SUMMARY

This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document, including our financial statements and the accompanying notes, before you decide to invest in the [REDACTED].

There are risks associated with any investment in the [REDACTED]. Some of the particular risks associated with an investment in the [REDACTED] are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

Established in 2000, we are a precision engineering services provider headquartered in Singapore, specialising in providing precision machining and precision welding services for international companies in the semiconductor and other sectors. According to the CIC Report, we ranked fifth in terms of revenue from the semiconductor segment of the precision component engineering industry in Singapore in 2023 with a market share of 3.3%.

We offer our customers precision engineering services including precision machining services and precision welding services. Precision machining involves using Computer Numerical Controls ("**CNC**") machines and other advanced machine tools to cut and shape materials and to produce parts that meet extremely strict specifications in terms of size, shape, surface finish and other geometric attributes with micrometre-level of accuracy. Precision welding involves using advanced welding methods and specialised processes such as laser and electron beam to join materials together according to strict specifications and tolerance. 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.

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

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

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

OUR BUSINESS MODEL

As a precision engineering services provider, we offer precision machining services and precision welding services to OEMs and contract manufacturers in various sectors. We have started our business in providing precision machining services since 2000 and further expanded our business to include precision welding services upon completion of our acquisition of SPW in December 2021 (the "**Acquisition**"). The Acquisition was driven by SPW's expertise in precision welding which is a crucial value-adding process in precision component engineering for manufacturing complex products and the synergy brought by the shared customer base between Metasurface Technologies and SPW. With the acquisition of SPW, we are able to provide solutions for various manufacturing process of precision component engineering, which has reinforced our presence in the value-chain. For more information on the Acquisition, see "History and Development — Reorganisation — 2. Acquisition of SPW". Going forward, in view of the growing demand for precision components engineering services within the semiconductor industry and other sectors, our Group will continue to develop the provision of precision machining and precision welding services in parallel to leverage the synergies between both service types.

OUR STRENGTHS

We believe that the following competitive strengths have contributed and may contribute to our success and distinguish us from our competitors:

- long standing and strong business relationships with reputable international customers;
- advanced production technologies and manufacturing capabilities to produce products that meet various specifications required by the customers;
- possession of industry-specific qualifications and certifications for precision machining and precision welding services; and
- experienced management team supported by high calibre engineers with advanced technical capabilities.

OUR STRATEGIES

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

- maintain and strengthen our long-term partnership with reputable international customers and expand and diversify our customer base;
- continue to seek business expansion and increase our scale of operation through (a) enhancing our cashflow management and supply chain management; and (b) enhancing our human resources management; and
- enhance our quality assurance capability and optimise our operational efficiency.

MAJOR CUSTOMERS AND SUPPLIERS

We have established strong and long-standing business relationships with our major customers. In each year during the Track Record Period, revenue contributed from our five largest customers was approximately S$29.8 million and S$31.0 million, respectively, representing approximately 76.0% and 80.0%, respectively, of our total revenue. In each year during the Track Record Period, revenue contributed from our largest customer, was approximately S$12.4 million and S$9.0 million, respectively, representing approximately 31.8% and 23.1%, respectively, of our total revenue. We have established and maintained business relationships with our five largest customers during the Track Record Period for approximately eleven years on average. For more information on Customer A and other major customers, see "Business — Our Customers".

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

According to the CIC Report, Customer A is an industry leader in the global semiconductor manufacturing equipment industry in terms of revenue in 2023 with a market share of approximately 19.5% and it is not uncommon for market participants in the semiconductor segment of precision component engineering industry to have a highly concentrated customer base since the end-use semiconductor manufacturing equipment industry is concentrated and dominated by a limited number of advanced semiconductor equipment manufacturers with the top three market players accounting for more than 40% of the global market share in terms of revenue in 2023.

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

DISPOSAL OF OUR CONTROL OVER METAOPTICS TECHNOLOGIES

Metaoptics Technologies was incorporated in June 2021 as an insignificant subsidiary of our Group that was held as to 90% by Metasurface Technologies and as to 10% by Mr. Thng, an executive Director and a substantial Shareholder of our Company. Metaoptics Technologies is principally engaged in the metalens technology business. Since its inception, it had always been our Directors' intention that Metaoptics Technologies will be a long-term investment in our Group with Mr. Thng (who has the relevant optics industry experiences and connections) spearheading its entire business operations. It had also been our Group's and Mr. Thng's understanding that Metaoptics Technologies, as a start-up in a high-growth industry, will eventually require further fund raising opportunities which will gradually dilute our equity interests.

Up until May 2023, as Metaoptics Technologies had been growing its business operations and expanding its investor base to other independent third-party investors, Metasurface Technologies agreed to transfer a 33.32% equity interest in Metaoptics Technology at a consideration of S$180,000 in aggregate. The consideration was at a discount to the then fair value of Metaoptics Technologies. Immediately after the transfer, we remained as an investor with approximately 20.19% equity interest in Metaoptics Technologies, which ceased to be a subsidiary and instead became an associate of our Group. After a series of share allotment and transfers between shareholders of Metaoptics Technologies, our Group had an equity interest of approximately 17.10% in Metaoptics Technologies as at the Latest Practicable Date.

The transfer of our 33.32% equity interests in Metaoptics Technologies to Mr. Thng resulted in the recognition in our consolidated statements of comprehensive income for the year ended 31 December 2023 (a) gains on disposal of a subsidiary of approximately S$2.5 million; and (b) share-based payments of approximately S$2.1 million because the transfer is perceived to be a form of compensation to remunerate Mr. Thng's past services and contribution to our Group as an employee. See "History and Development — Corporate Development — Investment in an associate" in this document for further details.

PRODUCTION CAPACITY AND UTILISATION

The production capacity and output of our precision component engineering services are measured by machine hours as products of our precision machining and precision welding services are highly customised and have diverse shapes, sizes and weights subject to our customer's requirements and product specifications.

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

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

Notes:

(1) The designed production capacity for precision machining is calculated based on maximum machine hours for CNC machining process. The designed production capacity for precision welding is calculated based on maximum machine hours for the precision welding process. Maximum machine hours are calculated based on 20 operating hours per working day (inclusive of the switching time of production machinery and equipment for manufacturing different parts and components and taking into account factors such as machine set-up and reconfiguration time, etc) and total working days per year (based on two shifts per day and six working days per week multiplied by 52 weeks minus the number of statutory holidays in Singapore or Malaysia for the respective year).

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

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

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

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

COMPETITION

Precision component engineering is widely applied to produce components with complex structures or certain special technical parts in many growing industries and the downstream customers consists of OEMs and their contract manufacturers and service providers in the diverse end-use industries, such as semiconductor, aerospace and oil & gas. According to the CIC Report, revenue of global semiconductor industry is projected to reach US$880.7 billion in 2028 with a CAGR of 10.6% between 2023 and 2028. Global sales of semiconductor manufacturing equipment also increased from US$61.7 billion in 2019 to US$106.3 billion in 2023, registering a CAGR of 14.6% between 2019 and 2023 and is expected to reach US$180.6 billion in 2028, registering a CAGR of 11.2% between 2023 and 2028. As our Group is a precision engineering services provider, specialising in providing precision machining and precision welding services for international companies mainly in the semiconductor and other sectors, including aerospace and data storage industries. Therefore, the continual growth of the semiconductor industry in the world is expected to drive up the demand and presents more opportunities for precision components, and therefore supports the further development of Singapore's precision component engineering industry.

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

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

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

In addition, among our five largest customers for the years ended 31 December 2022 and 2023, Customer A, Customer D and Intevac Asia Pte. Ltd. have production base in Singapore and Customer B and Customer C have production base in Malaysia. Customer

A's decision to invest S$600 million in a new Singapore facility and decisions of its customers, such as Vanguard (an affiliate of Taiwan Semiconductor Manufacturing Company Limited (TSMC)) and United Microelectronics Corporation (UMC)), to further invest in production facilities in Singapore, further highlight the strategic value seen in local operations in Singapore. Our Group's strategic location with production facilities based in Singapore and Malaysia allows us to benefit from these developments with enhanced logistical efficiencies. This proximity and alignment with industry trend give us an edge over our competitors in other regions.

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

We seek to differentiate ourselves through our use of multi-axis CNC machines. According to the CIC Report, our Group is employing more 5-axis CNC machines than the industry peers in general. Multi-axis CNC machines, in particular, CNC machines with more axes (directions of movements), allow for machining in multiple directions simultaneously. The 5-axis CNC machines we use in our production can move in five different directions, being three linear areas (up and down, left and right, back and forth) and two rotational axes. Compared to 3-axis or 4-axis CNC machines, which can only move in three directions or four directions respectively, 5-axis CNC machines can reach more angles and create more complex and detailed parts without the need to manually moving the machined parts for multiple processes. With more machining steps to be completed in the same timeframe, our use of multi-axis CNC machines can reduce machining cycles and operational costs in terms of the labour hours spent on manually moving the machined parts for multiple processes and the total lead time on production. According to the CIC Report, subject to the complexity of the machining part, as compared to a 5-axis CNC machine, a 2-axis, 3-axis and 4-axis CNC machine generally takes 4 to 20 times, 2 to 10 times and 2 to 5 times, respectively, longer in operational time to complete a similar machining task. Additionally, multi-axis systems facilitate more complex machining operations such as simultaneous milling, drilling and cutting, thus enhancing both production efficiency and ensuring machining accuracy. Our Directors believe that other core aspects that set us apart from our competitors and foster our competitiveness are the solid relationships with our customers though regular communication and our strong technical know-how. For more information on the competitive landscape of the industry and our competitive strengths, see "Industry Overview — Competitive Landscape of Singapore's Precision Component Engineering Industry in the Semiconductor Segment" and "— Competitive advantages of the Group".

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

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Description of selected consolidated statements of comprehensive income line items

The following table sets out 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 operation	(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)[2]	**6,545**	**7,331**
Adjusted profit margin[3] (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 financial year 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.

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

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

Notes:

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

2. Others mainly refer to Switzerland.

Revenue from precision machining services decreased 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 part of a group listed on Toronto Stock Exchange and the New York Stock Exchange and is principally engaged in the provision of supply chain solutions to customers in advance technology solutions and connectivity and cloud solutions industries) by approximately S$4.6 million and S$0.9 million, respectively. 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.

Revenue from precision welding services increased 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 for certain parts and components 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.

Revenue from customers in the semiconductor industry slightly decreased 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 proportion of our revenue contribution from customers in the semiconductor industry decreased mainly due to our efforts to diversify our customer sectors, for instance in the aerospace industry.

Revenue from customers in the aerospace industry increased 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.

Our cost of sales increased 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.

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 decrease of which was mainly due 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 the decrease in sales for our precision machining services by approximately 32.2% while the cost of sales for our precision machining services decreased by approximately 18.2% only during the year as the cost of sales of our precision machining services comprised a portion of overhead costs such as staff costs and depreciation of property, plant and equipment and right-of-use assets which were relatively static regardless of sales performance.

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

We recorded net profits of approximately S$2.7 million and S$4.4 million for the years ended 31 December 2022 and 2023, respectively. The increase was primarily attributable to (i) the recognition of gains on disposal of a subsidiary of approximately S$2.5 million during the year ended 31 December 2023; and (ii) the increase in our other income by approximately S$1.6 million mainly due to the increase in our rental income generated from our investment property in Singapore and part of our Tuas Property which was sublet to independent third parties by approximately S$1.0 million.

Description of selected consolidated statements of financial position line items

The following table sets out 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	46,705	44,345
Current assets	22,701	25,515
Total assets	69,406	69,860
LIABILITIES		
Current liabilities	18,603	15,615
Net current assets	4,098	9,900
Non-current liabilities	28,494	27,248
Net assets	22,309	26,997
Non-controlling interests	1,013	—

We recorded 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 inventories decreased from approximately S$7.9 million as at 31 December 2022 to approximately S$6.6 million as at 31 December 2023 mainly due 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. Our current and non-current borrowings decreased 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, which was primarily attributable to settlement of our current bank loans during the year ended 31 December 2023. Our trade receivables decreased by approximately S$1.4 million from approximately S$8.0 million as at 31 December 2022 to approximately S$6.6 million as at 31 December 2023 due to a larger settlement of trade receivables by our customers near year end of 2023. Our trade payables decreased by approximately S$3.5 million from approximately S$5.9 million as at 31 December 2022 to approximately S$2.4 million as at 31 December 2023 primarily due to our prompt repayment of trade payables near the year end. Our current and non-current 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 of approximately S$1.0 million which represents amount payable to a [REDACTED] investor for non-[REDACTED] put option in relation to the 3rd [REDACTED] Investment; (ii) increase in other payables to third party, which mainly consists of our rental payable to ESR-LOGOS Property Management (S) Pte Ltd for our Tuas Property, by approximately S$0.4 million and (iii) the increase in accrued expenses by approximately S$0.7 million as a result of the increase in our accrued [REDACTED] as at 31 December 2023.

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

Our net assets increased from approximately S$22.3 million as at 31 December 2022 to approximately S$27.0 million as at 31 December 2023, primarily due to the decrease in our accumulated losses from approximately S$10.7 million as at 31 December 2022 to approximately S$6.1 million as at 31 December 2023 as we have recognised profit attributable to owners of the Company of approximately S$4.6 million for the year ended 31 December 2023.

Description of selected consolidated cash flow statements data

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

For the years ended 31 December 2022 and 2023, our net cash generated from operating activities was approximately S$9.0 million and S$10.5 million, respectively. The net cash generated from operating activities increased to S$10.5 million for the year ended 31 December 2023 primarily due to the increase in our profit before tax by approximately S$1.3 million, as adjusted for certain non-cash or non-operating items, offset by negative changes in working capital such as increase in trade and other receivables and increase in prepayments. Our net cash used in financing activities for the years ended 31 December 2022 and 2023 was approximately S$6.3 million and S$5.1 million, respectively. The net cash used in financing activities decreased to approximately S$5.1 million for the year ended 31 December 2023 primarily due to (i) payment of principal portion of lease liabilities mainly in relation to machineries under hire purchase arrangement and rental payment for our Tuas Property; (ii) repayment of borrowings; (iii) interest paid; (iv) [REDACTED] paid, partially offset by proceeds from issue of new shares of a subsidiary and proceeds from new borrowings.

Key Financial Ratios

The following table sets out 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 (%)	41.0	37.2
Net Profit Margin (%)	6.9	11.4
Current Ratio	1.2	1.6
Quick Ratio	0.8	1.2
Return on Assets (%)	3.9	6.3
Return on Equity (%)	15.0	17.1
Gearing Ratio (%)	24.8	15.7

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 for the year ended 31 December 2023. As our cost of sales for precision machining services comprised relatively large portion of overhead costs 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.

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.

Our return on assets increased from approximately 3.9% for the year ended 31 December 2022 to approximately 6.3% for 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.

Our return on equity increased from approximately 15.0% for the year ended 31 December 2022 to approximately 17.1% for 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.

Our gearing ratio decreased from approximately 24.8% as at 31 December 2022 to approximately 15.7% as at 31 December 2023, primarily due to reduction of our total borrowings of approximately S$1.3 million as at 31 December 2023.

OUR CONTROLLING SHAREHOLDERS

Upon completion of the [REDACTED] and the [REDACTED] and without taking into account any Shares which may be issued and allotted upon exercise of any options which may be granted under the [REDACTED] Share Option Scheme, (i) SGP BVI, which is directly wholly-owned by Dato' Sri Chua (the spouse of Mrs. Chua), will be interested in approximately [REDACTED]% of the issued share capital of the Company, and (ii) Baccini, which is directly wholly-owned by Mrs. Chua (the spouse of Dato' Sri Chua), will be interested in approximately [REDACTED]% of the issued share capital of the Company. As such, Dato' Sri Chua and Mrs. Chua, who are close associates under the GEM Listing Rules and jointly control our Group, will be together interested in approximately [REDACTED]% of the issued share capital of the Company in aggregate. Accordingly, each of SGP BVI, Dato' Sri Chua, Baccini and Mrs. Chua will be regarded as our Controlling Shareholders immediately after the [REDACTED].

For more information, see "Relationship with Our Controlling Shareholders."

RISK FACTORS

Our business is subject to certain risks involved in our operations, including but not limited to risks relating to our business and the industry in which we operate, risks relating to the [REDACTED] and risks relating to statements made in this document. We believe that the following are some of the major risks that we face, (i) we derive a significant portion of our revenue from our major customers and we cannot assure you that we will successfully maintain business relationships with our major customers and there is no assurance that we will be able to secure new orders from other customers of similar size, (ii) we may not be able to diversify our customer portfolio and expand into new markets, (iii) we do not enter into long-term agreements with most of our customers, (iv) our cash flows and working capital may deteriorate due to potential mismatch in time between receipt of payments from our customers, and payments to our third party suppliers and service providers and failure of our customers to pay the amounts owed to us in a timely manner may adversely affect our liquidity, financial condition and operating results, (v) share-based payments and [REDACTED] may have a material and adverse effect on our financial performance, (vi) we recorded accumulated losses during the Track Record Period, which may adversely affect our ability to declare and pay dividends, and (vii) our credit facilities contain certain covenants that may limit our ability to operate our business and any material breach of the undertakings and/or covenants in our credit facilities could adversely affect our business and financial condition.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should carefully consider all of the information set forth in this document, including the risks and uncertainties described in "Risk Factors".

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on the provision of precision machining and precision welding services.

Based on our Group's unaudited management accounts, our total revenue for the four months ended 30 April 2024 increased when compared to the same period in 2023, primarily due to increase in precision machining and precision welding parts and components we sold and delivered to our customers during the period. Our unaudited net profit margin for the four months ended 30 April 2024 also slightly increased when compared to the same period in 2023.

As at 30 April 2024, each of Metasurface Technologies and SPW had a backlog of unfulfilled purchase orders of approximately S$[10.7] million and S$[7.7] million, respectively.

Save as disclosed in "Financial Information — [REDACTED]", our Directors confirm that, up to 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.

IMPACT OF THE U.S. — CHINA TRADE WAR, INTERNATIONAL SANCTION AND TRADE RESTRICTIONS

U.S. — China Trade War

With respect to the U.S. — China trade war, the U.S. imposed a series of sanctions or restrictions, such as high tariffs on chips and parts imported from China, to hobble China's chip industry. The U.S. — China trade war, coupled with other external factors such as global economic cycle and COVID-19 pandemic, has exacerbated the global semiconductor chip supply shortage. As a result, due to factors such as macro-economic conditions and dynamic international situations, certain global major semiconductor manufacturers and semiconductor equipment manufacturers have been shifting their manufacturing bases and operations from China to Southeast Asian countries, providing more business opportunities for Singapore, as a leading regional hub for advanced manufacturing, and Singaporean service providers. Such shifting trend and strengthening of production base by the semiconductor manufacturing equipment suppliers and semiconductor manufacturers in Singapore are expected to bring more demand for services and products of the Group. Going forward, it is expected that the geographical source of upstream raw materials suppliers and the geographical locations of the Group's downstream customers will remain largely unchanged as the Group mainly procured raw materials from domestic suppliers in

Singapore and from Malaysia, the U.S. and Europe and mainly sell its products to customers based in the U.S., Singapore and Malaysia. See "Risk Factors — Changes in international trade policies and the ongoing conflict and emergence of a trade war between the U.S. and China may have an adverse effect on our business" and "Business — Impact of the COVID-19 Outbreak and U.S. — China Trade War" for details.

International Sanction and Trade Restrictions

During the Track Record Period, we indirectly procured aluminium products from the Relevant Region through one of our suppliers in Singapore, who sourced from a sanctioned entity located in the Relevant Region. As the sanctioned entity is a Russia-based company designated on the Entity List maintained by the BIS, provision of items subject to the EAR to this sanctioned entity is prohibited pursuant to the sanctions designation. Our transactions involving the Relevant Region were limited to the aforementioned indirect procurements of Russian-origin aluminium products that were denominated in SGD and took place in Singapore. Since 1 January 2023, the supplier involved in the aforementioned indirect procurements has ceased to supply any Russian-origin aluminium products to us.

Based on our best understanding and as advised by our International Sanctions Legal Advisers, we believe that we are not subject to sanctions risk that could have a material adverse effect due to our historical indirect transactions involving the Relevant Region during the Track Record Period. Please also see "Risk Factors — We could be adversely affected as a result of any sales or purchase we make to or from certain countries that are, or become subject to, sanctions administered by the United States, EU, UK, UN, Australia and other relevant sanctions authorities."

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

Based on the advice of our International Sanctions Legal Advisers, we do not believe that there are other international trade restrictions and/or export controls that would restrict our Group's access to the requisite raw materials during the Track Record Period and up to the Latest Practicable Date. For details, see "Risk Factors — We could be adversely affected as a result of any sales or purchase we make to or from certain countries that are, or become subject to, sanctions administered by the United States, EU, UK, UN, Australia and other relevant sanctions authorities" and "Business — Business Activities with Supplier in relation to the Relevant Region".

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.

[REDACTED] STATISTICS

The statistics below are based on the assumption that [REDACTED] in issue under the [REDACTED]:

	Based on the low end of the indicative [REDACTED] Range of HK$[REDACTED] per Share	**Based on the high end of the indicative [REDACTED] Range of HK$[REDACTED] per Share**
Market capitalisation of our Shares(1)	[REDACTED]	[REDACTED]
[REDACTED] adjusted consolidated net tangible assets per Share(2)	[REDACTED]	[REDACTED]

Notes:

1. [The calculation of market capitalisation is based on [REDACTED] Shares expected to be in issue immediately following the completion of the [REDACTED] and the [REDACTED] but does not take into account any Shares which may be issued and allotted upon the exercise of options which may be granted under the [REDACTED] Share Option Scheme or which may be issued and alloted or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares.]

2. [The [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is calculated based on [REDACTED] Shares expected to be in issue immediately following the completion of the [REDACTED] and the [REDACTED] but does not take into account any Shares which may be issued and allotted upon the exercise of options which may be granted under the [REDACTED] Share Option Scheme or which may be issued and alloted or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares.]

[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$[REDACTED] million, representing approximately [REDACTED]% of the [REDACTED] of the [REDACTED] (based on the mid-point of our indicative price range for the [REDACTED]). Our [REDACTED] are categorised into [REDACTED]-related expenses of approximately S$[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.

REASONS FOR [REDACTED]

Our Directors believe that the [REDACTED] would be instrumental in enabling us to achieve our business strategies and provide us with (i) broader access to capital for future growth, (ii) opportunities to expand our customer base with wider industries coverage and increase our competitiveness, (iii) stronger ability to attract talent and retain existing staff, and (iv) funding needs for implementing our business strategies. See "Future Plans — Reasons for the [REDACTED]" for a detailed description of our future plans.

[REDACTED]

We estimate that the [REDACTED] of the [REDACTED], after deducting [REDACTED], and other estimated expenses in relation to the [REDACTED], are approximately HK$[REDACTED] (equivalent to approximately S$[REDACTED]), assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per Share. We intend to use such [REDACTED] for the following purposes:

1. approximately HK$[REDACTED] (equivalent to approximately S$[REDACTED]) (approximately [REDACTED]% of our total estimated [REDACTED]) will be used for expanding our scale of operation and enhancing our production capabilities, among which: (i) procurement of raw materials and (ii) enhancing our human resources management, including (a) recruitment of machinists and technicians and implementing night shifts, (b) improving the remuneration packages of existing employees and (c) enhancing our in-house logistic capability;

2. approximately HK$[REDACTED] (equivalent to approximately S$[REDACTED]) (approximately [REDACTED]% of our total estimated [REDACTED]) will be used for strengthening our quality control capabilities, which include (i) acquisition of a new coordinate measuring machine and (ii) enhancing our information system upgrading the programming software of our CNC machines;

3. approximately HK$[REDACTED] (equivalent to approximately S$[REDACTED]) (approximately [REDACTED]% of our total estimated [REDACTED]) will be used for enhancing our marketing efforts for the purpose of maintaining relationships with existing customers and diversifying our customer base;

4. approximately HK$[REDACTED] (equivalent to approximately S$[REDACTED]) (approximately [REDACTED]% of our total estimated [REDACTED]) will be used for repayment of certain bank borrowings which were used for general working capital purpose; and

5. approximately HK$[REDACTED] (equivalent to approximately S$[REDACTED]) (approximately [REDACTED]% of our total estimated [REDACTED]) will be used for working capital and general corporate purposes.