

NANOFILM PUBLISHES ITS SUSTAINABILITY REPORT AND PROVIDES BUSINESS UPDATE FOR 4Q2021

SINGAPORE, 20 December 2021 – Mainboard-listed Nanofilm Technologies International Limited (the “**Company**” or “**纳峰科技有限公司**” and together with its subsidiaries, “**Nanofilm**” or the “**Group**”), a leading provider of nanotechnology solutions, announces the release of its inaugural Sustainability Report and provides a business update for the quarter ending 31 December 2021 (“**4Q2021**”).














Dr Shi Xu (“史旭”), Executive Chairman of the Company, said, *“Nanofilm embeds sustainability as part of its everyday life and culture. Our proprietary deep-technologies create innovative products and solutions that contribute to a sustainable world. While the current operating environment is challenging with supply chain disruptions, the market has rebalanced and readjusted to keep up with the strong underlying demand. Nanofilm has a proven track record of overcoming challenges, emerging stronger with each challenge. With our BU-driven strategy in accelerating the commercialisation and increasing adoption of our nanotechnology solutions across multiple existing and new areas, underpinned by deep technologies, engineering production capabilities, systems and people, we are confident of our growth outlook.”*

A. Sustainability Report

The Group is pleased to announce the release of its inaugural Sustainability Report for the financial year ended 31 December 2020 (“**SR2020**”).

The report sets out Nanofilm’s Sustainability Strategy, anchored upon four pillars: (i) Sustainable Innovation, (ii) Environment, (iii) Social, and (iv) Governance. The SR2020 details the initiatives

and sustainability scorecard of each pillar. The Group considers sustainability issues as part of its strategic formulation to determine the material environment, social, and governance (“ESG”) factors and has committed to a set of ambitious but realistic targets to be achieved by 2030. As a global citizen, Nanofilm supports the United Nations Sustainable Development Goals (“UN SDGs”) through the following commitments:

2030'S TARGETS ARE MEASURED AGAINST 2020'S BASE	METRICS	2030 TARGET
 SUSTAINABLE INNOVATION	 Portion of total R&D spend that meets Nanofilm's ESG criteria R&D and engineering expenses as a percentage of total revenue	100% >5%
 ENVIRONMENT	  Carbon footprint intensity Share of energy from renewable sources and purchased carbon credits   Wastewater discharge from production	Reduce 30% tCO₂e/'000 production hours 50% Reduce 80% m³/'000 production hours
 SOCIAL	   Staff training Nanofilm college training Disaster incidents Workforce diversity	24 Hours/employee 60,000 Trainee hours 0 Increase
 GOVERNANCE	 Supplier due diligence Employees who have completed the Compliance and Code of Conduct training Human rights incidents in our supply chain	100% 100% 0

These are long-term sustainability efforts that the Group has committed to, and will be tracked and reported on an annual basis.

The Group has embarked on its journey working towards its long-term targets. In its efforts to reduce its carbon footprint and improve its overall environmental performance, the Group has

invested into ultrafiltration and reverse osmosis filtration systems to recycle its production water. It also has plans to install solar panels at its production facilities to gradually transit to renewable energy sources, and in the longer term, will explore the use of green hydrogen fuel cells to complement its energy requirements of its production facilities.

Apart from maintaining high quality hygiene and living standards in its Shanghai facility, the Group advocates continuous education and learning by committing to increase training hours of its staff as well as extending support to local educational institutions through bursary contributions and collaborative tie-ups.

The Group has also committed to upholding high standards of corporate governance to ensure the integrity and continuity of its business and operations. By instituting and maintaining a robust organisational structure with policies and systems, it strives to ensure that sustainability is practiced at all levels across the Group.

B. Business Update – Recap of 2021

In FY2021, the Group has invested in building its long-term production capacities and business pipeline, incurring plant and equipment qualification costs, some of which are one-off, in Shanghai Plant 2 and new product introduction (“**NPI**”) expenses. These investments are expected to benefit the Group in the longer term as they prepare the Group to meet the increasing demand for its advanced materials and nanofabrication solutions.

Advanced Materials Business Unit (“**AMBU**”)

The Group’s Consumer Electronics, Communication and Computers (“**3C**”) segment saw a rebound in production output following the commencement of its peak period in 4Q2021. Based on the Group’s current production schedule, this momentum is expected to be carried into the first quarter of the financial year ending 31 December 2022 (“**FY2022**”). Beyond 3C, the other

segments¹ continue to deliver strong growth driven by the increasing adoption of Nanofilm's greener and functional advanced materials solutions.

Nanofabrication Business Unit ("NFBU")

The Group wishes to report that NFBU has commenced mass production of its first micro-lens array ("MLA") project for the new-generation wearables. Its production is progressively ramping up according to schedule. Barring the unforeseen, the MLA project is on track to contribute positively to the performance of NFBU in 4Q2021 and beyond, along with other new projects under development.

Industrial Equipment Business Unit ("IEBU")

Capitalising on the resumption of its customers' capital expenditures to expand production capacities, IEPU continues to recognise robust demand from external customers, with a visible order book going into FY2022.

Sydrogen Energy Pte. Ltd. ("Sydrogen")

Sydrogen is focused on building its production capacities and infrastructure in Shanghai and Singapore to better position itself to capture the promising opportunities in the hydrogen fuel cell market. In addition, Sydrogen continues to enhance its research and development ("R&D") capabilities with centres in Shanghai and Singapore to conduct fundamental hydrogen fuel cell research and develop critical core components to address the market's needs.

C. Research & Development ("R&D") Update

In 2022, the Group will be accelerating its efforts to develop core technologies and new product offerings. Over the last three financial years, the Group has incurred approximately 5.9% of

¹ Includes Automotive, Precision Engineering and Printing & Imaging

revenue per year in R&D and Engineering expenses. As indicated in its Sustainability Report, the Group is committed to maintain its investment in R&D and Engineering to more than 5% of revenue.

In addition, the Group continues to drive synergistic technological solutions, combining its nanofabrication capabilities with its advanced materials as enabling catalysts for its customers. Development efforts in new exciting areas are intensifying with pathways to commercialisation. These areas cover multiple transformational fields and discipline in (i) new classes of advanced materials through greener and sustainable composites; (ii) engineered optics for virtual reality and augmented reality to revolutionise the manner in which a person interacts with the world; and (iii) hydrogen fuel cell technologies and components to enable decarbonisation energy transition through hydrogen.

D. BU-driven Structure, M&A and Investments Update

The Group adopts a BU-driven structure to accelerate growth momentum while at the same time reaching out to multiple industries. Each BU grows independently with its route-to-market strategy while sharing the Group's deep technological base in advanced materials and nanofabrication, high-mix high-volume production capabilities and underlying core business systems. Complementing this structure, the Group invests and builds technology ventures alongside strategic partners, such as Sydrogen, the hydrogen fuel cell joint venture between Venezia Investments Pte Ltd² and Nanofilm. The Group participates in M&A activities for strategic value chain integration. In October, the Group acquired Miller Technologies Pte Ltd ("**MTPL**"), a trusted supplier for more than 10 years to the Group's Industrial Equipment Business Unit ("**IEBU**") for CNC parts and components, to enhance the Group's value chain capabilities.

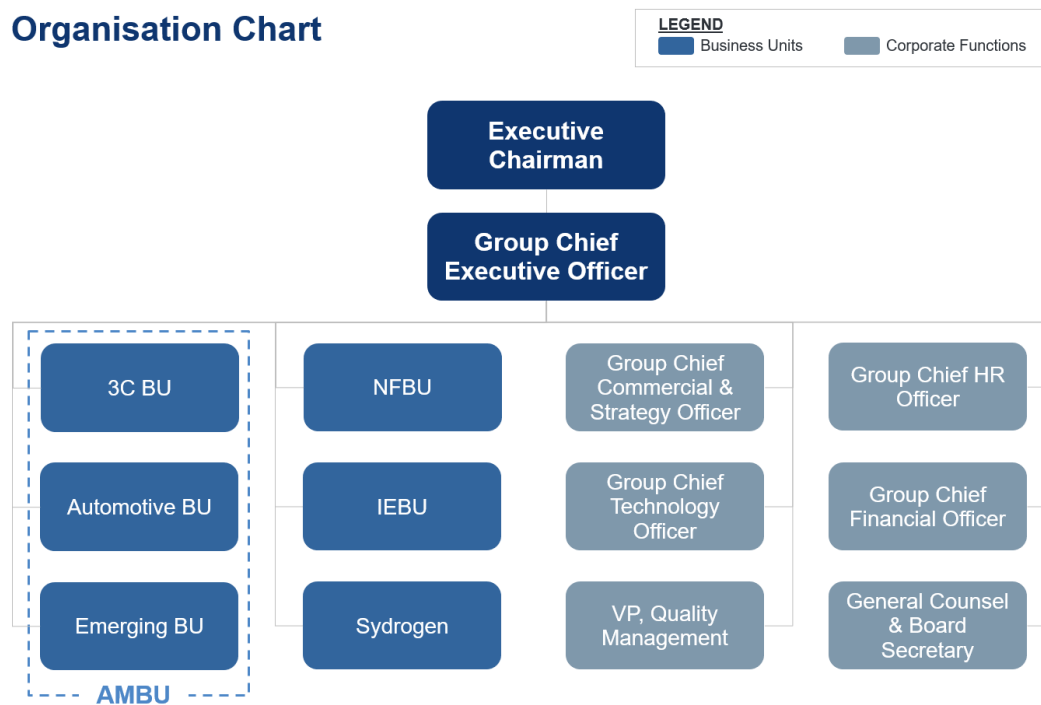
² An indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited

The Group intends to invest in cutting edge technology ventures that can have direct synergies to the Group’s core business and which can leverage on, or combine with, the Group’s proprietary deep technology capabilities to create new applications and products.

E. Organisational Update

The Group recognises the need to have a flexible and adaptive organisational structure that can respond to the numerous new business opportunities presented through the commercialisation of its deep proprietary technologies in mission-critical applications and industries. Along with the appointment of Mr Gary Ho as Group CEO with effect from 1 January 2022 as previously announced, the Group has streamlined its management organisational structure to leverage on all the strengths and capabilities of its management team, so as to optimise efficiency and enhance performance. The Group is pleased to present its new organisational chart as follows:

Organisation Chart



END.

Cautionary Statement

This announcement is intended to be a general update of the Group's businesses for the quarter ending 31 December 2021 and a commentary of the significant trends and competitive conditions of the industries in which the Group operates, based on the Directors' best knowledge. Shareholders and potential investors are advised to exercise caution when dealing or trading in the shares of the Company. In the event of any doubt as to the action they should take, shareholders and potential investors should consult their financial, tax, legal or other professional advisers.

About Nanofilm Technologies International Limited (MZH / NANO.SI)

Listed on the Mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST") on 30 October 2020, Nanofilm Technologies International Limited ("Nanofilm") is a leading provider of nanotechnology solutions in Asia, 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 in enabling its customers to achieve high value-add advancements in their end-products in an environmentally sustainable manner. Nanofilm is a constituent of the FTSE ST China Index, FTSE ST Large & Mid Cap Index, FTSE ST Mid Cap Index, and MSCI World Small Cap Index.

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