trade War

With respect to the U.S.- China trade war, the U.S. imposed a series of sanctions or restrictions, such as high tariffs on chips and parts imported from China, to hobble China's chip industry. The U.S.- China trade war, coupled with other external factors such as global economic cycle and COVID-19 pandemic, has exacerbated the global semiconductor chip supply shortage. As a result, due to factors such as macro-economic conditions and dynamic international situations, certain global major semiconductor manufacturers and semiconductor equipment manufacturers have been shifting their manufacturing bases and operations from China to Southeast Asian countries, providing more business opportunities for Singapore, as a leading regional hub for advanced manufacturing, and Singaporean service providers. Within the wafer manufacturing sector in the semiconductor industry, integrated device manufacturers (IDM) companies such as Micron Technology, Infineon Technologies, NXP Semiconductors, STMicroelectronics, and along with foundry companies such as Global Foundries, United Microelectronics Corporation (UMC) and Vanguard International Semiconductor Corporation (Vanguard) had been expanding their manufacturing facilities in Singapore. In particular, Customer A announced "Singapore 2030" in December 2022. As part of the plan, Customer A planned to invest S$600 million in a new facility at Tampines Industrial Crescent in Singapore by 2024, which is expected to be a 700,000 square feet plant and include more than 200,000 square feet of equipment manufacturing clean room space, to expand its chip-making operations in the next eight years and strengthen its manufacturing capacity, R&D, ecosystem partnerships and workforce development in Singapore. According to the CIC Report, the two largest customers of Customer A are Taiwan Semiconductor Manufacturing Company Limited (TSMC) and Samsung Electronics Co. Ltd, which together accounted for more than 30% of Customer A's total net sales for each of its financial years ended 31 October 2021, 2022 and 2023. As an affiliate of TSMC, Vanguard announced in October 2023 its plan to further build a 12-inch chip plant in Singapore following its acquisition of an 8-inch chip plant in Singapore from GlobalFoundries in 2019. Another customer of Customer A, UMC announced in 2022 its plan to invest US$5 billion in a chip-making factory in Singapore, to manufacture 22 and 28 nanometer chips for cars, IoT devices and computers. The UMC's new facility in Singapore is expected to be completed by mid-2024, with initial production to commence in early 2025. Such shifting trend and strengthening of production base by the semiconductor manufacturing equipment suppliers and semiconductor manufacturers in Singapore are expected to bring more demand for services and products of the Group.

Going forward, it is expected that the geographical source of upstream raw materials suppliers and the geographical locations of the Group's downstream customers will remain largely unchanged as the Group mainly procured raw materials from domestic suppliers in Singapore and from Malaysia, the U.S. and Europe and mainly sell its products to customers based in the U.S., Singapore and Malaysia.

The COVID-19 pandemic

The COVID-19 pandemic has disrupted global supply chains, leading to global chip shortage. The lingering effect of the global chip shortage and the surge in demand for electronic products have consequently led to increase in demand in the semiconductor industry in 2022 during the Track Record Period. In 2022, with the eventual uplift of COVID-19 preventive and lock-down measures by governments in different countries, in order to secure the production capacity of their suppliers in the post COVID-19 period to cope with the expected growing demand for chips, semiconductor companies increased its capital expenditure and investment in semiconductor manufacturing equipment. Therefore, the surge in production and demand resulted in accumulation of inventories during 2022. This then caused semiconductor companies and semiconductor equipment manufacturing companies to slow down their purchases and undertake periodic de-stocking measures in 2023, leading to decrease in demand of our precision machining parts and components during the year ended 31 December 2023.

Our Directors consider that, during the Track Record Period and up to the Latest Practicable Date, the U.S.- China trade war, global semiconductor chip supply shortage and the COVID-19 pandemic did not bring any material adverse impact to our Group's business and financial performance as demonstrated by that (i) our Group has maintained a relatively stable total revenue level for the year ended 31 December 2023 when compared to the corresponding period in 2022, (ii) based on our Group's unaudited management accounts, our total revenue for the four months ended 30 April 2024 increased when compared to the same period in 2023, and (iii) the Group has achieved an increase in adjusted profit margin (Non-IFRS measure) from approximately 16.7% for the year ended 31 December 2022 to approximately 18.9% for the year ended 31 December 2023. Based on the above, the Sole Sponsor is not aware of any material finding which would suggest the U.S.-China trade war, global semiconductor chip supply shortage and the COVID-19 pandemic had any material adverse impact to the Group's business and financial performance during the Track Record Period and up to the Latest Practicable Date.

HEALTH, SAFETY, ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We are subject to various health, safety, social and environmental protection laws and regulations and our operations are regularly inspected by local government authorities. We endeavour to promote corporate and social responsibility, proactively identify any major environmental and social sustainability risks related to our business and mitigate any negative impact of our operations on the environment. We have adopted internal control policies and procedures with respect to the use of energy, climate change and employees' welfare and safety. We have also set up metrics and targets for environmental, health and safety management and review major environmental and social sustainability risk performance on a regular basis.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material occupational, health and safety and environmental incidents nor were we subject to any material claims for personal or property damages or for health or safety related compensation and as advised by our Singapore Legal Advisers and Malaysia Legal Advisers, we were in compliance with the relevant Singapore and Malaysia laws and regulations on occupational, health and safety and environmental protection applicable to our Group in all material respects. There was no material work related accidents or injuries that resulted in any material adverse impact on our business operations and financial position during the Track Record Period and up to the Latest Practicable Date.

Our Directors consider that the annual cost of compliance with the applicable health, safety, social, and environmental protection laws and regulations was not material during the Track Record Period and up to the Latest Practicable Date and we do not expect the cost of such compliance to be material going forward.

Our ESG Governance

Our Directors have overall responsibility for our strategies and reporting on environmental, social and governance ("**ESG**") matters. Our Directors will support our commitment to fulfilling environmental and social responsibilities which include but are not limited to the following:

- developing and adopting policies on environmental, social and corporate governance responsibilities (the "**ESG Policy**");
- conducting materiality assessments of environmental-related, climate-related, social-related risks;
- reviewing our performance on annual basis and monitoring the effectiveness and ensuring the implementation of our ESG Policy;
- staying informed about the latest ESG-related laws and regulations, including the applicable sections of the GEM Listing Rules, and updating our ESG Policy in accordance with the latest regulatory updates;

- following and monitoring the latest requirements regarding ESG disclosure and regulatory compliance;

- identifying our key stakeholders based on our business operations and establishing the communication channels to engage with them with respect to ESG matters;

- assessing ESG-related risks and opportunities on a regular basis according to applicable laws, regulations and policies, especially risks in relation to climate changes, to ensure our responsibilities with respect to ESG matters are met; and

- preparing and reviewing the ESG report.

Moreover, our administrative staff will serve as a supportive role to our Directors in monitoring the implementation of the agreed ESG Policy and strategies, conducting materiality assessments of environmental-related, climate-related and social-related risks and how we adapt our business in light of climate change, reporting to our Directors on an annual basis regarding the implementation and effectiveness of our ESG Policy, and assisting in the preparation of ESG report.

Our Board will establish an ESG committee to assist our Board in overseeing ESG governance, ensuring implementation of ESG policies, monitoring ESG-related performance and targets, adjusting ESG strategies and preparing the ESG report. In addition, we also plan to establish an ESG task force team to support our Board and the ESG committee in implementing ESG policies, targets and strategies, conducting materiality assessments of environmental, social and climate-related risks, assessing corresponding responses, collecting ESG data for the ESG report, and continuously monitoring the implementation and effectiveness of measures adopted to address our ESG-related risks and responsibilities. The ESG committee and the ESG task force team are expected to report to our Board periodically on the ESG performance of our Group, the effectiveness of our ESG systems and recommendations, if any. Our Group will conduct consistent ESG training sessions and provide education on pertinent market trends related to ESG for both the ESG committee and the ESG task force team. The ESG committee and the ESG task force team will collaborate to aid the Board in staying abreast of the Stock Exchange's reporting standards and associated listing regulations.

The Board will adopt the following approaches to identify, assess, manage and review material ESG issues in relation to environmental, social and climate issues:

1. **Identify:** The committee will establish communication channels with key stakeholders on an ongoing basis to understand ESG related concerns and monitor the impact of our environmental, social and climate-related performance on the key stakeholders. The Board believes that an open dialogue with stakeholders plays a crucial role in maintaining our business sustainability.

2. **Strategic planning:** The committee will set up risk management and internal control systems, which are designed to meet our specific business needs and to minimise our risk exposure. The committee plans strategically and sets ESG goals at the beginning of each year.

3. **Assess:** The committee will review and assess ESG reports of companies in similar industry to ensure relevant ESG related risks are identified on a timely basis; engage professional advisers to advise on compliance with ESG related matters.

4. **Review:** The committee will review the progress made against ESG-related goals to guide us to achieve better ESG performance via implementing our ESG Policy, design a set of systematic risk management practices to be put in place to ensure the effective operation of our financial and operational functions, compliance control systems, material control, asset management and risk management.

Measures to identify, assess and manage ESG related risks

We believe that environmental protection is of high importance and have taken relevant measures in the course of our business operations to ensure that we comply with the applicable regulations in all material aspects. We are subject to environmental protection laws and regulations in Malaysia where we have production plants, including but not limited to the Environmental Quality Act 1974 in Malaysia. For more information, see "Regulatory Overview — Laws and Regulations in Malaysia — Environment Protection".

We have identified the following material ESG related issues and their potential impacts on our business, strategy and financial performance:

Material ESG issues	Potential risks, opportunities and impacts	Mitigating actions
Resources and energy management	Ineffective management of resources and energy may potentially lead to excessive energy usage, leading to higher operational expenses	• Promoting energy conservation and environmentally friendly procurement practices. • Performing overall waste management in our offices, our Singapore Factory and our Malaysia Factory. • Assessing the energy consumption and optimising the corresponding procedures.
Impact of climate change	There may be risk of increasingly severe extreme weather conditions, such as more frequent storms, flooding and typhoons. Extreme weather conditions may cause disruptions to our manufacturing facilities and equipment and may also pose threat to the health and safety of our employees. We may potentially be subject to an increased operation and maintenance costs as well as labour costs. We may also experience adverse impacts from production disruption if our operations are hindered by such extreme weather conditions.	• Providing work arrangements for bad weather and/or extreme climate conditions to mitigate potential injuries to employees and increase in insurance premiums. • Reviewing and accounting for greenhouse gas emissions and resource consumptions. • Deploying of labour services to the extent compliant with laws and regulations in Singapore and Malaysia • Engaging suppliers in other regions which have capacity to provide the required raw materials, parts and components

Material ESG issues	Potential risks, opportunities and impacts	Mitigating actions
Potential transitional risks in relation to policy change	Risks that the environmental laws and regulations may be amended from time to time and changes in those laws and regulations may cause us to incur additional costs in order to comply with more stringent rules. Transitioning to a lower-carbon economy as well as extensive policy, legal, technology and market changes may also take place to address mitigation and adaptation requirements related to climate change. Due to climate change and climate-related issues, regulators may require more disclosure on emission. Such transitional risks may potentially lead to impacts such as increased operational cost from change of internal procedures. Any failure to comply with the new environmental regulations would expose us to penalties, fines, suspensions or actions in other forms.	• Monitoring the changes in ESG-related regulatory requirements and market trend from time to time.
Human capital development	Insufficient resources devoted towards the development of human capital, such as lack of training and promotion opportunities, may put our Group at risk of higher turnover rates and less competent workforce in medium and long term.	• Providing employees with competitive social benefits and career development opportunities. • Strong human capital development and the provision of competitive remuneration packages may improve employee retention and dedication.
Privacy and data security	Inadequate privacy and data protection policies can expose our Group to the risk of data leaks and privacy breaches, resulting in higher costs due to regulatory actions, litigations, fines, and damage to our reputation.	• Implementing a policy that mandates all employees to sign non-disclosure agreements mitigates privacy and data security risks.

We have identified physical risks and transitional risks as two major categories of risks arising from climate changes.

In view of the nature of our business, we do not anticipate climate change and other environment-related risks to have any material impact on our business operation, financial performance and strategy. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material impact on our business operation, strategy or financial performance as a result of environment-related issues. For more details, see "Risk Factors — Risks Relating to our business and the industry in which we operate — Our operations may be affected by adverse weather conditions, natural disasters, acts of God or wars and terrorism" and "Risk Factors — Risks relating to our business and the industry in which we operate — 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".

Metrics and target for assessing and managing ESG related risks

We monitor the following metrics to assess and manage the environmental and climate-related risks arising from our business operations:

Electricity consumption and GHG emission

In order to save energy and reduce greenhouse gas ("**GHG**") emissions, we are committed to monitoring our electricity consumption levels regularly and implement measures to save energy and reduce GHG emissions and to further enhance our employees' awareness of efficient use of electricity and the importance of energy conservation. We monitor our electricity consumption levels regularly and have adopted measures such as purchasing appliances and equipment with higher energy efficiency in forthcoming replacements, turning off or setting electronic appliances in idle or during lunch hours to sleep mode, and encouraging our employees to turn on fans rather than air conditioners depending on weather conditions and to clean and maintain air conditioning systems. Going forward, we plan to enhance our efforts in driving energy efficiency and conduct more in-depth assessments on opportunities to minimise our emissions impact from our economic activities as we continue to grow our business.

Waste management

We generate wastes such as waste coolant, waste of lubricant oil, machined metal chips and other recyclable solid wastes such as packaging materials in our operation. We have engaged third party service providers to collect and process our waste materials. Routine domestic waste generated from our daily operation is stored in accordance with local garbage classification requirements and transferred to waste treatment plant. In order to reduce the impact of our disposal of wastes to the

environment, we have put recycling boxes to collect materials which can be re-used, implement waste separation mechanism to collect wastes and prioritise to purchase consumables with refill pack.

As at the Latest Practicable Date, we were certified with ISO 14001: 2015 environmental management systems certification.

Our environmental protection performance

Energy consumption and water consumption are closely related to climate change, which presents businesses with both long-term risks and opportunities. To better understand, quantify and manage the climate change related impacts, risks, and opportunities in our operation, it is integral to measure and disclose our energy and water consumption as the first step in our ESG journey.

The table below sets out the quantitative disclosure of our energy and water consumption and our greenhouse gas emissions in the course of our operations during the Track Record Period.

	For the year ended 31 December 2022	**For the year ended 31 December 2023**
Energy consumption		
Consumption of purchased electricity (kWh '000)	4,164.6	3,175.0
Intensity (kWh/revenue S$'000)	106.3	96.0
Water consumption		
Water consumption (m^3)	7,448.8	6,747.0
Intensity (m^3/revenue S$'000)	0.2	0.17
Greenhouse gas emissions		
Scope 2 emission (tonnes)[(1)]	2,831.9	2,159.0
Intensity (tonne/revenue S$'000)	0.07	0.06

Our targets for energy saving and water saving are as follows:

— energy consumption intensity and greenhouse gas emission (scope 2) intensity will be reduced by 5% by 2026 compared with 2022.

— water consumption intensity will be reduced by 2% by 2026 compared with 2022.

Note:

(1) Scope 2 emissions represent indirect emissions from the consumption of purchased electricity

Our Group will continue to monitor emission of waste water, solid waste, noise control, greenhouse gas emissions and air pollution control regularly and our human resources department will continue to keep record of pollutant emissions.

Health and Safety, Social Responsibilities and Corporate Governance

Human resources

Equal opportunity is applicable to all aspects of employment. We hire employees based on their merits and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics. We enter into employment contracts with all of our employees in accordance with the applicable Singapore and Malaysia laws and regulations. Promotions and other job opportunities are offered to existing employees and suitable candidates, and selection is based on assessment of work performance of all individuals on merit, qualifications and abilities, and suitability for the position.

We also focus on embracing diversity within our Group and equal treatment of all our employees in hiring, training, wellness, as well as professional and personal development. We encourage our employees to constantly improve their skills and abilities and develop competencies through engaging in both internal and external training programmes. For details, see "— Employees — Training and recruitment policies". We will continue to promote work-life balance and create a positive workplace for all our employees. We have been committed to serving the community and fulfilling our social responsibilities.

Occupational safety and health

We endeavour to providing a safe working environment for our employees and implement stringent safety policies in our production at all times to promote occupational health and safety and ensure compliance with applicable laws and regulations.

We have established and set out a series of safety guidelines, rules and procedures for various aspects of our production activities, including fire safety, occupational health and machinery maintenance. We arrange training on occupational health to our employees from time to time, and require our employees to strictly comply with our operation manuals when operating the production equipment and machines.

Anti-corruption

We have a zero-tolerance policy against any form of fraud or bribery, and are committed to the prevention, deterrence, detection and investigation of all forms of fraud and bribery. In addition, we impose a whistleblowing procedure that allows employees to report actual or suspected wrongdoing. The identities of the whistleblowers will be kept strictly confidential.

In relation to our corporate governance, we have specific policies on declaration of potential conflicts of interest, anti-money laundering measures and procurement management to ensure compliance with all relevant laws and regulations and to avoid

corruption in our business operations. During the Track Record Period and up to the Latest Practicable Date, to the best of the knowledge and belief of our Directors, there were no legal proceedings regarding corrupt practices brought against us or any of our Directors, senior management or employees. In accordance with the Corporate Governance Code and ESG Reporting Guide set out in Appendices C1 and C2 to the GEM Listing Rules respectively, we will put in place mechanisms that will effectively enable us to continue to fulfil our corporate responsibility in respect of corporate governance and ESG matters following the [REDACTED].

PROPERTIES

Owned premises

As at the Latest Practicable Date, we owned a production facility in Johor, Malaysia and an investment property in Singapore, details of which are set out below:

No.	Location	Use of property	Approximate gross floor area (square metres)
1.	No.6, Jalan Laman Setia 7/4, Taman Laman Setia, 81550 Gelang Patah, Johor (the "**Johor Property**")[1]	Production facilities	2,185
2.	10B Enterprise Road, Singapore 629828 (the "**Enterprise Road Property**")[2]	Investment property	653

Notes:

1. As at the Latest Practicable Date, our Malaysia Factory was located at the Johor Property.

2. As at the Latest Practicable Date, we leased the property to an independent third party at a monthly rent of S$8,500 (plus GST). The property is used as investment property.

As at the Latest Practicable Date, all of our property interests (except for our Enterprise Road Property) were used for non-property activities as defined under Rule 8.01(2) of the GEM Listing Rules.

Pursuant to Rule 8.01A(2) of the GEM Listing Rules, a [REDACTED]'s property interests that do not form part of its property activities are exempt from the valuation requirement if the carrying amount of the property interests is below 15% of its total assets. As at 31 December 2023, save as the Tuas Property as set out in Appendix III to this document, no single property interest that forms part of our non-property activities had a carrying amount of 15% or more of our total assets as shown in our latest audited consolidated financial statements.

Pursuant to Rule 8.01A(1) of the GEM Listing Rules, a valuation report to disclose valuation information is required for property used for property activities, except those with a carrying amount below 1% of the total assets. As at 31 December 2023, the carrying amount of our Enterprise Road Property was below 1% of our total assets as shown in our latest audited consolidated financial statements.

Accordingly, save as the Tuas Property as set out in Appendix III to this document, we have not included our other property interests in a property valuation report pursuant to Rule 8.01A of the GEM Listing Rules. A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 322 of the Laws of Hong Kong), with respect of the requirement under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Leased properties

As at the Latest Practicable Date, we leased two properties from independent third parties, details of which are set out as follows:

No.	Location	Use of property	Approximate gross floor area (square metres)	Tenure	Monthly rent
1.	No. 43 Tuas View Circuit, Singapore 637360*(note)* (the "**Tuas Property**")	Production facilities	11,412	Leased by Metasurface Technologies for a term of approximately 23 years expiring on 30 January 2038.	S$122,835.69 exclusive of GST (being S$1.00 per square foot of the gross floor area of the Tuas Property which is subject to regular rental adjustment)
2.	No. 16, Jalan Laman Setia 2/8, Taman Laman Setia, Setia Eco Village, 81550 Gelang Patah, Johor	Residential purpose for foreign employees	143	Tenanted by SGP Malaysia for a term of two years from 1 September 2023 to 31 August 2025 (subject to a further term of two years with rental to be mutually agreed)	RM1,200

Note:

As at the Latest Practicable Date, our Singapore Factory was located at the Tuas Property. Metasurface Technologies also leased parts of the property to two independent third parties and SPW under three tenancy agreements at monthly rents of S$100,000, S$18,000 and S$17,550, respectively. To the best knowledge of our Directors, the property was used as production facilities by each of the tenants. For more information, see "Property Valuation" in Appendix III to this document.

LICENCES, PERMITS AND APPROVALS

As advised by our Singapore Legal Advisers and Malaysia Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, (i) we had obtained all material requisite licences, permits and approvals having regard to the business scope of our Group for our business operations in Singapore and Malaysia, and (ii) we are not aware of any legal impediments to renewing such licences, permits and approvals.

The following table sets out some the licences relevant to our business operations as at the Latest Practicable Date:

Holder	Name/Category of Licences/Approvals/ Permits/Certificates	Relevant statutory board or government departments	Expiry date
SGP Malaysia	Approval to install machinery in a factory	Johor Department of Occupational Safety And Health	No expiry date
SGP Malaysia	Certificate of Completion and Compliance (Form F) No. LAM/J/4921 to certify that the building at the Johor Property is safe and fit for occupation	Siow Chien Fu (as a qualified person under the Uniform Building By-Laws 1986)	No expiry date
SGP Malaysia	Fire Certificate	Fire and Rescue Department of Malaysia	7 March 2025

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, we maintained various insurance policies including 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, combined general liability insurance and key men insurance. Our Directors consider that our insurance coverage is adequate having considered our current business operation and is in line with the industry norm. For the years ended 31 December 2022 and 2023, we incurred insurance expenses of approximately S$83,000 and S$157,000, respectively.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance. In addition, our Directors are not aware of any litigation, arbitration or claim pending or threatened by or against us which may have a material adverse effect on our business, financial condition or results of operations.

As confirmed by our Singapore Legal Advisers and Malaysia Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material non-compliance matters which resulted or may result in a material impact on our business operation or financial condition.

INTERNAL CONTROL MEASURES AND RISK MANAGEMENT

Internal control

Our Directors are responsible for the formulation of and for overseeing the implementation of our internal control measures and the effectiveness of our risk management system. In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining our internal control system, covering areas such as corporate governance, operations, management, finance and audit.

In order to manage our external and internal risks and in preparation for the [REDACTED], we engaged an independent internal control consultant to perform an assessment on the effectiveness of our internal controls to identify deficiencies in our internal control system and to provide recommendations for improving our internal control system.

Having considered the findings and recommendations of the independent internal control consultant, we have taken actions to improve our internal control system. The independent internal control consultant has performed follow-up assessment on our internal control system with regard to the improvement actions adopted by us and provided us an updated report. As advised by the independent internal control consultant, no material deficiencies were identified in the follow-up assessment.

The following table sets out certain key internal control findings identified by the independent internal control consultant with corresponding remedial actions taken:

Key Findings	Recommendations	Remedial actions taken by us
Employee handbook and conflict of interest		
We have not established employee handbook and code of conduct to define and guide the behaviour, activities and decisions within the organisation. In addition, there is no mechanism in place to govern staffs' declaration on potential conflict of interests on an annual basis, or as and when required.	The management should consider establishing employee handbook which includes the details of employment, benefits, code of conduct, conflict of interest and disciplinary action. The management should also consider requiring relevant staff to declare on potential conflict of interests on an annual basis, or as and when required.	Employee Handbook including code of conduct, benefits, remuneration, attendance, probation termination and confidentiality has been established to raise staff awareness on the human resources matters. Employee Handbook has been adopted with the approval of Director and distributed to all staff. They are required to sign on the Acknowledgement of Receipt of Employee Handbook for confirmation. Mechanism for the declaration of conflict of interest has been established and included in the Employee Handbook. The managerial staff is required to filed a Declaration Form to declare for any potential conflict of interest identified

Key Findings	Recommendations	Remedial actions taken by us
Whistle blowing policies and procedures		
Whistle-blowing policies and procedures are established for reporting on grievances, misconduct or violations. However, formal confidential email or telephone hotlines are not in place for the enforcement of the whistle-blowing policy.	Management should consider establishing formal confidential email or telephone hotlines to protect the identification of whistle-blowers and effective enforcement of the whistle-blowing policy.	The whistle-blowing policy has been updated and approved by the Director. It specifies the reporting and investigation procedure of misconduct, malpractice and irregularity. The whistle-blower could be able to raise concern by email. The Audit Committee shall receive information on each report of concerns and follow up with actions taken.
Authorisation matrix for approval and payment execution		
All the payments of the Group are approved by either the Director or Managing Director. There is no formal delegation of authority that sets out the approval limits for endorsing different types of activities. Besides, either the Director or Managing Director is the authorised signatory of cheque payment of the Group. Dual control is not established in this aspect.	The management should consider setting delegation of authorities, formalising the approving limits and respective authority for endorsing different activities. Besides, the management should consider establishing dual control for cheque payment. Authorisation from two personnels is required to execute a payment.	Delegations of Authority Policy has been established to set out the approval limits for endorsing different types of activities. The relevant policy has been approved by the Director. Besides, dual control has been established for cheque payments. Signatures from two directors are required to execute a payment.

Key Findings	Recommendations	Remedial actions taken by us
Vendor management		
When there is a need for a new vendor, the Finance Department is responsible to perform background checks to ensure the quality of potential vendors meets the Group's standard. However, there is no documentation to record the above acceptance procedures of new vendors and the results of background check is not retained either as justification.	The management should consider retaining the result of background check. The result should be passed to appropriate personnel for review and the approval record of the acceptance of new vendors should be maintained.	Procurement, Accounts Payable and Payment Policy has been established and approved by the Director. When selecting new vendors, the purchase department should perform evaluation based on the reputation, qualifications, quotations or other related materials provided by the vendors. The results should be recorded by filling in the vendor evaluation form, which should be reviewed and signed by a Director as evidence. Onsite inspection should be performed if necessary. The information of the selected vendor will be recorded in the accounts system and on the Approved Vendor List. The list should be maintained by the purchase department together with the reference documents, such as contracts and quotations.
Moreover, the evaluation of vendors' performance is performed on an ongoing basis through discussion between the relevant user department, purchase/ production department and management. However, it is noted that the results of evaluation were not documented.	Moreover, the management should consider retaining evaluation result of vendor in writing. Approval of the result should be documented in order to ascertain the quality of vendor meets the Group's standard.	The evaluation of existing vendors should also be performed yearly by the purchase department based on the previous performance as well as the updated qualifications of the vendors. The results should be recorded on the existing vendor evaluation form, which should be approved by a Director. The vendors list and the accounts system should also be updated based on the evaluation results.

In view of the nature and reasons for the deficiencies identified by our independent internal control consultant, the actions taken and the follow-up assessment on the enhanced internal control measures conducted by the independent internal control consultant, our Directors are of the view that our enhanced internal control measures are adequate and effective having regard to our obligations and the obligations of our Directors under the GEM Listing Rules and other relevant legal and regulatory requirements.

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, control strategies and delegation of responsibilities for managing risks have been codified in our policies. We are exposed to various risks, such as credit risk, liquidity risk, interest rate risk, currency risk, operational risk, strategic risk and legal and compliance risk in the course of our business operations. For more information on the major risks identified by our management, see "Risk Factors — Risks relating to our business and the industry in which we operate". Furthermore, we recognise the importance of good corporate governance in management and internal control procedures, and have adopted the following measures to manage potential conflicts of interest and to safeguard the interests of our Shareholders:

- [the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems.] For more information on the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee, see "Directors and Senior Management — Board Committees — Audit Committee";

- the establishment of an internal audit policy which specifies the scope of work, authority and responsibility of internal audit function. Our internal audit function may be outsourced to independent professional party to evaluate and assess our risk management and internal management system, if needed;

- we will continue to monitor our compliance with the relevant laws and regulations and our senior management team will work closely with our employees to implement actions required to ensure our compliance with relevant laws and regulations; and

- the engagement of compliance adviser and external legal advisers to advise us on compliance with the GEM Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

Corporate governance

Our management is responsible for overseeing our risk management function and conducting annual assessment of our risk management measures. In addition, our Board is responsible for making decisions in respect of our policies and supervising the management in the execution of our operations.

[We have established our audit committee comprising three independent non-executive Directors to review and monitor the effectiveness of our financial controls, internal control and risk management systems. We have also strengthened our auditing system to ensure the appropriate functioning of the risk management and operation oversight systems.]

BUSINESS ACTIVITIES WITH SUPPLIER IN RELATION TO THE RELEVANT REGION

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. As the sanctioned entity is a Russia-based company designated on the Entity List maintained by the BIS, provision of items subject to the EAR to this sanctioned entity is prohibited pursuant to the sanctions designation. 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. Since 1 January 2023, the supplier involved in the aforementioned indirect procurements has ceased to supply any Russian-origin aluminium products to us. Our cost of sales attributable to such indirect procurements from the Relevant Region were approximately S$0.3 million, nil and nil for the years ended 31 December 2022 and 2023 and up to the Latest Practicable Date, respectively, representing approximately 1.2%, nil and nil of our Group's total cost of sales for the years ended 31 December 2022 and 2023 and up to the Latest Practicable Date, respectively, and approximately 8.1%, nil and nil of the total aluminium products the Group procured for the years ended 31 December 2022 and 2023 and up to the Latest Practicable Date, respectively. The amounts of open orders and backlogs requiring aluminium products (regardless of the origins) as at 30 April 2024 was approximately S$[10.7] million. Aluminium blocks and stainless steel constitute our major raw materials. On 12 April 2024, the U.S. and the UK issued trade sanctions and export controls restrictions to (among other metals) aluminium of Russian Federation origin. As advised by our International Sanctions Legal Advisers, however, such restrictions are not applicable to relevant metals produced prior to 13 April 2024, including aluminium products of Russian Federation origin indirectly procured by us prior to 1 January 2023. Based on the advice of our International Sanctions Legal Advisers, we do not believe that there are other international trade restrictions and/or export controls that would restrict our Group's access to the requisite raw materials during the Track Record Period and up to the Latest Practicable Date. As advised by our International Sanctions Legal Advisers, during the Track Record Period, our indirect procurement of aluminium products from the Relevant Region via our non-sanctioned supplier in Singapore, who procured from a Russia-based sanctioned entity designated on the Entity List maintained by the BIS, did not represent a violation of the limited restrictions on such entity. Therefore, our indirect procurement of aluminium products from the sanctioned entity did not implicate any sanctions laws and regulations that could result in sanctions risk to the Group. Based on the aforementioned advice of our International Sanctions Legal Advisers, review of the other due diligence documents and our Directors' confirmation, the Sole Sponsor concurs with the views of our International Sanctions Legal Advisers and our Directors.

In order to control and monitor the sanctions risk exposure to our Group, the following internal control and risk management measures have been implemented:

- The Finance Manager of our Group should regularly review the relevant sanctions regulations and establish a watch-list of sanctioned countries and individuals or entities. The list should then be distributed to all employees within our Group to raise awareness among all business units to prevent violation of the relevant sanctions in relation to any Primary Sanction Activity and Secondary Sanctionable Activity for the purpose of the Guide for [REDACTED] in the future;

- If any potential business partner is located or has nationality identified from one of the sanctioned countries, the relevant staff must report to the head of the business unit and subsequently notify the Chief Financial Officer and the Board of Directors;

- If any potential sanction risk or suspicious transaction is identified, our Group may seek advice from our external international legal counsel with necessary expertise and experience in international sanctions matters; and

- Our Group will arrange external international legal counsel to provide training programmes to our Directors, senior management and other relevant personnel from time to time, and to provide advice and assistance in evaluating the potential sanctions risks in our daily operations, if necessary.

U.S.

Primary sanctions risk

As advised by our International Sanctions Legal Advisers, U.S. primary sanctions are applicable to activities involving a U.S. nexus such as funds transfers in U.S. currency that clear through the U.S. financial system or are processed by U.S. payment processors.

During the Track Record Period, we indirectly procured aluminium products from the Relevant Region via our non-sanctioned supplier in Singapore, who procured from a Russia-based Sanctioned Person designated on the Entity List maintained by the BIS. Entities designated on the Entity List maintained by the BIS are restricted from receiving items subject to the EAR without a licence from BIS. The EAR applies to (i) exports of commodities, software and technology from the United States to foreign countries and to re-export from one foreign country to another, and (ii) shipments from one foreign country to another of foreign-made products that incorporate more than de minimis amount (varying from 25% to less than 10%) of controlled U.S. origin parts, components or materials, or the foreign direct product with certain controlled U.S. technology.

As advised by our International Sanctions Legal Advisers, considering that our activities indirectly involving the Sanctioned Person designated on the Entity List were limited to procurement, as such, no BIS licence under the EAR would have been required

for the purpose of the indirect procurement and our business dealings with the Relevant Region do not appear to violate or implicate any breaches of applicable U.S. sanctions laws or regulations.

Secondary sanctions risk

The U.S. has also enacted secondary sanctions targeting non-U.S. persons who are engaged in dealings with certain SDNs or with certain types of industries in Iran, Syria and Russia even if no SDNs are involved, as well as those who are dealing in "confiscated" property in Cuba.

On 24 February 2023, OFAC issued a sectoral determination pursuant to EO 14024 to authorise the imposition of economic sanctions to any person determined to operate or have operated in the metals and mining sector of the Russian Federation economy (the "**Sectoral Determination**"). Pursuant to FAQ 1115 issued by the OFAC, metal and mining sector of Russia includes "any act, process, or industry of extracting, at the surface or underground, ores, coal, precious stones, or any other minerals or geological materials in the Russian Federation, or any act of procuring, processing, manufacturing, or refining such geological materials, or transporting them to, from, or within the Russian Federation".

On 8 February 2023, we informed our supplier in Singapore to cease to supply any Russian materials from the Sanctioned Person to us via written request. On 9 February 2023, we received written response from the supplier in Singapore that it will not supply any Russian materials from the Sanctioned Person to us from the date thereof onwards. As advised by our International Sanctions Legal Advisers, our indirect procurements from the Relevant Region through our supplier in Singapore were prior to the date of the Sectoral Determination and the Sectorial Determination has no retrospective effect. On the basis that we have informed our supplier in Singapore to cease to supply any aluminium products or any other materials from the Sanctioned Person in the Relevant Region, our dealings during the Track Record Period did not involve any activities or persons that would appear to give rise to U.S. secondary sanctions risk.

UN, EU, UK, United Kingdom overseas territories and Australia

As further advised by our International Sanctions Legal Advisers, our business dealings in relation to the Relevant Region do not appear to implicate restrictive measures adopted by UN, EU, UK, the United Kingdom overseas territories and Australia. For a summary of the sanctions regimes imposed by these countries, see "Regulatory Overview — Sanctions Laws and Regulations".

Summary

Based on our best understanding and as advised by our International Sanctions Legal Advisers, we believe that we are not subject to sanctions risk that could have a material adverse effect due to our historical indirect transactions involving the Relevant Region during the Track Record Period. Please also see "Risk Factors — 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."

While we have open orders and backlogs that require aluminium products, our Directors are of the view that the cessation of indirect procurement from the Sanctioned Person has no material impact on the Group's business operations and financial performance since our supplier involved in such indirect procurements has substituted our orders and backlog orders with aluminium products from other markets with the same specifications requested by our customers at comparable cost, including Europe, United States and South Africa. Our Group could also procure aluminium products from other suppliers which are non Russian-origin to fulfil the production needs from our backlog orders.

Based on the above, the Sole Sponsor is not aware of any material finding which would cause it to disagree with the views expressed by the Directors.