

Metasurface Group

High-level transfer pricing review

21 June 2024

Strictly private and confidential



Introduction

Dear Sirs,

We enclose the high-level transfer pricing review report of Metasurface Technologies Pte. Ltd. and its subsidiaries in Malaysia and Singapore in relation to the buy-sell transactions for the financial year ended 31 December 2021, the financial year ended 31 December 2022 and the financial year ended 31 December 2023 for your record.

Should you have any questions, please feel free to contact me on 2289 5690 or Fred Lee on 2289 3717.

Yours sincerely,
For and on behalf of PricewaterhouseCoopers Ltd



Cecilia Lee
Transfer Pricing Partner

Enclosures

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Glossary of terms and abbreviations

Term	Definition
ASTAR	Agency for Science, Technology and Research
BEPS	Base Erosion and Profit Shifting
CM	Contract Manufacturers
CNC	Computer numerical control
CUP	Comparable Uncontrolled Price
DLW	Direct Laser Writer
DTA	Double Taxation Agreement
FCMU	Full cost mark up
FY2021	For the financial year ended 31 December 2021
FY2022	For the financial year ended 31 December 2022
FY2023	For the financial year ended 31 December 2023
GEM	GEM of The Stock Exchange of Hong Kong Limited
HKEx	The Stock Exchange of Hong Kong Limited
HP	High Purity
HUD	Heads Up Display
HV	High Vacuum
Metasurface Group or the Group	Metasurface Technologies Pte. Ltd. and its subsidiaries in Malaysia and Singapore
MOT	Metaoptics Technologies Pte. Ltd.
Mr. Thng	Mr. Thng Chong Kim, an executive Director, a substantial shareholder of MST Holdings and a shareholder in MOT
MST	Metasurface Technologies Pte. Ltd.
MST Holdings	Metasurface Technologies Holdings Limited
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturers
PLI	Profit Level Indicator
PwC HK	PricewaterhouseCoopers Limited
MC	Metasurface & Co
RM	Malaysian Ringgit
SGD	Singapore Dollars
SGP	SGP 1st Engineering Sdn. Bhd.
SPW	Singapore Precision Welding Pte. Ltd.
track record period / review period	FY2021, FY2022 and FY2023

Glossary of terms and abbreviations

Term	Definition
TNMM	Transactional Net Margin Method
TP	Transfer pricing
UHP	Ultra High Purity
UHV	Ultra High Vacuum

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This report has been prepared by PricewaterhouseCoopers Limited (“PwC HK”) based on the information provided by Metasurface Technologies Pte. Ltd. for the purpose of the required transfer pricing (“TP”) review on relevant intercompany arrangements.

We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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2. Unless with our prior written consent, our deliverables must not be disclosed, quoted or shown to The Stock Exchange of Hong Kong Limited or any third party regulatory bodies, or make any public statement about us or our services in the prospectus. If required, separate discussion will be arranged on the content of the disclosure required in the prospectus, such content will be subject to our review and consent before disclosure.
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Limitations

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This document should not be taken as assurance that any tax authorities would agree with our conclusions or that the entities under review would prevail against any proposed TP adjustment and/ or any interest levies, penalty levies as a result of such TP adjustment. There is no assurance that the competent tax authorities will not raise further enquiries on the TP arrangements of Metasurface group entities, or that the amount of taxable income of Metasurface group entities will not be adjusted in the future as a result of using another approach of assessment.

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This document does not constitute a TP contemporaneous documentation, which would normally contain functional analysis, industry analysis, economic analysis prescribed by tax authorities.

This document supersedes all prior written or oral advice with respect to the issues addressed in this document and all such prior communications should not be relied upon by any person for any purpose.

It is the responsibility of Management to select, design, implement, and monitor appropriate TP policies and models. We are not responsible for any decisions in this regard and our engagement does not extend to the design, implementation, or ongoing monitoring of such TP policies or models. In addition, we are not responsible for determining the TP with respect to individual transactions of the Metasurface Technologies Pte. Ltd. and its group entities.

Purpose and Scope

Purpose and scope

Background and purpose

On 5 October 2015, the Organisation for Economic Co-operation and Development (“OECD”) released its final recommendations on the Base Erosion and Profit Shifting (“BEPS”) action plans. All taxpayers will be affected in various degrees with the introduction of BEPS. The rising of BEPS era has increased the awareness of the tax authorities worldwide to scrutinise and pay more attention to issues such as double non-taxation or misalignment of income with substance through aggressive tax planning schemes.

Metasurface Technologies Pte. Ltd. (or its holding company) and its subsidiaries in Malaysia and Singapore are contemplating to go for initial public offering application on the GEM of The Stock Exchange of Hong Kong Limited (“HKEx”) in 2023. In this regard, Management have engaged PwC HK in reviewing the related party transactions with the Group.

Scope of this report

Our services scope will be based upon our engagement letter. In particular, our scope of services includes the following:

A. Perform an overall fact gathering

- Collect background information of the covered entities in Singapore and Malaysia and evaluate their respective TP compliance obligation(s), if any;
- Conduct a functional analysis interview with Management and relevant personnel to understand the details of the Group’s related party transactions, the implementation outcome of relevant TP policies, as well as the functional and risk profiles of the Company and its Malaysian related parties;

- Summarise the preparation deadlines of the covered entities’ for the financial year ended 31 December 2021 (“FY2021”), the financial year ended 31 December 2022 (“FY2022”) and the financial year ended 31 December 2023 (“FY2023”) TP compliance obligations and outstanding TP disputes (if any), including whether there had been any or are outstanding enquiries from or actions taken or proposed to be taken by tax authorities during FY2021, FY2022 and FY2023 (collectively referred to as the “track record period” or “review period”), for Management’s reference and consideration, and shall identify significant non-compliance issues if applicable; and
- Obtain desktop understanding of the business operations and existing TP arrangements with respect to the related party transactions under review by examining relevant sample documents, statutory accounts and financial data provided by Management.

B. Analyse reasonableness of the related party transactions from TP perspective

- Identify the functions undertaken, risks assumed, and assets owned by the covered entities in relation to the related party transactions under review, which will form the factual and economic basis for the subsequent benchmarking study and TP analysis;
- Based on the characterisation of the covered entities, select the appropriate TP method, profit level indicator (“PLI”) and tested party to evaluate the reasonableness of the related party transactions under review according to the prevalent internationally accepted TP regulations and guidelines from the OECD;

Purpose and scope (cont'd)

Scope of this report (cont'd)

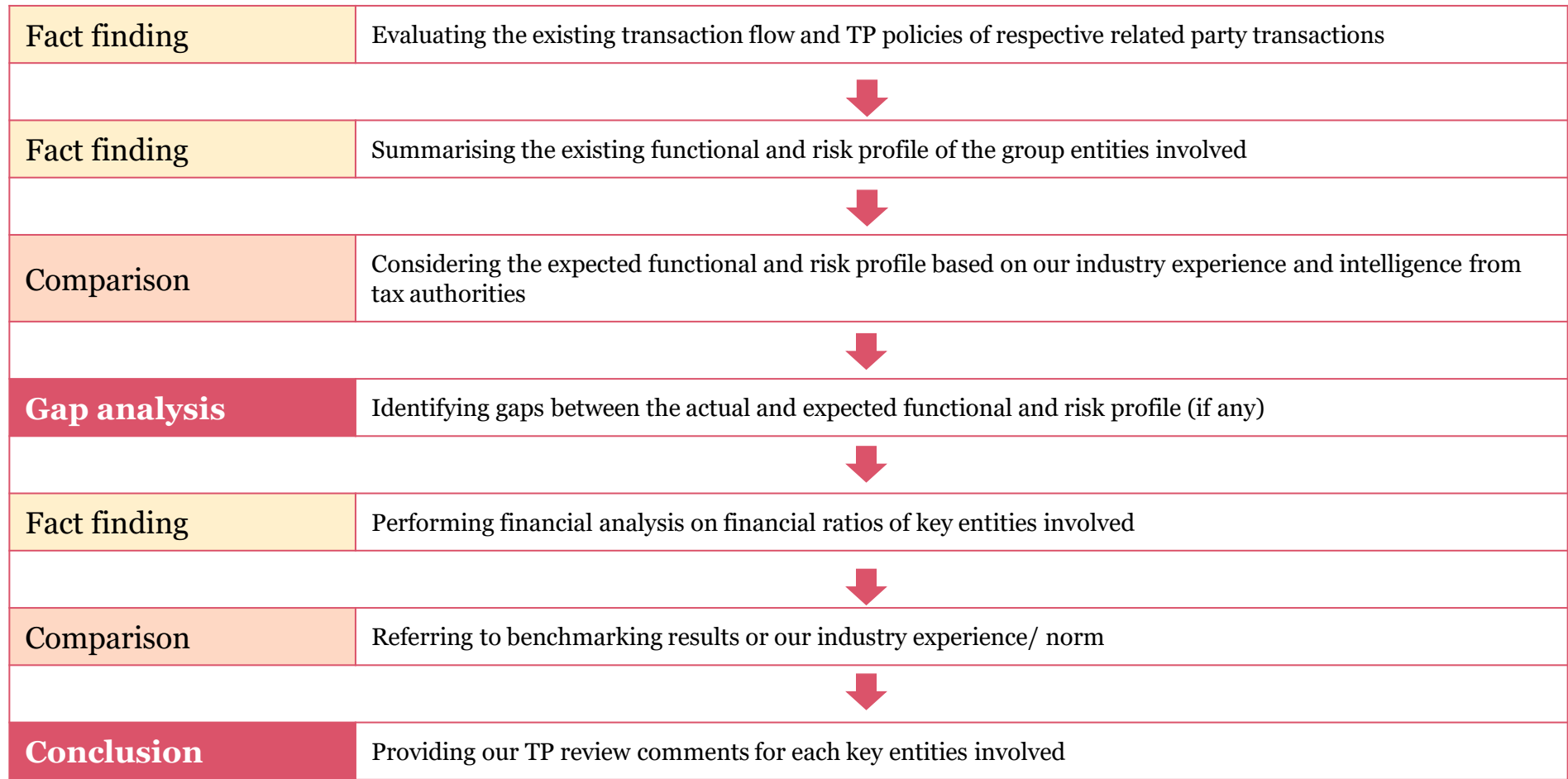
- Conduct one set of benchmarking analysis for FY2021, FY2022 and FY2023 to search for independent companies that are comparable and the functional and risk profile of the selected tested party and evaluate the arm's length position of the related party transactions under review; and
- Perform financial analysis of the tested party for FY2021, FY2022 and FY2023, and compare against the arm's length range of return in relation to the related party transactions under review derived from the selected independence comparable companies based on the selected PLI.

C. Conclude reasonableness of the TP arrangement and advise on potential TP risks (if any)

- Based on the results from the above analyses on the related party transactions under review, evaluate whether or not the TP position of the Group satisfies the reasonableness and the arm's length principle and in compliance with the relevant TP rules, guidance and regulations in Singapore and Malaysia; and
- Identify potential TP risk areas and highlight to Management the relevant TP exposure in relation to the related party transactions under review, if applicable.

Overview of the report

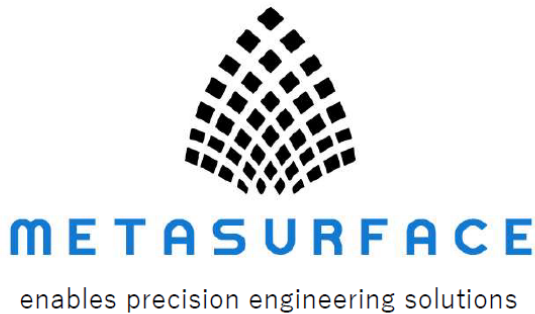
In the following sessions, we will analyse the major related party transactions with the following analysis flow:



Metasurface Group Background

Our understanding of Metasurface Group

Introduction



Metasurface Technologies Pte. Ltd. (“MST”) is a limited private company incorporated and domiciled in Singapore. Together with its subsidiaries in Singapore and Malaysia (“Metasurface Group” or the “Group”), the Company is a contract manufacturing partner to high-tech companies in the oil & gas, marine, aerospace, semiconductor, electronic and industrial production industries with business presences extending worldwide. Housing multi-skilled and high-calibre workforce and accumulating experience from its operation, Metasurface Group provides highly complex integrated precision engineering solutions with the aim to forge mutually beneficial strategic partnerships with industry-leading Original Equipment Manufacturers (“OEM”).

Metasurface Group has over 20 years of operations with 2 production factories located in Tuas Singapore for high complex precision machining and weldments and Johor Bahru Malaysia for intensive processes. The key customers of the Group includes OEM and Contract Manufacturers (“CM”).

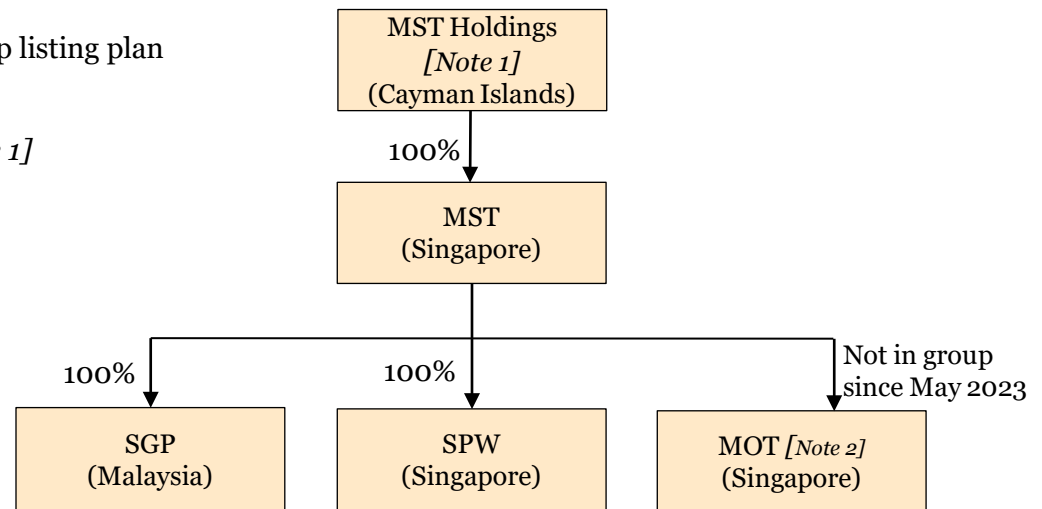
Group structure

During the track record period, 5 entities are included in Metasurface Group listing plan based on our understanding:

- Metasurface Technologies Holdings Limited (MST Holdings”); [Note 1]
- Metasurface Technologies Pte. Ltd. (“MST”);
- SGP 1st Engineering Sdn. Bhd. (“SGP”);
- Singapore Precision Welding Pte. Ltd. (“SPW”); and
- Metaoptics Technologies Pte. Ltd. (“MOT”) [Note 2]

*Note 1: MST Holdings was established as the listing vehicle on 7 December 2021.
 Note 2 : On 16 May 2023, MST transferred approximately 33.32% of the entire issued share capital of MOT to Mr. Thng. Upon completion of the share transfer and a series of share transfers among shareholders as well as issuance of new ordinary shares to existing shareholders and new investors of MOT, MOT was held by MST as to less than 20% and no longer a subsidiary of Metasurface Group.*

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Our understanding of Metasurface Group (cont'd)

Metasurface Technologies Pte. Ltd. (“MST”)

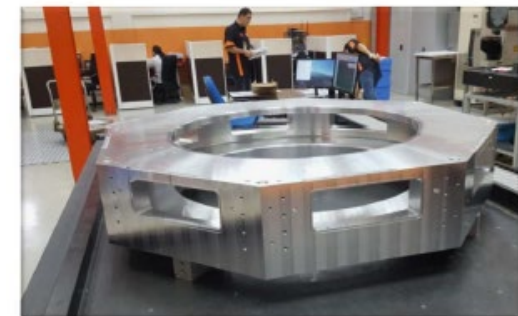
MST major business includes manufacture of dies, moulds, tools, jix and fixtures. During track record period, MST mainly focuses on precision machining of aluminium blocks to final form based on customers’ drawings with 5-axis computer numerical control (“CNC”) machines. MST also employs high accuracy metrology tools to measure the dimensions and ensure parts produced could fulfill customers’ specification. Parts produced are outsourced to third party coating suppliers for surface finishing procedures such as anti-rust coating, inio-siding.

Compared with its subsidiary SGP, MST is primarily working on large format parts, lower volume and software design for the CNC, including designing and generating the softwares for SGP’s production activities.

SGP 1st Engineering Sdn. Bhd. (“SGP”)

SGP is a wholly owned Malaysian subsidiary of MST and engages itself in industries engineering. During track record period, SGP assists in handling simpler and intensive manufacturing activities and polishing procedures for MST due to the comparatively lower manufacturing costs (e.g. labour costs) in Malaysia.

During FY2021, FY2022 and FY2023, 100% of SGP’s revenue is derived from handling manufacturing orders from MST.



Large Format Vacuum Chamber
Precision Machining

Our understanding of Metasurface Group (cont'd)

Singapore Precision Welding Pte. Ltd. (“SPW”)

SPW provides support service to OEM and CM in semiconductor industry. In particular, SPW is engaged in providing service and support to contract manufacturers and suppliers of Ultra High Vacuum (“UHV”) & High Vacuum (“HV”) weldment, Ultra High Purity (“UHP”) & High Purity (“HP”) gas line weldment for the semiconductor industry.

In particular, SPW possesses the know-how and machinery to bend stainless steel pipes and form different angles based on customers’ requirements. The stainless steel pipes are welded together and undergone joint leak check as part of quality assurance procedures. Similar to MST and SGP, parts produced are sent to third party supplier for chemical washing to remove stains left on the surface.

SPW was acquired by MST in December 2021 and has been integrated into Metasurface Group. During the track record period, it has incurred certain related party transactions with MST. Currently, SPW’s business is independent of other Metasurface Group entities (i.e. SGP and MOT), while SPW may assist in handling certain production orders from MST with its production know-how and capacity.

Our understanding of Metasurface Group (cont'd)

Metaoptics Technologies Pte. Ltd. (“MOT”) [Note]

MOT is an associate company within Metasurface Group. MOT’s major business includes design and manufacturing of optic lens and module. Its innovation include Advanced Optics called “2D Lens/ Flat Lens or Metaoptics”.

Despite being a relatively newly established entity, MOT is collaborating with the Agency for Science, Technology and Research (“ASTAR”) in Singapore to develop the first Semi-Auto version Direct Laser Writer (“DLW”) Machine. The DLW machine serves for developing a cost effective “Sub-Nano” DLW for the mastering of Meta Lens. MOT is planning to sell this DLW Machine to the optics market in future. Meanwhile, MOT also produces Nano Imprinted Meta Lens for its customers.

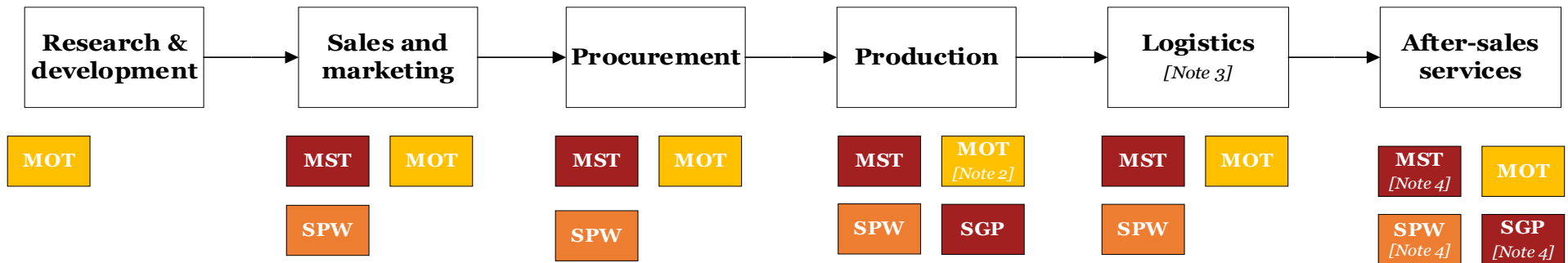
Currently, MOT has a total of 17 patents filed. Intellectual properties disclosed are In Optical Assembly Methods Using Active Alignment, Laser Tx Module Construction, Computational Camera and Meta Lens Process Flow. In addition, Metaoptics Composite trademarks are registered in both Singapore and Hong Kong.

MOT emphasises on the research and development of optics business where other Metasurface Group entities were not involved in its production manufacturing process.

Note:- On 16 May 2023, MST transferred approximately 33.32% of the entire issued share capital of MOT to Mr. Thng. Upon completion of the share transfer and a series of share transfers among shareholders as well as issuance of new ordinary shares to existing shareholders and new investors of MOT, MOT was held by MST as to less than 20% and no longer a subsidiary of Metasurface Group.

Value chain analysis of Metasurface Group

The major value chain and operational flow of the Group is illustrated as follow: *[Note 1]*



Note:

- Precision Machining Business
- Optics Business
- Precision Weldment Business

Note 1: On 16 May 2023, MST transferred approximately 33.32% of the entire issued share capital of MOT to Mr. Thng. Upon completion of the share transfer and a series of share transfers among shareholders as well as issuance of new ordinary shares to existing shareholders and new investors of MOT, MOT was held by MST as to less than 20% and no longer a subsidiary of Metasurface Group.

Note 2: MOT's production process was outsourced to third party manufacturers.

Note 3: MST's, MOT's & SPW's logistics services was arranged by third party logistics service providers.

Note 4: For related party sales transactions, MST, SPW and SGP handled defective products produced by their own. Further details will be discussed in later sections. Based on the information provided by Company, MOT did not incurred any related party transaction during FY2021 and FY2022.

Overview of transaction flow and major related party transactions

Overview of related party transaction flow

The overall related party transaction flow of Metasurface Group is illustrated as follow: [Note 1]

- Similar to other players in this industry, Metasurface Group's sales cycle started with MST receiving purchase orders from third party customers (for Precision Machining business). MST then purchased raw materials from third party suppliers for production;
- Based on the production capabilities of the Group entities and customers' requirements, MST designs the CNC softwares for production. MST also assigns manufacturing orders based on entities' production capability – for example, simpler and intensive manufacturing procedures and polishing work to SGP, and assigned production procedures in relation to stainless steel pipes and weldment to SPW.
- SGP and SPW then sold the finished products to MST after processing. Finished products are then delivered to third party suppliers for surface treatment and chemical washing.
- Hence, there are two sets of buy-sell transactions in relation to production within the Group, i.e. between MST and SGP, as well as between MST and SPW.

Meanwhile, Metasurface Group entities have also conducted other related party transactions during the track record period:

- MST and SPW receive labour services from Meson Technology Pte Ltd ("Meson"). [Note 2, 3]
- MST leases premises to SPW as its offices since May 2021. MST receives rental income from SPW in this respect. [Note 2]
- MST provides shared services to MOT during FY2023. [Note 1]

In addition, MST sources raw materials from Metasurface & Co (formerly known as Q'son Corp) ("MC") during the track record period. [Note 4]

Upon considering the relative significance of each Metasurface Group related party transaction, a brief overview of the **major** related party purchase and sales transactions within Metasurface Group (which would be further reviewed and evaluated in details in subsequent parts of the report) are described as follow. A diagram has been prepared to visualise the transaction flow on the next slide.

- T1 – Purchase and sales of tangible goods between MST and SGP
 - MST assigns production orders to SGP and sells raw materials to SGP for further processing; and
 - SGP manufactures the finished goods based on MST's orders and sells the finished goods back to MST.
- T2 – Purchase and sales of tangible goods between MST and SPW
 - Similarly, MST assigned production orders and sells raw materials to SPW for further processing; and
 - SPW manufactures the finished goods based on MST's orders and sells the finished goods back to MST.

Note 1: MOT was established on 15 June 2021 and ceased as a subsidiary of Metasurface Group on 16 May 2023. It has been focusing on designing, research and development of optics lens and modules. Considering the limited transaction period and relatively insignificant transaction amount between MST and MOT, this transaction is not covered in this review report.

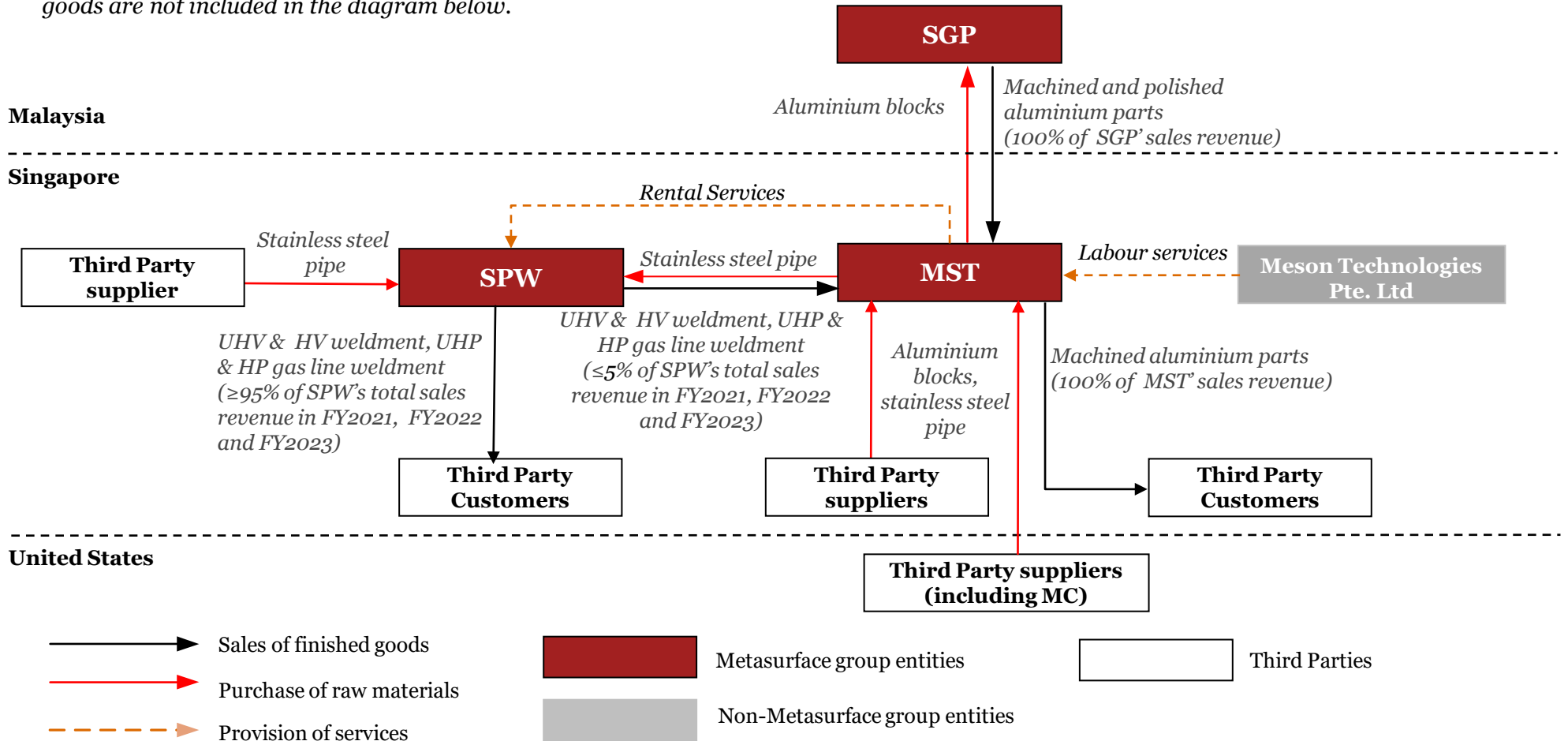
Note 2: Considering the transaction nature and the relatively insignificant transaction amount between MST and SPW on one side, and Meson on the other side as compared with the buy-sell transactions (please refer to p.20 for annual amount), a high level review of these related party transactions is contained in a separate section of the report.

Note 3: Meson, which is not part of the listing group, was a related party of MST due to their common controlling shareholder Mr. Chua Chwee Lee during FY2021 and until January 2022. Mr Chua has disposed all his shareholding in Meson to an independent third party in January 2022.

Note 4: MC, is not part of the listing group. Even though MC is a related party of MST, there is no TP implication on the listing group, and therefore not covered in this review report.

Overview of related party transaction flow (cont'd) [Note]

The following diagram is prepared from contractual and transactional perspectives. Operational good flows of raw materials and finished goods are not included in the diagram below.



Note: MOT was newly established on 15 June 2021 and focused on optics business and ceased as a subsidiary of Metasurface Group on 16 May 2023. During FY2023, MST has provided shared services to MOT. Considering the limited transaction period and relatively insignificant transaction amount between MST and MOT, this transaction is not covered in this review report.

Summary of related party transaction flow

The following table summarises the material related party transactions during FY2021, FY2022 and FY2023 within Metasurface Group :

Transaction types		Seller	Purchaser	FY2021 Amount (in thousand SGD)	FY2022 Amount (in thousand SGD)	FY2023 Amount (in thousand SGD)
Purchase and sales of tangible goods	T1	MST	SGP	1,668	2,028	1,199
		SGP	MST	2,588 [Note 1]	3,059 [Note 1]	2,263 [Note 1]
	T2	MST	SPW	78	67	73
		SPW	MST	218	370	223

Meanwhile, there are other related party transaction incurred within Metasurface Group [Note 2, 3]:

Transaction types	Services provider	Services recipient	FY2021 Amount (in thousand SGD)	FY2022 Amount (in thousand SGD)	FY2023 Amount (in thousand SGD)
Labour services	Meson	MST	257	260	226
Rental services	MST	SPW	155	370	356

Source: FY2021, FY2022 and FY2023 consolidated accounts for Metasurface Group

Note 1: Revenue data is referred as we understand that the related party transaction with MST was the sole revenue source for SGP in FY2021, FY2022 and FY2023.

Note 2: Notwithstanding MST has sourced raw materials from MC during FY2021, FY2022 and FY2023, the transactions have no TP implication on the listing group.

Note 3: During FY2023, MST has provided shared services to MOT. Considering the limited transaction period and relatively insignificant transaction amount between MST and MOT, this transaction is not covered in this review report.

T1 - Purchase and sales of tangible goods transaction between MST and SGP

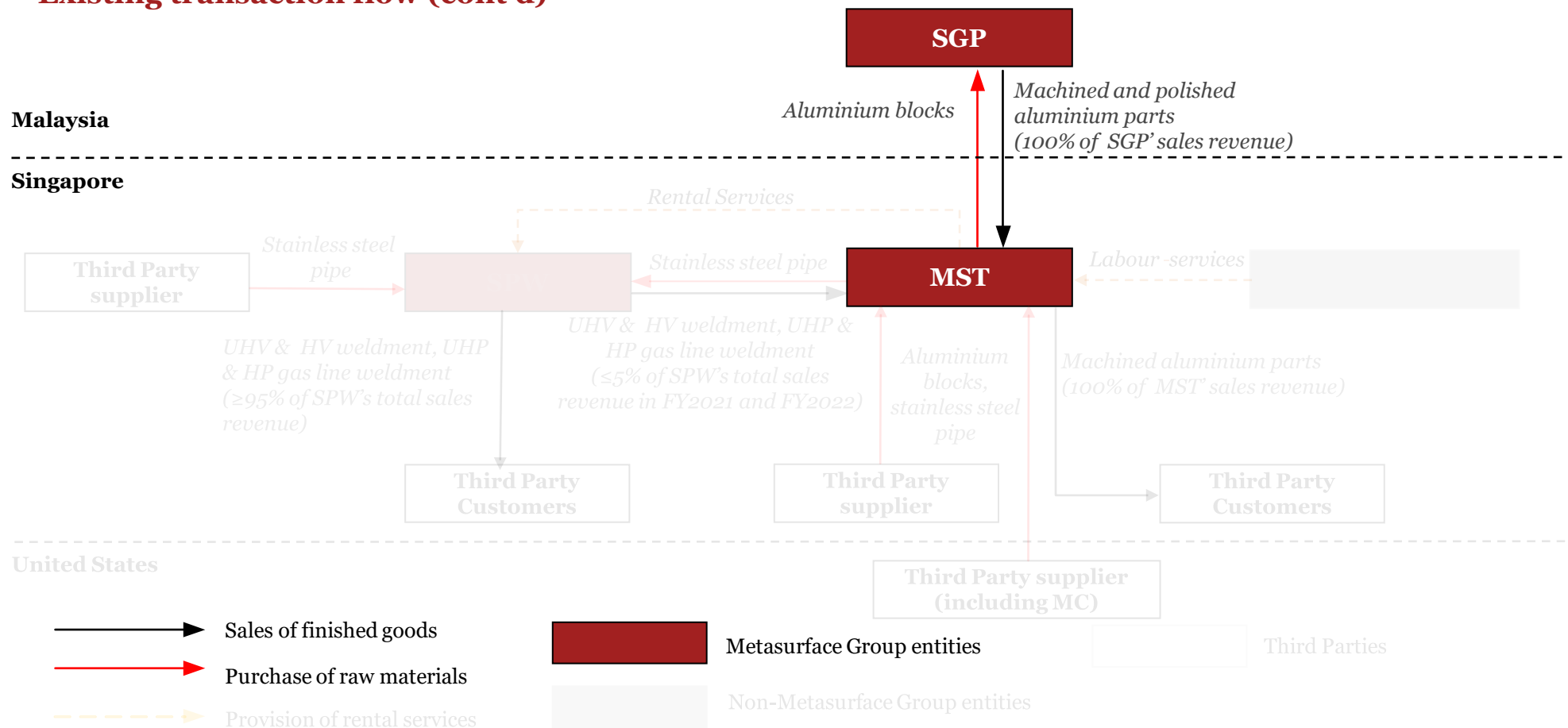
T1 – Purchase and sales of tangible goods transactions between MST and SGP

Existing transaction flow

- MST is responsible for sales and marketing activities in the related party transaction with SGP. MST develops business opportunities and secures sales orders from third party customers.
- The related party transaction between MST and SGP starts with MST receiving orders from third party customers.
- Upon receiving production orders from customers, MST purchases raw materials from third party suppliers based on customers' requirement for production. MST further looks into customer requirement details and the production capacities of MST and SGP respectively.
- Simpler and intensive manufacturing activities and polishing procedures are assigned to SGP for production. MST on-sells the raw materials to SGP for production.
- SGP sells finished goods to MST after completing the designated production procedures.

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont'd)

Existing transaction flow (cont'd)



Existing TP policies

- MST sells raw materials to SGP at original purchase cost from third party suppliers.
- After production, SGP sells the finished goods to MST based on the standard costs which include raw material costs, direct labour, machine costs and production overhead costs.

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont’d)

Existing functional and risk profile

Functional analysis assesses the comparability level present in controlled and uncontrolled transactions. It analyses associated persons in comparable uncontrolled transactions and their relative contributions in the controlled transactions. It serves as a basis for identifying potential comparables for valid comparisons. Functions performed, assets employed and risks assumed by MST and SGP in respect of T1 are as follow:

	MST	SGP
Functions performed		
Strategic management	√√ (Determine and approve the Group’s strategic planning and key business decisions)	-
Manufacturing	√√ (Large format parts, lower volume and production software design)	√ (Intensive, smaller parts and polishing under MST’s instruction)
Quality control	√ √ (Provide guidance on quality assurance)	√ (Measure finished goods with high accuracy metrology tools to ensure the products could fulfil customers’ specification)
Logistics management	√√ (Arrange delivery for raw materials from third party suppliers to MST and to SGP for further processing, and finished products to third party customers)	-
Inventory management	√√ (Determine and monitor the inventory level and raw materials required for production based on orders received from customers)	√ (Determine and monitor the inventory level and raw materials required for production based on orders received from customers)

- √√ *Performing routine functions/ Bearing routine risks*
- √ *Performing limited functions/ Bearing limited risks*
- *Does not perform such functions / Does not bear such risks*

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont’d)

Existing functional and risk profile (cont’d)

Functions performed, assets employed and risks assumed by MST and SGP in respect of T1 are as follow:

	MST	SGP
Functions performed (Cont’d)		
Sales and marketing	√√ (Develop and maintain relationship with third party customers)	-
After-sales services	√√ (Discuss with client to understand the product problems and responsible for the after-sales services of parts produced by its own)	√ (Handle defective products produced by its own and provide after-sales services to customers indirectly with MST as a communication window)
General administration	√√	√√
Risk assumed		
Market risk	√√ (MST bears market risk when there is a change in market or product demand)	-
Third party credit and collection risk	√ (Third party customers of MST have excellent credit-worthiness and are able to settle payment timely and promptly)	-

- √√ *Performing routine functions/ Bearing routine risks*
- √ *Performing limited functions/ Bearing limited risks*
- *Does not perform such functions / Does not bear such risks*

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont’d)

Existing functional and risk profile (cont’d)

Functions performed, assets employed and risks assumed by MST and SGP in respect of T1 are as follow:

	MST	SGP
Risk assumed (Cont’d)		
Inventory risk	√√ (Subject to inventory risk as MST has assumed overall inventory management and control)	√ (Limited inventory risk as SGP only manufacture products with MST’s orders and takes only flash title of the inventory)
Foreign exchange risk	-	√ (The related party transactions are settled in SGD. Hence, SGP is exposed to certain level of foreign exchange risk.)
Production risk	√√ (Subject to production risk as MST has assumed overall control and monitoring role during the production process)	√ (Subject to limited production risk as SGP’s production process is under guidance and instructions from MST and the production techniques and know-how are provided by MST)
Assets employed		
Tangible assets	Routine assets for operation and manufacturing (such as computer, plant and machinery and office equipment etc.)	Routine assets for operation and manufacturing (such as computer, plant and machinery and factory equipment etc.)
Intangible assets	Trademark and tradename of Metasurface, and Aluminium machining know-how	-
Functional characterisation		
	Entrepreneur/ Business Owner	Contract Manufacturer

- √√ *Performing routine functions/ Bearing routine risks*
- √ *Performing limited functions/ Bearing limited risks*
- *Does not perform such functions / Does not bear such risks*

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont'd)

Existing functional and risk profile

- Based on our industry experience, it is common for enterprise to set up production sites in a lower cost region (i.e. Malaysia in this case) to handle the simpler and intensive manufacturing activities.
- From the function and risk profiles for T1, MST is characterised as an entrepreneur/ business owner of Metasurface Group's core precision machining business, while SGP is categorised as a contract manufacturer to provide manufacturing/ processing services from TP technical perspective.
- In return, technically speaking, these entities shall be remunerated in a manner that is consistent with their function and risk profile. The profit allocation among the Group is expected to be as follow:
 - A contract manufacturer is expected to assume limited risks and remunerated to ensure a stable profit
 - An entrepreneur/ business owner should take up residual profit/ loss. Entrepreneur/ business owner may result in fluctuating profitability from TP perspective.

Gap analysis – comments on functional profile

- Since SGP does not directly sell to the end customers, it does not assume market risk and third party credit and collection risk. The risk is assumed by SGP as a contract manufacturer.
- Based on the financial information of SGP and our understanding from Management, we noticed SGP bears currency fluctuation in relation to balance sheet items. Meanwhile, the related party transactions with MST are mainly settled in SGD, and SGP bears certain level of foreign exchange risk.
- As a contract manufacturer, SGP assumed limited production risk as the production techniques and know-how are provided by MST. The production process is also under guidance and instructions from MST.
- No material nor significant gap between the expected and the actual functional and risk profile between MST and SGP is identified.

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont’d)

Actual financial results

- The table below provides a summary of the entity-level financial results of MST and SGP during **FY2021** [Note 1]:

Entities	Formula	MST Singapore Dollars ("SGD")	SGP Malaysian Ringgit ("RM")
Revenue	[A]	19,984,381	7,984,991
Cost of sales	[B]	12,392,293	7,066,348
Gross profit	[C] = [A] – [B]	7,592,088	918,643
Other income [Note 2]	[D]	2,576,657	23,574
Admin and other operating expenses	[E]	7,392,826	503,823
Operating profit	[F] = [C] + [D] - [E]	2,775,919	438,394
Financial ratio			
Full Cost Mark Up ("FCMU")	[G] = [F] / ([A] – [F])	16.13%	5.81%

Source: FY2021 audited consolidated accounts of Metasurface Group

Note 1: In computing the PLIs, finance cost is excluded.

Note 2: Other income is included as these are considered part and parcel to the ordinary course of the entities' business activities.

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont’d)

Actual financial results

- The table below provides a summary of the entity-level financial results of MST and SGP during **FY2022**^[Note 1]:

Entities	Formula	MST SGD	SGP ^[Note 2] RM
Revenue	[A]	25,031,580	9,674,370
Cost of sales	[B]	15,964,489	8,520,397
Gross profit	[C] = [A] – [B]	9,067,091	1,153,973
Other income ^[Note 3]	[D]	1,649,863	248,054
Admin and other operating expenses	[E]	8,390,508	725,885
Operating profit	[F] = [C] + [D] - [E]	2,326,446	676,142
Financial ratio			
FCMU	[G] = [F] / ([A] – [F])	10.25%	7.51%

Source: FY2022 audited consolidated accounts of Metasurface Group

Note 1: In computing the PLIs, finance cost is excluded.

Note 2: We note that the audit adjustment for SGP is due to the accounting standard differences between Singapore and Malaysia, which would not be reflected in the local statutory account for tax purpose. Therefore, figures before audit adjustments have been applied for SGP.

Note 3: Other income is included as these are considered part and parcel to the ordinary course of the entities’ business activities.

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont’d)

Actual financial results

- The table below provides a summary of the entity-level financial results of MST and SGP during **FY2023** [Note 1]:

Entities	Formula	MST SGD	SGP [Note 2] RM
Revenue	[A]	16,813,369	7,695,338
Cost of sales	[B]	12,798,254	6,273,757
Gross profit	[C] = [A] – [B]	4,015,115	1,421,581
Other income [Note 3]	[D]	3,468,307	34,178
Admin and other operating expenses	[E]	6,069,967	764,613
Operating profit	[F] = [C] + [D] - [E]	1,413,455	691,146
Financial ratio			
FCMU	[G] = [F]/ ([A] – [F])	9.18%	9.87%

Source: FY2023 audited consolidated accounts of Metasurface Group

Note 1: In computing the PLIs, finance cost is excluded.

Note 2: We note that the audit adjustment for SGP is due to the accounting standard differences between Singapore and Malaysia, which would not be reflected in the local statutory account for tax purpose. Therefore, figures before audit adjustments have been applied for SGP.

Note 3: Other income is included as these are considered part and parcel to the ordinary course of the entities’ business activities.

- As a contract manufacturer, SGP shall not bear market risk and therefore the remuneration received by SGP shall not be linked to sales. Therefore, its remuneration should be compensated based on its costs incurred in the production. FCMU is therefore selected as an appropriate PLI of SGP.
- MST assumes entrepreneur/ business owner role of Metasurface Group’s core precision machining business, assumes significant risks associated with their operations and owns non-routine intangibles, while SGP acts as the contract manufacturer and takes up less complex functions and risks than MST.
- From TP technical perspective, as the contract manufacturer of the Group, SGP is a comparatively less complex entity as compared to MST in T1. It is more appropriate to select a contract manufacturer as the tested party from TP perspective. SGP is therefore selected as the tested party for the benchmarking analysis.

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont’d)

Benchmarking results

- A benchmarking analysis was conducted to search for comparable companies performing similar manufacturing functions as SGP.
- Please refer to the appendix section for the details of the comparable companies.
- The table below provides a summary of the result of the application of the Transactional Net Margin Method (“TNMM”) to identify arm’s length range of FCMU ratios for the comparable uncontrolled companies during the review period:

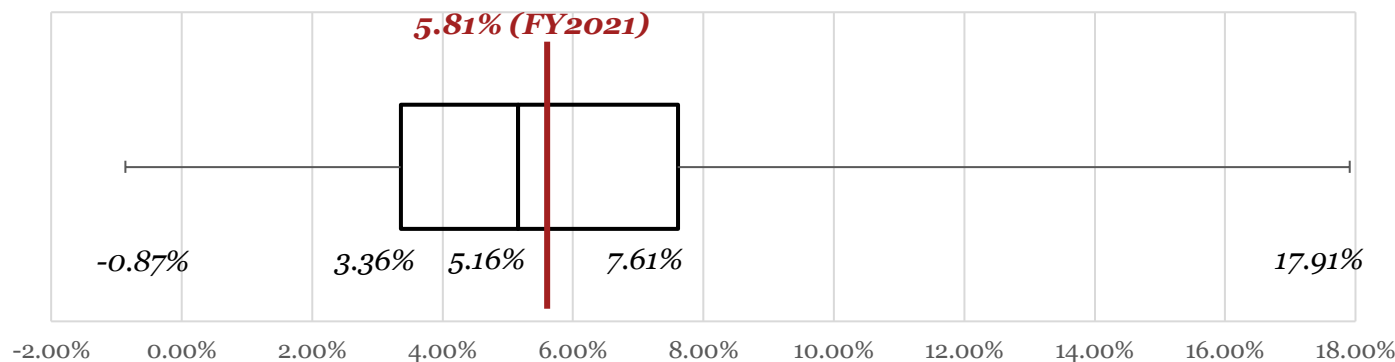
	5-year (2018-2022) weighted average	2022	2021	2020	2019	2018
<i>Number of observations</i>	36	35	36	36	36	36
Maximum	17.91%	24.87%	20.44%	17.13%	18.21%	20.69%
Upper quartile	7.61%	9.30%	9.08%	8.02%	7.90%	8.38%
Median	5.16%	4.53%	6.07%	4.94%	4.47%	5.80%
Lower quartile	3.36%	1.66%	4.31%	2.68%	2.28%	3.23%
Minimum	-0.87%	-35.06%	-4.11%	-4.15%	-6.87%	-6.24%

- As per The OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, examining multiple year data would be useful in a comparability analysis.
- In recent year, COVID-19 pandemic has caused severe blow to the manufacturing industry around the globe. To smooth out the impact brought by COVID-19 to the regions and industry which SGP is operating in, 5-year data (FY2018-FY2022) has been adopted for the benchmarking analysis.
- Companies which are considered as performing similar functions as SGP gives a 5-year (2018-2022) weighted average FCMU interquartile range of 3.36% to 7.61%, with a median of 5.16%.

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont'd)

Benchmarking results (Cont'd)

5-year (2018-2022) arm's length FCMU Interquartile Range

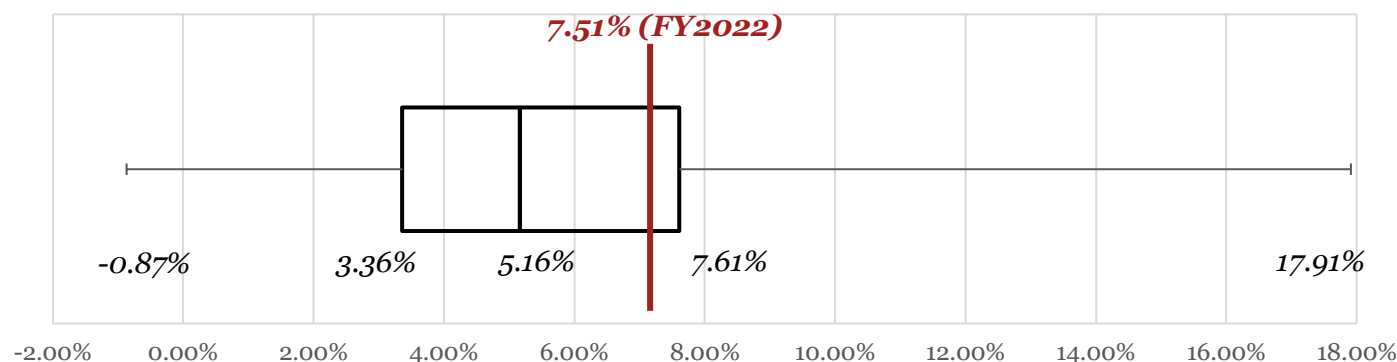


- During FY2021, SGP has a FCMU of 5.81%, which falls within the arm's length FCMU interquartile range of the 36 comparable companies and above the 5-year weighted average median value.
- Kindly note that from local Malaysian TP perspective, local tax authorities may also refer to single year comparison (i.e. single year median of 6.07% for FY2021) in the event of tax audit wherein comparable data is available.
- In this case, we consider that the purchase and sales of tangible goods transactions between MST and SGP is on an arm's length basis in FY2021. In this regard, the TP arrangement between MST and SGP during FY2021 is generally arm's length in nature, reasonable and in compliance with relevant TP rules, guidance and regulations in Singapore and Malaysia.

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont'd)

Benchmarking results (Cont'd)

5-year (2018-2022) arm's length FCMU Interquartile Range

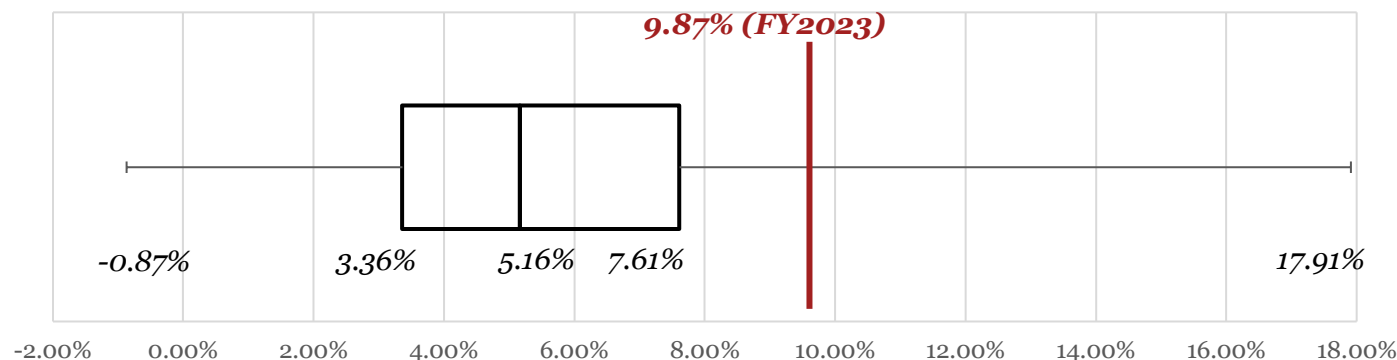


- In general, tax authority has a practice to refer to the median point of the benchmarking analysis as the arm's length point. In case of a tax audit, there is possibility that any financial results falling below the median may be subjected to further scrutiny.
- As SGP has a FCMU of 7.51% during FY2022, which falls within the arm's length FCMU interquartile range of the 36 comparable companies.
- In this case, we consider that the purchase and sales of tangible goods transactions between MST and SGP is on an arm's length basis in FY2022. In this regard, the TP arrangement between MST and SGP during FY2022 is generally considered as arm's length in nature, reasonable and in compliance with the relevant TP rules, guidance and regulations in Singapore and Malaysia.

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont’d)

Benchmarking results (Cont’d)

5-year (2018-2022) arm's length FCMU Interquartile Range



- In general, tax authority has a practice to refer to the median point of the benchmarking analysis as the arm’s length point. In case of a tax audit, there is possibility that any financial results falling below the median may be subjected to further scrutiny.
- SGP has a FCMU of 9.87% during FY2023, which falls above the arm’s length FCMU interquartile range of the 36 comparable companies due to that certain production orders assigned to SGP during the year involved processes requiring higher labour hours, which was reflected in the price charged to MST according to the pricing policy as mentioned above (based on standard costs incurred during production which include, among others, direct labour costs), while the actual monthly salaries payable to the production staff are relatively fixed.
- From a technical TP perspective, SGP should be treated as having reasonable grounds for concluding that the transfer pricing arrangements with respect to T1 did not result in an unreasonable reduction in Malaysian profits tax in FY2023. During FY2023, performance of MST was weakened with the postponed of purchase orders by customers, resulting in a drop in the top-line revenue. Despite MST in Singapore achieved a positive figure in FY2023, the drop compared to FY2022 may give rise to question. Considering the characterisation of MST as the entrepreneur/ business Owner of T1 and complex business segments with various parties, however it is not unreasonable for MST to take up the ultimate business risk. Also, Given that the statutory tax rate in Malaysia (24%) is higher than Singapore (17%), leaving more profits in Malaysia would not evade overall tax burden of Metasurface Group. Considering the above factors, the practical transfer pricing risk is considered remote. Having said that, we do not rule out the possibility that Singaporean tax authority may challenge the transfer pricing arrangements and request for commercial justifications. Management is recommended to maintain a proper documentation on valid commercial reasons that explain the drop in MST’s profitability.

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont’d)

TP review comments on profitability and TP policy

Conclusion	Review comments
Functionality and profitability level of SGP and MST	<ul style="list-style-type: none"> SGP is characterised as the contract manufacturer of the Group, and therefore it should be compensated with a reasonable level of manufacturing profits that could commensurate with their manufacturing activities performed. Based on our benchmarking analysis, a total of 36 companies are identified as performing similar functions and producing similar products as SGP. The 36 comparable companies give a 5-year (2018-2022) weighted average FCMU interquartile range of 3.36% to 7.61%, with a median of 5.16%. During FY2021, SGP achieved a FCMU of 5.81%, which falls within the arm’s length interquartile range and above the 5-year weighted average median value. Kindly note that from local Malaysian TP perspective, local tax authorities may also refer to single year comparison (i.e. single year median of 6.07% for FY2021) in the event of tax audit wherein comparable data is available. During FY2022, SGP achieved a FCMU of 7.51%, which falls within the arm’s length interquartile range. During FY2023, SGP achieved a FCMU of 9.87%, which falls above the arm’s length interquartile range due to that certain production orders assigned to SGP during the year involved processes requiring higher labour hours. SGP should be treated as having reasonable grounds for concluding that the transfer pricing arrangements with respect to T1 did not result in an unreasonable reduction in Malaysian profits tax in FY2023. However, there might be a potential transfer pricing question for MST in Singapore with its drop compared to FY2022. Considering the characterisation of MST as the entrepreneur/ business Owner of T1 and complex business segments with various parties, it is not unreasonable for MST to take up the ultimate business risk. Also, in the event of tax audit, Malaysian tax authorities have a general preference for adopting a local comparable set. There is a remote possibility that a separate local benchmarking set would be required for local investigation purpose if any. Based on the operating results of SGP during the track record period, the purchase and sales transactions between MST and SGP for FY2021, FY2022 and FY2023 could be considered as reasonable and consistent with the arm’s length principle and in compliance with relevant TP rules, guidance and regulations in Singapore and Malaysia, and having reasonable grounds for concluding that the transfer pricing arrangements with respect to T1 did not result in an unreasonable reduction in Malaysian profits tax in FY2023. From TP perspective, MST acted as the entrepreneur/ business owner of the Group and borne the residual/ loss arising from the transactions. It accounts for the comparatively high profit of MST for FY2021, FY2022, and FY2023. Considering the characterisation of MST as the residual profit taker of T1, however it is not unreasonable for MST to take up the ultimate business risk. Also, leaving more profits in Malaysia would not evade overall tax burden of Metasurface Group. Considering the above factors, the practical transfer pricing risk is considered remote. Having said that, we do not rule out the possibility that Singaporean tax authority may challenge the transfer pricing arrangements and request for commercial justifications. Management is recommended to maintain a proper documentation on valid commercial reasons that explain the drop in MST’s profitability.

T1 – Purchase and sales of tangible goods transactions between MST and SGP (cont’d)

TP review comments on profitability and TP policy (cont’d)

Conclusion	Review comments
<p>TP policy between MST and SGP</p>	<ul style="list-style-type: none"> • SGP neither transacted directly with third party suppliers for aluminium blocks nor with third party customers for machined aluminium parts after production. • SGP purchased raw materials from MST at MST’s original purchase cost, while SGP sold machined aluminium parts to MST at standard costs incurred during production which include raw material costs, direct labour, machine costs and production overhead costs. • Based on our experience, to ensure contract manufacturer could be sufficiently compensated, a mark-up is usually applied on the full costs incurred by the contract manufacturer during the production process (including but not limited to raw material costs, machine costs, labour costs and other costs that are essential in upkeeping the production facilities). • Given that SGP’s FCMU falls above the arm’s length FCMU interquartile range during FY2023, management is recommended to revisit the TP policy from time to time to ensure that the mark-up applied on the relevant costs charged by SGP to MST could be able to cover all the costs incurred by SGP during production.

T2 - Purchase and sales of tangible goods between MST and SPW

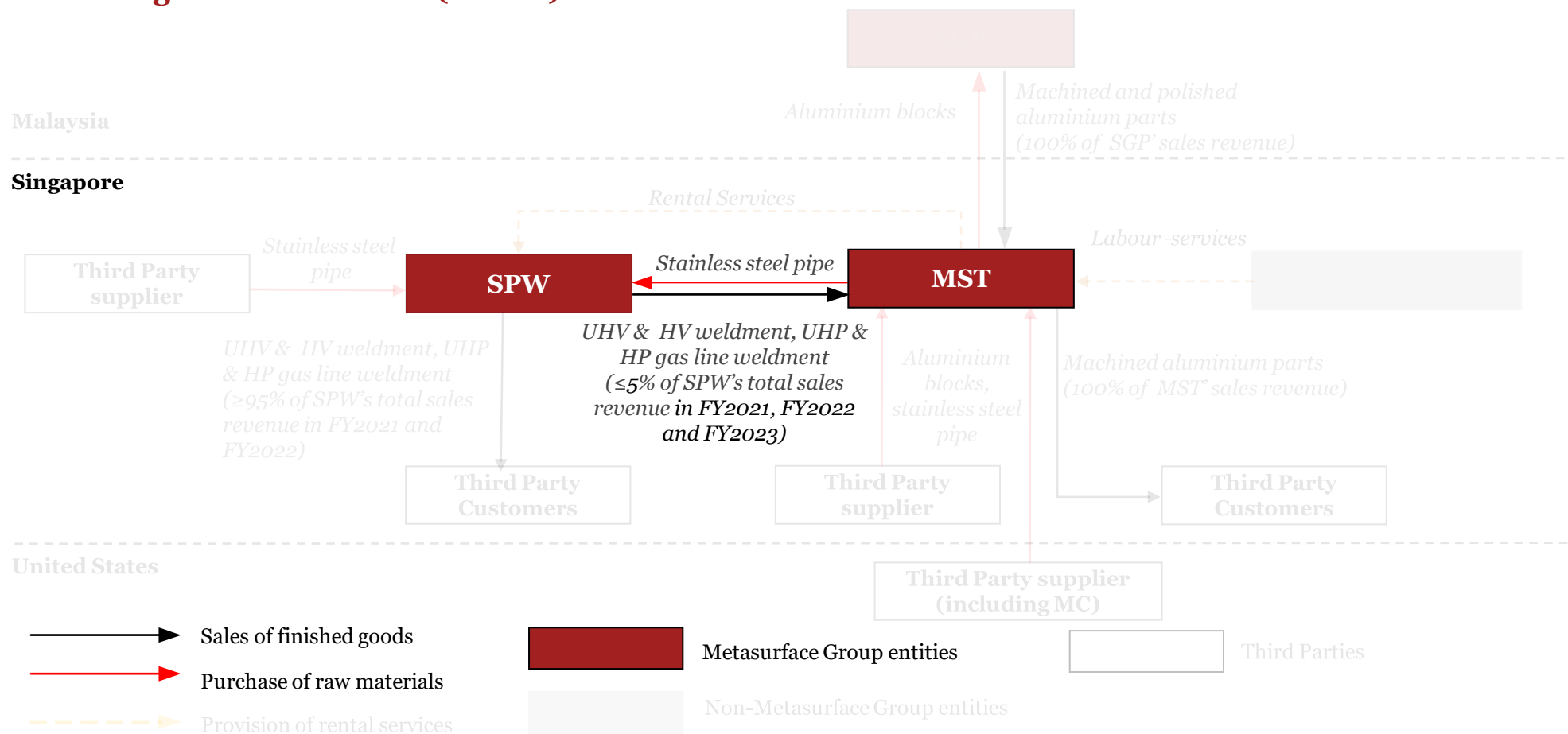
T2 – Purchase and sales of tangible goods transactions between MST and SPW

Existing transaction flow

- MST is responsible for sales and marketing activities for precision weldment and precision machining businesses of Metasurface Group. MST develops business opportunities and secures sales orders from third party customers.
- The related party transactions between MST and SPW starts with MST receiving orders from third party customers. MST may reach out to SPW for certain production orders depending on customers' specification and the know-how of SPW.
- On the other hand, SPW has also maintained its organic business during the review period, where it also carries out sales and marketing activities (e.g. maintaining relationship with its customers) for its own sales orders.
- Upon receiving production orders from customers, MST purchases raw materials from third party suppliers based on customers' requirement for production.
- MST on-sells the raw materials to SPW for production. SPW sells finished goods to MST at a mark-up based on the raw material cost plus estimated production man hour rate plus a mark up of 15% after completing the production procedures.

T2 – Purchase and sales of tangible goods transactions between MST and SPW

Existing transaction flow (Cont'd)



Existing TP policies

- MST sells raw materials to SPW at original purchase cost from third party suppliers.
- After production, SPW sells the finished goods to MST at a mark-up based on the raw material cost plus estimated production man hour rate plus a mark-up of 15%.

T2 – Purchase and sales of tangible goods transactions between MST and SPW (cont’d)

Existing functional and risk profile

The following table summarises the functional and risk profile of the parties involved based on our understanding in respect of T2.

	MST	SPW (Related party segment)	SPW (Third party segment)
Functions performed			
Strategic management	√√ (Determine and approve the Group’s strategic planning and key business decisions; and Approve the related party segment sales and purchase transactions of SPW)	-	√√ (Responsible for SPW’s own business operation)
Manufacturing	√√ (Precision machining of aluminium and stainless steel)	√√ (Stainless steel welding)	√√ (Stainless steel welding)
Quality control	√√ (Provide guidance on quality assurance)	√ (Conduct leak check on the pipe joints, but MST ultimately bears risk of any product defect)	√√ (Conduct leak check on the pipe joints and bear risk of any product defect for SPW’s own clients)
Logistics management	√√ (Arrange delivery for raw materials from third party suppliers to MST and from MST to SPW, and finished products to third party customers)	-	√√ (Arrange delivery for raw materials from third party suppliers to SPW, and finished products to third party customers)

- √√ *Performing routine functions/ Bearing routine risks*
- √ *Performing limited functions/ Bearing limited risks*
- *Does not perform such functions / Does not bear such risks*

T2 – Purchase and sales of tangible goods transactions between MST and SPW (cont’d)

Existing functional and risk profile

The following table summarises the functional and risk profile of the parties involved based on our understanding in respect of T2.

	MST	SPW (Related party segment)	SPW (Third party segment)
Functions performed (Cont’d)			
Inventory management	√√ (Determine and monitor the inventory level and raw materials required for production)	√√ (Determine and monitor the inventory level and raw materials required for production)	√√ (Determine and monitor the inventory level and raw materials required for production)
Sales and marketing	√√ (Develop and maintain relationship with third party customers and for related party segment)	-	√√ (Develop and maintain relationship with third party customers for its own business)
After-sales services	√√ (Discuss with client to understand the product problems and responsible for the after-sales services of parts produced by its own)	√ (Handle problematic products produced by its own and provide after-sales services to customers indirectly with MST as a communication window)	√√ (Discuss with client to understand the product problems and responsible for the after-sales services of parts produced by its own)
General administration	√√	√√	√√

- √√ Performing routine functions/ Bearing routine risks
- √ Performing limited functions/ Bearing limited risks
- Does not perform such functions / Does not bear such risks

T2 – Purchase and sales of tangible goods transactions between MST and SPW (cont’d)

Existing functional and risk profile

The following table summarises the functional and risk profile of the parties involved based on our understanding in respect of T2.

	MST	SPW (Related party segment)	SPW (Third party segment)
Risk assumed			
Market risk	√√ (MST bears market risk when there is a change in market or product demand)	-	√√ (SPW bears market risk for its own business when there is a change in market or product demand)
Credit and collection risk	√ (Third party customers of MST have excellent credit-worthiness)	-	√ (Third party customers of SPW have excellent credit-worthiness)
Inventory risk	√√ (The productions are usually made based on orders received from customers. Meanwhile, MST has implemented control on raw material and inventory level.)	√ (Subject to limited risk as inventory control is implemented based on orders received from customers)	√√ (The productions are usually made based on orders received from customers. Meanwhile, SPW has implements control on raw material and inventory level.)
Foreign exchange risk	√√ (The third party transactions are mainly settled in SGD and USD; Related party transactions are settled in SGD)	- (Related party transactions are settled in SGD)	√√ (The third party transactions are mainly settled in SGD and USD)

- √√ *Performing routine functions/ Bearing routine risks*
- √ *Performing limited functions/ Bearing limited risks*
- *Does not perform such functions / Does not bear such risks*

T2 – Purchase and sales of tangible goods transactions between MST and SPW(cont’d)

Existing functional and risk profile

The following table summarises the functional and risk profile of the parties involved based on our understanding in respect of T2.

	MST	SPW (Related party segment)	SPW (Third party segment)
Risk assumed			
Production risk	√√ (Assume production risk. MST has implemented strict control and monitoring during the production process)	√ (Limited production risk as SPW has implemented strict control and monitoring during the production process)	√√ (Assume production risk. SPW has implemented strict control and monitoring during the production process)
Assets employed			
Tangible assets	Routine assets for operation and manufacturing (such as computer, plant and machinery and office equipment etc.)	Routine assets for operation and manufacturing (such as computer and software, machinery etc)	Routine assets for operation and manufacturing (such as computer and software, machinery etc)
Intangible assets	Trademark and tradename of Metasurface, and aluminium machining know-how	Stainless steel weldment know-how	Stainless steel weldment know-how
Functional characterisation			
	Entrepreneur/ business owner	Routine manufacturer for MST	Entrepreneur of its own business

- √√ *Performing routine functions/ Bearing routine risks*
- √ *Performing limited functions/ Bearing limited risks*
- *Does not perform such functions / Does not bear such risks*

T2 – Purchase and sales of tangible goods transactions between MST and SPW(cont'd)

Existing functional and risk profile

- Based on our industry experience, it is a common practice for enterprise to acquire production entities, especially those with different production capacity and know-hows from its own group entities as a business expansion strategy.
- SPW was an entity serving and supporting OEM and CM with UHV, HV, UHP and HP gas line weldment for semiconductor industry. Despite being acquired in December 2021, SPW retains its own business and its business operation remains independent from other Metasurface Group entities.
- During the track record period, SPW's related party sales revenue to MST accounts for less than 5% of its total sales revenue (2.2% in FY2021, 1.9% in FY2022 and 1.0% in FY2023). Hence, SPW is unlikely to be considered as a contract manufacturer of MST, but an entrepreneur/ business owner of its own business and occasionally handles production order from MST based on customers' requirements as a routine manufacturer.
- In relation to the related party transaction, from TP technical perspective, both SPW and MST shall be remunerated in a manner that is consistent with their function and risk profile.
 - A routine manufacturer is expected to assumed routine risks and remunerated to ensure a stable profit;
 - An entrepreneur/ business owner should take up residual profit/ loss. Entrepreneur/ business owner may result in fluctuating profitability from TP perspective.

Gap analysis – comments on functional profile

- As an entrepreneur/ business owner of its own business and a routine manufacturer of MST, SPW facilitates the stainless steel weldment procedures for MST. MST is considered as the related party customers of SPW.
- In particular, SPW mainly focus on production related activities while MST will be responsible for the sales and marketing activities in the context of related party transaction, and hence MST bears market risk in the context of related party transactions.
- No significant gap between the expected and the actual functional and risk profile between MST and SPW is identified.

T2 – Purchase and sales of tangible goods transactions between MST and SPW (cont’d)

Actual financial results

- The table below provides a summary of the financial results of MST and SPW **FY2021** [Note 1]:

Entities	Formula	MST SGD	SPW [Note 2] SGD
Revenue	[A]	19,984,381	9,734,541
Cost of sales	[B]	12,392,293	6,975,257
Gross profit	[C] = [A] – [B]	7,592,088	2,759,284
Other income [Note 3]	[D]	2,576,657	145,748
Admin expenses	[E]	7,392,826	1,041,326
Operating profit	[F] = [C] + [D] - [E]	2,775,919	1,863,706
Financial ratio			
FCMU	[G] = [F] / ([A] – [F])	16.13%	23.68%

Source: FY2021 audited consolidated accounts of Metasurface Group

Note 1: In computing the PLIs, finance cost is excluded

Note 2: The FCMU of SPW was calculated based on SPW’s audit report for the full fiscal year end 31 December 2021, i.e. irrespective of the acquisition of SPW by MST in December 2021.

Note 3: Other income is included as these are considered part and parcel to the ordinary course of the entities’ business activities.

T2 – Purchase and sales of tangible goods transactions between MST and SPW (cont’d)

Actual financial results

- The table below provides a summary of the financial results of MST and SPW in **FY2022** [Note 1]:

Entities	Formula	MST SGD	SPW SGD
Revenue	[A]	25,031,580	16,825,492
Cost of sales	[B]	15,908,572	10,034,319
Gross profit	[C] = [A] – [B]	9,123,009	6,791,173
Other income [Note 2]	[D]	1,649,863	52,579
Admin expenses	[E]	8,390,508	1,457,208
Operating profit	[F] = [C] + [D] - [E]	2,326,446	5,386,544
Financial ratio			
FCMU	[G] = [F] / ([A] – [F])	10.25%	47.09%

Source: FY2022 audited consolidated accounts of Metasurface Group

Note 1: In computing the PLIs, finance cost is excluded

Note 2: Other income is included as these are considered part and parcel to the ordinary course of the entities’ business activities.

- We understand from the Company regarding the commercial factor leading to the significant increase in SPW’s profitability level in FY2022. During FY2022, performance of SPW improved with the increasing demands from customers and production capacity. In addition, the related party transactions was immaterial compared to the total sales revenue during the track record period. Therefore, the significant increase in SPW’s profitability level arises out of commercial factor and should not affect our assessment on the reasonableness of the related party transactions.

T2 – Purchase and sales of tangible goods transactions between MST and SPW (cont’d)

Actual financial results

- The table below provides a summary of the financial results of MST and SPW **FY2023** [Note 1]:

Entities	Formula	MST SGD	SPW SGD
Revenue	[A]	16,813,369	23,446,450
Cost of sales	[B]	12,798,254	13,474,235
Gross profit	[C] = [A] – [B]	4,015,115	9,972,215
Other income [Note 2]	[D]	3,468,307	-205,189
Admin expenses	[E]	6,069,967	1,444,988
Operating profit	[F] = [C] + [D] - [E]	1,413,455	8,322,038
Financial ratio			
FCMU	[G] = [F] / ([A] – [F])	9.18%	55.02%

Source: FY2023 audited consolidated accounts of Metasurface Group

Note 1: In computing the PLIs, finance cost is excluded

Note 2: Other income is included as these are considered part and parcel to the ordinary course of the entities’ business activities.

- As the related party transactions between MST and SPW account for less than 5% of SPW’s total sales revenue during the track record period (2.2% in FY2021, 1.9% in FY2022 and 1.0% in FY2023), and considering the fact that SPW acts as the entrepreneur/ business owner of its own business, it is more suitable to compare the pricing policies to evaluate the arm’s length nature of the transactions between MST and SPW.
- During FY2023, performance of MST was weakened with postponed of purchase orders by customer, resulting in a drop in the top-line revenue. Considering the characterisation of MST as the entrepreneur/ business Owner of T2 and complex business segments with various parties, it is not unreasonable for MST to take up the ultimate business risk.

T2 – Purchase and sales of tangible goods transactions between MST and SPW (cont’d)

Comparability analysis

- To evaluate the reasonableness of the related party transactions between MST and SPW, we evaluate the pricing policies for third party sales transactions and transactions between SPW and MST respectively regarding similar products.
- The table below provides a summary of the result of the application of the Comparable Uncontrolled Price (“CUP”) analysis to evaluate the arm’s length nature of the related party transactions between MST and SPW during the review period:

	Third party sales transactions	Sales transaction with MST
Pricing policy	Raw materials costs and estimated production costs based on expected man hour usage plus a mark up of 15% <i>[Note]</i>	Raw materials costs and estimated production costs based on expected man hour usage plus a mark up of 15%

- From pricing policy perspective, sales to third party and sales to MST by SPW are priced under the same pricing strategy – raw material costs and estimated production costs based on expected man hour usage plus a mark-up of 15%. In addition, the expected man hour usage for both third party sales transactions and sales transaction with MST are estimated using the same formula.
- By comparing the pricing policy between sales to third party and sales to MST by SPW, we understand that SPW conducts transactions with MST as if MST is independent unrelated party and charges with the same standard quotation format developed for all customers – which takes into consideration of various commercial factors and market circumstances.
- Meanwhile, considering the sales transaction with MST accounts for less than 5% of SPW’s total sales revenue in FY2021, FY2022 and FY2023. The amount of sales revenue from MST could be considered as relatively less significant when comparing with the third party sales revenue of SPW.
- In this case, we consider that SPW is selling to MST at comparable market price, and SPW is compensated on an arm’s length basis. In this regard, T2 is generally reasonable and in compliance with relevant TP rules, guidance and regulations.
- In addition, as both SPW and MST are the tax resident in Singapore, the transactions between these entities are domestic in nature. And thus the practical TP risk is considered as remote.

Note: Sample transactions with third parties and MST were obtained for review purpose. Both sample transactions with third parties and MST have a mark up of 15%.

T2 – Purchase and sales of tangible goods transactions between MST and SPW (cont’d)

TP review comments on profitability and TP policy

Conclusion	Review comments
<p>Functionality and profitability level of SPW</p>	<ul style="list-style-type: none"> SPW was acquired by Metasurface Group in December 2021. Before acquisition, it operates its own business and performed functions such as sales and marketing, production etc. SPW’s business remains independent from other Metasurface Group entities after acquisition SPW achieved a FCMU of 23.68% for FY2021, 47.09% for FY2022 and 55.02% for FY2023. Commercial reason (increase in customers demand) led to the significant increase in SPW’s profitability level in FY2022 and FY2023, instead of transfer pricing. SPW is characterised as the entrepreneur/ business owner of its own stainless steel weldment business, despite the fact that it handles some production orders for MST on special request basis. Hence, SPW should be entitled to the residual profit/ loss of its own stainless steel weldment business.
<p>Related party transactions policy between MST and SPW</p>	<ul style="list-style-type: none"> For both sales to MST and sales to third party, SPW adopted the same pricing strategy with the same cost components. In this case, we consider that SPW conducts transactions with MST as if MST is independent unrelated party and charges with the same standard quotation format applicable for all customers – which takes into consideration of various commercial factors and market circumstances. While both SPW and MST are the tax resident in Singapore, the transactions between these entities are domestic in nature. And thus the practical TP risk is remote.

Other related party transactions

High-level comments on other related party transactions

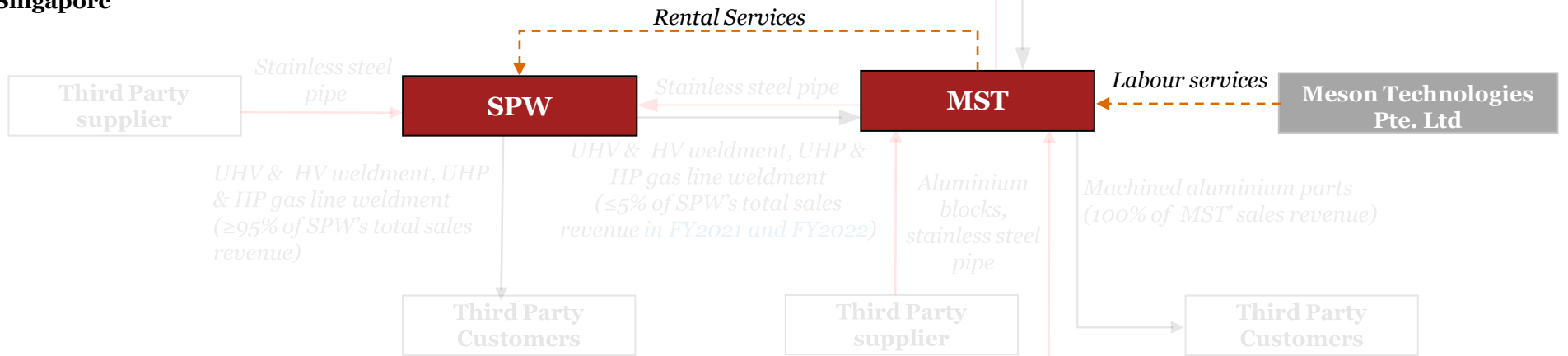
- There are other related party transaction incurred within Metasurface Group during the track record period [Note 1, 2]:

Transaction types	Services provider	Services recipient	FY2021 Amount (in thousand SGD)	FY2022 Amount (in thousand SGD)	FY2023 Amount (in thousand SGD)
Labour services	Meson	MST	257	260	226
Rental services	MST	SPW	155	370	356

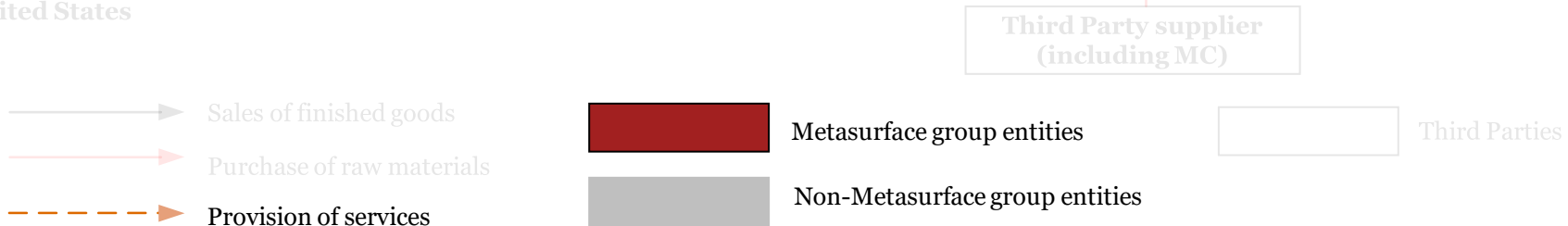
Note 1: MST has sourced raw materials from MC during FY2021. Even though MC is a related party of MST, there is no TP implication on the listing group, and therefore not covered in this review report.

Note 2: During FY2023, MST has provided shared services to MOT. Considering the relatively insignificant transaction amount between MST and MOT, this transaction is not covered in this review report.

Singapore



United States



High-level comments on other related party transactions (cont'd)

Labour services between Meson and MST

- We understand from the Service Agreement between Meson and MST that Meson provides specialised services in the oil and gas industry, including labour services and quality check of MST's manufactured parts prior to delivery to customers. Meson also provides other supportive services such as total tubular management services, third party surveillance services, monitoring and reporting of all pipe movements, working with freight company on risk management, as well as maintenance of inventory and pipe yard.
- We understand from Management that the current pricing policy of the labour services is on a cost-to-cost plus administrative charge (approximately USD 1,200 per month) basis. Based on our industry experience, we consider the current pricing policy which is a cost-plus methodology is generally acceptable by tax authorities as one of pricing methods for service arrangements.
- We also understand from Management that Meson did not provide similar services to third parties during the track record period, i.e. there is no external comparable transaction for evaluating the arm's length nature of Meson-MST arrangement by comparing with external CUP references. Technically speaking, Management can evaluate Meson's net profitability margin using TNMM as a sanity check whether the management service arrangement resulted in a reasonable profitability in Singapore. Kindly note that the transactions between Meson and MST are domestic in nature which has no TP implication on the listing group, and therefore no further technical analysis have been conducted in this respect.
- As a high-level comment and without in-depth technical benchmarking analysis, we consider the current pricing policy for the labour services between Meson and MST as generally reasonable. While both Meson and MST are the tax resident in Singapore, the transactions between these entities are domestic in nature. And thus the practical TP risk is remote.

Rental services between MST and SPW

- We understand from the facility and operation agreement between MST and SPW that MST allocates certain portion of facility, space and resources to SPW under pre-determined charges.
- Pre-determined charges include (1) rental rate per square feet for operation spaces, (2) flat rate per month for other common facilities, as well as (3) usage-based charges for operation electricity (monthly usage billed in accordance to the dedicated electrical consumption meter) and transportation (fixed prices per destination /worker for goods deliveries and workers transport respectively).
- We understand from Management that MST did not provide similar services to third parties during the track record period, i.e. there is no external comparable transaction for evaluating the arm's length nature of MST-SPW arrangement by comparing with external CUP references.
- Without in-depth technical benchmarking analysis, we consider the current pricing policies for the rental arrangements between MST and SPW as commercially reasonable based on our industry experience. While both MST and SPW are the tax resident in Singapore, the transactions between these entities are domestic in nature. And thus the practical TP risk is remote.

TP compliance health check

TP compliance health check

List of major companies

Tax Jurisdictions	Entities	Review period
Singapore	MST	FY2021, FY2022 & FY2023
	MOT	FY2021, FY2022 & FY2023
	SPW	FY2021, FY2022 & FY2023
Malaysia	SGP	FY2021, FY2022 & FY2023

Overview of TP compliance status and outstanding tax disputes with local tax authority

Please refer to the appendix section for the TP documentation requirement of Malaysia and Singapore.

Entities	Outstanding disputes/ queries with local tax authority			Required to prepare full TP documentation?			Prepare TP documentation within the specific preparation period?		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
MST	x	x	x	x	x	x	N/A	N/A	N/A
MOT	x	x	x	x	x	x	N/A	N/A	N/A
SPW	x	x	x	x	x	x	N/A	N/A	N/A
SGP	x	x	x	x	x	x	N/A	N/A	N/A

x No outstanding non-compliance items noted

N/A Not Applicable

Conclusion

Conclusion

Overall assessment

- In the TP analysis, we have reviewed the tangible goods purchase and sales TP arrangement within Metasurface Group and their respective financial performance involved during the review period. In particular, two major related party transaction are analysed:
 - Purchase and sales of tangible goods transaction between MST and SGP; and
 - Purchase and sales of tangible goods transaction between MST and SPW.
- For the above major related party transaction, it is observed that Management have formulated a set of pricing policy for in the execution of the related party arrangements.
- Based on our findings and discussion with Management, we consider that the likelihood of the major related party transactions in the review period being challenged by the relevant tax authorities regarding the reasonableness or arm's length nature of the TP arrangements is remote.
- During our analysis process and information provided by Management, we have not identified any material non-compliance issues from the Singapore and Malaysia TP perspective. No outstanding inquiries, audits or investigation with respect to Metasurface Group's TP arrangement from Singaporean or Malaysian tax authorities have been identified as at the date of this report.
- Further analysis on the key entities of the Group which involved in the Tested Transactions in the review period are summarised on the following slides.
- Going forward, Management should continue to closely monitor the Group's TP arrangements, including reviewing the arm's length nature of the TP policy of the Tested Transactions based on the financial performance of the Group entities and updated benchmarking studies from time to time.
- In consideration of the above, the practical risk that the local tax authorities would challenge the arm's length nature of the TP arrangements is considered to be remote.
- Based on the TP analysis above, Metasurface Group's related party transactions for FY2021, FY2022 and FY2023 were generally consistent with the arm's length principle from both the Singapore and Malaysia TP perspectives. Therefore, the practical TP risks of being investigated or challenged by the relevant tax authorities are remote. Besides, Metasurface Group also fulfilled the applicable TP documentation compliance requirements in both Singapore and Malaysia for FY2021, FY2022 and FY2023.

Conclusion (cont'd)

Assessment by entity

Entities	Jurisdictions	Roles within the Group	Major Related party transactions	TP policies / PLIs	Summary
SGP	Malaysia	<ul style="list-style-type: none"> Contract manufacturer 	T1	Entity level FCMU: 5.81% (FY2021) 7.51% (FY2022) 9.87% (FY2023)	<ul style="list-style-type: none"> During FY2021, SGP's FCMU is within the arm's length FCMU interquartile range and above the 5-year weighted average median value. Kindly note that from local Malaysian TP perspective, local tax authorities may also refer to single year comparison (i.e. 6.07%) in the event of tax audit wherein comparable data is available. During FY2022, SGP's FCMU is within the arm's length FCMU interquartile range. The potential tax impact arising from T1 with respect to SGP. During FY2023, SGP's FCMU is above the arm's length FCMU interquartile range due to that certain production orders assigned to SGP during the year involved processes requiring higher labour hours. SGP should be treated as having reasonable grounds for concluding that the transfer pricing arrangements with respect to T1 did not result in an unreasonable reduction in Malaysian profits tax in FY2023. From the TP technical perspective, a contract manufacturer should be sufficiently compensated with stable profitability. A mark-up is usually applied to the production costs incurred by SGP. In the event of tax audit, Malaysian tax authorities have a general preference for adopting a local comparable set. There is a remote possibility that a separate local benchmarking set would be required for local investigation purpose if any. Management may revisit the TP policy from time to time to ensure all costs incurred plus an arm's length mark-up is charged to MST in order to ensure SGP retains a profit position.
SPW	Singapore	<ul style="list-style-type: none"> Routine manufacture Entrepreneur of its own business 	T2	TP policy: raw material costs and estimated production costs based on expected man hour usage plus a mark up of 15%	<ul style="list-style-type: none"> SPW achieved a FCMU of 23.68% for FY2021, 47.09% for FY2022, and 55.02% for FY2023. SPW is characterised as a routine manufacturer in the context of related party transactions, while it is an entrepreneur/ business owner of its own business. For pricing policy, selling price to MST and selling price to third party customers are formulated under the same pricing strategy. We consider that SPW conducts transactions with MST as if MST is independent unrelated party and at an arm's length basis.

Appendix

Appendix A - Benchmarking analysis

Appendix A – Benchmarking analysis

Our search strategy of the benchmarking analysis are as follow:

Database	OSIRIS database (December 2022 version)	<i>119,568 companies</i>
Geographic screening	Far East and Central Asia region	
Independence screening <i>[Note]</i>	Reject all companies designated as C or D under Bureau van Dijk’s Independence Indicator	
Initial SIC code screening	<ul style="list-style-type: none"> • 3317 Steel pipes and tubes • 3353 Aluminum Sheet, Plate, and Foil • 3354 Aluminum Extruded Products • 3355 Aluminum Rolling and Drawing, Nec • 3356 Nonferrous Rolling and Drawing, Nec • 3444 Sheet Metalwork • 3446 Architectural Metalwork • 3479 Metal Coating and Allied Services • 3489 Ordnance and Accessories, Nec • 3541 Machine Tools, Metal Cutting Type • 3542 Machine Tools, Metal Forming Type • 3544 Special Dies, Tools, Jigs, and Fixtures • 3545 Machine Tool Accessories • 3548 Welding Apparatus 	

358 companies remaining

Note: Ownership categories in OSIRIS database are as follow:

- **A:** No recorded shareholder with more than 25%
- **B:** No recorded shareholder with an ownership over 50% , but has one or more recorded shareholders with an ownership percentage over 25%
- **C:** Recorded shareholder with a total or calculated total ownership over 50% (indirectly majority owned). A “C” company allocated an independence indicator “C+” has no recorded shareholder with a direct ownership over 50% .
- **D:** Recorded shareholder with more than 50% direct ownership
- **U:** Unknown shareholder and/or ownership percentage

Appendix A – Benchmarking analysis (Cont’d)

Our search strategy of the benchmarking analysis are as follow:

Quantitative screening	<ul style="list-style-type: none"> • 8 companies are rejected for not having at least one years of financial data for the period from FY2018 to FY2021; • 73 companies are rejected for having weighted average loss for the period from FY2018 to FY2021; and • 33 companies are rejected for average R&D to Sales ratio over 5% for the period from FY2018 to FY2021.
Qualitative screening	<p style="text-align: right;"><i>244 companies</i></p> <p style="text-align: center;">208 companies rejected for non-comparable functions and products</p>
Final sample	<p style="text-align: center;">36 companies remaining</p>

Appendix B - Update of benchmarking analysis

Appendix B – Update of benchmarking analysis

Based on the search strategy adopted for FY2021 and FY2022 benchmarking analysis, 36 independent companies were identified as comparable companies for benchmarking the arm’s length return of SGP as a contract manufacturer. For the purpose of the FY2023 benchmarking study, we employed the **December 2023 version** of the TP Catalyst database and conducted quantitative screening based on the latest financial data of the comparable companies. Detail results of the benchmarking analysis are as follow:

No	Company	Country/region	5-year weighted average	2022	2021	2020	2019	2018
1	ALCOM GROUP BERHAD	Malaysia	7.52%	12.87%	9.50%	1.70%	2.39%	3.10%
2	ALCONIX CORPORATION	Japan	3.53%	4.94%	7.53%	2.69%	2.28%	2.49%
3	ANHUI JINYU METAL MATERIALS CO.,LTD.	China	4.27%	3.07%	5.22%	3.93%	4.87%	5.10%
4	ASAHI-SEIKI MANUFACTURING CO LTD	Japan	2.12%	2.73%	3.39%	-1.87%	2.11%	4.08%
5	ATLANTIC CHINA WELDING CONSUMABLES INC	China	3.54%	2.72%	3.71%	5.82%	2.27%	2.98%
6	CENTURY EXTRUSIONS LIMITED	India	5.22%	5.32%	5.18%	5.83%	5.16%	4.78%
7	COSMOSTEEL HOLDINGS LIMITED	Singapore	3.42%	5.19%	4.39%	8.11%	3.72%	-2.91%
8	FUJI SEIKO LIMITED	Japan	2.63%	-0.67%	1.82%	-0.40%	5.24%	5.95%
9	GREEN PLUS CO.,LTD.	South Korea	8.44%	4.53%	6.52%	10.46%	11.60%	12.38%
10	GUANGDONG ALMETAL LIMITED COMPANY	China	5.46%	1.31%	5.75%	3.65%	8.01%	12.33%
11	GUANGDONG HOSHION ALUMINIUM O., LTD.	China	8.42%	10.15%	11.69%	8.08%	3.25%	3.42%
12	IYKOT HITECH TOOLROOM LTD	India	-0.87%	-35.06%	2.78%	0.56%	-1.19%	7.26%
13	JIANGSU ALCHA ALUMINIUM GROUP CO.,LTD.	China	0.45%	-2.60%	4.06%	3.41%	3.87%	-6.24%
14	JIANGSU DINGSHENG NEW MATERIAL JOINT-STOCK CO.,LTD.	China	6.06%	10.18%	5.70%	3.02%	3.25%	5.66%
15	JOUDER PRECISION INDUSTRY KUNSHAN CO., LTD	China	11.34%	9.52%	11.90%	8.09%	8.49%	18.57%
16	LB ALUMINIUM BERHAD	Malaysia	6.09%	7.44%	8.94%	7.79%	1.46%	3.28%
17	LINAN AOXING ELECTRONIC CO.,LTD	China	10.77%	4.11%	10.05%	17.13%	13.71%	11.73%
18	LITON TECHNOLOGY CORP.	Taiwan	17.40%	21.02%	20.44%	17.13%	10.20%	16.41%
19	MAAN ALUMINIUM LTD	India	5.13%	9.49%	5.60%	5.74%	1.93%	2.51%
20	MANAKSIA ALUMINIUM COMPANY LIMITED	India	4.85%	5.71%	5.35%	2.98%	5.42%	4.19%
21	MARUDHAR INDUSTRIES LIMITED	India	5.20%	N/A	3.76%	6.23%	6.43%	5.18%
22	NICHIDAI CORPORATION	Japan	1.45%	-4.16%	-4.11%	-3.04%	5.07%	8.66%
23	NIPPON LIGHT METAL HOLDINGS COMPANY LTD	Japan	4.76%	1.48%	4.46%	5.92%	5.58%	6.17%

Appendix B – Update of benchmarking analysis (Cont’d)

Detail results of the benchmarking analysis are as follow (Cont’d):

No	Company	Country/ region	5-year weighted average	2022	2021	2020	2019	2018
24	OSG CORPORATION	Japan	16.11%	18.16%	14.64%	8.75%	18.21%	20.69%
25	PG FOILS LTD.	India	6.84%	3.66%	12.04%	4.42%	4.31%	7.97%
26	PT INDAL ALUMINIUM INDUSTRY TBK	Indonesia	5.21%	-1.44%	8.00%	7.99%	4.41%	8.29%
27	PUNCH INDUSTRY CO., LTD.	Japan	2.97%	5.26%	7.90%	2.80%	-6.55%	6.42%
28	SHANDONG HONGCHUANG ALUMINUM INDUSTRY HOLDING COMPANY LIMITED	China	2.59%	2.02%	0.00%	-4.15%	15.67%	0.31%
29	SHANTOU WANSHUN NEW MATERIAL GROUP CO.,LTD.	China	3.86%	5.43%	1.13%	2.65%	4.54%	6.62%
30	SUDAL INDUSTRIES LIMITED	India	2.11%	2.39%	6.19%	5.46%	-6.87%	2.72%
31	SYNTHIKO FOILS LTD	India	3.68%	1.50%	5.94%	3.09%	3.70%	3.76%
32	TACHIA YUNG HO MACHINE INDUSTRY CO., LTD.	Taiwan	17.91%	24.87%	18.11%	10.79%	14.16%	19.16%
33	TIRUPATI FORGE LIMITED	India	11.38%	15.63%	11.15%	2.37%	2.08%	17.48%
34	TOKUDEN CO., LTD.	Japan	7.88%	9.10%	7.68%	6.08%	9.02%	7.42%
35	UACJ CORPORATION	Japan	3.18%	1.82%	8.15%	1.96%	1.67%	2.30%
36	WUXI AL-TOP NEW METAL MATERIAL CO., LTD	China	6.33%	1.28%	7.05%	9.54%	7.86%	7.45%
	No of observation		36	35	36	36	36	36
	Upper quartile		7.61%	9.30%	9.08%	8.02%	7.90%	8.38%
	Median		5.16%	4.53%	6.07%	4.94%	4.47%	5.80%
	Lower quartile		3.36%	1.66%	4.31%	2.68%	2.28%	3.23%

N/A: Not Available

Appendix C - Business descriptions of selected comparable companies

Appendix C – Business descriptions of selected comparable companies

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
1	ALCOM GROUP BERHAD	Malaysia	This company, formerly known as Aluminium Company of Malaysia Berhad, is a Malaysian-based enterprise engaged in the manufacture and sale of aluminum sheets and foil products in Malaysia and internationally. The company was incorporated in 1960. Its registered business office is based in Klang, Malaysia. It operates its business primarily in the domestic market. It is registered as a limited company. The company offers bare and coated fins to air-conditioner manufacturers. It also provides aluminum flat sheets for producing lighter bus body and billboards; aluminum tread or checkered plates; stucco embossed coils/sheets to produce inner freezer boxes, cold room internal walls, and refrigerator panels; aluminum coiled sheets for use in lighting casing and heat insulation materials; aluminum sheets for cap stock manufacturing; narrow width coils for stamping materials; flat sheets to produce aluminum kitchenware; and aluminum coiled sheets for use in architectural products, as well as painted sheets/coils, cladding sheets, composite panels, and capacitor coils. In addition, the company offers diaphragm or membrane foils for food packaging industry; cable foils for manufacturing telecommunication cables; and plain foils for manufacturing aluminum tapes, containers, packaging materials, and other applications. Further, it provides light gauge corrugated building sheets under the Payung brand; 7P, a trapezoidal profile for use in factories and warehouses, as well as in rubber, oil palm, cocoa, and rice mills; Comspan, a profile for large high performance roofs, such as power stations, industrial, or commercial buildings, as well as used on walls; and Alrib, a roofing sheet, which is used as insulation jacketing in power stations and chemical processing plants.
2	ALCONIX CORPORATION	Japan	This company, based in Japan, is engaged in the import/export and domestic sale of non-ferrous metal products and raw materials. It was established in 1981 and has registered headquarters located in Tokyo. The company offers aluminum products for home electric appliances, aircraft, and automobiles (rolled products, extruded materials, forged/cast products, and other fabricated products and parts); aluminum plate materials, and copper and alloys for foils, and printing plate; and copper and copper alloys (sheet, strip, rod, bar, and wire, and other fabricated products and parts). It also provides compound materials related to semiconductors and electronics; titanium products used for power generation plants, chemical plants, and shipbuilding; nickel products for iron and steel additives and secondary batteries; and rare metals such as titanium, tungsten, molybdenum, gallium, indium, and rare earth. The company is a subsidiary of Alconix Group.
3	ANHUI JINYU METAL MATERIALS CO.,LTD	China	This company is a Chinese-based enterprise engaged in drawing and insulating of nonferrous wire. The company was incorporated in 2008. Its registered business office is based in Tongling, Anhui, China. It is registered as a joint stock company. The company's business activities include drawing, drawing and insulating, and insulating wire and cable of nonferrous metals from purchased wire bars, rods, or wire. Also included are establishments primarily engaged in manufacturing insulated fiber optic cable.

Appendix C – Business descriptions of selected comparable companies (Cont'd)

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
4	ASAHI-SEIKI MANUFACTURING CO LTD	Japan	The Company is a Japan-based manufacturing company. The Company operates in two business segments. The Precision Machining segment is mainly engaged in the manufacturing and sale of various precision metal processing products and small-caliber bullets, among others. The Machinery segment is mainly engaged in the manufacturing and sale of press equipment, aircraft parts, spring machinery. The Company also outsources the businesses and manufactures molds through non-consolidated subsidiary. The Company established on 11 August 1953 and listed at NSE in October 1961.
5	ATLANTIC CHINA WELDING CONSUMABLES INC	China	The company, with registered head office located in Zigong City, China, is engaged in the manufacture and sale of welding consumables in China. Its products include welding electrodes, such as mild steel, cellulose, high toughness steel, low alloy steel, hardfacing, stainless steel, low temperature steel, heat resistant steel, cast iron, and Ni and Ni alloy rods; wires suitable for MAG, MIG, TIG, SAW, FCW, and MCW welding; and fluxes consisting of fused, sintered, and bonded types for submerged arc and electro slag welding applications. The company's products are used in power station boilers, pressure vessels, nuclear and space industries, bridges, ships, vehicles, petroleum and chemical industries, hydropower and thermal-power plants, metallurgical industries, skyscrapers, heavy machinery, and offshore drilling platforms. It was incorporated in 1999.
6	CENTURY EXTRUSIONS LIMITED	India	This company, based in India, is engaged in the manufacture of aluminum extruded products. It offers products for various applications, such as architecture and hardware, road transport vehicles, railways, electrical and electronic applications, engineering applications, auto sector, consumer durables, defense applications, irrigation, and other industrial applications. The company was founded by Shri M. P. Jhunjhunwala in 1991. Its registered business office is based in Kolkata, India. The company is the leading aluminium extrusion and profile manufacturer in India. It has a factory located at Kharagpur in West Bengal, India, with an installed capacity is 7,500 metric tons per annum. It has production facilities mainly comprising a re-melt shop for casting billets, tool room for manufacture of dies and two extrusions press lines. It has market presence all over India with its sales offices at Bangalore, Chennai, Delhi, Hyderabad, Kanpur, Kolkata and Mumbai. It also supplies material through trade and also directly to the end-users. The company aims to provide high quality aluminium extruded products and superior customer service with a focus on value-added products to ensure the customers get ready to use products.

Appendix C – Business descriptions of selected comparable companies (Cont’d)

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
7	COSMOSTEEL HOLDINGS LIMITED	Singapore	<p>This company, through its subsidiaries, operates as a supplier and distributor of piping system components to the energy and marine industries. It was incorporated in 2005 and formerly known as CosmoSteel Holdings Pte Ltd. It conducts business from its registered head office which is strategically located in Singapore, Singapore. It is listed on the Singapore Exchange (SGX) under the stock code B9S. The company is a leading supplier and distributor of piping system components in Southeast Asia. It offers an inventory of approximately 10,000 line items across its three main product categories of pipes, fittings, and flanges, comprising mainly of carbon steel or stainless steel products. The company's products are from a wide network of manufacturers and suppliers in Europe, United States and Asia, including Japan and the People's Republic of China. The company's mission is to be a foremost provider of industrial hardware and related services that exceeds customers' expectations through quality products, competitive pricing, on-time delivery, and responsive service.</p>
8	FUJI SEIKO LIMITED	Japan	<p>The Company is a Japan-based company mainly engaged in the manufacture and sale of carbide tools. The Company operates in four business segments. The Japan segment manufactures and sells carbide tools, including holders, tips, turning tools, cutters, drills, reamers and others, prototype parts for automotives, as well as metallic molds in Japan domestic market. The Asia segment mainly manufactures and sells carbide tools in Korea and China. The North America segment mainly offers carbide tools in the United States. The Oceania segment sells carbide tools, manufactures and sells buffering, packaging and lagging materials, as well as air cell mats. The Others segment manufactures and sells carbide tools in Europe. The Company was established on 1 March 1958 and listed on the second section of Nagoya Stock Exchange on October 4, 1982.</p>
9	GREEN PLUS CO.,LTD.	South Korea	<p>This company manufactures, processes, and sells aluminum products in South Korea. It is involved in the aluminum extrusion; and design, process, manufacture, construction, wholesale, and retail of aluminum bars, as well as manufacture, process, wholesale, and retail of other non-ferrous metals. The company also constructs greenhouses for botanical gardens, as well as steel structures; and designs and manufactures hi-tech materials for greenhouses. It was founded in 1997 and conducts business from its registered head office located in Yesan-Gun, Republic of Korea.</p>

Appendix C – Business descriptions of selected comparable companies (Cont'd)

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
10	GUANGDONG ALMETAL LIMITED COMPANY	China	This company, based in China, is engaged in the production and sale of aluminum sheet metal. It was founded in 2006 and has its registered headquarters based in Dongguan. The company's products are sold and distributed in domestic market through its comprehensive marketing network. The company makes use of display equipment with a large inventory of its products. Moreover, the company utilises knowledgeable sales personnel trained to provide support to various customer's needs.
11	GUANGDONG HOSHION ALUMINIUM O., LTD.	China	This company is engaged in alumina and aluminum production and processing. It was incorporated in 2005 and has its registered office in Zhongshan, China. The company's business operation specialized in refining alumina, making or producing aluminum from alumina, recovering aluminum from scrap or dross, alloying purchased aluminum, as well as capable of manufacturing aluminum primary forms such as bar, foil, pipe, plate, rod, sheet, tube, and wire. It has factory completely integrated in processing and aluminum, pouring molten metal into molds or dies to form castings as well as employs state-of-the-art technology and materials skilled in making, machining or assembling and cutting. Furthermore, the company perform operations, such as cleaning and deburring on the manufactured aluminum.
12	IYKOT HITECH TOOLROOM LTD	India	This company, established in 1989, is one of the leading designers and manufacturers of injection molds in India. It has its head office in Chennai, India. The company also supplies injection-molded components for a variety of industries including automotive and consumer products. It has designed and manufactured multi-cavity high precision injection molds for use in machines of size up to 1500 tons. The company offers the following three services to its customers: injection mold design, injection mold making and injection molding. The integrated nature of the company ensures that each business reinforce and gain strength from one another. The depth of its technical expertise, the quick turnaround time of its work and the cost effective nature of its services helps it to keep ahead of competition. Its solid project management skill ensures that customer's designs, molds and components are always delivered on time and in an efficient manner.

Appendix C – Business descriptions of selected comparable companies (Cont'd)

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
13	JIANGSU ALCHA ALUMINIUM GROUP CO.,LTD.	China	The company, with registered head office located in Changshu, China, is an aluminum fabricating company that is engaged in the research and development, manufacture, and sale of aluminum foils, sheets, and strips in China and abroad. It offers aluminum foils for use in home appliance, automobile, aviation, printing, and packaging industries, as well as for shutters and sheet metals. The company was founded in 2002.
14	JIANGSU DINGSHENG NEW MATERIAL JOINT-STOCK CO.,LTD.	China	The Company is mainly engaged in research and development, production and sales of aluminium sheet, strip and foil. The Company was founded on August 12, 2003, and changed to a limited company on July 29, 2008. It was listed and circulated on the Shanghai Stock Exchange on April 18, 2018. Its stock code is 603876.
15	JOUDER PRECISION INDUSTRY KUNSHAN CO., LTD	China	This company, founded in 2000, is engaged in the manufacture of precision dies and mold components. It is based on eastern region of China. The company conducts its business from its registered head office located in Kunshan, a prefecture-level city in the province of Jiangsu. The company's products and activities include: precision components for die, plastic mould, semi-conductor, forging die, precision components for automotive die, precision components for medical mould, spare parts series for medical instruments, automation parts and other precise machine parts. It aims to be the leading global manufacturer for precision dies and mold components.

Appendix C – Business descriptions of selected comparable companies (Cont’d)

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
16	LB ALUMINIUM BERHAD	Malaysia	This company is engaged in the manufacture and sale of aluminum extrusion. The company was incorporated in 1985 and has its registered head office in Negeri Sembilan, Malaysia. It mainly offers extrusion, expanded mesh, aluminum sheets/coil, and Fitting and accessories. The company's extrusion products are used, architecture and building construction, electronic components and electrical parts, furniture and interior decoration, and transportation. It is the largest supplier of aluminum extrusion in Malaysia and one of the largest aluminum extrusion manufacturers in South-East Asia. It aims to be a reputable global player and preferred partner recognized for its passion for quality, innovation and reliability in the aluminum industry. The company has its production facilities located on a 20-acre site in Beranang in the state of Selangor. Its integrated production facilities include nine extrusion presses with an annual production capacity of 36,000 metric tonnes. In addition to the above facilities, is a computerized die-mould manufacturing and design machining center, cad-cam aluminum profiles precision drawings and designs, and a test-rig. It is an ISO 9002 certified company. It has an extensive branch network with sales outlets cum warehouses in the major cities and towns in the Peninsular and East Malaysia, and a growing export markets in Sri Lanka, Mauritius, Singapore, United Kingdom, Australia, Hong Kong, New Zealand, Pakistan, Philippines, United States and Canada. It has other branches in Kuala Lumpur, Johor Bahru, Pulau Pinang, Kuantan, Kuching, and Kota Kinabalu. It also holds operations through its subsidiaries in Singapore and Thailand.
17	LINAN AOXING ELECTRONIC CO.,LTD	China	This company is engaged in electronic components manufacturing. It was founded in January 1974 and has its registered business office as well as its production facilities located in Lin'an, Zhejiang, China. The company develops the small part of aluminum electrolytic capacitor, aluminum case into one with the largest output in China and even in the world. It offers deep-drawn aluminum case, aluminum shell, aluminum plate strip and foil, aluminum sheet 1, aluminum sheet 2, aluminum sheet 3, aluminum Sheet 4, A-shaped aluminum case, B-shaped aluminum case, C-shaped aluminum case, chip type aluminum case, subminiature aluminum case, aluminum case with anti-explosion side wall, aluminum plate strip and foil, and other related products. It has state-of-the-art technology and equipment for manufacturing, as well as employs certified staff skilled in manufacturing operations in compliance with the standards and other technical specifications.

Appendix C – Business descriptions of selected comparable companies (Cont'd)

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
18	LITON TECHNOLOGY CORP.	Taiwan	This company is engaged in the manufacture, processing and trade of formed aluminium foils, as well as the production and distribution of electrolyte and electrolytic corrosion aluminium foils. It was established in November 1993 and is publicly traded on the Taiwan OTC Market under the stock code 6175 since June of 2002. It is headquartered in Miaoli, Taiwan. The company also has an aluminium foil plant in Yi-Chang, in mainland China's Hubei province. This facility is focused on building capacitor materials. Its formed aluminium foil and etched aluminium foil are used as materials for making aluminium electrolytic capacitors. The products of the company are distributed in the domestic market and to other countries in Asia. The company is a subsidiary of Lelon Electronics Corp., Taiwan's largest manufacturer of aluminium electrolytic capacitors.
19	MAAN ALUMINIUM LTD	India	The Company is engaged in the manufacture and sale of aluminum products. Its principal product includes aluminium extruded sections/profiles. It manufactures a range of shapes, which are used in automobiles, automation, air conditioning, architectural, building and construction, carpet profiles, curtain wall, doors, electrical, electronics, heavy engineering, hinge/handle, heat sinks, irrigation, ladder profiles, lighting, road transport, scaffolding, shutter, syntex, textiles, ventilation and windows.
20	MANAKSIA ALUMINIUM COMPANY LIMITED	India	This company, based in India, operates as a light engineering company in the field of metal packaging and other metal products. It was founded in 1984 and has its registered business office located in Kolkata. The company's major products manufactured by the company includes aluminium coils, aluminium plain sheets, aluminium roofing sheets, aluminium pre-painted/color coated coils, aluminium flooring sheets (5 bar and diamond pattern). It has an annual production capacity of 30,000 tons per year.
21	MARUDHAR INDUSTRIES LIMITED	India	This company is engaged in the manufacture and export of a range of pouches and packaging films. It was incorporated in 1983 and conducts business from its registered head office located in Ahmedabad, India. The company aims to satisfy customer's requirement by providing reliable quality product and services each time and every time. Its products include co-extruded three layer poly film, laminated printed film (with and without foil), laminated printed pouch, zipper pouches, standy pouches, scissor cut pouches, perforated pouches, jumbo aluminium foil laminated bag, six side seal pouches, gusset pouches, and aluminium foil with paper. It is recognized as one of the leading manufacturer of multi layer co-extruded blown film and flexible packaging material.

Appendix C – Business descriptions of selected comparable companies (Cont'd)

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
22	NICHIDAI CORPORATION	Japan	This company is engaged in the development, production and sales of precision forging dies and related molded products. It was established in May 1967 and has its registered head office located in Kyoto, Japan. The company operates in three business segments: Die, Precision Forging Parts and Assembly, and Filter. Furthermore, Die segment manufactures and sells precision forging dies, which are mainly used for cold forging operations, to automobile parts manufacturers, among others. and The Precision Forging Parts and Assembly segment is involved in the manufacture and sale of automobile parts, including parts for gears, variable geometry (VG) turbochargers and scroll compressors for air conditioners. The Filter segment supplies sintered metal filters that are used in the petrochemical, pharmaceutical, food and nuclear power fields. In addition, the company operates a manufacturing facility in Ujitawara-cho, Kyoto.
23	NIPPON LIGHT METAL HOLDINGS COMPANY LTD	Japan	The Company is a Japan-based company mainly engaged in the aluminum, chemicals and metals business, board and extrusion products business, processed products and related business, foil and powder product business. The Aluminum, Chemicals and Metals segment offers alumina, aluminum hydroxide, chemical goods, aluminum bullions, aluminum alloys and others. The Board and Extrusion Products segment provides aluminum sheets and aluminum extrusion products. The Processed Products and Related segment is engaged in the provision of processed aluminum products, including electronic materials, industrial components, landscape related products, panels for freezers and refrigerators, and transportation-related products, as well as carbon products. The Foil and Powder Product segment manufactures and sells foil and powder products. The Company was founded on October 1, 2012. The Company share was listed on the first section of Tokyo Stock Exchange and first section of Osaka Stock Exchange on October 1, 2012.
24	OSG CORPORATION	Japan	The Company is primarily engaged in manufacturing and selling precision machine tools. The Company's products include cutting tools, rolling tools, measuring tools, machine parts and others. The Company operates in four segments, including Japan, Americas, Europe and Africa, as well as Asia. Each segment is primarily engaged in manufacturing and selling precision machine tools. The Company was established on March 26, 1938. Its shares were listed on second section of Nagoya Stock Exchange in December 1964 and listed on second section of Tokyo Stock Exchange in December 1970. Consequently, it was transferred to listed on first section of Tokyo Stock Exchange and Nagoya Stock Exchange in June 1981

Appendix C – Business descriptions of selected comparable companies (Cont’d)

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
25	PG FOILS LTD.	India	The Company is engaged in the manufacture and sale of aluminum foil in its various forms. The Company's products include aluminum foil and its laminates, laminated flexible packaging with plastic and laminated flexible packaging with papers.
26	PT INDAL ALUMINIUM INDUSTRY TBK	Indonesia	This company is engaged in a diversified aluminum business. It was established in 1971, and it conducts business from its registered head office located in Surabaya, Indonesia. The company manufactures aluminum extrusions and fabrications, such as rolling mill, aluminum sheets, plant extrusion and gypsum board. It is one of the largest fully-integrated aluminum manufacturers in South East Asia. Its products are divided into three categories, namely: aluminum, which consist of aluminum extrusion products, heat sink products, ladder products, transportation products and furniture and interior decoration products; building construction, comprised of unitized facade cladding systems, skylights, partitions, window and door systems; and other, including aluminum composite panels and stainless steel water tanks. The company's mission is to be a market leader in aluminum extrusion and fabrication industry in Asia through innovation, continuous improvement and total commitment to positive growth.
27	PUNCH INDUSTRY CO., LTD.	Japan	This company is engaged in the manufacture and sale of mold and die components. It was founded in 1975 and has its registered head office in the city of Tokyo in Japan. The company's products include components for plastic molds such as straight ejector pins, shouldered ejector pins, rectangular ejector pins, ejector sleeves, center pins, straight core pins, steps-type core pins, ejector pins & corepins for die cast, date stamps / stoppers for cavity insert, angular pins/locking blocks, slide cores/guide rails, and sprue bushings/locating rings; components for press dies such as punches, block punches, pilot punches, button dies, block dies, punch guide bushings, punches & dies for forming, special shaped punches & dies, and retainers; and special order components for plastic molds such as special order ejector sleeves, special order center pins, special order core pins, special order slide cores, and special order sprue bushings / locating rings. The company has its plants in Kitakami, Miyako and Hyogo. Its sale offices are located in Kitakami, Sendai, Niigata, Utsunomiya, Kita-Kanto, Kanto, Nagano, Shizuoka, Kanazawa, Nagoya, Kyoto, Osaka, Hiroshima and Fukuoka in Japan.

Appendix C – Business descriptions of selected comparable companies (Cont’d)

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
28	SHANDONG HONGCHUANG ALUMINUM INDUSTRY HOLDING COMPANY LIMITED	China	This company has its registered head office located in Binzhou, China. The company was founded in the year 2000. Formerly known as Shandong Loftan Aluminium Foil Company Limited. It is engaged in the manufacture and sale of aluminium foil, sheet, and plate products. The company offers pharmaceutical foils, such as PTP pharma foils and soft packing pharma foils for pharmaceuticals packing; household foils for food packing; container foils that are used for punched packing containers, such as airline meal boxes and food packing containers; bottleneck foils for packing beer bottleneck cover; and cable foils for cable shielding.
29	SHANTOU WANSHUN NEW MATERIAL GROUP CO.,LTD.	China	The Company is mainly engaged in paper packaging materials, aluminium foil and functional film three major businesses.
30	SUDAL INDUSTRIES LIMITED	India	This company is engaged in the manufacture, sale, and export of aluminum extrusions for various industrial uses in India. It was formerly known as Sudarshan Aluminium Industries. The company has its registered office located in Nashik, India. It was incorporated in August 1979. The company produces round bars, double glass channels, square bar, tee, special bar, aldrip tee, flat bar, special tee (square bulb), hexagonal bar, special tee (bulb with radius), angle (equal), round tube, angle (unequal), square tube, angle (with radius), rectangular tube, angle (with serration), square tube (round corner), channel (equal thickness), rectangular tube (round corner), channel (unequal thickness), fluted tube, special channel, and oval tube. The company supplies its products to the automotive, building and construction, automation, air conditioning, electrical, electronic, marine, heavy engineering, transport, and furniture industries, railways, road transport authorities, and giants/multinationals such as BHEL, TELCO, Larson & Toubro, Philips, Siemens, Mahindra & Mahindra, Godrej, Bajaj Auto, Crompton Greaves, and Asea Brown Boveri Kirloskar Electrodyne. Its export markets include the United Kingdom, the United States, Germany, Singapore, the Middle East, and Sri Lanka. The company's mission is to work together and to achieve continuous improvement which will result in the profitable growth and financial strength of the company.

Appendix C – Business descriptions of selected comparable companies (Cont'd)

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
31	SYNTHIKO FOILS LTD	India	This company is engaged in the manufacture and sale of aluminum products. It was founded in 1984 and has its registered office located in Thane, India. The company is involved in one or more of the following activities: refining alumina; making (the primary production) aluminum from alumina; recovering aluminum from scrap or dross; alloying purchased aluminum; and manufacturing aluminum primary forms (such as bar, foil, pipe, plate, rod, sheet, tube, wire). It principally conducts its business operations within the country.
32	TACHIA YUNG HO MACHINE INDUSTRY CO., LTD.	Taiwan	The Company is principally engaged in the manufacture and distribution of stainless steel welded pipe fittings and ultra-clean pipe fittings. The Company's stainless steel welded pipe fittings include seamed stainless steel welded pipe fittings and seamless stainless steel welded pipe fittings. The Company is also engaged in the manufacture and distribution of carbon steel butt-welded pipe fittings. Its pipe fittings include elbows, tees, reducers, caps and thin-walled pipes.
33	TIRUPATI FORGE LIMITED	India	This company is engaged in forging, pressing, stamping and roll-forming of metal, as well as other related activities. It was incorporated in 2012. It conducts business from its registered head office located in Rajkot, India. This company's business activities include the manufacture and sale of metal stampings and spun products, including porcelain enameled and other related products. It is also involved in the manufacture and sale of household appliance housings and parts; cooking and kitchen utensils; and other related non-automotive job stampings.
34	TOKUDEN CO LTD	Japan	The Company is a company engaged in the welding and welding-related businesses. The Works segment is involved in the welding of manufacturing machinery for the steel making, petrochemical, cement, home electrical appliance, automobile and food industries, as well as facility maintenance-related welding for the steel and non-ferrous metal industries. The Welding Materials segment purchases, manufactures and sells special welding materials, including flux wires, coated electrodes, various wire rods and pulverized materials. The Others segment is involved in the sale of aluminum die-casting machine parts, including plunger sleeves, sprue bushes, plunger chips and ladles for automotive industry, the manufacture and sale of deodorization equipment, forced-air cooling apparatus. The Company was founded in February 1933 and its share was listed on JASDAQ Securities Exchange (JASDAQ) on June 14, 2006.

Appendix C – Business descriptions of selected comparable companies (Cont'd)

The business descriptions are provided by TP Catalyst database (December 2023 version).

No.	Company	Country	Business description
35	UACJ CORPORATION	Japan	The Company is a Japan-based company principally engaged in the manufacture and sale of aluminum rolled products. The Company operates in two business segments. The Rolling segment manufactures and sells the rolled sheet products, foil products, extruded products, casting products and forged products. The Processed Product segment is engaged in the manufacture and sale of other aluminum metal products. The Company was founded on December 10, 1964. Its shares were listed on Tokyo Stock Exchange 1st Section (TSE1) on December 2, 2005.
36	WUXI AL-TOP NEW METAL MATERIAL CO., LTD	China	This company is primarily engaged in the manufacture and wholesale distribution of metal ores and non-ferrous metals. It was founded in 2010 and has its registered business office located in Wuxi, China. The company specialises in the production of aluminum sheets. These products are sold and distributed in domestic market as well as overseas through its comprehensive marketing network. The company makes use of display equipment with a large inventory of its products. Moreover, the company utilises knowledgeable sales personnel trained to provide support to various customer's needs.

Appendix D - TP documentation requirement in Malaysia and Singapore

Appendix D – TP documentation requirement in Malaysia and Singapore

Master file preparation requirement and due date

Master File preparation			
Tax jurisdictions	Covered entities	Requirements/ Exemption thresholds	Due date
Singapore	MST	Not applicable	
	SPW		
	MOT		
Malaysia	SGP	Exemption for Malaysian headquartered groups with consolidated revenue equal to or less than MYR 3 billion. The Malaysian tax authorities have also indicated that they will request Master Files through information sharing provisions for non Malaysian headquartered groups (if not provided by the Malaysian subsidiary), where the Group is required to prepare a master file for any other location.	Preparation deadline: Not applicable Submission deadline: upon requested

Appendix D – TP documentation requirement in Malaysia and Singapore (Cont'd)

Local file preparation requirement and due date

Local File preparation			
Tax jurisdictions	Covered entities	Requirements/ Exemption thresholds	Due date
Singapore	MST	Taxpayers who met either of the following conditions must prepare TP documentation: Gross revenue derived from their trade or business is more than SGD 10 million for the basis period concerned; or TP documentation was required to be prepared for the basis period immediately before the basis period concerned Specified transactions qualifying for exemption from TP documentation: 1. Related party domestic transaction subject to same tax rate 2. A related party domestic loan is provided between the taxpayer and a related party in Singapore and the lender is not in the business of borrowing and lending money 3. Taxpayer applies the indicative margin for a related party loan not exceeding SGD 15 million 4. Routine support services on which 5% cost mark-up is applied 5. Related party transaction covered by advance pricing agreement (To be cont'd in the following page)	Preparation deadline: by the filing due date of tax return Submission deadline: upon request
	SPW		
	MOT		

Appendix D – TP documentation requirement in Malaysia and Singapore (Cont’d)

Local file preparation requirement and due date

Master File preparation			
Tax jurisdictions	Covered entities	Requirements/ Exemption thresholds	Due date
		(Cont’d) 6. Related party transaction not exceeding certain value <ul style="list-style-type: none"> • Purchase of goods: SGD 15 million • Sale of goods: SGD 15 million • Loan from a related party: SGD 15 million • Loan to a related party: SGD 15 million • Provision of service to a related party: SGD 1 million • Provision of service from a related party: SGD 1 million • Grant of a right to use movable property to a related party: SGD 1 million • Grant of a right to use movable property from a related party: SGD 1 million • Lease of any property to a related party: SGD 1 million • Lease of any property from a related party: SGD 1 million • Grant of a guarantee to a related party: SGD 1 million • Grant of a guarantee from a related party: SGD 1 million • Any other transaction: SGD 1 million 	
Malaysia	SGP	To ease compliance burden persons referred to do not include individuals not carrying on a business, further- (a) for a person carrying on a business, the requirements apply wholly to a business with gross income exceeding RM25 million, and the total amount of related party transactions exceeding RM15 million. (b) where a person provides financial assistance, the requirements on financial assistance are only applicable if that financial assistance exceeds RM50 million. The Guidelines do not apply to transactions involving financial institutions.	Preparation deadline: 7 months from the end of the financial years Submission deadline: upon request