

EXPANDED  
OPPORTUNITIES  
WIDENED  
REACH



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# CORPORATE PROFILE

Nanofilm Technologies International Limited ("Nanofilm" or the "Company" and together with its subsidiaries, the "Group") is a leading provider of nanotechnology solutions, leveraging its proprietary technologies, core competencies in R&D, engineering and production, to provide technology-based solutions across a wide range of industries. Nanofilm's solutions serve as key catalysts enabling customers to achieve high value-add advancements in their end-products in an environmentally sustainable manner.

Nanofilm offers surface solutions based on vacuum deposition, including using its patented Filtered Cathodic Vacuum Arc ("FCVA") technology. Nanofilm's nanotechnology-based solutions are utilised in a wide range of industries such as computer, communications and consumer electronics ("3C"), automotive, precision engineering, printing and imaging, and new energy.

Listed on the Mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST") on 30 October 2020, Nanofilm is a constituent of the FTSE ST All-Share Index, FTSE ST China Index, FTSE ST Large & Mid Cap Index, FTSE ST Mid Cap Index, MSCI ACWI Small Cap Index, MSCI Singapore Small Cap Index, and the MSCI World Small Cap Index.

Currently, Nanofilm owns more than 90 patents and trademarks, not including over 70 applications which are pending. The Group has over 400 employees worldwide engaged in R&D and engineering and it has achieved a daily turn-around capacity of over 5 million high volume and high mix parts.

**OUR MISSION**  
**THE KEY CATALYST TO ENABLE ADVANCEMENT OF OUR CUSTOMERS' PRODUCTS IN A SUSTAINABLE MANNER.**

**OUR VISION**  
**INTEGRATING NANOTECHNOLOGY IN ADVANCED MATERIALS AND NANOPRODUCTS INTO OUR DAILY LIVES.**

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## AUTHENTICITY

- Open, Candid, Sincere
- Tactful & Respectful
- Honest

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## HIGH-PERFORMANCE CULTURE

- Decisive, Agile
- Strive for the Best Results
- Communicate Amply
- Outcome-Oriented
- Challenge Assumptions, Adjust where Necessary

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## OWNER'S MINDSET

- Sense of Belonging, Cohesion
- Regard Nanofilm's Business As Own
- Infinite Mindset
- Nanofilm's Long-Term Interest As Prime
- Winning Together

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## CUSTOMER FIRST

- There is no Nanofilm without the Customer
- Listen Deeply for Customers' Needs
- Proactively Provide Solutions

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## RESILIENCE & PERSEVERANCE

- Indomitable Spirit
- Learning from Setbacks
- Insist on Doing the Right Thing and Doing it Right

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## INNOVATION AS OUR DNA

- Idea generator
  - Cumulative Innovation Capability
  - Growth Mindset
  - Life-Long Learning, Continual Improvement
- 

# MAKING THE WORLD A BETTER PLACE

*Through ubiquitous applications of our deep technology capabilities*

# CHAIRMAN'S MESSAGE

## DEAR STAKEHOLDERS,

We had a very challenging year in 2022, due to global macro headwinds and the COVID-19 situation in China, which impacted our operations both directly and indirectly. However, despite these operational challenges, we have managed to achieve important milestones and technological breakthroughs during the year.

The outlook for 2023 remains challenging, and we are responding to the ever-changing business environment by staying focused on executing our strategy and implementing tighter cost management measures with the aim to deliver sustainable growth. The long-term future of Nanofilm still remains bright, as it is underpinned by our Deep-Tech platform, technological innovations, engineering expertise, business and product development, and operational excellence. The Group is well positioned to capitalise on many exciting opportunities ahead, especially in the areas of New Energy, Consumer and Industrial, and stakeholders should be confident of our growth path ahead as they continue the Nanofilm journey with us.

## UNPARALLELED DEEP TECH PLATFORM

Nanofilm is a Deep-Tech company with unique strengths and a resilient business model that is anchored on our Deep-Tech platform. It is our technology platform that differentiates us from other technology companies.

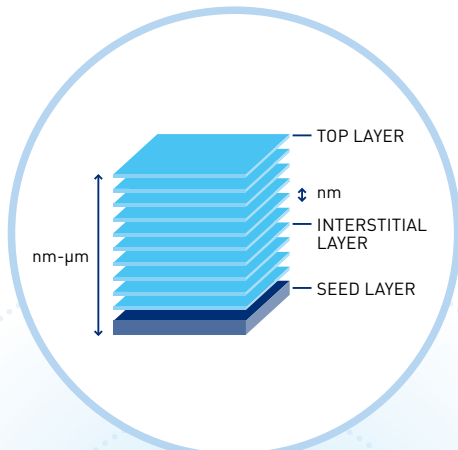
At the core of our Deep-Tech platform is our self-designed and built proprietary equipment that is used to produce our own advanced materials coatings and nanofabricated products. This large range of coatings and products have numerous applications across many industrial value chains and allow our Deep-Tech to reach the commercial world via different business models.

The Group has classified its nanotechnology solutions into three broad segments: (i) 2D nanotechnology; (ii) 2.5D nanotechnology; and (iii) 3D nanotechnology. This 3-tier nanotechnology base can work in parallel or co-exist with one another to create more synergistic applications, and act as a value-added multiplier, both within the Group and with our customers.



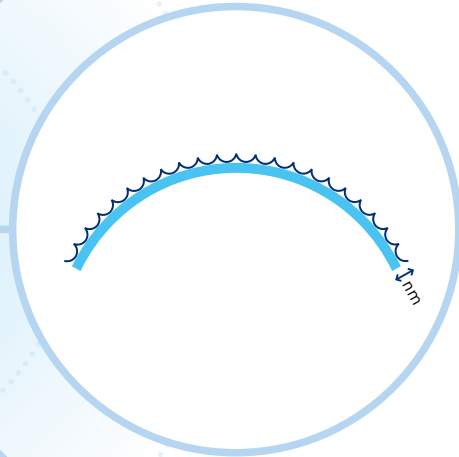
**THE GROUP IS WELL POSITIONED TO CAPITALISE ON MANY EXCITING OPPORTUNITIES AHEAD, ESPECIALLY IN THE AREAS OF NEW ENERGY, CONSUMER AND INDUSTRIAL, AND STAKEHOLDERS SHOULD BE CONFIDENT OF OUR GROWTH PATH AHEAD AS THEY CONTINUE THE NANOFILM JOURNEY WITH US.**

**DR SHI XU (史旭)**  
Executive Chairman



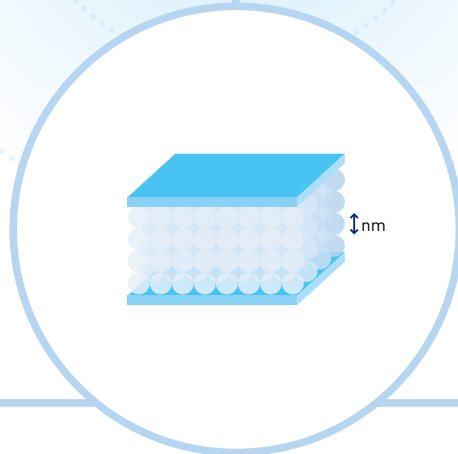
## 2D NANOTECH-NANOLAYERED COATING

Our vacuum coatings can start from nano scale and reach 10s of microns through the deposition of nanoscale layers of thin film materials. We apply various techniques including our proprietary FCVA, PVD, PE-CVD, in creating a wide spectrum of coatings for a broad spectrum of applications from decorative, protective coatings to tribological coatings for automotive engines.



## 2.5D NANOTECH-NANOSTRUCTURED OPTICS

Traditional nanoimprint processes are done on flat surfaces and we have successfully gone beyond this restriction. Through our proprietary nanofabrication and replication process, we are capable of creating nanostructures on freeform surfaces for micro optics applications.



## 3D NANOTECH-CATALYST/NANOCOMPOSITES

We are also furthering our capabilities in nano-materials for catalyst and heavily filled nanocomposite materials.

Firstly, our 2D nanotechnology is a thin layer of nanostructure material coating at the nanometre to micrometre scale. This coating does not have a standalone shape but takes the shape of the underlying substrate. Furthermore, the coating can be moulded such that the whole “stack” of coating consists of nanometre sub-layers of thin-film advanced materials. Applications for 2D nanotechnology include decorative coatings for parts used in the 3C space or functional coatings for hydrogen fuel cell, automotive or precision engineering components.

Secondly, our 2.5D nanotechnology is a nanostructured or nano-morphological layer that is created on a freeform surface. This has a wide range of applications, especially for advanced optics and sensory components. Some examples include highly defined illumination lenses, almost zero-reflective lenses, and Augmented Reality (“AR”) or Virtual Reality (“VR”) applications.

Thirdly, we have our latest innovative 3D nanotechnology that involves the creation of nanocomposite materials produced at scale through our customised injection moulding process, which has a long mould useful life that is enabled by our coatings. Combining properties of two very different materials, such as ceramic compound and resin polymer, would result in a new nanocomposite material that can be as hard as ceramic and yet as ductile as polymer. Potential applications include all kinds of exterior casings which sometimes require conflicting properties such as high thermal conductivity while retaining insulation. Another example is the 3D nano-catalyst used in hydrogen fuel cell and electrolyser applications.

Supporting our Deep-Tech platform is the Group’s intellectual property strategy that protects our technology from being illegally appropriated. To date, the Group has a comprehensive patent portfolio of over 90 patents and trademarks (not including over 70 applications which are pending) covering jurisdictions such as Singapore, China, Japan, USA, and Europe.

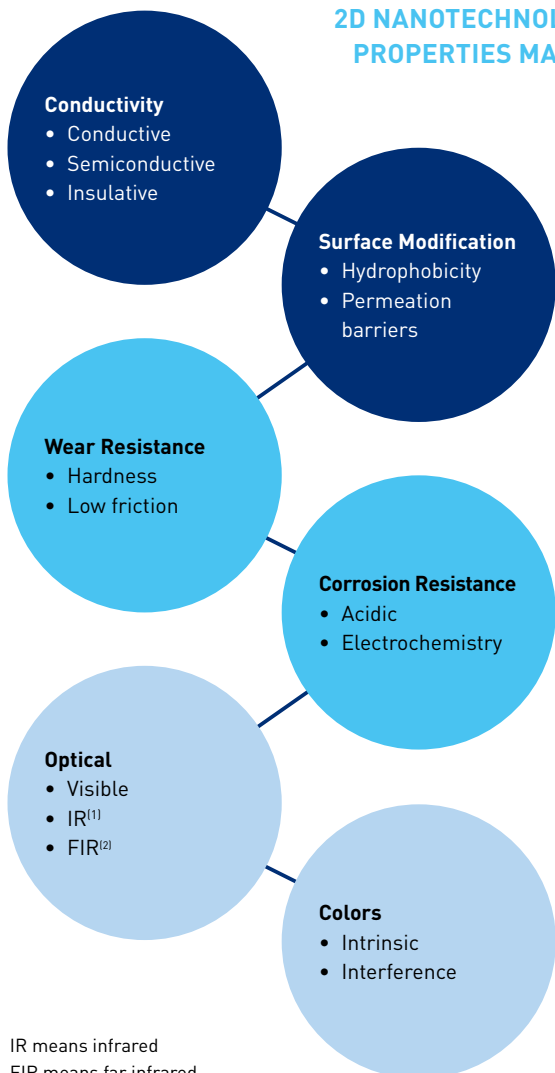
# CHAIRMAN'S MESSAGE

## DRIVING INNOVATION AND BREAKTHROUGHS

The constant discoveries, approaches and advances that are embedded in our Deep-Tech platform is made possible due to our continual innovation which is an integral part of our corporate DNA.

To elaborate, we can derive different functional and aesthetic properties from our 2D nanotechnology. The diagram below illustrates the relationship between these properties. Nanofilm is able to formulate various combinations of such properties to resolve our customers' industrial problems. For example, the combination of high oxidation and wear resistance with high ductility properties are essential to extending the service life of tools. I believe with continuous innovation, more properties can potentially be added, enabling us to create highly customised and differentiated solutions.

### 2D NANOTECHNOLOGY PROPERTIES MATRIX



(1) IR means infrared  
 (2) FIR means far infrared

I would like to mention two recent innovative breakthroughs that have strong commercial applications, and at the same time advance our progress towards a carbon neutral world. These are the latest commercial applications at our subsidiaries, Sydrogen Energy Pte. Ltd. ("**Sydrogen**") and Sichuan Apex Technologies Co., Ltd ("**ApexTech**").

## SYDROGEN

Traditional clean energy, such as solar, wind and hydropower, can be unpredictable and heavily dependent on nature's forces. Further, electricity generated from such processes cannot be stored effectively over an extended period through the use of batteries. Therefore, I believe hydrogen fuel cell technology is the future for carbon neutrality because of its use of hydrogen as fuel which can be stored and transported in various forms. Sydrogen can therefore help drive breakthroughs in this industry and deliver sustainable clean solutions to the world.

SydroDIAMOND™ is our state-of-the-art Bipolar Plate ("**BPP**") carbon coating which can replace expensive noble metals, such as gold, by combining the superior properties of diamond and graphite to provide excellent corrosion resistance and high conductivity for metallic BPPs. Sydrogen's advanced materials solutions can be applied in hydrogen fuel cell systems, where hydrogen is utilised to generate electricity, as well as in electrolyser systems, where hydrogen is generated from water.

## APEXTECH

Our Green Plating solutions are also pushing the boundaries of sustainability because of the ability to replace traditional pollutive electroplating process. Our vacuum coated Green Plating solutions are environmentally friendly as our process neither utilises any hazardous chemicals nor produces carcinogenic by-products. These Green Plating solutions have various variants that can achieve a wider range of functionalities as compared to electroplating, such as being able to add aesthetic appeal (via application of PVD colours) and / or perform a different surface treatment or morphology, while still achieving the same level of corrosion resistance required by our customers.

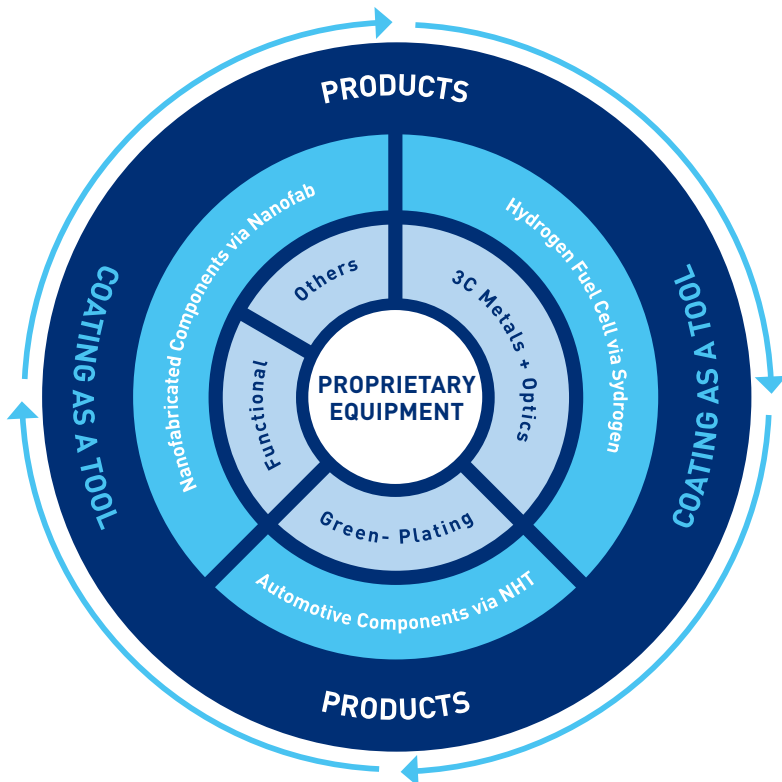
One of the variants which offers anti-corrosion and conductive properties carry the potential to replace chromium plating for busbar connectors used in advanced batteries found in electric vehicles. We are addressing the electric vehicle industry through ApexTech and beyond this first use case, our Green Plating solutions have the potential to be applied with different variants such as anti-corrosion and coloured decorative properties for use in the personal grooming industry; and anti-corrosion, wear and tear, and conductive properties for connectors (such as charging pins).

## PURSuing THE NANOfILM VISION

My unwavering vision for Nanofilm in the next five years is for it to grow to become recognised as a global leader in nanotechnology. This will be achieved by value chain maximisation through appropriate vertical value chain integration to bring us closer to the end-consumer, and a constant flow of breakthrough technological products within the Group.

Below is an illustration of Nanofilm’s Technology-to-Market Journey. From our core (comprising our proprietary Deep-Tech equipment), Nanofilm extends outwards to providing various coating solutions and services (1<sup>st</sup> Ring) that can be applied across industries; this later enables us to produce coated mission-critical products (2<sup>nd</sup> Ring), such as coated components and modules through our subsidiaries Sydrogen and Yizheng Nahuan Technologies Co., Ltd (“NHT”), and nanofabricated optical components through our Nanofabrication Business Unit.

### NANOfILM TECHNOLOGY-TO-MARKET JOURNEY



Our strategic direction is to progressively expand further (3<sup>rd</sup> Ring), where our 3-tier nanotechnology coating can continue to be an important tool in the development of new products or to perhaps allow us to produce our own branded products. We envision creating our own branded products with a larger Total Addressable Market (“TAM”) using our various nanotechnology segments as differentiating enablers, to be sold directly to end customers in the future.

## MAINTAIN COMMITTED TO SUSTAINABILITY

Nanofilm reaffirms its commitment to a sustainable world through the provision of sustainable materials. This is evident in our businesses and technologies, where we offer a wide range of green and sustainable solutions. We aim to scale production, increase operational efficiency and lower selling prices of these solutions to promote widespread adoption. Further, as countries around the world aim to reach their ambitious decarbonisation targets, the renewable energy market is set to eventually become the backbone of the world’s energy supply. We believe that Sydrogen is well poised to be a strong catalyst for the adoption of hydrogen-fuel solutions for automobiles and stationary power solutions.

## LOOKING AHEAD TO 2023 AND BEYOND

We believe 2022 will serve as an inflection point in Nanofilm where we consolidate, reorganise, and embark on a new stage of growth, backed by our latest breakthroughs and BU-driven strategy. We will continue to strive towards uncovering new promising opportunities in areas of advanced materials such as 3D Nanotech-Catalyst or Nanocomposites; greener and sustainable composites; engineered optics for VR and AR; and hydrogen fuel cell technologies for decarbonisation.

We will also continually source for synergistic partnerships and promising acquisitions to further our goal of developing market-disrupting, cutting-edge nanotechnology solutions.

## SPECIAL THANKS

The Group managed to produce a commendable performance in FY2022 amidst a volatile macroeconomic environment due to the tireless efforts from all our various stakeholders. Firstly, I would like to extend my gratitude to our Board members for their guidance and support during this challenging year. Next, I express a big thank you to all our management and staff, whose hard work and dedication has kept Nanofilm running smoothly.

I would also like to thank our customers and business partners for their trust and support as we work together to deliver more innovative products to the market. Lastly, I thank our shareholders for their unwavering belief in Nanofilm, the first listed Deep-Tech company in Singapore, as we embark on our long-term goal to be a Deep-Tech multinational corporation. Along with the Board and the management team, we aim to generate long term shareholder value to reward your trust and belief in us.

Thank you all for being part of the Nanofilm family.

**DR SHI XU (史旭)**  
Executive Chairman

# OUR BUSINESS

**NANOFILM IS A GLOBAL LEADING TECHNOLOGY SOLUTIONS PROVIDER, FOCUSED ON ADVANCED MATERIAL SCIENCE AND NANOTECHNOLOGY, WITH STRONG INNOVATION DNA, INGRAINED SINCE 1999 AS A DEEP-TECH SPINOFF FROM NANYANG TECHNOLOGICAL UNIVERSITY.**

Our Group started with no market positioning and limited capital. Nevertheless, we defied market expectations by successfully competing against tech giants from America, Europe and Japan in gaining market share from customers who are accustomed to the proven conventional technologies of giant tech companies.

The pursuit for continuous self-improvement and persistent research and development (“R&D”) in our products and services led us to achieve new boundaries in material science technologies, and enabled us to surmount numerous challenges and exceed expectations over the years.

Today, our technology-based solutions are utilised in a wide range of industries such as 3C, automotive, precision engineering, printing and imaging, and new energy. Our products and services are integral to the smooth functioning of many of the technologies and tools that are essential to our modern daily lives.

Our business model is constantly evolving in tandem with our strategy, and is designed and crafted for business excellence. We have grown and developed alongside our customers through our continuous focus on R&D and innovation, often undertaken in joint collaboration with our customers, and leveraging our strong in-house engineering and production capabilities.



# BUSINESS UNITS



## 1 ADVANCED MATERIALS

Provide advanced materials through surface solution services based on our proprietary vacuum coating technologies and processes. Our surface solution services involve the use of our Filtered Cathodic Vacuum Arc (“**FCVA**”) and FCVA-hybrid with physical vapour deposition (“**PVD**”) coating equipment to deposit our proprietary advanced materials on key components and parts of the global supply chain, thereby enabling our customers to achieve their desired functional and / or decorative requirements for their end-products.

## 2 NANOFABRICATION

Manufacture and supply nanoproducts which, due to their nanoscale and / or nanofeatures, are used by our customers as components for the smooth functioning and performance of their end-products. We utilise our nanofabrication technology and software to fabricate nanoproducts which are designed to meet the dimensional specifications of our customers as well as to provide the required functional properties of their end-products.

## 3 INDUSTRIAL EQUIPMENT

Manufacture and sell turnkey equipment systems, ranging from coating equipment to auxiliary equipment such as cleaning lines to automation systems, which are installed at our customers’ production lines. We provide our customers with the physical equipment, customised operating software for our systems and training, as well as spare-parts, customer service and other forms of after-sales support.

## 4 SYDROGEN ENERGY

Offer advanced materials solutions to the emerging and rapidly growing hydrogen energy market. Our advanced materials are like conductive diamond due to their special material properties such as corrosion resistance, low resistivity, ion-leaching prevention, and high conductivity. These advanced materials coatings make key components of the proton-exchange membrane fuel cell (“**PEMFC**”) stack systems more affordable and durable.

# KEY MILESTONES

THE STRAITS TIMES

Singapore's Fastest Growing Companies

2022

statista

JAN

AWARDS:

SINGAPORE'S FASTEST GROWING COMPANIES 2022

FEB

MAR

AWARDS:  
HIGH-GROWTH COMPANIES ASIA-PACIFIC 2022

FT FINANCIAL TIMES

statista

HIGH-GROWTH COMPANIES ASIA-PACIFIC 2022

APR

MAY

JUN

OCT



**BUSINESS:**  
**RAINBOW-TAC**



**MOU BETWEEN SYDROGEN & CITY ENERGY TO STUDY HYDROGEN FUEL CELL SOLUTION FOR OFF-GRID POWER SUPPLY**

(Seated L to R) MoU signing between Perry Ong (CEO, City Energy) and David DeVries (CEO, Sydrogen Energy)

NOV



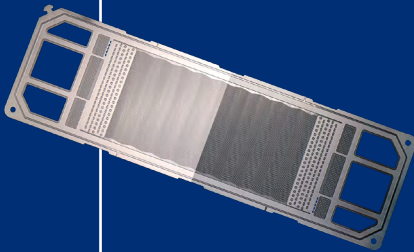
**SIGNED MOU TO ACQUIRE LAND FOR VIETNAM PRODUCTION EXPANSION**



**BUSINESS:**  
**NEW HUIZHOU PLANT THAT WILL PROVIDE VACUUM COATING SERVICES FOR HIGH-IMPACT EMERGING MARKETS**

JUL

**BUSINESS:**  
**SYDRODIAMOND™**



AUG

SEP



**AWARDS:**  
**BEST MANAGED COMPANIES**



**BUSINESS:**  
**APEXTECH (ZIGONG, SICHUAN), GREEN PLATING SOLUTION REPLACING ELECTROPLATING**

DEC



(Seated L to R) MoU signing between Lionel Yeo (CEO, Southeast Asia, STT GDC) and David DeVries (CEO, Sydrogen Energy)

**BUSINESS:**  
**MOU BETWEEN SYDROGEN & ST TELEMEDIA GLOBAL DATA CENTRES FACILITATING THE ENERGY TRANSITION OF DATA CENTRES FOR A GREENER FUTURE FOR CLOUD COMPUTING IN SINGAPORE**

PRODUCTS

PROPRIETARY  
EQUIPMENT

NANOFILM'S  
DEEP-TECH  
PLATFORM

Vertical Integration

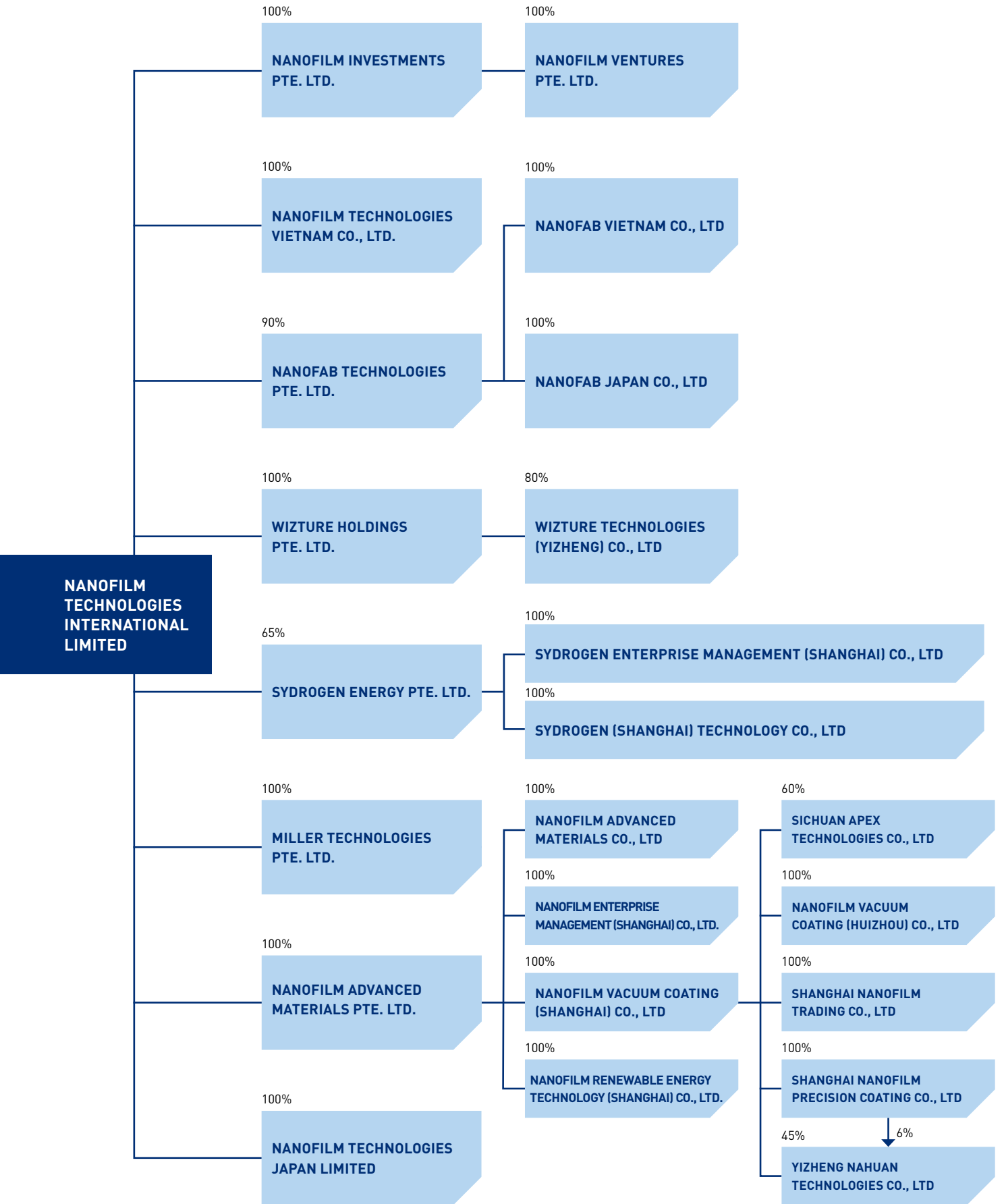
COATING AS  
A SERVICE

COMPONENT

STRONG  
FOUNDATIONS  
PROPRIETARY  
SOLUTIONS

# GROUP STRUCTURE

As at 2 March 2023



# FINANCIAL HIGHLIGHTS

NEW SEGMENTS WITH CAPABILITY & PRODUCT EXPANSION



R&D AND ENGINEERING PRODUCT DEVELOPMENT



JOINT VENTURES / M&A



GEOGRAPHICAL DIVERSIFICATION & COVERAGE



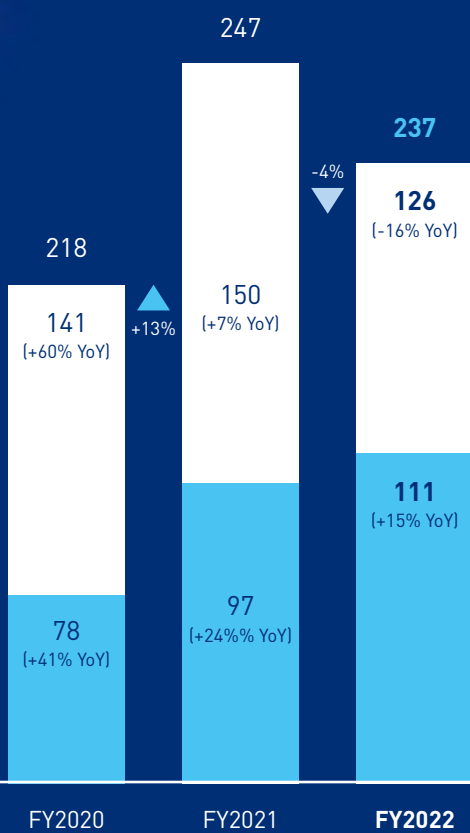
OUR GROWTH STRATEGY:  
FOCUSED KEY STRATEGIC AREAS



## REVENUE BREAKDOWN

(in S\$m)

■ 1H ■ 2H



## BUSINESS UNITS

S\$M	2020	2021	2022
AMBU	182.5	194.3	187.2
NFBU	11.3	7.8	19.1
IEBU	24.6	44.6	30.9
Sydragen	-	-	0.2
<b>TOTAL</b>	<b>218.3</b>	<b>246.7</b>	<b>237.4</b>

## END-MARKETS

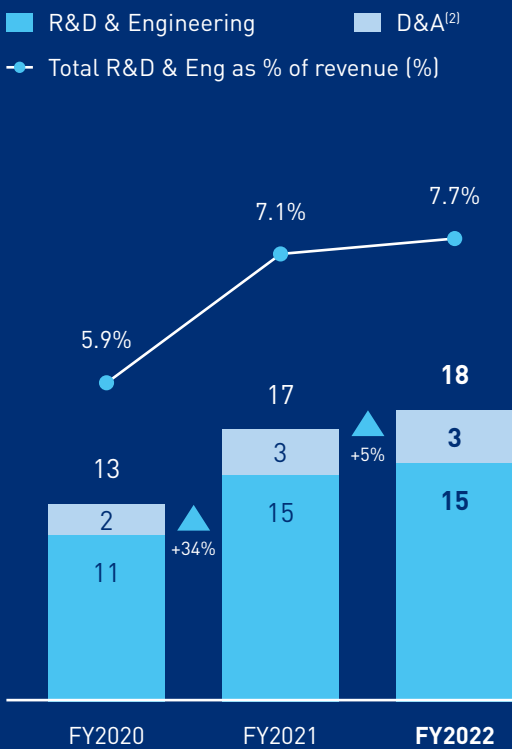
S\$M	2020	2021	2022
Consumer	168.8	167.3	171.8
Industrial	49.6	79.4	65.4
New Energy	-	-	0.2
<b>TOTAL</b>	<b>218.3</b>	<b>246.7</b>	<b>237.4</b>

Source: Company information, numbers may not tie due to rounding

# FINANCIAL HIGHLIGHTS

## INVESTING IN TECHNOLOGY & INNOVATION: CONTINUED R&D SPEND

### R&D AND ENGINEERING EXPENSES <sup>(1)</sup> (in S\$m)



R&D and Engineering expenses, including depreciation and amortisation, **increased 5% YoY to S\$18.4m**

Committed to R&D and Engineering as our Sustainable Innovation pillar

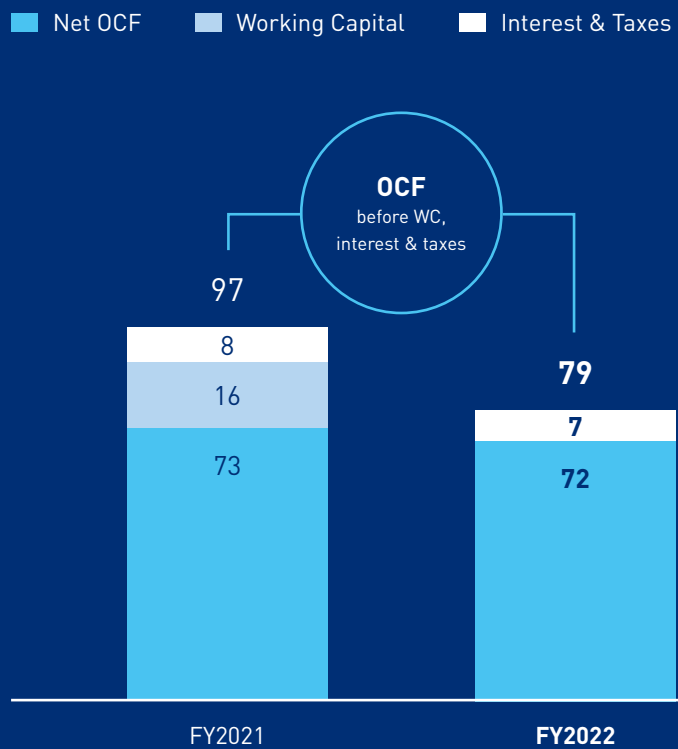
**Source:** Company information, numbers may not tie due to rounding

(1) R&D & Engineering expense excludes Quality Assurance expense

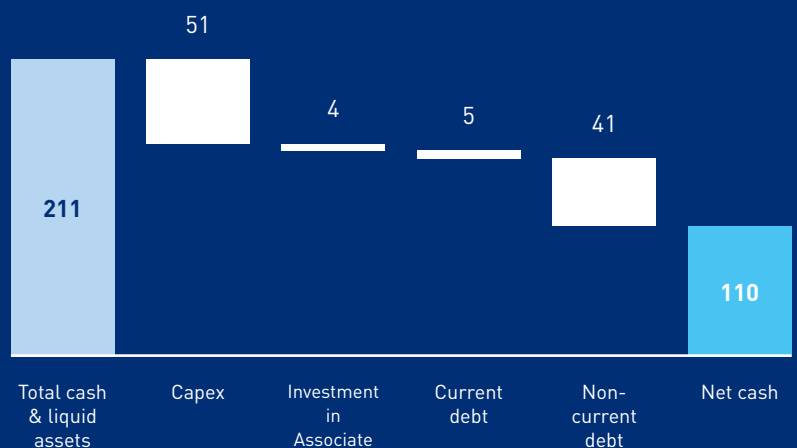
(2) Depreciation and amortisation expenses

## SUSTAINABLE CASH FLOW GENERATION

### STRONG OPERATING CASH FLOW (in S\$m)



### NET CASH BALANCE AS AT 31 DEC 2022 (in S\$m)



**Source:** Company information, numbers may not tie due to rounding





THREE KEY  
END-MARKETS  
TO DRIVE  
GROWTH



**FOCUSED  
STRATEGY  
MULTI-PRONGED  
GROWTH**

# CEO STATEMENT

**"WE HAVE DEMONSTRATED OUR CONFIDENCE AND BELIEF IN THE LONG-TERM VALUE OF NANOFILM BY CONDUCTING A SHARE BUYBACK OF FIVE MILLION ORDINARY SHARES IN FY2022."**

## **DEAR STAKEHOLDERS,**

Despite the challenging and constantly evolving macroeconomic landscape in the financial year ended 31 December 2022 ("**FY2022**"), we have demonstrated unwavering resilience and remain steadfast in our pursuit of growth, led by our Business Units ("**BUs**"). Nanofilm's Deep-Tech platform, which generates advanced material coatings and nanofabricated products in an environmentally sustainable manner, has enabled us to enter various industries and foster new product innovation, including developing our own products. Notwithstanding a turbulent macroenvironment, we remain vigilant in our efforts, prioritising the application of sound judgement and prudent decision-making as we strive towards the realisation of our long-term aspirations.

Our sound financials and strong cash flows have allowed the Board of Directors to propose a final dividend of 1.1 Singapore cents, subject to shareholder approval at the upcoming Annual General Meeting. With the proposed final dividend, the total dividend for FY2022 is 2.2 Singapore cents. In addition, we have demonstrated our confidence and belief in the long-term value of Nanofilm by conducting a share buyback of five million ordinary shares in FY2022.

## REVENUE

# S\$237M

DECREASED BY 4% YOY FROM S\$247M

## PATMI

# S\$44M

DECREASED BY 30% YOY FROM S\$62M

## REVIEW OF FY2022 FINANCIAL PERFORMANCE

In FY2022, we faced a range of operational challenges arising from numerous unforeseen obstacles and changes, including supply chain disruptions and the abrupt change in China's Zero COVID-19 policy. Despite these challenges, the Group achieved a revenue of S\$237.4 million, representing a 3.8% YoY decrease.

Our Advanced Materials Business Unit ("**AMBU**") in FY2022 experienced a slight 3.6% YoY decrease in revenue to S\$187.2 million, attributable to lower revenue contributions from the 3C and Automotive product sub-segments. AMBU reported a reduced utilisation rate of 50.0% in FY2022, as compared to 76.0% in the financial year ended 31 December 2021 ("**FY2021**").

For our Industrial Equipment Business Unit ("**IEBU**"), revenue contribution decreased 30.8% YoY to S\$30.9 million, due to lower sales of industrial equipment to third party customers as macroeconomic uncertainties and weak foreign currencies delayed customers' capex spending. Total equipment sold to third party customers decreased to 14 in FY2022 from 18 in FY2021.

These were offset by an increase in revenue from our Nanofabrication Business Unit ("**NFBU**") by 144.7% YoY to S\$19.1 million, driven by projects entering mass production.

Sydrogen Energy ("**Sydrogen**") recorded its maiden revenue of S\$0.2 million for the year in review by providing coating services for metallic bipolar plates ("**BPP**") used in hydrogen fuel cells. As a fast-growing start-up, Sydrogen incurred an approximate net loss of S\$1.6 million as it continues to incur expenses for the building up of its R&D and product development capabilities and the strengthening of its sales team.

The Group's gross profit for FY2022 was S\$111.4 million, a decrease of 8.8% YoY. Gross profit margin was 46.9% for FY2022, a decrease from 49.5% for FY2021, due to increased business costs from the COVID-19 situation in China and higher depreciation expenses. COVID-19 related expenses, one-off in nature, were estimated at S\$2.5 million, which if excluded, would have increased our gross profit margin to 48.0% for FY2022.

The Group's adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation ("**EBITDA**") decreased by 15.9% to S\$80.5 million for FY2022 from S\$95.7 million for FY2021.

As a result of the expansionary expenses, COVID-19 related expenses, and net loss contribution from Sydrogen, the Group's profit after tax and minority interests ("**PATMI**") declined by 29.6% to S\$43.8 million for FY2022, down from S\$62.2 million for FY2021.

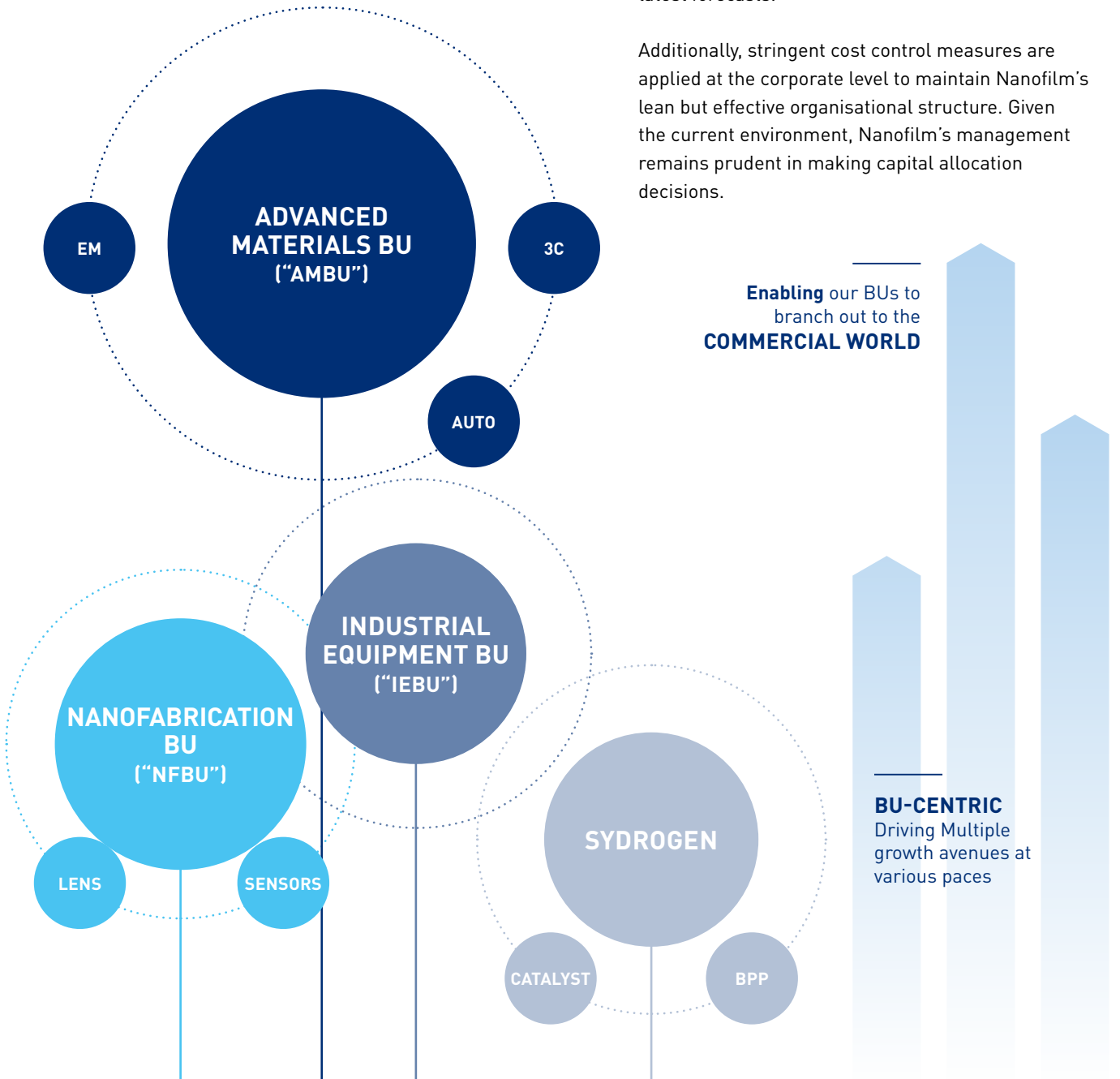
Notwithstanding such near-term issues, we have continued to invest in R&D innovation and New Product Introduction ("**NPI**") projects, expand our production footprint, implement cost reduction measures and accelerate our decentralisation efforts while optimising our BU structure to better achieve our medium-term targets. These critical investments and initiatives will provide a firm foundation for Nanofilm to become a leading global nanotechnology materials company.

# CEO STATEMENT

## BU-CENTRIC ORGANISATION – DECENTRALISATION STRATEGY

In line with the Group’s decentralisation efforts and optimisation of its BU structure, BUs are granted greater autonomy and accountability to drive their respective businesses according to their budgets and resources, while also managing costs to ensure that expenses are proportionate and aligned with their latest forecasts.

Additionally, stringent cost control measures are applied at the corporate level to maintain Nanofilm’s lean but effective organisational structure. Given the current environment, Nanofilm’s management remains prudent in making capital allocation decisions.



Enabling our BUs to branch out to the **COMMERCIAL WORLD**

**BU-CENTRIC**  
Driving Multiple growth avenues at various paces

Top soil

**SITE MANAGEMENT** | **RESEARCH & DEVELOPMENT** | **STRATEGY & M&A** | **BUSINESS & PRODUCT DEVELOPMENT** | **CAPITAL & FINANCE** | **CORE CENTRALISED FUNCTIONS** providing strategic support

Deep soil

**ADVANCED MATERIALS**

**PROPRIETARY EQUIPMENT**

**NANOFABRICATION**

Rooted by **NANOFILM'S DEEP TECHNOLOGIES**



## ADVANCED MATERIALS BUSINESS UNIT ("AMBU")

AMBU provides surface solutions through advanced materials generated from its proprietary vacuum coating equipment. Our proprietary technologies and processes allow us to offer differentiated solutions that are generally not available through conventional technologies and methodologies. Our advanced materials solutions are used across a diverse range of end industries and are often used on mission-critical components, enabling our customers to meet their functional and/or decorative requirements for their end-products. These advanced materials solutions and various material properties are classified as our 2D nanotechnology under the Technology-to-Market Journey Blueprint as discussed by the Group's Executive Chairman, Dr Shi Xu.

AMBU continues to uphold its position as a leading solutions provider to key customers in existing businesses and is actively involved in new product roll outs of its customers. AMBU remains focused on markets with strong scaling potential and have initiated production builds in some of these new areas. Additionally, we are also expanding our production facilities in Singapore, Vietnam and China to better serve the needs of our customers.



## NANOFABRICATION BUSINESS UNIT ("NFBU")

NFBU manufactures and supplies nanoproducts in optical imaging lens and sensory components that play a critical function role in customers' end-products. These products are classified as our 2.5D nanotechnology under the Technology-to-Market Journey Blueprint. NFBU leverages its proprietary nanofabrication technology and software to offer differentiated solutions that enable the design and fabrication of nanoproducts to meet the dimensional specifications of our customers.

NFBU is currently engaged in various projects with both new and existing customers for different products, as part of NPI or initial production builds. If successful, these new projects are expected to commence mass production at the new Vietnam plant from 2024 onwards.

# CEO STATEMENT



## INDUSTRIAL EQUIPMENT BUSINESS UNIT ("IEBU")

IEBU is responsible for our core technology of the Group and is involved in designing, developing and building customised R&D and production coating equipment, cleaning lines and automation systems. In addition, it provides after sales support to both the internal BUs and external customers.

Going forward, IEBU plans to expand its offerings by introducing new product lines for external markets while also continuing to support the growth of the internal BUs with the development of large inline coating systems for high volume production. These new product lines include inline coating equipment for metallic BPPs used in hydrogen fuel cells, Green Plating solutions to replace electroplating, Cadmium Telluride ("**CdTe**") for solar panels applications, Diamond-like carbon ("**DLC**") for precision tooling and Hard Anti-Reflective ("**AR**") for optical display applications.



## HYDROGEN ENERGY ("SYDROGEN")

Sydrogen is the Group's newer business that taps on opportunities in the hydrogen economy. With its proprietary conductive diamond coatings on critical components of the proton-exchange membrane fuel cell ("**PEMFC**") stack systems, Sydrogen aims to make these more affordable and durable.

Sydrogen's proprietary advanced material, SydroDIAMOND™, that is applied on metallic BPPs, continues to gain traction and interest from Chinese and non-Chinese players, with very positive market feedback on the strong technical performance of SydroDIAMOND™ coated BPP.

Beyond the automotive application, Sydrogen is also exploring distributed power applications for hydrogen fuel cells with Memorandums of Understanding ("**MoU**") signed with City Energy Pte. Ltd. and ST Telemedia Global Data Centres. However, we do not expect meaningful contribution from distributed power applications in the near-term.

**"IN FY2022, NANOFILM ANNOUNCED ITS AIM TO ACHIEVE S\$500 MILLION IN ANNUAL REVENUE AND S\$100 MILLION IN PATMI BY 2025 ("2025 TARGET"). THE PURPOSE OF THE 2025 TARGET IS TO PROVIDE INTERMEDIATE MILESTONES FOR STAKEHOLDERS TO MONITOR THE GROUP'S PROGRESS IN ITS FINANCIAL PERFORMANCE."**

### **FOCUSING ON OUR FOUR KEY STRATEGIC AREAS**

In FY2022, Nanofilm announced its aim to achieve S\$500 million in annual revenue and S\$100 million in PATMI by 2025 ("**2025 Target**"). The purpose of the 2025 Target is to provide intermediate milestones for stakeholders to monitor the Group's progress in its financial performance. The Group also identified four key strategic areas that it would prioritise to better allocate resources and improve operational efficiency. This strategy is being executed Company-wide and early results have been positive.



## **1 GEOGRAPHICAL DIVERSIFICATION AND COVERAGE**

The Group's geographical diversification and coverage is progressing well as we expand our operations into other strategic locations. This expansion is calibrated along with our customers' roadmap. In Japan, the commissioning and qualification of coating equipment is ongoing at our coating services facility.

The Group has also recently acquired a piece of land in Vietnam of approximately 44,000 square metres, at a consideration of approximately US\$4 million. The new Vietnam site, which is situated close to our current NFBU Vietnam facility, will house multiple BUs, with NFBU as the anchor BU. The first phase of the new Vietnam site will comprise a gross floor area of approximately 15,000 square metres and is expected to be completed before the end of the current financial year ("**FY2023**").

In January 2023, we relocated our corporate office in Singapore to Tai Seng Drive. Renovation and fitting out works are ongoing for an Advanced Technology Research Centre and Nanofabrication Engineering Centre at our new corporate office. Concurrently, renovating and fitting out works are being carried out at our existing Ayer Rajah site which houses AMBU, IEBU and Sydrogen operations.

The Group also continues to expand its production capacity in China, with the addition of a smaller production site in Huizhou to capture market opportunities in Southern China, and a new Zigong site to seize opportunities in the advanced batteries industry for electric vehicle ("**EV**") through its joint venture company, Sichuan Apex Technologies Co., Ltd ("**ApexTech**"). Renovation and fitting-out works at both sites are targeted to be completed by the first half of FY2023.

# CEO STATEMENT



## 2 NEW SEGMENTS WITH CAPABILITY AND PRODUCT EXPANSION

At ApexTech's Zigong facility, initial Green Plating production batch equipment are expected to be commissioned and qualified and production commenced in the second half of FY2023, followed by larger scale production inline equipment to be installed in 2024.

We are also developing new projects for optical applications in 3C devices under NFBU with initial small production runs in FY2023. If these projects scale according to plan, mass production is expected to commence between 2024 and 2025.

Sydragen is also collaborating with City Energy Pte Ltd. (as Trustee of City Energy Trust) to develop the Proof of Concept ("PoC") for generating an end-to-end hydrogen fuel cell solution for off-grid power supply in Singapore. This fits strategically into Sydragen's product roadmap which involves offering system solutions for mobility, stationary power and EV charging stations.



## 3 JOINT VENTURES AND M&A

Nanofilm will continue to actively source for opportunities to invest in and build ventures, either through JVs or M&A, with strategic partners that on a combined basis, offer synergistic benefits in forms of technology sharing, operational fit, product advancements, geographical reach, and market access.

ApexTech, the vehicle of our joint venture with Shenzhen Everwin Precision Technology Co., Ltd and Shanghai Hongshi Enterprise Management Partnership (Limited Partnership), is a prime example of this strategy. Not only are we commercialising Green Plating through ApexTech for metal components in EV battery packs and energy storage systems, but we are also well-positioned to penetrate more industries and applications outside of EVs and energy storage systems, potentially replacing electroplating in other industrial domains over the longer term.

M&A negotiations are ongoing to extend our capability and access to market, and to extend the reach of all our products. We are actively assessing synergistic collaborations and potential partnerships and will update stakeholders as and when there are material developments.





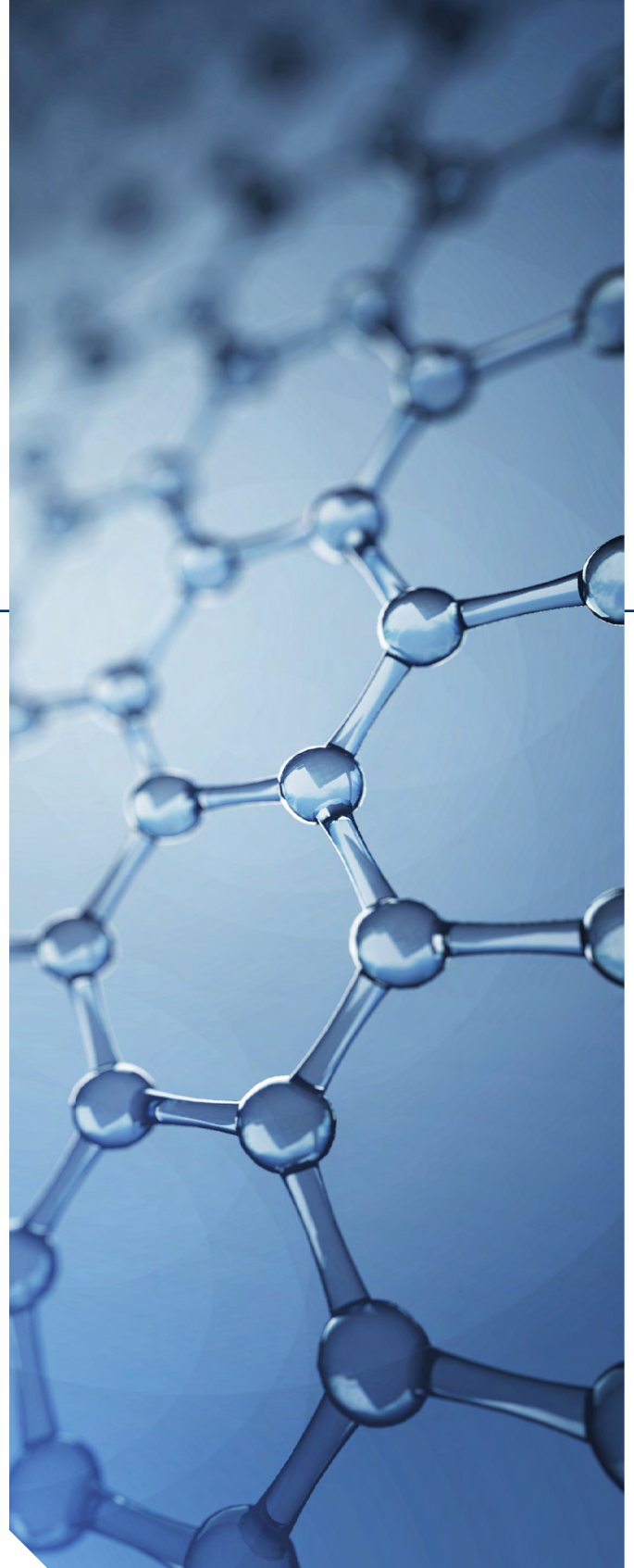
## 4

### R&D AND ENGINEERING PRODUCT DEVELOPMENT

The Group is deeply committed to R&D and engineering as part of our DNA for innovation. We plan to invest in skilled labour and develop new cutting-edge technologies, as evidenced by our Nanotechnology Properties Matrix outlined by our Executive Chairman.

The Group's Deep-Tech platform has achieved several breakthroughs, such as Nanofabricated optics from NFBU, SydroDIAMOND™ from Sydrogen, and Green Plating from ApexTech. Our BUs will continue to work hard to drive technological advancements across different industries' value chains and achieve commercial applications. Despite the challenging operating environment, the Group remains committed to R&D and engineering and has increased its 2030 investment target for R&D and engineering expenses to over 7.0% (as a percentage of total revenue), up from the initial target of over 5.0%.

As a Singaporean Deep-Tech company, Nanofilm embraces Singapore's Research, Innovation and Enterprise ("**RIE**") strategy and governmental support for innovation and economic development locally. The Group is in discussions with a local university to collaborate on R&D efforts. The Group will update stakeholders as and when there is any material development.



# CEO STATEMENT

**"NANOFILM IS COMMITTED TO WORK TOWARDS ITS 2025 TARGET AND GROW IN ALL KEY END-MARKETS, INCLUDING CONSUMER, INDUSTRIAL, AND NEW ENERGY."**

## **BUSINESS OUTLOOK**

Despite the challenging macro environment, Nanofilm remains cautiously optimistic about the future as COVID-19 risks continue to recede. The Company anticipates, barring any unforeseen development, that the operational risks and costs associated with COVID-19 restrictions, particularly in China, are not likely to recur in FY2023. Although China's outlook for the first quarter of FY2023 remains soft, Nanofilm expects a gradual recovery in the second half of FY2023.

Nanofilm is committed to work towards its 2025 Target and grow in all key end-markets, including Consumer, Industrial, and New Energy, through various business models and technologies outlined in the Technology-to-Market Journey Blueprint. However, due to the nature of the business, Nanofilm anticipates a non-linear growth path towards its 2025 Target.

To address the challenges posed by geopolitical tensions and inflationary pressures, Nanofilm is diversifying its geographical production sites through expansion of its production facilities in Vietnam. In addition, the Company's BU-centric structure will enable each BU to exercise greater autonomy, allowing for flexibility and rapid decision-making to mitigate operational risks. By leveraging the Group's Vision, Mission, and our Deep-Tech platform, each BU can set and execute its product and technological roadmaps while working collaboratively towards the Group's medium-term and long-term goals.

### **GARY HO HOCK YONG**

Executive Director and Group Chief Executive Officer



**EFFICIENT  
STRUCTURE  
OPTIMISED  
DECISIONS**

**DECENTRALISED  
BUSINESS UNITS  
APPROACH**

**CAPTURING  
OPPORTUNITIES  
WITH  
EXPERTISE**

**HIGHER  
PRODUCTIVITY  
WITH AGILITY**

By allowing each BU to have the autonomy, accountability and authority to run their own business, it allows them to use their specialised and expert knowledge to capture suitable opportunities.

A decentralised approach enhances efficiencies and effectiveness as the BUs are able to be agile with a streamlined decision making process, ultimately leading to higher productivity.

# BOARD OF DIRECTORS

**DR SHI XU**  
EXECUTIVE CHAIRMAN



Dr Shi Xu founded our Group in 1999 and has led its growth as Chief Executive Officer from 1999 to 2017 and 22 June 2021 to 31 December 2021 (Interim). Dr Shi is appointed as Director of our Company since 2 August 1999 and is responsible for charting the technological roadmap, corporate direction and business strategies of our Group.

Dr Shi has his roots in research and academia. He was previously a Lecturer (from 1991 to 1993), Senior Lecturer (from 1993 to 1996) and Associate Professor (from 1996 to 1999) at the Nanyang Technological University. Dr Shi

graduated from Tongji University with a Bachelor of Science (Physics), and went on to obtain his Doctor of Philosophy (Physics) from the University of Reading. He has earned numerous accolades, including the National Technology Award received in 2000 from the National Science and Technology Board (now known as A\*STAR), the Innovation Award received in 2001 from the Economic Development Board, the EY Entrepreneur of the Year (Singapore) received in 2017 from Ernst and Young and the Businessman of the Year, Singapore Business Awards received in 2021 from the Business Times and DHL Express.

**MR GARY HO HOCK YONG**  
EXECUTIVE DIRECTOR AND GROUP CHIEF  
EXECUTIVE OFFICER



Mr Gary Ho Hock Yong was appointed as our Group Chief Executive Officer on 1 January 2022. His responsibilities involve managing our Group's overall operations and resources, including planning and implementing the strategic direction of our Group. Mr Ho joined our Group as Chief Marketing Officer on 2 January 2018 and was subsequently re-designated as Chief Commercial Officer on 1 August 2020. As Chief Commercial Officer, he oversaw our Group's commercial strategy and development activities. Mr Ho also served as Deputy Chief Executive Officer from June 2021 to December 2021 where he supported the overall management of the Group's operations. On 6 July 2021, Mr Ho was appointed Executive Director of the Company.

Mr Ho started his career with Hi-P International Limited in 1996, where he served multiple roles until his departure in 2016. His roles in Hi-P International Limited included Chief Operating Officer (Greater China Business Unit), Chief Operating Officer (Operations and Supply Chain), Managing Director (Corporate Business Development) and Managing Director (Wireless Strategic Business Unit).

Mr Ho holds a Diploma in Production Technology from the German Singapore Institute, and also a Master of Business Administration from the University of Roehampton. Mr Ho has completed The Cambridge Senior Management Programme – Cohort 5, 2022 conducted by the University of Cambridge Judge Business School.

**MR RUSSELL THAM MIN YEW**  
NON-EXECUTIVE AND NON-INDEPENDENT DIRECTOR



Mr Russell Tham Min Yew was appointed as Non-Executive and Non-Independent Director of our Company on 1 March 2022. Mr Tham is Head of Strategic Development, and Joint Head of Enterprise Development Group (Singapore) of Temasek International Private Limited, focusing on building new businesses and investing globally in early-stage high potential Science & Technology ventures respectively. He joined Temasek in May 2020 after 2 years at ST Engineering where he was President of New Enterprises and Ventures.

Previously, Mr Tham worked at Applied Materials, a Silicon Valley headquartered technology MNC, from 1994 to 2018 where he last held the position of President, Applied Materials Southeast Asia and concurrently held global corporate level business development responsibilities for new markets. He led the regional business and oversaw the company's Singapore

infrastructure expansion into manufacturing, supply chain, R&D and product development for global markets. Mr Tham assumed the position of Regional General Manager, Southeast Asia from 2004 to 2009 after serving in various positions between 1994 and 2003. He concurrently held various global leadership roles. He was Head of Global Continuous and Improvement, Corporate Sales Operations from 2010 to 2017.

Mr Tham serves on the board of AEM Holdings Ltd. which is an SGX-listed company, Xora Innovation Pte. Ltd. and Surbana Jurong Private Limited. He is a board member of Infocomm Media Development Authority, IMDA and a member of the Singapore Government's Future Economy Council, FEC.

Mr Tham holds a Bachelor of Mechanical Engineering from the National University of Singapore.

**MS ONG SIEW KOON @ ONG SIEW KHOON**  
LEAD INDEPENDENT DIRECTOR



Ms Ong Siew Koon @ Ong Siew Khoon was appointed as Independent Director of our Company on 9 October 2020 and redesignated as Lead Independent Director with effect from 14 May 2021.

She started her career with Ernst & Young LLP in 1982, where she rose to become Partner from 1998 to 2019. Ms Ong also concurrently served as the Chief Financial Officer of Ernst & Young LLP in Singapore from 2002 to 2005.

Currently, Ms Ong is the Lead Independent Director of Karoo Limited, listed on Nasdaq and also the Lead Independent Director of Maribank Singapore Private Limited.

Ms Ong graduated from the National University of Singapore with a Bachelor of Accountancy and is a Chartered Accountant of Singapore with more than 35 years of experience in this profession.

# BOARD OF DIRECTORS

## MR KRISTIAN JOHN ROBINSON INDEPENDENT DIRECTOR



Mr Kristian John Robinson was appointed as Independent Director of our Company on 9 October 2020.

He is presently the Managing Director of Spruson & Ferguson (Asia) Pte Ltd, a role he has held since 2012 and one which has seen him expand its footprints into various Intellectual Property markets in Asia (including Hong Kong, SAR, Bangkok, Thailand and Jakarta, Indonesia). Mr Robinson has held various roles in Spruson & Ferguson companies since

2003, and this most notably included the role of Principal and Head of Chemical and Life Science from 2005 to 2011.

Mr Robinson is a registered Patent Attorney in Singapore, Australia and New Zealand and has more than 25 years of experience in this field. He holds a Bachelor of Engineering (Chemical) (Honours) from Curtin University of Technology, and a Bachelor of Science (Chemistry) from Murdoch University.

## MR STEVE GHANAYEM INDEPENDENT DIRECTOR



Mr Steve Ghanayem was appointed as Independent Director of our Company on 1 November 2022.

Prior to this, he led a long and successful career of over three decades with Applied Materials, Inc. Mr Ghanayem joined Applied Materials in 1989 as a Process Engineer and rose through the ranks, developing and launching new products while leading several different product lines. During his tenure, he and his teams were instrumental in the development and commercialisation of many flagship products, some even becoming industry benchmarks. In 2014, Mr Ghanayem, as Group Vice President and General Manager, led the largest business unit in the company at the time, the Transistor and Interconnect Group.

His last appointment was leading a newly formed Business Unit, the New Markets and Alliances Group, where he served as its Senior Vice President and General Manager. He was responsible for business development and growth in new markets, and Corporate Mergers and Acquisitions. While in that role, he and his team led the program that launched a new R&D facility in the State of New York, the META Center, which was jointly funded with the State. The team also launched a new materials business, and generated revenues for the first time in the company through new business models.

Mr Ghanayem graduated from the University of California at Berkeley with a Bachelor of Science in Chemical Engineering. He also completed several executive education courses including the UC Berkeley - Nanyang Advanced Management Program.

**MS LEE LEE KHOON**  
INDEPENDENT DIRECTOR



Ms Lee Lee Khoon was appointed as Independent Director of our Company on 9 October 2020.

Ms Lee started her career with the Inland Revenue Authority of Singapore in 1979. She joined Ernst & Young Singapore in 1980 and rose to become a partner, advising multinational clients on local and international business tax matters. In addition, she held various management positions, notably as Ernst & Young Asean Business Tax Services Leader and as a lead partner of a tax group. She was also involved in the Finance and HR matters of the tax department.

After retiring from Ernst & Young, Ms Lee joined Kuok (Singapore) Group from 2019 to 2021 as its in-house tax adviser where she was involved in the Group's local and overseas projects and was responsible for strengthening, coaching and training the in-house tax team.

Ms Lee graduated from the University of Singapore (now known as National University of Singapore) with a bachelor of Accountancy. She is a Fellow Chartered Accountant of Singapore and a Fellow of CPA Australia. She was admitted as an Accredited Tax Adviser of the Singapore Institute of Accredited Tax Professionals (now known as Singapore Chartered Tax Professionals Limited) in 2010.

**MR WAN KUM THO**  
INDEPENDENT DIRECTOR



Mr Wan Kum Tho was appointed as Independent Director of our Company on 14 May 2021. Mr Wan has more than 24 years of experience in the venture capital and private equity investment industry and is currently the Managing Director (Investments, APAC) of Singtel Innov8 Pte Ltd, the corporate venture capital arm of Singtel.

Prior to joining Singtel Innov8 Pte Ltd, Mr Wan was with Heliconia Capital Management Pte Ltd from 2014 to 2019 where his last held position was Managing Director of Value Creation. From 2010 to 2014, Mr Wan was an Executive Director (Investment) at UOB Venture Management Pte Ltd where he participated in making investment decisions.

From 2009 to 2010, Mr Wan was with EEMS Asia Pte Ltd as Vice President of Strategic Planning and Administration where he was responsible for debt negotiations, fund raising and

planning strategic initiatives with private equity investors. From 2005 to 2008, Mr Wan served as Vice President of Finance and Administration of EEMS Asia Pte Ltd where he participated in strategic deliberations of EEMS and was responsible for strategic decisions for the financial and overall operation of the company, and establishing management incentive structure.

Mr Wan is currently an independent non-executive director of AP Oil International Limited and Tat Hong Equipment Services Co, Ltd and an Adjunct Associate Professor at the National University of Singapore Business School. He obtained a Bachelor Degree in Business Administration (Honours) from the National University of Singapore and completed the Berkeley Executive Program offered by the University of California, Berkeley.

# SENIOR MANAGEMENT

## MR LIM KIAN ONN GROUP CHIEF FINANCIAL OFFICER

Mr Lim Kian Onn, Kay, was appointed as Group Chief Financial Officer on 1 August 2020. Mr Lim is responsible for providing leadership in capital management, investor relations, and finance functions including operational, specialised, business and corporate finance. He was previously the Senior Financial Controller (Corporate) of our Group since March 2020.

Prior to joining our Group, Mr Lim held various management positions in the fund management, private equity and investment banking sectors with global and regional financial institutions Credit Suisse, DNB Bank, and OCBC Bank.

Mr Lim graduated from the Singapore Management University with a Bachelor of Business Management, Summa Cum Laude and a Bachelor of Accountancy, Summa Cum Laude. Mr Lim is a member of the CFA Institute and was a member of the Institute of Certified Public Accountants of Singapore.

## MR LARS LIEBERWIRTH GROUP CHIEF TECHNOLOGY OFFICER

Mr Lars Lieberwirth was appointed as Group Chief Technology Officer on 1 October 2020. He is responsible for implementing technology strategies and ensuring that technological resources are aligned with our Company's business needs. Mr Lieberwirth was previously engaged as Business Development Director (Europe) of our Company in July 2018 pursuant to a consultancy agreement.

Prior to joining our Group, Mr Lieberwirth was the founder of Ing.-Büro Lieberwirth (a start-up focused on product development) from 2015 to 2020, during which he also served as the interim Chief Operating Officer of Respinova Ltd. from July 2017 to July 2020. He started his career with The Gillette Company in 1999 before joining Procter & Gamble from 2006 to 2008 as Asia Technology Centre Manager, and Hi-P International Limited from 2008 to 2015 as Managing Director (R&D) and Vice-President (R&D).

Mr Lieberwirth graduated from the Mosbach University of Cooperative Education, Germany, as a Graduate Engineer (Precision Engineering), and is presently a member of the Association of German Engineers.

## MR GIAN YI-HSEN GROUP CHIEF COMMERCIAL AND STRATEGY OFFICER

Mr Gian Yi-Hsen was appointed as Group Chief Commercial and Strategy Officer on 1 January 2022 and is responsible for overseeing our Group's key commercial activities, including global business development, commercial strategy and inorganic growth. Mr Gian joined our Group as Vice President (Strategy & Planning) in May 2021 and subsequently as Deputy Chief Executive Officer (Strategy & Planning) from June 2021 to December 2021.

Mr Gian has 20 years of experience in global strategic investment promotion, industry development, technology solutions identification and incubation as well as enterprise transformation. Prior to joining our Group, Mr Gian was with the Economic Development Board of Singapore ("EDB") from 2001 to 2021 where he served multiple roles, including as its Senior Vice President and Head of Conglomerate from 2018 to 2021 where he led the engagement of large multi-industry industrial conglomerates for EDB. Prior to that role, Mr Gian was Executive Director of Cleantech & Cities, Infrastructure & Industrial Solutions in 2018, Regional President of Americas from 2015 to 2018, Director of Industry Identification & Incubation from 2010 to 2015, Chief Information Officer from 2013 to 2015 and Regional Director, Japan and Korea from 2005 to 2010 where his responsibilities included advising on the accounts under his charge on their regional strategy and supporting their respective transformations for growth or focus.

In 1995, Mr Gian was awarded the EDB-Glaxo Scholarship for studying in Japan and graduated with Bachelor of Electrical and Electronic Engineering from the University of Tokyo in 2001.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Dr Shi Xu  
(Founder and Executive Chairman)  
Mr Gary Ho Hock Yong  
(Executive Director and Group Chief Executive Officer)  
Mr Russell Tham Min Yew  
(Non-Executive Non-Independent Director)  
Ms Ong Siew Koon @ Ong Siew Khoon  
(Lead Independent Director)  
Mr Kristian John Robinson  
(Independent Director)  
Ms Lee Lee Khoon  
(Independent Director)  
Mr Wan Kum Tho  
(Independent Director)  
Mr Steve Ghanayem  
(Independent Director)

## AUDIT COMMITTEE

Ms Ong Siew Koon @ Ong Siew Khoon  
(Chair)  
Ms Lee Lee Khoon  
Mr Wan Kum Tho

## BOARD RISK COMMITTEE

Mr Wan Kum Tho (Chair)  
Ms Ong Siew Koon @ Ong Siew Khoon  
Mr Steve Ghanayem  
Mr Gary Ho Hock Yong

## NOMINATING COMMITTEE

Mr Kristian John Robinson (Chair)  
Ms Ong Siew Koon @ Ong Siew Khoon  
Mr Russell Tham Min Yew

## REMUNERATION COMMITTEE

Ms Lee Lee Khoon (Chair)  
Mr Kristian John Robinson  
Mr Russell Tham Min Yew

## COMPANY SECRETARY

Ms Eunice Hooi

## REGISTERED OFFICE

11 Tai Seng Drive  
Singapore 535226  
Tel: (65) 6281 1888  
Email: enquiry@nti-nanofilm.com

## COMPANY REGISTRATION NUMBER

199902564C

## GROUP WEBSITE

<https://www.nti-nanofilm.com/>

## SHARE REGISTRAR

Boardroom Corporate & Advisory  
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1 Harbourfront Avenue  
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Singapore 098632

## AUDITORS

Moore Stephens LLP  
10 Anson Road  
#29-15 International Plaza  
Singapore 079903  
Partner-in-charge: Ms Chan Rouh Ting  
(since financial year ended 31 December 2018)  
Chartered Accountant, a member  
of Institute of Singapore Chartered  
Accountants

## INVESTOR RELATIONS

Nanofilm Technologies  
International Limited  
Mr Lim Kian Onn / Mr Duane Tan  
Email: ir@nti-nanofilm.com

Cogent Media Pte. Ltd.  
203 Henderson Road, Block A, #03-02,  
Singapore 159546  
Tel: (65) 6704 9288  
Email: woon@cogentcomms.com /  
derekchnng@cogentcomms.com

## PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation  
Limited  
63 Chulia Street  
#10-00 OCBC Centre East  
Singapore 049514

DBS Bank Ltd  
12 Marina Boulevard  
Level 43, DBS Asia Central  
Marina Bay Financial Centre Tower 3  
Singapore 018982

Citibank, N.A., Singapore Branch  
5 Changi Business Park Crescent  
Level 5  
Singapore 486027

CTBC Bank Co., Ltd.  
8 Marina View  
#29-01 Asia Square Tower 1  
Singapore 018960

United Overseas Bank Limited  
80 Raffles Place  
UOB Plaza  
Singapore 048624

Industrial and Commercial Bank of  
China  
Shanghai Municipal Branch  
Qingpu Sub-branch  
485 Chengzhong Rd (E)  
Qingpu, Shanghai, China

China Merchants Bank  
Shanghai Qingpu Sub-branch  
No. 1 Chengzhong Road (W)  
Shanghai, China

Credit Suisse (Singapore) Limited  
One Raffles Link  
#03-01 South Lobby  
Singapore 039393

# SUSTAINABILITY REPORT

# SUSTAINABILITY REPORT



**THIS REPORT PROVIDES US WITH A VALUABLE OPPORTUNITY TO ENGAGE OUR STAKEHOLDERS AND RESPOND TO ISSUES THAT MATTER MOST TO THEM AND TO OUR BUSINESS, WHILE AT THE SAME TIME, ENHANCES THE COMPANY'S ASSESSMENT IN RISK MANAGEMENT, STRATEGY DEVELOPMENT, AND STAKEHOLDER ENGAGEMENT ACTIVITIES AS WE WORK TO FURTHER FOCUS AND PRIORITISE OUR SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.**

## BOARD STATEMENT

Nanofilm Technologies International Limited (“**Nanofilm**” or the “**Company**”), together with our subsidiaries (the “**Group**”), is pleased to present our third sustainability report (“**Report**”) for the financial year ended 31 December 2022.

In FY2022, we have reviewed our material topics to ensure that they were still relevant and current. This review was done through a peer benchmarking and a stakeholder engagement exercise with both our internal and external stakeholders. Following a detailed data collection exercise across the Group, we have also refined our 2030 targets and worked on aligning our targets to the United Nations Sustainable Development Goals (“**UNSDGs**”).

During the year, Nanofilm has also formed a new Joint Venture (“**JV**”) company with Shenzhen Everwin Precision Technology Co. Ltd (“**Everwin**”) and Shanghai Hongshi Enterprise Management Partnership (Limited Partnership), named Sichuan Apex Technologies Co., Ltd (“**ApexTech**”), to develop solutions that have the potential to replace the current electroplating process used in the manufacturing of battery components, which often results in toxic emissions and other adverse environmental impacts. ApexTech again reflects our confidence that our technology can be the leading example in the industry, providing a more environmentally friendly solution in a cost-competitive manner. We shall continue to seek opportunities to develop more solutions in the green energy space.

The scope of this Report covers information on material sustainability aspects of Nanofilm from 1 January 2022 to 31 December 2022 unless otherwise specified. Performance data from our operations in China, Singapore, Vietnam and Japan have been included in this Report. We believe that the

Report should sufficiently address stakeholders’ concerns in relation to sustainability issues arising from the Group’s major business operations.

The Board, CEO and senior management of Nanofilm (“**Senior Leaders**”) oversee the management and monitoring of the economic, environmental, social and governance (“**EESG**”) factors of the Group, and take them into consideration in the determination of the Group’s strategic direction and policies. They were involved in the preparation and review of this Report before it was approved and published and have oversight of the EESG material factors which are reviewed annually and ensure that the factors are relevant and current for the business. The Senior Leaders are also involved in the management and monitoring of these EESG factors through the Corporate Social Responsibilities (“**CSR**”) Leaders and Working Group which comprise representatives from various business functions in the Group.

This Report provides us with a valuable opportunity to engage our stakeholders and respond to issues that matter most to them and to our business, while at the same time, enhances the Company’s assessment in risk management, strategy development, and stakeholder engagement activities as we work to further focus and prioritise our sustainability and corporate social responsibility initiatives.

This Report is prepared with reference to the Global Reporting Initiative (“**GRI**”) Standards as it provides an extensive framework that is widely accepted as a global standard for sustainability reporting. The Report also takes into account the latest GRI Universal Standards 2021, the recommendations of the Task Force on Climate-related Financial Disclosures (“**TCFD**”), Sustainability Reporting Guide of Practice Note 7.6 of the SGX-ST Listing Manual.

In preparing our Report, we applied the GRI’s principles for defining report content and report quality by considering the Group’s activities, impacts and substantive expectations and interests of our stakeholders. An internal review of our sustainability reporting processes (including key aspects of this Sustainability Report) will be conducted by our internal auditor on a cycle basis, as part of their internal audit plan. Internally, we have relied on internal data monitoring and verification to ensure accuracy of this Report.

We welcome your views and feedback on our sustainability practices and reporting at [sustainability@nti-nanofilm.com](mailto:sustainability@nti-nanofilm.com)

**Board of Directors**  
**Nanofilm Technologies International Limited**

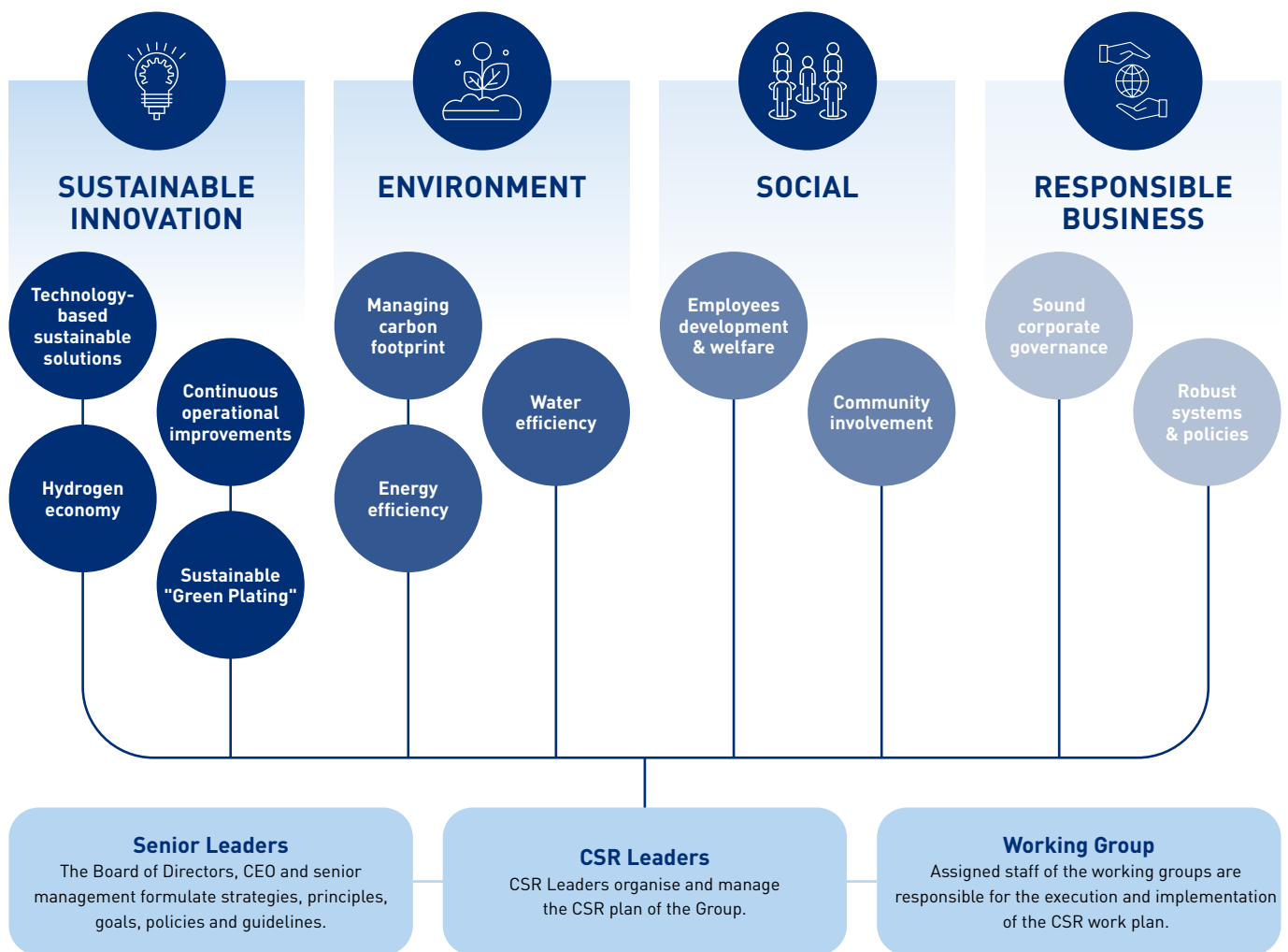
# SUSTAINABILITY REPORT

## CONNECTING DEEP TECH TO THE COMMERCIAL WORLD

### APPROACH TO SUSTAINABILITY

#### SUSTAINABILITY IN OUR ORGANISATIONAL STRUCTURE

Sustainability is a vital and integral part of our corporate strategy for achieving long-term sustainable growth through value creation for our people, our environment and our society. We have structured our organisational structure to lead and execute our sustainability framework.



# SUSTAINABILITY REPORT

## STAKEHOLDERS ENGAGEMENT

We care about our stakeholders. We recognise the need to continuously develop our business in a responsible manner and to do this, we must first understand our stakeholders' expectations on Nanofilm in the economy, environment and society. We have periodically consulted our stakeholders using a holistic framework to determine issues that are most relevant to them and Nanofilm.

Our internal stakeholders include the Board, management and employees of Nanofilm, whereas the external stakeholders include customers, strategic business partners, employees, regulatory authorities, shareholders, investors, media, analysts, suppliers and vendors.

An overview of our approach and rationale is set out below (with stakeholders listed in alphabetical order), together with the feedback and views received.

STAKEHOLDERS	HOW DO WE LISTEN?	WHAT ARE YOU TELLING US?	WHAT ARE WE DOING?
CUSTOMERS AND STRATEGIC BUSINESS PARTNERS	<ul style="list-style-type: none"> <li>Direct feedbacks via sales channel engagement</li> <li>Site visits to our production facilities</li> <li>Co-development of research and development projects</li> <li>Periodic assessment and audits performed by customers relating to impacts on environment, health, safety and social factors</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop innovative solutions that are mission critical in nature</li> <li>Establish green factory</li> <li>Ensure business continuity</li> </ul>	<ul style="list-style-type: none"> <li>Provide a sustainable factory environment while providing solutions needed by customers</li> <li>Creating value in a sustainable and responsible manner</li> <li>Ensure that we meet customers' ESG requirements</li> </ul>
EMPLOYEES	<ul style="list-style-type: none"> <li>Employee's survey and interactions</li> <li>Internal updates and communication</li> <li>Events and functions</li> </ul>	<ul style="list-style-type: none"> <li>Provide training and education</li> <li>Manage occupational health and safety</li> <li>Maintain work life balance</li> </ul>	<ul style="list-style-type: none"> <li>Ensure workplace health and safety enable the employees to work comfortably and safely</li> <li>Employment benefits to address basic needs and help to manage stress and improve health</li> <li>Training and career development are in place to improve effectiveness and productivity</li> </ul>
REGULATORY AUTHORITIES	<ul style="list-style-type: none"> <li>Regular updates and communication</li> <li>Reports and compliance</li> <li>Periodical meetings with government bodies</li> <li>Dialogue with government bodies</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to regulatory landscape shaping as a market participant</li> </ul>	<ul style="list-style-type: none"> <li>Attending market events to increase communication, visibility and transparency</li> <li>Play a part in contributing to economy activities and value-adding output in countries we have presence in</li> </ul>
SHAREHOLDERS, INVESTORS MEDIA, AND ANALYSTS	<ul style="list-style-type: none"> <li>SGX Announcements</li> <li>Shareholders' meeting</li> <li>Annual reports and Circulars</li> <li>Company's website</li> <li>Regular updates and communication</li> </ul>	<ul style="list-style-type: none"> <li>Long-term profitability</li> <li>Sustainability matters</li> <li>Group's performance against targets</li> <li>Compliance with all relevant requirements</li> </ul>	<ul style="list-style-type: none"> <li>Committed to delivering economic value to our capital providers through a strong financial performance and our engagement with them</li> <li>Regular and effective communication</li> </ul>
SUPPLIERS, VENDORS	<ul style="list-style-type: none"> <li>Periodic supplier's assessment</li> <li>Supplier's meetings</li> </ul>	<ul style="list-style-type: none"> <li>Ability to meet Company's quality standards</li> <li>Ability to meet Company's delivery timelines</li> </ul>	<ul style="list-style-type: none"> <li>Periodic suppliers' assessments to ascertain quality of products and services acquired to ensure that they are free from hazardous substances</li> <li>Supply chain due diligence to ensure our suppliers do not have incidents of human rights and child labour violation</li> </ul>

# SUSTAINABILITY REPORT

## MATERIALITY

### GRI 3-1, GRI 3-2, GRI 3-3

In FY2022, we reviewed our material topics to ensure that they were still relevant and current. This review was done through a peer benchmarking and a stakeholder engagement exercise with both our internal and external stakeholders. To identify potential significant topics, a variety of sources and standards were used as inputs to the review:

- Reporting standards and frameworks, including the GRI Standards, the Sustainability Accounting Standards Board (SASB) and the recommendations of the TCFD;
- Customer feedback on our sustainability performance through both formal and informal means;
- Legal/regulatory aspects affecting the company directly or indirectly;
- Input and feedback from direct ESG outreach meetings with investors;
- Sustainability information that various ranking organisations use to determine Nanofilm's performance;
- Feedback on our prior sustainability reporting;
- Insight from our senior management team; and
- Our sustainability goals.

External stakeholders and internal stakeholders relevant to Nanofilm's business were identified based on GRI's definition<sup>1</sup>. Through discussion with key management representatives from the various business divisions, external stakeholders were identified – shareholders/investors, bankers/analysts, customers, business partners, suppliers/vendors and employees. Using the topics identified from the peer benchmarking exercise, a list of common material topics was established and these were used for the stakeholder engagement exercise to better understand stakeholders' needs and concerns, so that we could prioritise the various ESG topics.

The stakeholder engagement exercise was facilitated by an independent sustainability consultant. The stakeholder engagement surveys were sent to internal and external stakeholders. Respondents were asked to identify topics that were important for Nanofilm to respond. Results of prioritised topics from the stakeholder engagement exercise are shown below. Data points in the top right quadrant were identified as being most important for Nanofilm.

EXTERNAL STAKEHOLDERS	Priority	<ul style="list-style-type: none"> <li>• Anti-Competition Behaviour</li> <li>• Non-Discrimination</li> <li>• Transparency &amp; Disclosure</li> <li>• Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Anti-Corruption</li> <li>• Child Labour</li> <li>• Continuous Innovation &amp; Improvement</li> <li>• Technology-Based Solutions</li> <li>• Business Continuity</li> <li>• Forced or Compulsory Labour</li> <li>• Customer Health &amp; Safety</li> <li>• Customer Privacy</li> <li>• Occupational Health &amp; Safety</li> <li>• Waste Management</li> </ul>
	Ongoing Importance	<ul style="list-style-type: none"> <li>• Water Conservation &amp; Recycling</li> <li>• Energy Management</li> <li>• Labour/Management Relations</li> <li>• Training &amp; Education</li> <li>• Equal Opportunity &amp; Workforce Diversity</li> <li>• Supplier Assessment for Labour Practices</li> <li>• Stakeholder Engagement</li> <li>• GHG Emission</li> <li>• Procurement Practices</li> </ul>	<ul style="list-style-type: none"> <li>• Board Diversity &amp; Structure</li> <li>• Shareholder Rights</li> </ul>
	Monitor and Manage	<ul style="list-style-type: none"> <li>• Freedom of Association and Collective Bargaining</li> <li>• Market Presence</li> <li>• Community Involvement</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Engagement</li> <li>• Climate Change Mitigation &amp; Adaptation</li> </ul>
	Monitor and Manage	Ongoing Importance	Priority
INTERNAL STAKEHOLDERS			

**FIGURE 1. RESULTS OF PRIORITISED TOPICS FROM THE INTERNAL AND EXTERNAL STAKEHOLDERS ENGAGEMENT EXERCISE ARE SHOWN ABOVE. DATA POINTS IN THE TOP RIGHT QUADRANT WERE IDENTIFIED AS BEING MOST IMPORTANT FOR NANOFILM.**

1 GRI 3 Material Topics (2021): Stakeholders are defined as individual or group that has an interest that is affected or could be affected by the organisation's activities. Source: Organisation for Economic Co-operation and Development (OECD), OECD Due Diligence Guidance for Responsible Business Conduct, 2018.

# SUSTAINABILITY REPORT

## The top 10 material topics identified for Nanofilm are:

1. Compliance
2. Occupational Health and Safety
3. Anti-Corruption
4. Child Labour
5. Customer Privacy
6. Continuous Innovation & Improvement
7. Business Continuity Management
8. Forced or Compulsory Labour
9. Customer Health and Safety
10. Technology-Based Solutions

## Additional material topics of on-going importance to Nanofilm were also included as part of our material topics:

11. Waste Management
12. Water Conservation and Recycling
13. Energy Management
14. GHG Emission
15. Labour/Management Relations
16. Training and Education
17. Procurement Practices
18. Equal Opportunity & Workforce Diversity
19. Supplier Assessment for Labour Practices

We have grouped the material topics into 3 focus areas - Environment, Social and Responsible Business as shown below.

SUSTAINABILITY FOCUS AREA	MATERIAL TOPIC	RELEVANT GRI STANDARD APPLIED	RELEVANT SECTION OF SUSTAINABILITY REPORT
Sustainable Innovation	• Technology-Based Solutions	-	• Sustainable Innovation - Technology-Based Solutions
	• Continuous Innovation & Improvement	-	• Sustainable Innovation - Continuous Innovation, Operational Excellence and Continual Improvement
Environment	• GHG Emission	• GRI 305-1, 305-2, 305-4	• Environment - Managing our Carbon Footprint
	• Energy Management	• GRI 302-1, 302-3	• Environment - Energy Efficiency
	• Water Conservation and Recycling	• GRI 303-1, 303-2, 303-3, 303-4, 303-5	• Environment - Water Conservation and Recycling
	• Waste Management	• GRI 306-1, 306-2, 306-3	• Environment - Waste Management
Social	• Training and Education	• GRI 404-1, 404-2, 404-3	• Social - Talent Development and Retention • Social - Performance Appraisal
	• Equal Opportunity & Workforce Diversity	• GRI 405-1, 406-1	• Social - Workforce Diversity and Equal Opportunity
	• Labour/Management Relations	• GRI 401-1, 401-2	• Social - Employee Welfare and Encouraging Work-Life Balance
	• Occupational Health and Safety	• GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-9	• Social - Managing Occupational Health and Safety

# SUSTAINABILITY REPORT

SUSTAINABILITY FOCUS AREA	MATERIAL TOPIC	RELEVANT GRI STANDARD APPLIED	RELEVANT SECTION OF SUSTAINABILITY REPORT
Responsible Business	• Compliance	• GRI 2-27	• Responsible Business – Ethics and Compliance
	• Anti-Corruption	• GRI 205-3	• Responsible Business – Ethics and Compliance
	• Anti-Competitive Behaviour	• GRI 206-1	• Responsible Business – Ethics and Compliance
	• Procurement Practices	• GRI 204-1	• Responsible Business – Procurement Practices
	• Supplier Assessment for Labour Practices	• GRI 414-1, GRI 308-1	• Responsible Business – Supply Chain Due Diligence
	• Child Labour	• GRI 408-1	• Responsible Business – Human Rights
	• Forced or Compulsory Labour	• GRI 409-1	• Responsible Business – Human Rights
	• Business Continuity Management	–	• Responsible Business – Business Continuity
	• Customer Privacy	• GRI 418-1	• Responsible Business – Customer Privacy
• Customer Health and Safety	• GRI 416-2	• Responsible Business – Customer Health and Safety	









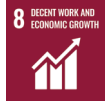



# SUSTAINABILITY REPORT

## OUR PERFORMANCE

The United Nations Sustainable Development Goals (“UNSDGs”) are a set of goals under the 2030 Agenda for Sustainable Development (2030 Agenda), which is a global development framework adopted by World Leaders at the United Nations Sustainable Development Summit in September 2015. Nanofilm is committed to and works actively to support the UNSDGs. We contribute to social and economic development in the societies and communities we operate in, as well as do our part on climate action and conducting responsible business activities. Nanofilm supports all the 17 UNSDGs and contributes in particular to the following 10 goals – SDG 3 Good Health and Well-Being, SDG 4 Quality Education, SDG 5 Gender Equality, SDG 6 Clean Water and Sanitation, SDG 7 Affordable and Clean Energy, SDG 8 Decent Work and Economic Growth, SDG 9 Industry, Innovation and Infrastructure, SDG 12 Responsible Consumption and Production, SDG 13 Climate action, and SDG 16 Peace, Justice and Strong Institutions. In FY2022, we have revised our long-term targets to better align them with our sustainability focus areas. We have rebased our 2030’s target with reference to FY2022’s data as FY2022’s data captures the group’s operations fully, providing a fairer comparison. Our sustainability focus areas, targets and contribution to the various SDGs is described in the table below.

## OUR 2030 TARGETS MEASURED AGAINST 2022 BASE YEAR

		FY2022 PERFORMANCE	2030 TARGET
 <b>SUSTAINABLE INNOVATION</b>	<b>Metric:</b> R&D and engineering expenses as a percentage of total revenue	7.7%	>7%
	  <b>ENVIRONMENT</b>	<b>Metric:</b> GHG emissions intensity (tCO <sub>2</sub> e/’000 production hours)	54.2
	<b>Metric:</b> Percentage of total energy use from renewable sources or purchased carbon credits	0%	At least 50%
	  <b>Metric:</b> Production wastewater discharge intensity (m <sup>3</sup> /’000 production hours)	444.9m <sup>3</sup>	80% reduction in production wastewater discharge intensity to achieve 89.0 m <sup>3</sup> /’000
   <b>SOCIAL</b>	<b>Metric:</b> Annual staff training (average hours/employee)	39.7	40
	<b>Metric:</b> Rate of recordable work-related injuries (per 1,000,000 hours worked) <sup>2</sup>	1.64	<1.0
  <b>RESPONSIBLE BUSINESS</b>	<b>Metric:</b> % of critical direct suppliers covered by human rights, environmental, health and safety due diligence screening	100%	100%
	<b>Metric:</b> % of new employees who have completed the Compliance and Code of Conduct training within 6 months of employment	100%	100%
	<b>Metric:</b> No. of instances of forced and child labour in operations	Zero instances	Zero instances

<sup>2</sup> Number of total recordable work-related injuries over the total man hours for the period (per 1,000,000 hours worked)

<sup>3</sup> Production hours refers to machine production hours.



# SUSTAINABLE INNOVATION

# SUSTAINABILITY REPORT

**AS A DEEP-TECH COMPANY, WE BELIEVE THAT INNOVATION AND SUSTAINABILITY ARE INTERDEPENDENT. WE WILL CONTINUE TO INNOVATE FOR SUSTAINABILITY AND BE A DRIVER OF CHANGE, STRIKING A BALANCE BETWEEN MAXIMISING INNOVATION WHILE MINIMISING HAZARDS TO THE PEOPLE AND THE ENVIRONMENT.**

## TECHNOLOGY-BASED SOLUTIONS

Since our establishment in 1999, Nanofilm has become a leading provider of nanotechnology solutions, leveraging our proprietary technologies, core competencies in R&D, engineering and production, to provide technology-based solutions across a wide range of industries. Our portfolio of solutions encompass advanced materials, nanofabrication and equipment engineering. We formulate advanced materials and nanofabrication processes that contribute to a more sustainable environment and our solutions serve as key catalysts enabling our customers to achieve high value-add advancements in customised end-products, through the replacement of valuable finite base materials, enabling functionalities and extending product lifespans.

With the flexibility and advantages afforded by our proprietary technologies, our solutions are adaptable for use across numerous applications and we have launched into new markets which were previously unavailable for conventional technologies. In Nanofilm, we reliably expand the applications of our technologies, matching new materials and new techniques with new applications.

Currently, Nanofilm holds more than 90 patents and trademarks, with more than 400 employees in our global operations engaged in research and development (R&D) and engineering.

## SUSTAINABLE 'GREEN PLATING'

As the global economy pushes for decarbonisation, many industries are looking to sustainable alternatives to industrial processes, including surface treatments. There's a growing need for more environmentally friendly surface treatment solutions, in particular for anti-corrosion and protection, in replacement of the traditional electroplating process which is pollutive in nature.

Electroplating is the process of coating of a metal object with another metal using an electrical current passed through a chemical solution, mostly to prevent corrosion of metal or for decorative purposes. Electroplating operations involve the use of toxic and corrosive chemicals and can produce emissions of hazardous air pollutants, including heavy metals and cyanide, and volatile organic compounds, all of which contribute to health concerns of workers and the larger community. As such, the electroplating industry comes under very stringent environmental-protection laws and regulations in China and in many other countries.

Today, electroplating process is still widely used in the metal components in the fast growing and high-volume advanced battery business. However, due to its extremely pollutive nature, the approval of governmental licensing to conduct electroplating operations is thus very difficult (if not impossible) to obtain in many jurisdictions, which create production and capacity constraints. With these critical challenges created by the pollutive electroplating process and with today's more environmentally conscious world, there is a strong demand for more environmentally friendly coating solutions for anti-corrosion and protection in the advanced battery business. With the shift towards new energy vehicles driven by a focus on environmental, social and corporate governance ("ESG") factors, the advanced battery industry is also expected to continue to develop at a rapid pace.

Last year, ApexTech was incorporated to tap on opportunities in the new energy advanced batteries space.

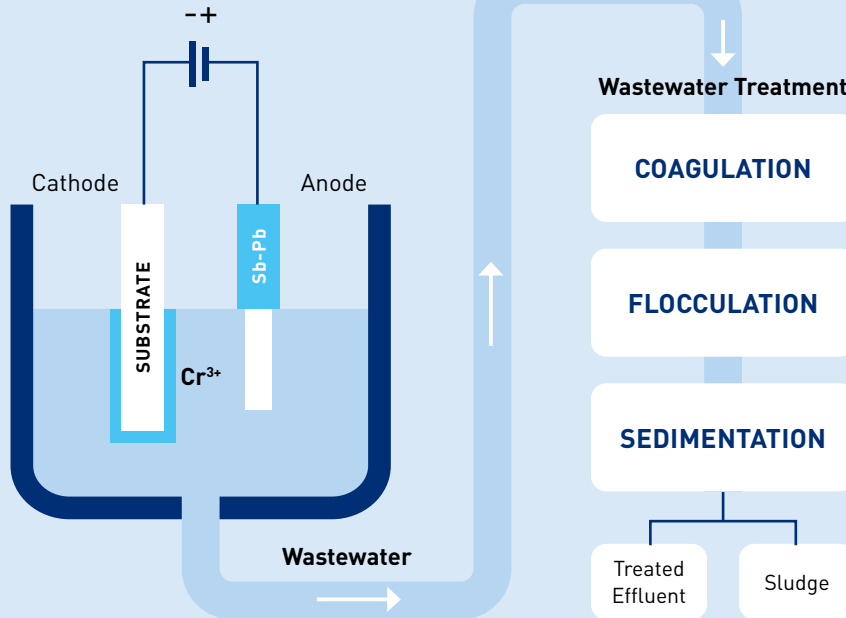
# SUSTAINABILITY REPORT

By combining Nanofilm's advanced vacuum solutions with Everwin's manufacturing capabilities, ApexTech is well-positioned to exploit opportunities in the commercialisation of vacuum coating technologies for metal components in electric vehicle battery packs and energy storage systems, thereby replacing the traditional electroplating with a sustainable, scalable, cost-competitive and more environmentally friendly solution. ApexTech will also be well-positioned to penetrate more industries and applications outside of electric vehicles and energy storage systems, with the aim of replacing electroplating in other domains over the longer term.

## ELECTROPLATING OVERVIEW

### SIMPLIFIED ELECTROPLATING & WASTEWATER TREATMENT PROCESS

**Chromium Plating**  
Chromium plating is typically used on the metallic components in advanced batteries



### GENERAL PURPOSE OF ELECTROPLATING

**Acts as a protective barrier of the substrate**

- Reduces friction and prevents tarnishing
- Wear and tear protection
- Corrosion protection

**Decorative purposes, aesthetic appeal**

- Can make inexpensive metals appear higher quality and more expensive
- Able to achieve various colours, depending on materials used

## SUSTAINABLE ALTERNATIVE TO ELECTROPLATING

### ELECTROPLATING CHALLENGES

- **Pollutive process**
  - Chemical process, involving the use of heavy metals and acidic solutions
  - Byproducts of electroplating are hazardous substances, which need to be treated properly prior to disposal
  - Health concerns over prolonged exposure to these known carcinogens
- **Limited capacity with low chance of expansion**
  - Given the environmental concerns, many countries are phasing out electroplating
  - New licenses for electroplating workshops are tightly controlled in China; additional licenses for existing electroplating workshops are difficult to obtain
  - With demand for functional performance on these metallic parts expected to increase, companies are actively sourcing for alternate solutions

### APEXTECH'S VALUE PROPOSITION

**An effective & sustainable alternative to electroplating**

- **Environmentally friendly solution**
- **Vacuum coating process**
  - No chemicals utilised in the process, coating is applied via plasma
  - No wastewater from coating, ApexTech's coating is a dry process; hence, no treated by products, eliminating waste
  - No toxic air pollutants emitted
- **Similar or superior performance**
  - Able to achieve functional performance as required by customers
- **Cost-effective solution**
  - Comparable to electroplating with scale

# SUSTAINABILITY REPORT

## CONTINUOUS INNOVATION

As a Deep-Tech company, we seek to improve our technology and services through constant R&D investments. In FY2022, our R&D investments amounted to 7.7% of our total revenue, in line with our target to maintain R&D spending above 5.0%. By 2030, we aim to invest more than 7% of our total revenue in R&D and engineering as we grow the company innovatively and sustainably.

We have always ensured that all our investments in R&D and innovation do not violate any rules and regulations concerning safety, environment, human rights, child labour, anti-bribery and anti-corruption. We will continue to uphold this approach and provide innovative and sustainable solutions to more industry use cases.

We have also built a robust and competent R&D team to support the group in all aspects of technical innovations. In 2022 we have seen an increase in R&D personnel and engineers as compared to 2021 as we ramp up R&D investments to penetrate new exciting areas of growth and showing our commitment to invest in innovation, we have more than 400 staff who are engaged in R&D and engineering in 2022.

### LEAN SYSTEM THINKING

- Since its inception in mid-2017, we have continued to apply LEAN system thinking into our daily business operations. In FY2022, we completed 95 LEAN projects, covering processes such as reducing cycle time of our industrial equipment, improving maintenance downtime, inventory cycle optimisation and waste reduction. Since FY2017, over 1,300 LEAN projects have been completed. These LEAN projects not only improve our operational efficiencies and productivity, but also help to improve the cost structures for the entire group.
- **Key areas of focus for LEAN projects in 2022:**
  - Improving operational efficiencies
  - Improving production quality and productivity
  - Waste reduction and costs optimisation

### MES, QTS MOVE TOWARDS INDUSTRY 4.0

We are progressing on our goal to move towards Industry 4.0 (i.e. the Fourth Industrial Revolution) in our manufacturing operations. We have completed the implementation of SAP systems group wide in 2021 and have already taken steps to improve our MES, QTS, PTS systems<sup>4</sup>.

We have also embarked on the journey of automation and robotics implementation in our manufacturing lines, these includes remote diagnostics tools to assist in inspecting coating quality, robotic welding and process transformation on wire coiling, automated loading and unloading, sorting and visual inspection. We intend to further enhance our smart manufacturing processes and plan to further use robotics and automation in our manufacturing lines where achievable.

## OPERATIONAL EXCELLENCE AND CONTINUOUS IMPROVEMENT

Many of our innovations and technologies are developed with environmental sustainability in mind. We constantly seek improvements in our operational processes and systems – not only to improve efficiency, but also to reduce the impact of our business on the environment. Our Operational Excellence Suite covers aspects on manufacturing operational systems (MES, QTS, PTS)<sup>4</sup>, LEAN system thinking, process transformation, customer engagement, talent management, sustainability, and technology, and guides the day-to-day operation of our business. Our production facilities are also certified to ISO9001:2015 Quality Management System to ensure we consistently maintain our standards and quality of production.

We are undergoing digital transformation as we believe that disruptive innovations and transition toward Industry 4.0 are critical to Nanofilm's success, and will continue to drive digitisation, connectivity, and automation in our production processes.

### NEW TECHNOLOGY SOLUTIONS

#### Electro-TAC

In Nanofilm, we have introduced Electric Discharge Machining ("EDM") electrodes, which focusing on copper/brass electric discharge machining electrodes coated with TAC coating and manufacture copper tungsten electrodes by depositing copper and tungsten layer by layer.

Copper electrodes are manufactured to customer needs and the contact edge is coated with our proprietary TAC coating. This lowers the cost of an electrode while the coating provides two distinctive advantages: that of a harder edge and good conductivity for EDM action. The life of the electrode will also be extended. If required, the copper can be re-coated. This contributes to the environment as the frequency of replacing parts will be reduced when the longevity of the electrode increases.

#### Launch of Rainbow-TAC solution

The Group has launched the new Rainbow-TAC, the latest Tetrahedral Amorphous Carbon ("TAC") coating. With exceptionally high hardness, ultra-thin coating thickness and low friction coefficient, Rainbow-TAC was designed to surpass the limits of existing TAC coatings in high-intensity machining operations.

In order to produce highly adhesive TAC coatings at lower temperatures, we used FCVA technology in all coatings, where the coating process is performed in an environmentally friendly manner.

<sup>4</sup> Manufacturing Execution System ("MES"), Quality Tracking System ("QTS"), Project Tracking System ("PTS")



# ENVIRONMENT

# SUSTAINABILITY REPORT

Nanofilm's aim is to keep any adverse impact on the environment and climate as low as possible. To achieve this, we rely on high global environmental management standards and targeted measures such as retrofitting our wastewater treatment systems to allow for recycling of water from our operations.

## MANAGING OUR CARBON FOOTPRINT

### GRI 305-1, GRI 305-2, GRI 305-4

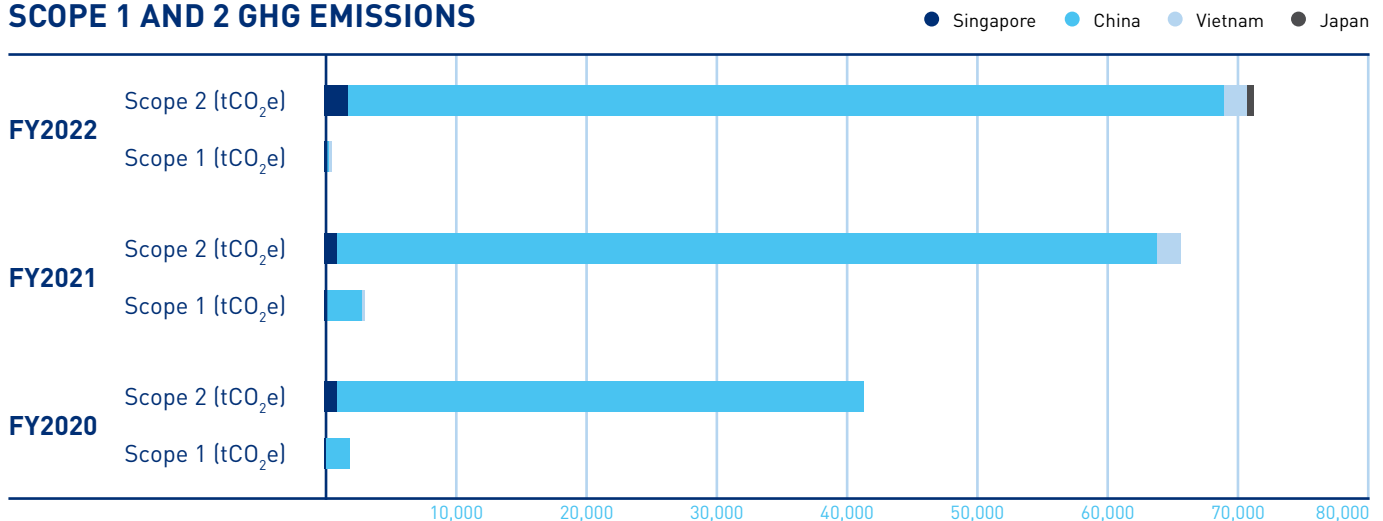
We aim to achieve the highest possible manufacturing performance with the lowest possible energy consumption through optimisation of our operations. We started to monitor and measure our energy consumption and greenhouse gas emissions (GHG) in FY2020. In FY2021, we have included performance data from our Vietnam operations and in FY2022, operations from Yizheng, China and Osaka, Japan are included, as part of the move to include all material operations across the Group.

In FY2022, Nanofilm generated a total of 72,607 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) from our Singapore, China, Vietnam and Japan operations. This is approximately 5% more than what we generated in FY2021 due to the addition of two more sites, Yizheng and Osaka, to our overall data consolidation and also with the full operationalisation of Shanghai Plant 2.

Our Scope 1 emissions was 272 tCO<sub>2</sub>e or approximately 0.4% of the overall GHG emissions while our Scope 2 emissions was 72,335 tCO<sub>2</sub>e or approximately 99% of the overall GHG emissions. The sharp decrease in Scope 1 emissions in FY2022 was due to the reduction in use of diesel for temporary power generators usage at Shanghai Plant 2 once the plant was operational. The Scope 2 emissions is attributable largely to purchased electricity used in our manufacturing plants. Scope 2 emissions in FY2022 increased by approximately 9% compared to FY2021.

The GHG emission intensity for FY2022 is 54.2 tCO<sub>2</sub>e per thousand ('000) machine production hours, which is also an increase of approximately 4% compared to the GHG emission intensity of 52.1 tCO<sub>2</sub>e per thousand machine production hours in FY2021. We shall continue to monitor the emissions intensity for the various sites and improve the efficiency of our operational processes. We aim to reduce our GHG emissions intensity by 40% to achieve 32.5 tCO<sub>2</sub>e/'000 production hours by 2030.

## SCOPE 1 AND 2 GHG EMISSIONS



	FY2020		FY2021		FY2022	
	SCOPE 1 (tCO <sub>2</sub> e)	SCOPE 2 (tCO <sub>2</sub> e)	SCOPE 1 (tCO <sub>2</sub> e)	SCOPE 2 (tCO <sub>2</sub> e)	SCOPE 1 (tCO <sub>2</sub> e)	SCOPE 2 (tCO <sub>2</sub> e)
Singapore	6	1,201	7	1,035	7	1,073
China	1,595	41,089	2,455	63,909	264	69,968
Vietnam	-	-	1	1,601	0	1,085
Japan	-	-	-	-	-	209
<b>Total</b>	<b>1,601</b>	<b>42,290</b>	<b>2,463</b>	<b>66,545</b>	<b>272</b>	<b>72,335</b>

# SUSTAINABILITY REPORT

## GHG EMISSION INTENSITY SCOPE 1&2 GHG EMISSION INTENSITY

(tCO<sub>2</sub>e/'000 machine production hours)



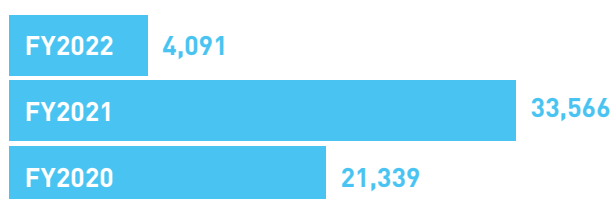
\* FY2020's intensity figures have been excluded as the data were not comparable  
FY2022 data includes two additional sites, Yizheng (China) and Osaka (Japan)

## ENERGY EFFICIENCY GRI 302-1, GRI 302-3

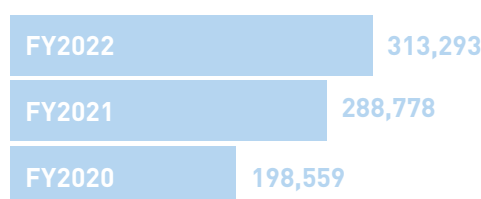
Regular investment in the energy efficiency of our manufacturing operations has a long-term positive effect on the environment and our competitiveness. We have started to monitor and measure our energy usage at the different sites in FY2020 and are trying to better understand the factors that could have a significant impact on our energy consumption. In FY2022, the Group's overall energy consumption was 317,384 GJ, with electricity consumption contributing to 99% of overall energy consumed. The energy consumed in FY2022 was 2% less than FY2021 primarily due to the large reduction in fuel (diesel) used previously by Shanghai Plant 2 prior to its operationalisation. The energy intensity for FY2022 based on machine production hours was approximately 236.8 GJ/'000 production, which is approximately 2% less than FY2021's value of 243.4 GJ/'000 production hours.

## ENERGY CONSUMED WITHIN THE ORGANISATION

### ENERGY CONSUMED FROM FUEL (GJ)



### ENERGY CONSUMED FROM ELECTRICITY (GJ)



### Energy From Renewable Sources

Apart from managing our energy consumption, we also seek to use energy from renewable sources to reduce our carbon footprint. By investing in energy efficiency, we not only help protect the environment but can also lower our financial costs. We are committed to using renewable energy including solar power to reduce the Group's reliance on fossil fuel-generated electricity. We are ramping up on our efforts to install solar panels at our manufacturing facilities and have kick-started solar panel installation at our Shanghai facilities. It is also the Group's goal by 2030 to have at least 50% of our total energy consumed to be from renewable sources or purchased carbon credits.



# SUSTAINABILITY REPORT

## WATER CONSERVATION AND RECYCLING

GRI 303-1, GRI 303-2, GRI 303-3, GRI 303-4, GRI 303-5

We value the importance of our planet's natural resources and strive to adhere to high standards to responsibly manage our environmental impact. In response to the growing concerns related to water as a natural resource, Nanofilm has adopted a wide range of measures to reduce water consumption at our factories, installing water-efficient fittings and raising awareness of water scarcity issues among our employees.

In FY2022, we have consumed 708,827 cubic metres (m<sup>3</sup>) of water, all of which is obtained from third-party water. Of the total water consumed, 654,683 m<sup>3</sup> is used for production, this increase in volume compared to 489,809 m<sup>3</sup> consumed in FY2021 is due largely to an increase in production at our Shanghai site as well as the inclusion of the performance data from our Yizheng and Japan site, which was previously excluded in FY2021's data consolidation. In FY2022, due to the COVID-19 lockdown in Shanghai, Nanofilm was required to implement a "closed-loop manufacturing system" to keep production running, isolating workers from the outside environment. This led to a two-fold increase in the number of workers staying in Nanofilm's housing facilities at the site in Shanghai and an increase in electricity and water consumption. However, due to the manner in which the temporary accommodation was set up at the Shanghai site, we are unable to segregate the water and electricity consumed by the housing facilities and the production. FY2022's water consumption and production water discharge figures thus covers both the housing facilities and production in Shanghai.

Consequently, the total volume of water discharged from our production facilities in FY2022<sup>5</sup> was also greater, amounting to 596,257 m<sup>3</sup>. Our production water discharge intensity for FY2022 (based on production hours) was 444.9 m<sup>3</sup>/000 production hours. This is a 63% increase from FY2021's intensity of 273.3 m<sup>3</sup>/000 production hours and resulted from us being unable to accurately breakdown the water consumed by housing facilities or production. By 2030, we aim to reduce 80% of our water discharge intensity to achieve 89.0 m<sup>3</sup>/000 production hours. We will continue to monitor our performance and report our progress annually.

In China, 100% of the water discharged from production is treated. We have invested significantly over the years in evaporative wastewater and water recycling system that reduces water discharge. In addition, we will continue to install additional water recycling systems to drive towards zero production water discharge. We plan to bring this good practice from our China production facilities to the rest of our operations globally, with the aim of having zero water discharge from our production eventually.

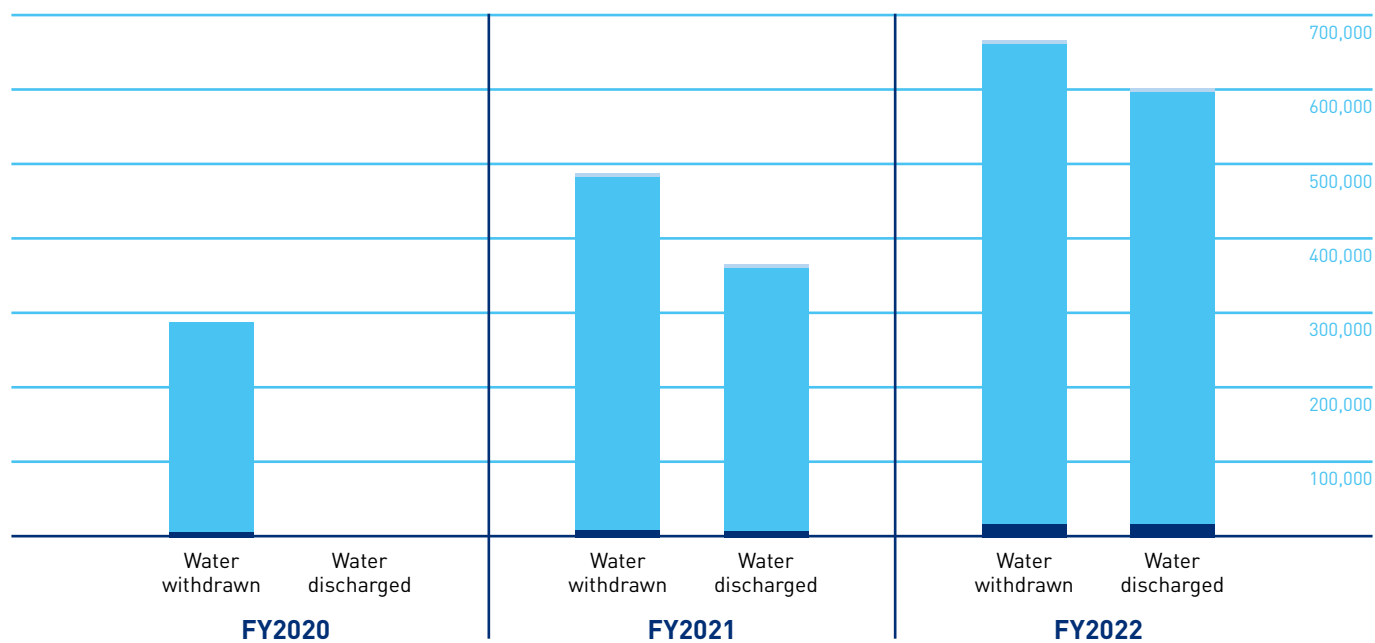
In Singapore, wastewater discharge is monitored and sent for lab testing periodically to ensure that it is within the National Environment Agency ("NEA") guidelines.

5 The amount of water discharged for Singapore, Vietnam and Japan is assumed to be the same as the amount of water that was withdrawn.

# SUSTAINABILITY REPORT

## PRODUCTION WATER WITHDRAWAL AND DISCHARGE (M<sup>3</sup>)

● Singapore ● China ● Vietnam ● Japan

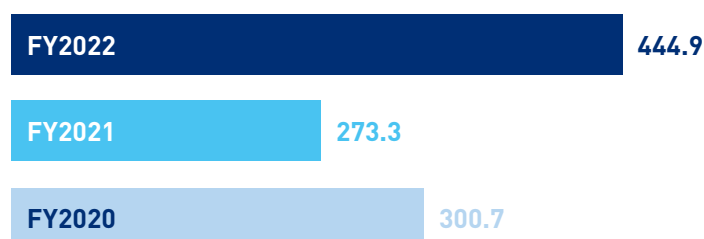


Water discharged is not disclosed in FY2020

M <sup>3</sup>	WATER STRESS*	FY2020		FY2021		FY2022	
		WATER WITHDRAWN	WATER DISCHARGED	WATER WITHDRAWN	WATER DISCHARGED	WATER WITHDRAWN	WATER DISCHARGED
Singapore	High	6,527	6,527	7,800	7,800	18,228	18,228
China (Yizheng & Shanghai)	High	286,328	286,150	480,858	352,989	634,498	576,463
Vietnam (Hai Duong)	Low to Medium	-	-	1,151	1,151	1,949	1,559
Japan (Osaka)	Extremely High	-	-	-	-	7	7

\* Water stress levels based on future projections in 2040. Analysis was done using WRI Aqueduct Water Risk Atlas Tool.

## WATER DISCHARGE INTENSITY (M<sup>3</sup>/’000 PRODUCTION HOURS)



# SUSTAINABILITY REPORT

## WASTE MANAGEMENT

GRI 306-1, GRI 306-2, GRI 306-3

The volume of waste materials generated from Nanofilm's production process is not significant and mostly non-hazardous. Any waste engine oils and materials recovered from maintenance of machinery will be aggregated in an isolated container and disposed through proper industrial disposal channels. Hazardous waste generated is also properly disposed through third party engagements. In FY2022, a total of 669.2 tonnes of non-hazardous and hazardous waste was generated from our operations globally, which is approximately 60% more than the volume of waste generated in FY2021. This increase was due to an increase in production at the Shanghai site and the operation commencement of the new plant 2 facility, which in turn resulted in more waste generated. The hazardous waste comprises approximately 50% of our total waste generated, most of which is from waste cleaning solutions and emulsions from our plants in China.

## HAZARDOUS WASTE

	FY2021			FY2022		
	TONNES	LITER	PC	TONNES	LITER	PC
Singapore	6.7	-	-	1.1	5,508.0	90.0
China	138.9	-	-	330.7	-	-
Vietnam	2.7	-	-	1.2	-	-
Japan	-	-	-	-	-	-
<b>Total</b>	<b>148.3</b>	<b>-</b>	<b>-</b>	<b>332.9</b>	<b>5,508.0</b>	<b>90.0</b>

\* Collection of data on hazardous waste generated started in FY2021. Thus data was not reported for FY2020.

## NON-HAZARDOUS WASTE (TONNES)

	FY2020	FY2021	FY2022
Singapore	7.3	-	-
China	168.9	261.7	298.3
Vietnam	0.0	9.7	38.0
Japan	0.0	-	-
<b>Total</b>	<b>176.2</b>	<b>271.4</b>	<b>336.3</b>

\* General waste from our operations in Singapore and Japan are gathered and properly disposed through building's shared services. We are currently enhancing our data collection process for our non-hazardous waste collected in Singapore and Japan so as to be able to obtain more accurate data for reporting in subsequent years.



# S O C I A L

# SUSTAINABILITY REPORT

We have a comprehensive performance appraisal programme and rewards system based on the result of employee appraisal. The performance appraisal programme is essential for us to deliver our corporate performance targets and goals; align the interest of our employees with appropriate incentives; understand the skill level of employees; and identify the need for appropriate training programmes that can be designed to close the skill gaps.

We emphasise on the career path and progression of our employees, and have built several two-way communication channels to ensure that the career development needs of our employees are taken into consideration whenever possible. All employees are offered training opportunities, based on the needs identified.

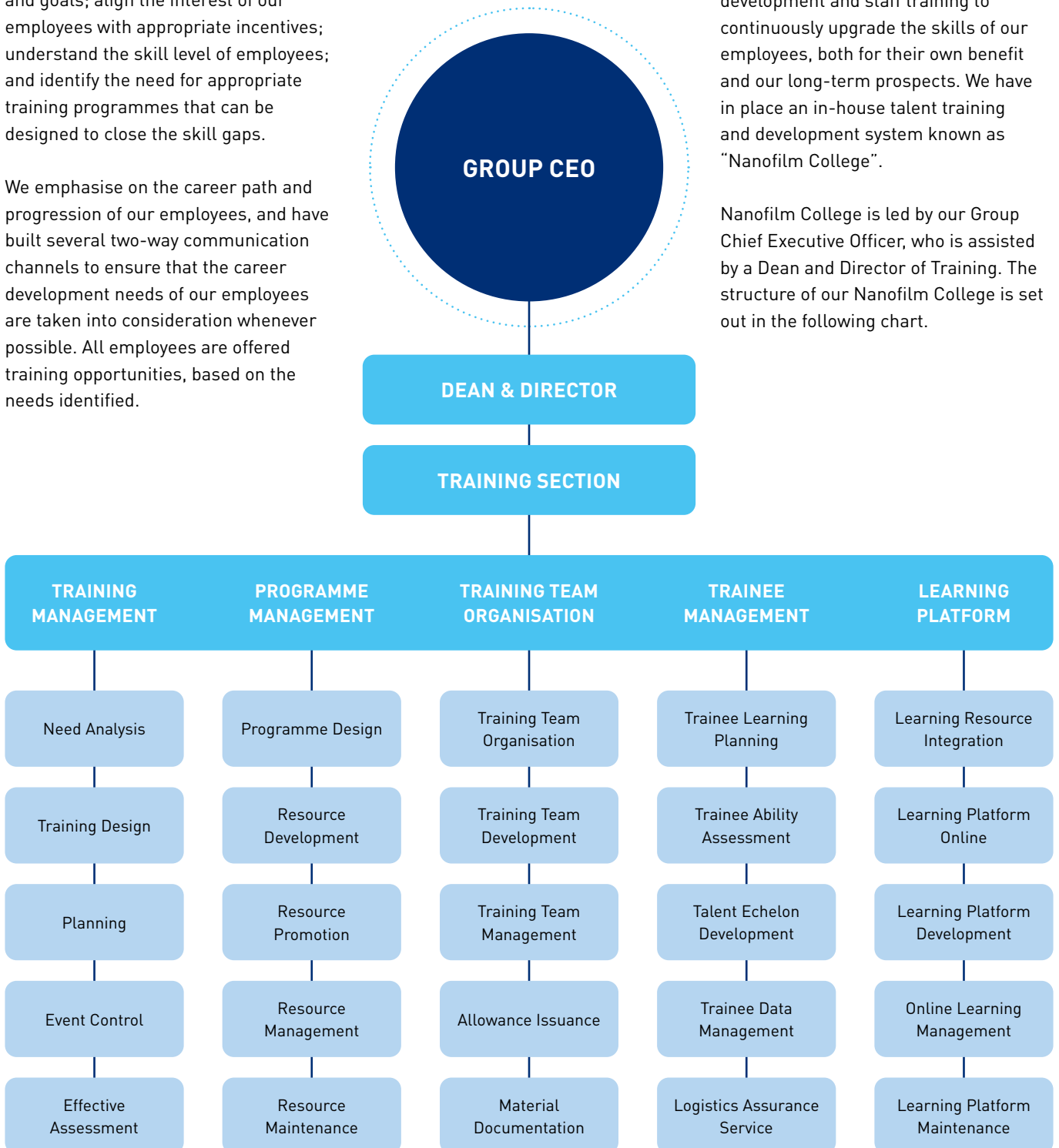
Through these efforts, we are well-positioned to provide a constructive working experience to our employees and contribute to the economic development and skilled labour resources of the local community.

## TALENT DEVELOPMENT AND RETENTION

**GRI 404-1, GRI 404-2**

We believe people are the cornerstone of our business and invest in talent development and staff training to continuously upgrade the skills of our employees, both for their own benefit and our long-term prospects. We have in place an in-house talent training and development system known as "Nanofilm College".

Nanofilm College is led by our Group Chief Executive Officer, who is assisted by a Dean and Director of Training. The structure of our Nanofilm College is set out in the following chart.



# SUSTAINABILITY REPORT

## OVERVIEW OF NANOFILM COLLEGE TRAINING PROCESS

Nanofilm College is a structured training and development system which commences once a new employee joins our Group, and begins with an orientation and on-the-job training (“OJT”). It continues throughout his progression in our Group, and includes specialised training for promotions.

### COMMUNICATION & FEEDBACK

- Performance review
- Job application assessments
- Development and training mechanisms
- Salary adjustments
- Job objectives

### NURTURE & DEVELOPMENT

- Self learning
- OJT
- Role expansion
- Programme participation
- Training & job rotation

### TALENT SELECTION

- From the talent pool review, via qualifications and assessments, select excellent core employees

### TALENT POOL & REVIEW

- Result, capabilities, quality assessment
- Potential and trends
- Development and training mechanism

### PROMOTION & DEVELOPMENT

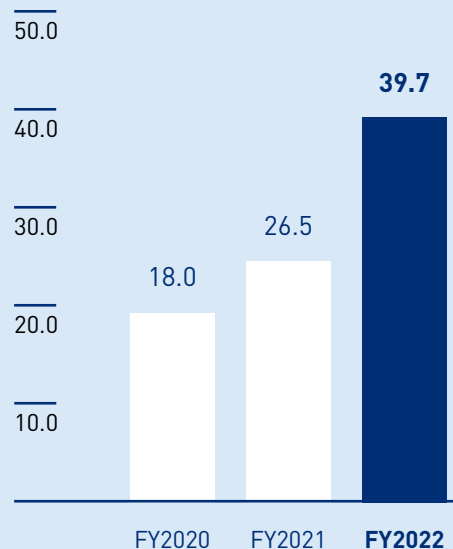
- Recommend suitable employees for promotion by looking at role matchings, track records and past results of employees

Nanofilm College currently offers over 200 training courses across the following course categories: (a) Procurement & Supply Chain Management, (b) LEAN Production Management, (c) R&D, (d) Standard & Internal Auditing, (e) General Management Skill, (f) Environment Health and Safety, (g) Quality, (h) corporate function systems, (i) technical and operations.

Our training programmes are designed to ensure that our employees are competent in their roles and responsibilities, and include both technical and professional training, as well as training designed to develop the soft skills of our employees.

In 2022, Nanofilm college has provided training for a total of 101,941 trainee hours. This has exceeded our target of 60,000 trainee hours annually. We strive to continue providing our employees with focused training to help them develop their competencies. Taking into consideration the training hours provided by Nanofilm College as well as training conducted by individual sites, we have invested an average of 39.7 hours of training for each employee in FY2022, which is an increase of 13 hours of training per employee compared to FY2021. As part of our people strategy, Nanofilm has committed to continually provide training for our employees. Our target is to ensure that by 2030, each employee would be able to achieve on average at least 40 hours of training annually.

## AVERAGE TRAINING HOURS PER EMPLOYEE



# SUSTAINABILITY REPORT

## PERFORMANCE APPRAISAL

### GRI 404-3

To ensure the Company achieves its goals, we have various performance appraisal methods in place to determine the performance of the Company as well as each individual employee.

The employee performance appraisal comprises quantifiable and qualitative evaluation criteria. In addition, we actively collect performance information for each employee through inputs from direct supervisors, as well as periodical employee communication sessions.

The collected information allows us to understand the performance and skills development needs of each team and individual employee from multiple aspects. This is crucial for the Company to develop and design annual training programmes for employees to enhance their skills and aims to improve overall productivity. In FY2022, all permanent employees of Nanofilm received their annual performance appraisal.

## WORKFORCE DIVERSITY AND EQUAL OPPORTUNITY

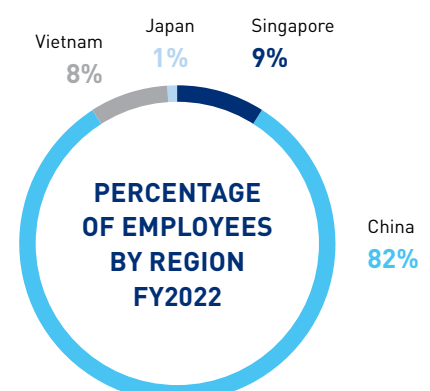
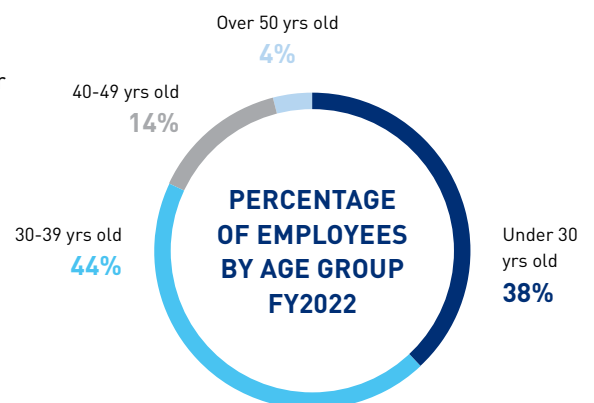
### GRI 405-1, GRI 406-1

Diversity and inclusion are part of our value system, and our support for social justice and anti-discrimination is also expected by our employees. We provide an environment recognised for its equality and diversity, and everyone is treated with fairness, respect and dignity. We do not tolerate any discrimination or harassment of colleagues or others stakeholders that we work with, and this is stated in our code of conduct. In FY2022, we had zero incidents of discrimination.

Inclusion to us means that everyone in Nanofilm can feel that they are part of one team, are able to bring their whole self to work, and have their voices heard and respected. We also want to leverage the competitive advantage that diverse teams and inclusive cultures can bring to our business, and meet our employees' demand for working in a company that values diversity and inclusion.

We work systematically with diversity and inclusion through our key human resources processes, such as recruitment, succession planning, performance management and leadership development.

In FY2022, our total staff strength was 2,658, with approximately 42% of our global workforce comprising females. Approximately 82% of our employees are under 30 or between 30 to 39 years old. The majority (82%) of our employees are based in China, followed by Vietnam (8%), Singapore (9%) and Japan. We believe that inclusive hiring also enriches the company's work culture. In our Shanghai and Japan operations, we hire persons with disabilities to support our operations and corporate support functions, which has also received local authorities' commendation. Currently, they comprise 17 individuals supporting operations, administrative, procurement and finance. We have faith in people's uncovered abilities, regardless of any disability they may have, and we strive to maximise their talents in becoming a corporate group in which employees can continue to work with enthusiasm and pride.



# SUSTAINABILITY REPORT

## EMPLOYEES WELFARE AND ENCOURAGING WORK-LIFE BALANCE GRI 401-1, GRI 401-2

We adopt a holistic approach and adhere to one of the best-in-class frameworks to take care of our employees' needs and well-being. On top of offering great working conditions, we ensure that high quality hygiene and living standards are maintained in our dormitories as well as the staff canteen in our Shanghai facility. We conduct periodic employees' surveys to gather feedback and seek continuous improvement on the quality of our staff facilities.

We have in place a robust manpower planning policy to ensure that our employees enjoy a balanced work-life culture while keeping operations efficient. We are committed to maintain our good employee welfare practices and seek further improvements as we expand.

With the major easing of COVID-19 rules from the Singapore government at the beginning of the year 2023, we have managed to organise a Chinese New Year Dinner with all of our Singapore colleagues. The objective was to boost

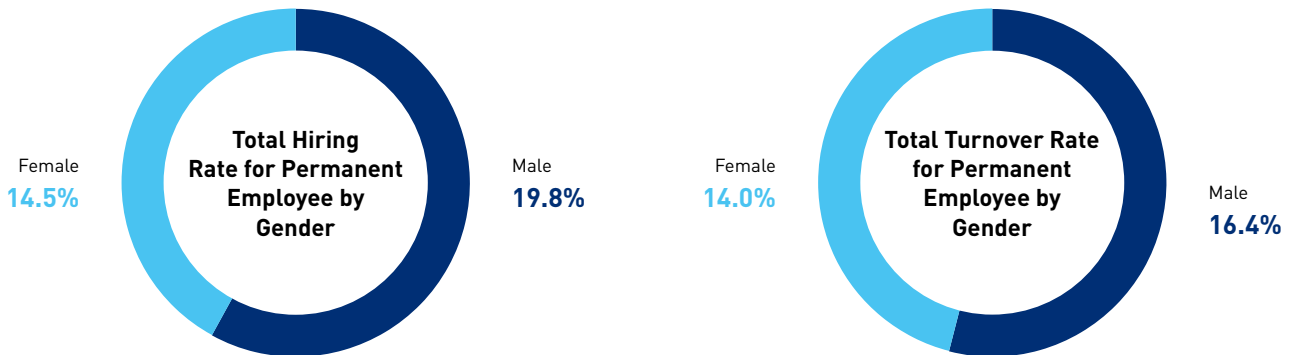
employees' morale, validate their contributions to the company and promote their creativity. This also aids in creating better-focused teams that are also well-motivated.

In addition, we believe that a good office environment contributes to employees' health and well-being. In our new office at Tai Seng Drive, we provide a quality workspace design, that focuses on these several concepts of building performances from The WELL Building Standard: Water, Light and Comfort.

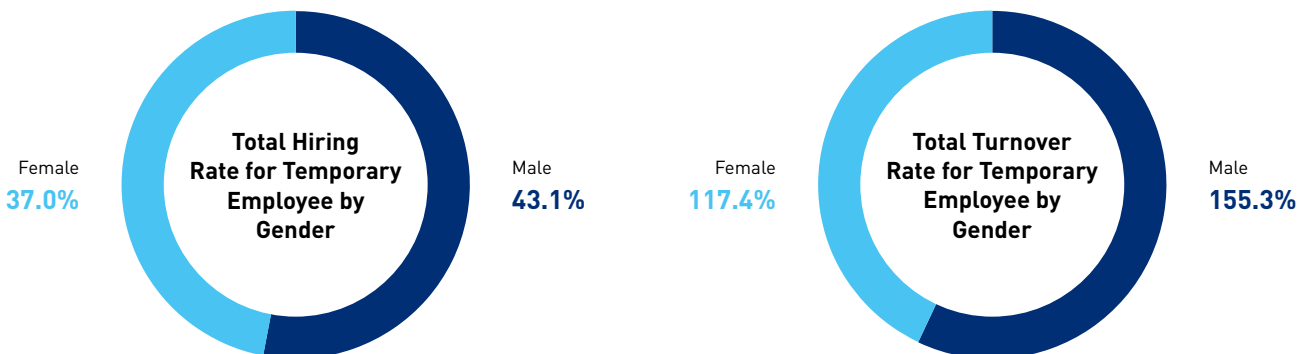
In order to create distraction-free, comfortable environments, the office provides employees with different breakout areas and meeting rooms for brainstorming purposes. It creates quiet zones and limits sound from building systems in order to optimise employees' emotional health.

Our full-time employees enjoy benefits including health care coverage; employer-funded contributions to retirement benefits stems; insurances including group hospital insurance, disability and invalidity coverage, as well as different leave types, such as annual leave, parental leave, medical and hospitalisation leave, etc.

In FY2022, the permanent employees overall hiring rate and turnover rate for the Group was 34.3% and 30.3% respectively.



The temporary employees overall hiring rate and turnover rate for the Group was 80.1% and 272.7% respectively. The higher hiring and turnover rate for temporary employees are attributed to the seasonality of the supply chain and the nature of the industry at the sites we operate in.





# SUSTAINABILITY REPORT

## MANAGING OCCUPATIONAL HEALTH AND SAFETY

**GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-9**

The health and safety of our employees in the workplace is of particular importance to us. We place especially high priority on complying with the sites' health and safety policies, statutory regulations and industry standards, as well as our global customers' world class standards. Our Shanghai and Singapore sites are certified to ISO 45001:2019 [Occupational Health and Safety Management System]. Although Vietnam is not certified to ISO 45001:2019, the site also has in place a Safety, Health and Environment Management System. At these sites in Shanghai, Singapore and Vietnam, all activities and processes are evaluated and risk assessments carried out to ensure that hazards are identified and controls put in place to mitigate the risks. A safety committee is also established at our sites in Shanghai, Yizheng, Singapore, Vietnam and Japan consisting of employee representatives from various departments – these personnel are responsible for monitoring of safety practices and conducting monthly safety inspections.

Pre-employment health checks are provided to employees who are in roles that may present occupational hazards, such as loud noises causing noise induced deafness. These employees have to undergo regular health monitoring to ensure that they do not suffer from any occupational health diseases. We carry out local initiatives to create a health-promoting work environment and foster our employees' awareness of a healthy lifestyle. In China, our canteens have in place nutritional menus for employees; health check-ups are also arranged for staff so that employees can identify minor health issues before they turn severe. These check-ups also serve as a reminder to employees to adopt a healthy lifestyle and balanced diet.

For the safety of new employees, they must undergo health and safety training covering emergency preparedness, identification of hazards in their work, risk assessments, as well as attend an annual training on occupational health and safety. Likewise, all our suppliers and contractors who work on site are also required to declare their work activities and submit all relevant risk assessments, permits and licenses before they are allowed to commence work. In the event of any safety related incident, an investigation is conducted by the site's safety committee. The outcome is reported to and shared at the Group-wide health and safety meetings which occur twice a year.

We measure our health and safety performance by monitoring our workplace injury rate, accident frequency rate and workplace injury rate across all operating sites within the Group. In FY2022, we have refined the reporting metrics used for reporting health and safety injuries, so as to better align with GRI reporting requirements. Although the rate of recordable work injuries has decreased, the rate of high consequence injuries has increased. In FY2022, we had one case of high consequence work injury that was due to an injury from an employee in the equipment maintenance department. The employee had failed to follow safe work procedures and work instructions related to the machinery and as such, resulted in a serious finger injury. All personnel have since been reminded to adhere to the relevant safe work procedures. The Group will be rolling out more safety awareness programs in FY2023 to remind employees of the need for safe work practices.

By 2030, we aim to have a rate of recordable work injury of less than 1.0 (per one-million man hours worked).

	FY2020	FY2021	FY2022
Rate of fatalities as a result of work-related injury (per 1,000,000 hours worked)	Not reported	Not reported	-
Rate of high-consequence work-related injuries (excluding fatalities) (per 1,000,000 hours worked)	Not reported	Not reported	<b>0.13</b>
Rate of recordable work-related injuries (per 1,000,000 hours worked)	1.89	2.14	<b>1.64</b>
Total Recordable Injury Rate (TRIR) (per 100 workers)	0.45	0.43	<b>0.33</b>

## COMMUNITY INVOLVEMENT

We are committed to drive positive and sustainable change for our communities, particularly for vulnerable and underserved groups, in the geographies where we operate. In FY2022, we have donated \$28,000 for North East Community Development Council (CDC) and also sponsored \$30,000 for the 19th SGX Cares Bull Charge Charity Run 2022. The SGX Cares Bull Charge is a corporate charity initiative that brings together Singapore's financial community and SGX-listed companies to support the needs of underprivileged children and families, persons with disabilities, as well as the elderly. Some of the beneficiaries include AWWA Ltd., Autism Association (Singapore), Fei Yue Community Services, HCSA Community Services and Shared Services for Charities.



# RESPONSIBLE BUSINESS

# SUSTAINABILITY REPORT

## MANAGEMENT APPROACH

We are meticulous in our approach to governance and responsible business. Our governance structure ensures that we monitor and quantify compliance, manage risk as well as maintain customers' and society's confidence and trust.

Under our Group CEO's active direction and in collaboration with our Board of Directors and its committees responsible for performance and compliance review, we hold ourselves to the highest standards of economic, environmental and societal performance as well as compliance with laws, regulations, and corporate policies that govern our operations and practices worldwide.

We have internally appointed a sustainability leader to chair the sustainability team, to provide leadership and direction on the sustainability strategy. The sustainability team is also supported by other expert functions such as supply chain, human resources, finance, procurement, marketing, R&D, operations and legal.

## ETHICS AND COMPLIANCE

### GRI 2-27, GRI 205-3, GRI 206-1

Sustainability is an integral part of the corporate culture and behaviour in our business.

We have established Group-wide procedures to ensure compliance with legal and regulatory standards as well as internal standards, including our code of conduct. This oversight includes training, communication and consulting activities designed to provide all employees with the information and resources necessary to fulfil their responsibilities and understand their roles in ensuring ethical compliance and behaviour.

Significant resources have also been invested by the Company to ensure that we have in place a robust compliance and integrity platform. We will continue to refine our approach to promote ethical behaviour and integrity both within our organisation and in the entities with which we have relationships with.

Our compliance and integrity programme has three pillars:

**Prevention:** Enforce policies, code of conduct, risk assessment and internal controls metrics when we onboard new employees and periodically during their tenure.

**Early detection:** Whistle-blowing platform is in place and each reported incident is independently reviewed and investigated. Internally, we have continuous compliance reviews, controls and internal audits to ensure we pick up any irregularities early.

**Response:** Disciplinary action on compliance breaches, process adaptation, resolution plans, and remediation of internal control systems. We are committed to continuously fine-tune the policies to seek further improvements going forward.

We aim to maintain for 100% of our new employees to complete the compliance code of conduct training and for existing employees to stay up to date on the latest group-wide compliance and code of conduct through periodic compulsory training. It is our Group's policy to also ensure that there is fair competition in the conduct of the Company's business, in its relationships with customers, suppliers, competitors and towards its employees.

Our factories are fully compliant with the environmental laws and regulations in the countries that we operate, and ISO 14001:2015 Environmental Management System has been implemented in our plants globally since 2016. We conduct internal and external audits to ensure that all statutory and internal requirements regarding environmental requirements are met. We have also passed our stringent annual environmental, health and social audits performed by our global tier-one customers, in-line with global world-class standards. Any deficiencies or potential areas for improvement are identified during these audits and subsequently addressed by the respective sites.

# SUSTAINABILITY REPORT

In FY2022, there were no cases of significant fines or non-monetary sanctions related to the environmental and socio-economic areas. There were zero cases of legal actions relating to anti-competitive behaviour, anti-trust, and monopoly practices. Our target is to ensure that 100% of new employees attend the Compliance and Code of Conduct training within the first 6 months of joining the company.

## SUPPLY CHAIN DUE DILIGENCE

### GRI 414-1, GRI 308-1

At Nanofilm, we require our factories to provide fair working hours, a safe work site and an environment free from discrimination regardless of a person's job or location. We also expect our factories to have in place responsible sourcing policies for all our raw materials in use. Naturally, we will also expect our suppliers to do the same. We conduct due diligence screening before onboarding our suppliers to ensure that there are no human rights violations and our raw materials are ethically-sourced (e.g., zero tolerance for bribery and corruption, and responsibly-sourced raw materials from non-conflict areas).

The due diligence screening includes, but not limited to, site visits, background checks, verification of certifications and testing of samples. Business units also ensure that suppliers are sourced from the approved list of suppliers who are also subject to internal reviews periodically as part of our due diligence process. There are also anti-bribery and environmental agreements with our critical vendors to ensure that they continue to be in compliance with our policies as we engage in a long-term relationship with them.

In FY2022, 100% of our critical direct material suppliers were screened based on social and environmental criteria such as presence of environmental policies, waste management practices, policies prohibiting forced and child labour as well as health and safety practices. Our aim is to continue to conduct 100% human rights, environmental, health and safety due diligence screening on critical direct material new suppliers.

## PROCUREMENT PRACTICES

### GRI 204-1

Procurement is structured in a hybrid manner. For decentralised local purchases, each subsidiary is responsible for selecting its own vendors. While some procurement decisions are controlled by the customer, others are usually based on price, availability and reliability of vendors. We have also in place a system for centralised purchases of standard and higher frequency items, where purchases are controlled by Materials Requirements Planning ("MRP") through master supply arrangements with approved suppliers. By purchasing from local vendors, the Group benefits from a shorter delivery time, better technical support and transportation savings. Procuring from domestic markets also helps to boost the local economy and reduce our carbon footprint. In FY2022, 60% of our purchases were sourced from local suppliers.

## HUMAN RIGHTS

### GRI 408-1, GRI 409-1

We are committed to a safe work environment that is free from and provides for protection against human trafficking and slavery, including forced labour and unlawful child labour. We do not condone human trafficking or slavery in any parts of our organisation. We have also been working closely with our customers to conduct frequent reviews of our operations to prevent incidents of human rights violations within the organisation.

As part of our human rights due diligence process, we have identified 2 countries where there is a risk of child labour and forced labour. Our operations and critical direct suppliers in these 2 countries are required to undergo an annual social compliance audit to ensure that their business practices are in compliance with our Supplier Code of Conduct as well as international best practices on human rights. Our target is to ensure zero instances of forced or child labour in our operations or critical direct suppliers.

# SUSTAINABILITY REPORT

## BUSINESS CONTINUITY

COVID-19 had a significant impact on businesses and communities globally in FY2022. The Group's operations are distributed across Singapore, China, Japan and Vietnam. In demonstrating our solidarity to join the authorities' efforts to control the pace of the spread of COVID-19, the Group complied with the directives from local governments in the various jurisdictions. In addition, the Group instituted precautionary measures to protect the health and safety of its employees. We also initiated business continuity planning to protect our staff and mitigate the impact on the Group's business operations. With the relaxation of COVID-19 restrictions globally and a return to normal endemic conditions, we shall continue to keep a close eye on our operations, and announce any material changes to our business performance to shareholders on a timely basis, as and when appropriate.

## CUSTOMER PRIVACY

### GRI 418-1

Protecting the privacy and personal data of our employees and customers is of utmost importance to us. This is an important aspect of the way we create, organise and implement our activities on-line and off-line. Nanofilm has in place technologies and security policies to protect the stored personal data of our users from unauthorised access, improper use, alteration, unlawful or accidental destruction and accidental loss. Nanofilm employees and third-parties who have access to personal data are obliged to respect the privacy of customers and the confidentiality of any personal data which may be shared. The Global IT team is responsible for protecting this data against ransomware attacks which can result in data being leaked. Global IT also has in place cybersecurity defences to protect against phishing and ransomware attacks. In FY2022, we have not received any substantiated complaints concerning breaches of customer privacy. In FY2023, more tools, testing and training will be carried out to minimise the chances of a damaging ransomware or phishing attack.

## CUSTOMER HEALTH AND SAFETY

### GRI 416-2

Chemical substances are useful in many of the products we sell, however we have a responsibility to ensure that our products are safe, and that the products are produced in a way that protects co-workers and the environment. We are committed to ensuring that our products do not harm our customers' well-being and safety. Our products are sourced from suppliers globally who meet our environmental and social criteria and possess the necessary product certifications. Where required by our customers, our products will also comply with obligations under RoHS and REACH. If our customers require our products to be tested based on EU standards, we will ensure the required testing are conducted. In FY2022, we have no cases of products being non-compliant to Health & Safety standards and zero reports of product recall. Nanofilm has maintained zero product recall in the last 3 years due to our continuous stringent product safety measures, which we will continue to enforce. We aim to maintain zero cases of non-compliance cases and product recall in FY2023.

# SUSTAINABILITY REPORT

FY2022 includes performance from Yizheng and Osaka sites, which were excluded in FY2021's compilation.

FY2021 includes performance from Vietnam site, which were excluded in FY2020's compilation.

## SUSTAINABILITY SCORECARD

### RESULTS

PERFORMANCE INDICATORS	UNITS	FY2020	FY2021	FY2022
Revenue	S\$'million	218	247	237

### SUSTAINABLE INNOVATION

PERFORMANCE INDICATORS	UNITS	FY2020	FY2021	FY2022
R&D and engineering expenses	Percentage	5.9	7.1	7.7
Patents and trademarks	Number	>70	>80	>90
Employees engaged in R&D and engineering	Number	>270	>300	>400
Completed LEAN projects	Number	375	373	95

### ENVIRONMENT

PERFORMANCE INDICATORS	UNITS	FY2020	FY2021	FY2022
Environmental regulatory compliance incidents	Number	0	0	0
ESG audits from customers	Number	2	2	2
Total carbon footprint	tCO <sub>2</sub> e	43,891	69,007	72,607
Carbon footprint intensity	tCO <sub>2</sub> e/ 1,000 machine production hours	46.1	52.1	54.2
Total energy consumption	GJ	219,898	322,344	317,384
Energy consumption intensity	GJ/ 1,000 machine production hours	231.0	243.4	236.8
Total water consumed <sup>6</sup>	m <sup>3</sup>	324,471	516,820	708,827
Total water consumption from production	m <sup>3</sup>	292,855	489,809	654,683
Wastewater discharge intensity from production	m <sup>3</sup> / 1,000 machine production hours	300.7 <sup>7</sup>	273.3	444.9

### SOCIAL

PERFORMANCE INDICATORS	UNITS	FY2020	FY2021	FY2022
Average training hours per staff	Hours	18.0	26.5	39.7
Training provided by Nanofilm College	Hours	39,479	84,156	101,941
Employees groupwide subject to regular performance appraisal <sup>8</sup>	Percentage	-	-	100
Female representation in workforce	Percentage	36	43	42
Total hiring rate for permanent employees	Percentage	-	-	34.3
Total turnover rate for permanent employees	Percentage	-	-	30.3
Rate of recordable work-related injuries (per one-million man hours)	Rate	1.89	2.14	1.64

### RESPONSIBLE BUSINESS

PERFORMANCE INDICATORS	UNITS	FY2020	FY2021	FY2022
Human rights incidents in supply chain	Number	0	0	0
Sourcing from local suppliers	Percentage	49	72	60

<sup>6</sup> The total water consumed refers to water consumed from our production sites and water from the workers' dormitories.

<sup>7</sup> This was previously reported as water consumption intensity of 307.7m<sup>3</sup>/1,000 machine production hours in our SR 2020. This has now been restated as wastewater discharge intensity from production.

<sup>8</sup> Metric was presented on a different basis for FY2020 and FY2021

# SUSTAINABILITY REPORT

## GRI CONTENT INDEX

### STATEMENT OF USE

Nanofilm Technologies International Limited has reported the information cited in this GRI content index for the period from 1 January 2022 to 31 December 2022 ("FY2022") with reference to the GRI Standards.

### GRI 1 USED

GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE		LOCATION
GRI 2: General Disclosures 2021	2-27	Compliance with laws and regulations	• SR: Responsible Business (Pg. 57)
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	• SR: Responsible Business (Pg. 58)
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	• SR: Responsible Business (Pg. 57)
GRI 206: Anti-competitive behavior 2016	206-1	Legal actions for anti- competitive behavior, anti-trust, and monopoly practices	• SR: Responsible Business (Pg. 57)
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	• SR: Environment (Pg. 46)
	302-3	Energy intensity	• SR: Environment (Pg. 46)
GRI 303: Water and Effluents 2016	303-1	Interactions with water as a shared resource	• SR: Environment (Pg. 47)
	303-2	Management of water discharge related impacts	• SR: Environment (Pg. 47)
	303-3	Water withdrawal	• SR: Environment (Pg. 47-48)
	303-4	Water discharge	• SR: Environment (Pg. 47-48)
	303-5	Water consumption	• SR: Environment (Pg. 47)
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	• SR: Environment (Pg. 45)
	305-2	Energy indirect (Scope 2) GHG emissions	• SR: Environment (Pg. 45)
	305-4	GHG emissions intensity	• SR: Environment (Pg. 46)
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	• SR: Environment (Pg. 49)
	306-2	Management of significant waste-related impacts	• SR: Environment (Pg. 49)
	306-3	Waste generated	• SR: Environment (Pg. 49)
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	• SR: Responsible Business (Pg.58)

# SUSTAINABILITY REPORT

GRI STANDARD	DISCLOSURE	LOCATION	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	• SR: Social (Pg. 54)
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	• SR: Social (Pg. 54)
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	• SR: Social (Pg. 55)
	403-2	Hazard identification, risk assessment, and incident investigation	• SR: Social (Pg. 55)
	403-3	Occupational health services	• SR: Social (Pg. 55)
	403-4	Worker participation, consultation, and communication on occupational health and safety	• SR: Social (Pg. 55)
	403-5	Worker training on occupational health and safety	• SR: Social (Pg. 55)
	403-6	Promotion of worker health	• SR: Social (Pg. 55)
	403-9	Work-related injuries	• SR: Social (Pg. 55)
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	• SR: Social (Pg. 51-52)
	404-2	Programmes for upgrading employee skills and transition assistance programs	• SR: Social (Pg. 51-52)
	404-3	Percentage of employees receiving regular performance and career development reviews	• SR: Social (Pg. 53)
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	• SR: Social (Pg. 53)
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	• SR: Social (Pg. 53)
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	• SR: Responsible Business (Pg. 58)
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	• SR: Responsible Business (Pg. 58)
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	• SR: Responsible Business (Pg. 58)
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	• SR: Responsible Business (Pg. 59)
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	• SR: Responsible Business (Pg. 59)



# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

Nanofilm Technologies International Limited (the “**Company**”) and its subsidiaries (together with the Company, the “**Group**” or “**Nanofilm**”) are committed to establishing and maintaining a framework of sound corporate governance principles, practices and processes within the Group, and ensuring that high standards of corporate governance are practised throughout the Group. The board of Directors of the Company (the “**Board**”) believes that this is key to the integrity of the Group and fundamental to its long-term success and value creation for its shareholders.

The Company affirms its commitment to align its corporate governance framework with the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”) and accompanying Practice Guidance, which form part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). This report describes the Company’s corporate governance practices and structures that were in place during the financial year ended 31 December 2022 (“**FY2022**”), with specific reference to each principle and provision of the Code.

The Board is pleased to report that the Company has complied in all material aspects with the Code. Where there are deviations from any of the provisions of the Code, an explanation has been provided within this report.

The Board will continually review the corporate governance practices and processes for relevance and effectiveness with reference to the business, corporate, legal and regulatory environment in which the Group operates.

## BOARD MATTERS

### The Board’s Conduct of Affairs

**Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.**

The Board has the overall stewardship responsibility and is primarily responsible for the protection and enhancement of the long-term value of the Group and returns for its shareholders.

All Board members bring their independent judgement, diversified knowledge and experience in fulfilling its oversight responsibility of the Group’s business and affairs, to enable the Group to meet its objectives for the long-term success of the Group. The Board also sets the tone for the Group where ethics and values are concerned.

The Board’s key functions include:

- providing entrepreneurial leadership and setting the strategic plans and performance objectives of the Group;
- approving the release of the Group’s financial results and business updates;
- reviewing the adequacy and effectiveness of the Group’s risk management and internal controls framework, including strategic, financial, operational, compliance and information technology controls and establishing risk appetite to safeguard shareholders’ interests and the Group’s assets;
- approving the Group’s annual budgets, significant capital expenditure, acquisitions, major investment decisions and divestment proposals;
- reviewing recommendations by the Audit Committee (“**AC**”) on the appointment, re-appointment or removal of external auditors;

# CORPORATE GOVERNANCE REPORT

- reviewing recommendations by the AC on any whistle-blowing investigations relating to practices and infractions of company policies, processes and procedures, staffing and personnel matters, and compliance matters.
- reviewing recommendations by the Board Risk Committee (“**BRC**”) on the risk management framework;
- setting objective performance criteria to evaluate the performance of the Board, individual Directors and Board Committees;
- approving recommendations by the Nominating Committee (“**NC**”) on nomination and appointment/ re-appointment of Directors, Board Committees members and key management personnel<sup>1</sup> (collectively, “**KMP**”);
- reviewing recommendations by the Remuneration Committee (“**RC**”) and approving the remuneration packages of Directors and KMP;
- establishing policy and framework for promoting diversity of the Board;
- reviewing succession planning for the Board and KMP;
- reviewing sustainability issues such as environmental, social and governance factors, as part of its strategic formulation;
- identifying key stakeholder groups, recognising that their perceptions affect the Company’s reputation;
- setting the Group’s standard of conduct and values to ensure that obligations to shareholders and other stakeholders are understood and met; and
- assuming responsibility for, and ensuring the Group’s compliance with, good corporate governance practices.

## *Directors’ Fiduciary Duties and Conflicts of Interest (Provision 1.1)*

The Directors are fiduciaries of the Company and must at all times act in good faith and exercise due care, skills and diligence. Each Director has a duty to act objectively in what the Director considers to be in the best interests of the Company, and all such action must be for a proper corporate purpose.

Each Director must avoid putting himself/ herself in a position where there is an actual or potential conflict between his/ her duty to the Company and his/ her personal interests. In order to protect the reputation of both the Director and the Company, each Director should as far as possible, avoid situations where there might reasonably appear to be conflicts of interest which could result in an appearance of impropriety.

When a potential conflict of interest situation arises, prompt disclosure must be made by the affected Director to the Board, accompanied with details of the interest and the nature of the conflict. The affected Director will recuse, and had recused, himself/ herself, from discussions and decisions involving the areas of potential conflict, unless the Board is of the opinion that his/her participation is necessary. Where such participation is permitted, the conflicted Director will recuse, and had recused, himself/ herself from the decision-making.

For the purposes of Section 156 of the Companies Act 1967 of Singapore (“**Companies Act**”), each Director has given notice to the Company of the entities in which he/she is an officer or member of, and which he/she should be regarded as being interested in with regard to any transaction made between the Group and such entity. The notice will assist to flag out any potential conflict of interest in transactions entered into by the Group. Each Director will periodically update the notice whenever there is any change in his/her interest in other entities.

<sup>1</sup> The term “key management personnel” shall mean the chief executive officer and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.

# CORPORATE GOVERNANCE REPORT

## *Directors' Orientation, Induction, Training and Development (Provision 1.2)*

A formal letter of appointment will be, and has been, issued to every newly appointed Director setting out, amongst other matters, his/her roles, obligations, duties and responsibilities as a member of the Board. The Non-Executive and Non-Independent Director ("**NENID**") and Independent Directors ("**IDs**") have each received a formal letter of appointment setting out his/her duties and responsibilities. Each of the Executive Directors ("**EDs**") has an existing service agreement with the Company.

In relation to newly appointed Directors who are unfamiliar with the Group, the Company will conduct an orientation programme to familiarise such incoming Directors with the business activities of the Group, its strategic direction, corporate governance as well as business and organisation structure.

For a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's facilities and meet with the KMP. In addition, Directors are provided with the contact numbers and email addresses of fellow Directors, KMP, the Company Secretary and Auditors to facilitate efficient and direct access.

During FY2022, one NENID and one ID were appointed. The head of each respective business unit updated the newly appointed Directors on their business units' activities and plans. Introduction of KMP to the newly appointed Directors was also made.

Management keeps the Directors up to date on developments in the business, financial reporting standards and industry related matters as well as performance of the various business divisions in the Group during Board meetings. Monthly updates of the Group's key performance metrics are also provided to the Board.

The Company will make arrangements for a Director who has no prior experience as a director of a listed company, to attend the Listed Entity Director ("**LED**") Programme conducted by the Singapore Institute of Directors ("**SID**"). On 1 November 2022, Mr Steve Ghanayem was appointed as ID of the Company. He will undergo the requisite training organised by the SID to meet the mandatory training requirements under Rule 210(5)(a) of the Listing Rules within one year from the date of his appointment. Save as provided above, all current Directors have completed the relevant training under the LED Programme organised by SID or have prior experience as a director of a listed company prior to their appointment to the Board.

To keep pace with regulatory changes, all Directors are informed and encouraged to attend seminars, conference and training courses at the Company's expense that will assist them in executing their obligations to the Company and effectively discharge their duties as Directors. The Company maintains a register of training to keep track of the training and development hours spent by the Directors.

During the year, the Directors had received approximately 60 training hours in aggregate through training seminars, courses, conferences and workshops attended by the Directors. Other than the courses comprised in the LED Programme, some of the seminars and conferences attended by the Directors during the year include the following:

- ACRA-SGX-SID AUDIT COMMITTEE SEMINAR 2022
- Board of Directors Training
- Steward Leadership: The 21<sup>st</sup> Century Model for Profitable Growth
- Singapore Governance & Transparency Forum 2022
- The Politics of Decoupling
- China Conference: Southeast Asia 2022
- AC Chapter Pit-Stop Series "Valuation in Southeast Asia's Technology Industry"
- Anti-Money Laundering and Countering the Financing of Terrorism Training for Financial Institutions

All the Directors have completed the training on Environmental, Social and Governance Essentials organised by the Singapore Institute of Directors.

The Company's Board secretary and external auditor ("**EA**") update and brief the Directors on changes and new developments in regulatory requirements. Relevant releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**"), as well as news articles and reports which are relevant to the Group's business are also circulated to the Directors for their information.

# CORPORATE GOVERNANCE REPORT

## *Board Reserved Matters (Provision 1.3)*

The Board has laid out a list of matters that require its approval, which has been clearly communicated to Management. The matters which require the approval and endorsement of the Board include, but are not limited, to the following:

- the Group's business strategy and objectives, budget and forecasts;
- any material extension of the Group's activities into new business or geographic areas;
- any change to the Company's corporate and capital structure, including the issuance of securities of any company in the Group, amendments to the Company's Constitution, major restructuring or reorganisation of the Group and major changes to the management or control structure of a principal subsidiary of the Company;
- any borrowing or giving of security above a certain limit;
- any injection of capital into any Group company for purposes other than to fund the working capital or capital expenditures of the Group company;
- the Company's financial results, annual report and the releases of related announcements, documents, press news and presentations;
- dividend policy and the determination of any interim and final dividends;
- any interested person transactions above a certain threshold;
- adoption of major policies of the Group;
- any material litigation;
- establishment of any company or entity, joint venture and partnership;
- any investment in, acquisition or disposal of any company, entity or business undertaking;
- the structure, size and composition of the Board and Board Committees;
- appointment and dismissal of Directors, including Board Committee members, Key Executives and the Company Secretaries;
- delegation of authority including the Terms of Reference ("TOR") of the Board Committees;
- remuneration matters of the Board and Key Executives, including share incentive plans; and
- communications with shareholders, including the convening of general meetings and issuance of notices of general meetings and all related documents.

# CORPORATE GOVERNANCE REPORT

## *Delegation of Authority by the Board to its Board Committees (Provision 1.4)*

To assist in the execution of its responsibilities, the Board had established four (4) Board Committees, namely, the AC, NC, RC and BRC and delegated specific areas of responsibilities to these Board Committees. Information on the AC, NC, RC and BRC is set out below.

The compositions, authorities and duties of the Board Committees are set out in their respective TOR. The TOR of the Board Committees will be reviewed once a year, along with the committee structures and membership. This is to ensure their continued relevance after taking into consideration the development of the Group and any change in corporate governance practices. Any change to the TOR will require the approval of the Board.

The Board Committees will report to the Board with their decisions and/or recommendations. Notwithstanding the delegation of authority to the Board Committees and Management on specified matters, the ultimate responsibility for all matters lies with the Board.

In addition to the four Board Committees, the Board is also supported by an Investment Committee, comprising KMP of the Company. The Investment Committee is guided by its TOR and reports to the Board on all its investment activities.

## *Board and Board Committees Meetings and Attendance (Provision 1.5)*

The Board and AC will meet at least four times a year, the BRC will meet at least thrice a year and the NC and RC will meet at least once a year. The annual meeting dates of the Board and Board Committees are scheduled in advance at the beginning of each year, in consultation with the Directors to assist them in planning their attendance. Ad hoc meetings are called as and when there are pressing matters which require the Board or relevant Board Committee to meet for deliberation and decision. Directors who are unable to meet physically, may participate in the meeting through electronic means such as teleconferencing, videoconferencing or other similar means of communication as permitted under the Company's Constitution. The decisions of the Board and Board Committees may also be made through written resolutions passed in accordance with the Company's Constitution.

In November 2022, the Board visited the Group facilities in Hanoi, Vietnam and held a Board meeting to discuss the future business strategy and direction of the Group as well as the Group's plan to expand its operations in Vietnam.

Other than Mr Steve Ghanayem who was appointed as ID only on 1 November 2022, all the other Directors, including the CEO and Executive Chairman, were present at the Company's last annual general meeting held on 28 April 2022.

The number of Board and Board Committees meetings as well as general meetings held during FY2022, and the attendance of Directors and KMP during these meetings, are as follows:

	BOARD	AC	NC	RC	BRC	GENERAL MEETINGS
<b>No. of meetings held</b>	6	4	2	2	4	1
<b>No. of meetings attended by Directors</b>						
Dr Shi Xu <sup>(1)</sup>	6	–	2 <sup>(1)</sup>	–	–	1
Mr Gary Ho Hock Yong	6	1*	–	1*	4	1
Ms Ong Siew Koon @ Ong Siew Khoon	6	4	2	2*	4	1
Mr Kristian John Robinson	5	2*	2	2	2*	1
Ms Lee Lee Khoon	6	4	2*	2	4*	1
Mr Wan Kum Tho	6	4	2*	2*	4	1
Mr Russell Tham Min Yew <sup>(2)</sup>	4 <sup>(2)</sup>	–	1	1	–	1
Mr Steve Ghanayem <sup>(3)</sup>	2 <sup>(3)</sup>	1*	–	1*	1	–
Mr James Rowan <sup>(4)</sup>	2	–	1*	1	–	–
<b>No. of meetings attended by KMP</b>						
Mr Lim Kian Onn (Chief Financial Officer)	6*	4*	–	1*	–	1
Mr Gian Yi-Hsen (Chief Commercial & Strategy Officer)	6*	1*	1*	–	4*	1
Mr Lars Ralf Rainer Lieberwirth (Chief Technology Officer)	–	–	–	–	–	1

\* – *By invitation.*

(1) Ceased to be member of the NC on 1 March 2022. Attended 1 NC meeting as a NC member and 1 NC meeting as invitee.

(2) Appointed as Director and a member of each of the NC and RC on 1 March 2022.

(3) Appointed as Director and a member of the BRC on 1 November 2022.

(4) Ceased as Director and a member of RC on 1 March 2022.

# CORPORATE GOVERNANCE REPORT

## *Access to Information (Provision 1.6)*

Prior to each Board and Board Committee meeting, notice of the meeting and its agenda is circulated to the Directors and the relevant Board Committee members. Such notice is also reviewed by the Chairmen of the Board or the respective Board Committees before circulation. In advance of each meeting, Management provides the Board and Board Committees with complete and adequate information, such as background and explanations on financial information, annual budgets, forecasts and projections, new business initiatives and other information relating to the matters on the agenda, to allow Directors sufficient time to review and seek clarification or further information. The Board is regularly kept abreast of the Group's business development and financial performance. On a quarterly basis, Management provides the Board the quarterly financial statements of the Group's performance and financial position in the preceding quarter and on a monthly basis, updates the Board on the Group's key performance metrics in the preceding month.

Minutes of the Board and Board Committees meetings are circulated to all Directors so that each Director is apprised of the topics discussed and deliberated during each Board Committee meeting. The Chairmen of the respective Board Committees also report to the Board at each Board meeting, on the significant matters discussed at the meeting of the Board Committees.

All materials for the Board and Board Committees meetings are uploaded onto a secure online portal which can be readily accessed by Directors using electronic devices.

## *Access to Management and Company Secretaries (Provision 1.7)*

Management may be invited to Board and Board Committees meetings to present and share information, and participate in discussions on matters to be deliberated by the Board or Board Committees, or to generally update the Board or Board Committees on the Group's operations and business development. Such interactions promote active engagement with Management and give the Directors a good understanding of the Group's business and the challenges it faces.

The IDs have separate and independent access to Management and regularly meet with Management for discussions to understand the Group's operations. The AC meets with the Group's in-house internal audit team (the "IA") and EA without the presence of Management. Queries by individual Directors are directed to Management who will respond accordingly. The Directors may seek independent professional advice where necessary in the furtherance of their duties, at the expense of the Company.

All Directors have separate and independent access to the Company Secretary or his/her representative(s) who attends and records the minutes of all Board and Board Committee meetings. The Company Secretary or his/her representative(s) are present at all Board and Board Committees meetings to ensure that Board procedures and applicable rules and regulations are observed and complied with, as well as to provide advice and guidance on corporate governance and regulatory compliance matters. The appointment and removal of the Company Secretary rest with the Board.

# CORPORATE GOVERNANCE REPORT

## BOARD COMPOSITION AND GUIDANCE

*Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.*

*Independent Directors and Non-Executive Directors comprise a majority on the Board (Provisions 2.1 to 2.3)*

The Board currently comprises eight Directors, two of whom are EDs, five are IDs and one is an NENID. The five IDs make up the majority on the Board. The current compositions of the Board and Board Committees are set out below:

BOARD	AC	NC	RC	BRC
<b>EDs</b>				
Dr Shi Xu (Chairman)	-	-	-	-
Mr Gary Ho Hock Yong (CEO)	-	-	-	Member
<b>IDs</b>				
Ms Ong Siew Koon @ Ong Siew Khoon (Lead ID)	Chairman	Member	-	Member
Mr Kristian John Robinson	-	Chairman	Member	-
Ms Lee Lee Khoon	Member	-	Chairman	-
Mr Wan Kum Tho	Member	-	-	Chairman
Mr Steve Ghanayem	-	-	-	Member
<b>NENID</b>				
Mr Russell Tham Min Yew	-	Member	Member	-

The profile of each Director can be found on pages 26 to 29 of this Annual Report.

The five (5) IDs are independent in conduct, character and judgement and they do not have any relationship with the Company, its related corporations, substantial shareholders or officers that could interfere, or be reasonably perceived to interfere with the exercise of the Directors' independent business judgement in the best interests of the Company. The NC annually reviews the independence of each Director.

The IDs, comprising more than 50% of the Board, are able to exercise objective judgment on matters of the Group, independently from Management. There is a strong independent element on the Board and Board Committees as at the date of this report. All Board Committees are chaired by IDs, namely Ms Ong Siew Koon @ Ong Siew Khoon (AC), Mr Wan Kum Tho (BRC), Ms Lee Lee Khoon (RC) and Mr Kristian John Robinson (NC).

None of the IDs has served on the Board beyond nine (9) years and their independence status is therefore not affected by Rule 210(5)(d)(iii) of the listing manual of the SGX-ST ("**Listing Manual**" or "**Listing Rules**").

Although the NENID and IDs are not involved in the day-to-day running of the Group's business, they nonetheless, play an invaluable role in furthering the business interests of the Group by contributing their experience and expertise in the making of Board decisions and strategies, constructively challenging and assisting the development of strategies, assisting the Board in the review of Management's performance in meeting agreed goals and objectives, and monitoring the reporting of the Group's performance.

The Board's decisions are undertaken on a unanimous basis (save in cases of abstention) and no individual or group is able to dominate the Board's decision-making process.

# CORPORATE GOVERNANCE REPORT

## *Board Composition and Diversity (Provisions 2.4)*

The Board, assisted by the NC, reviews the Board size and composition regularly to ensure its appropriateness in facilitating robust engagement and effective decision-making, taking into consideration the current scope and nature of the Group's operations and business requirements.

## Board Diversity

The Group recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of its performance. To promote diversity of the Board, the Company has adopted the Board Diversity Policy which facilitates the giving of due consideration to the benefits of diversity. Board membership will be regularly renewed with the appointment of new members with the right blend of strengths, skills, talents and experience, and who have the capacity to contribute effectively.

The diversity of the Board has been considered from a number of aspects, including but not limited to the following:

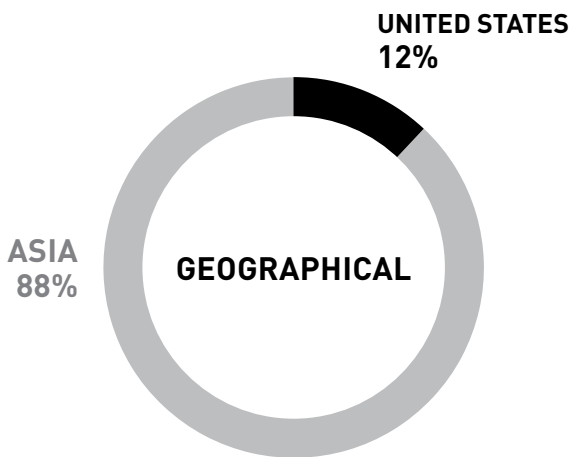
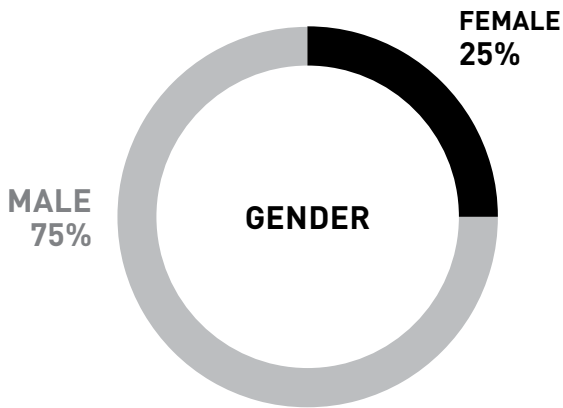
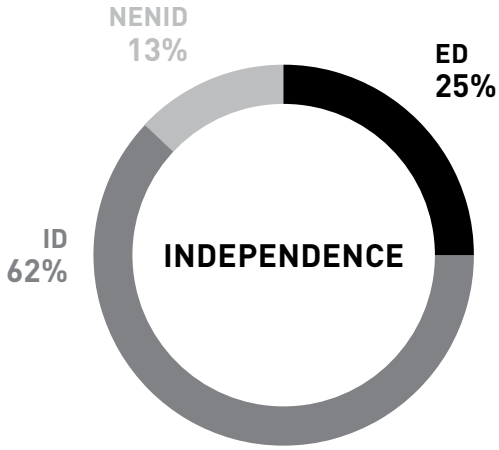
- (a) skills;
- (b) knowledge;
- (c) professional and industry background;
- (e) geographical experience;
- (f) expertise;
- (g) gender;
- (h) age;
- (j) independence (if applicable); and
- (k) length of service.

Guided by the Company's Board Diversity Policy, the NC is cognisant of achieving an appropriately balanced mix of talent on the Board, comprising Directors with diverse but complimentary backgrounds and experiences to enable it to avoid groupthink, foster constructive debate and make decisions in the best interests of the Company. Selection of candidates will be based on a range of diversity perspectives as mentioned above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

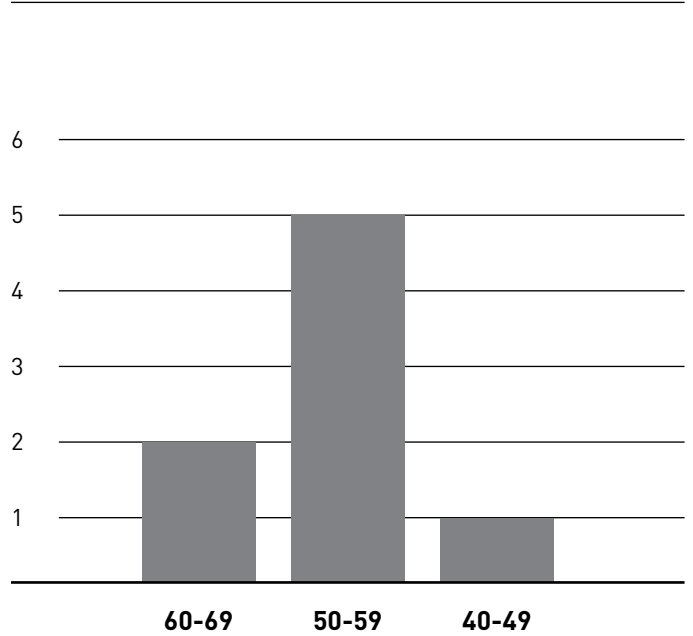
The current Board comprises individuals whose diverse expertise and experience in the combined areas of accounting and finance, tax, business and management, legal and regulatory, industry knowledge, strategic planning and customer-based knowledge provide core competencies necessary to lead and govern the Group effectively. Each Director has been appointed based on the strength of his/her calibre, experience, industry knowledge and expertise, grasp of corporate strategy and potential to contribute to the Company and its business. In recognition of the importance and value of gender diversity, the Board comprises two female Directors, which constitutes one quarter representation of the Board.



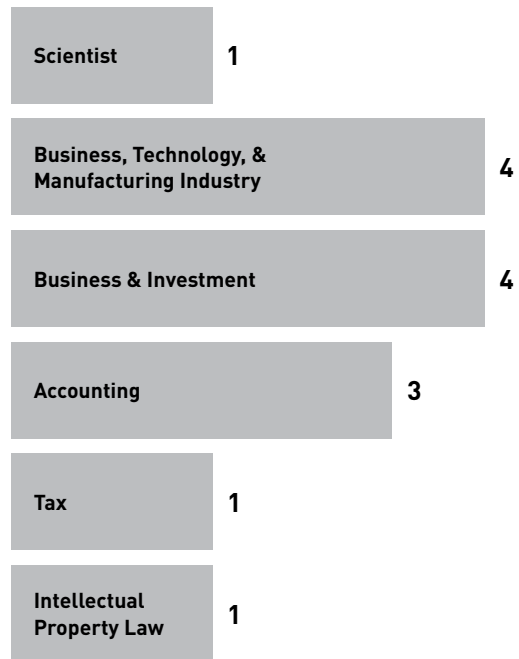
# CORPORATE GOVERNANCE REPORT



## AGE



## SKILLS, KNOWLEDGE, PROFESSIONAL AND INDUSTRY BACKGROUND



# CORPORATE GOVERNANCE REPORT

Having assessed the size and composition of the Board, the diverse skills, talents and experience which the individual Directors bring to Board as well as their respective age and gender, the Board is satisfied that it is sufficiently diverse to meet the needs of the Group and will continue to maintain such diversity.

As part of the Company's continuous effort in promoting diversity of the Board, the Company appointed Mr Russell Tham and Mr Steve Ghanayem in the year under review. Both Mr Russell Tham and Mr Steve Ghanayem have experience in the industry in which the Group operates in. Their appointment not only further enhanced the capabilities of the Board through their diverse skills and experience, but had also increased the geographical, national and ethnic diversity of the Board.

The Board aims to increase the ratio of female representation on the Board and appoint individuals with the relevant skills and industry experience that will contribute to the Group's growth and development. The Board will regularly engage individuals with the correct profile and assess their suitability to be appointed. The NC reviews the progress towards meeting the policy targets and keeps the Board updated on its progress. Taking into consideration the recent increase in the size of the Board to eight and that the current Board is relatively new and sufficiently diverse to meet the Group's needs, no timeline is presently fixed to meet such target.

## *Meeting of Independent Directors without Management (Provisions 2.5)*

In FY2022 and up to the date of this report, the IDs, led by the Lead ID have met several times (without the presence of Management) both formally and informally, to discuss cessation and appointment of key executives, remuneration package and incentive bonus for EDs and KMP (including the grant of employee share options and share awards), feedbacks from the EA and other matters. The Lead ID will provide feedbacks and recommendations to the Board and/or Chairman after such meetings.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.**

### *Separation of Chairman and Chief Executive Officer ("CEO") (Provision 3.1)*

The roles and responsibilities of the Chairman and CEO are held by separate individuals to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

### *Roles of Chairman and CEO (Provision 3.2)*

The Executive Chairman and founder of the Company, Dr Shi Xu, is responsible for charting the corporate direction and business strategies, business and corporate development and policy planning of the Group. In his role as Chairman, Dr Shi leads the Board to facilitate the overall effectiveness of the Board, Board Committees and individual Directors. He promotes high standards of corporate governance and monitors communications and relations between the Company and its shareholders, the Board and Management, and among the Board members, with a view to encouraging a culture of openness, constructive relations and dialogue amongst them, ensuring that all Directors contribute effectively and that their contributions are taken into account by the Board. The Chairman sets the agenda of the Board meetings in consultation with the CEO and ensures that Directors receive complete, adequate and timely information on matters to be tabled for discussion at the meetings. The Chairman promotes constructive engagement among the Directors as well as between the Board and the CEO on strategic issues.

The CEO and ED, Mr Gary Ho Hock Yong, is responsible for overseeing the Group's commercial strategy and development activities, making major corporate decisions, managing the overall operations and resources of the Group, including planning and implementing the strategic direction of the Group. The CEO also acts as the main point of communication between Management and the Board and leads Management in its business operations to ensure that objectives are achieved through effective working relationship and communications between the Board and Management.

# CORPORATE GOVERNANCE REPORT

The foregoing responsibilities of the Chairman and CEO are endorsed by the Board. The Chairman and the CEO are not immediate family members. The separation of the roles of the Chairman and the CEO and the clarity of roles provide a healthy professional relationship between the Board and Management, and facilitate robust deliberations on the business activities of the Group and the exchange of ideas and views to help shape the strategic process.

## *Appointment of Lead Independent Director (Provision 3.3)*

In view that the Board Chairman is not independent, the Board has appointed Ms Ong Siew Koon @ Ong Siew Khoon as the Lead ID. Ms Ong will avail herself to shareholders when they have concerns, in situations where contact through the normal channels of the Chairman, the CEO or Management, has failed to resolve or is inappropriate. Shareholders may reach the Lead ID at [siewkoon.ong@nti-nanofilm.com](mailto:siewkoon.ong@nti-nanofilm.com).

The Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in any single individual.

## BOARD MEMBERSHIP

**Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors taking into account the need for progressive renewal of the Board.**

## *Composition of the Nominating Committee (Provision 4.2)*

The NC comprises the following three Directors, two of whom, including the Chairman, are IDs. The Lead ID, Ms Ong Siew Koon @ Ong Siew Khoon, is a member of the NC.

Mr Kristian John Robinson (Chairman)  
Ms Ong Siew Koon @ Ong Siew Khoon  
Mr Russell Tham Min Yew

The NC held two meetings in FY2022. After each meeting, the NC Chairman reports formally to the Board on its proceedings and on all matters within its duties and responsibilities.

## *Role and Responsibilities of the Nominating Committee (Provision 4.1)*

The responsibilities of the NC as set out in its TOR are to:

- establish a formal and transparent process for the appointment and re-appointment of Directors to the Board, taking into account the need for progressive renewal of the Board;
- assess annually, the effectiveness of the Board as a whole, and of each of its Board Committees and individual Directors;
- regularly review the Board structure, size, composition and the independence issue, and recommend to the Board such adjustments, as it may deem necessary;
- determine the rotation of Directors who are due to retire and be put forward for re-election at the Annual General Meeting;
- review and report to the Board on succession plans for Directors, in particular, the appointment and/or replacement of the Chairman of the Board, the CEO and KMP;

# CORPORATE GOVERNANCE REPORT

- identify candidates, review and approve nominations for Directors or alternate Directors (whether appointment or re-appointment), and membership of Board Committees;
- review and determine, on an annual basis and as and when circumstances require, whether or not a Director is independent;
- ensure that new Directors are aware of their duties and obligations, and decide if a Director is able to, and has been adequately carrying out, his/her duties as a director of the Company, taking into account the number of directorships and principal commitments of each Director;
- approve any proposed assumption of roles outside of the Group by a legal representative of the Company's subsidiaries in the People's Republic of China ("PRC");
- review and approve any new employment of related persons and the proposed terms of their employment; and
- make recommendations on relevant matters relating to Board diversity, performance evaluation criteria and process for the Board, Board Committees and individual Directors, as well as training and professional development programmes for the Directors.

A summary of the activities carried out by the NC in FY2022 and up to the date of this report is set out below:

- reviewed the size and composition of the Board, taking into account various aspects of board diversity;
- reviewed the succession planning of the Board and KMP;
- assessed the effectiveness and performance of the Board, Board Committees and individual Directors;
- reviewed the training and professional development programmes for the Directors;
- reviewed the directorships and principal commitments of each Director to assess if they have impinged on the Director's abilities to discharge his/her duties;
- reviewed and determined the independence of IDs;
- reviewed and recommended the adoption of the Board Diversity Policy;
- reviewed and recommended the nomination of Directors for appointment and re-appointment/ re-election;
- reviewed and decided on the maximum number of listed company board representations a Director should hold and the principal commitments of Directors; and
- reviewed the TOR of the NC to ensure alignment with the Code.

## *Process for selection, appointment and re-appointment of Directors (Provision 4.3)*

As part of the Board's succession plans and progressive renewal process, in cohesion with the Company's pursuit of diversity in expertise, experience, gender, age and any relevant attributes on the Board, the NC regularly reviews the need to appoint, and makes recommendations for the appointment of new Directors to the Board. New appointments to the Board are first considered and reviewed by the NC. Potential candidates are sourced through contacts or recommendations from Directors. An external consultant may be engaged to source for qualified candidates, if required. The NC evaluates the suitability of candidates taking into account his/her character, knowledge, expertise, experience, ability and willingness to commit time to the Company and how such candidate will complement and augment the competencies of the current Board. Upon the identification of a suitable candidate, the NC will recommend to the Board his/her appointment as Director.

# CORPORATE GOVERNANCE REPORT

During the year and up to the date of this report, the NC had reviewed and recommended the appointment of Mr Russell Tham Min Yew and Mr Steve Ghanayem. The refreshing of the Board enables the Company to tap into new external perspectives and insights from the new appointees.

The Company's Constitution provides for the appointment of alternate Directors. In compliance with the Code, the Company will avoid the appointment of alternate Directors, and should any appointment be made, it will be for limited periods only. No alternate Director was appointed in FY2022 and up to the date of this report.

The NC reviews the nomination of Directors for re-election, annually. In recommending the Directors for re-election, the NC takes into account the competencies, time commitments, contributions and performance of the Directors with reference to their attendance, preparedness, participation and candour at meetings of the Board and Board Committees, as well as the proficiency with which they have discharged their responsibilities.

In accordance with Regulation 100 of the Company's Constitution, Directors who are newly appointed by the Board shall only hold office until the next annual general meeting ("**AGM**"), and thereafter, be eligible for re-election at the AGM. Mr Steve Ghanayem will therefore hold office until, and be eligible for re-election at the forthcoming AGM on 28 April 2023 pursuant to Regulation 100 of the Company's Constitution.

In accordance with Regulation 94 of the Company's Constitution, one-third of the Board of Directors is to retire from office by rotation. Under Regulation 95, such retiring Directors shall be eligible for re-election at the Company's forthcoming AGM on 28 April 2023. Regulation 100 also provides that Directors eligible for re-election under Regulation 100 will not be taken into account in determining the number of Directors who are to retire by rotation pursuant to Regulation 94.

The NC had recommended to the Board that (i) Dr Shi Xu, Mr Kristian John Robinson and Mr Wan Kum Tho retire pursuant to Regulation 94 of the Company's Constitution and be nominated for re-election at the forthcoming AGM; and (ii) Mr Steve Ghanayem who will retire pursuant to Regulation 100 of the Company's Constitution be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendations.

Dr Shi Xu, Mr Kristian John Robinson, Mr Wan Kum Tho and Mr Steve Ghanayem had consented to act and offered themselves for re-election. Each of the above retiring Directors had abstained from the discussion and recused from voting in respect of his/her own nomination.

Pursuant to Rule 720(6) of the Listing Manual, detailed information of the Directors who are proposed to be re-elected to the Board is set out at pages 102 to 105 of this Annual Report.

## *Determining Directors' Independence (Provision 4.4)*

The NC is also responsible for determining annually, and as and when circumstances arise, the independence of Directors. On an annual basis, each ID is required to complete a declaration of independence based on the provisions in the Code and the Listing Rules, for the NC's review. The NC takes into account the principles and guidelines set out in the Code and the Listing Rules and assessed the independence of Directors based on the following considerations:

- (a) whether the Director has a relationship with the Company or its related corporations, substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of his/her independent judgement in the best interests of the Company;
- (b) whether the Director is or has been employed by the Company or any of its related corporations in the current or immediate past financial years;
- (c) whether the Director has an immediate family member who is or has been employed by the Company or any of its related corporations in the current or any of the past three financial years, and whose remuneration is or was determined by the RC;

# CORPORATE GOVERNANCE REPORT

- (d) whether the Director or his/her immediate family member has, in the current or immediate past financial year, provided to or received from the Company or any of its subsidiaries any significant payments or material services, other than compensation for Board service;
- (e) whether the Director or his/her immediate family member, in the current or immediate past financial year, is or was, a substantial shareholder or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organisation which provided to or received from the Company or any of its subsidiaries any significant payments or material services;
- (f) whether the Director has been a Director on the Board for an aggregate period of more than nine years; and
- (g) any other applicable circumstances.

Mr Ghanayem is a shareholder and owner of Ghanayem Consulting, LLC. In October 2022, the Company appointed Ghanayem Consulting, LLC to provide business and operational advisory services to the Company at an annual fee of S\$50,000 (the “**Engagement**”). Taking into consideration the guidelines in Practice Guidance 2 of the Code of Corporate Governance 2018 and that the total consultancy fees payable to Ghanayem Consulting, LLC for the Engagement will not exceed S\$200,000 in a financial year, the Board is of the view that Mr Ghanayem is considered independent.

The NC has reviewed and ascertained that Ms Ong Siew Koon @ Ong Siew Khoon, Mr Kristian John Robinson, Ms Lee Lee Khoon, Mr Wan Kum Tho and Mr Steve Ghanayem continue to remain independent having considered their confirmation that they do not have any relationship with the Company, its related companies, substantial shareholders, or officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors’ independent business judgement with a view to the best interests of the Company and the Group, and the other considerations set out above.

#### *Directors’ other directorships and principal commitments (Provision 4.5)*

The profiles of the Directors are set out on pages 26 to 29 of this Annual Report. The key information of the Directors as at the date of this report is set out below:

NAME	DATE OF FIRST APPOINTMENT	DATE OF LAST RE-APPOINTMENT	DIRECTORSHIPS IN OTHER LISTED COMPANIES		OTHER CURRENT PRINCIPAL COMMITMENTS
			PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES	HELD OVER THE PRECEDING FIVE YEARS	
Dr Shi Xu	2 Aug 1999	28 April 2021	Nil	Nil	Nil
Mr Gary Ho Hock Yong	6 Jul 2021	28 April 2022	Nil	Nil	Nil

# CORPORATE GOVERNANCE REPORT

NAME	DATE OF FIRST APPOINTMENT	DATE OF LAST RE-APPOINTMENT	DIRECTORSHIPS IN OTHER LISTED COMPANIES		OTHER CURRENT PRINCIPAL COMMITMENTS
			PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES	HELD OVER THE PRECEDING FIVE YEARS	
Mr Russell Tham Min Yew	1 Mar 2022	28 April 2022	Non-executive non-independent director of AEM Holdings Ltd	Nil	<ul style="list-style-type: none"> <li>- Head of Strategic Development, and Joint Head of Enterprise Development Group (Singapore) of Temasek International Private Ltd.</li> <li>- Chairman of North-East Community Development Council, Partnership Committee;</li> <li>- Chairman of Tampines West Community Club Management Committee;</li> <li>- Adjunct Professor at National University of Singapore, Faculty of Engineering;</li> <li>- Member of National University of Singapore, Engineering Faculty Advisory Board;</li> <li>- Board Member of Infocomm Media Development Authority;</li> <li>- Board Member of Novo Tellus Capital Partners Pte Ltd;</li> <li>- Chairman of Microelectronic 2.0 Steering Committee. NRF RIE 2025, MTI;</li> <li>- Member of Future Economy Council;</li> <li>- Member of Surbana Jurong Private Limited;</li> <li>- Board Member of Xora Innovation Pte. Ltd.</li> </ul>
Ms Ong Siew Koon @ Ong Siew Khoon	9 Oct 2020	28 April 2022	Non-executive director of Karooooo Limited (listed on Nasdaq)	Nil	<ul style="list-style-type: none"> <li>- Lead independent director of Maribank Singapore Private Limited</li> <li>- Director of Health Concepts and Measurements – Healthier SG Ltd</li> </ul>
Mr Kristian John Robinson	9 Oct 2020	N.A.	Nil	Nil	Managing director of Spruson & Ferguson (Asia) Pte Ltd
Ms Lee Lee Khoon	9 Oct 2020	28 April 2022	Nil	Nil	Nil

# CORPORATE GOVERNANCE REPORT

NAME	DATE OF FIRST APPOINTMENT	DATE OF LAST RE-APPOINTMENT	PRESENT	DIRECTORSHIPS IN OTHER LISTED COMPANIES	OTHER CURRENT PRINCIPAL COMMITMENTS
			DIRECTORSHIPS IN OTHER LISTED COMPANIES	HELD OVER THE PRECEDING FIVE YEARS	
Mr Wan Kum Tho	14 May 2021	28 April 2022	- Non-executive director of AP Oil International Limited - Non-executive director of Tat Hong Equipment Service Co. Ltd	Independent director of D'nonce Technology Bhd	- Managing director (Investments, APAC) of Singtel Innov8 Private Ltd - Adjunct Associate Professor at National University of Singapore Business School
Mr Steve Ghanayem	1 Nov 2022	N.A.	Nil	Nil	Owner and shareholder of Ghanayem Consulting, LLC

The NC has recommended to the Board as a guide that IDs should limit their board representations in listed companies to five, including that of the Company, so that they may have adequate time to carry out their duties as Director of the Company and contribute to the performance of the Board and the Company. For the period under review, no Director has exceeded such limit. The NC has reviewed and is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations or principal commitments.

## BOARD PERFORMANCE

**Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.**

*Assessing the effectiveness of the Board, Board Committees and Individual Directors (Provisions 5.1 and 5.2)*

### Board Performance Evaluation

The Board has put in place a formal system for evaluating Board performance and assessing the effectiveness of the Board, Board Committees and individual Directors. This annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes enabled Directors to discharge their duties effectively and to propose changes which may be made to enhance Board's effectiveness as a whole.

The NC assesses the performance of the Board, the Board Committees and individual Directors using a set of objective and appropriate criteria.



# CORPORATE GOVERNANCE REPORT

## Board and Board Committees' Performance Criteria

The evaluation of the Board's performance as a whole deals with matters on Board structure, composition, information, procedures, accountability, risk management and internal controls, standards of conduct, managing the Group's performance, strategy review, quality of financial reporting to stakeholders and management. The Board Committees' evaluation deals with the efficiency and effectiveness of each Board Committee in assisting the Board and assesses each Board Committee's size, composition and performance with respect to discharging their responsibilities based on their respective terms of reference. The assessment utilises a confidential and comprehensive questionnaire which would be completed by members of the Board and each Board Committee.

## Individual Director Evaluation Criteria

The assessment of individual Directors is done through peer evaluation. Directors are encouraged to provide comments about the contribution of their peers. The performance criteria of the Directors were in respect of assessing their attendance and participation at Board and Board Committees meetings, degree of preparedness, experience, understanding of business plans and strategies, leadership to Management and ability to articulate thoughts and opinions in a clear and concise manner.

Through the individual Director evaluation exercise, the NC is able to determine whether to re-nominate Directors who are due for retirement at the forthcoming AGM, and assess whether Directors with multiple Board representations are able to and have devoted sufficient time and attention to discharge their duties as Directors of the Company.

For FY2022, the performance evaluation of the Board, Board Committees and individual Directors was carried out in February 2023. The Directors completed the evaluation forms and returned them to the Company Secretary for compilation of evaluation results. To facilitate continuous improvements of the Board's practices, the summary of evaluation results was tabled at the Board meeting for review and discussion.

Following the review of the assessment of the Board and Board Committees, as well as of each Director, the Board, with the concurrence of the NC, is of the view that the Board and Board Committees, and each individual Director have demonstrated commitment to their roles and contributed effectively to the discharge of their duties.

The NC did not engage any external facilitator to assist in the annual performance evaluation exercise for FY2022.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.**

#### *Composition of the Remuneration Committee (Provision 6.2)*

The RC comprises the following three Directors, two of whom, including the Chairman, are IDs and one of whom is an NENID:

Ms Lee Lee Khoon (Chairman)  
Mr Kristian John Robinson  
Mr Russell Tham Min Yew

# CORPORATE GOVERNANCE REPORT

## *Role and responsibilities of the Remuneration Committee (Provision 6.1)*

For FY2022, the RC had performed the following roles and responsibilities as set out in its TOR:

- reviewed and recommended to the Board for endorsement, a framework of remuneration for the Board and KMP of the Group. The framework covers all aspects of remuneration (including directors' fees, salaries, allowances, bonuses, options and share-based incentives) of EDs and KMP;
- reviewed the specific remuneration packages for each Director and KMP;
- ensure that the remuneration policies and systems of the Group, as approved by the Board, support the Group's objectives and strategies, and are consistently administered and being adhered to within the Group;
- reviewed the Group's remuneration and benefits policies and practices, including any share plans and/or other long-term incentive schemes;
- administered and approved awards under any share plans and/or other long-term incentive schemes to senior executives of the Group;
- proposed, for adoption by the Board, measurable, appropriate and meaningful performance criteria to assist in the evaluation of the performance of KMP, individual Directors and of the Board as a whole; and
- reviewed the obligations of the Group arising in the event of the termination of the contracts of service of EDs and KMP to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

## *Remuneration Framework (Provision 6.3)*

There is a formal and transparent process for developing executive remuneration and for determining the remuneration packages of individual Directors. No Director is involved in deciding his/her own remuneration. The RC's recommendations are submitted for endorsement by the Board.

The RC reviews all matters concerning the remuneration of the IDs to ensure that remuneration commensurate with their contributions, responsibilities and market benchmarks.

Save for the consultancy arrangement between Ghanayem Consulting, LLC and the Company as set out in the explanation under Provision 4.4, none of the IDs have service contracts or consultancy arrangements with the Company. The IDs are paid Directors' fees based on a structured fee framework reflecting the responsibilities and time commitment of each Director. The fee framework comprises a base fee and additional fees for holding appointment as Chairman of the Board or Chairman/member of Board Committees.

The annual quantum of Directors' fees to be paid is also reviewed by the RC and the Board before submission to shareholders for approval at the Company's AGM.

# CORPORATE GOVERNANCE REPORT

The RC also reviews the remuneration packages of the EDs and KMP. The service agreements or employment contracts of the EDs and KMP do not have a fixed term and contains termination provisions which allow either party to the agreement to terminate the employment by giving two or six months' prior written notice or by paying the equivalent months of salary in lieu of notice. The Company may, at any time under certain circumstances and without notice, terminate the employment for cause.

The RC reviewed the Company's obligations under the service agreements of the CEO and KMP that would arise in the event of termination of these service agreements to ensure the reasonableness of the termination clauses and is satisfied that the termination clauses are fair and reasonable and not overly generous.

The RC sets the remuneration guidelines for the Group for each annual period including annual increments, total incentives for distribution to staff of all grades and structuring long-term incentive plans, if applicable.

## *RC access to expert professional advice (Provision 6.4)*

The RC may from time to time when it is appropriate, refer to market reports on average remuneration or seek external expert or independent professional advice in framing the Group's remuneration policy. For FY2022, the RC has referenced publicly available executive rewards data of SGX mainboard listed companies of comparable market capitalisation in framing the remuneration of Directors and KMP.

No external advice was sought from remuneration consultants in considering the remuneration of Directors and KMP.

## **Level and Mix of Remuneration**

**Principle 7: The level and structure of the remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.**

The Company adopts a remuneration framework that combines fixed and variable components of remuneration and share incentive schemes to attract, retain and motivate (i) Directors to provide good stewardship of the Group, and (ii) KMP to successfully manage the Group for the long term.

## *Remuneration of Executive Directors and Key Management Personnel (Provisions 7.1 and 7.3)*

In setting remuneration packages, the RC takes into consideration the prevailing market conditions, the pay and employment conditions within the industry and in comparable companies.

The RC reviews all aspects of the remuneration package to ensure that the level and structure of remuneration of the Board and KMP are appropriate and proportionate to the sustained performance and value creation of the Group, taking into account the strategic objectives of the Group, and are aligned with the long-term interest and risk policies of the Group.

# CORPORATE GOVERNANCE REPORT

## Fixed and Variable Components

The remuneration packages of EDs and KMP comprise compensation in the form of a fixed monthly salary and a variable and discretionary performance bonus. Fixed salaries are determined based on the scope, criticality and complexity of each role, the individual's experience, competencies and market competitiveness.

The variable component is determined based on the performance of the Group as a whole and performance of the individual ED or KMP. Individual performance is assessed based on annual appraisal of employees using selected key performance indicators such as core values, competencies, key result areas, performance rating, and potential of the employees. A significant and appropriate proportion of the performance bonuses for EDs and KMP is structured so as to link rewards to performance at both the corporate and individual level. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promote the long-term success of the Group. The RC reviews the key performance indicators ("KPIs") of the KMP. Part of the KPIs are tied to the profitability of the specific business unit which the individuals are managing.

## Long-term Incentive Scheme

The Company has adopted the Nanofilm Employee Share Option Scheme 2020 ("**ESOS 2020**") and the Nanofilm Restricted Share Plan ("**RSP 2021**") which are long-term employee share incentive scheme/plan to further align the interest of Directors and KMP with that of shareholders, as well as other stakeholders.

Both the ESOS 2020 and RSP 2021 use vesting schedules in connection with the grants of options and share awards. In addition, the vesting and release of shares pursuant to awards granted under RSP 2021 may be subject to the fulfilment of performance conditions determined by the RC. The use of vesting schedules where options and share awards are vested over a pre-determined time horizon and, in the case of share awards granted under the RSP 2021, conditional upon the fulfilment of performance conditions by the employees, ensure that employees continuously maintain a high level of contribution and commitment to the Group's performance and profitability. Details of the employee share incentive schemes and plan are set out in the Directors' Statement on pages 109 to 115 of this Annual Report.

The allocation of share-based components to employees is guided by a framework administered by the RC. An employee's sustained performance and potential for growth are among the key considerations for granting such incentives to employees, in particular, to KMP. In addition, EDs and KMP are encouraged to hold their shares beyond the vesting period after the acquisition of the shares, subject to the need to finance any cost of acquiring the shares and associated tax liabilities.

The Company has, at the last AGM, obtained a mandate from shareholders to purchase shares from the market. The share purchase mandate gives Directors the flexibility of utilising shares purchased by the Company and held as treasury shares, for any long-term share incentive scheme or plan as a means to reward and improve the long-term performance of the Group employees, which in turn will improve the performance of the Group. The Company utilises treasury shares instead of issuing new shares to manage and minimise the dilution impact (if any) arising from these share incentive scheme or plan.

## *Remuneration of IDs/ Non-EDs (Provision 7.2)*

Directors' fees are subject to approval of shareholders at the AGM. The RC is mindful that remuneration for the IDs should not be excessive, as it may otherwise compromise or reasonably be perceived to compromise, the independence of the IDs. After taking into account factors such as effort and time spent and their role and responsibilities, the RC is of the view that the remuneration of the IDs is appropriate to their level of contributions, and would not compromise their independence.

# CORPORATE GOVERNANCE REPORT

The Directors' fee structure for the Board and Board Committees is as follows:

	ANNUAL FEES (S\$)	
	CHAIRMAN	MEMBER
<b>Board</b>	80,000	50,000
<b>Audit Committee</b>	20,000	15,000
<b>Nominating Committee</b>	13,000	7,500
<b>Remuneration Committee</b>	15,000	10,000
<b>Board Risk Committee</b>	15,000	10,000

Based on the above fee structure, the RC has recommended that the Board table for shareholders' approval at the forthcoming AGM, the payment of (i) additional Directors' fees amounting to S\$10,027.40 ("**Additional Directors' Fees for FY2022**") arising from the appointment of a new Director in November 2022 (after the Directors' fees for FY2022 were approved by shareholders at the last AGM held on 28 April 2022); and (ii) Directors' fees of S\$588,000 for the financial year ending 2023 ("**FY2023**") such payment to be made on a quarterly basis, in arrears. The recommendations would be tabled at the forthcoming AGM for shareholders' approval.

No member of the RC is involved in deliberating and deciding on his/her remuneration, compensation or any other form of benefits. The Board concurred with the RC that the proposed Additional Directors' Fees for FY2022 and Directors' Fees for FY2023 are appropriate and not excessive, taking into consideration the level of contributions by the Directors, the effort and time spent serving on the Board and Board Committees as well as the responsibilities and obligations associated with their duties as Directors.

## Disclosure on Remuneration

**Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

### *Disclosure of the remuneration of Directors and Key Management Personnel (Provisions 8.1 and 8.3)*

The remuneration of Directors, CEO and KMP for FY2022 is set out below. The disclosure is provided to enable a better understanding of the link between the remuneration paid to Directors, CEO and KMP and the performance of the individual and the Group. Please refer to the description under Principle 7 for the criteria in setting the remuneration.

	REMUNERATION BAND <sup>(1)</sup>	DIRECTOR FEES <sup>(2)</sup>	BREAKDOWN IN PERCENTAGE				SHARE-BASED INCENTIVES <sup>(4)</sup>	TOTAL
			FIXED SALARY	BONUS	OTHERS <sup>(3)</sup>			
<b>EDs</b>								
Dr Shi Xu	C	12%	73%	13%	2%	0%	100%	
Mr Gary Ho Hock Yong	C	11%	65%	11%	6%	7%	100%	
<b>IDs</b>								
Ms Ong Siew Koon								
Mr Ong Siew Khoon	A	96%	0%	0%	0%	4%	100%	
Mr Kristian John Robinson	A	95%	0%	0%	0%	5%	100%	
Ms Lee Lee Khoon	A	96%	0%	0%	0%	4%	100%	
Mr James Rowan <sup>(5)</sup>	A	100%	0%	0%	0%	0%	100%	
Mr Wan Kum Tho	A	95%	0%	0%	0%	5%	100%	
Mr Russell Tham Min Yew <sup>(2)</sup>	A	100%	0%	0%	0%	0%	100%	
Mr Steve Ghanayem <sup>(2)</sup>	A	100%	0%	0%	0%	0%	100%	

# CORPORATE GOVERNANCE REPORT

	REMUNERATION BAND <sup>(2)</sup>	BREAKDOWN IN PERCENTAGE				TOTAL
		FIXED SALARY	BONUS	OTHERS <sup>(3)</sup>	SHARE- BASED INCENTIVES <sup>(4)</sup>	
<b>KMP</b>						
Mr Lim Kian Onn	B	62%	10%	8%	20%	100%
Mr Lars Ralf Rainer Lieberwirth	B	79%	10%	0%	11%	100%
Mr Gian Yi-Hsen	B	67%	7%	7%	19%	100%
Mr Sean Tan Chee Kwong <sup>(6)</sup>	A	82%	12%	6%	0%	100%

## Notes:

Remuneration includes any benefits in kind (such as, but not limited to, award shares and share options as defined in Note (4) below) and any deferred compensation accrued for the relevant financial year and payable at a later date.

(1) Remuneration bands:

"A" refers to remuneration less than or equal to the equivalent of S\$250,000.

"B" refers to remuneration greater than the equivalent of S\$250,000 and less than or equal to S\$500,000.

"C" refers to remuneration greater than the equivalent of S\$500,000 and less than or equal to S\$750,000.

"D" refers to remuneration greater than the equivalent of S\$750,000 and less than or equal to S\$1,000,000.

"E" refers to remuneration greater than the equivalent of S\$1,000,000 and less than or equal to S\$1,250,000.

(2) The Directors' fees of Mr Russell Tham Min Yew and Mr Steve Ghanayem were prorated from the date of their respective appointments to 31 December 2022.

(3) Others include employer's CPF contribution and transportation allowance.

(4) Share-based incentives include share options granted under the ESOS 2020 and share awards granted under the RSP 2021. Share-based incentives are recognised as an expense to the Group over the vesting period and are determined by reference to the fair value of such share options and share awards on the date of grant.

(5) The remuneration paid to Mr James Rowan was prorated until the cessation date of his employment with the Company on 1 March 2022.

(6) The remuneration paid to Mr Sean Tan Chee Kwong was prorated until the cessation date of his employment with the Company on 24 July 2022.

Under the Code, the Company is required to disclose the remuneration of the top five KMP. There were only four KMP (who are not Directors or the CEO) during FY2022. Given the commercially sensitive and confidential nature of KMP remuneration and the highly competitive human resource environment in the industry, the Board believes that disclosing the remuneration of the EDs (including the CEO) and KMP in exact quantum is counterintuitive and not in the best interests of the Group as it is important for the Group to retain talent for its long-term interests and growth. With a competent and experienced management team in place, the stability and continuity of the Group's business operations are assured.

The Board is of the view that the disclosure in bands of S\$250,000 provides a good overview and is informative of the remuneration of Directors, the CEO and KMP.

Taking into account the disclosure of the exact fees for IDs and the NENID, and the remuneration policies, composition of remuneration and performance metrics which go towards determination of the total remuneration packages of the CEO and KMP, the Board has determined that there is sufficient transparency and information on the remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation consistent with the intent of Principle 8 of the Code.

Share awards granted under the RSP 2021 are subject to the right of the Company to clawback and reclaim the share awards granted or the value of shares vested and released under the plan if the relevant employee, including EDs and KMP, commits certain grievous acts such as misstatements of financial results, or is guilty of misconduct resulting in financial loss to the Group. Such clawback rights do not apply to cash compensation as they are generally based on the actual results of the Group as well as the past achievements of KPIs by its KMP.

No termination, retirement or post-employment benefits has been granted to Directors and KMP.

# CORPORATE GOVERNANCE REPORT

The aggregate remuneration paid to existing KMP (who are not Directors or CEO of the Company) in FY2022 amounted to approximately S\$1.45 million, which included benefits-in-kind such as options and any deferred compensation accrued for the relevant financial year and payable at a later date.

*Disclosure of the remuneration of employees who are substantial shareholders of the Company, immediate family members of a Director, the CEO or a substantial shareholder of the Company (Provision 8.2)*

Employees who are substantial shareholders or who are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded \$100,000 during the year under review, are as follows:

	DESIGNATION	REMUNERATION BAND	BREAKDOWN IN PERCENTAGE		TOTAL
			FIXED SALARY, BONUS AND OTHERS	SHARE-BASED INCENTIVES	
Mdm Jin Xiao Qun <sup>(1)</sup>	Vice President	A <sup>(3)</sup>	100%	Nil	100%
	Vice President of Advanced Materials BU				
Mr Jin Xiaozhe <sup>(2)</sup>		B <sup>(4)</sup>	85%	15%	100%

Notes:

- (1) Mdm Jin Xiao Qun is a substantial shareholder and wife of the Executive Chairman, Dr Shi Xu. The remuneration paid to Mdm Jin Xiao Qun was prorated until the cessation date of her employment with the Company on 1 April 2022.
- (2) Mr Jin Xiaozhe is the brother of Mdm Jin Xiao Qun and brother-in-law of Dr Shi Xu.
- (3) "A" refers to remuneration less than or equal to S\$100,000.
- (4) "B" refers to remuneration greater than the equivalent of S\$400,000 and less than or equal to S\$500,000.

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

**Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.**

*Design, implementation and monitoring of risk management and internal control systems and formation of a Board Risk Committee to address significant risks (Provision 9.1)*

The Board has overall responsibility for the governance of risk and exercises oversight of the material risks in the Group's business. As part of the Group's risk management strategy, a separate BRC had been established to oversee the risk governance of the Group and specifically, to determine the significant risks which the Group is willing to take in achieving its strategic objectives and value creation.

The BRC comprises the following four Directors, three of whom, including the Chairman, are IDs and two of whom are members of the AC.

Mr Wan Kum Tho (Chairman)  
Ms Ong Siew Koon @ Ong Siew Khoon  
Mr Gary Ho Hock Yong  
Mr Steve Ghanayem

# CORPORATE GOVERNANCE REPORT

The BRC assists the Board in determining the risk tolerance level and risk policies of the Group. The BRC oversees and monitors the implementation of risk management and the Group's internal control systems. The BRC ensures that Management maintains a sound system of internal controls and effective risk management policies to safeguard shareholders' interests and the Group's assets. For FY2022, the BRC held 4 meetings and reports formally to the Board on its proceedings after each meeting as well as any other matters within its duties and responsibilities. The BRC also met informally to discuss matters relating to risk identification, risk control processes and systems to be adopted by the Group.

## *Role and Responsibility of the BRC*

The responsibilities of the BRC as set out in its TOR include the following:

- To determine the nature and extent of the material risks which the Board is willing to take in achieving the Group's strategic objectives;
- To recommend the Company's levels of risk appetite and risk tolerance for different categories of risk;
- To review the Company's strategy, policies, framework, processes and procedures for the identification, measurement, reporting and mitigation of material risks in the Company's business, with due consideration to applicable laws and regulations, as appropriate, and report any significant matters, findings and recommendations to the Board;
- To review and recommend risk strategy and policies for the management of material risks over a longer time horizon for approval by the Board;
- To review policies, processes and reports concerning the adequacy and effectiveness of the Company's risk management framework including strategic, operational, compliance, HSE risks (Health, Safety and Environmental risks) and information technology risks;
- To oversee Management in the design, implementation and monitoring of the risk management and internal control system, and ensure Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets;
- To report to the Board on the activities and observations of the risk management and internal control systems;
- To advise on risk aspects and implications for the risk tolerance of the Company on strategic transaction(s) to be undertaken;
- To submit evaluations of the Company's system of risk management to the Board, and recommend policies to be developed that would enhance the system;
- To review the Company's framework, processes and resources to identify and manage new or emerging risks as a result of changes in country, technological, social or business conditions;
- To monitor the implementation of the Company's risk mitigation plans;
- To review the robustness of the business continuity planning process within the Company and ensure that material risks are identified and appropriate contingency plans are in place;
- To review the adequacy of the insurance and other risk transfer arrangements;
- To review reports on material risk events and ensure adequacy of actions taken by Management; and
- To investigate any matters within its TOR and to require cooperation by management.



# CORPORATE GOVERNANCE REPORT

## Risk management and internal control systems

The Group's risk management policy seeks to minimise the potential adverse effects from risk exposures. Management, the AC and the BRC continually monitor the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. The policy provides a key overview of the Group's risks, the levels of tolerance for various classes of risk, the likelihood of risk occurrence and the impact they could have on the Group. Mitigation actions are thereafter put in place and/or proposed to address and combat significant risks. Further, risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

In FY2022, the Group's in-house IA team assessed the Group's Internal Control Framework to address the five principal risk categories, including strategic, financial, operational, compliance and information technology risks.

The BRC and the AC jointly assist the Board in setting the objectives, the underlying principles of risk management for the Group and establishing the policies such as authority levels, over-sight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying approved principles.

The identification and management of risks are delegated to Management, who assumes ownership and day-to-day management of these risks. Management is responsible for the effective implementation of the risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance established by the BRC and the Board, as stated below:

*"The Group adopts a balanced approach to risk management, recognising that not all risks can be eliminated, and will undertake appropriate and well considered risk to optimise returns for and sustainability of the Group."*

Key business risks are proactively identified, addressed and reviewed on an ongoing basis. The main risks arising from the Group's financial operations are credit risk, interest rate risk, liquidity risk, currency risk, capital risk and fair value measurement.

The IA reviews material internal controls as part of the internal audit plan to provide independent assurance on the adequacy, effectiveness and integrity of the Group's internal controls and risk management systems.

## Adequacy and effectiveness

If any non-compliance or internal control weaknesses is noted during the audit, such non-compliance, the recommended corresponding remedial measures, and Management's responses will be reported to the AC.

Any significant deficiencies in internal controls identified by the EA during the audit will also be reported. The adequacy and effectiveness of the risk management and internal controls system are reviewed at least annually.

## *Written assurances on their adequacy and effectiveness (Provision 9.2)*

On a half-yearly and annual basis, the CEO and Chief Financial Officer ("**CFO**") will provide written confirmations to the Board that:

- (1) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances;

# CORPORATE GOVERNANCE REPORT

- (2) nothing has come to Management's attention which might render the financial results of the Group to be false or misleading in any material aspect;
- (3) Management is aware of their responsibilities for establishing, maintaining and evaluating the adequacy and effectiveness of the risk management and internal control systems of the Group; and
- (4) there are no known significant deficiencies or lapses in the risk management and internal controls systems relating to the Group's financial, operational, compliance and information technology controls which could adversely affect the Group's ability to record, process, summarise or report financial data, or of any fraud, whether material or not.

The other KMP will similarly provide confirmations of the above matters in items (3) and (4) to the Board.

For FY2022, the Board had received the written confirmations of the KMP, CEO and CFO (collectively, the "**Management Assurance Letters**") as stated above.

Based on the internal controls established and maintained by the Group, work performed by the EA and IA, reviews performed by Management and the various Board Committees and the Management Assurance Letters, the Board, with the concurrence of the AC and BRC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective to address strategic, financial, operational and compliance risks, including information technology risks, which the Group considers relevant and material to its operations during the year.

While the Board acknowledges that the system of internal controls and risk management established by Management provides reasonable assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it endeavours to achieve its business objectives, it is also mindful that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

There was no material weakness in risk management and internal controls noted as of 31 December 2022.

Accordingly, the Company has complied with Listing Rule 1207(10).

## **Audit Committee**

### **Principle 10: The Board has an Audit Committee which discharges its duties objectively.**

#### *Composition of the Audit Committee (Provision 10.2)*

The AC comprises the following three Directors, all of whom are IDs:

Ms Ong Siew Koon @ Ong Siew Khoon (Chairman)

Ms Lee Lee Khoon

Mr Wan Kum Tho

#### Expertise of AC members

All three AC members bring with them invaluable and relevant accounting or related financial management expertise and experience, and are appropriately qualified to discharge their responsibilities.

Ms Ong, the AC Chairman, has extensive and practical accounting and financial management expertise and experience and is well qualified to chair the AC. She started her career with Ernst & Young LLP in 1982, where she rose to become Partner from 1998 to 2019. Ms Ong also concurrently served as the Chief Financial Officer of Ernst & Young LLP in Singapore from 2002 to 2005.

# CORPORATE GOVERNANCE REPORT

## *Former partner or Director of the Company's existing auditing firm (Provision 10.3)*

In compliance with the Code, the AC does not have any member who is a former partner or director of the Company's existing external audit firm, Moore Stephens LLP ("**Moore Stephens**"), within the previous two years or who hold any financial interest in the auditing firm.

## Authority of the AC

The AC has explicit authority to investigate any matter within its TOR. Management is required to provide the fullest co-operation in providing information and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the IA and EA and full discretion to invite any Director or KMP to attend its meetings. Similarly, both the IA and EA are given unrestricted access to the AC.

## *Duties of AC and Activities of the AC (Provision 10.1)*

The AC is guided by its TOR, which defines its duties and scope of authority that are in line with the Code. In particular, the duties of the AC include the following:

### Financial Reporting

- reviewing and reporting to the Board on significant financial reporting issues and judgements to ensure the integrity of the financial statements and any announcements relating to financial performance;
- reviewing the quarterly/half-yearly and annual financial statements before submission to the Board for approval;
- reviewing the assurance from the CEO and CFO on financial records and financial statements;
- discussing with Management any legal, regulatory or contractual matters that may have a material impact on the Group's financial statements and any material reports or inquiries from regulatory or governmental agencies;
- reviewing the adequacy and effectiveness of the Group's finance function;
- ensuring that the Group's trade receivables are stated at fair value and accurately recorded in the financial statements, and that credit policies are adhered to;
- reviewing key financial risk areas and monitor the cash flows of the Group;

### Internal Controls

- reviewing and reporting to the Board, at least annually, the adequacy and effectiveness of the Group's internal control systems (including financial, operational, compliance and information technology controls) and recommending to the Board, policies to be developed that would enhance the controls and operating systems of the Group, and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board;
- reviewing regulatory compliance matters, at least on a quarterly basis, with a view to ensuring that adequate rectification measures are taken for past breaches and new initiatives are implemented to mitigate and reduce the risks of future breaches;

# CORPORATE GOVERNANCE REPORT

## Whistleblowing

- reviewing the policy, and establishing procedures for concerns about possible improprieties in financial reporting, criminal offences involving the Group or its employees, or other matters that may negatively impact the Group to be safely raised, independently and appropriately investigated and followed up on;
- reviewing and reporting to the Board on a timely basis any significant matters raised through the whistleblowing channel;
- commissioning and reviewing the findings of investigations by the IA and EA into matters where there is any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;

## Interested Person Transactions

- reviewing any interested person transactions to ensure that the minority shareholders' interests have not been compromised;

## External Audit and Internal Audit

- reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the EA's audit plan, audit reports and evaluation of the system of internal accounting controls;
- making recommendations to the Board on the proposals to shareholders on the appointment, reappointment and removal of the EA, and approving the remuneration and terms of engagement of the EA;
- monitoring and reviewing the implementation of the recommendations of the IA and EA for internal control weaknesses (if any);
- ensuring co-ordination between the EA, IA and Management, and reviewing the assistance given by Management to the EA and IA;
- ensuring that the internal audit function is adequately resourced and staffed with persons of relevant qualification and experience, and that the IA comply with the standards set by nationally or internationally recognised professional bodies;
- reviewing and approving the internal audit plan, the internal audit reports, the scope and results of the internal audit procedures and Management's response and follow-up actions;
- reviewing at least annually, the adequacy and effectiveness of the Group's risk management and internal audit function and ensuring that a clear reporting structure is in place between the AC and the IA;
- ensuring that the internal audit function has unfettered access to all the Group's documents, records, properties and personnel, including the AC, and has appropriate standing within the Group;
- approving the appointment, termination and remuneration of the head of the internal audit function or the accounting/auditing firm or corporation to which the internal audit function is outsourced;

# CORPORATE GOVERNANCE REPORT

## Conflict of Interest

- reviewing any actual or potential conflicts of interest that may involve the Directors and resolving all conflicts of interest matters referred to it. A Director who is a member of the AC will not participate in any proceedings of the AC in relation to the review of a conflict of interest relating to him/her;
- monitoring any investments in the customers, suppliers and competitors of the Group made by the Directors, controlling shareholders and their respective associates, making assessments on whether there are any potential conflicts of interest and proposing ways to resolve such potential conflicts of interest as and when they arise;
- reviewing and assessing whether additional processes are required to be put in place to manage any material conflicts of interest with the controlling shareholders and proposing, where appropriate, the relevant measures for the management of such conflicts;

## Hedging

- reviewing the adequacy of, and approving the procedures put in place related to hedging policies to be adopted by the Group;

## Intellectual Property

- reviewing the Group's intellectual property protection policies to ensure that the policies and/or procedures are complied with, and are adequate and effective for the Group's operations;

## Legal Representatives

- reviewing and monitoring the measures put in place in respect of the legal representatives of the Company's subsidiaries in the PRC;

## Share Swap

- ensuring that the issuance of the Company's shares to MG Consulting Holdings Pte. Ltd. ("**MG Holdings**") post-listing will be in accordance with the shareholders' agreement entered into between the Company, MG Holdings and NanoFab Technologies Pte. Ltd. on 27 October 2017 (as amended) and in compliance with the relevant laws, rules and regulations (including the Companies Act and the Listing Manual);

## Chief Financial Officer

- assessing the performance of the CFO, for the relevant period, on an annual basis to determine his suitability of the position<sup>1</sup>;

## General

- undertaking such other functions and duties as may be required by statute or the Listing Manual;
- undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings on matters arising and requiring the attention of the AC; and
- monitoring the use of, and making announcement on the use of the proceeds from the IPO, in accordance with the rules of the Listing Manual.

In FY2022, the AC also reviewed its TOR which is in line with the Code.

<sup>1</sup> The assessment of the CFO's performance for FY2022 was undertaken by the AC and the results of the assessment were discussed by the AC.

# CORPORATE GOVERNANCE REPORT

## Accountability for accurate information

The Board endeavours to ensure that the annual audited financial statements and half-yearly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Group's affairs, whilst preserving the commercial interests of the Group. Financial and other price sensitive information are disseminated to shareholders through timely announcements via SGXNet.

The AC and the Board also meet to review and monitor the Group's performance at regular interval besides the Group's half-yearly and full year financial performance.

## Compliance with legislative and regulatory requirements

In line with the requirements of the SGX-ST, negative assurance confirmation statements will be issued by the Board to accompany the Group's interim financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Group's results announcements to be false or misleading in any material aspect. This in turn will be supported by a written confirmation from the CEO, CFO and KMP (see explanation under Provision 9.2 above). The Group is not required to issue negative assurance confirmation statements for its full year results announcement.

The Company also completes and submits the relevant compliance checklists to SGX-ST (if applicable) to ensure that all financial results announcements, circulars and letters to shareholders have complied with the minimum requirements set out in the Listing Rules.

## Management Accounts

Management provides the Board with a continual flow of relevant information on the Group's operational, financial and compliance matters on a timely basis, including quarterly management reports to enable the Board to effectively discharge its duties. Updates of the Group's key financial performance metrics are circulated to the Board on a monthly basis.

## *External Audit*

The EA provides regular updates and periodic briefings to the AC on changes or amendments to accounting standards to enable the AC to keep abreast of such changes and their corresponding impact on the financial statements, if any. The AC is entitled to seek clarification from Management, the EA and independent professional advisors and to attend relevant seminars at the Company's expense to apprise themselves of accounting standards/financial updates.

In performing its functions, the AC also confirms that the Company has complied with Listing Rules 712 and 715 (read with Rule 716) in relation to the appointment of the same auditing firm based in Singapore to audit the financial statements of the Company, and its subsidiaries.

## Key Audit Matters

In the review of the financial statements, the AC had discussed with Management the accounting principles that were applied and their judgement of item that might affect the integrity of the financial statements and considered the clarity of key disclosures in the financial statements.

The significant financial reporting matters have been identified and included in the Independent Auditor's Report to the members of the AC under "Key Audit Matters". For FY2022, the accounting for the put option liability has been reported as a Key Audit Matter. Details of the Key Audit Matters can be found at page 119 of this Annual Report.

# CORPORATE GOVERNANCE REPORT

KEY AUDIT MATTER	HOW THE EA ADDRESSED THESE MATTERS
<b>Accounting for the put option liability</b>	The EA have reviewed the basis to determine the put option liability and the reasonableness of the key methodologies and assumptions (including discount rates) applied in the valuation of the Venezia Put Option Shares and re-performed the computations involved in the estimation of the put option liability. The EA found that the methodologies and assumptions used by Management in estimating the put option liability to be appropriate and reasonable.

The AC concurs with the conclusion of the Management and the EA on the Key Audit Matters.

## Independence of EA

The AC confirms that the Company has complied with Listing Rule 712 in that Moore Stephens is registered with the Accounting and Corporate Regulatory Authority (ACRA). The AC is satisfied that the resources and experience of Moore Stephens, the audit engagement partner and the team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group.

The AC also reviewed all non-audit services provided by the EA and is of the opinion that the nature and provision of such services would not affect the independence and objectivity of the EA. The EA have confirmed their independence in this respect.

## *Internal Audit (Provision 10.4)*

The Group has an in-house internal audit team which comprises a team of professionals with relevant experience in corporate governance, internal controls and other relevant disciplines. The role of the IA is to provide an independent and objective evaluation of the Group's internal control systems and corporate governance processes.

The IA assists the Group to accomplish its objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of internal controls, risk management and governance processes. Audits of the Group's subsidiaries are conducted based on a risk based audit approach in its audit plan approved by the AC. The IA reports functionally to the AC Chairman and administratively to the CFO.

The AC is responsible for the appointment, termination and remuneration of the IA. The AC also ensures that the internal audit function is adequately resourced and has appropriate standing within the Group. The IA has unfettered access to all the Group's documents, records, properties and personnel and direct access to the AC.

The IA supports the AC in ensuring that the Group maintains a sound system of internal controls by highlighting any weaknesses in the current process, ascertaining that operations were conducted in accordance with established policies and procedures, and identifying areas for improvement where controls can be strengthened.

The AC reviewed the results of internal audits and Management's actions in resolving any audit issues reported. Pursuant to Rule 1207(10C) of the Listing Manual, the AC is satisfied that the IA is effective and adequately resourced to perform its functions and has appropriate standing within the Group. Accordingly, the Company is in compliance with Rule 719(3) of the Listing Manual on maintaining on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits.

## *Meeting with EA and IA (Provision 10.5)*

The AC meets with the EA and the IA without the presence of Management, at least annually to discuss any issues they may have (including suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations) which has, or is likely to have, a material impact on the Group's operating results or financial position and Management's response thereto.

Both the EA and the IA have confirmed that they had access to and received full co-operation and assistance from Management and no restrictions were placed on the scope of their audit.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings

**Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

#### *Participation of shareholders at general meetings (Provision 11.1)*

The Company welcomes shareholders' views on matters concerning the Group and encourages shareholders' participation at general meetings. All shareholders are entitled to attend the general meetings and will be given ample opportunity and time to participate effectively and vote at the meetings.

Shareholders are welcomed to communicate their views on matters relating to the Group with the Board, the Chairmen of the Board Committees, and the EA of the Company in attendance. Shareholders are informed of the rules, including voting procedures that govern general meetings.

#### *Separate resolutions at general meetings on each substantially separate issue (Provision 11.2)*

The Company does not practise bundling of resolutions at general meetings unless the resolutions are interdependent and linked so as to form one significant proposal, in which case the Company will explain in the notice of meeting, the reasons and material implications for such bundled resolutions.

Each distinct issue is proposed as a separate resolution and full information is provided for each item in the agenda for the meetings.

All resolutions proposed at general meetings will be conducted by way of poll voting. A scrutineer will be appointed to count and validate the votes cast at the meetings. The total number of votes cast for or against will be announced at the general meetings. Shareholders who are present in person or represented by proxies will be entitled to one vote for each share held. The detailed voting results and the name of the independent scrutineer will also be announced to SGX-ST via SGXNet on the same day after the conclusion of each general meeting.

#### *Attendance at general meetings (Provision 11.3)*

All Directors, including the Chairman of the Board and the Chairmen of the AC, NC, BRC and RC will be present at general meetings to address shareholders' queries. The EA will be present to address shareholders' queries on the conduct of audit and the preparation and contents of the EA's auditors report. Management will also be present at general meetings to respond, if necessary, to operational questions from shareholders that may be raised.

The AGM for FY2021 was convened and held by electronic means on 28 April 2022 ("**AGM 2022**") pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("**AAM Order**"). Alternative arrangements relating to attendance at the AGM 2022 via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, address of substantial and relevant questions prior to the AGM and voting by the Chairman of the AGM through his appointment as proxy at the AGM, were put in place for AGM 2022.



# CORPORATE GOVERNANCE REPORT

The forthcoming AGM for FY2022 on 28 April 2023 (“**AGM 2023**”) will continue to be held by electronic means as permitted under the AAM Order. However, to provide shareholders with the ability to directly and immediately engage with the Board and vote thereafter, the Company will be implementing real-time electronic voting and real-time question-and answer for the AGM 2023. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via “live” audio-visual webcast or “live” audio-only stream), submission of questions and proxy forms, appointment of proxies to attend and vote in shareholders’ stead at the AGM, live voting and live question-and-answer session via text, are all informed to shareholders in advance via SGX-Net.

The Company will adopt the same practice with respect to any general meetings that are held by electronic means.

## *Absentia voting (Provision 11.4)*

The Company’s Constitution allows a shareholder who is not an intermediary to appoint up to two (2) proxies to attend and vote on behalf of the shareholders.

Specified intermediaries, such as banks and capital markets service licence holders which provide custodial services, may appoint more than two proxies. This will enable indirect investors, including CPF or SRS investors, to be appointed as proxies to participate in shareholders’ meetings. Such indirect investors, where so appointed, will have the same rights as direct investors to vote at shareholders’ meetings.

If any shareholder is unable to attend a shareholders’ meeting, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms which are sent together with the Annual Reports or Circulars (as the case may be).

As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

## *Minutes of general meetings (Provision 11.5)*

The Company will prepare minutes of general meetings which will include the essence of any substantial and relevant comments or queries from shareholders, as well as responses from the Board and Management. These minutes will be published on the SGX-ST and the Company’s corporate website within one month from the date of the upcoming AGM.

## *Dividend Policy (Provision 11.6)*

The Company does not have a fixed dividend policy. The declaration and payment of dividends may be recommended by the Board at its discretion, after considering a number of factors, including the level of cash and reserves, results of operations, business prospects, capital requirements and surplus, general financial condition, contractual restrictions, the absence of any circumstances which might reduce the amount of reserves available to pay dividends, and other factors considered relevant by the Board, including the expected financial performance.

The Board is pleased to recommend a final one tier tax-exempt dividend of S\$0.011 per ordinary share for FY2022, subject to the approval of shareholders at the AGM. Together with the declared tax-exempt one tier interim dividend of S\$0.011 per ordinary share paid on 9 September 2022, the total declared dividend of S\$0.022 per ordinary share represents approximately 33% of the Group’s FY2022 net profit.

# CORPORATE GOVERNANCE REPORT

## Engagement with Shareholders

**Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.**

### *Communication with shareholders (Provision 12.1)*

The Company believes that a high standard of disclosure is key to good corporate governance. The Company endeavours to provide shareholders with fair, relevant, comprehensive and timely information regarding financial results and other material information relating to the Group.

To enable shareholders and investors to make informed investment decisions, shareholders are notified in advance of the date of release of the Group's financial results through an announcement via SGXNet. Material information relating to the Group, which is deemed price or trade sensitive, or which is likely to affect shareholders' or investors' decisions in investing in the Company's shares, is promptly announced via SGXNet in compliance with the Listing Manual and the Code. Such announcements are also released on the Company's website at <https://www.nti-nanofilm.com/investors/announcements> on a timely basis. Where there is inadvertent disclosure made to a select group, the Company will make the same disclosure publicly to all others as soon as possible. Shareholders may access the Company's financial and annual reports, announcements and media releases via the Company's website.

The Company aims to maintain regular interaction and dialogue with shareholders to generate awareness and understanding of the Group's strategic business model, competitive strengths, growth strategy, and investment merits, as well as to garner feedback and views for consideration. Accordingly, the Company regularly meets with local and foreign institutional shareholders and takes an active role in participating in investor relations activities with the investment community. The various channels of shareholder communication enable the Group to solicit and understand the views of the shareholders. For transparency and non-selective disclosure, materials used in these briefings are publicly disseminated via SGXNet and on the Company's website.

The Company's AGM and other general meetings are the main forum for dialogue with shareholders. Shareholders are informed of the AGM or other general meetings of the Company through notices sent or made available electronically, to all shareholders. The notice of AGM or other general meetings and the Company's Annual Report, letters to shareholders, circulars and other related documents may be downloaded from the website of the SGX-ST or the Company's corporate website. Shareholders are encouraged to address any questions they may have to the Board. The Board endeavours to address all substantial and relevant questions from shareholders either before or at the general meetings.

### *Investor Relations (Provisions 12.2 and 12.3)*

The Board recognises the importance of engaging with shareholders, investors and analysts to obtain and understand their concerns and feedback. As a demonstration of the Company's commitment to transparency and fair disclosure, the Company has adopted an Investor Relations Policy to actively engage shareholders and promote regular, effective and fair communication with shareholders.

The Group's investor relations team, which is supported by an external investor relations agency, Cogent Media Pte. Ltd. ("Cogent") engages in continuous and informed dialogue with shareholders to allow for an ongoing exchange of views.

The Company meets with current and prospective investors, media and analysts at appropriate times, and participates in investor roadshows and sector conferences throughout the year.

Upon the release of half and full-year financial results, as well as any quarterly business updates, the Company will hold briefings for analysts and the media. The announcement, as well as relevant materials, will be released via SGXNet and made available on the Company's corporate website.

# CORPORATE GOVERNANCE REPORT

The Company discloses in its Annual Report and/or Sustainability Report its business strategy, business performance, outlook and future plans as well as its key areas of focus in relation to the management of stakeholder relationships during the reporting period.

For FY2022 and up to the date of this report, the Company has held more than 170 meetings with institutional investors and analysts through analysts' briefings and investors' meetings as a way of maintaining regular dialogues with investors and shareholders as well as to solicit and understand the views of shareholders.

To enhance and encourage communication with shareholders and investors, the Company provides the contact details of its investor relations team and Cogent in its press releases. The Company's corporate website has a dedicated email which shareholders and investors could get in contact with the Company and/or send their enquiries to. Questions and feedback from shareholders and investors are attended to by the Company's investor relations team and Cogent.

## MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders

**Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.**

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Group are served. Stakeholders play a crucial role in the Group's business. They have been identified as those who are impacted by the Group's business and operations or those whose actions are able to impact the Group's business and operations. The Company's vision and the success of its business is closely aligned with the interests and needs of its key stakeholders. Effective stakeholder engagement can help the Group better understand the needs of its key stakeholders and incorporate these into its corporate strategy.

*Material stakeholder groups (Provision 13.1)*

*Management of stakeholder relationships (Provision 13.2)*

*Corporate website to communicate and engage with stakeholders (Provision 13.3)*

In keeping with its commitments to good corporate governance, Management has put in place a Sustainability Reporting Framework, which is incorporated as part of this report. The Company's IA team will conduct internal review of the Company's sustainability reporting processes on a cycle basis, in accordance with Practice Note 7.6 of the Listing Rules.

More information on the Group's strategy and key areas of focus in managing stakeholder relationships can be found in the Company's Sustainability Report on pages 32 to 62 of this Annual Report.

The Group has identified the following key stakeholder groups based on their relevance to and influence on its business: Shareholders, Business Partners (customers, suppliers and joint venture partners), Employees, Investors, Community and Regulators.

The Group engages these stakeholders through various informal and formal channels of communication to learn and understand their concerns. The Group maintains a corporate website (<https://www.nti-nanofilm.com/>) to leverage on internet platforms, which enables it to communicate with key stakeholders and the public. Both current information and archives of previously released information including financial results, annual reports, SGXNet announcements, presentation materials, and other relevant corporate information are made available on the Company's corporate website.

# CORPORATE GOVERNANCE REPORT

The Company is a constituent of the FTSE ST All-Share Index<sup>(i)</sup>, FTSE ST China Index<sup>(ii)</sup>, FTSE ST Large & Mid Cap Index<sup>(iii)</sup>, FTSE ST Mid Cap Index<sup>(iv)</sup>, MSCI ACWI Small Cap Index<sup>(v)</sup>, MSCI Singapore Small Cap Index<sup>(vi)</sup>, and the MSCI World Small Cap Index<sup>(vii)</sup>.

- (i) FTSE ST All-Share Index is a market capitalisation weighted index that tracks the performance of companies listed on SGX that are within the top 98% (by market capitalisation).
- (ii) FTSE ST China Index is a market capitalisation weighted index that tracks the constituents of the FTSE ST All-Share Index, which have a majority of their sales from, or operating assets located in China.
- (iii) FTSE Large & Mid Cap Index comprises Large & Mid capitalised companies that represent approximately 86% of Singapore's market capitalisation. Companies represented in the STI are also included in this index.
- (iv) FTSE ST Mid Cap Index is a market capitalisation weighted index that tracks the performance of the next top 50 Companies (after the STI constituents) listed on SGX.
- (v) MSCI ACWI Small Cap Index captures small cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. With 2,882 constituents, the index covers approximately 85% of the global investable equity opportunity set.
- (vi) MSCI Singapore Small Cap Index is designed to measure the performance of the small cap segment of the Singapore market. With 54 constituents, the index represents approximately 14% of the free float-adjusted market capitalisation of the Singapore equity universe.
- (vii) MSCI World Small Cap Index captures small cap representation across 23 Development Markets (DM) countries. With 4,434 constituents, the index covers approximately 14% of the free float-adjusted market capitalisation in each country.

## Awards and Accolades

On 18 January 2022, the Company has been recognised as one of Singapore's fastest growing companies by the Straits Times and Statista, a Germany-based global research firm. The ranking is based on the Company's revenue growth from 2017 to 2020.

On 17 March 2022, the Company was ranked as one of the high-growth companies in the Asia-Pacific region by Financial Times and Statista, based on the Company's annual compound growth rate in revenue between 2017 and 2020.

On 15 September 2022, the Company was named as one of the inaugural winners of Deloitte's best managed companies Singapore 2022 award, in recognition of its exemplary business performance in 2021. Deloitte's Best Managed Companies award program recognises companies for their organisational success and achievement. The program provides a distinct framework for management teams to challenge themselves and benchmark against some of the best private companies in the world. The Best Managed Companies is part of a global awards program active in the Americas, Europe, Australia, China and now Singapore and across Southeast Asia. Companies are evaluated based on factors such as strategy development, capabilities and innovation, culture and commitment, strong governance structures and financial discipline.

## OTHER CORPORATE GOVERNANCE MATTERS

### Whistle-Blowing Policy

The Group has in place a whistle-blowing policy to ensure independent investigations of complaints relating to fraud, corruption, possible improprieties in financial reporting, breach of law, non-compliance with the Group's code of conduct and business practices, and any wrongful acts by any employee of the Group, and for appropriate follow-up action.

In line with Rule 1207(18B) of the Listing Rules, the policy is aimed at encouraging the reporting of such matters in good faith, with the confidence that staff of the Group and other persons making such reports will be treated fairly and, to the extent possible, protected from any detrimental or unfair treatment including reprisal. Further, the Group ensures that the identity of the whistle-blower is kept confidential. Anonymous complaints may be considered, taking into account factors such as the seriousness of the issues raised, the credibility of the concern and the likelihood of confirming the allegation from attributable sources. The AC is responsible for the oversight and monitoring of whistle-blowing.

# CORPORATE GOVERNANCE REPORT

Any suspected non-compliance case and/or concern regarding practices concerning the Group or any of its officers/ employees may be reported (i) by submitting the completed reporting form, available at the Company's corporate website, to [whistleblow@nti-nanofilm.com](mailto:whistleblow@nti-nanofilm.com); or (ii) directly to the AC Chairman and/or the Company's Compliance Officer at [siewkoon.ong@nti-nanofilm.com](mailto:siewkoon.ong@nti-nanofilm.com) and [yihsen.gian@nti-nanofilm.com](mailto:yihsen.gian@nti-nanofilm.com) respectively.

All reported whistle-blowing incidents or concerns will be independently investigated and remedial actions will be taken to address the whistle-blowing incidents.

There was no whistle-blowing report received during FY2022 and up to the date of this report.

## Dealing in Securities (Listing Rule 1207(19))

The Group has put in place internal guidelines in relation to dealing in the Company's securities. The Directors and all employees of the Group are prohibited from trading in the Company's securities during the relevant blackout period commencing two (2) weeks before the announcement of the Group's quarterly financial results (if the Company is required to announce its quarterly financial statements) and the period commencing one (1) month before the announcement of its half-year results (if the Company does not announce its quarterly financial statements) and full-year results. The Directors and all employees of the Group are also required at all times to observe the insider trading rules stipulated in the Securities and Futures Act 2001 and are discouraged from dealing in the Company's securities on short-term considerations.

Under the Group's internal guidelines, all employees of the Group who wish to deal in the Company's securities must obtain pre-dealing approval from Management. As part of the approval process, employees are required to confirm that they are not in possession of any price sensitive inside information concerning the Group. Directors and the CEO are also required to notify their dealings in the Company's securities within 2 business days after the dealing.

The Company had, at the AGM 2022 renewed the mandate from shareholders to undertake buy back of its shares ("**Share Purchase Mandate**") and will be seeking a renewal of the said mandate at the forthcoming AGM 2023. All share repurchases have been and will be carried out in accordance with the mandate approved by shareholders and the provisions of the Companies Act 1967 of Singapore.

In FY2022, the Company had undertaken the repurchase of its shares from the open market. These repurchased shares are held as treasury shares, and a portion of such shares were transferred to employees in the year pursuant to the exercise of employee share options held by them.

## Code of Business Conduct and Ethics

All employees are required to observe and maintain high standards of integrity, as well as comply with laws, regulations and Group's policies. The Group sets standards of ethical conduct for employees, which cover all aspects of the business operation of the Group such as work ethics, personal conflicts of interest, confidentiality of information, related party transactions, gifts and dealing in the Company's securities.

As part of the Code of Business Conduct and Ethics, the Group is committed to safeguarding creditors' rights and endeavours to pay invoices in a timely manner. The Group negotiates with its suppliers on an individual basis to mutually agree on contractual terms and meets its obligations accordingly.

The Group also endeavours to comply with applicable statutory laws and regulations to ensure proper safe work practices are put in place for the health and welfare of its customers and employees. Employees undergo training to equip themselves with the requisite skills and competence.

# CORPORATE GOVERNANCE REPORT

## Interested Person Transactions (“IPT”) (Listing Rule 907)

The Group has in place internal procedures to ensure that all transactions with interested persons are conducted fairly, on an arm’s length basis and reported to the AC in a timely manner. An IPT register is maintained by the Company.

Details of all IPT entered into during FY2022 are as follows:

NAME OF INTERESTED PERSON	NATURE OF RELATIONSHIP	AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS DURING FY2022 (INCLUDING TRANSACTIONS LESS THAN S\$100,000) (S\$’000)
上海纳曦餐饮管理有限公司 (“Na Xi”)	Note <sup>(1)</sup>	366

**Note:**

(1) Na Xi is an associate of the Company’s director and controlling shareholder and as such regarded as an interested person under Chapter 9 of the Listing Manual of the SGX-ST.

The Company has not obtained a mandate from shareholders pursuant to Rule 920 of the Listing Manual and hence no interested person transaction was conducted under a shareholders’ mandate during FY2022.

## Material Contracts (Listing Rule 1207(8))

Save for the IPTs disclosed in this report, there are no material contracts entered into by the Company or its subsidiaries involving the interest of any Director, the CEO or controlling shareholders during the year under review.

# CORPORATE GOVERNANCE REPORT

## Use of Proceeds from IPO

Pursuant to the Company's IPO, the Company received gross proceeds of S\$200.0 million and as at 31 December 2022, the gross proceeds had been utilised as follows:

	AMOUNT ALLOCATED (AS DISCLOSED IN THE IPO PROSPECTUS) S\$'000	LAST ANNOUNCED BALANCE AS AT 31 DECEMBER 2022 S\$'000	AMOUNT UTILISED FROM 1 JANUARY 2023 TO 28 FEBRUARY 2023 S\$'000	BALANCE S\$'000
Capital expenditure on development and building of new machinery for the Company's Advanced Materials BU and purchase of new machinery to support the Company's Nanofabrication BU	90,000	39,979	973	39,005
R&D and engineering for entry into new end industries and new areas and/or products in existing business segments	50,000	15,843	1,654	14,189
Construction, refurbishment and renovation of new and existing production facilities				
- Renovation (including refurbishment, furniture and fittings) of Shanghai Plant 2	20,000	-	-	-
- Construction, refurbishment and renovation of new and existing production facilities	10,000	-	-	-
General corporate and working capital purposes	20,900	-	-	-
Payment of underwriting commissions and offering expenses	9,100	(505)	-	(505)
<b>TOTAL</b>	<b>200,000</b>	<b>55,317</b>	<b>2,628</b>	<b>52,688</b>

**Note:**

The sum of the numbers listed does not add up to the total thereof due to rounding.

Except as previously announced by the Company, the use of the gross proceeds is in accordance with the intended use as disclosed in the IPO prospectus dated 23 October 2020.

## INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION / RE-APPOINTMENT – Appendix 7.4.1 of the Listing Manual of the SGX-ST

NAME OF DIRECTOR	DR SHI XU	MR KRISTIAN JOHN ROBINSON	MR WAN KUM THO	MR STEVE GHANAYEM
Date of appointment	9 October 2020	9 October 2020	14 May 2021	1 November 2022
Date of last re-appointment	28 April 2021	N.A.	28 April 2022	N.A.
Age	59	49	57	58
Country of principal residence	Singapore	Singapore	Singapore	United States of America
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Please refer to page 74 to 75 of this Annual Report	Please refer to page 74 to 75 of this Annual Report	Please refer to page 74 to 75 of this Annual Report	Please refer to page 74 to 75 of this Annual Report
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-Executive	Non-Executive	Non-Executive
Job Title	Executive Chairman	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director
Professional qualifications	Please refer to page 26 of this Annual Report	Please refer to page 28 of this Annual Report	Please refer to page 29 of this Annual Report	Please refer to page 28 of this Annual Report
Working experience and occupation(s) during the past 10 years				
Shareholding interest in the listed issuer and its subsidiaries	Please refer to pages 107 to 108 of this Annual Report	Please refer to page 107 of this Annual Report	Please refer to page 107 of this Annual Report	Please refer to page 107 of this Annual Report
Any relationship (including immediate family relationships) with any existing director, officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Spouse of Mdm Jin Xiao Qun, a substantial shareholder. Mdm Jin Xiao Qun is a controlling shareholder of Harrymore International Limited, a substantial shareholder. Sole shareholder of Pearl Yard Holdings Inc., a controlling shareholder	Nil	Nil	Nil



# CORPORATE GOVERNANCE REPORT

NAME OF DIRECTOR	DR SHI XU	MR KRISTIAN JOHN ROBINSON	MR WAN KUM THO	MR STEVE GHANAYEM
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Other Principal commitments including Directorships				
Past (for the last 5 years)	Nil	Nil	<p>Director of:</p> <ol style="list-style-type: none"> <li>1. Heliconia Capital Management Pte Ltd</li> <li>2. D'nonce Technology Bhd.</li> <li>3. Nanofilm Technologies International Pte Ltd*</li> <li>4. Sesto Robotics Pte Ltd*</li> <li>5. Encyclia 2 Investments Pte Ltd*</li> <li>6. Encyclia 1 Investments Pte Ltd*</li> <li>7. Ascent Solutions Pte Ltd*</li> <li>8. Star 360 Holdings Pte Ltd*</li> </ol> <p>* Appointment nominated by Heliconia Capital Management Pte Ltd</p>	<p>Applied Materials, Inc.</p> <p>Please refer to page 28 of this Annual Report</p>
Present	<p>Director of:</p> <ol style="list-style-type: none"> <li>1. Nanyang Technological University – Ntuitive Pte. Pte Ltd Ltd.</li> <li>2. SG Innovate Pte. Ltd.</li> <li>3. Neufont Investment Pte. Ltd</li> <li>4. Pearl Yard Holdings Inc.</li> </ol>	<p>Managing Director of</p> <p>Technological Spruson &amp; Ferguson (Asia) Pte Ltd</p>	<p>Director of:</p> <ol style="list-style-type: none"> <li>1. Singtel Innov8 Pte Ltd</li> <li>2. AP Oil International Limited</li> <li>3. Tat Hong Equipment Service Co., Ltd.</li> </ol>	<p>Ghanayem Consulting LLC – Owner and shareholder</p>

# CORPORATE GOVERNANCE REPORT

## INFORMATION REQUIRED

**DISCLOSE THE FOLLOWING MATTERS CONCERNING AN APPOINTMENT OF DIRECTOR, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, CHIEF OPERATING OFFICER, GENERAL MANAGER OR OTHER OFFICER OF EQUIVALENT RANK. IF THE ANSWER TO ANY QUESTION IS "YES", FULL DETAILS MUST BE GIVEN.**

- (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?
- (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?
- (c) Whether there is any unsatisfied judgment against him?
- (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?
- (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?
- (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?
- (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?
- (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?
- (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?
- (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
  - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
  - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?

# CORPORATE GOVERNANCE REPORT

## INFORMATION REQUIRED

**DISCLOSE THE FOLLOWING MATTERS CONCERNING AN APPOINTMENT OF DIRECTOR, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, CHIEF OPERATING OFFICER, GENERAL MANAGER OR OTHER OFFICER OF EQUIVALENT RANK. IF THE ANSWER TO ANY QUESTION IS "YES", FULL DETAILS MUST BE GIVEN.**

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?

**Dr Shi, Mr Robinson, Mr Wan and Mr Ghanayem have individually given a negative disclosure on each of the above items (a) to (k).**

### **Disclosure applicable to the appointment of Director only.**

Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).

**Not applicable for Dr Shi, Mr Robinson and Mr Wan.**

**Mr Ghanayem will undergo the requisite training on the roles and responsibilities of a director of a listed issuer organised by the SID, within one year from the date of his appointment.**

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Directors present their statement to the members together with the audited financial statements of Nanofilm Technologies International Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2022.

In the opinion of the Directors,

- (a) the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 1 DIRECTORS

The Directors of the Company in office at the date of this statement are as follows:

Dr Shi Xu  
Mr Gary Ho Hock Yong  
Ms Ong Siew Koon @ Ong Siew Khoon  
Mr Kristian John Robinson  
Ms Lee Lee Khoon  
Mr Wan Kum Tho  
Mr Russell Tham Min Yew  
Mr Steve Ghanayem [appointed on 1 November 2022]

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under “Share Options and Awards Shares” in this statement.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, the Directors who held office at the end of the financial year and who had any interest in the shares or debentures of the Company or its related corporations as stated below:

NAME OF DIRECTORS	HOLDINGS REGISTERED IN THE NAME OF DIRECTORS			HOLDINGS IN WHICH A DIRECTOR IS DEEMED TO HAVE AN INTEREST		
	AT 1.1.2022 OR DATE OF APPOINTMENT IF LATER	AT 31.12.2022	AT 20.1.2023	AT 1.1.2022 OR DATE OF APPOINTMENT IF LATER	AT 31.12.2022	AT 20.1.2023
<b>The Company</b>						
<i>Nanofilm Technologies International Limited</i>						
<u>Number of Ordinary Shares</u>						
Dr Shi Xu	44,457,573	44,457,573	44,457,573	292,092,853	292,592,853	292,592,853
Mr Kristian John Robinson	-	-	-	120,000	120,000	120,000
Mr Wan Kum Tho	-	-	-	10,000	10,000	10,000
Mr Gary Ho Hock Yong	-	-	-	1,300,000	3,000,000	3,000,000
<b>Ultimate Holding Company</b>						
<i>Pearl Yard Holdings Inc.</i>						
<u>Number of Ordinary Shares</u>						
Dr Shi Xu	1	1	1	-	-	-

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONT'D)

Dr Shi Xu, who by virtue of his interest of not less than 20% of the issued share capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly owned by the Group:

	HOLDINGS IN WHICH A DIRECTOR IS DEEMED TO HAVE AN INTEREST	
	AT 31.12.2022	AT 1.1.2022
Nanofab Technologies Pte. Ltd.	4,410	4,410
- Number of ordinary shares		
Nanofab Japan Co., Ltd	90	90
- Capital contribution in JPY		
Nanofab Vietnam Co., Ltd	450,000	450,000
- Capital contribution in USD		
Yizheng Nahuan Technologies Co., Ltd	30,600,000	30,600,000
- Capital contribution in RMB		
Wizture Technologies (Yizheng) Co., Ltd	36,000,000	36,000,000
- Capital contribution in RMB		
Syrogen Energy Pte. Ltd.	21,000,000 preference shares and 70,000,000 ordinary shares	21,000,000 preference shares and 70,000,000 ordinary shares
- Capital contribution in SGD		
Syrogen (Shanghai) Technology Co., Ltd	20,000,000	-
- Capital contribution in RMB		
Syrogen Enterprise Management (Shanghai) Co., Ltd	100,000	-
- Capital contribution in RMB		
Sichuan Apex Technologies Co., Ltd	27,000,000	-
- Capital contribution in RMB		

Except as disclosed in this statement, no directors who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 4 SHARE OPTIONS AND AWARDS SHARES

### (A) Pre-IPO Employee Share Option Scheme 2017 ("ESOS Scheme 2017")

The ESOS Scheme 2017 was approved by shareholders of the Company at the extraordinary general meeting of the Company held on 6 February 2017. The rules of the ESOS Scheme 2017 were subsequently amended on 29 October 2018 and 5 September 2019. The ESOS Scheme 2017 was established and administered by a committee comprising directors of the Company who have been authorised and appointed by the board of the Company ("Board"). Since the listing of the Company on the SGX-ST on 30 October 2020 (the "Listing Date"), the ESOS Scheme 2017 is administered by the Remuneration Committee ("RC") in relation to all outstanding options granted under the ESOS Scheme 2017 and validly existing as at the Listing Date. Further information regarding the composition of the current RC, comprising Ms Lee Lee Khoon (Chairman), Mr Kristian Robinson (Member) and Mr Russell Tham Min Yew (Member)<sup>(1)</sup>, is disclosed in the Corporate Governance Report in the Annual Report.

The ESOS Scheme 2017 was terminated on the Listing Date and no further options were granted thereunder after termination. The termination of the ESOS Scheme 2017 does not prejudice the rights of the holders' holding options which have been granted and accepted under the ESOS Scheme 2017 prior to its termination. The options granted under the ESOS Scheme 2017 have exercise prices that were determined at the discretion of the committee at date of grant. Options may only be exercised after vesting.

As at 31 December 2022, details of the options granted under the ESOS Scheme 2017 are as follows:

DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2022	OPTIONS GRANTED	OPTIONS CANCELLED/ LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2022	EXERCISE PRICE	DATE OF EXPIRY
2 April 2018	1,700,000	-	-	(1,700,000)	-	0.5927	2 April 2023
3 December 2018	511,000	-	-	(411,000)	100,000	0.5868	9-27 December 2024
3 March 2019	159,000	-	-	(159,000)	-	0.5868	18-28 March 2025
3 June 2019	190,000	-	-	(100,000)	90,000	0.5868	16-18 June 2025
1 July 2020	1,032,000	-	(99,000)	(367,000)	566,000	0.5868	30 June 2026
	3,592,000	-	(99,000)	(2,737,000)	756,000		

Notes:

(1) Mr Russell Tham Min Yew was appointed as member after Mr James Rowan resigned with effect from 1 March 2022.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 4 SHARE OPTIONS AND AWARDS SHARES (CONT'D)

### (A) Pre-IPO Employee Share Option Scheme 2017 ("ESOS Scheme 2017") (cont'd)

During the financial year ended 31 December 2022, 2,737,000 share options were exercised and 99,000 share options lapsed or were cancelled.

As at 31 December 2022, out of the 756,000 outstanding options granted under the ESOS Scheme 2017, 590,000 had vested between 2018 and 2022 and 166,000 options will vest in 2023.

Since the commencement of the ESOS Scheme 2017 until the end of the current financial year, no option has been granted to controlling shareholders of the Company or their associates (as defined in the SGX-ST Listing Manual).

Information on Directors of the Company who were granted options under the ESOS Scheme 2017, employees who received 5% or more of the total number of options available under the ESOS Scheme 2017 and the aggregate number of options granted under the ESOS Scheme 2017 to directors and employees of the Company's subsidiaries, are as follows:

	SHARE OPTIONS GRANTED DURING THE FINANCIAL YEAR	AGGREGATE SHARE OPTIONS GRANTED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2017 TO 31.12.2022	AGGREGATE SHARE OPTIONS CANCELLED/ LAPSED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2017 TO 31.12.2022	AGGREGATE SHARE OPTIONS EXERCISED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2017 TO 31.12.2022	AGGREGATE SHARE OPTIONS OUTSTANDING AS AT 31.12.2022
<u>Directors and</u>					
<u>Employees of Company</u>					
Mr Gary Ho Hock Yong	-	5,200,000	(1,350,000)	(3,850,000)	-
<u>Directors and employees</u>					
<u>of subsidiaries</u>					
Mr Jin Xiaozhe	-	6,700,000	(1,734,000)	(4,966,000)	-

### (B) Employee Share Option Scheme ("ESOS Scheme 2020")

On 9 October 2020, the shareholders approved the ESOS Scheme 2020, a share-based incentive plan. The ESOS Scheme 2020 applies to all employees and non-executive directors of the Group. Controlling shareholders of the Company and their associates who are employees or non-executive directors of the Group are also eligible to participate in the ESOS Scheme 2020. The ESOS Scheme 2020 is administered by the RC. Please refer to paragraph 4(A) of this statement for details of the RC members.



# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 4 SHARE OPTIONS AND AWARDS SHARES (CONT'D)

(B) Employee Share Option Scheme ("**ESOS Scheme 2020**") (cont'd)

Other information relating to the ESOS Scheme 2020 is set out below:

- The total number of shares comprised in options which may be granted under the ESOS Scheme 2020, when added to the aggregate of (i) the number of new shares that are issued or issuable and issued shares (including treasury shares) that are delivered or to be delivered pursuant to options already granted under the ESOS Scheme 2020; and (ii) the number of shares subject to any other share options or share schemes adopted by the Company after the Listing Date, shall not exceed 5.0% of the total number of issued shares of the Company on the day preceding the date of grant of any new option.
- The total number of shares which may be issued or delivered pursuant to the exercise of options granted under the ESOS Scheme 2020 to (i) each controlling shareholder and each associate of a controlling shareholder; and (ii) controlling shareholders and associates of controlling shareholders, shall not exceed 10% and 25% of the total number of shares available under the ESOS Scheme 2020, respectively.
- The options that are granted under the ESOS Scheme 2020 may have acquisition prices that are, at the RC's discretion, set at a price equal to the volume-weighted average price for the shares on the SGX-ST over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST ("**Market Price**"); or at a discount to the Market Price (subject to a maximum discount of 20%).
- Options granted under the ESOS Scheme 2020 will have a life span expiring on or before the 10th anniversary of the date of grant in respect of options granted to employees and controlling shareholders and their associates and, on or before the 5th anniversary of the date of grant in respect of options granted to non-executive directors of the Group.
- The ESOS Scheme 2020 shall continue to be in force for a maximum period of 10 years from the adoption date and may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 4 SHARE OPTIONS AND AWARDS SHARES (CONT'D)

(B) Employee Share Option Scheme ("ESOS Scheme 2020") (cont'd)

As at 31 December 2022, details of the options granted under the ESOS Scheme 2020 are as follows:

DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2022	OPTIONS CANCELLED/ GRANTED	OPTIONS LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2022	EXERCISE PRICE S\$	DATE OF EXPIRY
26 March 2021	867,500	-	(137,000)	-	730,500	4.9279	26 March 2031
6 April 2021	870,000	-	(260,000)	-	610,000	5.1135	6 April 2026 & 6 April 2031
19 August 2021	880,000	-	(350,000)	-	530,000	4.1185	19 August 2026
31 March 2022	-	2,640,000	(315,000)	-	2,325,000	2.6907	31 March 2027
	2,617,500	2,640,000	(1,062,000)	-	4,195,500		

During the financial year ended 31 December 2022, the Company granted options under the ESOS Scheme 2020 to subscribe for 2,640,000 ordinary shares of the Company. No share option was exercised during the year when vested and 1,062,000 options have lapsed or been cancelled. As at 31 December 2022, out of the 4,195,500 options granted under the ESOS Scheme 2020, 467,625 had vested and 3,727,875 will vest between 2023 and 2026.

Since the commencement of the ESOS Scheme 2020 until the end of the current financial year, no options have been granted to controlling shareholders of the Company or their associates (as defined in the SGX-ST Listing Manual) and no employee has received 5% or more of the total number of options available under the ESOS Scheme 2020.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 4 SHARE OPTIONS AND AWARDS SHARES (CONT'D)

### (B) Employee Share Option Scheme ("ESOS Scheme 2020") (cont'd)

Information on Directors of the Company who have been granted options under the ESOS Scheme 2020, and the aggregate number of options granted under the ESOS Scheme 2020 to directors and employees of the Company's subsidiaries, are as follows:

Name of directors	AGGREGATE	AGGREGATE	AGGREGATE	AGGREGATE
	SHARE OPTIONS GRANTED DURING THE FINANCIAL YEAR	SHARE OPTIONS GRANTED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2020 TO 31.12.2022	SHARE OPTIONS CANCELLED/ LAPSED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2020 TO 31.12.2022	SHARE OPTIONS EXERCISED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2020 TO 31.12.2022
Mr Gary Ho Hock Yong	250,000	300,000	-	-
Mr James Rowan <sup>(2)</sup>	-	200,000	(200,000)	-
Ms Ong Siew Koon (a)	-	50,000	-	-
Mr Kristian John Robinson	-	50,000	-	-
Ms Lee Lee Khoon	-	50,000	-	-
Mr Wan Kum Tho	-	50,000	-	-
	250,000	700,000	(200,000)	-
				500,000

**Note:**

(1) These options are exercisable between 6 April 2022 and 19 August 2026 if the vesting conditions are met.

(2) Mr James Rowan resigned on 1 March 2022.

### (C) Nanofilm Restricted Share Plan ("RSP 2021")

The RSP 2021 was approved and adopted by shareholders of the Company on 29 October 2021. The RSP 2021 is administered by RC. Please refer to paragraph 4(A) of this statement for details of the RC members.

The RSP 2021 is a share incentive scheme, proposed on the basis that it is important to retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding Group employees and associated company employees who have contributed to the growth of the Group. The RSP 2021 will also enable grants of fully-paid shares to be made to non-executive directors, including as part of their remuneration in respect of their office, in lieu of cash. The RSP 2021 will give participants an opportunity to have a personal equity interest in the Company and will help to achieve, amongst other objectives, the alignment of interests of Group employees, associated company employees and non-executive directors with the interests of shareholders of the Company. Controlling shareholders of the Company and their associates are not eligible to participate in the RSP 2021.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 4 SHARE OPTIONS AND AWARDS SHARES (CONT'D)

(C) Nanofilm Restricted Share Plan ("RSP 2021") (cont'd)

Other information relating to the RSP 2021 are set out below:

- The number of, and conditions to be attached to the awards granted will be determined at the discretion of the RC based on factors such as a participant's rank, work performance, years of service and potential to contribute to the future development and success of the Group. Other factors to be considered include, in the case of performance-related award, the extent of effort and difficulty with which the performance condition(s) may be achieved within the performance period, and in the case of a non-executive director, his board and committee appointments and attendance, and his contribution to the success and development of the Group.
- Award shares may be granted at any time in the course of a financial year, and may lapse by reason of cessation of employment or misconduct of the participant, or by reason of the participant, being a non-executive director, ceasing to be a non-executive director, or in the event of a take-over, winding up or reconstruction of the Group, and any other event approved by the RC.
- The Company will release and deliver shares free of charge, to participants upon the vesting of the share awards granted to them, and in the case of performance-related awards, upon their fulfilment of the related performance conditions, either by way of an issue of new shares, deemed to be fully paid upon their issuance and allotment, or the delivery of existing shares (including treasury shares).
- The grant of each award, each release of shares and each payment in lieu of shares which would otherwise have been released to the participant under the RSP 2021 is subject to, and conditional upon, the Company's right of clawback under certain circumstances, which include any conduct engaged by the participant which causes the Group to suffer financial loss or reputational harm, or results in a need to restate the Group's financial statements, or is otherwise detrimental to the Group's business.
- The class and/or number of ordinary shares of the Company which are the subject of an award, to the extent not yet vested, and/or in respect of which future awards may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of the Company (whether by way of a bonus issue, rights issue, reduction, subdivision, consolidation, distribution or otherwise) or if the Company makes a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor that such adjustment (except in relation to a bonus issue) is fair and reasonable.

During the financial year ended 31 December 2022, the Company granted 736,000 (2021: 719,000) share awards to the Group's employees pursuant to the RSP 2021, at no consideration. No employee has received 5% or more of the total number of awards available under the RSP 2021. The share awards granted on (i) 31 December 2021, 31 March 2022 and 26 August 2022 will vest in ten (10) equal tranches over a period of ten (10) years commencing from the first anniversary after the date of grant, (ii) 26 January 2022 will vest in four (4) equal tranches over a period of four (4) years commencing from the first anniversary after the date of grant and (iii) 31 March 2022 will vest in five (5) equal tranches over a period of five (5) years commencing from the first anniversary after the date of grant. All the share awards under the RSP 2021 are subject to the grantee achieving certain performance conditions and meeting other terms and conditions in respect of each tranche.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 4 SHARE OPTIONS AND AWARDS SHARES (CONT'D)

(C) Nanofilm Restricted Share Plan ("RSP 2021") (cont'd)

The details of the shares awards granted pursuant to the RSP 2021 as at 31 December 2022 are as follows:

DATE OF RSP	SHARE AWARDS OUTSTANDING AT 1.1.2022	SHARE AWARDS GRANTED	SHARE AWARDS VESTED	SHARE AWARDS FORFEITED	SHARE AWARDS OUTSTANDING AT 31.12.2022
31 December 2021	719,000	-	-	(65,500)	653,500
26 January 2022	-	25,000	-	-	25,000
31 March 2022	-	273,000	-	(50,000)	223,000
26 August 2022	-	438,000	-	-	438,000
	719,000	736,000	-	(115,500)	1,339,500

Information on Directors of the Company who have been granted options under the RSP 2021 are as follows:

NAME OF DIRECTORS	SHARE AWARDS GRANTED DURING THE FINANCIAL YEAR	AGGREGATE SHARE AWARDS GRANTED SINCE THE COMMENCEMENT OF THE RSP 2021 TO 31.12.2022	AGGREGATE SHARE AWARDS CANCELLED/ LAPSED SINCE THE COMMENCEMENT OF THE RSP 2021 TO 31.12.2022	AGGREGATE SHARE AWARDS VESTED SINCE THE COMMENCEMENT OF THE RSP 2021 TO 31.12.2022	AGGREGATE SHARE AWARDS OUTSTANDING AS AT 31.12.2022
Mr Gary Ho Hock Yong	50,000	50,000	-	-	50,000

## 5 AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the end of the current financial year are as follows:

Ms Ong Siew Koon @ Ong Siew Khoon (Chairman)  
 Ms Lee Lee Khoon  
 Mr Wan Kum Tho

All members of the AC are non-executive independent directors.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 5 AUDIT COMMITTEE (CONT'D)

The AC Committee carried out its functions in accordance with Section 201B(5) of the Companies Act 1967 of Singapore. In performing those functions, the AC:

- assists the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group;
- reviews and reports to the Board significant financial reporting issues and judgements to ensure the integrity of the financial statements and any announcements relating to financial performance;
- reviews the half-yearly and annual financial statements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustment resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- reviews the assurance from the Chief Executive Officer and Chief Financial Officer on the financial records and financial statements;
- reviews the external auditor's audit plan and audit reports (including assessing and reporting to the Board the quality of the work carried out and the basis of such assessment, and evaluating the performance of the external auditors), and the external auditor's evaluation of the system of internal accounting controls, with the external auditors, as well as the assistance given by management to the external auditors;
- ensures co-ordination between the external and internal auditors and the management and reviews the assistance given by the management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);
- reviews and reports to the Board, at least annually, the adequacy and effectiveness of the Group's internal control systems (including financial, operational, compliance and information technology controls) and risk management systems;
- monitors and reviews the implementation of the internal and external auditor's recommendations for internal control weaknesses (if any);
- reviews any interested person transactions as defined in the Listing Manual;
- approves the appointment, termination and remuneration of the head of the internal audit function or the accounting/auditing firm or corporation to which the internal audit function is outsourced;
- makes recommendations to the Board on the proposals to Shareholders on the appointment, reappointment and removal of the external auditors, and approves the remuneration and terms of engagement of the external auditors;
- reviews regulatory compliance matters, at least on a quarterly basis, with a view to ensure that adequate rectification measures are taken for past breaches as well as new initiatives implemented to mitigate and reduce the risks of future breaches; and

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 5 AUDIT COMMITTEE (CONT'D)

- reviews and establishes procedures for receipt, retention and treatment of complaints received in relation to the Group, including criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that may impact negatively on the Group and ensures that arrangements are in place for the independent investigations of such matter and for appropriate follow-up.

The AC having reviewed the external auditor's non-audit services, was of opinion that there were no non-audit services rendered that would affect the independence and objectivity of the external auditors.

The AC has held four meetings in the financial year ended 31 December 2022 with full attendance from all members. In performing its functions, the AC has also met with the Company's external auditors, without the presence of the Company's management, at least once a year.

The Company confirms that Rules 712 and 715 of the Singapore Exchange Securities Trading Limited's Listing Manual have been complied with.

Further information regarding the responsibilities of the AC are disclosed in the Corporate Governance Report.

## 6 INDEPENDENT AUDITORS

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

Dr Shi Xu  
Executive Chairman

Mr Gary Ho Hock Yong  
Executive Director  
and Group Chief Executive Officer

Singapore  
31 March 2023

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Nanofilm Technologies International Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which comprise the statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 of Singapore (the “**Act**”) and Singapore Financial Reporting Standards (International) (“**SFRS(I)s**”) so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<b>Accounting for the put option liability</b>	<b>Our response</b>
<p>We refer to Note 2(n), Note 3(i) and Note 25 to the financial statements.</p> <p>As disclosed in Note 3(i), during the previous financial year, the Company granted to Venezia Investments Private Limited (Venezio) a put option, pursuant to which Venezia shall have the right to require the Company to redeem the equity interests (the “<b>Venezio Put Option Shares</b>”) held by Venezia in a subsidiary of the company, Sydrogen Energy Pte. Ltd., at an amount which is variable depending on the fair market value of the Venezia Put Option Shares.</p> <p>The carrying amount of the put option liability, amounting to S\$53,100,000 as at 31 December 2022, depends on the valuation of the Venezia Put Option Shares, which in turn involves significant judgment and estimation uncertainty. Judgment is required in determining the valuation methodologies applicable as well as in estimating the appropriate assumptions to be applied.</p>	<p>We have performed the procedures which included:</p> <ul style="list-style-type: none"><li>discussed with management the basis to determine the put option liability;</li><li>independently considered the reasonableness of the key methodologies and assumptions (including discount rates) applied in the valuation of the Venezia Put Option Shares;</li><li>re-performed the computations involved in the estimation of the put option liability.</li></ul> <p>Based on our audit procedures, we found the methodologies and assumptions used by management in estimating the put option liability to be appropriate and reasonable.</p>
<b>Other Information</b>	
<p>Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.</p> <p>Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.</p>	

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chan Rouh Ting.

**Moore Stephens LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
31 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 S\$'000	2021 S\$'000
<b>Revenue</b>	4	237,406	246,694
Cost of sales		(126,015)	(124,539)
Gross profit		111,391	122,155
Other operating income	5	6,695	7,218
Finance income	6	1,576	983
Expenses:			
Research & development and engineering		(21,908)	(21,902)
Selling and distribution		(7,792)	(6,563)
Administrative		(42,545)	(32,651)
Finance	7	(1,222)	(704)
(Impairment loss)/Write back of allowance on trade receivables and contract assets		(51)	1,322
Share of loss of associate		(28)	-
<b>Profit before income tax</b>	8	46,116	69,858
Income tax expenses	9	(2,831)	(7,328)
<b>Profit after income tax</b>		43,285	62,530
<b>Other comprehensive income, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising from translation of foreign operations		(32,377)	13,665
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Fair value gain from equity investment at fair value through other comprehensive income		365	-
<b>Total comprehensive income for the year</b>		11,273	76,195
<b>Profit attributable to:</b>			
Equity holders of the Company		43,809	62,202
Non-controlling interests		(524)	328
		43,285	62,530
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		12,711	75,410
Non-controlling interests		(1,438)	785
		11,273	76,195
<b>Earnings per share attributable to equity holders of the Company (cents)</b>			
Basic earnings per share	10	6.65	9.42
Diluted earnings per share	10	6.64	9.37

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTE	GROUP		COMPANY	
		2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	289,151	290,179	54,133	50,724
Land use rights	12	12,030	13,391	-	-
Intangible assets	13	19,607	9,860	6,273	5,218
Investment in subsidiaries	14	-	-	112,025	104,800
Investment in associate	15	4,033	-	-	-
Other receivables and other non-current assets	17	-	-	80,769	71,824
Other financial assets	16	1,637	1,367	-	-
Deferred tax assets	24	3,223	1,429	-	-
		329,681	316,226	253,200	232,566
<b>Current assets</b>					
Inventories	18	18,429	17,365	5,808	5,810
Trade and other receivables, and other current assets	17	100,570	106,848	18,549	27,889
Contract assets/Accrued receivables	4	12,655	21,506	-	-
Cash and bank balances	19	147,830	176,610	56,269	94,359
Other financial assets	16	8,700	6,363	-	-
		288,184	328,692	80,626	128,058
<b>Total assets</b>		<b>617,865</b>	<b>644,918</b>	<b>333,826</b>	<b>360,624</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	20	266,927	266,927	266,927	266,927
Treasury shares	20	(17,521)	(15,241)	(17,521)	(15,241)
Reserves	21	169,379	177,917	41,128	60,193
		418,785	429,603	290,534	311,879
Non-controlling interests	14(c)	45,686	45,374	-	-
<b>Total equity</b>		<b>464,471</b>	<b>474,977</b>	<b>290,534</b>	<b>311,879</b>
<b>Non-current liabilities</b>					
Bank loans	22	24,412	26,211	24,412	26,128
Lease liabilities	23	16,841	15,279	8,041	9,034
Other creditors	25	53,100	53,100	-	-
Deferred tax liabilities	24	1,350	1,278	1,278	1,278
		95,703	95,868	33,731	36,440
<b>Current liabilities</b>					
Trade and other payables	25	47,770	60,501	5,400	5,222
Contract liabilities/Advanced receipts	4	1,388	2,607	230	334
Bank loans	22	1,944	2,070	1,872	1,872
Lease liabilities	23	3,371	2,552	1,580	1,542
Provisions	26	644	556	377	542
Provision for taxation		2,574	5,787	102	2,793
		57,691	74,073	9,561	12,305
<b>Total liabilities</b>		<b>153,394</b>	<b>169,941</b>	<b>43,292</b>	<b>48,745</b>
<b>Total equity and liabilities</b>		<b>617,865</b>	<b>644,918</b>	<b>333,826</b>	<b>360,624</b>

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

GROUP	NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY							NON-CONTROLLING INTERESTS S\$'000	TOTAL EQUITY S\$'000
		SHARE CAPITAL S\$'000	TREASURY SHARES S\$'000	TRANSLATION RESERVE S\$'000	STATUTORY RESERVE S\$'000	OTHER RESERVES S\$'000	ACCUMULATED PROFITS S\$'000	TOTAL S\$'000		
<b>At 1 January 2022</b>		266,927	(15,241)	12,082	6,507	(57,033)	216,361	429,603	45,374	474,977
Profit for the year		-	-	-	-	-	43,809	43,809	(524)	43,285
Other comprehensive income		-	-	(31,463)	-	365	-	(31,098)	(914)	(32,012)
Total comprehensive income for the year		-	-	(31,463)	-	365	43,809	12,711	(1,438)	11,273
Transfer of statutory reserve		-	-	-	495	-	(495)	-	-	-
Transactions with equity holders, recognised directly in equity		-	-	-	-	-	-	-	-	-
- Dividends	27	-	-	-	-	-	(13,834)	(13,834)	-	(13,834)
- Purchase of treasury shares	20	-	(12,683)	-	-	-	-	(12,683)	-	(12,683)
- Treasury shares re-issued under ESOS Scheme 2017	20	-	10,403	-	-	(8,679)	-	1,724	-	1,724
- Adjustment on employee share options		-	-	-	-	306	-	306	-	306
- Adjustment on restricted share plan		-	-	-	-	958	-	958	-	958
- Contribution of capital by non-controlling interest	14(b)(v)	-	-	-	-	-	-	-	1,750	1,750
Total transactions with equity holders		-	(2,280)	-	-	(7,415)	(13,834)	(23,529)	1,750	(21,779)
<b>At 31 December 2022</b>		266,927	(17,521)	(19,381)	7,002	(64,083)	245,841	418,785	45,686	464,471

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

GROUP	NOTE	SHARE CAPITAL S\$'000	TREASURY SHARES S\$'000	TRANSLATION RESERVE S\$'000	STATUTORY RESERVE S\$'000	OTHER RESERVES S\$'000	ACCUMULATED PROFITS S\$'000	TOTAL S\$'000	NON-CONTROLLING INTERESTS S\$'000	TOTAL EQUITY S\$'000
<b>At 1 January 2021</b>		263,756	-	(1,126)	5,856	1,092	161,263	430,841	9,589	440,430
Profit for the year		-	-	-	-	-	62,202	62,202	328	62,530
Other comprehensive income		-	-	13,208	-	-	-	13,208	457	13,665
Total comprehensive income for the year		-	-	13,208	-	-	62,202	75,410	785	76,195
Transfer of statutory reserve		-	-	-	651	-	(651)	-	-	-
Transactions with equity holders, recognised directly in equity		-	-	-	-	-	-	-	-	-
- Dividends	27	-	-	-	-	-	(6,585)	(6,585)	-	(6,585)
- Issuance of shares under ESOS Scheme 2017	20	3,171	-	-	-	(182)	-	2,989	-	2,989
- Purchase of treasury shares	20	-	(21,179)	-	-	-	-	(21,179)	-	(21,179)
- Treasury shares re-issued under ESOS Scheme 2017	20	-	5,938	-	-	(5,080)	-	858	-	858
- Adjustment on employee share options		-	-	-	-	237	132	369	-	369
- Put option relating to interest in non-controlling interest	25	-	-	-	-	(53,100)	-	(53,100)	-	(53,100)
- Contribution of capital by non-controlling interest	14(b)(xii)	-	-	-	-	-	-	-	35,000	35,000
Total transactions with equity holders		3,171	(15,241)	-	-	(58,125)	(6,453)	(76,648)	35,000	(41,648)
<b>At 31 December 2021</b>		266,927	(15,241)	12,082	6,507	(57,033)	216,361	429,603	45,374	474,977

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

COMPANY	NOTE	SHARE CAPITAL S\$'000	TREASURY SHARES S\$'000	OTHER RESERVES S\$'000	ACCUMULATED PROFITS S\$'000	TOTAL EQUITY S\$'000
<b>At 1 January 2022</b>		266,927	(15,241)	(4,395)	64,588	311,879
Profit for the year		-	-	-	2,184	2,184
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	2,184	2,184
Transactions with equity holders, recognised directly in equity						
- Dividends	27	-	-	-	(13,834)	(13,834)
- Purchase of treasury shares	20	-	(12,683)	-	-	(12,683)
- Treasury shares re-issued under ESOS Scheme 2017	20	-	10,403	(8,679)	-	1,724
- Adjustment on employee share options		-	-	306	-	306
- Adjustment on restricted share plan		-	-	958	-	958
Total transactions with equity holders		-	(2,280)	(7,415)	(13,834)	(23,529)
<b>At 31 December 2022</b>		266,927	(17,521)	(11,810)	52,938	290,534
<b>At 1 January 2021</b>		263,756	-	630	42,385	306,771
Profit for the year		-	-	-	28,656	28,656
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	28,656	28,656
Transactions with equity holders, recognised directly in equity						
- Dividends	27	-	-	-	(6,585)	(6,585)
- Issuance of shares under ESOS Scheme 2017	20	3,171	-	(182)	-	2,989
- Purchase of treasury shares	20	-	(21,179)	-	-	(21,179)
- Treasury shares re-issued under ESOS Scheme 2017	20	-	5,938	(5,080)	-	858
- Adjustment on employee share options		-	-	237	132	369
Total transactions with equity holders		3,171	(15,241)	(5,025)	(6,453)	(23,548)
<b>At 31 December 2021</b>		266,927	(15,241)	(4,395)	64,588	311,879

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 S\$'000	2021 S\$'000
<b>Cash Flows from Operating Activities</b>			
Profit before income tax		46,116	69,858
Adjustments for:			
Depreciation of property, plant and equipment	8	28,880	24,351
Amortisation of land use rights	8	285	290
Amortisation of intangible assets	8	1,719	1,192
Finance expenses	7	1,222	704
Finance income	6	(1,576)	(983)
Provision for warranties and restoration of property, plant and equipment	8	827	558
Reversal of provision for warranties	8	(597)	(303)
(Gain)/write off/loss on disposal of property, plant and equipment	8	(2)	60
Expenses recognised in respect of share-based payments and share options granted	8	416	369
Expenses recognised in respect of award share expenses under RSP 2021	8	958	-
Exchange differences – unrealised		770	570
Write off of intangible assets	8	-	18
Share of loss of associate		28	-
<b>Operating cash flow before working capital changes</b>		<b>79,046</b>	<b>96,684</b>
Inventories		4,327	6,312
Trade, other receivables and other current assets (include contract assets)		5,473	(9,083)
Trade, other payables and provisions (include contract liabilities)		(9,804)	(13,229)
<b>Cash generated from operations</b>		<b>79,042</b>	<b>80,684</b>
Interest paid		(536)	(356)
Interest received		1,576	983
Income tax paid		(7,664)	(8,111)
<b>Net cash generated from operating activities</b>		<b>72,418</b>	<b>73,200</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of a subsidiary	14(b)(xiii)	-	(4,500)
Purchase of property, plant and equipment		(50,774)	(104,872)
Proceeds from disposal of property, plant and equipment		178	121
Addition to investment in associate		(4,061)	-
Additions to intangible assets		(11,358)	(2,830)
Additions to other financial assets		(9,239)	(7,730)
Redemption from investment in financial assets		6,363	-
<b>Net cash used in investing activities</b>		<b>(68,891)</b>	<b>(119,811)</b>
<b>Cash Flows from Financing Activities</b>			
Contribution of capital by non-controlling interests	14(b)(v)(xii)	1,750	35,000
Proceeds from issuance of shares under ESOS Scheme 2017		-	1,772
Proceeds from re-issuance of treasury shares under ESOS Scheme 2017		1,616	858
Payment for buy-back of shares	20	(12,683)	(21,179)
Proceeds from bank loans	28	-	49,000
Repayment of bank loans	28	(1,894)	(61,530)
Payment of lease liabilities	28	(3,309)	(2,640)
Increase in fixed deposits pledged with banks		446	405
Dividends paid	27	(13,834)	(6,585)
<b>Net cash used in financing activities</b>		<b>(27,908)</b>	<b>(4,899)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(24,381)</b>	<b>(51,510)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>176,164</b>	<b>226,504</b>
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		(3,953)	1,170
<b>Cash and cash equivalents at the end of the year</b>	19	<b>147,830</b>	<b>176,164</b>

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1 GENERAL INFORMATION

Nanofilm Technologies International Limited (the “**Company**”) is a public company limited by shares, incorporated and domiciled in Singapore. The Company’s registered address and its principal place of business are at 11 Tai Seng Drive, Singapore 535226.

The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited (SGX-ST).

The principal activities of the Company are that of the design, research, development, integration, manufacturing and marketing of advanced material science and nano technology in industrial machinery, coating services / surface solutions and precision components. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

The ultimate controlling shareholder of the Company is Dr Shi Xu.

The Board of Directors has authorised the issue of the financial statements on the date of the Directors’ Statement.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act 1967 (the “**Act**”) and Singapore Financial Reporting Standards International (“**SFRS(I)**”). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the reporting date, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

On 1 January 2022, the Group has adopted all the new and revised SFRS(I) and Interpretations of SFRS(I) (“**INT SFRS(I)**”) that are mandatory for application for the financial year. The adoption of the new and revised SFRS(I) did not result in substantial changes to the Group’s accounting policies and had no material effect on the financial statements of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) New and Revised SFRS(I)s Issued but Not Yet Effective

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the Group have not been applied in preparing these financial statements. Management is of the view that the adoption of these new standards would not have material effect on the financial performance or financial position of the Group.

DESCRIPTION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
Amendments to SFRS(I) 1-1, <i>Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgement</i>	1 January 2023
Amendments to SFRS(I) 1-8, <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i>	1 January 2023
Amendments to SFRS(I) 1-12, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to SFRS(I) 1-1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to SFRS(I) 16 <i>Lease Liability in a Sale and Lease Back</i>	1 January 2024
Amendments to SFRS(I) 1-1 <i>Non-Current Liabilities with Covenants</i>	1 January 2024

#### Amendments to SFRS(I) 1-1

*Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements*

The amendments require entities to disclose their material accounting policies information rather than their significant accounting policies. It clarifies that accounting policy information may be material because of its nature, even if the related amounts are immaterial. Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

#### Amendments to SFRS(I) 1-8

*Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

The amendments replace the definition of a change in accounting estimates with a new definition of accounting estimates. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

#### Amendments to SFRS(I) 1-12

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) New and Revised SFRS(I)s Issued but Not Yet Effective (cont'd)

#### Amendments to SFRS(I) 1-1

##### *Classification of Liabilities as Current or Non-current*

The amendments require that the classification of liabilities as current or non-current must be based on rights that are in existence at the end of the reporting period. The classification is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments clarify that a counterparty conversion option that is recognised separately as an equity component of a compound financial instrument does not affect the classification of the associated liability component as current or non-current. All other obligations to transfer equity instruments, cash, assets and liabilities, affect the classifications. The amendments should be applied retrospectively.

#### Amendments to SFRS(I) 16

##### *Lease Liability in a Sale and Lease Back*

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise the gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

#### Amendments to SFRS(I) 1-1

##### *Non-Current Liabilities with Covenants*

The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. Additional disclosures are required by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months after the reporting period.

### (c) Group Accounting

#### Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in subsidiaries are stated at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

In preparing the financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Group Accounting (cont'd)

#### Consolidation (cont'd)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position.

Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

#### Acquisition of Businesses

The Group applies the acquisition method to account for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in SFRS(I) 3.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interests are measured at fair value unless another measurement basis is required by SFRS(I).

The excess of the sum of the fair value of the consideration transferred in the business combinations, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill on the statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Group Accounting (cont'd)

#### Disposals of Subsidiaries or Businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard. Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

#### Transaction with Non-controlling Interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

### (d) Investment in associate

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Goodwill on acquisition of associates represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates is included in the carrying amount of the investments. Gains or losses of disposal of associates include the carrying amounts of the goodwill relating to the entity sold.

Investments in associates are accounted for using the equity method of accounting less impairment losses, if any. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

When the Group reduces its ownership interest in an associate, but the Group continues to apply equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

The Group's share of post-acquisition of loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Investment in associate (cont'd)

Profit and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interest in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (e) Foreign Currencies

#### Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Singapore dollar (S\$), which is the functional currency of the Company. The financial statements of the Group are presented and rounded to the nearest thousand (S\$'000) except when otherwise indicated.

#### Transactions and Balances

Transactions in a currency other than the functional currency (foreign currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at reporting date are recognised in profit or loss. In the financial statements, currency translation differences arising from borrowings in foreign currencies, and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are included in other comprehensive income and accumulated in the translation reserve within equity in the financial statements.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

#### Translation of Group Entities' Financial Statements

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rates at the reporting date;
- Income and expenses are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- All resulting currency exchange differences are recognised in other comprehensive income, and are presented in the translation reserve within equity. These currency translation differences are reclassified to profit or loss on disposal or partial disposal (i.e. loss of control) of the entity giving rise to such reserve.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Foreign Currencies (cont'd)

#### Translation of Group Entities' Financial Statements (cont'd)

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

On the disposal of a foreign operation, all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

### (f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense in profit or loss during the financial year in which it is incurred.

The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Plant and machinery	2 to 10 years
Buildings and renovation	1.5 to 30 years
Leasehold land	32 years
Office and other equipment	3 to 6 years
Tools and supplies	2 to 3 years
Motor vehicles	4 to 10 years

Property, plant and equipment held under leases arrangement are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Property, Plant and Equipment (cont'd)

Construction-in-progress represents property, plant and equipment under construction and is stated at cost. It includes costs of construction of property, plant and equipment and other direct costs. No depreciation is provided on construction in-progress until such time as it is completed and operationally ready for use.

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

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when changes arise.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the property, plant and equipment is included in profit or loss in the year the property, plant and equipment is derecognised.

### (g) Intangible Assets

#### Research and Development Costs

Research and development costs are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Development costs are stated at cost less accumulated amortisation and accumulated impairment losses. Development costs are amortised from the date of commercial production of the product or from the date the process is put into use. Such costs have a finite useful life and are amortised over 5 years on a straight-line basis.

#### Patents

Patents are stated at cost less accumulated amortisation and accumulated impairment losses. Costs associated with the application and registration of patents are capitalised as intangible assets. Amortisation of patents is charged to profit or loss on a straight-line basis over the estimated useful lives of 5 years, when the patents are awarded.

#### Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of associated company represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated company is included in the carrying amount of the investment.

Gains and losses on the disposal of subsidiaries and associated company include the carrying amount of goodwill relating to the entity sold.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (g) Intangible Assets (cont'd)

#### Computer software

Computer software is initially capitalised at cost which includes the purchase prices (net of any discounts or rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specification and which can be reliably measured, are added to the original cost of the software. Cost associated with maintaining the computer software are expensed off when incurred.

Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit and loss using the straight-line method over their estimated useful lives of 3 and 5 years.

#### Customer contract

Customer contract is measured at cost or fair value on acquisitions less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit and loss using the straight-line method over their estimated useful lives of 5 years. This is 5 years from financial year 2021 to financial year 2025 based on purchase price allocation report. Impact was not material to be adjusted.

### (h) Land Use Rights

Land use rights are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the lease term period of 38 years and 50 years.

### (i) Impairment of Non-Financial Assets

#### i. *Intangible assets (other than goodwill)* *Property, plant and equipment*

Non-financial assets (other than goodwill) are tested for impairment whenever there is any indication that these assets may be impaired. At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) Impairment of Non-Financial Assets (cont'd)

#### i. *Intangible assets (other than goodwill)* *Property, plant and equipment (cont'd)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

#### ii. *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of cash-generating unit, including the goodwill, exceeds the recoverable amount of the cash-generating unit. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and value-in-use.

The total impairment loss of a cash-generating unit is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit pro-rata on the basis of the carrying amount of each asset in the cash-generating unit.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials and consumables - weighted average basis; and
- Finished goods and work-in-progress - costs of direct materials and labour, subcontractors' costs and a proportion of manufacturing overheads based on normal operating capacity on a cost basis.

Allowance is made for any anticipated losses which are likely to be incurred on completion of the jobs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and applicable variable selling expenses. Allowances are made for any slow-moving or obsolete inventories.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) Financial Assets

#### Classification and Measurement

The Group classifies its financial assets as amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

#### Subsequent Measurement

Debt instruments mainly comprise cash and cash equivalents, trade and other receivables. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

FVOCI are subsequently measured at fair value. Impairment losses and reversals, interest income based on the effective interest method, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit and loss. Any remaining fair value movements are recorded in other comprehensive income.

FVPL are subsequently measured at fair value. All fair value movements are recorded in profit and loss.

#### Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets measured at amortised costs, contract assets and financial guarantee contracts.

Loss allowances of the Group are measured on either of the following bases:

- 12-month expected credit losses – represents the expected credit losses that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime expected credit losses – represents the expected credit losses that result from all possible default events over the expected life of a financial instrument or contract asset.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) Financial Assets (cont'd)

#### Impairment (cont'd)

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

#### *Simplified approach - Trade receivables (including contract assets)*

The Group applies the simplified approach to provide expected credit losses for all trade receivables and contract assets. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors that are specific to the debtors and the economic environment.

#### *General approach - Other financial instruments and financial guarantee contracts*

The Group applies the general approach to provide for expected credit losses on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month expected credit losses at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, a loss allowance is measured at an amount equal to lifetime expected credit losses. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort including both historical credit experience and forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month expected credit losses.

The Group considers a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) Financial Assets (cont'd)

#### Impairment (cont'd)

##### *Measurement of expected credit losses*

Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

##### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss.

#### Recognition and De-recognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a debt instrument measured at amortised cost, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

### (l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subjected to an insignificant risk of changes in value. For the purposes of the consolidated statement of cash flows, cash and cash equivalents are shown net of pledged bank deposits.

### (m) Financial Liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability recognised and the consideration paid and payable is recognised in profit or loss.

### (n) Put Option Liability

Put option liability represents the Group's obligation to acquire the equity interests in a subsidiary that is held by non-controlling interests, under a put option agreement, in the event that the non-controlling interests exercises the option. It is measured at the present value of the redemption amount. The initial redemption liability is a reduction of the parent's equity as the risks and rewards of ownership remain with the non-controlling interest. The subsequent changes are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Trade and Other Payables

Trade and other payables are initially measured at fair value, and subsequently carried at amortised cost, using the effective interest method.

### (p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the reporting date, in which case they are presented as non-current liabilities.

### (q) Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each reporting date. All derivatives are classified as assets when the fair value is positive (Positive replacement values for financial derivatives) and as liabilities when the fair value is negative (Negative replacement values for financial derivatives).

The changes in the fair value of derivatives other than those designated as fair value hedges, cash flow hedges or net investments in foreign operations hedges are recognised in profit or loss.

### (r) Borrowing Costs

Borrowing costs incurred to finance the development of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The amount of borrowing cost capitalised on that asset is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings. Other borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

### (s) Provisions

Provisions are recognised when the Group have a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (s) Provisions (cont'd)

#### Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligation.

#### Provision for Asset Dismantlement, Removal or Restoration

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration the time value.

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

### (t) Leases

#### When the Group is the Lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognised right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are presented within "Property, Plant and Equipment" and "Land Use Rights" in the statements of financial position.

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (t) Leases (cont'd)

#### When the Group is the Lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payment), less any lease incentive receivables;
- variable lease payment that are based on an index or rate, initially measured using the index or rate at the commencement date;
- amount expected to be payable under residual value guarantees;
- the exercise price of a purchase option if its reasonably certain to exercise the option; and
- payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liabilities are measured at amortised cost, and are re-measured when:

- there is a change in future lease payments arising from changes in an index or rate;
- there is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a modification to the lease term.

Where lease liabilities are re-measured, corresponding adjustments are made against the right-of-use assets. If the carrying amount of the right-of-use assets has been reduced to zero, the adjustments are recorded in profit or loss.

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low value leases, except for sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

#### When the Group is the Lessor

Leases where the Group retains a significant portion of the risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) are recognised in profit or loss on a straight-line basis over the lease term. Contingent rents are recognised as income in profit or loss when earned.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (u) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

#### Treasury Shares

The Company's own ordinary shares, which are re-acquired by the Company and held as treasury shares, are recognised at cost and deducted from equity. No gain or loss is recognised in the profit or loss on the purchase, sale, re-issuance or cancellation of equity shares. Any differences between the carrying amount of treasury shares and the consideration received, is recognised directly in equity as gain or loss on re-issuance of treasury shares.

### (v) Reserves

#### Translation Reserve

The translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of entities of the Group whose functional currencies are different from that of the Group's presentation currency.

#### Statutory Reserve

The Groups' subsidiaries are required by the People's Republic of China ("PRC") statutory laws to transfer 10% of the profit after taxation as reported in the PRC statutory financial statements to a reserve fund. This reserve fund can be used to make up losses incurred or to increase capital, subject to approval from the relevant government authority.

### (w) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities.

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

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (w) Revenue Recognition (cont'd)

#### Sale of Goods

The Group manufactures and sell its specialised industrial equipment and products for customers through fixed-price contracts. Revenue is recognised when the control has been transferred to the customer. At contract inception, the Group assess whether the Group transfers control of the equipment over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

For these contracts where the specialised equipment has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised equipment. The measure of progress is determined based on the surveys of work performed.

For contracts where the Group does not have an enforceable right to payment, revenue is recognised only when the completed specialised equipment or products are delivered to the customers and the customers have accepted in accordance with the sales contracts.

For sale of spare parts, revenue is recognised when these are delivered to the customers and the customers have accepted it in accordance with the sales contracts.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the performing entity from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Sales-related warranties associated with the sale of goods cannot be purchased separately and they serve as an assurance that the equipment sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets (see Note 2(s)).

#### Rendering of Services

The Group provides coating services to customers. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract. Management has assessed that the stage of completion determined by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed is an appropriate measure of progress towards complete satisfaction of these performance obligation under SFRS(I) 15.

#### Dividend Income

Dividend income is recognised at a point in time when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (x) Government Grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### (y) Employee Compensation

#### Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions to separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group participates in the national schemes as defined by laws of the countries in which it operates. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as expense in profit or loss as and when they are incurred.

#### Share-based Compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each financial reporting date, the Group revises its estimates of the number of shares under options that are expected to be exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued.

### (z) Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (z) Income Taxes (cont'd)

#### Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognised previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

#### Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

### (aa) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

### (ab) Financial Guarantees

Financial guarantees contracts are initially measured at fair value and subsequently measured at the higher of: (i) amount initially recognised less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and (ii) the amount of expected loss allowance computed using the impairment methodology under SFRS(I) 9.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (ac) Contingencies

A contingent liability is:

- (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (ii) a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

### (ad) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (i) Critical accounting estimates and assumptions

#### Loss Allowance for Receivables (including contract assets)

The Group measures the loss allowance for receivables in accordance with the accounting policy as disclosed in Note 2(k). In making this estimation and judgement, the Group evaluates, among other factors, the ageing analysis of receivables, the collection history of individual debtors, historical credit experience and forward-looking information etc. At every reporting date, the historical default rates are updated and the impact of forward-looking information is re-analysed. The carrying amount of the Group's contract assets and trade and other receivables at the reporting date are disclosed in Note 4, Note 17 and Note 31(a) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

### (i) Critical accounting estimates and assumptions (cont'd)

#### Estimated Useful Life of Property, Plant and Equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be between 1.5 to 32 years. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if expectations differ from the original estimates due to changes in the expected level of usage and/or technological developments, such differences will impact the depreciation charges in the period in which such estimates are changed. There are no significant changes to useful life of these assets during the financial year.

The carrying amount of the Group's property, plant and equipment at the reporting date are disclosed in Note 11 to the financial statements.

A 10% difference in the expected useful life of these assets from management's estimates would result in increasing/decreasing the carrying amount of the Group's depreciable property, plant and equipment by approximately S\$3,113,000 (2021: S\$2,541,000).

#### Estimated Useful Life of Development Costs

Development costs are capitalised in accordance with the accounting policy in Note 2(g). Initial capitalisation of costs is based on management's assumptions that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. Development costs are amortised on a straight-line basis over the finite useful life of the project which management estimates to be within 5 years. Any changes in such estimates will impact the amortisation charge in the reporting period. The carrying amount of the Group's development costs capitalised at the reporting date are disclosed in Note 13 to the financial statements.

A 10% difference in the expected useful life of the development costs from management's estimates would result in increasing/decreasing the Group's development costs by approximately S\$128,000 (2021: S\$116,000).

#### Share-based Compensation

The Group measures the cost of equity-settled transactions with employees with reference to the fair value of the equity instruments at the date of which they are granted. Estimating fair value for share-based payment transactions required determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them (Note 21 to the financial statements).

#### Goodwill

The Group recognised goodwill and tested for impairment annually in accordance with the accounting policy as disclosed in Notes 2(c) and 2(i)(ii) to the financial statements. The recoverable amount of the cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions and changes to these estimates and assumptions would result in changes to the carrying amount of goodwill at reporting period. If the discount rate increases by 1%, no impairment loss will be recognised.

As at reporting date, no impairment loss has been recognised. The carrying amount of goodwill arising from acquisition of subsidiary is set out in Note 13 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

- (i) Critical accounting estimates and assumptions (cont'd)

### Put Option Liability

During the previous financial year, the Company entered into an agreement with Venezia Investments Private Limited (Venezio) to invest in a hydrogen energy and hydrogen fuel business, through Sydrogen Energy Pte. Ltd. Upon completion, Sydrogen Energy Pte. Ltd. became a 65% owned subsidiary of the Group. The remaining 35% equity interest is held by Venezia.

Arising from the agreement, the Company granted Venezia a put option, pursuant to which Venezia shall have the right, upon the occurrence of certain put option events (within 8 to 10 years from 1 October 2021), to require the Company to redeem the equity interests held by Venezia in Sydrogen Energy Pte. Ltd. (the "**Venezio Put Option Shares**"), at an amount (the "**Redemption Amount**") which is the higher of:

- a) 50% of the total amount contributed by Venezia for the subscription of Venezia Put Option Shares divided by the number of Venezia Put Option Shares, both as at the date that Venezia exercises the put option; and
- b) the fair market value of the Venezia Put Option Shares.

The put option liability is measured at the present value of the Redemption Amount. The determination of the Redemption Amount, which also requires an assessment of the fair value of the Venezia Put Option Shares, is subject to estimates and assumptions. These estimates and assumptions, which are not observable, will affect the carrying amount of the put option liability.

The carrying amount of the put option liability amounted to S\$53,100,000 (2021: S\$53,100,000) as at 31 December 2022.

### Valuation of Other Financial Assets

The Group's other financial assets are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by a Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of other financial assets, the Group uses market-observable data to the extent it is available. Where inputs are not available, the valuation team makes use of appropriate valuation techniques to determine the fair value and the recoverable amount of the assets. The valuation techniques used for different financial assets are selected to reflect how the market would be expected to price the instruments, using inputs that reasonably reflect the risk-return factors inherent in the instruments. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 16 and 31(f).

### Impairment for Investment in Associate

The Group determines the recoverable amount of the investment in associate based on the higher of the fair value less cost of disposal and value-in-use calculations. The calculation requires the use of estimates and assumptions and changes to these estimate and assumptions would result in changes in the carrying amount of the investment in associate at reporting date. If the discount rate increases by 1%, no impairment loss will be recognised.

As at reporting date, no impairment loss has been recognised. The carrying amount of investment in associate is set out in Note 15 to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

- (ii) Critical judgements made in applying accounting policies

### Income Taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's income tax expenses and deferred taxation at the reporting dates are set out in Note 9 and Note 24 to the financial statements.

## 4. REVENUE

- (a) Revenue by business segment

	GROUP	
	2022	2021
	S\$'000	S\$'000
Advanced materials	187,219	194,269
Industrial equipment	30,887	44,622
Nanofabrication	19,097	7,803
Sydragen	203	-
Total	237,406	246,694

- (b) Disaggregation of revenue from contracts with customers

	GROUP	
	2022	2021
	S\$'000	S\$'000
<u>Performance obligations satisfied at a point in time</u>		
Sale of equipment	17,784	38,889
Sale of products and spare parts	28,090	11,712
	45,874	50,601
<u>Performance obligations satisfied over time</u>		
Service rendered	188,116	196,093
Sale of equipment	3,416	-
	191,532	196,093
Total	237,406	246,694

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 4. REVENUE (CONT'D)

(c) Contract balances

	GROUP		COMPANY	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
<i>Current</i>				
Contract assets	12,655	21,506	-	-
Contract liabilities	1,388	2,607	230	334

Contract assets represent the Group's rights to consideration for work completed but not billed at the reporting date. Invoices are billed to customers when the rights become unconditional. Contract liabilities relate to the Group's obligation to transfer goods to customers for which the Group have received consideration. Contract liabilities are recognised as revenue as the Group perform under the contract.

The significant changes in the contract assets and contract liabilities during the financial years are as follows:

	GROUP	
	2022	2021
	S\$'000	S\$'000
<u>Contract assets</u>		
Contract assets billed	(21,506)	(19,352)
Changes in measurement of progress	12,655	22,099
Write back on contract assets	-	1,053

	GROUP		COMPANY	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Contract liabilities</u>				
Revenue recognised at the beginning of the year	2,607	11,930	334	10,230
Increase due to cash received, excluding amounts recognised as revenue during the year	(1,388)	(2,607)	(230)	(334)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 5 OTHER OPERATING INCOME

	GROUP	
	2022	2021
	S\$'000	S\$'000
Government grants and incentives	5,165	5,851
Covid-19 related government grants	513	679
Scrap sales	183	127
Gain on disposal of property, plant and equipment	54	18
Sundry income	780	543
	6,695	7,218

During the current financial year, the Group has received various government grant income related to various temporary wage support schemes as introduced by the Singapore and People's Republic of China governments aimed to help companies retain and pay their workers as businesses take a hit from the Covid-19 pandemic. The Group recorded government grant income of S\$513,000 (2021: S\$679,000) related to various temporary wage support schemes.

## 6 FINANCE INCOME

	GROUP	
	2022	2021
	S\$'000	S\$'000
Interest income:		
- bank deposits	1,576	983

## 7 FINANCE EXPENSES

	GROUP	
	2022	2021
	S\$'000	S\$'000
Interest expense:		
- bank loans	618	261
- lease liabilities	604	443
	1,222	704

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 8 PROFIT BEFORE INCOME TAX

This is stated after charging/(crediting) the following:

	NOTE	GROUP	
		2022	2021
		S\$'000	S\$'000
Cost of inventories sold (recognised as cost of sales)		103,830	105,116
Audit fees paid/payable to:			
- Auditors of the Company		181	164
- Other auditors – network firms		67	62
- Other auditors – non-network firms		17	14
Non-audit fees paid/payable to:			
(i) Audit related services			
- Auditors of the Company		14	5
(ii) Non-audit related services			
- Other auditors – non-network firms		102	69
Directors' fee		538	503
Depreciation of property, plant and equipment	11	28,880	24,351
Amortisation of land use rights	12	285	290
Amortisation of intangible assets	13	1,719	1,192
Lease expenses (short term leases)		41	440
Listing expenses - Recurring		70	102
Impairment loss/ (Write back of) allowance on trade receivables and contract assets	17	51	(1,322)
Write down of inventories	18	196	16
Staff costs (including directors' remuneration)			
- Salaries and related costs		82,239	78,072
- Contribution to defined contribution plans		5,318	4,910
- Share option expenses under ESOS Schemes		416	369
- Award shares expenses under RSP 2021		958	-
(Gain)/Write off/loss on disposal of property, plant and equipment		(2)	60
Write off of intangible assets		-	18
Exchange loss		681	123
Provision for warranties and restoration of property, plant and equipment	26	827	558
Reversal of provision for warranties	26	(597)	(303)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 8 PROFIT BEFORE INCOME TAX (CONT'D)

	GROUP	
	2022	2021
	S\$'000	S\$'000
Breakdown of staff costs included in:		
- Cost of sales	49,238	47,100
- Research & development and engineering	10,883	12,131
- Selling and distribution costs	5,353	4,460
- Administrative costs	23,457	19,660
	88,931	83,351
Breakdown of amortisation of land use rights and intangible assets included in:		
- Cost of sales	86	14
- Research & development and engineering	1,241	1,166
- Administrative costs	677	302
	2,004	1,482

## 9 INCOME TAX EXPENSES

	GROUP	
	2022	2021
	S\$'000	S\$'000
Income tax:		
- Current year	5,472	8,779
- Over provision in prior years	(804)	(795)
	4,668	7,984
Deferred tax (Note 24):		
- Current year	(1,272)	(656)
- Under provision of deferred tax assets in prior years	(565)	-
	(1,837)	(656)
	2,831	7,328

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 9 INCOME TAX EXPENSES (CONT'D)

A reconciliation of income tax calculated at the applicable tax rates of the Group entities in their respective tax jurisdictions with income tax expense is as follows:

	GROUP	
	2022 S\$'000	2021 S\$'000
Profit before income tax	46,116	69,858
Tax calculated at applicable tax rates	6,900	12,782
Non-deductible expenses	2,418	1,707
Income not subject to tax	(621)	(961)
Tax exemption	–	(17)
Tax incentives <sup>(1)</sup>	(5,853)	(5,994)
Utilisation of previously unrecognised tax losses	(384)	–
Deferred tax assets not recognised	1,175	606
Over provision in prior years	(804)	(795)
	2,831	7,328

(1) Tax incentives pertain mainly to tax deductions for research and development and treasury shares re-issued under ESOS Scheme 2017

### *Singapore*

The current corporate income tax rate applicable to the Company is 17% (2021: 17%). The Company enjoys a concessionary income tax rate of 10%, on incremental income above a prescribed base, under the International Growth Scheme for 5 years from 1 July 2016 to 30 June 2021, subject to the terms and conditions being met. The Company has been granted a Development and Expansion Incentive under International Headquarters Award for 10 years with a concessionary tax rate of 5%, on incremental income above a prescribed base, applies from 1 September 2021 to 31 August 2031, subject to the terms and conditions being met.

### *People's Republic of China*

The current applicable corporate tax rate is 15% (2021: 15%) for Nanofilm Vacuum Coating (Shanghai) Co., Ltd and 25% (2021: 25%) for other subsidiaries incorporated in China respectively. Nanofilm Vacuum Coating (Shanghai) Co., Ltd has been granted a certificate of high technology enterprise by the local tax authorities with a concessionary tax rate of 15% applies, from the financial years ending 31 December 2021 to 18 November 2024, subject to the terms and conditions being met.

### *Japan*

Companies incorporated in Japan are subject to tax on their worldwide income. The taxes include corporate tax, surtax on corporate tax, inhabitant tax and enterprise tax. The current corporate (a national) tax rate is 23.2% (2021: 23.2%). Tax losses can be carried forward for nine years. The utilisation of the tax losses is restricted to 50% of taxable income for the year.

### *Vietnam*

The companies in Vietnam are taxable at the rate of 20%. However, the subsidiary in Vietnam has an Investment Certificate which entitles it to be exempt from income tax for its initial 2 years commencing from the year it first generates taxable profit and thereafter a 50% reduction in income tax for the next 4 succeeding years.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 10 EARNINGS PER SHARE

### (a) Basic Earnings per Share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial years as follows:

	GROUP	
	2022	2021
Profit for the year attributable to equity holders of the Company (S\$'000)	43,809	62,202
Weighted average number of ordinary shares ('000)	658,304	660,159
Basic earnings per share (cents)	6.65	9.42

### (b) Diluted Earnings per Share

For the purposes of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: Share options and Restricted share plan.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

Diluted earnings per share amounts attributable to equity holders of the Company are calculated as follows:

	GROUP	
	2022	2021
Profit for the year attributable to equity holders of the Company (S\$'000)	43,809	62,202
Weighted average number of ordinary shares ('000)	658,304	660,159
Adjustments for ('000):		
- Share options	559	3,192
- Restricted share plan	1,340	719
	660,203	664,070
Diluted earnings per share (cents)	6.64	9.37





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	PLANT AND MACHINERY		BUILDING AND RENOVATION		LEASEHOLD LAND		OFFICE EQUIPMENT		TOOLS AND SUPPLIES		MOTOR VEHICLES		CONSTRUCTION IN-PROGRESS		TOTAL	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group																
<u>2021</u>																
<u>Cost</u>																
At 1 January	130,033	36,411	-	28,126	2,734	1,040	49,341	247,685								
Additions	33,918	7,174	7,907	3,442	92	296	86,677	139,506								
Disposal/Write off	(502)	(2,436)	-	(1,605)	-	(301)	-	(4,844)								
Acquisition of a subsidiary (Note 14(b)(xiii))	395	314	-	-	-	-	-	709								
Transfer	6,338	57,776	-	1,823	-	-	(65,937)	-								
Reclassification (Note e)	(3,743)	-	-	-	-	-	(3,039)	(6,782)								
Translation adjustment	5,826	2,383	-	1,418	57	43	2,090	11,817								
At 31 December	172,265	101,622	7,907	33,204	2,883	1,078	69,132	388,091								
<u>Accumulated depreciation</u>																
At 1 January	48,911	8,564	-	12,312	2,600	760	-	73,147								
Charge for the year	15,719	5,019	82	4,394	107	90	-	25,411								
Disposal/Write off	(451)	(1,194)	-	(1,390)	-	(271)	-	(3,306)								
Reclassification	(63)	-	-	(23)	-	-	-	(86)								
Translation adjustment	1,761	307	-	595	54	29	-	2,746								
At 31 December	65,877	12,696	82	15,888	2,761	608	-	97,912								
<u>Net book value</u>																
At 31 December	106,388	88,926	7,825	17,316	122	470	69,132	290,179								

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) The carrying amount of building, leasehold land and plant and machinery held under leasing arrangements to the Group amounted to S\$20,099,000 (2021: S\$17,706,000) for financial year ended 31 December 2022 (Note 23).
- (b) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. In addition to the right-of-use assets recognised under the property, plant and equipment, the Group has right-of-use of two plots of 50-year leasehold land in the People's Republic of China and a 38-year leasehold land in Vietnam, where the Group's leasehold building resides. These leasehold land are recognised within Land Use Rights (Note 12).
- (c) During the financial year ended 31 December 2022, the additions to property, plant and equipment included S\$6,080,000 (2021: S\$18,529,000) acquired under right-of-use assets under leasing arrangement (Note 23) and S\$8,058,000 (2021: S\$16,105,000) that were payable as at 31 December 2022 recorded as sundry creditors (Note 25).
- (d) During the financial year ended 31 December 2022, the disposal of property, plant and equipment included derecognition of right-of-use assets arising from early termination of leased properties amounting to S\$279,000 (2021: S\$1,234,000). The Group de-recognised the corresponding lease liabilities amounting to S\$327,000 (2021: S\$1,357,000) and a gain of S\$48,000 (2021: S\$123,000) is recorded in profit or loss (Note 23).
- (e) Included manufactured coating services machinery reclassified to inventories for sale.
- (f) As at 31 December 2022, the Group's construction-in-progress on Tai Seng Property, with a net carrying value of S\$31,499,000 (2021: S\$31,510,000), are held as security for the Group's bank loan as disclosed in Note 22(a). Subsequent to the financial year end, the Tai Seng Property is reclassified from construction-in-progress to building and renovation and corresponding depreciation is recorded in the profit or loss account.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company 2022	PLANT AND BUILDING AND MACHINERY		LEASEHOLD LAND		OFFICE AND OTHER EQUIPMENT		MOTOR VEHICLES		CONSTRUCTION IN-PROGRESS		TOTAL S\$'000
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<u>Cost</u>											
At 1 January	11,112	5,263	7,907	1,497	87	35,982				61,848	
Additions	3,497	867	-	250	-	5,978				10,592	
Disposal/Write off	(629)	(621)	-	-	-	-				(1,250)	
Reclassification (Note e)	-	-	-	-	-	(4,473)				(4,473)	
At 31 December	13,980	5,509	7,907	1,747	87	37,487				66,717	
<u>Accumulated depreciation</u>											
At 1 January	7,618	2,333	82	1,047	44	-				11,124	
Charge for the year	508	1,309	246	218	9	-				2,290	
Disposal/Write off	(524)	(306)	-	-	-	-				(830)	
Reclassification (Note e)	-	-	-	-	-	-				-	
At 31 December	7,602	3,336	328	1,265	53	-				12,584	
<u>Net book value</u>											
At 31 December	6,378	2,173	7,579	482	34	37,487				54,133	
<u>2021</u>											
<u>Cost</u>											
At 1 January	11,253	4,213	-	1,382	87	1,100				18,035	
Additions	758	3,316	7,907	271	-	35,983				48,235	
Disposal/Write off	(126)	(2,266)	-	(156)	-	-				(2,548)	
Reclassification (Note e)	(773)	-	-	-	-	(1,101)				(1,874)	
At 31 December	11,112	5,263	7,907	1,497	87	35,982				61,848	
<u>Accumulated depreciation</u>											
At 1 January	7,309	1,773	-	985	35	-				10,102	
Charge for the year	499	1,583	82	240	9	-				2,413	
Disposal/Write off	(125)	(1,023)	-	(155)	-	-				(1,303)	
Reclassification (Note e)	(65)	-	-	(23)	-	-				(88)	
At 31 December	7,618	2,333	82	1,047	44	-				11,124	
<u>Net book value</u>											
At 31 December	3,494	2,930	7,825	450	43	35,982				50,724	

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) The carrying amount of building and leasehold land held under leasing arrangements to the Company amounted to S\$9,565,000 (2021: S\$10,481,000) for financial year ended 31 December 2022 (Note 23).
- (b) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class.
- (c) During the financial year ended 31 December 2022, the additions to property, plant and equipment included S\$850,000 (2021: S\$11,048,000) acquired under right-of-use assets under leasing arrangement (Note 23).
- (d) During the financial year ended 31 December 2022, the disposal of property, plant and equipment included derecognition of right-of-use assets arising from early termination of leased properties amounting to S\$279,000 (2021: S\$1,234,000). The Company de-recognised the corresponding lease liabilities amounting to S\$327,000 (2021: S\$1,357,000) and a gain of S\$48,000 (2021: S\$123,000) is recorded in profit or loss (Note 23).
- (e) Included manufactured coating services machinery reclassified to inventories for sale.
- (f) As at 31 December 2022, the Company's construction-in-progress on Tai Seng Property, with a net carrying value of S\$31,499,000 (2021: S\$31,510,000), are held as security for the Company's bank loan as disclosed in Note 22(a). Subsequent to the financial year end, the Tai Seng Property is reclassified from construction-in-progress to building and renovation and corresponding depreciation is recorded in profit or loss account.

The breakdown of depreciation charged for the financial years are as follows:

	GROUP	
	2022	2021
	S\$'000	S\$'000
Depreciation included in profit or loss:		
- cost of sales	21,972	19,157
- research & development and engineering	2,087	1,907
- selling and distribution expenses	30	25
- administrative expenses	4,791	3,262
	28,880	24,351
Capitalised in statements of financial position as:		
Intangible assets - development costs	532	321
Inventories	1,716	739
	31,128	25,411

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 12 LAND USE RIGHTS

	GROUP	
	2022	2021
	S\$'000	S\$'000
<u>Cost</u>		
At 1 January	14,612	13,947
Translation adjustment	(1,188)	665
At 31 December	13,424	14,612
<u>Accumulated amortisation</u>		
At 1 January	1,221	884
Amortised during the year	285	290
Translation adjustment	(112)	47
At 31 December	1,394	1,221
<u>Net book value</u>		
At 31 December	12,030	13,391

The land use rights consisted of certain plots of state-owned land in the People's Republic of China where certain of the Group's production facilities reside. The land use rights are transferrable and have a lease term period of about 50 years.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 13 INTANGIBLE ASSETS

Group	2022		DEVELOPMENT COSTS		COMPUTER SOFTWARE	GOODWILL	CUSTOMER CONTRACT	TOTAL
	Patents	Cost	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January	949	14,752	970	4,972	-	21,643		
Additions	393	10,564	861	-	-	11,818		
Transfer	-	-	-	(469) <sup>(1)</sup>	565	96		
Reclassification	(8)	-	-	-	-	(8)		
Translation adjustment	-	(423)	(5)	-	-	(428)		
At 31 December	1,334	24,893	1,826	4,503	565	33,121		
Accumulated amortisation and impairment losses								
At 1 January	310	10,578	23	872	-	11,783		
Amortised during the year	35	1,275	268	-	141	1,719		
Translation adjustment	-	12	-	-	-	12		
At 31 December	345	11,865	291	872	141	13,514		
Net carrying amount								
At 31 December	989	13,028	1,535	3,631	424	19,607		
2021								
At 1 January	573	12,948	-	872	-	14,393		
Additions	394	1,787	970	-	-	3,151		
Acquisition of a subsidiary (Note 14(b)(xiii))	-	-	-	4,100	-	4,100		
Write off	(18)	-	-	-	-	(18)		
Translation adjustment	-	17	-	-	-	17		
At 31 December	949	14,752	970	4,972	-	21,643		
Accumulated amortisation and impairment losses								
At 1 January	300	9,419	-	872	-	10,591		
Amortised during the year	10	1,159	23	-	-	1,192		
At 31 December	310	10,578	23	872	-	11,783		
Net carrying amount								
At 31 December	639	4,174	947	4,100	-	9,860		

(1) The Group has not restated prior year comparatives and as this amount is not material (Note 14(b)(xiii)).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 13 INTANGIBLE ASSETS (CONT'D)

Included in the additions are depreciation of property, plant and equipment and staff costs, amounting to S\$532,000 (2021: S\$321,000) and S\$5,066,000 (2021: S\$316,000) respectively. The additions to intangible assets during the financial year are shown net of the depreciation of property, plant and equipment capitalised in the consolidated statement of cash flows.

### Goodwill

The Group recorded S\$3,631,000 (31 December 2021: S\$4,100,000) as goodwill for the excess of the sum of fair value of the consideration over the net fair value of identifiable assets and liabilities. Goodwill acquired through business combinations has been allocated for impairment testing purposes to its cash generating unit ("CGU").

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The post-tax discount rate of 16.4% (2021: 16.2%) was applied to the cash flow projections, budgeted gross margins of 42% to 54% (2021: 42% to 45%), and the forecasted revenue growth rate of 5% (2021: 5%) were used to extrapolate cash flow projections from 2023 to 2027 (2021: 2022 to 2026).

	DEVELOPMENT PATENTS S\$'000	DEVELOPMENT COSTS S\$'000	COMPUTER SOFTWARE S\$'000	TOTAL S\$'000
<b>Company</b>				
<u>2022</u>				
<u>Cost</u>				
At 1 January	835	14,321	970	16,126
Additions	344	1,469	755	2,568
At 31 December	1,179	15,790	1,725	18,694
<u>Accumulated amortisation</u>				
At 1 January	311	10,574	23	10,908
Amortised during the year	35	1,216	262	1,513
At 31 December	346	11,790	285	12,421
<u>Net carrying amount</u>				
At 31 December	833	4,000	1,440	6,273
<u>2021</u>				
<u>Cost</u>				
At 1 January	573	12,948	-	13,521
Additions	280	1,373	970	2,623
Write off	(18)	-	-	(18)
At 31 December	835	14,321	970	16,126
<u>Accumulated amortisation</u>				
At 1 January	300	9,419	-	9,719
Amortised during the year	11	1,155	23	1,189
At 31 December	311	10,574	23	10,908
<u>Net carrying amount</u>				
At 31 December	524	3,747	947	5,218

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 14 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2022 S\$'000	2021 S\$'000
Unquoted equity shares		
At 1 January; at cost	104,800	66,627
Additions	432	32,137
At 31 December; at cost	105,232	98,764
Fair value adjustment to non-current loans (Note 17)	6,036	6,036
Adjustment on award share expenses under RSP 2021	757	-
	112,025	104,800

(a) Details of subsidiaries as at 31 December are as follows:

NAME OF COMPANY AND COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES AND PLACE OF BUSINESS	EQUITY HELD BY THE GROUP		COST OF INVESTMENT BY THE COMPANY	
		2022 %	2021 %	2022 S\$'000	2021 S\$'000
Nanofilm Advanced Materials Pte. Ltd. (Singapore) <sup>(1)</sup>	Investment holding company (Singapore)	100	100	56,729	56,123
Nanofilm Technologies Japan Limited (Japan) <sup>(4)</sup>	Marketing and sales of industrial machinery and equipment and coating services (Japan)	100	100	133	133
Nanofab Technologies Pte. Ltd. (Singapore) <sup>(1)</sup>	Research and experimental development on engineering (Singapore)	90	90	14,431	14,431
Wizture Holdings Pte. Ltd. (Singapore) <sup>(1)</sup>	Investment holding company (Singapore)	100	100	7,200	7,200
Sydrogen Energy Pte. Ltd. (Singapore) <sup>(1)</sup>	Research & Development, engineering and production of hydrogen applications and products (Singapore)	65	65	15,010	15,010
Miller Technologies Pte. Ltd. (Singapore) <sup>(1)</sup>	Manufacture and supply of dies, molds, tools, jigs and fixtures and the manufacture and repair of machinery (Singapore)	100	100	4,500	4,500
Nanofilm Investments Pte. Ltd. (Singapore) <sup>(1)</sup>	Investment holding company (Singapore)	100	100	7,229	1,367
				105,232	98,764



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 14 INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Details of subsidiaries as at 31 December are as follows: (cont'd)

NAME OF COMPANY AND COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES AND PLACE OF BUSINESS	EQUITY HELD BY THE GROUP	
		2022 %	2021 %
<i>Held by Nanofilm Advanced Materials Pte. Ltd.</i>			
Nanofilm Vacuum Coating (Shanghai) Co., Ltd (People's Republic of China) <sup>(2)</sup>	Provision of coating services to end users in the precision engineering industry and printed circuit boards industry (People's Republic of China)	100	100
Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd. (People's Republic of China) <sup>(2)</sup>	Involvement in solar cell business, provision of high-tech coating and related research and development services (People's Republic of China)	100	100
Nanofilm Enterprise Management (Shanghai) Co., Ltd (People's Republic of China) <sup>(2)</sup>	Provision of consultation services and technical development (People's Republic of China)	100	100
Nanofilm Advanced Materials Co., Ltd (Japan) <sup>(4)</sup>	Coating processing by vacuum deposition technology (Japan)	100	-
<i>Held by Nanofab Technologies Pte. Ltd.</i>			
Nanofab Japan Co., Ltd (Japan) <sup>(4)</sup>	Manufacture and forming modules (Japan)	90	90
Nanofab Vietnam Co., Ltd (Vietnam) <sup>(3)</sup>	Manufacture, process and assembly plastic (Vietnam)	90	90
<i>Held by Wizture Holdings Pte. Ltd.</i>			
Wizture Technologies (Yizheng) Co., Ltd (People's Republic of China) <sup>(2)</sup>	Provision of coating solutions (People's Republic of China)	80	80
<i>Held by Nanofilm Investments Pte. Ltd.</i>			
Nanofilm Ventures Pte. Ltd. (Singapore) <sup>(1)</sup>	Investment holding company (Singapore)	100	100
<i>Held by Sydorgen Energy Pte. Ltd.</i>			
Sydorgen (Shanghai) Technology Co., Ltd (People's Republic of China) <sup>(2)</sup>	Research & Development, engineering and production of hydrogen applications and products (People's Republic of China)	65	65

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 14 INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Details of subsidiaries as at 31 December are as follows: (cont'd)

NAME OF COMPANY AND COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES AND PLACE OF BUSINESS	EQUITY HELD BY THE GROUP	
		2022 %	2021 %
<i>Held by Nanofilm Vacuum Coating (Shanghai) Co., Ltd</i>			
Shanghai Nanofilm Precision Coating Co., Ltd (People's Republic of China) <sup>(2)</sup>	Production and sale of auto parts, provision of coating services for precision components and technical services (People's Republic of China)	100	100
Shanghai Nanofilm Trading Co., Ltd (People's Republic of China) <sup>(2)</sup>	Trading and sales of electronics and equipment (People's Republic of China)	100	100
Yizheng Nahuan Technologies Co., Ltd (People's Republic of China) <sup>(2)</sup>	Provision of coating services for automotive parts (People's Republic of China)	51	51
Nanofilm Vacuum Coating (Huizhou) Co., Ltd <sup>(4)</sup> (People's Republic of China)	Provision of vacuum coating (People's Republic of China)	100	–
Sichuan Apex Technologies Co., Ltd (People's Republic of China) <sup>(4)</sup>	Provision, development and marketing of new vacuum coating applications for the new energy industry, and provision of vacuum coating applications and solutions for related products. (People's Republic of China)	60	–
<i>Held by Sydrogen (Shanghai) Technology Co., Ltd</i>			
Sydrogen Enterprise Management (Shanghai) Co., Ltd <sup>(4)</sup> (People's Republic of China)	Provision of consulting services, technological services and sales of electronics and equipment (People's Republic of China)	65	–

(1) Audited by Moore Stephens LLP, Singapore.

(2) Audited by Da Hua Certified Public Accountants, a member firm of Moore Global Network Limited of which Moore Stephens LLP, Singapore is a member.

(3) Audited by KPMG Limited, Hanoi.

(4) Reviewed by Moore Stephens LLP, Singapore for the purposes of consolidation. These entities are not considered significant subsidiaries pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 14 INVESTMENT IN SUBSIDIARIES (CONT'D)

### (b) Additional injection in capital / Incorporation of subsidiaries

- (i) On 13 January 2022, Sydrogen Energy Pte. Ltd., a 65% owned subsidiary of the Company, made payment of its registered capital contribution of RMB 20,000,000 (equivalent to S\$4,300,000) in Sydrogen (Shanghai) Technology Co., Ltd, a wholly-owned subsidiary of Sydrogen Energy Pte. Ltd.. The principal activities of Sydrogen (Shanghai) Technology Co., Ltd are R&D, engineering and production of hydrogen applications and products in the hydrogen fuel cell energy business.
- (ii) On 21 January 2022, the Company subscribed for 270,000 new ordinary shares in the capital of Nanofilm Investments Pte. Ltd., a wholly owned subsidiary of the Group for an aggregate consideration of S\$270,000. The purpose of the capital injection was to fund the subscription of a convertible note of a principal sum of S\$270,000 issued by Akuos Pte. Ltd., a company incorporated under the laws of Singapore.
- (iii) On 19 August 2022, Nanofilm Advanced Materials Pte. Ltd., a wholly-owned subsidiary of the Company, acquired 100% of the issued share capital comprising 250 common shares of Nanofilm Advanced Materials Co., Ltd. at a consideration of JYP 10,000,000 (equivalent to S\$104,000). Nanofilm Advanced Materials Co., Ltd. is a company established under the laws of Japan and is in the principal business of coating processing by vacuum deposition technology.

<b>ASSETS AND LIABILITIES RECOGNISED AS A RESULT OF THE ACQUISITION</b>	<b>FAIR VALUE</b>
	<b>S\$'000</b>
Property and equipment (construction-in-progress)	1,504
Other receivables	150
Cash	107
Other payables	(1,660)
Net identifiable assets acquired	101
Add Goodwill*	3
	<u>104</u>

\* The Group has not recognised the goodwill as this amount is immaterial.

- (iv) On 30 August 2022, Sydrogen (Shanghai) Technology Co., Ltd, incorporated a China subsidiary, Sydrogen Enterprise Management (Shanghai) Co., Ltd with a registered capital of RMB100,000 (equivalent to S\$19,240). The principal activities of Sydrogen Enterprise Management (Shanghai) Co., Ltd are the provision of consulting and technological services and sales of electronics and equipment.
- (v) On 28 September 2022, Nanofilm Vacuum Coating (Shanghai) Co., Ltd, a wholly owned subsidiary of the Company, entered into a joint venture contract with Shenzhen Everwin Precision Technology Co., Ltd and Shanghai Hongshi Enterprise Management Partnership (Limited Partnership) to set up a joint venture company, Sichuan Apex Technologies Co., Ltd.. Sichuan Apex Technologies Co., Ltd. was incorporated on 19 October 2022 with an initial registered capital of RMB 50,000,000 (comprising cash injection of (i) RMB 30,000,000 by Nanofilm Vacuum Coating (Shanghai) Co., Ltd (60%); and (ii) RMB 15,000,000 by Shenzhen Everwin Precision Technology Co., Ltd (30%); and (iii) RMB 5,000,000 by Shanghai Hongshi Enterprise Management Partnership (Limited Partnership) (10%). On 27 December 2022, Nanofilm Vacuum Coating (Shanghai) Co., Ltd injected RMB 18,000,000 (equivalent to S\$3,499,200) by way of cash in Sichuan Apex Technologies Co., Ltd toward partial payment of its registered capital contribution and its non-controlling interests injected RMB 9,000,000 (equivalent to S\$1,750,000). The principal activities of Sichuan Apex Technologies Co., Ltd are the provision, development and marketing of new vacuum coating applications for the new energy industry, and provision of vacuum coating applications and solutions for related products.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 14 INVESTMENT IN SUBSIDIARIES (CONT'D)

- (b) Additional injection in capital / Incorporation of subsidiaries (cont'd)
- (vi) On 10 October 2022, Nanofilm Vacuum Coating (Shanghai) Co., Ltd, a wholly-owned subsidiary of the Company, incorporated a China subsidiary, Nanofilm Vacuum Coating (Huizhou) Co., Ltd with a registered capital of RMB20,000,000 (equivalent to S\$3,880,000). On 27 October 2022, Nanofilm Vacuum Coating (Shanghai) Co., Ltd injected RMB20,000,000 (equivalent to S\$3,880,000) by way of cash in Nanofilm Vacuum Coating (Huizhou) Co., Ltd toward partial payment of its registered capital contribution. The principal activity of Nanofilm Vacuum Coating (Huizhou) Co., Ltd is provision of vacuum coatings.
- (vii) On 14 October 2022, Nanofilm Advanced Materials Pte. Ltd. subscribed for 1,250 common shares in the capital of Nanofilm Advanced Materials Co., Ltd at an aggregate subscription price of JPY50,000,000 (equivalent to S\$502,000). The capital injection was primarily to fund the working capital of the subsidiary and was settled by way of cash.
- (viii) On 18 October 2022, the Company subscribed for 606,000 ordinary shares in the capital of Nanofilm Advanced Materials Pte. Ltd., a wholly owned subsidiary of the Group, at an aggregate subscription price of S\$606,000. The purpose of the capital injection was to fund Nanofilm Advanced Materials Pte. Ltd.'s initial acquisition of the 250 common shares of Nanofilm Advanced Materials Co., Ltd at a consideration of JPY10,000,000 (equivalent to S\$104,000) on 19 August 2022 and the subsequent subscription of additional 1,250 common shares in the capital of Nanofilm Advanced Materials Co., Ltd at an aggregate subscription price of JPY50,000,000 (equivalent to S\$502,000).
- (ix) In March 2021, the Company incorporated a wholly owned Singapore subsidiary, Sydrogen Energy Pte. Ltd. with issued and fully paid-up capital of S\$10,000, comprising 10,000 ordinary shares in the subsidiary. The principal activities of Sydrogen Energy Pte. Ltd. are that of research and development, engineering and production of hydrogen applications and products in the hydrogen energy and hydrogen fuel cell business.
- (x) In March 2021, the Group through its wholly owned subsidiary, Nanofilm Advanced Materials Pte. Ltd. contributed a total of US\$10,739,000 (equivalent to S\$14,292,000) to the paid-up registered capital of Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd., a wholly owned subsidiary of the Group. The capital injection was to fund the capital expenditure and working capital of the subsidiary and was settled by way of cash.
- (xi) In April 2021, the Company subscribed for 14,273,118 new ordinary shares in the capital of Nanofilm Advanced Materials Pte. Ltd., a wholly owned subsidiary of the Group by way of the capitalisation of an outstanding loan of S\$14,273,000 owing by Nanofilm Advanced Materials Pte. Ltd. to the Company at the date of subscription.
- (xii) In July 2021, the Group entered into a joint venture agreement with Venezia Investments Pte. Ltd, (an indirect wholly owned subsidiary of Temasek Holdings Private Limited ("**Venezio**") to carry out the hydrogen energy and hydrogen fuel business through Sydrogen Energy Pte. Ltd.. In October 2021, the Company and Venezia completed its initial investment in Sydrogen Energy Pte. Ltd., comprising cash injection of a total of S\$50,000,000 (the Company: S\$15,000,000, Venezia: S\$35,000,000) and non-cash consideration of approximately S\$70,000,000 by way of transfer of the Group's hydrogen energy business and the licence of the Group's intellectual property relating to the business, to Sydrogen Energy Pte. Ltd.. The cash proceeds are intended to be used for research and development and the construction of production capacity. Following the completion of the initial investment, Sydrogen Energy Pte. Ltd. becomes 65% held by the Company, and 35% held by Venezia.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 14 INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Additional injection in capital / Incorporation of subsidiaries (cont'd)

(xiii) In September 2021, the Company entered into an agreement to acquire 100% of Miller Technologies Pte. Ltd. at a consideration of S\$4,500,000 for the entire 400,002 ordinary shares in the company. The principal activities of Miller Technologies Pte. Ltd. are the manufacture and supply of dies, molds, tools, jigs and fixtures and the manufacture and repair of machinery and machine-tools. Miller Technologies Pte. Ltd. became a wholly owned subsidiary of the Company when the Company took control of the subsidiary in October 2021, and the acquisition was completed in November 2021. The Group incurred acquisition related costs of S\$34,000 relating to external legal fees and due diligence costs and these have been classified as "administrative" expenses in the consolidated statement of profit or loss.

<b>ASSETS AND LIABILITIES RECOGNISED AS A RESULT OF THE ACQUISITION</b>	<b>RESTATED FAIR VALUE S\$'000</b>
Property, plant and equipment	395
Customer contract	565
Right-of-use assets	314
Inventories	1
Trade receivables	547
Other receivables	8
Trade payables	(108)
Accrued expenses	(32)
Other payables	(411)
Provisions	(14)
Lease liabilities	(300)
Deferred tax liabilities	(96)
Net identifiable assets acquired	869
Add Goodwill:	3,631
Net cash outflow on acquisition	4,500

In 2021, the initial accounting for the acquisition of Miller Technologies Pte. Ltd. has only been provisionally determined at the end of the reporting period. During the financial year ended 31 December 2022, the necessary market valuations and other calculation have been finalised. The Group recorded S\$3,631,000 (31 December 2021: S\$4,100,000) as goodwill for the excess of the sum of fair value of the consideration over the net fair value of identifiable assets and liabilities.

The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value and gross contractual amount of S\$547,000. Based on the best estimate at acquisition, all contractual cashflow are expected to be collected.

The goodwill is attributable to Miller Technologies Pte. Ltd.'s strong position in the market and the Company expecting synergies to arise after the acquisition of the new subsidiary. The goodwill arising has been allocated to Industrial Equipment Business Unit.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 14 INVESTMENT IN SUBSIDIARIES (CONT'D)

### (b) Additional injection in capital / Incorporation of subsidiaries (cont'd)

(xiv) In November 2021, the Company incorporated a wholly owned Singapore subsidiary, Nanofilm Investments Pte. Ltd. with an issued and fully paid-up capital S\$1, comprising 1 ordinary share in the subsidiary. The principal activity of Nanofilm Investments Pte. Ltd. is that of investment holding company.

(xv) In November 2021, the Company, through its wholly owned subsidiary, Nanofilm Investments Pte. Ltd., incorporated a wholly owned Singapore subsidiary, Nanofilm Ventures Pte. Ltd. with an issued and fully paid-up capital of S\$1, comprising 1 ordinary share in the subsidiary. The principal activity of Nanofilm Ventures Pte. Ltd. is that of investment holding company.

(xvi) In November 2021, the Company, through its 65% owned subsidiary, Sydrogen Energy Pte. Ltd., incorporated a 100% interest in Sydrogen (Shanghai) Technology Co., Ltd. The principal activities of Sydrogen (Shanghai) Technology Co., Ltd are the research and development, engineering and production of hydrogen applications and products in the hydrogen energy and fuel cell business. During the financial year ended 31 December 2022, a capital injection of RMB20,000,000 (equivalent to S\$4,248,000) was made by way of cash (Note 14(b)(i)).

(xvii) In December 2021, the Company subscribed for 1,367,200 new ordinary shares in the capital of Nanofilm Investments Pte. Ltd., a wholly owned subsidiary of the Group for an aggregate consideration of S\$1,367,200. The purpose of the capital injection was to fund the subscription of 69,830 shares of preferred stock in H2Pro Ltd., a company incorporated under the laws of the state of Israel, for a minority stake of less than 1%.

### (c) Interest in subsidiaries with material non-controlling interests

The Group has the following subsidiaries that have material non-controlling interests as at the reporting date:

NAME OF SUBSIDIARIES	PROPORTION OF OWNERSHIP INTERESTS HELD BY NON-CONTROLLING INTERESTS		PROFIT/(LOSS) ALLOCATED TO NON-CONTROLLING INTERESTS		ACCUMULATED NON-CONTROLLING INTERESTS	
	2022	2021	2022	2021	2022	2021
	%	%	S\$'000	S\$'000	S\$'000	S\$'000
Nanofab Technologies Pte. Ltd. and its subsidiaries ("Nanofab Group")	10	10	495	(138)	1,588	1,173
Yizheng Nahuan Technologies Co., Ltd ("NHT")	49	49	403	900	7,474	7,737
Sydrogen Energy Pte. Ltd. and its subsidiaries ("SDE Group")	35	35	(1,076)	(341)	33,472 <sup>(1)</sup>	34,659 <sup>(1)</sup>
Other subsidiaries with immaterial non-controlling interests			(346)	(93)	3,152	1,805
			(524)	328	45,686	45,374

#### Note:

(1) The amount is computed using the non-controlling interests contribution of S\$35,000,000 and cumulative share of loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 14 INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Interest in subsidiaries with material non-controlling interests (cont'd)

Summarised financial information (before intragroup eliminations) in respect of subsidiaries with material non-controlling interests is set out below.

	NANOFAB GROUP		NHT		SDE GROUP	
	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Summarised Statement of Financial Position</u>						
<i>Current</i>						
Assets	11,452	5,531	6,762	4,144	46,312	48,914
Liabilities	(5,379)	(4,962)	(3,362)	(1,868)	(11,957)	(255)
Total current net assets	6,073	569	3,400	2,276	34,355	48,659
<i>Non-current</i>						
Assets	9,736	11,165	23,147	22,311	84,968	73,246
Liabilities	-	-	(11,294)	(8,798)	(4,113)	(3,300)
Total non-current net assets	9,736	11,165	11,853	13,513	80,855	69,946
Net assets	15,809	11,734	15,253	15,789	115,210	118,605
<u>Summarised Statement of Profit or Loss and Other Comprehensive Income</u>						
Revenue	19,309	7,828	17,609	19,083	203	-
Expenses	(14,357)	(9,214)	(16,787)	(17,247)	(3,361)	(1,395)
Profit/(loss) for the year	4,952	(1,386)	822	1,836	(3,158)	(1,395)
Profit/(loss) attributable to non-controlling interests	495	(138)	403	900	(1,076)	(341)
Total comprehensive income/(loss) attributable to non-controlling interests	407	(98)	(263)	1,230	(1,187)	(341)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 14 INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Interest in subsidiaries with material non-controlling interests (cont'd)

	NANOFAB GROUP		NHT		SDE GROUP	
	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Summarised Cash Flow</b>						
Net cash generated/(used in) from operating activities	6,714	6,633	2,508	4,525	6,482	(1,134)
Net cash used in investing activities	(783)	(2,853)	(2,825)	(6,388)	(12,332)	(49,654)
Net cash generated from/(used in) financing activities	64	(3,512)	672	2,473	(12)	134

(d) Impact of acquisitions on the results of the group

Included in the profit for the financial year ended 31 December 2021 was S\$374,000 and revenue to third parties of S\$1,316,000 attributable to the additional business generated by Miller Technologies Pte. Ltd..

Had these business combinations been effected at 1 January 2021, the revenue of the Group would have been S\$247,205,000 and the profit for 2021 would have been S\$62,807,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

## 15 INVESTMENT IN ASSOCIATE

	GROUP		COMPANY	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
At cost	4,061	-	-	-
Less: Share of loss	(28)	-	-	-
	4,033	-	-	-

NAME OF ASSOCIATE	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION AND OPERATION	PROPORTION (%) OF OWNERSHIP INTEREST
Zulu Inc.	Design and manufacturing of adjustable eyecare lenses	United States of America	21.9



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 15 INVESTMENT IN ASSOCIATE (CONT'D)

On 21 January 2022, Nanofilm Investments Pte. Ltd., a wholly owned subsidiary of the Company entered into a stock purchase agreement with Zulu Inc., a Delaware corporation for the purchase of 30,000,000 shares of preferred stock in Zulu Inc. at a consideration of US\$3,000,000 (equivalent to S\$4,061,100), for a stake of 21.9%. The purchase was completed on 15 February 2022. Concurrently, on 16 February 2022, the Company subscribed for 4,061,100 new ordinary shares in the capital of Nanofilm Investments Pte. Ltd., for an aggregate consideration of S\$4,061,100. The purpose of the capital injection was to fund the subscription of the 30,000,000 shares of preferred stock in Zulu Inc..

Nanofilm Investments Pte. Ltd. shall have the right and option, but not the obligation, to require Zulu Inc. to issue, for the price of US\$3,000,000, such number of shares of Series A Preferred Stock which, assuming full conversion into common stock, would comprise 13.0% of the common stock issued and outstanding immediately after the option closing on a fully diluted basis.

The call option shall be treated as mandatorily and automatically exercised if the following conditions are met:

- a) Zulu Inc. raised any equity fundraising round of which the pre-money valuation of the company will be no less than US\$30,000,000; and
- b) Zulu Inc. will receive no less than US\$3,000,000 in investment proceeds

The exercise period is at any time from and including the date of the agreement (dated 21 January 2022) up to and including the date which is the fifth anniversary thereof (21 January 2027).

The following table summarises the financial information of Zulu Inc. as it included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Zulu Inc..

	ZULU INC. 2022 S\$'000
Percentage ownership interest	21.9%
Non-current assets	654
Current assets	1,735
Current liabilities	(582)
Net assets of the associate	1,807
Proportion of the Group's ownership in Zulu Inc.	21.9%
Group's share of net assets	396
Goodwill	3,637
Carrying amount of the Group's interest in Zulu Inc.	4,033
Revenue	326
Loss for the year	(128)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 16 OTHER FINANCIAL ASSETS

	GROUP	
	2022	2021
	S\$'000	S\$'000
<u>Equity Investments – at fair value through other comprehensive income</u>		
Investment in unquoted equity (non-current)	1,367	1,367
Investment in quoted equity (current)	1,896	-
	3,263	1,367
<u>Debt investment – at fair value through profit or loss</u>		
Structured deposit with a financial institution (current)	6,804	6,363
Convertible bond (non-current)	270	-
	7,074	6,363
Total	10,337	7,730

The investment in unquoted equity represents investments that the Group intends to hold for long-term strategic purposes. No strategic investments were disposed of during FY2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments. No dividend was recognised during FY2022. The carrying value approximates its fair value and is derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (level 3 fair value measurements).

The investment in quoted equity represents investments that the Group intends to hold for strategic purposes. No strategic investments were disposed of during FY2022. The fair value was derived from quoted prices in active markets and there was a recognition of fair value gain to other comprehensive income during the reporting period (level 1 fair value measurements). The structured deposit is a capital protected deposit that represents investment that the Group intends to hold for the short-term and realised in January 2023 (31 December 2021: January 2022). The carrying value of the investment approximates its fair value, with reference to observable commodity index at reporting period (level 2 fair value measurements).

The convertible bond is a corporate debt security that represents investment that the Group intends to hold for the long-term till maturity in January 2024. The carrying value of the investment approximates its fair value, with reference to valuation techniques that include inputs for the asset or liability that are not based on observable market data at reporting period (level 3 fair value measurements).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 17 TRADE AND OTHER RECEIVABLES, AND OTHER CURRENT/NON-CURRENT ASSETS

	GROUP		COMPANY	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Current				
Trade receivables:				
- Third parties	83,198	90,904	4,987	6,342
- Loss allowance	(362)	(349)	(30)	(55)
	82,836	90,555	4,957	6,287
- Subsidiaries	-	-	5,778	3,454
- Loss allowance	-	-	(120)	(163)
	-	-	5,658	3,291
	82,836	90,555	10,615	9,578
Other receivables:				
- Deposits	553	329	401	244
- GST/VAT and other taxes receivable	2,136	1,604	470	315
- Due from subsidiaries	-	-	4,696	17,601
- Sundry debtors	4,036	3,603	1,777	80
	6,725	5,536	7,344	18,240
Other current assets:				
- Prepayments	775	693	165	71
- Advances to suppliers	10,234	10,064	425	-
	11,009	10,757	590	71
Total current	100,570	106,848	18,549	27,889
<u>Non-current</u>				
Other receivables:				
- Loans due from a subsidiary	-	-	80,769	71,824
Gross amount (Non-interest bearing)	-	-	83,138	75,500
Less: Fair value adjustment to investment in a Group's subsidiary	-	-	(6,036)	(6,036)
Add: Accumulated imputed interest recognised in profit or loss, net of exchange differences	-	-	3,667	2,360
Total non-current	-	-	80,769	71,824

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 17 TRADE AND OTHER RECEIVABLES, AND OTHER CURRENT/NON-CURRENT ASSETS (CONT'D)

### Current

As at the reporting date, the Group and the Company have banker guarantees issued from a financial institution for operation and completion of the construction of property, plant and equipment amounting to S\$33,000 (2021: S\$1,386,000).

Trade receivables are interest-free and are generally on 30 to 90 days' terms. Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses as disclosed in accounting policy under Note 2(k). There has been no change in the estimation techniques or significant assumptions made for financial years ended 31 December 2021 and 2022. Other receivables are considered to have low credit risk and loss allowance is measured at an amount equal to 12-month expected credit loss which reflects the low credit risk of the exposures. There are no loss allowances arising from these outstanding balances as the expected credit losses are assessed to be immaterial.

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand, except for an amount due from subsidiaries of S\$3,233,000 (2021: S\$16,888,000) which is interest bearing at between 2% to 3% per annum and repayable within the next 12 months.

The amounts receivable from sundry debtors include the government grant receivables of S\$2,947,000 (2021: S\$2,538,000) relating to various cash grants in relation government incentives introduced by the China and Singapore governments (2021: China government) during the financial year ended 31 December 2022.

### Non-current

As at the reporting date, the loans to a subsidiary are unsecured, interest-free and repayable on 31 December 2024 and 1 January 2026 (2021: 2024). The amounts are adjusted to be measured at fair value at date of inception. Accordingly, imputed interest income has been recognised in the Company's profit or loss and fair value adjustment has been recognised in investments in subsidiaries (Note 14).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 17 TRADE AND OTHER RECEIVABLES, AND OTHER CURRENT/NON-CURRENT ASSETS (CONT'D)

The Group's credit risk exposure in relation to trade receivables (including contract assets) as at the reporting date are set out in the provision matrix as presented below:

	LIFETIME EXPECTED LOSS RATE	GROSS CARRYING AMOUNT S\$'000	LIFETIME EXPECTED CREDIT LOSSES S\$'000	NET CARRYING AMOUNT S\$'000
<b>Group</b>				
<u>2022</u>				
Current	0.2%	86,990	(158)	86,832
Past due:				
1 to 30 days	0.5%	6,647	(14)	6,633
31 to 60 days	1.5%	935	(13)	922
60 to 90 days	2.5%	563	(12)	551
More than 90 days <sup>(1)</sup>	4.0%	718	(165)	553
		95,853	(362)	95,491
<u>2021</u>				
Current	0.2%	98,663	(197)	98,466
Past due:				
1 to 30 days	0.5%	8,769	(44)	8,725
31 to 60 days	1.5%	1,581	(24)	1,557
60 to 90 days	2.5%	715	(18)	697
More than 90 days	4.0%	2,682	(66)	2,616
		112,410	(349)	112,061

(1) Included an amount of loss allowance of S\$143,000 provided for a specific customer

	LIFETIME EXPECTED LOSS RATE	GROSS CARRYING AMOUNT S\$'000	LIFETIME EXPECTED CREDIT LOSSES S\$'000	NET CARRYING AMOUNT S\$'000
<b>Company</b>				
<u>2022</u>				
Current	0.2%	3,970	(7)	3,963
Past due:				
1 to 30 days	0.5%	2,790	(14)	2,776
31 to 60 days	1.5%	111	(2)	109
60 to 90 days	2.5%	1,949	(49)	1,900
More than 90 days	4.0%	1,945	(78)	1,867
		10,765	(150)	10,615
<u>2021</u>				
Current	0.2%	1,940	(4)	1,936
Past due:				
1 to 30 days	0.5%	5,017	(25)	4,992
31 to 60 days	1.5%	492	(7)	485
60 to 90 days	2.5%	530	(13)	517
More than 90 days	4.0%	1,817	(169)	1,648
		9,796	(218)	9,578

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 17 TRADE AND OTHER RECEIVABLES, AND OTHER CURRENT/NON-CURRENT ASSETS (CONT'D)

	GROUP		COMPANY	
	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000
<u>Movements in loss allowance</u>				
At 1 January	349	1,614	218	218
Impairment loss/ (Write back) recognised in profit or loss	51	(1,322)	(68)	-
Translation adjustment	(38)	57	-	-
At 31 December	362	349	150	218

## 18 INVENTORIES

	GROUP		COMPANY	
	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000
At cost or net realisable value:				
Raw materials and consumables	7,466	7,977	2,342	4,525
Work-in-progress	3,470	3,827	548	1,231
Finished goods	7,401	5,414	2,909	-
Goods in transit	92	147	9	54
	18,429	17,365	5,808	5,810
Inventories are stated after deducting allowance for inventories	517	343	143	143
At 1 January	343	327	143	143
Charged to profit or loss (Note 8)	196	16	-	-
Translation adjustment	(22)	-	-	-
At 31 December	517	343	143	143

## 19 CASH AND BANK BALANCES

	GROUP		COMPANY	
	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000
Cash and bank balances	87,858	121,852	18,269	44,289
Fixed deposits	59,972	54,758	38,000	50,070
Cash and bank balances in the statements of financial position	147,830	176,610	56,269	94,359
Less: Pledged fixed deposits	-	(446)	-	-
Cash and cash equivalents in the statements of cash flows	147,830	176,164	56,269	94,359

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 19 CASH AND BANK BALANCES (CONT'D)

Cash at banks earns interest at floating rates based on daily bank deposit rates which approximate 3.39% (2021: 0.62%) per annum. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

As at 31 December 2022, fixed deposits bear interest ranging from 1.75% to 4.04% (2021: 0.42% to 3.58%) per annum with maturity period of 7 days to 3 months (2021: 1 to 3 months) from the reporting date.

As at 31 December 2022, no fixed deposits (2021: S\$446,000) were pledged with financial institutions for operation and construction of certain property, plant and equipment (Note 11).

## 20 SHARE CAPITAL AND TREASURY SHARES

	GROUP AND COMPANY			
	2022		2021	
	NO. OF ORDINARY SHARES (‘000)	S\$’000	NO. OF ORDINARY SHARES (‘000)	S\$’000
<u>Fully paid ordinary shares</u>				
At 1 January	663,443	266,927	658,351	263,756
Issuance of shares under ESOS Scheme 2017 (Note 21)	–	–	5,092	3,171
At 31 December	663,443	266,927	663,443	266,927
<u>Treasury shares</u>				
At 1 January	3,755	15,241	–	–
Purchase of treasury shares	5,027	12,683	5,218	21,179
Treasury shares re-issued under ESOS Scheme 2017	(2,737)	(10,403)	(1,463)	(5,938)
At 31 December	6,045	17,521	3,755	15,241
Total issued shares excluding treasury shares	657,398	249,406	659,688	251,686

### Ordinary shares

Ordinary shares have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restriction at meetings of the Company. All shares rank equally with regard to the Company’s residual assets.

During the financial year ended 31 December 2021, 5,092,000 ordinary shares were issued as a result of the exercise of vested options arising from ESOS Scheme 2017 granted to the employees. Options were exercised and issued at an average price of S\$0.5868 and S\$0.6227 per share respectively in 2021.

### Treasury shares

During the financial year ended 31 December 2022, the Company acquired 5,027,000 (2021: 5,218,000) of its own shares in the open market and these shares are held as treasury shares. In the same year, 2,737,000 (2021: 1,463,000) treasury shares were re-issued under ESOS Scheme 2017 at an average price of S\$2.8982 (2021: S\$4.0588) per share. Options were exercised at an average price of S\$0.5868 (2021: S\$0.5868).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 21 RESERVES

	GROUP		COMPANY	
	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000
Translation reserve	(19,381)	12,082	-	-
Statutory reserve	7,002	6,507	-	-
Other reserves	(64,083)	(57,033)	(11,810)	(4,395)
Accumulated profits	245,841	216,361	52,938	64,588
	169,379	177,917	41,128	60,193

The other reserves include share options and put option (Note 25) and fair value reserves.

Movements in the Group's reserves are set out in the consolidated statement of changes in equity and as follows:

2022	AT 1 JANUARY S\$'000	TREASURY SHARES RE-ISSUED UNDER ESOS SCHEME S\$'000	ADJUSTMENT ON EMPLOYEE SHARE OPTIONS S\$'000	FAIR VALUE GAIN FROM EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME S\$'000	ADJUSTMENT ON RESTRICTED SHARE PLAN S\$'000	TOTAL S\$'000
Share options	(4,634)	(8,679)	306	-	-	(13,007)
Conversion of convertible bonds	240	-	-	-	-	240
Increase in ownership interest in subsidiaries	461	-	-	-	-	461
Put option	(53,100)	-	-	-	-	(53,100)
Fair value reserve	-	-	-	365	-	365
Restricted share plan	-	-	-	-	958	958
Total	(57,033)	(8,679)	306	365	958	(64,083)

2021	AT 1 JANUARY S\$'000	ISSUANCE OF SHARES UNDER ESOS SCHEME S\$'000	TREASURY SHARES RE-ISSUED UNDER ESOS SCHEME S\$'000	ADJUSTMENT ON EMPLOYEE SHARE OPTIONS S\$'000	PUT OPTION RELATING TO INTEREST IN NON- CONTROLLING INTEREST S\$'000	TOTAL S\$'000
Share options	391	(182)	(5,080)	237	-	(4,634)
Conversion of convertible bonds	240	-	-	-	-	240
Increase in ownership interest in subsidiaries	461	-	-	-	-	461
Put option	-	-	-	-	(53,100)	(53,100)
Total	1,092	(182)	(5,080)	237	(53,100)	(57,033)



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 21 RESERVE (CONT'D)

### (a) Pre-IPO Employee Share Option Scheme 2017 ("ESOS Scheme 2017")

The ESOS Scheme 2017 was approved by shareholders of the Company at the extraordinary general meeting of the Company held on 6 February 2017. The rules of the ESOS Scheme were subsequently amended on 29 October 2018 and 5 September 2019. The ESOS Scheme 2017 was established and administered by a committee comprising directors of the Company who have been authorised and appointed by the board of the Company ("**Board**"). Since the listing of the Company on the SGX-ST on 30 October 2020 (the "**Listing Date**"), the ESOS Scheme 2017 is administered by the Remuneration Committee ("**RC**") in relation to all outstanding options granted under the ESOS Scheme 2017 and validly existing as at the Listing Date. Further information regarding the composition of the current RC, comprising Ms Lee Lee Khoon (Chairman), Mr Kristian Robinson (Member) and Mr Russell Tham Min Yew (Member)<sup>(1)</sup> is disclosed in the Corporate Governance Report in the Annual Report.

The ESOS Scheme 2017 was terminated on the Listing Date and no further options were granted thereunder after termination. The termination of the ESOS Scheme 2017 does not prejudice the rights of the holders' holding options which have been granted and accepted under the ESOS Scheme 2017 prior to its termination. The options granted under the ESOS Scheme 2017 have exercise prices that were determined at the discretion of the committee at date of grant. Options may only be exercised after vesting.

#### Notes:

(1) Mr Russell Tham Min Yew was appointed as member after Mr James Rowan resigned with effect on 1 March 2022.

As at 31 December 2022, details of the options granted under the ESOS Scheme 2017 are as follows:

DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2022	OPTIONS GRANTED	OPTIONS CANCELLED/ LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2022	EXERCISE PRICE S\$	DATE OF EXPIRY
2 April 2018	1,700,000	-	-	(1,700,000)	-	0.5927	2 April 2023
3 December 2018	511,000	-	-	(411,000)	100,000	0.5868	9-27 December 2024
3 March 2019	159,000	-	-	(159,000)	-	0.5868	18-28 March 2025
3 June 2019	190,000	-	-	(100,000)	90,000	0.5868	16-18 June 2025
1 July 2020	1,032,000	-	(99,000)	(367,000)	566,000	0.5868	30 June 2026
	<b>3,592,000</b>	<b>-</b>	<b>(99,000)</b>	<b>(2,737,000)</b>	<b>756,000</b>		
DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2021	OPTIONS GRANTED	OPTIONS CANCELLED/ LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2021	EXERCISE PRICE S\$	DATE OF EXPIRY
2 April 2018	1,700,000	-	-	-	1,700,000	0.5927	2 April 2023
3 December 2018	6,028,000	-	(300,000)	(5,217,000)	511,000	0.5868	9-27 December 2024
3 March 2019	533,000	-	(66,000)	(308,000)	159,000	0.5868	18-28 March 2025
3 June 2019	550,000	-	-	(360,000)	190,000	0.5868	16-18 June 2025
1 July 2020	2,500,000	-	(798,000)	(670,000)	1,032,000	0.5868	30 June 2026
	<b>11,311,000</b>	<b>-</b>	<b>(1,164,000)</b>	<b>(6,555,000)</b>	<b>3,592,000</b>		

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 21 RESERVES (CONT'D)

### (a) Pre-IPO Employee Share Option Scheme 2017 ("ESOS Scheme 2017") (cont'd)

During the financial year ended 31 December 2022, 2,737,000 share options were exercised and 99,000 share options lapsed or were cancelled.

As at 31 December 2022, out of the 756,000 share options granted under the ESOS Scheme 2017, 590,000 had vested between 2018 and 2022 and 166,000 will vest in 2023.

During the financial year ended 31 December 2021, 6,555,000 share options were exercised and 1,164,000 share options lapsed or were cancelled. As at 31 December 2021, of the 3,592,000 share options granted under the ESOS Scheme 2017, 2,511,000 had vested between 2018 and 2021 and 1,081,000 will vest between 2022 and 2023.

Since the commencement of the ESOS Scheme 2017 until the end of the current financial year, no option has been granted to controlling shareholders of the Company or their associates (as defined in the SGX Trading Listing Manual). The fair value of options granted during the financial year ended 31 December 2020, determined using the Binomial Option Pricing Model was S\$760,000. The significant inputs into the model based on management's expert were the share price of S\$0.8232 at the grant date, expected volatility of 14.0%, the exercise price, option life shown above, dividend yield and annual risk-free interest rate of 0.5%.

### (b) Employee Share Option Scheme ("ESOS Scheme 2020")

On 9 October 2020, the shareholders approved the ESOS Scheme 2020, a share-based incentive plan. The ESOS Scheme 2020 applies to all employees and non-executive directors of the Group. Controlling shareholders of the Company and their associates who are employees or non-executive directors of the Group are also eligible to participate in the ESOS Scheme 2020. The ESOS Scheme 2020 is administered by the RC. Please refer to Note 21 (a) of this statement for details of the RC members.

The total number of shares comprised in options which may be granted under the ESOS Scheme 2020, when added to the aggregate of (i) the number of new shares that are issued or issuable and issued shares (including treasury shares) that are delivered or to be delivered pursuant to options already granted under the ESOS Scheme 2020; and (ii) the number of shares subject to any other share options or share schemes adopted by the Company after the Listing Date, shall not exceed 5.0% of the total number of issued shares of the Company on the day preceding the date of grant of any new option.

The total number of shares which may be issued or delivered pursuant to the exercise of options granted under the ESOS Scheme 2020 to (i) each controlling shareholder and each associate of a controlling shareholder; and (ii) controlling shareholders and associates of controlling shareholders, shall not exceed 10% and 25% of the total number of shares available under the ESOS Scheme 2020, respectively.

The options that are granted under the ESOS Scheme 2020 may have acquisition prices that are, at the RC's discretion, set at a price equal to the volume-weighted average price for the shares on the SGX-ST over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST ("Market Price"); or at a discount to the Market Price (subject to a maximum discount of 20%).

Options granted under the ESOS Scheme 2020 will have a life span expiring on or before the 10<sup>th</sup> anniversary of the date of grant in respect of options granted to employees and controlling shareholders and their associates and, on or before the 5<sup>th</sup> anniversary of the date of grant in respect of options granted to non-executive directors of the Group.

The ESOS Scheme 2020 shall continue to be in force for a maximum period of 10 years from the adoption date and may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 21 RESERVES (CONT'D)

### (b) Employee Share Option Scheme ("ESOS Scheme 2020") (cont'd)

As at 31 December 2022, details of the options granted under the ESOS Scheme 2020 are as follows:

DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2022	OPTIONS GRANTED	OPTIONS CANCELLED/ LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2022	EXERCISE PRICE	DATE OF EXPIRY
	S\$						
26 March 2021	867,500	-	(137,000)	-	730,500	4.9279	26 March 2031
6 April 2021	870,000	-	(260,000)	-	610,000	5.1135	6 April 2026 & 6 April 2031
19 August 2021	880,000	-	(350,000)	-	530,000	4.1185	19 August 2026
31 March 2022	-	2,640,000	(315,000)	-	2,325,000	2.6907	31 March 2027
	2,617,500	2,640,000	(1,062,000)	-	4,195,500		
DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2021	OPTIONS GRANTED	OPTIONS CANCELLED/ LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2021	EXERCISE PRICE	DATE OF EXPIRY
	S\$						
26 March 2021	-	1,142,500	(275,000)	-	867,500	4.9279	26 March 2031
6 April 2021	-	1,020,000	(150,000)	-	870,000	5.1135	6 April 2026 & 6 April 2031
19 August 2021	-	880,000	-	-	880,000	4.1185	19 August 2026
	-	3,042,500	(425,000)	-	2,617,500		

During the financial year ended 31 December 2022, the Company granted options under the ESOS Scheme 2020 to subscribe for 2,640,000 ordinary shares of the Company. No share option was exercised during the year when vested and 1,062,000 options have lapsed or been cancelled. As at 31 December 2022, out of the 4,195,500 share options granted under the ESOS Scheme 2020, 467,625 had vested and 3,727,875 will vest between 2023 and 2026.

During the financial year ended 31 December 2021, the Company granted options under the ESOS Scheme 2020 to subscribe for 3,042,500 ordinary shares of the Company. No share option was exercised during the year when vested and 425,000 options have lapsed or been cancelled. As at 31 December 2021, the 2,617,500 share options granted under the ESOS Scheme 2020 will vest between 2022 and 2025.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 21 RESERVES (CONT'D)

### (b) Employee Share Option Scheme ("ESOS Scheme 2020") (cont'd)

Since the commencement of the ESOS Scheme 2020 until the end of the current financial year, no options have been granted to controlling shareholders of the Company or their associates (as defined in the SGX Trading Listing Manual) and no employee has received 5% or more of the total number of options available under the ESOS Scheme 2020.

The fair value of options granted during the financial year was determined using the Binomial Option Pricing Model. The significant inputs into the model based on management's expert were as below:

DATE OF GRANT OF OPTIONS	OPTIONS GRANTED	EXERCISE PRICE	OPTION LIFE	FAIR VALUE AT GRANT DATE	GRANT DATE SHARE PRICE	RISK-FREE	
						INTEREST RATE	EXPECTED VOLATILITY
		S\$		S\$	S\$	%	%
26 March 2021	1,142,500	4.9279	10 years	0.1305-0.3397	4.890	1.63	3.53
6 April 2021	300,000	5.1135	5 years	0.1412-0.2926	5.170	0.91	3.44
6 April 2021	720,000	5.1135	10 years	0.1864-0.4100	5.170	1.69	3.44
19 August 2021	880,000	4.1185	5 years	0.1537-0.3018	3.960	0.80	9.33
31 March 2022	2,640,000	2.6907	5 years	0.4448-0.6354	2.710	2.29	22.25

### (c) Nanofilm Restricted Share Plan ("RSP 2021")

The RSP 2021 was approved and adopted by shareholders of the Company on 29 October 2021. The RSP 2021 is administered by RC. Please refer to Note 21 (a) of this statement for details of the RC members.

The RSP 2021 is a share incentive scheme, proposed on the basis that it is important to retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding Group employees and associated company employees who have contributed to the growth of the Group. The RSP 2021 will also enable grants of fully-paid shares to be made to non-executive directors, including as part of their remuneration in respect of their office, in lieu of cash. The RSP 2021 will give participants an opportunity to have a personal equity interest in the Company and will help to achieve, amongst other objectives, the alignment of interests of Group employees, associated company employees and non-executive directors with the interests of shareholders of the Company. Controlling shareholders of the Company and their associates are not eligible to participate in the RSP 2021.

During the financial year ended 31 December 2022, the Company granted 736,000 (2021: 719,000) share awards to the Group's employees pursuant to the RSP 2021, at no consideration. No employee has received 5% or more of the total number of awards available under the RSP 2021. The share awards granted on (i) 31 December 2021, 31 March 2022 and 26 August 2022 will vest in ten (10) equal tranches over a period of ten (10) years commencing from the first anniversary after the date of grant, (ii) 26 January 2022 will vest in four (4) equal tranches over a period of four (4) years commencing from the first anniversary after the date of grant and (iii) 31 March 2022 will vest in five (5) equal tranches over a period of five (5) years commencing from the first anniversary after the date of grant. All the share awards under the RSP 2021 are subject to the grantee achieving certain performance conditions and meeting other terms and conditions in respect of each tranche.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 21 RESERVES (CONT'D)

(c) Nanofilm Restricted Share Plan ("RSP 2021") (cont'd)

The details of the shares awards granted pursuant to the RSP 2021 as at 31 December 2022 are as follows:

DATE OF RSP	SHARES AWARDS OUTSTANDING AT 1.1.2022	SHARES AWARDS GRANTED	SHARES AWARDS VESTED	SHARES AWARDS FORFEITED	SHARES AWARDS OUTSTANDING AT 31.12.2022
31 December 2021	719,000	-	-	(65,500)	653,500
26 January 2022	-	25,000	-	-	25,000
31 March 2022	-	273,000	-	(50,000)	223,000
26 August 2022	-	438,000	-	-	438,000
	719,000	736,000	-	(115,500)	1,339,500

The fair value of share awards granted during the financial year was determined by reference to the share price at the grant date. The significant inputs into the model based on management's expert were as below:

DATE OF RSP	SHARES AWARDS GRANTED	VESTING PERIOD	FAIR VALUE AT GRANT DATE S\$	GRANT DATE SHARE PRICE S\$
31 December 2021	719,000	10 years	2,496,370	3.82
26 January 2022	25,000	4 years	71,750	2.87
31 March 2022	240,000	5 years	514,900	2.71
31 March 2022	33,000	10 years	89,430	2.71
26 August 2022	438,000	10 years	1,059,960	2.42

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 22 BANK LOANS

	GROUP		COMPANY	
	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000
Current	1,944	2,070	1,872	1,872
Non-current (due 2-5 years)	24,412	26,211	24,412	26,128
Total	26,356	28,281	26,284	28,000

Security granted/corporate guarantees granted:

- (a) As at 31 December 2022, a bank loan amounting to S\$26,284,000 (2021: S\$28,000,000) was outstanding to a local bank. The loan was obtained by the Company for general working capital purposes after the acquisition of the property at 11 Tai Seng Drive, Singapore, which was funded by internal sources of funds on completion. The bank loan was secured by a mortgage over the property. The Company incurred an interest of approximately 1.30% to 4.65% (2021: 1.30%) per annum in the first year based on a fixed interest spread and cost of fund.
- (b) Other than disclosed in Note 22(a) above, the remaining current bank loans as at 31 December 2022 are unsecured, incurred interest at approximately 0.80% (2021: 0.80%) per annum.

## 23 LEASE LIABILITIES

The Group as a lessee

The Group made periodic lease payments for buildings for the purpose of office usage, leasehold land, motor vehicles, plant and machinery and land use rights. These are recognised within property, plant and equipment (Note 11) and land use rights (Note 12).

The carrying amounts of right-of-use assets classified within property, plant and equipment are as follows:

	GROUP		COMPANY	
	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000
Leasehold land	7,579	7,825	7,579	7,825
Plant and machinery	6,715	5,359	-	-
Buildings and renovation	5,805	4,522	1,986	2,656
	20,099	17,706	9,565	10,481

Additions of right-of-use assets classified within the Group's and the Company's property, plant and equipment during the financial year amounted to S\$6,080,000 (2021: S\$18,529,000) and S\$850,000 (2021: S\$11,048,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 23 LEASE LIABILITIES (CONT'D)

Amortisation charges on land use rights are set out in Note 12. Depreciation charges on right-of-use assets classified within property, plant and equipment during the financial year are as follows:

	GROUP		COMPANY	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Leasehold land	246	82	246	82
Plant and machinery	853	540	-	-
Buildings and renovation	1,773	1,907	1,240	1,516
	2,872	2,529	1,486	1,598

Amounts recognised in profit or loss and consolidated statement of cash flows are as follows:

	GROUP	
	2022	2021
	S\$'000	S\$'000
Interest on lease liabilities	604	443
Expenses relating to short-term leases and low value assets (included in cost of sales and administrative expenses)	41	440
	645	883
Total cash outflow for leases (excluding short-term leases)	(3,309)	(2,640)

The Group recognised leases liabilities as follows:

	GROUP		COMPANY	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Lease liabilities:				
Current	3,371	2,552	1,580	1,542
Non-current	16,841	15,279	8,041	9,034
	20,212	17,831	9,621	10,576

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 24 DEFERRED TAXATION

Deferred tax assets and liabilities are attributable to the following:

	GROUP		COMPANY	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax assets:				
Property, plant and equipment	2,990	1,287	-	-
Trade receivables and contract assets	47	95	-	-
Inventories	87	47	-	-
Award shares expenses under RSP 2021	99	-	-	-
	3,223	1,429	-	-
Deferred tax liabilities:				
Property, plant and equipment	1,278	1,278	1,278	1,278
Intangible assets	72	-	-	-
	1,350	1,278	1,278	1,278

The movement in the deferred taxation are as follows:

	RECOGNISED			AT 31 DECEMBER
	AT 1 JANUARY	IN PROFIT OR LOSS	EXCHANGE DIFFERENCES	
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>				
<u>2022</u>				
Property, plant and equipment	(9)	(1,798)	95	(1,712)
Trade receivables and contract assets	(95)	41	7	(47)
Inventories	(47)	(47)	7	(87)
Award shares expenses under RSP 2021	-	(105)	6	(99)
Intangible assets	-	72	-	72
	(151)	(1,837)	115	(1,873)
<u>2021</u>				
Property, plant and equipment	1,012	(1,020)	(1)	(9)
Trade receivables and contract assets	(293)	209	(11)	(95)
Inventories	(185)	155	(17)	(47)
	534	(656)	(29)	(151)



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 24 DEFERRED TAXATION (CONT'D)

	AT 1 JANUARY	RECOGNISED IN PROFIT OR LOSS	EXCHANGE DIFFERENCES	AT 31 DECEMBER
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>				
<u>2022</u>				
Property, plant and equipment	1,278	-	-	1,278
<u>2021</u>				
Property, plant and equipment	1,012	266	-	1,278

The deferred tax liabilities and assets are mainly expected to be settled or recovered after more than twelve months from the reporting date.

### Unrecognised deferred tax liabilities

As at 31 December 2022, deferred income tax liabilities of S\$10,338,000 (2021: S\$8,821,000) have not been recognised for withholding tax that will be payable on the earnings of subsidiaries in the PRC when remitted to the holding company. These unremitted earnings amounted to approximately S\$206,762,000 (2021: S\$176,415,000) at the reporting date and the related deferred tax liabilities have not been recognised in the financial statements as the Group is able to control the timing of the remittance of the earnings and it is probable that the earnings will not be distributed in the foreseeable future.

### Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. At the reporting date, several subsidiaries in Singapore, Vietnam, Japan and China have unrecognised tax losses of S\$12,497,000 (2021: S\$9,179,000) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses from foreign entities can be carried forward for five to ten years. The tax losses from local entities have no expiry date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 25 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Current</u>				
Trade payables:				
- Subsidiaries	-	-	994	423
- Third parties	21,656	20,829	999	1,955
	21,656	20,829	1,993	2,378
Other payables:				
- Accrued operating expenses	13,837	13,179	2,068	2,844
- Advances received from government	855	933	-	-
- VAT and other taxes payable	1,278	3,262	-	-
- Sundry creditors	10,144	22,298	1,330	-
- Due to subsidiaries	-	-	9	-
	26,114	39,672	3,407	2,844
Total current trade and other payables	47,770	60,501	5,400	5,222
<u>Non-current</u>				
Other creditors:				
- Put option liability	53,100	53,100	-	-
Total non-current other creditors	53,100	53,100	-	-

Trade payables are interest-free and are normally settled on 30 to 90 days' terms. The trade amounts due to subsidiaries are unsecured, interest-free and repayable on normal credit terms.

Included in accrued operating expenses are accrued staff costs (including bonus) of S\$11,256,000 (2021: S\$10,983,000) and S\$1,534,000 (2021: S\$2,546,000) for the Group and the Company respectively.

Included in sundry creditors are payables to vendors of property, plant and equipment of S\$8,058,000 (2021: S\$16,105,000).

The non-current other payable of S\$53,100,000 (2021: S\$53,100,000) as at 31 December 2022 was attributed to a financial liability to acquire non-controlling interest. Arising from the investment in Sydrogen Energy Pte. Ltd., the financial liability relates to a put option agreement with Venezia Investments Pte. Ltd. (an indirect wholly owned subsidiary of Temasek Holdings (Private) Ltd) to acquire its 35% equity interest in Sydrogen Energy Pte. Ltd. in the event of a put option event based on the terms of the agreement.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 26 PROVISIONS

	WARRANTIES S\$'000	RESTORATION S\$'000	TOTAL S\$'000
<b>Group</b>			
<u>2022</u>			
At 1 January	469	87	556
Provision made	720	107	827
Provision utilised	(133)	-	(133)
Reversal of provision made	(597)	-	(597)
Translation adjustment	(9)	-	(9)
At 31 December	450	194	644
<u>2021</u>			
At 1 January	277	25	302
Provision made	558	62	620
Provision utilised	(63)	-	(63)
Reversal of provision made	(303)	-	(303)
At 31 December	469	87	556
<b>Company</b>			
<u>2022</u>			
At 1 January	469	73	542
Provision made	499	14	513
Provision utilised	(81)	-	(81)
Reversal of provision made	(597)	-	(597)
At 31 December	290	87	377
<u>2021</u>			
At 1 January	277	25	302
Provision made	558	48	606
Provision utilised	(63)	-	(63)
Reversal of provision made	(303)	-	(303)
At 31 December	469	73	542

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 26 PROVISIONS (CONT'D)

### Provision for warranties

A provision is recognised for expected warranty claims on all equipment sold during the respective financial years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred within the next one year from the reporting date. Assumptions used to calculate the provision for warranties are based on current sales levels and current information available about utilisation based on the twelve months' warranty period for all equipment sold.

### Provision for restoration of property, plant and equipment

The Group and the Company lease buildings for the purpose of office and factory usage. A provision is recognised for the present value of costs to be incurred for the restoration of the premises.

## 27 DIVIDENDS

	GROUP AND COMPANY	
	2022	2021
	S\$'000	S\$'000
Ordinary dividends paid:		
One-tier tax exempt final dividend of a total of S\$0.010 per share paid on 20 May 2022 in respect of the financial year ended 31 December 2021	6,577	–
One-tier tax exempt interim dividend of a total of S\$0.011 per share paid on 9 September 2022 in respect of the financial year ended 31 December 2022	7,257	
One-tier tax exempt interim dividend of a total of S\$0.010 per share paid in respect of each financial year end	–	6,585
	13,834	6,685

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 28 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	OTHER PAYABLES S\$'000	BANK LOANS S\$'000	LEASE LIABILITIES S\$'000	TOTAL S\$'000
<b>Group</b>				
<u>2022</u>				
At 1 January	-	28,281	17,831	46,112
Repayment	-	(1,894)	(3,309)	(5,203)
<u>Non-cash changes:</u>				
Addition during the year	-	-	6,737	6,737
Disposal during the year	-	-	(327)	(327)
Currency translation differences	-	(31)	(720)	(751)
At 31 December	-	26,356	20,212	46,568
<u>2021</u>				
At 1 January	1,216	39,747	2,520	43,483
Proceeds	-	49,000	-	49,000
Repayment	-	(61,530)	(2,640)	(64,170)
<u>Non-cash changes:</u>				
Addition during the year	-	-	19,223	19,223
Disposal during the year	(1,216)	-	(1,357)	(2,573)
Currency translation differences	-	1,064	85	1,149
At 31 December	-	28,281	17,831	46,112

## 29 COMMITMENTS AND CONTINGENCIES

Capital expenditure contracted for as at the reporting date but not recognised in the financial statements is as follows:

	GROUP		COMPANY	
	2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000
Property, plant and equipment	10,968	4,321	6,367	569

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 30 RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the entity that is preparing its financial statements (“**reporting entity**”).

Parties are considered to be related if (a) a person or a close member of that person’s family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and (viii) the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related companies in these financial statements refer to members of Nanofilm Technologies International Limited’s group of companies. Related parties in these financial statements refer to a corporate shareholder of subsidiaries and an independent director. In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between parties, are as follows:

	GROUP	
	2022 S\$’000	2021 S\$’000
<u>Transactions with related parties</u>		
Sales	17,609	19,080
Purchases	11,580	18,559
Lease payments	205	209
Consultancy fee	11	–

### Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the financial years are as follows:

	GROUP	
	2022 S\$’000	2021 S\$’000
Short-term employee benefits	3,156	4,389
Contributions to defined contribution plans	116	148
Other short-term benefits	615	270
Total compensation paid to key management personnel	3,887	4,807
Comprised amounts paid to:		
Directors of the Company <sup>(1)</sup>	1,572	2,000
Other key management personnel	2,315	2,807
	3,887	4,807

(1) Include certain directors who resigned during the financial year ended 31 December 2022 and 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks, including the effects of credit risk, interest rate risk, liquidity risk, currency risk and capital risk arising in the normal course of the Group's business. The Group's risk management policy seeks to minimise the potential adverse effects from these exposures. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors of the Company is responsible for setting the objectives, the underlying principles of financial risk management for the Group and establishing the policies such as authority levels, over-sight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved.

### Financial Assets and Financial Liabilities

	GROUP		COMPANY	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets at amortised cost:				
Cash and bank balances	147,830	176,610	56,269	94,359
Trade and other receivables	87,425	94,487	98,258	99,327
Contract assets	12,655	21,506	-	-
Financial assets at fair value through other comprehensive income:				
Other financial assets	3,263	1,367	-	-
Financial assets at fair value through profit or loss:				
Other financial assets	7,074	6,363	-	-
	258,247	300,333	154,527	193,686
Financial liabilities at amortised cost:				
Trade and other payables	98,737	109,406	5,400	5,222
Bank loans	26,356	28,281	26,284	28,000
Lease liabilities	20,212	17,831	9,621	10,576
	145,305	155,518	41,305	43,798

#### (a) Credit Risk

Credit risk refers to the risk that the customer or counterparty failed to discharge an obligation which resulted in a financial loss to the Group.

As the Group do not hold any collateral, the maximum exposure to credit risk is the carrying amount of the related financial assets presented on the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

### (a) Credit Risk (cont'd)

#### Credit risk grading guideline

The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

INTERNAL RATING GRADES	DEFINITION	BASIS OF RECOGNITION OF EXPECTED CREDIT LOSS (ECL)
i. Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayments are more than 30 days past due)	Lifetime ECL (not credit impaired)
iii. Non-performing	There is evidence indicating that the asset is credit impaired (i.e. interest and/or principal repayments are more than 90 days past due)	Lifetime ECL (credit impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty (i.e. interest and/or principal repayments are more than 180 days past due)	Asset is written off

Based on the Group's internal rating assessment, there are no financial assets that are under-performing, non-performing and assets written off during the financial years. The credit quality of the Group's and the Company's performing financial assets, as well as maximum exposure to credit risk by internal credit risk assessments are as follows:

The trade receivables of the Group and the Company comprise 2 debtors (2021: nil debtors) and 7 debtors (2021: 5 debtors) respectively, that individually represented more than 5% (2021: 5%) of third parties trade receivables. The Group and the Company have applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime expected credit loss for trade receivables. The credit risk profile of trade receivables and contract assets are presented based on the past due status in terms of the provision matrix and is set out in Note 17. Other receivables are measured at 12-month expected credit loss as they have a low risk of default and do not have any past due amounts.

The Group's and the Company's cash and cash equivalents are entered into with bank and financial institution counterparties, with ratings mainly in Aa1, Aa3 and A categories, based on rating agency ratings. These are measured at amortised cost and are considered low credit risks and the amount of the allowance on cash and cash equivalents is assessed to be immaterial. The gross and net carrying amounts of cash and cash equivalents are set out in Note 19 to the financial statements.

Impairment on other receivables has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group and the Company consider that these financial assets have a low credit risk based on the external credit ratings of the counterparties and these counterparties having low risk of default. The amount of the allowance on these financial assets is assessed to be immaterial. The gross and net carrying amounts of other receivables are set out in Note 17 to the financial statements.

The Group and the Company monitor its credit risk according to the degree of default risk and the outstanding amounts will be written off if there is evidence indicating that there is no reasonable expectation of recovery due to customer default on long outstanding balances.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

### (b) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments recognised on the statements of financial position. It is the risk that changes in interest rates will affect the Group's and the Company's income or the value of their holdings of financial instruments. A fundamental financial industry return of interest rate benchmarks is being undertaken globally, including cessation and replacement of interbank offered rates ("IBORs") with alternative yearly risk-free rates (referred to as "interest rate benchmark reform").

The Group's and the Company's exposures to interest rate risk for changes in interest rates mainly arise from interest-bearing borrowings. Interest rate risk is managed by the Group and the Company on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

As at 31 December 2022, the Group's and the Company's bank loans are mainly based on fixed interest spread and cost of fund. The IBOR reform phase does not have material impact to the financial statements during the financial year.

If interest rates on bank loans had been 1% higher/lower with all other variables being held constant, the Group's and the Company's profit after income tax would have been lower/higher by approximately S\$224,000 (2021: S\$231,000) and S\$218,000 (2021: S\$232,000) as a result of higher/lower interest expense arising from bank loans of S\$26,356,000 (2021: S\$28,281,000) and S\$26,284,000 (2021: S\$28,000,000) as at 31 December 2022, respectively.

### (c) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and where required, mitigate the effects of fluctuation in cash flows. The Group and the Company may also obtain additional funding through credit facilities from banks and financial institutions.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

### (c) Liquidity Risk (cont'd)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows.

	← CASH FLOWS →				
	CARRYING AMOUNTS	CONTRACTUAL CASH FLOWS	WITHIN 1 YEAR	BETWEEN 1 TO 5 YEARS	MORE THAN 5 YEARS
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>					
<u>2022</u>					
Trade and other payables	98,737	98,737	45,637	–	53,100
Bank loans	26,356	28,467	2,275	8,568	17,624
Lease liabilities	20,212	24,154	3,972	8,788	11,394
	145,305	151,358	51,884	17,356	82,118
<u>2021</u>					
Trade and other payables	109,406	109,406	56,306	–	53,100
Bank loans	28,281	30,723	2,245	8,748	19,730
Lease liabilities	17,831	21,054	3,029	6,872	11,153
	155,518	161,183	61,580	15,620	83,983
<b>Company</b>					
<u>2022</u>					
Trade and other payables	5,400	5,400	5,400	–	–
Bank loans	26,284	28,394	2,202	8,568	17,624
Lease liabilities	9,621	11,894	1,744	1,912	8,238
	41,305	45,688	9,346	10,480	25,862
<u>2021</u>					
Trade and other payables	5,222	5,222	5,222	–	–
Bank loans	28,000	30,440	2,045	8,665	19,730
Lease liabilities	10,576	12,411	1,709	2,637	8,065
	43,798	48,073	8,976	11,302	27,795

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

### (d) Currency Risk

Currency risk arises on financial instruments that are denominated in currencies other than the respective functional currencies of the entities in the Group and the Company in which they are measured.

The Group and the Company are not exposed to significant foreign currency risk on their operating activities as most transactions and balances are denominated in the respective functional currencies of the Group entities, except for certain cash and bank balances, borrowings, trade and other receivables and payables which are denominated in foreign currencies, primarily United States Dollar (USD), Japanese Yen (JPY) and Renminbi (RMB). Exposure to foreign currency risk is monitored on an on-going basis and the Group and the Company endeavour to keep the net exposure at an acceptable level.

The Group's and the Company's foreign currency exposures as at the reporting date, based on the information provided by key management, are as follows:

	DENOMINATED IN THE FOLLOWING CURRENCIES					
	SGD	USD	JPY	RMB	OTHERS	TOTAL
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>						
<u>2022</u>						
<u>Financial assets</u>						
Cash and bank balances	91,215	7,756	4,407	44,156	296	147,830
Trade and other receivables, and contract assets	2,264	8,124	794	88,898	–	100,080
Other financial assets	270	3,263	–	6,804	–	10,337
	93,749	19,143	5,201	139,858	296	258,247
<u>Financial liabilities</u>						
Trade and other payables	59,102	860	600	38,038	137	98,737
Bank loans	26,284	–	72	–	–	26,356
Lease liabilities	11,418	–	84	8,710	–	20,212
	96,804	860	756	46,748	137	145,305
Net financial (liabilities)/assets	(3,055)	18,283	4,445	93,110	159	112,942
Less: Net financial (liabilities)/assets denominated in the entities' functional currencies	(2,155)	6,536	3,317	92,924	–	100,622
Currency exposure	(900)	11,747	1,128	186	159	12,320

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(d) Currency Risk (cont'd)

	DENOMINATED IN THE FOLLOWING CURRENCIES					TOTAL
	SGD	USD	JPY	RMB	OTHERS	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Group</b>						
<u>2021</u>						
<u>Financial assets</u>						
Cash and bank balances	135,589	5,468	5,495	29,853	205	176,610
Trade and other receivables, and contract assets	1,894	6,294	656	107,149	–	115,993
Other financial assets	–	1,367	–	6,363	–	7,730
	137,483	13,129	6,151	143,365	205	300,333
<u>Financial liabilities</u>						
Trade and other payables	57,683	916	300	50,380	127	109,406
Bank loans	28,000	–	281	–	–	28,281
Lease liabilities	10,846	–	223	6,762	–	17,831
	96,529	916	804	57,142	127	155,518
Net financial assets	40,954	12,213	5,347	86,223	78	144,815
Less: Net financial assets denominated in the entities' functional currencies	41,018	449	1,574	80,511	–	123,552
Currency exposure	(64)	11,764	3,773	5,712	78	21,263

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(d) Currency Risk (cont'd)

	DENOMINATED IN THE FOLLOWING CURRENCIES					TOTAL
	SGD	USD	JPY	RMB	OTHERS	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Company</b>						
<u>2022</u>						
<u>Financial assets</u>						
Cash and bank balances	54,461	1,360	350	98	–	56,269
Trade and other receivables	1,885	25,094	4,415	66,864	–	98,258
	56,346	26,454	4,765	66,962	–	154,527
<u>Financial liabilities</u>						
Trade and other payables	4,471	655	12	230	32	5,400
Bank loans	26,284	–	–	–	–	26,284
Lease liabilities	9,621	–	–	–	–	9,621
	40,376	655	12	230	32	41,305
Net financial assets/(liabilities)	15,970	25,799	4,753	66,732	(32)	113,222
Less: Net financial assets denominated in the Company's functional currency	15,970	–	–	–	–	15,970
Currency exposure	–	25,799	4,753	66,732	(32)	97,252
<u>2021</u>						
<u>Financial assets</u>						
Cash and bank balances	86,017	4,582	3,597	162	1	94,359
Trade and other receivables	1,411	22,579	–	75,337	–	99,327
	87,428	27,161	3,597	75,499	1	193,686
<u>Financial liabilities</u>						
Trade and other payables	3,299	307	1,129	472	15	5,222
Bank loans	28,000	–	–	–	–	28,000
Lease liabilities	10,576	–	–	–	–	10,576
	41,875	307	1,129	472	15	43,798
Net financial assets/(liabilities)	45,553	26,854	2,468	75,027	(14)	149,888
Less: Net financial assets denominated in the Company's functional currency	45,553	–	–	–	–	45,553
Currency exposure	–	26,854	2,468	75,027	(14)	104,335

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

### (d) Currency Risk (cont'd)

#### *Sensitivity analysis*

A change of 2% (2021: 2%) (taking into consideration both the strengthening and weakening aspect) of United States Dollar (USD), Japanese Yen (JPY) and Renminbi (RMB) against the respective functional currencies of the Group entities as at the reporting date, with all other variables being held constant would increase/(decrease) the Group's and the Company's profit after income tax as follows:

	PROFIT AFTER INCOME TAX	
	2022	2021
	S\$'000	S\$'000
<b>Group</b>		
<u>USD against SGD</u>		
- strengthened	199	192
- weakened	(199)	(192)
<u>JPY against SGD</u>		
- strengthened	19	62
- weakened	(19)	(62)
<u>RMB against SGD</u>		
- strengthened	3	93
- weakened	(3)	(93)
	PROFIT AFTER INCOME TAX	
	2022	2021
	S\$'000	S\$'000
<b>Company</b>		
<u>USD against SGD</u>		
- strengthened	428	446
- weakened	(428)	(446)
<u>JPY against SGD</u>		
- strengthened	79	41
- weakened	(79)	(41)
<u>RMB against SGD</u>		
- strengthened	1,108	1,245
- weakened	(1,108)	(1,245)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

### (e) Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development. The Group funds the operations and growth through a mix of equity and debt. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity where required. The Group's overall strategy remains unchanged from the financial years ended 31 December 2022 and 2021.

In the management of capital risk, management takes into consideration the gearing ratio as well as the Group's working capital requirement. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less provision for taxation, deferred taxation, provisions, contract liabilities and cash and bank balances. Total capital is calculated as total equity plus net debt.

	GROUP	
	2022	2021
	S\$'000	S\$'000
Net debt	(392)	(16,897)
Total equity	464,471	474,977
Total capital	464,079	458,080
Gearing ratio	n.m.	n.m.

n.m. - Not meaningful as the cash and bank balances are higher than total liabilities.

As disclosed in Note 2(v), subsidiaries of the Group incorporated in the People's Republic of China, are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2022 and 2021. The Group has no other externally imposed capital requirements for the financial years ended 31 December 2022 and 2021.

### (f) Fair Value of Assets and Liabilities

The fair value information presented represents the Group's best estimate of those values and may be subject to certain assumptions and limitations. The methodologies and assumptions used in the estimation of fair values depend on the terms and characteristics of the various financial instruments. The following methods and assumptions are used to determine the fair value of each class of financial instruments for which it is practicable to determine that value.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

### (f) Fair Value of Assets and Liabilities (cont'd)

#### *Fair value hierarchy*

The Group provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### *Assets and liabilities measured at fair value*

The following table presents the assets and liabilities measured at fair value as at the reporting date:

	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS LEVEL 1 S\$'000	SIGNIFICANT OBSERVABLE INPUTS OTHER THAN QUOTED PRICES LEVEL 2 S\$'000	SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3 S\$'000	TOTAL S\$'000
<b>Group</b>				
<u>2022</u>				
Recurring fair value measurements				
Assets				
Other financial assets				
-fair value through other comprehensive income	1,896	-	1,367 <sup>(1)</sup>	3,263
-fair value through profit or loss	-	6,804	270 <sup>(2)</sup>	7,074
Total other financial assets	1,896	6,804	1,637	10,337
<u>2021</u>				
Recurring fair value measurements				
Assets				
Other financial assets				
-fair value through other comprehensive income	-	-	1,367 <sup>(1)</sup>	1,367
-fair value through profit or loss	-	6,363	-	6,363
Total other financial assets	-	6,363	1,367	7,730



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

### (f) Fair Value of Assets and Liabilities (cont'd)

#### *Assets and liabilities measured at fair value (cont'd)*

As at 31 December 2022 and 2021, the valuation techniques and inputs used in the fair value measurement are set out in Note 16 to the financial statements. There was no transfer between Level 1, Level 2 and Level 3 during the financial year ended 31 December 2022 and 2021.

- <sup>(1)</sup> If the inputs for the asset or liability that are not based on observable market data to the valuation techniques were 5% (2021: 5%) higher/lower while all the other variables were held constant, the carrying amount of the would decrease/increase by S\$71,000 (2021: decrease/increase by S\$68,000).
- <sup>(2)</sup> If the inputs for the asset or liability that are not based on observable market data to the valuation techniques were 5% higher/lower while all the other variables were held constant, the carrying amount of the would decrease/increase by S\$14,000.

Movements in level 3 assets and liabilities measured at fair value.

	<b>FINANCIAL ASSETS, AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</b>
	<b>S\$'000</b>
<b>Group</b>	
<u>2022</u>	
At 1 January	1,367
Additions	270
At 31 December 2022	<u>1,637</u>
<u>2021</u>	
At 1 January	-
Additions	1,367
At 31 December 2021	<u>1,367</u>

#### *Financial instruments whose carrying amounts approximate fair values*

The carrying amounts of the Group's and the Company's financial assets and financial liabilities with a maturity of less than one year approximate their fair values due to their short-term maturities.

The fair values of the Group's and the Company's non-current financial assets and non-current financial liabilities are calculated based on discounted expected future principal and interest cash flows. The discount rate used is based on market rate for similar instruments as at the reporting date ("Level 2"). As at 31 December 2022 and 2021, the carrying amounts of these non-current assets and non-current liabilities approximate their fair values.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 32 OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed to make strategic decisions. The Group has three reportable segments, as described below, which are the Group's strategic business units ("BU") based on different services/products ranges.

- Advanced materials BU - material science provider of advanced materials through proprietary vacuum coating technology across wide range of end industries.
- Industrial equipment BU - designs and develops customised coating equipment, cleaning lines and automation systems, including after sales support for internal BUs and external sales to selective markets.
- Nanofabrication BU - manufacturer and supplier of nanoproducts in optical imaging lens and sensory components critical to customers' end-products.
- Sydrogen BU - provider of critical fuel cell components with its proprietary conductive diamond coatings and fuel cell system solutions for the hydrogen energy market.

	ADVANCED MATERIALS S\$'000	INDUSTRIAL EQUIPMENT S\$'000	NANOFABRICATION S\$'000	SYDROGEN S\$'000	INTER- SEGMENT ELIMINATIONS S\$'000	TOTAL S\$'000
<u>2022</u>						
Revenue from external customers	187,219	30,887	19,097	203	-	237,406
Inter-segment sales	533	15,677	84	-	(16,294)	-
	187,752	46,564	19,181	203	(16,294)	237,406
Adjusted EBITDA	68,162	7,619	6,280	(1,559)	-	80,502
<u>Other information</u>						
Depreciation	26,362	1,060	1,362	96	-	28,880
Amortisation of land use rights	274	-	11	-	-	285
Amortisation of intangible assets	854	772	93	-	-	1,719
Covid-19 related expenses	2,399	66	-	-	-	2,465
Impairment loss on trade receivables and contract assets	51	-	-	-	-	51
Write down of inventories	196	-	-	-	-	196
Write off/ loss/(gain) on disposal of property, plant and equipment	4	(6)	-	-	-	(2)
Listing expenses charged to profit or loss						
- Recurring	40	29	1	-	-	70
Share option expenses	236	175	5	-	-	416
Award share expenses under RSP 2021	871	85	2	-	-	958
Provision for warranties and restoration of property, plant and equipment	-	827	-	-	-	827
Reversal of provision for warranties	-	(597)	-	-	-	(597)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 32 OPERATING SEGMENT INFORMATION (CONT'D)

	ADVANCED MATERIALS	INDUSTRIAL EQUIPMENT	NANOFABRICATION	SYDROGEN	INTER- SEGMENT ELIMINATIONS	TOTAL
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>2022</u>						
<u>Assets</u>						
Segment assets	363,901	54,553	15,285	18,703	-	452,442
Cash and bank balances						147,830
Other financial assets						10,337
Investment in associate						4,033
Deferred tax assets						3,223
						<u>617,865</u>
Segment assets include:						
Additions to non-current assets:						
- Property, plant and equipment	43,362	4,229	789	8,474	-	56,854
- Intangible assets	5,852	1,503	-	4,463	-	11,818
<u>Liabilities</u>						
Segment liabilities	55,771	10,411	1,132	2,700	-	70,014
Bank loans						26,356
Deferred tax liabilities						1,350
Other creditors (non-current)						53,100
Provision for taxation						2,574
						<u>153,394</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 32 OPERATING SEGMENT INFORMATION (CONT'D)

	ADVANCED MATERIALS S\$'000	INDUSTRIAL EQUIPMENT S\$'000	NANOFABRICATION S\$'000	INTER- SEGMENT ELIMINATIONS S\$'000	TOTAL S\$'000
<u>2021</u>					
Revenue from external customers	194,269	44,622	7,803	-	246,694
Inter-segment sales	7	18,376	10	(18,393)	-
	194,276	62,998	7,813	(18,393)	246,694
Adjusted EBITDA	80,462	15,075	189	-	95,726
<u>Other information</u>					
Depreciation	20,976	1,636	1,739	-	24,351
Amortisation of land use rights	280	-	10	-	290
Amortisation of intangible assets	368	796	28	-	1,192
Write back of allowance on trade receivables and contract assets	(269)	(1,053)	-	-	(1,322)
Write down of inventories	16	-	-	-	16
Write off/ loss/ (gain) on disposal of property, plant and equipment	105	(43)	(2)	-	60
Write off of intangible assets	6	12	-	-	18
Listing expenses charged to profit or loss					
- Recurring	32	68	2	-	102
Provision for warranties	-	558	-	-	558
Reversal of provision for warranties	-	(303)	-	-	(303)
<u>Assets</u>					
Segment assets	376,929	66,427	15,793	-	459,149
Cash and bank balances					176,610
Other financial assets					7,730
Deferred tax assets					1,429
					644,918
Segment assets include:					
Additions to non-current assets:					
- Property, plant and equipment	106,315	31,436	1,755	-	139,506
- Intangible assets	1,032	1,784	335	-	3,151
<u>Liabilities</u>					
Segment liabilities	64,140	15,965	1,390	-	81,495
Bank loans					28,281
Deferred tax liabilities					1,278
Other creditors (non-current)					53,100
Provision for taxation					5,787
					169,941

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 32 OPERATING SEGMENT INFORMATION (CONT'D)

A reconciliation of total EBITDA to total profit before income tax is as follows:

	GROUP	
	2022	2021
	S\$'000	S\$'000
Adjusted EBITDA <sup>(1)</sup> for reportable segments	80,502	95,726
Depreciation	(28,880)	(24,351)
Amortisation	(2,004)	(1,482)
Gain/(Write off/Loss) on disposal of property, plant and equipment	2	(60)
Covid-19 related expenses <sup>(2)</sup>	(2,465)	-
Write down of inventories	(196)	-
Write off of intangible assets	-	(18)
Other professional fees	(239)	(236)
Award shares expenses under RSP 2021	(958)	-
Finance income	1,576	983
Finance expenses	(1,222)	(704)
Profit before income tax	46,116	69,858
Income tax	(2,831)	(7,328)
Profit after income tax	43,285	62,530

(1) Net profit before interest, tax, depreciation and amortisation (EBITDA).

(2) Covid-19 related expenses were idle manpower and increased freight charges incurred during the COVID-19 lockdown in Shanghai for the month of April and May 2022.

Revenue from external customers based on Group's entities' place of business are as follows:

	GROUP	
	2022	2021
	S\$'000	S\$'000
Singapore	42,364	39,688
China	173,333	190,296
Japan	21,648	16,679
Vietnam	61	31
Total revenue	237,406	246,694

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 32 OPERATING SEGMENT INFORMATION (CONT'D)

The following is an analysis of the carrying amount of non-current non-financial assets, analysed by the geographical areas in which the assets are located:

	GROUP	
	2022	2021
	S\$'000	S\$'000
Singapore	75,255	63,465
China	242,874	242,497
Japan	5,090	3,769
Vietnam	4,825	5,128
Total non-current non-financial assets	328,044	314,859

## 33 SUBSEQUENT EVENTS

- (a) On 27 February 2023, the Company incorporated a wholly owned Vietnam subsidiary, Nanofilm Technologies Vietnam Co., Ltd, with an issued and fully paid-up capital of USD5,000,000. The principal activity of Nanofilm Technologies Vietnam Co., Ltd, is manufacturing of plastic products.
- (b) On 27, 28 February 2023, 1, 2, 13, 20 and 21 March 2023, the Company acquired a total of 2,100,300 of its own shares as treasury shares by the way of market acquisition for a total consideration of S\$3,156,000.
- (c) On 28 February 2023, the Company transferred 69,800 treasury shares for the vesting and release of shares pursuant to the Nanofilm Restricted Share Plan.
- (d) The investment in quoted equity represents investments that the Group intends to hold for strategic purposes. On 12 January 2023, the Group's Board of Directors approved the sale of shares in quoted equity due to a shift in the original strategic business intent of the parties. As of 10 March 2023, the Group has completed the sale of all of its holding in the said quoted equity. Cumulative fair value gain of S\$496,000 was recorded as a result of the sale.
- (e) On 10 March 2023, the Company and its subsidiary, Nanofilm Technologies Vietnam Co., Ltd., entered into a Land Sub-leasing Contract with Dai An Industry Zone Infrastructure Development Ltd., Co. to sub-lease a piece of vacant land located in the Dai An Expansion Industrial Zone in the Haiduong Province of Vietnam for a term expiring on 1 January 2056. The Company had made payment of the first and second installments of USD1,210,000 (equivalent to S\$1,712,000) and USD2,623,000 (equivalent to S\$3,518,000) to Dai An Industry Zone Infrastructure Development Ltd., Co. on 18 November 2022 and 13 January 2023, respectively.
- (f) The Board of Directors of the Group has recommended a final tax exempt one-tier dividend of S\$0.011 per ordinary share for the year. The total amount of dividends is expected to be approximately S\$7,200,000. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend will be payable on 18 May 2023.

# STATISTICS OF SHAREHOLDINGS

As at 16 March 2023

## SHAREHOLDERS' INFORMATION

Number of equity securities	:	656,506,110
Class of equity securities	:	Ordinary shares
Voting rights	:	One vote per share
Number of treasury shares and subsidiary holdings	:	6,937,000

## Distribution of Shareholders by Size of Shareholdings

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 99	1	0.01	1	0.00
100 - 1,000	1,772	22.76	1,472,918	0.22
1,001 - 10,000	4,672	60.01	20,730,216	3.16
10,001 - 1,000,000	1,316	16.91	46,298,846	7.05
1,000,001 and above	24	0.31	588,049,129	89.57
<b>Total</b>	<b>7,785</b>	<b>100.00</b>	<b>656,506,110</b>	<b>100.00</b>

## Twenty Largest Shareholders

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS
1	Pearl Yard Holdings Inc	253,709,960	38.65
2	Raffles Nominees (Pte.) Limited	53,659,143	8.17
3	Venezio Investments Pte Ltd	49,269,300	7.50
4	Citibank Nominees Singapore Pte Ltd	45,049,719	6.86
5	Shi Xu	44,457,573	6.77
6	Harrymore International Limited	28,192,518	4.29
7	HSBC (Singapore) Nominees Pte Ltd	23,117,354	3.52
8	DBS Nominees (Private) Limited	18,625,238	2.84
9	Jin Xiaozhe	17,562,740	2.68
10	Jin Xiao Qun	10,190,375	1.55
11	DBSN Services Pte. Ltd.	6,592,292	1.00
12	BPSS Nominees Singapore (Pte.) Ltd.	6,292,439	0.96
13	Wei Hao	5,133,685	0.78
14	Lasting Legacy Pte Ltd	4,721,900	0.72
15	Phillip Securities Pte Ltd	4,714,283	0.72
16	iFast Financial Pte. Ltd.	3,377,210	0.51
17	OCBC Securities Private Limited	2,817,200	0.43
18	Tiger Broker (Singapore) Pte. Ltd.	2,021,500	0.31
19	Maybank Securities Pte. Ltd.	1,968,300	0.30
20	UOB Kay Hian Private Limited	1,803,500	0.27
<b>Total</b>		<b>583,276,229</b>	<b>88.83</b>

# STATISTICS OF SHAREHOLDINGS

As at 16 March 2023

## Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

NAME OF SUBSTANTIAL SHAREHOLDER	DIRECT INTEREST	% <sup>(6)</sup>	DEEMED INTEREST	% <sup>(6)</sup>
Pearl Yard Holdings Inc ("Pearl Yard")	253,709,960	38.58	–	–
Dr Shi Xu <sup>(1)</sup>	44,457,573	6.74	292,592,853	44.33
Mdm Jin Xiao Qun <sup>(2)</sup>	10,190,375	1.55	28,192,518	4.27
Venezio Investments Pte Ltd ("Venezio")	47,579,947	7.22	–	–
Napier Investment Pte. Ltd. ("Napier") <sup>(3)</sup>	–	–	47,579,947	7.22
Tembusu Capital Pte. Ltd. ("Tembusu") <sup>(4)</sup>	–	–	47,729,947	7.24
Temasek Holdings (Private) Limited ("Temasek") <sup>(5)</sup>	–	–	47,729,947	7.24

### Notes:

- Dr Shi Xu's deemed interest arises from (1) the 253,709,960 shares of the Company (the "Shares") held by Pearl Yard as Dr Shi is the sole shareholder of Pearl Yard and accordingly, for the purposes of Section 4 of the Securities and Futures Act 2001 of Singapore (the "SFA"), is deemed to have an interest in the 253,709,960 Shares held by Pearl Yard, (2) the 500,000 Shares held by Neufront Investment Pte Ltd ("Neufront") as Dr Shi Xu holds 50% of the total issued shares in Neufront and accordingly for the purposes of Section 4 of the SFA, is deemed to have an interest in the Shares held by Neufront; and (3) the 38,882,893 Shares in which his spouse, Mdm Jin Xiao Qun, has an interest, comprising (i) direct interests in 10,190,375 Shares, and (ii) deemed interests in 28,192,518 Shares held by Harrymore International Limited ("Harrymore"). Mdm Jin Xiao Qun holds 50% of the total issued shares in Neufront. Accordingly, for the purposes of Section 4 of the SFA, Mdm Jin Xiao Qun is deemed to have an interest in the 500,000 Shares held by Neufront. This deemed interest in 500,000 Shares is not required to be notified under the SFA and therefore has not been recorded in the Register of Substantial Shareholders.
- Mdm Jin Xiao Qun holds more than 20% of the shares of Harrymore. Accordingly, for the purposes of Section 4 of the SFA, Mdm Jin Xiao Qun is deemed to have an interest in the 28,192,518 Shares held by Harrymore.
- Napier's deemed interest in Shares arises from the direct interest held by Venezio. Napier is the holding company of Venezio.
- Tembusu's deemed interest arises from the interests in Shares held by Venezio and SeaTown Holdings Pte. Ltd. ("SeaTown"), an independently-managed Temasek portfolio company.
- Temasek's deemed interest arises from the interests in Shares held by Venezio and SeaTown.
- The shareholding interests stated in the Register of Substantial Shareholders are computed based on the total number of issued Shares as at the date the respective interests were reported to the Company.

## Free Float

As at 16 March 2023, approximately 37.15% of the Company's ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. The Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “AGM” or the “Meeting”) of **NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED** (the “Company”) will be held by way of electronic means on **Friday, 28 April 2023** at **10.00 a.m. (Singapore time)** to transact the following business:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the year ended 31 December 2022 together with the Auditors’ Report thereon.

**Resolution 1**

2. To declare a final dividend (tax exempt one-tier) of S\$0.011 per ordinary share for the financial year ended 31 December 2022.

**Resolution 2**

3. To re-elect the following Directors of the Company who will each retire pursuant to the relevant Regulations of the Company’s Constitution, and who each being eligible, offers himself for re-election:

Dr Shi Xu	(Regulation 94)	<b>Resolution 3</b>
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Mr Kristian John Robinson	(Regulation 94)	<b>Resolution 4</b>
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Mr Wan Kum Tho	(Regulation 94)	<b>Resolution 5</b>
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Mr Steve Ghanayem	(Regulation 100)	<b>Resolution 6</b>
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*Dr Shi Xu will, upon re-election as a Director of the Company, remain as the Executive Chairman of the Board. Detailed information of Dr Shi Xu required pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) can be found in the Annual Report.*

*Mr Kristian John Robinson will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Remuneration Committee, and will be considered independent. Detailed information of Mr Kristian John Robinson required pursuant to Rule 720(6) of the Listing Manual of SGX-ST can be found in the Annual Report.*

*Mr Wan Kum Tho will, upon re-election as a Director of the Company, remain as the Chairman of the Board Risk Committee and a member of the Audit Committee, and will be considered independent. Detailed information of Mr Wan Kum Tho required pursuant to Rule 720(6) of the Listing Manual of SGX-ST can be found in the Annual Report.*

*Mr Steve Ghanayem will, upon re-election as a Director of the Company, remain as a member of the Board Risk Committee and will be considered independent. Detailed information of Mr Steve Ghanayem required pursuant to Rule 720(6) of the Listing Manual of SGX-ST can be found in the Annual Report.*

4. To approve the payment of additional Directors’ fees of S\$10,027.40 for the financial year ended 31 December 2022 (“FY2022”).

*[See Explanatory Note (i)]*

**Resolution 7**

# NOTICE OF ANNUAL GENERAL MEETING

5. To approve the payment of Directors' fees of S\$588,000.00 for the financial year ending 31 December 2023, to be paid quarterly in arrears.

**Resolution 8**

6. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.

**Resolution 9**

7. To transact any other ordinary business which may be transacted at an AGM.

## AS SPECIAL BUSINESS

To consider, and if thought fit, pass with or without any amendments, the following Ordinary Resolutions:

### 8. SHARE ISSUE MANDATE

That pursuant to Section 161 of the Companies Act 1967 of Singapore ("**Companies Act**"), and Rule 806 of the Listing Manual of the SGX-ST, authority be and is hereby given to the Directors to:

- (a) (i) allot and issue ordinary shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise;
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other similar instruments convertible into Shares; and/or
- (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit;

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force; and
- (c) complete and do all such acts and things, including without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Resolution.

# NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to shareholders of the Company (“**Shareholders**”) (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below):
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of the issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of any convertible securities;
  - (b) new Shares arising from the exercise of share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in a general meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

[See Explanatory Note (ii)]

**Resolution 10**

## 9. AUTHORITY TO ISSUE SHARES UNDER THE NANOFILM EMPLOYEE SHARE OPTION SCHEME 2017 (“ESOS 2017”)

That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors to allot and issue new fully-paid Shares (“**New Shares**”) from time to time as may be required to be issued pursuant to the exercise of the options granted under the ESOS 2017 and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

**Resolution 11**

# NOTICE OF ANNUAL GENERAL MEETING

## 10. AUTHORITY TO GRANT OPTIONS AND ISSUE SHARES UNDER THE NANOFILM EMPLOYEE SHARE OPTION SCHEME 2020 (THE "NANOFILM ESOS 2020")

That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors to:

- (a) offer and grant options pursuant to the rules of the Nanofilm ESOS 2020 and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier ("**Relevant Period**"); and
- (b) allot and issue New Shares as may be required to be issued from time to time pursuant to the exercise of options granted during the Relevant Period,

provided that the total number of Shares over which options may be granted under the Nanofilm ESOS 2020 on any date, when added to the total number of New Shares allotted and issued and/or to be allotted and issued, and issued Shares (including treasury shares and subsidiary holdings, if any) delivered and/or to be delivered, pursuant to (i) options already granted under the Nanofilm ESOS 2020; (ii) awards already granted the Nanofilm Restricted Share Plan (as defined in paragraph 11 below); and (iii) any options and awards already granted under the Company's other share options or share schemes adopted post the initial public offering of the Shares on the SGX-ST ("**Listing**"), shall not exceed 5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) on the date preceding the date of grant of the relevant new option.

[See Explanatory Note (iv)]

**Resolution 12**

## 11. AUTHORITY TO GRANT AWARDS AND ISSUE SHARES UNDER THE NANOFILM RESTRICTED SHARE PLAN (THE "NANOFILM RESTRICTED SHARE PLAN")

That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors to:

- (a) offer and grant awards ("**Awards**") in accordance with the provisions of the Nanofilm Restricted Share Plan and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force during the Relevant Period; and
- (b) allot and issue New Shares, as may be required to be issued from time to time pursuant to the vesting of Awards under the Nanofilm Restricted Share Plan,

provided that the total number of Shares which may be delivered pursuant to Awards granted under the Nanofilm Restricted Share Plan, when added to: (i) the total number of New Shares allotted and issued and/or to be allotted and issued, issued Shares (including treasury shares and subsidiary holdings, if any) delivered and/or to be delivered, and Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to all Awards granted under the Nanofilm Restricted Share Plan; (ii) the total number of new Shares allotted and issued and/or to be allotted and issued, and issued Shares (including treasury shares and subsidiary holdings, if any) delivered and/or to be delivered, pursuant to options already granted under the Nanofilm ESOS 2020; and (iii) the total number of Shares subject to any other share option or share schemes adopted by the Company after the Listing, shall not exceed 5% of the total number of issued Shares (excluding Shares held by the Company as treasury shares and subsidiary holdings, if any) from time to time.

[See Explanatory Note (v)]

**Resolution 13**

# NOTICE OF ANNUAL GENERAL MEETING

## 12. RENEWAL OF SHARE PURCHASE MANDATE

That:

- (a) for the purposes of Section 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
- (i) on-market purchase(s) ("**Market Purchases**"), transacted through the SGX-ST trading system and/or on any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose; and/or
  - (ii) off-market purchase(s) ("**Off-Market Purchase**"), if effected otherwise than on the SGX-ST or a securities exchange in accordance with an equal access scheme(s) (as defined in Section 76C of the Companies Act) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with the Companies Act and all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing on and from the date of the passing of this Resolution and expiring on the earlier of:
- (i) the date on which the next AGM of the Company is held or required by law to be held; or
  - (ii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated.
- (c) for purposes of this Resolution:-

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) consecutive market days on which Shares are transacted on the SGX-ST or, as the case may be, such other securities exchange on which the Shares may for the time being be listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Manual of the SGX-ST for any corporate action which occurs during the relevant five-day (5) market days period and the date on which the Market Purchase is made or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase;

"**date of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the basis set out below) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Maximum Limit**" means that number of issued Shares representing 10% of the total issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date); and

# NOTICE OF ANNUAL GENERAL MEETING

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed, in the case of a Market Purchase, 105% of the Average Closing Price of the Shares and, in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares; and

- (d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

*[See Explanatory Note (vi)]*

**Resolution 14**

By Order of the Board

Eunice Hooi  
Company Secretary

Singapore  
13 April 2023

## **Explanatory Notes on Resolutions to be passed**

- (i) The additional Directors' fees are due to the addition of one new Board member during FY2022.
- (ii) Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors, until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any), of which up to 20% may be issued other than on a pro-rata basis to Shareholders.

For the purpose of determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time Ordinary Resolution 10 is passed, after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which were issued and outstanding or subsisting at the time when this Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of Shares.

- (iii) Ordinary Resolution 11 proposed in item 9 above, if passed, will empower the Directors of the Company to issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of options already granted under the ESOS 2017.
- (iv) Ordinary Resolution 12 proposed in item 10 above, if passed, will empower the Directors of the Company to offer and grant options pursuant to the rules of the Nanofilm ESOS 2020 from the date of the passing of Ordinary Resolution 12 until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of options granted or to be granted under the Nanofilm ESOS 2020. The aggregate number of shares which may be issued pursuant to the Nanofilm ESOS 2020, the Nanofilm Restricted Share Plan and any other share option or share schemes adopted by the Company post-Listing shall not exceed 5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) on the date preceding the date of grant of the relevant new option.
- (v) Ordinary Resolution 13 proposed in item 11 above, if passed, will empower the Directors of the Company to offer and grant Awards in accordance with the provisions of the Nanofilm Restricted Share Plan from the date of the passing of Ordinary Resolution 13 until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, and to allot and issue from time to time such number of fully-paid New Shares as may be required to be issued pursuant to the vesting of Awards under the Nanofilm Restricted Share Plan. The aggregate number of shares which may be delivered pursuant to Awards granted under the Nanofilm Restricted Share Plan on any date, when added to (1) the total number of new Shares allotted and issued and/or to be allotted and issued, issued Shares (including treasury shares and subsidiary holdings, if any) delivered and/or to be delivered, and Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to all Awards granted under the Nanofilm Restricted Share Plan, (2) the total number of new Shares allotted and issued and/or to be allotted and issued, and issued Shares (including treasury shares and subsidiary holdings, if any) delivered and/or to be delivered, pursuant to options granted under the Nanofilm ESOS 2020 and (3) the total number of Shares subject to any other share option or share schemes adopted by the Company post-Listing, shall not exceed 5% of the total number of issued Shares (excluding Shares held by the Company as treasury shares and subsidiary holdings, if any) on the date preceding the date of the relevant Award.

# NOTICE OF ANNUAL GENERAL MEETING

- (vi) Ordinary Resolution 14 proposed in item 12 above, is to renew the mandate approved by Shareholders at the last AGM held on 28 April 2022 to enable the Directors to purchase or otherwise acquire Shares on the terms and subject to the conditions of this Resolution. If passed, Ordinary Resolution 14 will empower the Directors until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to repurchase Shares by way of Market Purchases or Off-Market Purchases of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) as at the date of the AGM at which the Resolution is passed. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the proposed renewal of the Share Purchase Mandate on the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2022 are set out in greater detail in the Addendum released on the SGX website together with the Annual Report 2022 ("**Addendum**").

## PARTICIPATION IN THE ANNUAL GENERAL MEETING ("AGM")

The AGM will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, and Shareholders will NOT be able to attend the AGM in person.

Printed copies of all documents relating to the business of AGM, including the Annual Report 2022, the Addendum, this Notice of AGM and Proxy Form will not be sent to Shareholders of the Company. Instead, the Annual Report 2022, the Addendum, this Notice of AGM and Proxy Form will be published on the SGX website at the URL <https://www.sgx.com/securities/company-announcements> and the Company's website at the URL <https://www.nti-nanofilm.com/investors/announcements>.

All Shareholders or their corporate representatives (in the case of Shareholders which are legal entities) will be able to participate in the AGM proceedings by watching a "live" webcast (the "**Live AGM Webcast**") or listen to a "live" audio feed (the "**Live AGM Audio Feed**").

## PRE-REGISTRATION

- (i) To attend the AGM through the Live AGM Webcast or Live AGM Audio Feed, Shareholders or their corporate representatives (in the case of members of the Company ("**Members**") which are legal entities) will need to register at <https://septusasia.com/nanofilm2023agm> by **10:00 a.m. on 25 April 2023** (the "**Registration Deadline**") for verification of their status as Shareholders (or the corporate representatives of such Shareholders) of the Company. Shareholders who wish to appoint person(s) (other than the Chairman of the Meeting) as a proxy(ies) ("**Proxyholder(s)**") to attend and vote at the AGM must register their appointed proxy(ies) by the Registration Deadline, failing which the appointment shall be invalid.
- (ii) Shareholders/Investors holding shares through relevant intermediaries (other than CPF/SRS investors) will not be able to pre-register for the Live AGM Webcast. Such Shareholders/investors who wish to participate in the AGM proceedings should instead approach his/her relevant intermediary as soon as possible in order to make the necessary arrangements.
- (iii) Following successful verification, each such Shareholder or its corporate representative(s) or Proxy(ies) ("**Attendees**") will receive an email confirmation ("**Confirmation Email**") by **10.00 a.m. on 27 April 2023** containing instructions on how to access the live AGM proceedings through the Live AGM Webcast or Live AGM Audio Feed. Attendees **must not** forward the Confirmation Email to any other persons who are not Shareholders and who are not eligible to attend the AGM. This is also to avoid any potential technical disruptions to the Live AGM Webcast or Live AGM Audio Feed due to overloading.
- (iv) Attendees who have registered by the Registration Deadline but do not receive an email confirmation by **10.00 a.m. on 27 April 2023** may contact Septus Singapore Pte Ltd at +65 6641 7315 or email [webcast@septusasia.com](mailto:webcast@septusasia.com) for assistance.

## APPOINTMENT OF PROXY(IES)

- (i) Shareholders (whether individual or corporate) who wish to vote on the resolutions to be tabled at the AGM may:
- (a) vote "live" via electronic means at the AGM, or (whether the Shareholder is an individual or a corporate) appoint a proxy(ies) (other than the Chairman of the Meeting) to vote "live" via electronic means at the AGM on his/her/its behalf; or
- (b) (whether the Shareholder is an individual or a corporate) appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, Shareholders must give specific instructions as to voting, or abstention from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
- (ii) A Shareholder who is not a relevant intermediary is entitled to appoint not more than two proxies. Where such Shareholder's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument.
- (iii) A Shareholder who is a relevant intermediary is entitled to appoint more than two proxies but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Shareholder. Where such Shareholder's proxy form appoints more than one proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument.

"**Relevant intermediary**" means:

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

# NOTICE OF ANNUAL GENERAL MEETING

- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001, and who holds shares in that capacity; or
- (c) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- (iv) A proxy need not be a Shareholder.
- (v) The duly executed instrument appointing the proxy(ies) (the “**Proxy Form**”) must be deposited with the Company’s Share Registrar Office at **Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue Keppel Bay Tower #14-07 Singapore 098632** or emailed to [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com) by **10:00 a.m. on 25 April 2023**, being 72 hours before the commencement of the AGM.

**Shareholders are strongly encouraged to submit completed proxy forms electronically via email.**

- (vi) CPF or SRS investors may: (a) vote “live” via electronic means at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should approach their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or (b) appoint the Chairman of the Meeting as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e.: by **19 April 2023**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a Proxy Form on their behalf by the cut-off date.

## SUBMISSION OF QUESTIONS

- (i) Shareholders or Proxy(ies) may (i) submit questions related to the resolutions to be tabled at the AGM during pre-registration by post to the Company’s Share Registrar Office at **Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632** or by email to [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com) by **10:00 a.m. on 25 April 2023**; or (ii) submit text-based question during the AGM by clicking the “Ask Questions” feature and then inputting their queries in the questions text box.
- (ii) The Company will endeavour to address all substantial and relevant questions received from Shareholders either before or during the AGM.
- (iii) Minutes of the AGM will be posted on SGXNet and the Company’s corporate website within one month from the date of the AGM.

## VOTING

- (i) Live voting will be conducted during the AGM. It is important for Attendees to ensure their own web-browser enabled devices are ready for voting during the AGM.
- (ii) Attendees will be required to log-in via the username and password provided in the Confirmation Email.
  - (a) Live voting: Attendees may cast their votes in real time for each resolution to be tabled via the Live AGM Webcast. Attendees will have the opportunity to cast their votes via the live voting feature.
  - (b) Voting via appointing the Chairman of the Meeting as Proxy: As an alternative to the above, Members may also appoint the Chairman of the AGM as his/her/its proxy to vote on their behalf. Please refer to “**Appointment of proxy(ies)**” section above for the manner of submission.

## PERSONAL DATA PRIVACY:

By (a) submitting an instrument appointing the proxy(ies) to vote at the AGM and/or any adjournment thereof, or (b) completing the pre-registration in accordance with this Notice, or (c) submitting any question prior to the AGM in accordance with this Notice, a Member consents to the collection, use and disclosure of the Member’s personal data by the Company (or its agents or service providers) for the following purposes:

- (i) the processing and administration by the Company (or its agents or service providers) of Proxy Forms appointing proxy(ies) for the AGM (including any adjournment thereof);
- (ii) the processing of the pre-registration for purposes of granting access to Members (or their corporate representatives in the case of Members which are legal entities) to observe the AGM proceedings and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from Members and if necessary, following up with the relevant Members in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines





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

## PROXY FORM ANNUAL GENERAL MEETING

### IMPORTANT:

**Note:** This Proxy Form may be accessed at the Company's website at <https://www.nti-nanofilm.com/investors/announcements> and also on the SGX website at <https://www.sgx.com/securities/company-announcements>

1. A proxy need not be a Member.
2. A Member who is a relevant intermediary is entitled to appoint more than two proxies. Where such Member's proxy form appoints more than one proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument (please see Note 5 for the definition of "relevant intermediary").
3. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies or appointment of the Chairman of the Meeting as proxy.
4. **PLEASE READ THE NOTES TO THE PROXY FORM.**

### Personal Data Privacy

By submitting an instrument appointing proxy(ies), the Member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2023.

I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC / Passport no.)  
of \_\_\_\_\_ (Address)  
being a \*member/members of **NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED** (the "Company"), hereby appoint:

NAME	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS	
		NO. OF SHARES	%
EMAIL ADDRESS			

and/or (delete as appropriate)

NAME	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS	
		NO. OF SHARES	%
ADDRESS			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Annual General Meeting of the Company ("Meeting" or "AGM") to be held by electronic means on Friday, 28 April 2023 at 10:00 a.m. (including any adjournment thereof).

\*I/We direct \*my/our proxy to vote for, against or abstain from voting on the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and (including any adjournment thereof), the appointment of the Chairman of the Meeting as \*my/our proxy will be treated as invalid.

**Voting will be conducted by poll. If you wish to exercise all your votes "For", "Against" or "Abstain", please tick (✓) within the relevant box provided. Alternatively, please indicate the number of votes as appropriate.**

NO.	RESOLUTIONS RELATING TO:	NO. OF VOTES ABSTAIN	NO. OF VOTES AGAINST	NO. OF VOTES ABSTAIN
<b>Ordinary Business</b>				
1	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report			
2	Declaration of final dividend			
3	Re-election of Dr Shi Xu			
4	Re-election of Mr Kristian John Robinson			
5	Re-election of Mr Wan Kum Tho			
6	Re-election of Mr Steve Ghanayem			
7	Approval of additional Directors' fees for the financial year ended 31 December 2022			
8	Approval of Directors' fees for financial year ending 31 December 2023			
9	Re-appointment of Moore Stephens LLP as Auditors			
<b>Special Business</b>				
10	Share Issue Mandate			
11	Authority to issue shares under the Nanofilm Employee Share Option Scheme <b>2017</b>			
12	Authority to grant options and issue shares under the Nanofilm Employee Share Option Scheme <b>2020</b>			
13	Authority to grant awards and issue shares under the Nanofilm Restricted Share Plan			
14	Renewal of Share Purchase Mandate			

\* Delete where inapplicable

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

TOTAL NUMBER OF SHARES HELD IN:	
(a) CDP Register	
(b) Register of Members	



**Notes:**

1. A Member should insert the total number of shares held by him/her. If the Member has shares entered against his/her/its name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), he/she/it should insert that number of shares. If the Member has shares registered in his/her/its name in the Register of Members, he/she/it should insert that number of shares. If the Member has shares entered against his/her/its name in the said Depository Register and registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares entered against his name in the Depository Register and registered in his/her/its name in the Register of Members. If the number of shares is not inserted, this Proxy Form will be deemed to relate to all the shares held by the Member.
2. The Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
3. A member of the Company ("Member") will not be able to attend the Meeting in person. A Member who wishes to exercise his/her/its voting rights at the AGM may:
  - (a) (where the Member is an individual) vote "live" via electronic means at the AGM, or (whether the member is an individual or a corporate) appoint a proxy(ies) (other than the Chairman of the Meeting) to vote "live" via electronic means at the AGM on his/her/its behalf; or
  - (b) (whether the Member is an individual or a corporate) appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM.
4. A Member who is not a relevant intermediary is entitled to appoint not more than two proxies. Where such Member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument.
5. A Member who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such Member's proxy form appoints more than one proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument.

**"Relevant intermediary" means:**

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
6. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e.: by **19 April 2023**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by the cut-off date.
  7. The proxy need not be a Member.
  8. The instrument appointing the proxy(ies) ("**Proxy Form**") must be deposited at the Company's Share Registrar's Office at **Boardroom Corporate & Advisory Services Pte. Ltd.** at **1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632** or email to [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com) by **10:00 a.m. on 25 April 2023**, being not less than seventy-two (72) hours before the time appointed for the Meeting.

**Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.**

9. If the Member is shown to not have any shares entered against his/her/its name as at seventy-two (72) hours before the time fixed for the Meeting, the Proxy Form will be rejected.
10. The Proxy Form must be under the hand of the appointor or of his/her/its attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
11. The power of attorney or other authority (if any) under which the Proxy Form is signed on behalf of the Member or duly certified copy of such power or authority (failing previous registration with the Company) must be lodged with the Proxy Form, failing which the instrument may be treated as invalid.
12. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in and/or attached to the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the Member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by CDP to the Company.
13. All Members will be bound by the outcome of the Meeting regardless of whether they have attended or voted at the Meeting.
14. Personal data privacy: By submitting an instrument appointing the proxy(ies) (other than the Chairman of the Meeting) or Chairman of the Meeting as a proxy to vote at the Meeting and/or any adjournment thereof, all Members accept and agree to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2023.





**Nanofilm Technologies International Limited**

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Singapore 535226

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<https://www.nti-nanofilm.com/>