The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and notes included in "Appendix I — Accountant's Report." The historical financial information as set out in the Accountant's Report incorporates the consolidated financial statements of our Group during the Track Record Period. You should read the whole Accountant's Report as set out in Appendix I to this document and not rely merely on the information in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors", "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

Established in 2000, we are a precision engineering services provider headquartered in Singapore, specialising in providing precision machining and welding services for international companies in the semiconductor and other sectors. We offer our customers precision engineering services including (i) precision machining services, and (ii) precision welding services. Leveraging our technical capabilities and know-how and machinery and equipment, we have established our market position in the precision component engineering value chain by offering specialised services tailored to our customers' specific technical requirements and commercial needs.

BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the business of our Group is conducted by Metasurface Technologies and its subsidiaries, which have been owned and controlled by the Controlling Shareholders. Pursuant to the Reorganisation, Metasurface Technologies and the business of our Group were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the ownership structure of the business of our Group with no changes in management of such business and the ultimate owners of such business remain the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the business under Metasurface Technologies and the historical financial information as set out in the Accountant's Report has been prepared and presented as a continuation of the consolidated financial statements of Metasurface Technologies and its subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the business of our Group under the consolidated financial statements of Metasurface Technologies for all years presented, since the respective dates of incorporation of the consolidating entities, or since the date when the consolidating companies first came under the control of the Controlling Shareholders, whichever is the earlier.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to be, affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set forth below.

Development of global and Singapore's precision engineering industry

According to the CIC Report, the global output value of the precision engineering industry increased from approximately S$403.4 billion in 2019 to approximately S$525.7 billion in 2023 and is expected to further increase to S$646.5 billion in 2028, indicating a CAGR of approximately 4.2% between 2023 and 2028. In particular, the Singapore government values the importance of the precision component engineering industry and has introduced various favourable policies and measures such as Industry Transformation Maps (ITMs) and Precision Engineering Industry Digital Plan (IDP) to promote the further development of the industry. Singapore's output value of the precision engineering industry increased from approximately S$9.4 billion in 2019 to approximately S$10.6 billion in 2023, and is expected to further increase to S$14.4 billion in 2028, indicating a CAGR of approximately 6.3% between 2023 and 2028.

The precision engineering industry serves a wide range of end-use industries, such as the semiconductor, aerospace, and data storage industries, and the growth of the industry is highly related to the growth and broad trend of the end-use industries, according to the CIC Report. During the Track Record Period, a significant portion of our revenue was derived from our major customers in the semiconductor manufacturing equipment industry. Therefore, our financial performance and future growth depend on the overall growth of the global semiconductor industry.

The semiconductor manufacturing equipment industry has experienced steady growth over the last five years from 2019 to 2023 and is expected to sustain the growth in the long term. According to the CIC Report, revenue of the global semiconductor industry is projected to reach US$880.7 billion in 2028 with a CAGR of 10.6% between 2023 and 2028, and global sales of semiconductor manufacturing equipment increased from approximately US$61.7 billion in 2019 to US$106.3 billion in 2023, registering a CAGR of 14.6% during the period, and 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. However, the global semiconductor industry and the global semiconductor manufacturing equipment industry are driven by fluctuations of inventory and worldwide economic growth. Accordingly, our business could be affected by the market movements of the global semiconductor industry. The volatility and uncertainty within the global semiconductor industry and the global semiconductor manufacturing equipment industry are in turn driven by changes in economic, political or financial conditions and other factors such as impact of tariffs and/or trade barriers.

Diversification of Customer Base

We believe that our track record and success were, to a certain extent, attributed to our solid customer base. Apart from maintaining an established customer base in the semiconductor industry, diversifying our customer portfolio and expanding into other industries will also be critical for our future growth.

We have made consistent efforts to strategically diversify our business into other downstream industries including aerospace and data storage industries, through which we can solicit more business opportunities and provide more diversified services. We seek to increase the percentage of revenue contribution from customers in other downstream industries in the future, so that we will be less reliant on our major customers, and to capture the potential growth of other industries and thereby be less susceptible to risks relating to any single industry in the future.

Fluctuations in prices of raw materials and labour costs

According to the CIC Report, the primary cost of precision component engineering service providers includes raw material costs and labour costs. Since the supply of metal raw materials in Singapore mainly relies on imports from certain major economies such as Malaysia, the U.S., the EU and South Africa, the global economy affects the price of metal raw materials in Singapore. For the years ended 31 December 2022 and 2023, our direct material cost accounted for approximately 64.6% and 61.6% of our total cost of sales, respectively. According to the CIC Report, prices of iron and steel and of aluminium in Malaysia, the U.S., the EU and South Africa generally maintained an upward trend from 2019 to 2023 and are expected to grow further at CAGRs ranging from 1.1% to 4.0% and 0.3% to 5.7%, respectively, over the period from 2023 to 2028. Therefore, if the prices of our material supplies increase significantly, we may incur additional costs to acquire sufficient quantity of these materials to meet our production needs.

The table below sets forth a sensitivity analysis which is hypothetical in nature and is for illustration purpose only of our direct material cost, illustrating its impact on our profit before income tax if the price of our raw materials had been 3%, 6% and 9% higher or lower during the Track Record Period, assuming all other variables being held constant:

	Year ended 31 December	
	2022	**2023**
	S$'000	*S$'000*
(Decrease)/increase in profit before income tax		
Increase/decrease by 3%	(447)/447	(450)/450
Increase/decrease by 6%	(893)/893	(901)/901
Increase/decrease by 9%	(1,340)/1,340	(1,351)/1,351

In addition, according to the CIC Report, with the continuous development of the economy, the average monthly salaries in the manufacturing industry in Singapore and Malaysia have shown an increasing trend during 2019 to 2023 with the CAGR of 4.3% and 7.7%, respectively. Further, with the expected gradual recovery of the global economy (including Singapore and Malaysia) from the COVID-19 pandemic, the average monthly salaries in the manufacturing industry in Singapore and Malaysia are expected to maintain steady growth over the next five years with the CAGR of 3.1% and 5.7%, respectively, from 2023 to 2028.

The table below sets forth a sensitivity analysis which is hypothetical in nature and is for illustration purpose only of our direct labour cost and wages and salaries for our general and administrative staff, illustrating its impact on our profit before income tax if the average monthly salaries of our production as well as general and administrative staff had been 4%, 8% and 12% higher or lower during the Track Record Period, assuming all other variables being held constant:

	Year ended 31 December	
	2022	**2023**
	S$'000	*S$'000*
(Decrease)/increase in profit before income tax		
Increase/decrease by 4%	(303)/303	(352)/352
Increase/decrease by 8%	(606)/606	(705)/705
Increase/decrease by 12%	(910)/910	(1,057)/1,057

If we cannot identify alternative sources of quality materials and/or talents when needed, the resulting loss of production volume may materially and adversely affect our ability to deliver products to our customers in a timely manner, or at all, and therefore our business, financial condition, results of operations and prospects could be materially and adversely affected.

Management of Production Capacity

Our growth also depends, to a large extent, on our ability to manage and expand our production capacity as well as to improve our manufacturing efficiency.

Our Directors consider that efficient management of production facilities and skilled workforce is essential to enhancing our production capacity. During the Track Record Period, in order to meet the growing demand for our services, we had continually acquired new machinery and equipment to enhance our production capacity and efficiency. The continual acquisition of new machinery and equipment, however, would lead to an increase in depreciation expenses, which in turn would negatively impact our results of operations. Besides, we have also exerted constant efforts in retaining our existing workforce and attracting additional skilled technicians and machinists, which enable us to provide precision engineering services to our customers, thereby improving our service capacity and competitiveness.

Furthermore, leveraging our dedicated quality control team, we are able to ensure our components and parts are of exact and precise measurements as specified by our customers, and hence to enhance our customer satisfaction and competitiveness.

Nevertheless, if we cannot identify and employ technicians and machinists with the required skills, the deployment of our production facilities may not be optimised, and we may not be able to expand or maintain our production utilisation, and accordingly, our financial performance and results of operations could be materially and adversely affected.

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.

MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES, ASSUMPTIONS AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires our management to make subjective and complex judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and consequently, the resulting accounting estimates may not necessarily match with the corresponding actual results. When reviewing our consolidated financial statements, you should consider (i) our material accounting policy information, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of our reported results to changes in conditions and assumptions, where applicable. Our material accounting policy information, estimates, assumptions and judgments, which are important for an understanding of our financial condition and results of operations, are described in further details in Note 2 and Note 3 of Appendix I to this document. We set forth below those accounting policies which we believe are of the most significant importance to us or involve the most significant estimates and judgments in the preparation of our consolidated financial statements:

Revenue Recognition

We measure our revenue based on the consideration to which our Group expects to be entitled in exchange for transferring our goods or services to a customer, excluding amounts collected on behalf of third parties.

We recognise our revenue when our Group satisfies a performance obligation by transferring our goods and services to the customer, which is when the customer obtains control of the goods and services. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Our Group supplies parts and components of precision engineering equipment through our provision of precision machining and precision welding services.

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO. Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services.

Revenue is recognised at a point in time upon satisfaction of the PO, which generally coincides with the delivery of goods and when services are rendered. Revenue from these sales is recognised based on the price specified in the contract and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No significant element of financing is deemed present as the sales are made with a credit term of 30 to 60 days, which is consistent with market practice. The Group concluded obligation to repair or replace faulty products under the standard warranty terms is remote and no provision has been recognised.

Inventories

We measure our inventories at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Allowance is made for obsolete, slow moving and defective inventories.

Property, plant and equipment

We record our property, plant and equipment initially at cost. Subsequent to recognition, we measure our property, plant and equipment at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Depreciation of property, plant and equipment is calculated on the straight-line method so as to write off the cost of the assets over their estimated useful lives as follows:

Category	Useful life
• Freehold building	50 years
• Plant and machinery	3 to 15 years
• Renovation	5 to 10 years
• Office equipment	10 years
• Furniture and fittings	10 years
• Computers	3 years
• Motor vehicles	10 years

The residual value, useful lives and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure relating to our property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

The carrying amounts of our property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Share-based payments

Our share-based payments during the Track Record Period arose from shares and anti-dilution rights granted to certain management and shareholders of our Group. The fair value of shares granted is recognised in profit or loss as share-based payment expense and is derived using the market approach or asset based approach in relation to the relevant share-based payment transactions. These valuation approaches are subject to a number of assumptions and with regard to the limitations of the models.

In the market approach, the fair value of the share-based payment transactions is based on the multiplication of the normalised earnings before interest, tax, depreciation and amortisation by an appropriate market multiple, which is derived from an analysis of the trading multiples of certain comparable companies. The market approach result is then adjusted for a discount for lack of marketability to arrive at the fair value.

In the asset-based valuation approach, the fair value of the equity interest granted is based on the net asset value of the entities now comprising our Group at the grant date. Under this method, all operating assets and liabilities (including off-balance sheet, intangible and contingent) are adjusted to reflect the application standard or type of value. After all of the operating assets and liabilities of a business are defined and valued, the difference between the value of the total assets and total liabilities provides an estimate of the value for the equity of the business.

Details of our Group's share-based payments recognised during the Track Record Period are disclosed in Note 31 of Appendix I to this document.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

The following table sets forth our selected consolidated statements of comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Years ended 31 December	
	2022	**2023**
	S$'000	*S$'000*
Continuing operations		
Revenue	39,116	38,769
Cost of sales	(23,060)	(24,354)
Gross profit	16,056	14,415
Other income	1,130	2,731
Other gains/(losses), net	177	(426)
Administrative expenses	(10,489)	(11,666)
Operating profit	6,874	5,054
Finance costs	(1,579)	(1,343)
Share of loss from an associate	—	(366)
Profit before tax	5,295	3,345
Income tax expense	(1,495)	(1,061)
Profit from continuing operations	3,800	2,284
Discontinued operation		
(Loss)/profit from discontinued operations	(1,095)	2,143
Profit for the year	2,705	4,427

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with the IFRS, we also use adjusted profit from continuing operations (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, the IFRS. We define adjusted profit from continuing operations (non-IFRS measure) as profit from continuing operations for the financial year adjusted by adding back (i) share-based payments which arose from grant of shares and exercise of anti-dilution rights granted to certain employees and shareholders of our Group, which are non-cash in nature; and (ii) [REDACTED] in relation to the [REDACTED]. We have made such adjustments consistently during the Track Record Period.

We believe that our presentation of the adjusted profit from continuing operations (non-IFRS measure) when shown in conjunction with the corresponding IFRS measure provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating the impacts of the share-based payments and [REDACTED]. However, our presentation of the adjusted profit from continuing operations (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of the adjusted profit from continuing operations (non-IFRS measure) has limitations as any other analytical tool, and should not be considered in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under the IFRS.

The following table reconciles our adjusted profit from continuing operations (non-IFRS measure) with our profit from continuing operations for the financial year and also sets out our adjusted profit margin (non-IFRS measure) for the periods indicated:

	For the year ended 31 December	
	2022	**2023**
	S$'000	*S$'000*
Profit from continuing operations	**3,800**	**2,284**
Add:		
Share-based payments(1)	815	3,151
[REDACTED]	[REDACTED]	[REDACTED]
Adjusted profit from continuing operations (non-IFRS measure)	**6,545**	**7,331**
Adjusted profit margin(2) (non-IFRS measure)	**16.7%**	**18.9%**

Notes:

(1) Share-based payments arose from grant of shares and exercise of anti-dilution rights granted to certain employees and shareholders of our Group which were non-cash in nature.

(2) Adjusted profit from continuing operations (non-IFRS measure) refers to profit from continuing operations for the period by adding back (i) share-based payments which are non-cash in nature; and (ii) [REDACTED] in relation to the [REDACTED].

(3) Adjusted profit margin (non-IFRS measure) equals adjusted profit from continuing operations (non-IFRS measure) as a percentage of revenue.

Revenue

Revenue by service type

During the Track Record Period, we derived revenue primarily from the following two service types:

(i) Precision machining services which involve machining processes for removing materials from a workpiece with high accuracy to create parts and components with tight tolerance, and accounted for approximately 58.6% and 40.1% of our total revenue for the years ended 31 December 2022 and 2023, respectively; 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 accounted for approximately 41.4% and 59.9% of our total revenue for the years ended 31 December 2022 and 2023, respectively.

The following table sets forth the breakdown of our total revenue by service type for the periods indicated:

	Year ended 31 December			
	2022		**2023**	
	S$'000	*%*	*S$'000*	*%*
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

Revenue by customer sector

During the Track Record Period, we served customers in various sectors, primarily including the semiconductor, aerospace and data storage industries.

The following table sets forth the breakdown of our total revenue by customer sector for the periods indicated:

	Year ended 31 December			
	2022		2023	
	S$'000	*%*	*S$'000*	*%*
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

Note:

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

Revenue by customer geographical location

During the Track Record Period, we generated revenue primarily from customers located in Singapore, Malaysia and the U.S. The following table sets forth the breakdown of our total revenue by customer geographical location for the periods indicated:

	Year ended 31 December			
	2022		2023	
	S$'000	*%*	*S$'000*	*%*
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[(1)]	2,241	5.7	2,623	6.7
Total	39,116	100.0	38,769	100.0

Note:

(1) Others mainly refer to Switzerland.

Cost of Sales

Cost of sales represents costs directly attributable to the provision of our services. During the Track Record Period, our cost of sales comprised (i) direct material cost; (ii) direct labour cost for our production staff, and (iii) manufacturing overheads, which mainly include depreciation of property, plant and equipment as well as right-of-use assets and utilities consumed for our production purposes. For the years ended 31 December 2022 and 2023, our cost of sales was approximately S$23.1 million and S$24.4 million, respectively. The following table sets forth the breakdown of our cost of sales for the periods indicated:

	Year ended 31 December			
	2022		2023	
	S$'000	*%*	*S$'000*	*%*
Direct material cost	14,886	64.6	15,016	61.6
Direct labour cost	4,367	18.9	5,349	22.0
Manufacturing overheads	3,807	16.5	3,989	16.4
Total	23,060	100.0	24,354	100.0

The following table sets forth the breakdown of our cost of sales by service type for the periods indicated:

	Year ended 31 December			
	2022		2023	
	S$'000	*%*	*S$'000*	*%*
Precision machining	13,026	56.5	10,658	43.8
Precision welding	10,034	43.5	13,696	56.2
Total	23,060	100.0	24,354	100.0

Gross Profit and Gross Profit Margin

Our gross profit was approximately S$16.1 million and S$14.4 million for the years ended 31 December 2022 and 2023, respectively. Our overall gross profit margin was approximately 41.0% and 37.2% for the years ended 31 December 2022 and 2023, respectively.

The following table sets forth the breakdown of our gross profit and gross profit margin by service type for the periods indicated:

	Year ended 31 December			
	2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	S$'000	*%*	*S$'000*	*%*
Precision machining	9,887	43.2	4,887	31.4
Precision welding	6,169	38.1	9,528	41.0
Total/Overall	16,056	41.0	14,415	37.2

Other Income

During the Track Record Period, our other income primarily included (i) rental income generated from (a) the Enterprise Road Property, being our investment property in Singapore, and (b) part of our Tuas Property which was sublet to independent third parties; (ii) service income generated from our provision of services, such as tubular thread inspection, tubular body inspection, tubular inventory management and storage and other logistic services related to tubular management, to an independent third party, which is principally engaged in trading of steel tubulars and provision of related services; (iii) sales income related to our sale of scrap materials generated from production; (iv) government grants received from authorities in Singapore mainly related to job support schemes such as Wage Credit Scheme and Special Employment Credit; and (v) others, such as insurance claim.

We provided tubular and logistics related service to an independent third party as certain portion of our Tuas Property was leased to a wholly owned subsidiary of this independent third party which is mainly engaged in the business of manufacturing pipes and tubes.

Our other income amounted to approximately S$1.1 million and S$2.7 million for the years ended 31 December 2022 and 2023, respectively. The following table sets forth the breakdown of our other income for the periods indicated:

	Year ended 31 December			
	2022		2023	
	S$'000	*%*	*S$'000*	*%*
Rental income	285	25.2	1,299	47.5
Service income	318	28.2	1,190	43.6
Scrap material sales income	374	33.1	134	4.9
Government grants	86	7.6	87	3.2
Others[(1)]	67	5.9	21	0.8
	1,130	100.0	2,731	100.0

Note:

(1) Others mainly refer to insurance claim.

Other gains/(losses), net

During the Track Record Period, our other net gains or losses primarily included (i) gain on disposal of plant and equipment; (ii) gain on dilution of shareholding in Metaoptics Technologies after it became our associate; (iii) unrealised gains from the change in fair value of our key man insurance recognised in profit or loss; and adjusted by (iv) net currency exchange gains or losses attributable to net transactional currency exposures arising from our sales which are denominated in foreign currencies mainly in USD, which fluctuated against SGD during the Track Record Period.

Our other net gains or (losses) amounted to approximately S$0.2 million and S$(0.4) million for the years ended 31 December 2022 and 2023, respectively. The following table sets forth the breakdown of our other net gains or losses for the periods indicated:

	Year ended 31 December			
	2022		2023	
	S$'000	*%*	*S$'000*	*%*
Unrealised gains	14	7.9	—	—
Net currency exchange gains/(losses)	108	61.0	(489)	114.8
Gain on disposal of plant and equipment	55	31.1	40	(9.4)
Gain on dilution of shareholding in an associate	—	—	23	(5.4)
	177	100.0	(426)	100.0

Administrative Expenses

During the Track Record Period, our administrative expenses included (i) wages and salaries (including bonuses, contributions to defined retirement benefits schemes and other staff welfare) for our general and administrative staff; (ii) depreciation expenses of property, plant and equipment, right-of-use assets and investment property; (iii) amortisation expenses of intangible assets; (iv) share-based payments; (v) [REDACTED]; (vi) professional fees; (vii) repair and maintenance costs; (viii) business development expenses; (ix) property tax; (x) utilities; and (xi) others.

Our administrative expenses amounted to approximately S$10.5 million and S$11.7 million for the years ended 31 December 2022 and 2023, respectively. The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December			
	2022		2023	
	S$'000	*%*	*S$'000*	*%*
Wages and salaries	3,213	30.6	3,462	29.7
Depreciation expenses	917	8.8	1,018	8.7
Amortisation expenses	935	8.9	288	2.5
Business development expenses	444	4.2	289	2.5
Share-based payments	815	7.8	3,151	27.0
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Professional fees	312	3.0	235	2.0
Repair and maintenance costs	498	4.7	186	1.6
Property tax	209	2.0	249	2.1
Utilities	444	4.2	345	2.9
Others	772	7.4	547	4.7
	10,489	100.0	11,666	100.0

Our share-based payments during the Track Record Period arose from grant of shares and exercise of anti-dilution rights granted to employees and shareholders of our Group. Expenses incurred with respect to the share-based payments had increased our administrative expenses during the Track Record Period, especially for the year ended 31 December 2023.

Details of the share-based payments (included both from continuing operations and discontinued operations) are set out below.

For the year ended 31 December 2022

	Employee/Shareholder	**Share Issuance Date**	**Events**	**Share-based payment** *S$'000*
1.	Mr. Thng (employee and shareholder of our Group)	11 March 2022	Following Metaoptics Technologies' issue and allotment of 31,865 ordinary shares to Origgin, pursuant to the Metaoptics Anti-Dilution Undertaking, Metasurface Technologies transferred 6,373 ordinary shares in Metaoptics Technologies to Mr. Thng at a nominal consideration of S$1.	79
2.	Mr. Thng (employee and shareholder of our Group)	11 March 2022	Following Metaoptics Technologies' issue and allotment of 31,865 ordinary shares to Origgin, pursuant to the Metaoptics Anti-Dilution Undertaking, Metasurface Technologies transferred 6,373 ordinary shares in Metaoptics Technologies to Mr. Thng at a nominal consideration of S$1.	196
3.	Mr. Thng (employee and shareholder of our Group)	12 April 2022	Following Metaoptics Technologies' issue and allotment of 16,093 ordinary shares to Autec, pursuant to the Metaoptics Anti-Dilution Undertaking, Mr. A Chua, who acted in accordance of the instructions of Dato' Sri Chua, transferred 3,219 ordinary shares in Metaoptics Technologies to Mr. Thng at a nominal consideration of S$1.	40
4.	Mr. Thng (employee and shareholder of our Group)	25 August 2022	Following Metaoptics Technologies' issue and allotment of 35,574 ordinary shares to MMI, pursuant to the Metaoptics Anti-Dilution Undertaking, Metasurface Technologies transferred 7,896 ordinary shares in Metaoptics Technologies to Mr. Thng at a nominal consideration of S$1.	98

	Employee/Shareholder	Share Issuance Date	Events	Share-based payment *S$'000*
5.	Mr. Thng (employee and shareholder of our Group)	27 September 2022	Pursuant to the Anti-dilution Undertaking, Dato' Sri Chua and Mrs. Chua transferred 13,990 ordinary shares and 13,990 ordinary shares in Metasurface Technologies, respectively, to Mr. Thng at a nominal consideration of S$1.	413
6.	Mr. Thng (employee and shareholder of our Group)	14 October 2022	In conjunction with the 2nd [REDACTED] Investment, Dato' Sri Chua and Mrs. Chua transferred 13,623 ordinary shares and 13,623 ordinary shares in Metasurface Technologies, respectively, to Mr. Thng at a nominal consideration of S$1 pursuant to the Anti-dilution Undertaking.	402
				1,228

For the year ended 31 December 2023

	Employee/Shareholder	Share Issuance Date	Events	Share-based payment *S$'000*
1.	Dr. Kuznetsov (employee of Metaoptics Technologies)	2 January 2023	Metasuface Technologies transferred 7,549 ordinary shares of Metaoptics Technologies to Dr. Kuznetsov at no consideration as part of his remuneration package for his services to Metaoptics Technologies.	106
2.	MMI (shareholder of our Group)	30 January 2023	Pursuant to the 3rd [REDACTED] Investment, MMI subscribed for, and Metasurface Technologies allotted and issued to MMI, 139,913 ordinary shares in Metasurface Technologies at a consideration of S$1,000,000.	797

	Employee/Shareholder	Share Issuance Date	Events	Share-based payment *S$'000*
3.	Mr. Thng (employee and shareholder of our Group)	30 January 2023	In conjunction with the 3rd [REDACTED] Investment, Dato' Sri Chua and Mrs. Chua transferred 7,364 ordinary shares and 7,364 ordinary shares (in total 14,728 ordinary shares) in Metasurface Technologies, respectively to Mr. Thng, at a nominal consideration of S$1 pursuant to the Anti-Dilution Undertaking.	217
4.	Accelerate (shareholder of our Group)	30 January 2023	Pursuant to Accelerate's anti-dilution right under the amended and restated shareholders' agreement dated 30 January 2023 entered into between, among others, Metasurface Technologies, Accelerate and MMI, Accelerate subscribed for, and Metasurface Technologies allotted and issued to Accelerate, 7,364 ordinary shares in Metasurface Technologies at a nominal consideration of S$1.	78
5.	Mr. Thng (employee and shareholder of our Group)	16 May 2023	Pursuant to a share purchase agreement dated 16 May 2023 entered into between Mr. Thng and Metasurface Technologies, Metasurface Technologies transferred 125,767 ordinary shares in Metaoptics Technologies held by it to Mr. Thng at a consideration of S$180,000.	2,059
				3,257

The anti-dilution rights granted to certain of our employees and shareholders of our Group have been terminated on 26 April 2023. For more information on our share-based payments and the anti-dilution rights granted, see "History and Development — Corporate Development — Our subsidiaries — Anti-dilution Undertaking" and Note 31 of Appendix I to this document.

Finance Costs

During the Track Record Period, our finance costs included (i) interest expense on our borrowings; (ii) interest expense on lease liabilities in relation to (a) our Tuas Property we leased from an independent third party, which is used as our production facilities in Singapore and (b) certain machineries and motor vehicles acquired by us on hire purchase arrangements; (iii) interest expense on provision for reinstatement cost in connection with our Tuas Property leased by us; (iv) interest expense and unwinding of discount on deposits received from the tenant of our Tuas Property which will be released to the tenant at the end of the lease period; and (v) interest expense on non-[REDACTED] put option in relation to the 3rd [REDACTED] Investment. Our finance costs were approximately S$1.6 million and S$1.3 million for the years ended 31 December 2022 and 2023, respectively.

The following table sets forth the breakdown of our net finance costs for the periods indicated:

	Year ended 31 December			
	2022		2023	
	S$'000	*%*	*S$'000*	*%*
Interest expense on borrowings	511	32.4	207	15.4
Interest expense on lease liabilities	1,097	69.5	1,080	80.4
Interest expense on provision for reinstatement cost	9	0.6	9	0.7
Interest expense on deposits received	—	—	18	1.3
Unwinding of discount on deposits received	(38)	(2.5)	—	—
Interest expense on non-[REDACTED] put option	—	—	29	2.2
	1,579	100.0	1,343	100.0

Income tax expense

Our income tax expense consists of current and deferred income tax. The following table sets forth the breakdown of our income tax expense for the periods indicated:

	Year ended 31 December	
	2022	**2023**
	S$'000	*S$'000*
Income tax		
— Current year	910	1,412
— Over-provision in prior year	—	(32)
	910	1,380
Deferred tax		
— Current year	585	(134)
— Over-provision in prior year	—	(185)
	585	(319)
Total income tax expense	1,495	1,061

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act and accordingly, is exempted from the Cayman Islands income tax.

Singapore and Malaysia income tax has been provided at the rate of 17% and 24% on the estimated assessable profit during the Track Record Period.

Since the year of assessment for 2020 onwards, a 75% tax exemption is applied on the first S$10,000 of normal chargeable income and a further 50% tax exemption is applied on the next S$190,000 of normal chargeable income in Singapore.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had made all the required tax filings and had paid all outstanding tax liabilities with the relevant tax authorities in the relevant jurisdictions and we are not aware of any outstanding or potential disputes with such tax authorities.

PERIOD TO PERIOD COMPARISON

Year ended 31 December 2022 compared with year ended 31 December 2023

Revenue

Our revenue slightly decreased by approximately S$0.3 million or 0.9% from approximately S$39.1 million for the year ended 31 December 2022 to approximately S$38.8 million for the year ended 31 December 2023. The decrease was mainly attributable to the decrease in sales from precision machining services by approximately S$7.4 million, offset by the increase in sales from precision welding services by approximately S$7.0 million over such period.

Revenue by service type

Revenue from precision machining services decreased by approximately S$7.4 million or 32.2% from approximately S$22.9 million for the year ended 31 December 2022 to approximately S$15.5 million for the year ended 31 December 2023. The decrease was mainly attributable to the decrease in sales of precision machining services to Customer A and a customer based in Malaysia, which is a part of a group listed on the Toronto Stock Exchange and the New York Stock Exchange and headquartered in Canada and is principally engaged in the provision of supply chain solutions to customers in advance technology solutions and connectivity and cloud solutions industries, during the year for the provision of precision machining services by approximately S$4.6 million and S$0.9 million, respectively, which were primarily due to the decrease in purchase orders for certain parts and components from these customers. Such decrease in purchase orders from customers of our precision machining services was mainly due to postponed delivery of certain precision machining parts and components, in particular during the second half of 2023 as requested by our customers, most of which were then expected to be delivered in the second and third quarters of 2024. To the best knowledge of the Company, the postponed delivery requests in the precision machining parts and components by our customers was primarily due to their de-stocking of the then existing inventories on hand. According to the CIC Report, 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. 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.

Revenue from precision welding services increased by approximately S$7.0 million or 43.3% from approximately S$16.2 million for the year ended 31 December 2022 to approximately S$23.2 million for the year ended 31 December 2023. The increase was primarily attributable to the increase in purchase orders from Customer C and Customer B during the year for the provision of precision welding services by approximately S$4.6 million and S$1.4 million, respectively, which were primarily due to the increase in purchase orders for certain parts and components from these customers. During the Track Record Period, we received both repeated orders and new orders from our existing customers for our precision welding services. Our customers continue to place recurring orders after we successfully passed the initial quality inspection and become an approved supplier for such products, demonstrating their satisfaction to the quality of our products. Our customers also requested for precision welding services for new parts and components from time to time. Notwithstanding the periodic de-stocking phenomenon experienced by the semiconductor manufacturing equipment industry in 2023 which impacted certain precision engineering processes such as precision machining, the demand for precision welding services remained relatively resilient in 2023 as the precision welding process will still be required for the ordered precision machined parts and components once such components reach the stage for further processing, such as precision welding, sub-assemblies, assemblies or system integration within the production chain.

Revenue by customer sector

Revenue from customers in the semiconductor industry slightly decreased by approximately S$1.6 million or 4.6% from approximately S$35.7 million for the year ended 31 December 2022 to approximately S$34.1 million for the year ended 31 December 2023. The decrease in proportion of our revenue contribution from customers in the semiconductor industry was mainly attributable to our efforts to diversify our customer sectors, for instance in the aerospace industry. Revenue from customers in the aerospace industry increased by approximately S$1.5 million from approximately S$0.1 million for the year ended 31 December 2022 to approximately S$1.6 million for the year ended 31 December 2023. The increase was mainly attributable to the increase in purchase orders from Customer B for aerospace related parts and components for the year ended 31 December 2023. Customer B recorded an increase in its sales in relation to aerospace and defence by approximately 4% from 2022 to 2023, by leveraging its market position in both defence and commercial aerospace sectors to capture the increase in the global market size of the aerospace and defence market in 2023, partly driven by increased air travel and aviation activities.

Revenue from customers in the data storage industry remained stable at approximately S$2.4 million and S$2.4 million for the years ended 31 December 2022 and 2023, respectively.

Revenue by customer geographical location

Revenue from customers located in Singapore decreased by approximately S$5.9 million from approximately S$20.7 million for the year ended 31 December 2022 to approximately S$14.8 million for the year ended 31 December 2023. Revenue from customers located in Malaysia increased by approximately S$3.5 million from approximately S$12.6 million for the year ended 31 December 2022 to approximately S$16.1 million for the year ended 31 December 2023. Revenue from customers located in the U.S. increased by approximately S$1.8 million from approximately S$3.5 million for the year ended 31 December 2022 to approximately S$5.3 million for the year ended 31 December 2023. The increase in proportion of revenue contribution from customer located in Malaysia and the U.S. was mainly attributable to (i) increase in sales to Customer C for certain parts and components in Malaysia, and (ii) increase in sales to Customer B and Intevac Asia Pte. Ltd. for certain parts and components in relation to the aerospace and data storage sector in the U.S..

Cost of sales

Our cost of sales increased by approximately S$1.3 million or 5.6% from approximately S$23.1 million for the year ended 31 December 2022 to approximately S$24.4 million for the year ended 31 December 2023, which was attributable to the (i) increase in direct labour cost by approximately S$1.0 million as a result of the increase in procurement of third party labour services to fulfil the increased sales in respect to precision welding services; and (ii) increase in direct material costs by approximately S$0.1 million due to increase in sales from our precision welding services, which generally required more inputs of standard parts such as valve and fittings in the production process.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately S$1.7 million or 10.2% from approximately S$16.1 million for the year ended 31 December 2022 to approximately S$14.4 million for the year ended 31 December 2023. Our overall gross profit margin decreased from approximately 41.0% for the year ended 31 December 2022 to approximately 37.2% for the year ended 31 December 2023, which was mainly attributable to the decrease in the gross profit margin for our precision machining services from approximately 43.2% for the year ended 31 December 2022 to approximately 31.4% for the year ended 31 December 2023. The decrease in the gross profit margin for our precision machining services was mainly attributable to that our cost of sales for precision machining services comprised relatively large portion of overhead costs such as labour costs as well as depreciation of property, plant and equipment and right-of-use assets which were relatively static regardless of sales performance, therefore our cost of sales for precision machining only decreased by approximately 18.2% while our revenue for precision machining decreased by approximately 32.2%, which was primarily due to the normalisation of our customers' purchase orders during the year after their surge in production and demand for our products in 2022 when there was eventual uplift of COVID-19 preventive and lock down measures by governments in different countries, thus leading to the decrease in the gross profit margin for our precision machining services during the year ended 31 December 2023. Our cost of sales for precision machining services comprised relatively larger portion of fixed overhead costs than our precision welding services as our precision machining services involved more use of advanced machineries and equipment such as CNC turning and milling machines which are of higher value than the welding tools used for our precision welding services, and therefore incurred larger depreciation expenses.

The gross profit margin for our precision welding services increased from approximately 38.1% for the year ended 31 December 2022 to approximately 41.0% for the year ended 31 December 2023, which was mainly attributable to the bulk purchase discount we received from our suppliers as a results of the increase in our sales of precision welding services during the year.

Other income

Other income increased by approximately S$1.6 million or 141.7% from approximately S$1.1 million for the year ended 31 December 2022 to approximately S$2.7 million for the year ended 31 December 2023. The increase was mainly attributable to (i) the increase in rental income by approximately S$1.0 million, primarily due to the recognition of full year rental income during the year ended 31 December 2023 from part of the Tuas Property which we sublet to an independent third party since November 2022; and (ii) increase in service income by approximately S$0.9 million due to the recognition of full year service income generated from our provision of services, such as tubular thread inspection, tubular body inspection, tubular inventory management and storage and other logistic services related to tubular management, to an independent third party, which is principally engaged in trading of steel tubulars and provision of related services for the year ended 31 December 2023, partially offset by the decrease in scrap material sales income generated by approximately S$0.2 million.

Other gains/(losses), net

Other net gains or losses decreased by approximately S$0.6 million from a net gain of approximately S$0.2 million for the year ended 31 December 2022 to a net loss of approximately S$0.4 million for the year ended 31 December 2023, mainly attributable to the recognition of net currency losses of approximately S$0.5 million for the year ended 31 December 2023 when compared to a net currency gain of approximately S$0.1 million for the year ended 31 December 2022 due to the fluctuations of USD against SGD during the respective year.

Administrative expenses

Administrative expenses increased by approximately S$1.2 million or 11.2% from approximately S$10.5 million for the year ended 31 December 2022 to approximately S$11.7 million for the year ended 31 December 2023. The increase was mainly attributable to (i) increase in share-based payments for the employees and shareholders of approximately S$2.3 million, which was partially offset by (ii) decrease in amortisation expenses of approximately S$0.6 million, mainly attributable to the derecognised intangible assets as a results of disposal of interests in Metaoptics Technologies and (iii) decrease in repair and maintenance costs by approximately S$0.3 million. For further details of the share-based payments, see Note 31 of Appendix I to this document.

Finance costs

Finance costs decreased by approximately S$0.3 million or 14.9% from approximately S$1.6 million for the year ended 31 December 2022 to approximately S$1.3 million for the year ended 31 December 2023. The decrease was mainly attributable to the repayment of our borrowings, resulting in decrease in our borrowings from approximately S$5.5 million as at 31 December 2022 to approximately S$4.2 million as at 31 December 2023. The decrease in our borrowings led to the decrease in interest expense on borrowings by approximately S$0.3 million for the year ended 31 December 2023.

Income tax expense

Income tax expense decreased by approximately S$0.4 million or 29.0% from approximately S$1.5 million for the year ended 31 December 2022 to approximately S$1.1 million for the year ended 31 December 2023. The decrease was mainly due to the over-provision of current and deferred tax expenses in prior year.

Our effective tax rate was approximately 28.2% and 31.7% for the years ended 31 December 2022 and 2023, respectively.

(Loss)/profit from discontinued operation

Our profit or loss from discontinued operation represents the operating results of Metaoptics Technologies before the disposal on 16 May 2023. Our profit or loss from discontinued operation increased from a loss of approximately S$1.1 million for the year ended 31 December 2022 to a profit of approximately S$2.1 million for the year ended 31 December 2023. The increase was primarily due to (i) the recognition of gains on disposal of Metaoptics Technologies for the year ended 31 December 2023 of approximately S$2.5 million which comprises a gain on disposal of controlling interest of approximately S$1.6 million and a gain on retained investment of approximately S$1.0 million.

We recognised gains on disposal of Metaoptics Technologies as the fair value of the interests in Metaoptics Technologies we disposed of and retained as investment in an associate was greater than the corresponding carrying value of the net assets of Metaoptics Technologies as at the date of disposal. The valuation of Metaoptics Technologies at the date of disposal was undertaken by an independent qualified professional valuer.

Profit for the year

As a result of the foregoing, we recorded profits of approximately S$2.7 million and approximately S$4.4 million for the years ended 31 December 2022 and 2023, respectively.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

The following table sets forth our consolidated statements of financial position as at the dates indicated:

	As at 31 December	
	2022	**2023**
	S$'000	*S$'000*
ASSETS		
Non-current assets		
Property, plant, and equipment	7,235	5,710
Prepayments	—	203
Right-of-use assets	27,044	26,249
Investment property	616	575
Goodwill	4,429	4,429
Intangible assets	6,697	2,281
Other assets	359	359
Other receivables — Amount due from an associate	—	2,880
Investment in an associate	—	1,015
Deferred tax assets	325	644
Total non-current assets	46,705	44,345
Current assets		
Inventories	7,873	6,641
Trade and other receivables	9,345	7,742
Prepayments	1,091	1,907
Cash and bank balances	4,392	9,225
Total current assets	22,701	25,515
Total assets	69,406	69,860
EQUITY AND LIABILITIES		
Equity		
Share capital	—*	1
Accumulated losses	(10,724)	(6,117)
Currency translation reserve	(145)	(154)
Capital reserve	32,165	33,267
Total equity attributable to owners of the Company	21,296	26,997
Non-controlling interests	1,013	—
	22,309	26,997

* *Less than S$1,000*

	As at 31 December	
	2022	**2023**
	S$'000	*S$'000*
LIABILITIES		
Current liabilities		
Borrowings	5,542	4,018
Lease liabilities	2,682	2,652
Trade and other payables	9,089	7,564
Contract liabilities	297	—
Income tax payable	993	1,381
Total current liabilities	18,603	15,615
Non-current liabilities		
Borrowings	—	219
Lease liabilities	27,719	26,214
Trade and other payables	458	489
Provisions	260	269
Deferred tax liabilities	57	57
Total non-current liabilities	28,494	27,248
Total liabilities	47,097	42,863
Total equity and liabilities	69,406	69,860
Net current assets	4,098	9,900

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly consisted of (i) plant and machineries; (ii) freehold building and freehold land; (iii) renovation for factory and office; (iv) furniture and fittings; (v) motor vehicles; (vi) office equipment software; and (vii) computers. As at 31 December 2022 and 2023, our property, plant and equipment were approximately S$7.2 million and S$5.7 million, respectively. The decrease in our property, plant and equipment by approximately S$1.5 million was mainly due to depreciation expenses of approximately S$1.3 million.

Depreciation on our property, plant and equipment was charged to profit or loss during the years ended 31 December 2022 and 2023 as set out as below:

	Year ended 31 December	
	2022	**2023**
	S$'000	*S$'000*
Cost of sales	909	1,032
Administrative expenses	235	259
Total	1,144	1,291

The property, plant and equipment with the carrying value of approximately S$1.2 million and S$1.2 million as at 31 December 2022 and 2023, respectively, were pledged for a term loan as disclosed in "— Indebtedness — Borrowings" and Note 25(a) of Appendix I to this document.

Right-of-use Assets

During the Track Record Period, our right-of-use assets were in relation to lease arrangements for (i) the leasehold property in relation to the Tuas Property for a lease term of approximately 23.5 years; and (ii) machineries and motor vehicles under hire purchase arrangement. The lease payments of these right-of-use assets are payable on monthly basis. The balances of our right-of-use assets remained relatively stable at approximately S$27.0 million and S$26.2 million as at 31 December 2022 and 2023, respectively.

During the years ended 31 December 2022 and 2023, depreciation expenses on our right-of-use assets amounted to approximately S$1.9 million and S$2.1 million, respectively.

Investment Property

Our investment property represents the carrying amount of the Enterprise Road Property which has been leased to an independent third party. Our investment property amounted to approximately S$0.6 million and S$0.6 million as at 31 December 2022 and 2023, respectively.

Amounts recognised in our profit and loss for the investment property during the Track Record Period are set out as below:

	Year ended 31 December	
	2022	**2023**
	S$'000	*S$'000*
Rental income from operating leases	83	99
Direct expenses from property that generated rental income	57	57

Our investment property is stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over an estimated useful life of 28 years. During the years ended 31 December 2022 and 2023, depreciation expenses on our investment property amounted to approximately S$41,000 and S$41,000, respectively.

The investment property with the carrying value of approximately S$0.6 million and S$0.6 million as at 31 December 2022 and 2023, respectively, was pledged to a term loan as disclosed in "— Indebtedness — Borrowings" and Note 25(a) of Appendix I to this document.

The fair value of the investment property was approximately S$0.9 million and S$0.9 million as at 31 December 2022 and 2023, respectively, based on a valuation conducted by an independent property valuer.

Goodwill

As at 31 December 2022 and 2023, the carrying amount of our goodwill was approximately S$4.4 million and S$4.4 million, respectively.

Impairment tests for goodwill

Our goodwill arises from the acquisition of SPW, a subsidiary of our Group under the precision welding segment, and being a cash-generating unit (the "**CGU**") of our Group.

Our Group assesses whether our goodwill has suffered any impairment on an annual basis. For the years ended 31 December 2022 and 2023, the recoverable amount was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates. The pre-tax discount rate reflects specific risks relating to the relevant segment and the countries in which it operates.

The following table sets out the key assumptions for the value-in-use calculation:

	2022	**2023**
Revenue growth rate	6%–34.6%[1]	1%–5.1%[2]
Pre-tax discount rate[3]	16.9%	16.9%
Terminal growth rate[4]	1.8%	1.8%

Notes:

1. For goodwill assessment as at 31 December 2022, the revenue growth rate of 2023 was relatively high at 34.6%, as we have taken into account certain purchase orders from our major customers which were expected to be delivered in 2023 while the growth rate for 2024 to 2027 were expected to be relatively stable.

2. In respect of the goodwill assessment as at 31 December 2023, we took a prudent approach to revise the five-year budget plan to reflect a lower growth rate as our customers were undergoing a periodic de-stocking process in 2023 and requested us to postpone delivery of certain parts and components.

3. We have assessed the discount rate based on the Capital Asset Pricing Model (CAPM) and parameters adopted for the valuation for the Acquisition with reference to the market data of comparable companies and other public data sources, where applicable, including the 20-year government bond yield rate and adjusted the company specific risk when estimating the discount rates. We consider that the overall changes to the parameters of the discount rates between the years were not material. We have also adopted a prudent view in the impairment assessment for both years, and considered a high level of company specific risk premium in their discount rate derivation for both December 2022 and 2023. Hence the same pre-tax discount rates were adopted throughout the Track Record Period.

4. We have considered Singapore's 20-year projected average inflation rate from The Economist Intelligence Unit (EIU) as well as the long-term risk-free rate as indicated by the Singapore Government Bond yields, as parameters to estimate the terminal growth rates. We consider that a 1.8% terminal growth rate is appropriate as it falls within the aforementioned estimates for both December 2022 and 2023.

If the following key parameters (i.e. revenue growth rate and pre-tax discount rate) change, with all other variables held constant, the headroom between the estimated recoverable amount and the carrying amount of the relevant goodwill would decrease as follows:

	2022	**2023**
	S$'000	*S$'000*
Revenue growth rate decreased by 4% (2022: 5%)	9,716	18,795
Pre-tax discount rate increased by 3% (2022: 3%)	22,454	22,575

Based on the assessment performed, the headrooms available for the CGU were approximately S$29.0 million and S$30.9 million as at 31 December 2022 and 2023, respectively.

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

There was no provision for impairment of goodwill for the years ended 31 December 2022 and 2023, respectively.

Intangible assets

Our intangible assets decreased by approximately S$4.4 million from approximately S$6.7 million as at 31 December 2022 to approximately S$2.3 million as at 31 December 2023, primarily due to (i) disposal of Metaoptics Technologies with carrying amount of intangible assets of approximately S$3.9 million, and (ii) the amortisation of approximately S$0.5 million for the year ended 31 December 2023.

During the Track Record Period, our intangible assets consisted of (i) know-how transferred by Mr. Thng to our Group in 2021 in exchange for his acquisition of certain shareholdings in Metasurface Technologies and Metaoptics Technologies, (ii) customer relationship and customer contracts recognised from the acquisition of SPW, and (iii) licence granted by Accelerate to our Group pursuant to the Licence Agreement for us to use its technologies and intellectual property rights to develop enhancements and commercialise its technologies and licenced products for a consideration of approximately S$2.9 million. The upfront fee of approximately S$2.9 million payable by our Group to Accelerate pursuant to the Licence Agreement was settled in full by offsetting against the consideration of the same amount for the subscription in Metasurface Technologies's ordinary shares payable by Accelerate.

The estimated useful lives of the know-how and licence are seven years and 10 years, respectively, which were determined with reference to the technological obsolescence, product life cycles, expected usage and expiration of the respective contracts. The estimated useful lives of our customer contracts and customer relationships are 10 years, which was determined based on our assessment of the estimated years of relationships with our customers, attrition rate and historical experience. In assessing the estimated useful life of customer contracts and customer relationships, a benchmarking analysis has been performed on similar transactions and a 10-year useful life falls within the commonly observed range for customer relationships. For further details of our intangible assets, see Note 16 of Appendix I to this document.

During the years ended 31 December 2022 and 2023, amortisation expenses on our intangible assets amounted to approximately S$1.5 million and S$0.5 million, respectively.

Other assets

During the Track Record Period, our other assets represented keymen insurance asset (life insurance settlement contract) which is initially recognised as a financial instrument at the amount of premium paid and subsequently carried at fair value at the end of each reporting period, with changes in fair value recognised in profit or loss. As at 31 December 2022 and 2023, our other assets were approximately S$0.4 million and S$0.4 million, respectively.

Investment in an associate

Investment in an associate consists of our investment in Metaoptics Technologies subsequent to our disposal of approximately 33.32% interests in Metaoptics Technologies to Mr. Thng on 16 May 2023.

We recorded investment in an associate of nil and approximately S$1.0 million as at 31 December 2022 and 2023, respectively, primarily due to the reduction of our shareholdings in Metaoptics Technologies from approximately 53.5% to 20.2% following the disposal and its subsequent reclassification as investment in an associate. As at 31 December 2023, we held approximately 18.78% shares in Metaoptics Technologies.

During the years ended 31 December 2022 and 2023, share of loss from an associate amounted to nil and approximately S$0.4 million, respectively.

Deferred income taxes

As at 31 December 2022 and 2023, our net deferred tax assets were approximately S$0.3 million and S$0.6 million, respectively.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority.

Our deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Inventories

During the Track Record Period, our inventories consisted of (i) raw materials, (ii) work in progress, (iii) finished goods, and (iv) product consumables. As at 31 December 2022 and 2023, we had inventories of approximately S$7.9 million and S$6.6 million, respectively. The decrease in our inventories balance as at 31 December 2023 when compared to 31 December 2022 was mainly attributable to (i) the utilisation of our raw materials to cope with our sales near the year end; and (ii) the provision for inventory obsolescence of approximately S$0.4 million.

The following table sets forth the breakdown of our inventory balances as at the dates indicated:

	As at 31 December	
	2022	**2023**
	S$'000	*S$'000*
Raw materials	2,582	1,984
Work in progress	3,876	3,629
Finished goods	1,351	1,220
Product consumables	64	222
	7,873	7,055
Less: Provision for inventory obsolescence	—	(414)
Total	7,873	6,641

We had written off finished goods with cost of approximately S$130,000, nil and nil for the years ended 31 December 2022 and 2023 and up to the Latest Practicable Date, respectively according to our inventory policy as a result of buffer inventories we produced for certain parts ordered by our customers to cope with any urgent orders. We recognised approximately S$18.9 million and S$14.9 million of our cost of inventories in our cost of sales for the years ended 31 December 2022 and 2023, respectively. We have established our internal policy regarding inventory management. Our accounting department will monitor and identify if there is any obsolete or slow moving inventory on a yearly basis and assess if provision or a write-down on cost is required to be made on any stock according to our inventory policy. For obsolete and slow moving inventory which provision was made or had been written off, we would not dispose of such inventory without the consent of the relevant customer but instead keep such inventory at our warehouse. Besides, there is possibility that our customers may subsequently request for such inventory that we considered obsolete. Considering that no disposal of obsolete or slow moving inventory was made during the Track Record Period and our obsolete inventory may possibly be sold to customers whenever they require such item, the Directors believe that the ESG risk relating to our obsolete and slow moving inventory management is minimal. Provision for impairment and obsolescence on inventory should be made with the approval of the Directors or management of our Group upon identification of any obsolete inventory. During the Track Record Period, we have made provision for or written off our inventories (as appropriate) according to our inventory policy. Inventories are written down if the anticipated net realisable value declines below the carrying amount of the inventories. The calculation of the net realisable value takes into consideration specific characteristics of each inventory category, such as age, expected sales movements, slow-moving indicators, etc.

As at 30 April 2024, approximately S$[4.2] million, accounting for approximately [63.4]%, of our inventories as at 31 December 2023 was subsequently consumed or sold. Our Group adopts a build-to-order inventory policy and places order to purchase raw materials for production after we receive purchase orders from our customers. The relatively low subsequent usage of inventories as at 30 April 2024 was due to postponed delivery of certain parts and components as requested by our customers, most of which were then expected to be delivered in the second and third quarters of 2024. To the best knowledge of the Company, the postponed delivery requests in the parts and components by our customers was primarily due to their de-stocking of the then existing inventories on hand since the second quarter of 2023. Our Directors have assessed and made sufficient provision for our inventories and do not believe there is any recoverability issue for our inventories during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth our average inventory turnover days for the periods indicated:

	For the year ended 31 December	
	2022	**2023**
Average inventory turnover days[(1)]	91	109

Note:

(1) Average inventory turnover days for each period is calculated by dividing the average opening and closing balances of inventories by cost of sales of our Group for that period and then multiplied by the number of days in that period.

Our average inventory turnover days increased from approximately 91 days for the year ended 31 December 2022 to 109 days for the year ended 31 December 2023 due to postponed delivery of certain parts and components as requested by our customers. Our average inventory turnover days during the Track Record Period were generally in line with our project lead time which typically ranges from 4 to 17 weeks for our precision machining services and 9 to 22 weeks for our precision welding services from receipt of purchase orders to delivery. For details of our business flow, see "Business — Our Business Model".

The following table sets forth the ageing analysis of our inventories after considering the provision for inventory obsolescence as of the dates indicated:

	As at 31 December 2023				
	Raw materials	**Work in progress**	**Finished goods**	**Product consumables**	**Total**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
0–30 days	1,537	1,744	491	151	3,923
31–60 days	215	300	109	13	637
61–90 days	38	116	95	11	260
Over 91 days	166	1,139	470	46	1,821
	1,956	3,299	1,165	221	6,641

	As at 31 December 2022				
	Raw materials	**Work in progress**	**Finished goods**	**Product consumables**	**Total**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
0–30 days	1,256	1,916	456	14	3,642
31–60 days	770	635	376	13	1,794
61–90 days	240	850	119	10	1,219
Over 91 days	316	475	400	27	1,218
	2,582	3,876	1,351	64	7,873

Trade and other receivables

The following table sets forth the breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December	
	2022	**2023**
	S$'000	*S$'000*
Non-current		
Non-trade		
Amount due from an associate	—	2,880
	—	2,880
Current		
Trade		
Trade receivables from third parties	7,952	6,614
Non-trade		
GST receivables	193	36
Deposits	1,200	1,092
	1,393	1,128
	9,345	7,742

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of our business. Our trade receivables are generally due for settlement within 30 to 60 days of the invoice date and therefore are all classified as current. They are non-interest bearing and are recognised at their original invoice amounts which represent their fair value on initial recognition. Based on the impairment review conducted by our management, during the Track Record Period, we expect the occurrence of losses from non-performance by the counterparties of our trade and other receivables was remote and loss allowance provision for our trade and other receivables was immaterial. As a result, there was no bad debt or provision on our trade receivables made during the Track Record Period.

Our trade receivables decreased from approximately S$8.0 million as at 31 December 2022 to S$6.6 million as at 31 December 2023 which was mainly due to a larger settlement of trade receivables by our customers near year end of 2023.

The following tables set forth the ageing analysis of our trade receivables, based on invoice date, as at the dates indicated, and our average trade receivables turnover days for the periods indicated:

	As at 31 December	
	2022	**2023**
	S$'000	*S$'000*
0 to 30 days	3,370	4,642
31 to 60 days	2,728	1,597
61 to 90 days	1,606	196
Over 90 days	248	179
	7,952	6,614

	For the year ended 31 December	
	2022	**2023**
Average trade receivables turnover days[(1)]	65	69

Note:

(1) Average trade receivables turnover days for each period is calculated by dividing the average opening and closing balances of trade receivables by revenue of our Group for that period and then multiplied by the number of days in that period.

Our average trade receivables turnover days remained relatively stable at approximately 65 days for the year ended 31 December 2022 and approximately 69 days for the year ended 31 December 2023.

The financial assets measured at amortised cost during the Track Record Period include trade receivables, other receivables and cash and bank balances. Our management estimated the expected credit loss ("ECL") rates of these financial assets in accordance with IFRS 9 during the Track Record Period, which were estimated to be minimal and immaterial to our Group.

As at 30 April 2024, approximately S$6.6 million or 99.3% of our trade receivables as at 31 December 2023 were subsequently settled.

Non-trade receivables

During the Track Record Period, our non-trade receivables primarily consisted of (i) amount due from an associate, Metaoptics Technologies, for the aggregate consideration settled by the Group for the intangible assets acquired by Metaoptics Technologies under the Licence Agreement with Accelerate, (ii) deposits we placed with the landlord as tenant of the Tuas Property and as well as deposits for electricity and bank guarantee, and (iii) GST receivables with respect to GST refunds.

Our non-trade receivables increased by approximately S$2.6 million from approximately S$1.4 million as at 31 December 2022 to S$4.0 million as at 31 December 2023 primarily due to the increase in amount due from an associate of approximately S$2.9 million, partially offset by decrease in GST receivables and deposits by approximately S$0.2 million and S$0.1 million, respectively as at 31 December 2023.

Our amount due from an associate is non-trade in nature, interest-free and repayable on demand. As agreed between our Group and Metaoptics Technologies, such amount will not be settled prior to the [REDACTED] and is expected to be settled by Metaoptics Technologies from the operating cashflow generated from its business operations and investment from its investors after [REDACTED]. The amount due from an associate arose from the amount Metasurface Technologies settled the upfront licence fee for certain technologies licenced under the Licence Agreement with its share capital for Metaoptics Technologies when Metaoptics Technologies was still our subsidiary, to support the continual development of Metaoptics Technologies. After Metaoptics Technologies became our associate, this amount was reclassified as amount due from an associate. Considering that our Group remained as an investor with approximately 17.10% equity interests in Metaoptics Technologies as at the Latest Practicable Date, the Directors consider that it is strategically advantageous to provide Metaoptics Technologies sufficient time to settle the amount due to us to support their ongoing development in optics technology and to ensure their operational stability.

Pursuant to Rule 20.29 of the GEM Listing Rules, continuing connected transactions are connected transactions involving the provision of goods or services or financial assistance, which are carried out on a continuing or recurring basis and are expected to extend over a period of time. The amount of S$2,880,000 due from Metaoptics Technologies, being an associate of our Group, arose from the 2nd [REDACTED] Investment, which is one-off and non-recurring in nature and entered into prior to the [REDACTED]. For details, please see “History — [REDACTED] Investments — 2nd [REDACTED] Investment by Accelerate” in this document. Such amount was regarded as an amount due from an associate purely due to the reclassification after Metaoptics Technologies became our associate, accordingly, it will not constitute a continuing connected transaction subject to the relevant requirements under Chapter 20 of the GEM Listing Rules after [REDACTED].

Prepayments

During the Track Record Period, our current and non-current prepayments amounted to approximately S$1.1 million and S$2.1 million as at 31 December 2022 and 2023, respectively, which were mainly related to the prepayments for [REDACTED] of approximately S$1.0 million and S$1.8 million for the years ended 31 December 2022 and 2023, respectively.

Cash and bank balances

During the Track Record Period, our cash and bank balances, which consisted of our cash at bank and cash on hand, were approximately S$4.4 million and S$9.2 million as at 31 December 2022 and 2023, respectively. The increase in our cash and bank balances as at 31 December 2023 when compared with that as at 31 December 2022 was mainly resulted from the cash generated from operations during the year ended 31 December 2023.

Trade and other payables

The following table sets forth the breakdown of our trade and other payables as at the dates indicated:

	As at 31 December	
	2022	**2023**
	S$'000	*S$'000*
Current		
Trade		
Trade payables to third parties	5,919	2,357
	5,919	2,357
Non-trade		
Other payables to third party	—	350
Amount due to a shareholder	—	1,029
Amount due to a director	225	228
Accrued expenses	2,925	3,592
GST payables	—	1
Deposits received	20	7
	3,170	5,207
	9,089	7,564
Non-current		
Non-trade		
Deposits received	458	489
	9,547	8,053

Trade payables

During the Track Record Period, our trade payables represent trade payables to third parties mainly in relation to our procurement of raw materials and processing services from third-party suppliers. Our trade payables to third parties are non-interest bearing and are generally on 30 to 60 days' credit terms based on invoice date.

The decrease in our trade payables from approximately S$5.9 million as at 31 December 2022 to approximately S$2.4 million as at 31 December 2023 was primarily due to our prompt repayment of trade payables near the year end.

The following tables set forth the ageing analysis of our trade payables based on invoice dates as at the dates indicated and our average trade payables turnover days for the periods indicated:

	As at 31 December	
	2022	**2023**
	S$'000	*S$'000*
0 to 30 days	1,429	1,703
31 to 60 days	1,607	244
61 to 90 days	1,108	143
Over 90 days	1,775	267
	5,919	2,357

	For the year ended 31 December	
	2022	**2023**
Average trade payables turnover days[(1)]	74	62

Note:

(1) Average trade payables turnover days for each period is calculated by dividing the average opening and closing balances of trade payables by cost of sales of our Group for that period and then multiplied by the number of days in that period.

Our average trade payables turnover days decreased from approximately 74 days for the year ended 31 December 2022 to approximately 62 days for the year ended 31 December 2023 since we had expedited our settlement of outstanding payables to our suppliers in order to accelerate the procurement and delivery of the imminent orders of raw materials from the suppliers to facilitate our production schedule.

As at 30 April 2024, approximately S$2.2 million, or approximately 92.1%, of our trade payables as at 31 December 2023 had been subsequently settled.

Non-trade payables

During the Track Record Period, our non-trade payables mainly represented (i) accrued expenses which mainly include accrued [REDACTED] and accrued salaries and bonuses payable to our employees, (ii) amount due to a director, which is expected to be fully settled upon the [REDACTED], (iii) deposits which consisted of the deposit received from the tenants of our Enterprise Road Property and for the sublet of our Tuas Property; (iv) amount due to a shareholder which represents amount payable to a [REDACTED] investor for non-[REDACTED] put option in relation to the 3rd [REDACTED] Investment; and (v) other payable to third party which consists of rental payable to ESR-LOGOS Property Management (S) Pte Ltd for our Tuas Property.

Our non-trade payables increased by approximately S$2.1 million from approximately S$3.6 million as at 31 December 2022 to approximately S$5.7 million as at 31 December 2023 primarily due to (i) increase in amount due to a shareholder by approximately S$1.0 million; (ii) increase in accrued expenses by approximately S$0.7 million for the year ended 31 December 2023; and (iii) increase in other payables to third party by approximately S$0.4 million;.

The amount due to a shareholder relates to a non-[REDACTED] put option granted to the [REDACTED] investor. Upon [REDACTED], the non-[REDACTED] put option to require our Company to purchase all of its shares expires without delivery and shall remain unexercisable perpetually. It shall not be reinstated pursuant to the shareholders' agreement and the carrying amount of the non-[REDACTED] put option will be reclassified to equity.

Our amount due to a director is non-trade in nature and non-interest bearing, the amount of which is expected to be settled upon the [REDACTED].

Contract Liabilities

Our contract liabilities of approximately S$0.3 million as at 31 December 2022 represented an advance service fee received from a customer in respect of purchase in advance for components for estimated future orders. The contract liabilities as at 31 December 2022 have been fully settled as at the Latest Practicable Date. We did not have any contract liability as at 31 December 2023.

Provisions

Our provisions amounted to approximately S$0.3 million and S$0.3 million as at 31 December 2022 and 2023, respectively, representing the provision for reinstatement costs based on the present value of costs to be incurred for removing the renovations from our Tuas Property upon the termination of the lease of the property.

Accumulated losses

We recorded accumulated losses of approximately S$10.7 million and S$6.1 million as at 31 December 2022 and 2023, respectively, primarily due to the net losses we had incurred for certain financial years before the Track Record Period. Such net losses were primarily due to (i) the adoption of IFRS 16 as at 1 January 2019 for which the retrospective restatement adjustment had resulted in higher expenses arising from the depreciation of the right-of-use assets and interest expenses from the lease liabilities, (ii) decrease in revenue and gross profit during the financial years prior to the Track Record Period, which was primarily due to significant decrease in sales from a customer, which is principally engaged in manufacturing of semi-conductor processing equipment and its contract manufacturers and/or service providers. During the relevant period, such customer recorded a decrease in its sales in the LED Lighting, Display & Compound Semiconductor market segment, and (iii) certain of our operating expenses (including depreciation expenses for our property, plant and equipment and finance costs) are relatively fixed in nature, regardless of the performance of our revenue during the previous financial years.

Despite the net losses made for the financial years prior to the Track Record Period, our Group recorded adjusted profit from continuing operations of approximately S$6.5 million and S$7.3 million for the years ended 31 December 2022 and 2023, respectively primarily due to our profits generated from operations during the periods. For more information on the period to period comparison of the financial information for the years ended 31 December 2022 and 2023, see "— Period to Period Comparison".

Non-controlling interests

Our non-controlling interests represent the portion of Metaoptics Technologies' net results of operations and its net assets, which are attributable to the interests that are not owned directly or indirectly by the equity holders of our Company.

As at 31 December 2022 and 2023, our non-controlling interests amounted to approximately S$1.0 million and nil. There was no non-controlling interest held by the Group as at 31 December 2023 due to the de-recognition of the carrying value of our non-controlling interest in Metaoptics Technologies upon our disposal of approximately 33.32% interest in Metaoptics Technologies in May 2023.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as at the dates indicated:

	As at 31 December		As at 30 April
	2022	**2023**	**2024**
	S$'000	*S$'000*	*S$'000*
			(unaudited)
Current			
Borrowings	5,542	4,018	3,658
Lease liabilities	2,682	2,652	2,877
Amount due to a shareholder	—	1,029	1,029
	8,224	7,699	7,564
Non-current			
Borrowings	—	219	195
Lease liabilities	27,719	26,214	26,104
	27,719	26,433	26,299
	35,943	34,132	33,863

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not have any material difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants. Except as disclosed herein, we did not have any other banking facilities (utilised or not), outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the Latest Practicable Date.

Our Directors confirm that there was no material change in the Group's indebtedness since the Latest Practicable Date up to the date of this document.

Borrowings

Our current and non-current borrowings amounted to approximately S$5.5 million, S$4.2 million and S$3.9 million as at 31 December 2022 and 2023 and 30 April 2024, respectively, with effective interest rates generally ranging from 2.75% to 7.00% per annum as at 31 December 2022 and 2023, respectively. For details of the effective interest rates of our borrowings during the Track Record Period, see Note 25 of Appendix I to this document. During the Track Record Period, our borrowings consisted of (i) secured and/or guaranteed bank loans and (ii) secured and/or guaranteed bank overdraft. The decrease in our total borrowings by approximately S$1.3 million from approximately S$5.5 million as at 31 December 2022 to approximately S$4.2 million as at 31 December 2023 was primarily attributable to settlement of our current bank loans during the year ended 31 December 2023. Our borrowings maintained relatively stable at approximately S$4.2 million and S$3.9 million as at 31 December 2023 and 30 April 2024. The following table sets forth the breakdown of our borrowings as at the dates indicated:

	As at 31 December		**As at 30 April**
	2022	**2023**	**2024**
	S$'000	*S$'000*	*S$'000* (unaudited)
Current			
Bank overdraft (secured/unsecured and guaranteed)	188	—	—
Bank loans (secured/unsecured and guaranteed)	5,354	4,018	3,658
	5,542	4,018	3,658
Non-current			
Bank loans, secured and guaranteed	—	219	195
	5,542	4,237	3,853

For further details of our secured/unsecured and guaranteed borrowings, see Note 25 of Appendix I to this document. The guarantees provided by the Controlling Shareholders in relation to the bank overdraft and bank loan are expected to be fully released or replaced by corporate guarantee provided by our Group upon the [REDACTED].

In accordance with the loan agreements we entered into with our banks, certain banks reserved a right to demand repayment at their discretion at any time (the "**on-demand clauses**") although the agreed repayment schedules are more than one year. As a result of these on-demand clauses, the relevant bank borrowings of approximately S$4.1 million and S$2.4 million as at 31 December 2022 and 2023, respectively, have been classified as current liabilities.

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

Terms of our bank borrowings include, among others, the following major covenants and undertakings:

(i) customary covenants and undertakings, which include, among others, periodic reporting and making available certain documents, purchase of insurance regarding the relevant charged properties, maintaining a current account with the relevant lending bank to facilitate repayment of borrowings;

(ii) financial covenants, which include, among others, (a) maintaining a minimum tangible net worth of $6.0 million, (b) the outstanding amount under the relevant facility not exceeding a certain percentage of the prevailing market value of the property secured in favour of the lending bank ranging from approximately 75.8% to 80.0%, and (c) the market value of our Johor Property being not less than RM9 million.

As at 30 April 2024 (being the latest practicable date for indebtedness purpose), we have outstanding bank borrowings of approximately S$3.9 million and there is no unutilised bank borrowings.

Lease Liabilities

During the Track Record Period, we recorded lease liabilities in relation to our lease contracts for leasehold property, machineries and motor vehicles. As at 31 December 2022 and 2023 and 30 April 2024, our current and non-current lease liabilities amounted to approximately S$30.4 million, S$28.9 million and S$29.0 million, respectively. The following table sets forth the breakdown of our lease liabilities as at the dates indicated:

	As at 31 December		As at 30 April
	2022	**2023**	**2024**
	S$'000	*S$'000*	*S$'000*
			(unaudited)
Current			
Leasehold property	946	982	[1,026]
Leased machineries	1,612	1,531	[1,639]
Leased motor vehicles	124	139	[212]
	2,682	2,652	2,877
Non-current			
Leasehold property	24,719	23,737	[23,371]
Leased machineries	2,830	2,015	[1,792]
Leased motor vehicles	170	462	[941]
	27,719	26,214	26,104
	30,401	28,866	28,981

The decrease in our lease liabilities by approximately S$1.5 million from approximately S$30.4 million as at 31 December 2022 to approximately S$28.9 million as at 31 December 2023 was mainly attributable to payment of the capital and interest element of our lease liabilities of approximately S$3.9 million in relation to machineries under hire purchase arrangement and rental payment for our Tuas Property which was partially offset by the new lease entered into of approximately S$1.3 million and interests expense on lease liabilities of approximately S$1.1 million during the year. The slight increase in our lease liabilities from approximately S$28.9 million as at 31 December 2023 to approximately S$29.0 million as at 30 April 2024 was mainly attributable to [addition of new motor vehicles].

Amount due to a shareholder

As at 31 December 2023 and 30 April 2024, we recognised an amount due to a shareholder of approximately S$1.0 million and S$1.0 million, respectively which represents amount payable to MMI, a [REDACTED] Investor for a non-[REDACTED] put option in relation to the 3rd [REDACTED] Investment. Pursuant to the 3rd [REDACTED] Investment, we granted the MMI a non-[REDACTED] put option. In the event the [REDACTED] fails to materialise by a date falling 12 months after the first submission of our [REDACTED] (which shall automatically be extended until, whichever is earlier, (i) the date of our successful [REDACTED], or (ii) the date upon the earliest occurrence of any one of the following events (the "**Event of Reinstatement**"): (a) our Company formally withdraws the [REDACTED] or (b) the [REDACTED] lapses and our Company does not submit a renewed [REDACTED] within six months after the lapse), MMI has the option (but not the obligation) to require our Company to purchase all (and not part only) of its shares held on the date it issues a put option notice, at a price equivalent to the subscription consideration paid by MMI, plus interest on the subscription consideration commencing on the date immediately following the date falling 12 months after the first submission of our [REDACTED] and continue until the date of MMI's put option notice. The interest shall be fixed at a simple interest rate of 6% per annum and be prorated by the number of days where the period of time is not a full calendar year.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations mainly through a combination of cash generated from operating activities, borrowings and funds from our shareholders and investors. Following the completion of the [REDACTED], we intend to continue to fund our cash requirements mainly through our net cash flows generated from operating activities, borrowings and the [REDACTED] from the [REDACTED], if necessary, together with any additional debt or equity financing that is available and suitable to us from time to time.

The following table sets forth our selected consolidated cash flow items for the periods indicated:

	Year ended 31 December	
	2022	**2023**
	S$'000	*S$'000*
Operating cash flows before working capital changes	11,793	12,169
Changes in working capital	(2,457)	(691)
Income tax paid	(301)	(992)
Net cash generated from operating activities	9,035	10,486
Net cash used in investing activities	(647)	(407)
Net cash used in financing activities	(6,275)	(5,079)
Net increase in cash and cash equivalents	2,113	5,000
Effect of currency translation on cash and cash equivalents	(72)	21
Cash and cash equivalents as at beginning of the year	2,163	4,204
Cash and cash equivalents as at end of the year	4,204	9,225

Cash Flows generated from Operating Activities

Cash flows generated from operating activities represented profit before tax adjusted for (i) certain non-cash or non-operating activities related items, which mainly include depreciation of property, plant and equipment, investment property and right-of-use assets, amortisation of intangible assets, share-based payments for the employees and shareholders, gains on disposal of a subsidiary, interest expense, inventories written-off or provided and unrealised currency translation gain or loss; (ii) the effect of changes in working capital, which mainly include movements in trade and other receivables, prepayments, trade and other payables and inventories; and (iii) income tax payment.

For the year ended 31 December 2023, our net cash generated from operating activities was approximately S$10.5 million, which was primarily attributable to (a) our profit before tax of approximately S$5.5 million, as adjusted for major non-cash and non-operating items such as (i) interest expense of approximately S$1.3 million; (ii) depreciation of property, plant and equipment of approximately S$1.3 million; (iii) depreciation of right-of-use assets of approximately S$2.1 million; (iv) amortisation of intangible assets of approximately S$0.5 million; (v) share-based payments for our employees and shareholders of approximately S$3.3 million; (vi) gains on disposal of a subsidiary of approximately S$2.5 million, (b) negative changes in working capital, which primarily comprised of (i) increase in trade and other receivables of approximately S$1.6 million mainly attributable to increase in amount due from an associate; (ii) increase in prepayments of approximately S$0.3 million mainly attributable to prepayment of [REDACTED]; partially offset by decrease in inventories of approximately S$0.8 million mainly attributable to the utilisation of raw materials to cope with our sales near the year end and the provision of inventory obsolescence and (c) income tax paid of approximately S$1.0 million.

For the year ended 31 December 2022, our net cash generated from operating activities was approximately S$9.0 million, which was primarily attributable to (a) our profit before tax of approximately S$4.2 million, as adjusted for major non-cash and non-operating items such as (i) interest expense of approximately S$1.6 million; (ii) depreciation of property, plant and equipment of approximately S$1.1 million; (iii) depreciation of right-of-use assets of approximately S$1.9 million; (iv) amortisation of intangible assets of approximately S$1.5 million; and (v) share-based payments for our employees and shareholders of approximately S$1.2 million, (b) negative changes in working capital, which primarily comprised of (i) increase in inventories of approximately S$4.3 million mainly due to increase in our purchase of raw materials in response to the growth in sales, (ii) increase in trade and other receivables of approximately S$2.3 million mainly attributable to increase in sales during the year; partially offset by an increase in trade and other payables of approximately S$4.2 million mainly due to increase in our purchase of raw materials and (c) income tax paid of approximately S$0.3 million.

Cash Flows generated used in Investing Activities

For the year ended 31 December 2023, we had net cash used in investing activities of approximately S$0.4 million, primarily due to addition of right-of-use assets of approximately S$0.1 million, purchase of property, plant and equipment of approximately S$0.2 million for our business operations and disposal of a subsidiary, net on cash disposed of approximately S$0.1 million.

For the year ended 31 December 2022, we had net cash used in investing activities of approximately S$0.6 million, primarily due to addition of right-of-use assets of approximately S$0.5 million and purchase of property, plant and equipment of approximately S$0.2 million for expansion of our scale of operations; partially offset by proceeds from disposal of property, plant and equipment of approximately S$55,000.

Cash Flows used in Financing Activities

For the year ended 31 December 2023, we had net cash used in financing activities of approximately S$5.1 million, primarily due to (i) payment of principal portion of lease liabilities of approximately S$2.8 million mainly in relation to machineries under hire purchase arrangement and rental payment for our Tuas Property; (ii) repayment of borrowings of approximately S$1.5 million; (iii) interest paid of approximately S$1.3 million; (iv) [REDACTED] paid of approximately S$0.8 million, partially offset by (i) proceeds from issue of new shares of a subsidiary of S$1.0 million in relation to the issuance and allotment of shares in Metasurface Technologies to MMI, a [REDACTED] Investor of our Company, a shareholder of Metaoptics Technologies and an independent third party of our Group, in relation to the 3rd [REDACTED] Investment on 30 January 2023; and (ii) proceeds from new borrowings of approximately S$0.3 million.

For the year ended 31 December 2022, we had net cash used in financing activities of approximately S$6.3 million, primarily due to (i) repayment of borrowings of approximately S$2.3 million; (ii) payment of principal portion of lease liabilities of approximately S$2.4 million mainly in relation to machineries under hire purchase arrangement and rental payment for our Tuas Property; (iii) interest paid of approximately S$1.6 million; (iv) [REDACTED] paid of approximately S$0.6 million; and (v) repayment of advances from a director of approximately S$0.5 million, partially offset by (i) proceeds from issue of new shares of Metaoptics Technology to non-controlling interests of approximately S$0.9 million; and (ii) proceed from borrowings of approximately S$0.3 million.

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December		As at 30 April
	2022	**2023**	**2024**
	S$'000	*S$'000*	*S$'000*
			(unaudited)
Current assets			
Inventories	7,873	6,641	5,491
Trade and other receivables	9,345	7,742	7,651
Prepayments	1,091	1,907	2,098
Cash and bank balances	4,392	9,225	11,393
	22,701	25,515	26,633
Current liabilities			
Borrowings	5,542	4,018	3,658
Lease liabilities	2,682	2,652	2,877
Trade and other payables	9,089	7,564	8,066
Contract liabilities	297	—	—
Income tax payable	993	1,381	1,591
	18,603	15,615	16,192
Net current assets	4,098	9,900	10,441

We had net current assets of approximately S$4.1 million, S$9.9 million and S$10.4 million as at 31 December 2022, 31 December 2023 and 30 April 2024, respectively. Our net current assets increased by approximately S$5.8 million from approximately S$4.1 million as at 31 December 2022 to approximately S$9.9 million as at 31 December 2023, mainly due to (i) increase in cash and bank balances of approximately S$4.8 million primarily generated from our operating activities; (ii) increase in prepayments by approximately S$0.8 million primarily due to the increase in prepaid [REDACTED]; (iii) reduction in current borrowings by approximately S$1.5 million, which was partially offset by (iv) decrease in trade and other receivables by approximately S$1.6 million mainly due to a larger settlement of trade receivables by our customers near year end of 2023.

Our net current assets remained relatively stable as at 30 April 2024.

WORKING CAPITAL SUFFICIENCY

Our Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this document, taking into account our current cash and cash equivalents, available banking facilities, cash flows from operating activities and the estimated [REDACTED] from the [REDACTED].

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures for purchases of our property, plant and equipment as well as right-of-use assets, which amounted to approximately S$0.7 million and S$0.3 million for the years ended 31 December 2022 and 2023, respectively.

COMMITMENTS

Capital Commitments

Capital commitments represent capital expenditure contracted for as at the end of a reporting period but not yet recognised in our consolidated financial statements. As at 31 December 2022 and 2023, we had no capital commitments.

Operating Lease Arrangements

The future minimum rentals payable under non-cancellable operating leases as at the end of each of the years ended 31 December 2022 and 2023 are as follows:

	As at 31 December	
	2022	**2023**
	S$'000	*S$'000*
Not later than one year	3,739	1,893
Two to five years	10,972	8,020
More than five years	24,313	22,248

We lease certain portion of our Tuas Property to third parties under operating lease arrangements. These non-cancellable leases have remaining lease terms of approximately 2.2 years.

The future minimum rentals receivable under these non-cancellable operating leases as at the end of each of the years ended 31 December 2022 and 2023 are as follows:

	As at 31 December	
	2022	**2023**
	S$'000	*S$'000*
Not later than one year	1,299	1,404
Two to five years	1,477	217

CONTINGENT LIABILITIES

As at the Latest Practicable Date, our Group did not have any material contingent liabilities.

RELATED PARTY TRANSACTIONS AND BALANCES

Related Party Transactions

During the Track Record Period, we had certain related party transactions, mainly in relation to (i) purchase of goods and services and (ii) shared administrative fee.

Purchase of goods and services

During the Track Record Period, we procured labour supply services from a related party, Meson Technology. The relevant related party transactions amounted to approximately S$21,000 and nil for the years ended 31 December 2022 and 2023, respectively. We had a common director and common shareholder with Meson Technology, being Dato' Sri Chua (prior to him ceasing to act as a shareholder and director of Meson Technology) in January 2022.

Shared administrative fee

During the Track Record Period, we incurred approximately S$3,000 of shared administrative fee with Metaoptics Technologies for the year ended 31 December 2023, subsequent to Metaoptics Technologies becoming our associate company since May 2023.

Our Directors confirm that all the aforementioned related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors further confirm that these related party transactions would not distort our results of operations for the Track Record Period nor make our historical results not reflective of our future performance in all material aspects. For further details on related party transactions and balances, see Note 29 of Appendix I to this document.

During the Track Record Period, we had bank loans guaranteed and/or secured by related parties of our Group or their owned properties. Our Directors confirm that all the guarantees provided by our related parties are expected to be released or replaced by corporate guarantees to be provided by our Group upon the [REDACTED].

OFF BALANCE SHEET TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods and as at the dates indicated:

	As at/for the year ended 31 December	
	2022	**2023**
Gross Profit Margin (%)[(1)]	41.0	37.2
Net Profit Margin (%)[(2)]	6.9	11.4
Current Ratio[(3)]	1.2	1.6
Quick Ratio[(4)]	0.8	1.2
Return on Assets (%)[(5)]	3.9	6.3
Return on Equity (%)[(6)]	15.0	17.1
Gearing Ratio (%)[(7)]	24.8	15.7

Notes:

(1) Gross profit margin is calculated by dividing gross profit of the financial year by revenue of the financial year.

(2) Net profit margin is calculated by dividing profit for the year by revenue for the financial year.

(3) Current ratio is calculated by dividing total current assets by total current liabilities as at the dates indicated.

(4) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the dates indicated.

(5) Return on assets is calculated by dividing profit for the year by total assets as at the end of the financial year and multiplied by 100%.

(6) Return on equity is calculated by dividing profit attributable to owners of the Company for the financial year by total equity attributable to owners of the Company as at the end of the financial year and multiplied by 100%.

(7) Gearing ratio is calculated by dividing total borrowings by total equity as at the dates indicated and multiplied by 100%.

Gross profit margin

Our gross profit margin decreased from approximately 41.0% for the year ended 31 December 2022 to approximately 37.2% for the year ended 31 December 2023, which was mainly attributable to the decrease in the gross profit margin for our precision machining services from approximately 43.2% for the year ended 31 December 2022 to approximately 31.4% for the year ended 31 December 2023. As our cost of sales for precision machining services comprised relatively large portion of overhead costs such as labour costs as well as depreciation of property, plant and equipment and right-of-use assets which were relatively static regardless of sales performance, our cost of sales for precision machining only decreased by approximately 18.2% while our revenue for precision machining decreased by approximately 32.2%, thus leading to the decrease in the gross profit margin for our precision machining services during the year ended 31 December 2023.

Net profit margin

Our net profit margin increased from approximately 6.9% for the year ended 31 December 2022 to approximately 11.4% for the year ended 31 December 2023, which was due to (i) increase in our other income, mainly attributable to the increase in our rental income and service income, and (ii) recognition of gains on disposal of Metaoptics Technologies.

Current ratio

Our current ratio as at 31 December 2022 and 2023 was approximately 1.2 times and 1.6 times, respectively. The increase in the current ratio as at 31 December 2023 was mainly due to (i) increase in cash and bank balances of approximately S$4.8 million primarily generated from our operating activities; (ii) increase in prepayments by approximately S$0.8 million primarily due to the increase in prepaid [REDACTED]; (iii) reduction in current borrowings by approximately S$1.5 million; and (iv) decrease in trade payables by approximately S$3.5 million primarily due to our prompt repayment of trade payables near the year end.

Quick Ratio

Our quick ratio as at 31 December 2022 and 2023 was approximately 0.8 times and 1.2 times respectively. The quick ratio increased as at 31 December 2023 due to the increase in our cash and bank balances, increase in prepayments, reduction in current borrowings and decrease in trade payables as mentioned above.

Return on Assets

Our return on assets for the years ended 31 December 2022 and 2023 was approximately 3.9% and 6.3%, respectively.

The return on assets increased from the year ended 31 December 2022 to the year ended 31 December 2023 due to increase in our profit for the year as a result of the increase in our other income and the recognition of gains on disposal of a subsidiary.

Return on Equity

Our return on equity for the years ended 31 December 2022 and 2023 was approximately 15.0% and 17.1%, respectively.

The return on equity increased from the year ended 31 December 2022 to the year ended 31 December 2023 due to increase in our profit for the year as a result of the increase in our other income and the recognition of gains on disposal of a subsidiary.

Gearing Ratio

Our gearing ratio as at 31 December 2022 and 2023 was approximately 24.8% and approximately 15.7%, respectively.

The gearing ratio decrease as at 31 December 2023, primarily due to reduction of our total borrowings of approximately S$1.3 million as at 31 December 2023.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks from our operation. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

Our Board of Directors regularly reviews and agrees on the policies and procedures for the management of these risks, which are executed by the management team. During the Track Record Period and up to the Latest Practicable Date, it has been our Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

There has been no change to our Group's exposure to these financial risks or the manner in which we manage and measures the risks.

Credit risk

Credit risk is managed on a group basis. Our financial assets are trade and other receivables and cash and bank balances.

The amount of those assets stated in the Consolidated Statements of Financial Position represent our maximum exposure to credit risk in relation to financial assets.

Our credit risk is concentrated on a number of long established customers. As at 31 December 2022 and 2023, trade receivables from the top three customers accounted for approximately 29.4%, 11.6% and 10.0% and 15.4%, 28.3% and 27.7% of our total trade receivables, respectively.

We have policies in place to ensure that sales are made to customers with an appropriate credit history and to limit the amount of credit limit to customers to minimise credit risk resulting from counterparty default. We have assessed that the credit risk is considered to be low based on our historical experience in collection of trade and other receivables.

Our bank deposits are placed with reputable financial institutions. Our management does not expect any losses from non-performance by these banks.

In estimating the expected credit loss, credit evaluation on individual customer is performed by the management. The evaluation focused on assessing the size and background of each customer, as well as pertaining to the current and future general economic environment in which the customer operates. Our management estimates the expected credit loss rate of each customer by performing quantitative assessment on the customers' credit rating, and apply default probability and other loss rates taking into account the life of the receivables and forward-looking information. For forward-looking information, the management has identified Singapore government structural balance and current account balance as percentage of gross domestic product as the most relevant factors, and accordingly, has adjusted the expected loss rate based on these factors.

Liquidity risk

Liquidity risk refers to the risk that we will encounter difficulties in meeting our short-term obligations due to shortage of funds. Our exposure to liquidity risk arises primarily from the maturities of financial liabilities. Our objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. Our operations are financed mainly through equity and borrowings. Our Directors are satisfied that funds are available to finance our operations. For more information on the maturity profile of our Group's financial liabilities, see Note 34(b) of Appendix I to this document.

Market risk

Market risk represents the risk that changes in market variables, such as interest rates and foreign exchange rates will affect our Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

Our Group is exposed to interest rate risk through the impact of rate changes on our interest earning financial assets and interest bearing financial liabilities.

Our interest earning financial assets are mainly bank balances which are short-term in nature. Therefore, any future variations in interest rates will not have a material impact on the results of our Group.

Our interest bearing financial liabilities are mainly borrowings. The interest rates and terms of repayment of term loans of our Group are disclosed in Note 25 of Appendix I to this document. For more information on the interest rate profile of our interest-bearing financial instruments and the sensitivity analysis of our interest rates, see Note 34(c) of Appendix I to this document.

Foreign currency risk

Our Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of our Group, primarily USD.

Our Group does not have significant exposure to foreign currency risk other than those bank balances and trade and other receivables held by our Group which are denominated USD (not the functional currency of our Group) at the reporting date as disclosed in the Note 34(c) of Appendix I to this document. Our Directors consider that we will have sufficient foreign exchange assets, primarily from our cash and bank balances as well as trade receivables which are denominated in USD to meet our foreign exchange liabilities as they became due.

DIVIDENDS

During the Track Record Period and up to the Latest Practicable Date, no dividend or distribution had been declared, made or paid by our Company or any of the other companies now comprising our Group. As at the Latest Practicable Date, our Company did not have a dividend policy in place.

After completion of the [REDACTED], our Shareholders will be entitled to receive dividend declared, made or paid by us. Any declaration of dividends, however, is subject to the recommendation of our Directors at their discretion, and depending on, among other things, our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles of Association, which provides that dividends may be declared in any currency to our Shareholders in a general meeting out of the profits of the Company but no dividend shall be declared in excess of the amount recommended by the Board; and (ii) the Cayman Companies Act, which allows dividends to be paid out of sums standing to the credit of the Company's share premium account if immediately following the date on which the dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Any future declarations and payments of dividends will be at the absolute discretion of our Directors and may require the approval of our Shareholders.

DISTRIBUTABLE RESERVES

As at 31 December 2023, our Company did not have any distributable reserves available for distribution to our Shareholders.

[REDACTED]

The estimated total [REDACTED] in connection with the [REDACTED] (based on the mid-point of our indicative price range for the [REDACTED]) are approximately S$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] of the [REDACTED] (based on the mid-point of our indicative price range for the [REDACTED]). Our [REDACTED] are categorised into [REDACTED]-related expenses of approximately S$[REDACTED] and non-[REDACTED]-related expenses of approximately S$[REDACTED]. The non-[REDACTED]-related expenses can be further classified into fees and expenses of legal advisers and accountants of approximately S$[REDACTED] and other fees and expenses of approximately S$[REDACTED].

Prior to the Track Record Period, we have incurred [REDACTED] of approximately S$[REDACTED], of which approximately S$[REDACTED] was charged to our consolidated statement of comprehensive income and the remaining amount of approximately S$[REDACTED] was recorded as prepayment which is to be deducted from equity after the [REDACTED]. During the Track Record Period, we had incurred [REDACTED] of approximately S$[REDACTED], of which approximately S$[REDACTED] was charged to our consolidated statement of comprehensive income and the remaining amount of approximately S$[REDACTED] was recorded as prepayment which is to be deducted from equity after the [REDACTED]. We expect to further incur [REDACTED] (including [REDACTED]) of approximately S$[REDACTED] (based on the mid-point of our indicative price range for the [REDACTED]) by the completion of the [REDACTED], of which an estimated amount of approximately S$[REDACTED] will be charged to our consolidated statement of comprehensive income for the year ending 31 December 2024 and an estimated amount of approximately S$[REDACTED] which is directly attributable to the issue of the Shares to the public and to be deducted from equity. The aforementioned [REDACTED] are the latest practicable estimates by us and are provided for reference only and the actual amounts may differ.

[REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to Part A of Appendix II to this document for details. The [REDACTED] statement of our adjusted consolidated net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only and is set out therein to illustrate the effect of the [REDACTED] on our net tangible assets attributable to the owners of our Company as at 31 December 2023 as if the [REDACTED] had taken place on that date. Because of its hypothetical nature, the [REDACTED] statement may not give a true picture of our net tangible assets attributable to the owners of our Company as at 31 December 2023 or as at any subsequent date.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

For details of the impact of recent developments on our business, operations and financial position, see "Summary — Recent Developments and Material Adverse Change."

Save as disclosed in "— [REDACTED]", our Directors confirm that, up to the the date of this document, there has been no material adverse change to our financial, operational and/or trading position since 31 December 2023, being the date to which our most recent audited consolidated financial statements were prepared, and there has been no event since 31 December 2023 and up to the date of this document that would materially affect the information shown in our audited consolidated financial information included in the Accountant's Report set out in Appendix I to this document.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.