NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED
(Company Registration Number 199902564C)
(Incorporated in Singapore on 13 May 1999)

ANNUAL GENERAL MEETING TO BE HELD ON 25 APRIL 2025

RESPONSES TO QUESTIONS FROM SHAREHOLDERS

The Board of Directors (the "**Board**") of Nanofilm Technologies International Limited (the "**Company**") wishes to thank shareholders for submitting their questions in advance of the Annual General Meeting ("**AGM**") to be held physically at 11 Tai Seng Drive, Singapore 535226 on Friday, 25 April 2025, at 10.00 a.m..

The following are the responses to the substantial and relevant questions raised.

Question 1: Dr Shi Xu has an outsized influence and control on the Group with close to 50% shareholding and numerous executive roles. This can potentially lead to key man risks (personality, health, network, relationships, abilities etc.), succession planning concerns and negative perceptions on corporate governance and performance. In this regard, has the controlling shareholder considered reducing his responsibilities and shareholding level and attracting other strategic investors to come in and improve performance and perception for the Group?

Response:

The Group recognises the importance of managing key man and concentration risks. While Dr Shi's entrepreneurial vision, deep industry expertise, and long-term commitment remain critical to the Group's growth, he is progressively building a professional management team to assume day-to-day operational responsibilities.

Governance remains a priority, with four out of five Board members being independent, including a Lead Independent Director, ensuring robust oversight and strategic balance.

While there are no current plans to reduce Dr Shi's shareholding or executive involvement, the Group remains open to strategic partnerships aligned with its long-term growth and value creation goals.

Question 2: The operational performance of the Group and the haphazard senior management changes since IPO 5 years ago have been dismal to watch for minority shareholders. Has the Board reached out to the Company's strategic investor or partners such as Temasek to seek out high-performing C-level staff? What other challenges are the Company facing in finding the right CEO and talent to scale its business sustainably?

Response:

The Group acknowledges shareholders' concerns regarding past leadership transitions since the IPO. We fully recognise that strong and stable leadership is essential to long-term business performance and market confidence.

Since IPO, we have taken deliberate steps to refine our leadership structure and talent acquisition approach, ensuring better alignment with our growth trajectory and evolving operational needs.

With Dr Shi stepping in to helm the Group, our immediate focus is on strengthening operations and our strategic execution, and deepening customer and technology development. His leadership ensures continuity of vision, technical direction, and close alignment with our customers' long-term plans.

Given this, the search for a new CEO is not an urgent priority at this time. Instead, we are taking a measured and forward-looking approach to leadership succession planning, including strengthening the broader management bench across key functions such as finance, operations, systems, and commercial development.

We continue to engage our strategic partners and external networks to identify and nurture future leaders who can eventually assume greater responsibilities. Our goal is to build a resilient, performance-driven organisation that balances deep technical heritage with professional management capabilities.

Question 3: Can the Group share with shareholders the specific rationales for the significant capex spending for the past few years and why was it not more prudent when the present utilisation rate is so low? For instance, intermediate goods could have been shipped from existing sites in China for final assembly in Vietnam or India, possibly averting US tariffs on any single country. Why were new Chinese sites even built? Alternatively, why was the JV with the Group's key partners not considered, which could have considerably reduced its risk and capital outlay? Also, did the Group study thoroughly the respective tax and trade agreements before commencing on its expansion spree and can it articulate the rationale out for shareholders' awareness?

Response:

The Group's recent capital investments were guided by long-term strategic alignment with a key customer and the broader decentralisation of the global 3C supply chain. Our expansions into Vietnam and India were customer-driven, enabling us to support regional operations, deepen integration, and diversify our customer base, particularly with leading Chinese and Asian clients.

Where feasible, we adopted capital-efficient models such as factory-in-factory arrangements to reduce upfront outlay. The greenfield investment in Vietnam was made to meet specific technical and volume requirements that could not be fulfilled by existing infrastructure.

Intermediate goods transfer was considered, but technical requirements and customer mandates for near-site processing necessitated localised capabilities. Prior to expansion, we conducted thorough evaluations of tax regimes, trade agreements, and tariffs to ensure compliance and cost efficiency.

Looking ahead, capex will taper, and we are actively optimising asset utilisation, including equipment relocation across sites. We remain open to JVs or partnerships where strategically aligned and value-accretive.

Question 4: After the extensive expansion in 2024, what are the capex and working capital needs of the Group in 2025 and beyond? Is the management able to share any revenue and FCF forecast for 2025? What is the capital management and distribution policy of the Group going forward?

Response:

While the Group does not provide forward-looking financial forecasts, we can share the following post-expansion outlook:

- **Capex and Working Capital:** Capital expenditure is expected to moderate after the 2024 build-up, with a focus on optimising existing assets and targeted investments to support operational ramp-up. Working capital will continue to be managed prudently, with emphasis on improving cash cycles and aligning resources with business needs.

- **Capital Management and Distribution Policy:** We adopt a disciplined capital management approach to support growth while preserving financial flexibility. Dividend distributions will be considered based on earnings, capital needs, and investment priorities, with the aim of delivering sustainable shareholder returns.

Question 5: The current ROE given the high asset base of the Group is considered uninvestable by most institutional investors, which is reflected in the current share price and liquidity. How is the Group intending to turn this around decisively in the absence of an increase in sales – are there plans to right-size its workforce or optimise/automate its processes in the near-term?

Response:

We acknowledge the concern around our current ROE, which is a result of our deliberate investments in infrastructure and capabilities to support future growth. While topline expansion remains a medium-term objective, our near-term focus is on driving operational efficiency and capital productivity. This includes process optimisation, automation of labour-intensive functions, and selective right-sizing where appropriate. In parallel, we are undertaking a comprehensive review of our cost structure and asset utilisation to improve margin resilience. These steps are expected to strengthen our returns profile even in a steady-revenue environment.

Question 6: Hydrogen as a new energy source has numerous drawbacks and it might take many years to take off, if at all. Even with this open knowledge, can the management explain to its shareholders why the Group is pursuing and spending your precious resources on Sydrogen? Is it for some high-minded mission or to increase the bottomline because at the moment, it seems more like the former, which is not what a listed company should be doing. The main and some say sole reason for existence of a listed company is to pursue profits.

Response:

While the hydrogen energy market is still evolving, certain segments and geographies, particularly China and Europe, are already seeing tangible growth, underpinned by strong government and policy support. These are also the core markets where Sydrogen is actively focused.

Our continued investment positions us to capture early-mover advantages in these regions, especially in the coating of metallic bipolar plates for hydrogen fuel cells, where Sydrogen is already a market leader in China. This leadership, supported by our proprietary technology and R&D-driven innovation, provides a scalable and defensible growth platform.

We believe this is a strategic and disciplined use of resources aimed at building long-term shareholder value, aligned with global decarbonisation trends and our core capabilities in advanced coatings and system integration.

Question 7: What are the key considerations when making the decision to sell certain coating equipment over retaining the equipment and having customers return to the company for coating solutions instead?

Response:

The decision to sell coating equipment versus providing coating services is guided by strategic and commercial considerations:

- **Revenue Model**: Coating services offer recurring revenue and deeper customer engagement, whereas equipment sales are one-off and can lead to revenue volatility.

- **Market Potential**: We prioritise service provision where coating volumes are substantial and scalable. Our surface solutions are critical enablers in these applications.

- **Strategic Seeding**: Equipment sales are selectively used to seed nascent or underpenetrated markets—such as glass lens moulds or renewable energy—where service-based models are not yet viable.

- **Core Market Protection**: We do not sell equipment into sectors like 3C where we currently offer coating services, to avoid cannibalising recurring revenue and to preserve competitive advantage. In addition, equipment sales are evaluated with respect to the business model of the target application; for example, we would not enter into direct competition in solar cell manufacturing, even as we continue to provide advanced solutions to the solar cell industry.

Question 8: In view of the string of tariff announcements by the US since 2 April 2025 and uncertain global trading environment that ensued:

a. Is the management maintaining the 2025 outlook for various business units, namely – AMBU, IEBU, NFBU and Sydrogen – as provided during the announcement of FY2024 results?

b. Are there suggestions from existing or potential customers that Nanofilm may need to set up production facilities in the US?

Response:

There is currently no change to the Group's 2025 outlook for AMBU, IEBU, NFBU, and Sydrogen as announced with the FY2024 results.

Our direct exposure to the US is limited. Broader impact may be felt indirectly. As the implementation of the U.S tariffs are still in early stages, the Group is closely monitoring its potential impact.

We are evaluating all available options and remain in close dialogue with our key customers to understand their evolving needs. The Group remains committed to supporting our customers wherever their supply chain strategies lead, while balancing long-term strategic alignment, capital efficiency, and operational viability.

BY ORDER OF THE BOARD
NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED

Lim Kian Onn
Chief Financial Officer

19 April 2025