



NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED

(Company Registration No.: 199902564C)
(Incorporated in Singapore on 13 May 1999)
(the “Company”)

APPENDIX 2

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS AT
THE EXTRAORDINARY GENERAL MEETING HELD ON 6 NOVEMBER 2025**

Question 1: It was mentioned that Sydhogen is a leading player in the Chinese market. Which sector does Sydhogen operate in? Given the strong demand for energy security and optimisation in the data centre sector, is the Group currently involved in this sector or in any other sectors?

Answer 1: Nowadays, the focus of the hydrogen sector in China is on heavy vehicles and heavy-duty transportation, For Sydhogen's market-leading coatings, the 15 engine fuel cell stacks (or models) that Sydhogen qualified for, belong to this sector's supply chain. These stacks go into engines range from 200 to 350 kilowatts and are designed specifically to address the needs of the heavy-duty vehicle market. This market is also central to China's strategic approach to hydrogen, making it the key market in this sector.

Mr. Gian Yi-Hsen, Group
Chief Strategy Officer

In the data centre sector, the Group is working on some related technologies. However, the Group is not yet at a stage where it can share further details.

The Group is active in all key relevant markets. While hydrogen is one of the major focus areas, the Group also operates in consumer electronics, industrial coatings, and optical sensing. Some of these markets are related to artificial intelligence (“AI”). However, AI is not a primary focus of the Group.

Question 2: Is Sydhogen currently considering establishing industry standards for its bipolar plates that would position its bipolar plates as the benchmark and gain global recognition as a leading product within the industry? Can Sydhogen move forward to set such standards and ensure that its bipolar plates are recognised as the best in the market?

Answer 2: In the Chinese market, Sydhogen's coatings for fuel cell bipolar plates are regarded as the gold standard by companies seeking high-quality coatings and they serve as a benchmark in the industry. However, establishing official standards in China is challenging, as it requires active participation in the standards committees.

Mr. Gian Yi-Hsen, Group
Chief Strategy Officer

Question 3: Sydhogen is also involved in the electrolyser business. Is Sydhogen exploring upstream processes for the separation of water into hydrogen? Given the abundance of solar power and hydropower dams in China, Sydhogen should aim to lead in this area, as it holds significant potential for the future.

Answer 3:

Mr. Gian Yi-Hsen, Group
Chief Strategy Officer

Sydhrogen has engaged in research and development (“**R&D**”) work in the area of electrolyzers. A major challenge for components in electrolyzers is the significant usage of platinum and other precious metals. However, Sydhrogen’s technology can significantly reduce the use of these costly metals, potentially down to “zero”. This is both environmentally beneficial and cost-effective. Sydhrogen has achieved good results so far and is working on the commercialisation along with its partners.

Question 4:

There is no benefit in being the pioneer, investing heavily in R&D and undertaking all the challenging groundwork, only for competitors to enter the market without bearing these costs. Can these impact the bottom line that the Group aims to achieve?

Answer 4:

Dr. Shi Xu, Executive
Chairman and Group Chief
Executive Officer

The Company is a deep-tech company that has been operating for 27 years, with its journey focus on the conversion and commercialisation of innovative technology. As a coating company, the Company pioneered the Filtered Cathodic Vacuum Arc (“**FCVA**”) technology. After many years of coating technology development, the market is now adopting this innovative technology. When the Company first started 35 years ago, the usefulness of this technology in the industry was then largely doubted. Founded in 1999, the Company initially had only one commercial application. Through extensive engineering efforts and technology maturation, FCVA and the coatings generated through this technology have proven to be unique and market leading. The Company has earned its reputation as the technology leader in FCVA technology, producing superior coatings and industrial equipment in this sector. The Company’s technology has been used in many applications in different industries, and the demand for the technology continues to grow.

Since its initial public offering (“**IPO**”), the Company has faced operational challenges and has continuously sought to improve efficiency. Each year, the Company’s announcements and annual reports have outlined clearly the difficulties encountered and the solutions implemented to address them. In particular, following the COVID-19 pandemic, business conditions have improved and continuous progress is reflected in the Company’s recent financial results. The Company distinguishes itself from many other companies in the market due to its involvement in pioneering technology. The Company is proud to be deeply involved in the deep-tech sector, a field that demands patience, especially in coating technologies where the evolution of this industrial segment tends to be slow.

The Company is not yet heavily involved in wafer-level production. Its coatings are applicable across a wide range of industries and applications. While the Company cannot pursue all opportunities at once, it focuses over time on the most promising applications in a step-by-step manner. The first focus that the Company pursued was on mechanical applications, specifically wear resistance, where the Company has performed well and continued to grow. The Company then expanded into combined decorative and mechanical applications, an area in which the Company has also established a strong global position. Currently, the Company is increasing its presence in the optical sector. The Company is continuously considering how to achieve business growth with its technological strengths and to gain a better advantage. At the present, the Company’s business model primarily involves providing coatings on base materials. In most cases, the Company does not produce the

base materials itself, as these are supplied by other third parties, forming part of the supply chain. Therefore, the Company's first priority is to excel within this supply chain. Once it achieves strong performance in this level, it can then explore opportunities for greater vertical integration to further enhance its position.

The Company will continuously evaluate opportunities to commercialise its technology in areas that can enable faster growth. While it is already involved in back-end processes, the Company is also exploring into front-end activities. The Company remains comparative and distinctive in the market, providing unique products such as those from Sydhrogen. Its coatings are impeccable, particularly in the fields of fuel cells and electrolyzers. However, these coatings need to be applied to third-party products and integrated into final products such as fuel cell stacks, which depends on the wider industrial ecosystem. The development of the entire industry, along with increasing demand from the economy and society, will continue to drive the advancement of this new energy segment.

Looking ahead to the next five years in China, batteries are expected to take a back seat, with the emerging focus centred on hydrogen. The Chairman expressed hope that this will mark a significant stage of growth in China, where the Company is well positioned in this sector. The Company is not only investing in, but is also producing high-quality standalone energy systems, building a broad range of solutions for the hydrogen economy. Hydrogen is expected to play a crucial role in the future, and the Company is fully engaged in this journey.

Over the years, the Company has emerged as the top tier provider of high-quality coatings and has secured the second position in the electrolyser and fuel-cell markets. This reflects the Company's significant progress and the success of its commercialisation efforts. Despite starting with minimal presence in the field, the Company has advanced rapidly, built strong capabilities through its expertise, commitment, and ability to deliver complete commercial solutions. Cost efficiency has consistently been a central focus in the Company's development strategy.

Answer 4:

Mr. Kay Lim Kian Onn,
Group Chief Financial
Officer

To put the numbers into perspective, the Company has consistently generated positive net operating cash flow since the IPO. With regard to the cash movement observed since the IPO until now, this is largely explained by the Company's investment activities. Over the past five years, we had invested more than SGD315 million. In addition, over the past three years, we had incurred approximately SGD100 million in R&D and engineering expenses. These investments align with the Company's strategies which, as Dr. Shi had outlined earlier, include continuing innovation, productization, and the "China-plus-one" strategy approach as the Company build global sites. Based on the Company's strategic decisions made a few years ago, these investments had positioned the Company well to navigate current global tensions, including tariffs and the growing separation between China and international markets.

In 2023, the Company reported revenue of SGD7 million and net profit after tax of around SGD3 million. However, it is important to note that even during this period, the Company generated an EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization) of SGD15 million. The impact on the Company's bottom line is primarily attributable to depreciation and taxation, direct results of the same

SGD315 million in long-term investments that the Company had made. These investments include building factories in Vietnam, making acquisitions in Europe, and expanding multiple sites across China. Naturally, the asset-return profile will take time to mature, as these are long-term assets. Their performance must progress in tandem with customer developments as the Company calibrates its investments to support new business growth. In line with the Company's China customer strategy and its market-entry roadmap, execution will take time. However, it is now beginning to see the results of these efforts, and the early signs of a turnaround are already visible.

The goodwill is recorded in Sydrogen, the target company. At the Group's level, this goodwill will be eliminated upon consolidation, and therefore no goodwill will appear in the Group's consolidated financial statements.

Answer 4:

Mr. Gian Yi-Hsen, Group
Chief Strategy Officer

One of the key motivations for the Proposed Acquisition was to enable further optimisation within the Group. By owning 100% of Sydrogen, the target company, the Company will be able to utilise accumulated tax losses more effectively and streamline operations. Full ownership also provides greater flexibility to integrate functions, optimise resources across business units, and leverage shared capabilities within the Group. Taking all these factors into consideration, it is believed that this approach not only supports the Company's long-term strategic objectives but also delivers short-term optimisation benefits.

Question 5:

Would Sydrogen consider selling the units it produces for power supply to data centres or to overseas markets that require power-storage solutions? Additionally, would Sydrogen consider offering these units on a rental basis in the future? The rental of power-supply systems is a significant business in many markets, including for off-site or temporary power solutions and could potentially become a new business arm for Sydrogen.

Answer 5:

Mr. Gian Yi-Hsen, Group
Chief Strategy Officer

At this stage, Sydrogen's primary focus is to advance business ventures relating to these units as part of its initial market-entry strategy. The anticipated launch market is the United Kingdom ("UK"), and Sydrogen is actively working in this area. Market reception in the UK has been very encouraging. Sydrogen is currently exploring the regulatory pathway to ensure that its solutions can be recognised as a viable alternative in the future.

Question 6:

How is the Proposed Acquisition being funded, and what benefits is it expected to bring to the Company in the short, medium, and long term?

Answer 6:

Mr. Kay Lim Kian Onn,
Group Chief Financial
Officer

The Proposed Acquisition will be funded through the Company's internal cash flow.

Question 7:

Would the Proposed Acquisition have an impact on the Company's debt ratio?

Answer 7:

Mr. Kay Lim Kian Onn,
Group Chief Financial

No. It will not increase the Company's debt ratio.

Officer

Question 8: How will the Proposed Acquisition be funded?

Answer 8: The Company has been generating positive operating cash flow and the Proposed Acquisition will be funded by internal cash flow.
Mr. Kay Lim Kian Onn, Group Chief Financial Officer

Answer 8: In the short term, having Sydrogen as a wholly owned subsidiary allows the Company to achieve optimisation of assets, people, products and costs. Previously, due to the joint venture structure, certain assets were sequestered and could only be used by Sydrogen or for Sydrogen-related activities. Now, the Company can utilise these assets for the Group's activities as well. Additionally, team members who previously had to be dedicated solely to Sydrogen can now support other business units. This enables a more streamlined organisational structure with greater optimisation opportunities across teams and processes. Furthermore, while the Company previously had limited exposure to automotive customers, Sydrogen brings with it a significantly larger automotive client base in China. This creates cross-selling opportunities, allowing the sales teams and other functions to extend their reach into Sydrogen's customer network. Previously, this was limited due to organisational separation. Overall, these changes present significant optimisation opportunities.

In the long term, the Company remains confident in the hydrogen market and intends to continue its presence in China, where the hydrogen sector is already growing. As noted, the Company aims to ensure a solid bottom line by avoiding investment too far ahead of market readiness and instead investing appropriately to meet markets that are prepared for the Company's products. It is believed that, with the Company's current production capacity in China, only moderate capacity increases will be required in the short to medium term. This will allow the Company to capture a significant market share and maintain its position as the market develops. When the hydrogen market takes off, it will be expected to be as significant as the electric vehicles (EV) market. Hydrogen is the ideal solution for heavy-duty vehicles, as previously mentioned. Ultimately, China will seek to reduce reliance on diesel and lessen dependence on the United States and others for energy security. This represents a major strategic opportunity as China's hydrogen market is expected to grow substantially, and the Company aims to be well-positioned to capitalise on this. This forms the core of the Company's long-term strategy which is believed to maintain the Company's competitiveness and enable it to optimise opportunities in both the short and long term.

Question 9: Can the targeted figures for Sydrogen's profit be provided for this year, next year and the following year? Could these numbers be presented in a simple format to help Shareholders understand?

Answer 9: The exact figures on profit are not yet available. However, at the operational level, particularly for the business in China, it is expected to come close to breaking even. This indicates that Sydrogen has sufficient business volume. The Company's primary focus should be on maintaining low costs and that the Company will continue to remain engaged and be ready in the market.
Mr. Gian Yi-Hsen, Group Chief Strategy Officer

Question 10: How does the Company determine that the purchase price of the Proposed Acquisition represents fair value? Has the necessary valuation work been conducted to support the acquisition?

Answer 10: The Proposed Acquisition was negotiated with the Vendor on a willing-buyer, willing-seller basis. It is believed that the purchase price represents a favourable discount on the net investment made by both parties. Overall, the Company expects to realise optimisation benefits following the acquisition.

Mr. Gian Yi-Hsen, Group Chief Strategy Officer

Answer 10: While an independent valuation has not been conducted specifically for the Proposed Acquisition, an independent valuation was carried out earlier in accordance with the financial reporting requirements. Based on the valuation report dated 8 March 2025, 100% of Sydrogen, the target company is valued at SGD147.7 million. Reference was made to Page 13 of the Circular.

Mr. Kay Lim Kian Onn, Group Chief Financial Officer

Question 11: Is the Proposed Acquisition an interested party transaction?

Answer 11: No, the Proposed Acquisition does not constitute an interested party transaction.

Mr. Kay Lim Kian Onn, Group Chief Financial Officer

Question 12: Does Sydrogen already have substantial business in the pipeline to break even next year, and achieve recurring returns in the following year? Could clarification be provided on the numbers?

Answer 12: Contrary to common belief, the Company has been operating in China for more than 20 years and has consistently been highly profitable in that market. Currently, over 70% of the Company's revenue is generated from China. The main factor affecting the Company's bottom line is not its operations in China, but the investments made in other areas. For example, the Vietnam site is currently loss-making, and these losses, combined with management costs, have impacted overall results. The profitability of Sydrogen is expected to improve over time, in line with the strategy being implemented. Improvements are anticipated over a period of approximately three to five years, during which clearer progress is expected.

Mr. Kay Lim Kian Onn, Group Chief Financial Officer

Answer 12: Over the past few years, the losses in Sydrogen have been primarily attributable to investments in R&D and project development. At the same time, the Company has observed increasing sales in China, particularly for certain energy-source products. Assuming that the market continues to improve as expected, the Company anticipates generating sufficient revenue to cover operational expenses.

Dr. Shi Xu, Executive Chairman and Group Chief Executive Officer

While ceasing R&D entirely would allow cash break-even to be achieved more quickly, the Company intends to continue with a reduced level of R&D expenditure, as it remains strategically important. A strong portfolio of coatings for both electrolyzers and fuel cells has already been developed, and significant progress has been made in developing several related technologies.

Looking ahead, it is believed that the Company is well equipped for the next phase. The necessary capabilities have been built, products are ready for sale, and sales have already commenced. Assuming the presence of strengthened policy support and an improving market environment, particularly as the energy transition remains a top priority

for the next five years, current sales are expected to continue growing, resulting in stronger financial performance.

Ultimately, the outcome depends on the level of risk the Company chooses to take. However, the Company does not foresee a continued need for borrowing and intends to take a disciplined approach until clearer market improvements and stronger demand for next-generation products are observed.

In summary, the Company is well prepared:

- Necessary investments have been made.
 - Products have been developed.
- The Company has achieved market recognition as leading coatings supplier.

The task ahead is to capitalise on these strengths and convert them into sustained sales, even in the current challenging market environment.

Question 13: Did Toyota use Sydrogen's bipolar plates?

Answer 13: The Company is unable to comment on this specific point but
Mr. Gian Yi-Hsen, Group Chief Strategy Officer Sydrogen works with all major industry players.

Question 14: Does the Company expect to develop higher-kilowatt systems in the future, possibly for larger applications such as big ships?

Answer 14: This is a possibility. The maritime sector is an area the Company is
Mr. Gian Yi-Hsen, Group Chief Strategy Officer actively exploring and that the Company continues to monitor developments in both technology and policy in this sector.

Question 15: Does the Company have a marketing strategy to promote its products, even they already have a strong market presence? In other words, could a marketing strategy or rebranding help to enhance the Company's position or perception in the market?

Answer 15: The Company is making significant investments in marketing and
Mr. Ian Howe, Group Chief Commercial Officer sales. On the marketing side, three to five key areas have been identified in collaboration with the Sydrogen team to drive success. A comprehensive marketing strategy is being rolled out, beginning with enhancement to the Company's website and digital marketing efforts. In parallel, the Company is conducting extensive market research to gain a deeper and clearer understanding of the target applications and customers. This allows the Company to create the correct content to engage effectively with prospective customers. The final step in the approach is a clear go-to-market strategy, which involves identifying the most relevant channel partners to accelerate market development. Overall, the Company is investing several millions into marketing across the Group, with a significant portion allocated to Sydrogen.

Question 16: Singapore government has allocated a S\$5 billion budget to support small and medium sized enterprises ("SMEs") and has shown strong support for high potential SMEs, including access to financing and other programs. Given this, how has the Company benefited from these initiatives?

Answer 16:

Mr. Ian Howe, Group Chief
Commercial Officer

The Company is accessing this type of government funding to partially support activities such as exhibitions in Europe and China, which have already utilised this year. Discussions are ongoing to secure additional support under these government initiatives.