



STRATEGIC TRANSFORMATION ENHANCED PROGRESS

ANNUAL REPORT 2021

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View our report online:
<https://www.nti-nanofilm.com/>

Credit Suisse (Singapore) Limited and Oversea-Chinese Banking Corporation Limited are the Joint Issue Managers for the initial public offering of the shares in, and listing of, the Company on the Mainboard of the SGX-ST on 30 October 2020.

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.

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 the 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 80 patents and trademarks, not including over 40 applications which are pending. The Group has over 300 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.

NANOFLM ENTERPRISE CULTURE OUR BEHAVIOURAL NORMS



CHAIRMAN'S MESSAGE



THE GROUP STILL MANAGED TO DELIVER A COMMENDABLE RECORD FINANCIAL PERFORMANCE FOR FY2021, EXEMPLIFYING THE STRENGTHS AND RESILIENCE OF OUR UNDERLYING DEEP TECHNOLOGIES AND MULTI-PILLAR BU-DRIVEN BUSINESS MODEL.

DEAR STAKEHOLDERS,

2021 was a year of transition for the Group. Our foundation continues to strengthen in multiple aspects, as we layer on technological innovations, engineering capabilities, business and product development, and mass production operational excellence.

Against the backdrop of the ongoing COVID-19 pandemic turned endemic, macro challenges like global supply chain disruptions in particular had delayed our growth momentum last year while coinciding with our significant investments in long-term production capacity.

Despite this challenging operating environment, and even after incurring expansionary expenses and investments, the Group still managed to deliver a commendable record financial performance for FY2021, exemplifying the strengths and resilience of our underlying deep technologies and multi-pillar BU-driven business model.

We are heartened that you share the same beliefs of a promising future in Nanofilm and remain steadfast in participating in our growth. In presenting the FY2021 annual report to you, we stand firm to reiterate our commitment to innovation and continuous improvement while building on our solid foundations for growth.

RECORD FINANCIALS & DIVIDENDS UNDERPINNED BY STRONG FUNDAMENTALS

The Group achieved another record set of financial results for FY2021, with revenue increasing 13% YoY to S\$247 million and with profit after tax growing by 8% to S\$63 million. Notably, our second-half profit after tax rose to S\$44 million at a faster pace of 12% YoY even with the factors mentioned above. The Group's balance sheet is strong, with cash and bank balances of S\$177 million as at 31 December 2021.

Our financial performance and underlying solid cash flows have allowed the Board of Directors to recommend a second and final dividend of one Singapore cent per share for FY2021, subject to shareholders' approval at the upcoming annual general meeting. With the interim dividend of one Singapore cent paid earlier in September 2021, the total dividend is approximately 21% of the net profit attributable to shareholders for FY2021.

UNIQUE STRENGTHS & BUSINESS MODEL

Nanofilm is a Deep-Tech company. Our leading market position in the material science and nanotechnology industry is unrivalled because of our unique strengths and resilient business model.



REVENUE

S\$247M



**Increased by 13% YoY
from S\$218m**



PROFIT AFTER TAX

S\$63M



**Increased by 8% YoY
from S\$58m**

Firstly, our business is rooted in our superior technology platform, grounded by science. Our technology platform allows us to be a nanotechnology leader, whether in the creation of advanced materials using our proprietary FCVA advanced technologies and proprietary equipment or producing nano-components using our cutting-edge nanofabrication capabilities and processes. For example, our patented FCVA technology creates advanced materials that are way more superior in film density, surface adhesion, hardness, strength, and repeatability than existing conventional technologies such as PVD (sputtering) and Chemical Vapour Deposition technologies. We have more than 80 patents and trademarks, and more than 40 applications which are pending.

Secondly, we have a proven track record of commercialising our proprietary Deep-Tech's advanced materials and nanofabrication across applications and products for different industries. For instance, our advanced materials enable functional properties that include high hardness and strength, strong corrosion resistance, high durability, low friction coefficient, strong adhesiveness and electrochemistry properties. At the same time, aesthetic upgrades using our advanced materials include appearance, colour, texture and/or tactile quality.

Thirdly, by combining our more than two decades of know-how and know-who, we have penetrated multiple industries, often as a single-source supplier in mission-critical applications, allowing the Group to build an ever-growing industry portfolio that allows for multiple diversified revenue streams from long term customers.

Today, we deliver unique value propositions to our global tier-one customers, with our nanotechnology solutions often acting as catalysts for our customers' development of new or enhanced products. However, it does not stop here. Our adaptation of a BU-driven structure allows us to fan out to multiple industries simultaneously. This allows for a faster speed to market for our nanotechnology solutions with direct commercialisation pathways, as each BU deals with different industries, customers, and products. The BU-driven approach also allows us to enhance our understanding of our customers and their industry, deepen our relationships, and entrench us in their supply chains.

CHAIRMAN'S MESSAGE



R&D AND ENGINEERING SPENDING

S\$17M

 Increased by **34% YoY**,
approximately **7% of FY2021**
revenue

with a longer-term
ambition to reach
10% of revenues

To allow our BUs to concentrate on driving business by way of better customer engagements and capturing business opportunities, we have centralised support functions and systems - whether it is for policies and procedures, industrial 4.0 roadmap, fundamental R&D, capital allocation or proactively assessing potential M&A targets for opportunities to accelerate the penetration of our Deep-Tech into different marketplaces.

We have also built up a strong management team that leverages the strengths of each individual while deriving synergies in working towards a common goal. At the same time, we have constantly been improving our HR processes and practices to identify and groom talent that can help propel the Company forward.

With the appointment of Mr Gary Ho as our CEO to drive the Group's BU strategy for example, my role has pivoted to corporate strategy and R&D. As an institution, we aim to further deepen and broaden our research and knowledge base to ensure the continuing robustness of our Deep-Tech business model.

In FY2021, we have increased R&D and engineering spending by 34% to S\$17 million, approximately 7% of our revenue. We will continue to invest in R&D and engineering to deepen our core, with a longer-term ambition to reach 10% of revenues. We are intensifying our product development efforts in new and exciting areas to create nanotechnology solutions that can positively impact every facet of human life and contribute towards a more sustainable world.

TOWARDS A SUSTAINABLE WORLD

Sustainability is embedded in our business and intertwined with our technology. We offer cleaner and sustainable solutions to our customers, such as reducing and replacing the usage of base materials, enabling new materials of better efficiency and effectiveness. Our FCVA process does not emit pollutants or hazardous chemicals compared to some conventional deposition methods. These make our solutions well suited for applications across many industries, especially so for the renewable energy industry that is plagued with many issues hindering its widespread adoption.

Our solutions will be catalysts for the adoption of renewable energy in the solar and hydrogen fuel cell applications. Presently, we are developing new equipment designs, advanced material solutions and products to further penetrate and cement our position in the renewable energy industry by increasing the power and volumetric density, and reducing the cost of ownership. Our joint investment with Temasek in Sydrgoen Energy reflects our confidence that our solutions can be the catalyst to accelerate the adoption of hydrogen-fuel solutions, especially in the automotive and stationary power space.

WE ARE INTENSIFYING OUR PRODUCT DEVELOPMENT EFFORTS IN NEW AND EXCITING AREAS TO CREATE NANOTECHNOLOGY SOLUTIONS THAT CAN POSITIVELY IMPACT EVERY FACET OF HUMAN LIFE AND CONTRIBUTE TOWARDS A MORE SUSTAINABLE WORLD.

POSITIVE OUTLOOK

We are optimistic and confident for 2022, as we continue to accelerate the adoption of our nanotechnology solutions through our BU-driven strategy. With a keen focus, we will also uncover new promising opportunities in transformational fields and disciplines like new classes of advanced materials through greener and sustainable composites; engineered optics for VR and AR; and hydrogen fuel cell technologies and components for decarbonisation. In addition, we are on a constant lookout for synergistic M&A or strategic partnerships focusing on product value chain integration that can carry our nanotechnology solutions as market disruptors.

IN APPRECIATION

The Group's achievements in FY2021 were due to the collective contributions from many parties. On behalf of the Group, we thank our Board members for their guidance and advice, especially during these challenging times and their active participation in Board decision-making. We would also like to extend our appreciation for the dedication and hard work put in by our management and staff to achieve a set of record results for the Group.

We thank our customers for their trust and willingness to work with us and leveraging our technological edge to create value-added products of the future and our business associates for their unwavering support.

We thank our shareholders for their confidence in Nanofilm, the first listed Deep-Tech company in Singapore, and for making efforts to understand our business better and cheering our progress as we steadily grow to become Singapore's Deep-Tech MNC. Together with the Board and our management team, we remain committed to building long term shareholder value and hope to share more good news in 2022.

Thank you all for being part of the Nanofilm family.

DR SHI XU (史旭)
Executive Chairman

OUR BUSINESS

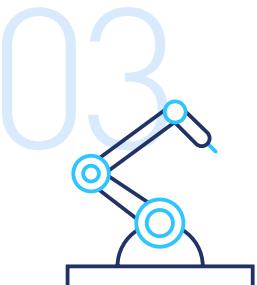
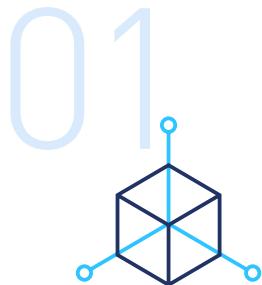
NANOFILM IS A GLOBAL LEADING TECHNOLOGY SOLUTIONS PROVIDER, FOCUSED ON ADVANCED MATERIAL SCIENCE AND NANOTECHNOLOGY, WITH STRONG INNOVATION DNA, INGRAINED SINCE 1999 AS A DEEP-TECH SPINOFF FROM NANYANG TECHNOLOGICAL UNIVERSITY (“NTU”).

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 solid production capabilities.



Business Unit #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 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.

Business Unit #2 **NANOFABRICATION**

Manufacturer and supplier of 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 provide the required functional properties of their end-products.

Business Unit #3 **INDUSTRIAL EQUIPMENT**

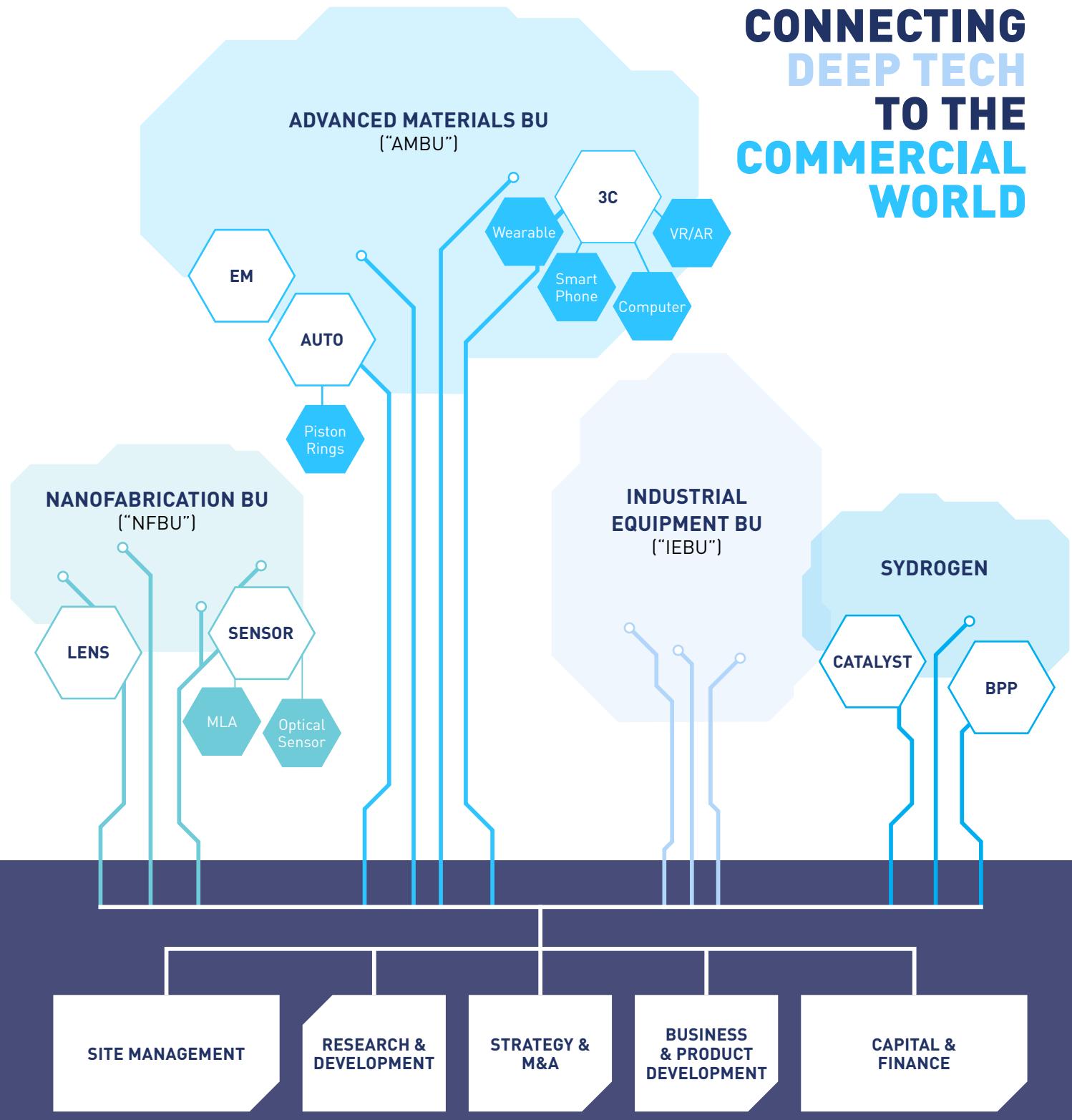
Manufactures and sells turnkey equipment systems, ranging from coating equipment to auxiliary equipment such as cleaning lines to automation systems, which are installed at our customers' production lines. We provide our customers with not only the physical equipment, but also customised operating software for our systems and training, as well as spare-parts, customer service and other forms of after-sales support.

Business Unit #4 **HYDROGEN ENERGY**

Offers 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.

OUR BUSINESS

CONNECTING
DEEP TECH
TO THE
COMMERCIAL
WORLD



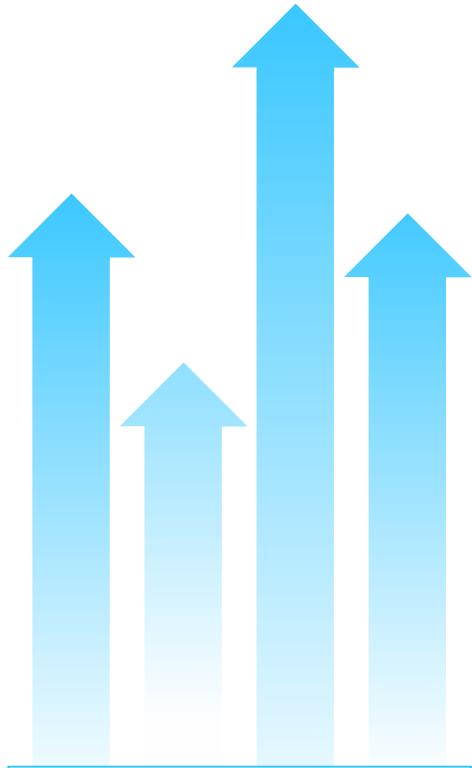
ADVANCED
MATERIALS



NANO FILM
DEEP TECH



NANOFAB



Enabling our deeply-rooted BUS to branch out to the
COMMERCIAL WORLD

CORE CENTRALISED FUNCTIONS & SYSTEMS

Providing Strategic Support
(topsoil)

Rooted in
NANOFILM'S DEEP TECHNOLOGIES
(deep soil)



NANOFILM UNIQUE DEEP TECHNOLOGY ECOSYSTEM

Integrating Proprietary Technologies with Decades of In-house Expertise, Client-Driven Customisation & Market Access



IN-HOUSE PROPRIETARY PRODUCTION EQUIPMENT

- Able to offer comprehensive end-to-end nanotechnology solutions
- Built in-house at attractive capital cost



BLEND OF R&D AND ENGINEERING CAPABILITIES

- In-house engineering capabilities complements R&D platform and facilitates mass production
- R&D & Engineering spend



MARKET ACCESS / INDUSTRIES

Value Chain Integration → Products



NEW & DIFFERENTIATED ADVANCED MATERIALS

TAC-ON®
(Tetrahedral Amorphous Carbon)

iTAC®
(Thick Tetrahedral Amorphous Carbon)

MiCC®
(Nano-crystalline chromium nitride)

FCVA
Metals



NANOFAB

Cutting edge processes

Technology



PRODUCTION EXCELLENCE

- Able to handle high volume and high mix product demand
- Reduce total cost per unit production
- Ability to achieve mass production of products and services within short lead time

OUR BUSINESS

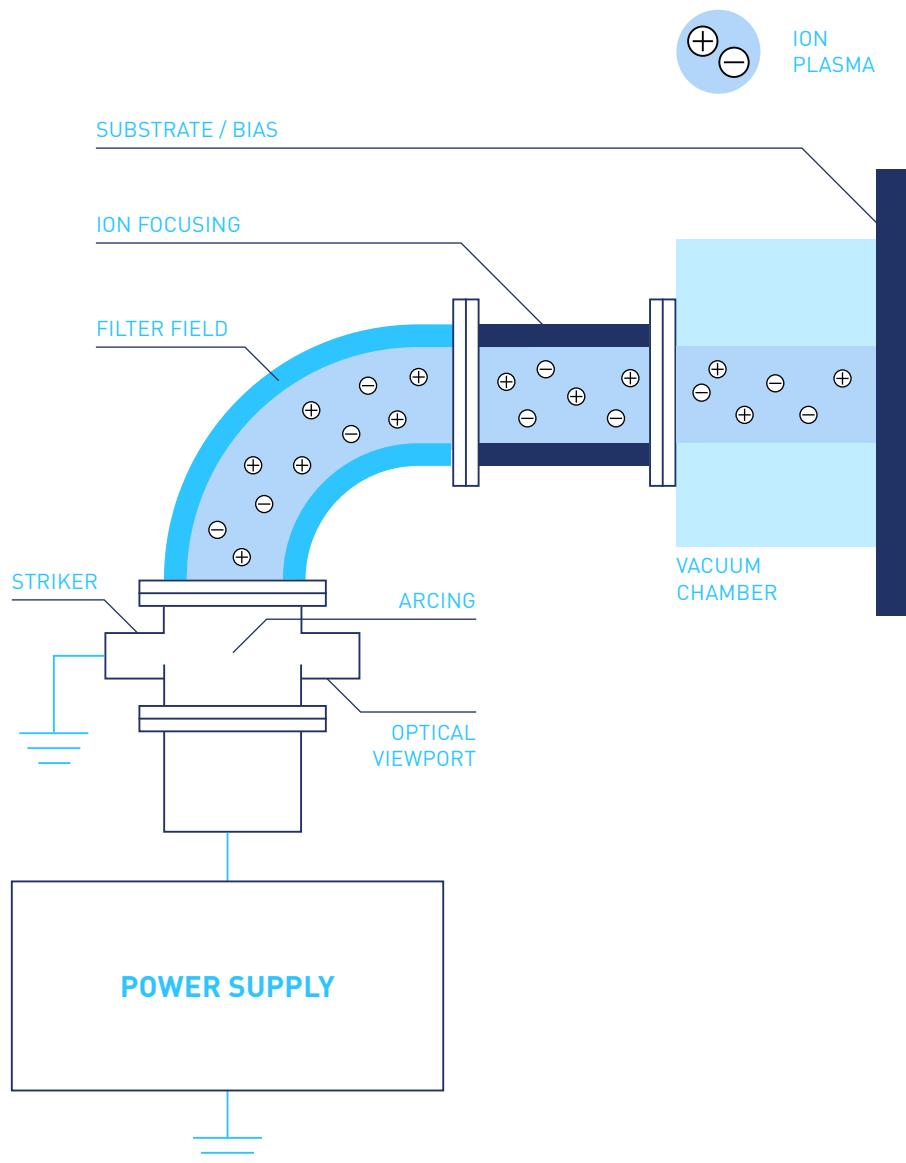
CORE COMPETENCIES

UNDERSTANDING FCVA

Filtered Cathodic Vacuum Arc ("FCVA") is a vacuum coating technology that allows us to create our proprietary and novel advanced materials. FCVA also allows the deposition of these advanced materials to be performed at room temperature, which not only is environmentally friendlier, but also expands the universe of substrates available for coating (including low-melting point metals, plastics, ceramics, rubber).

Through a process known as arcing, we are able to extract the ions from a target source (e.g. graphite) which will then go through an electromagnetic filter prior to entering the vacuum chamber; this process, therefore, ensures a flux of high quality plasma that are deposited on the substrate. The vacuum chamber can be kept at room temperature as well, thereby, allowing us to coat on a wider range of products.

Simplified illustration of the FCVA coating process



ADVANCED MATERIALS

Our FCVA technology has birthed the creation of novel advanced materials, such as TAC-ON®, iTAC®, and MiCC®. Additionally, our advanced materials surface solutions are not limited to any specific product or industry.

Coupled with our technological know-how, we have the ability to adjust the functional properties (not limited to corrosion resistance, density, electrochemical properties, hardness and strength, et cetera) of our advanced materials to meet customers' requirements. The material permutations are numerous, extending application to various products and industries, such as aesthetics coating for consumer electronics,

thermal coating for comfort in daily-use fast-moving consumer goods ("FMCG"), functional coating to extend the longevity of parts operating in extremely intense conditions, such as piston rings, high performance liquid chromatography ("HPLC") components, as well as tooling equipment (e.g. glass lens mould).

Innovation is in our DNA, we continuously seek to push the boundaries of materials science by developing inventions with a touch of practicality. We had introduced two new advanced materials in FY2021, STAR-TAC and Aluminium Chromium Nitride, with potentially wide field of applications, developed specifically to serve the semiconductor and tooling industries.

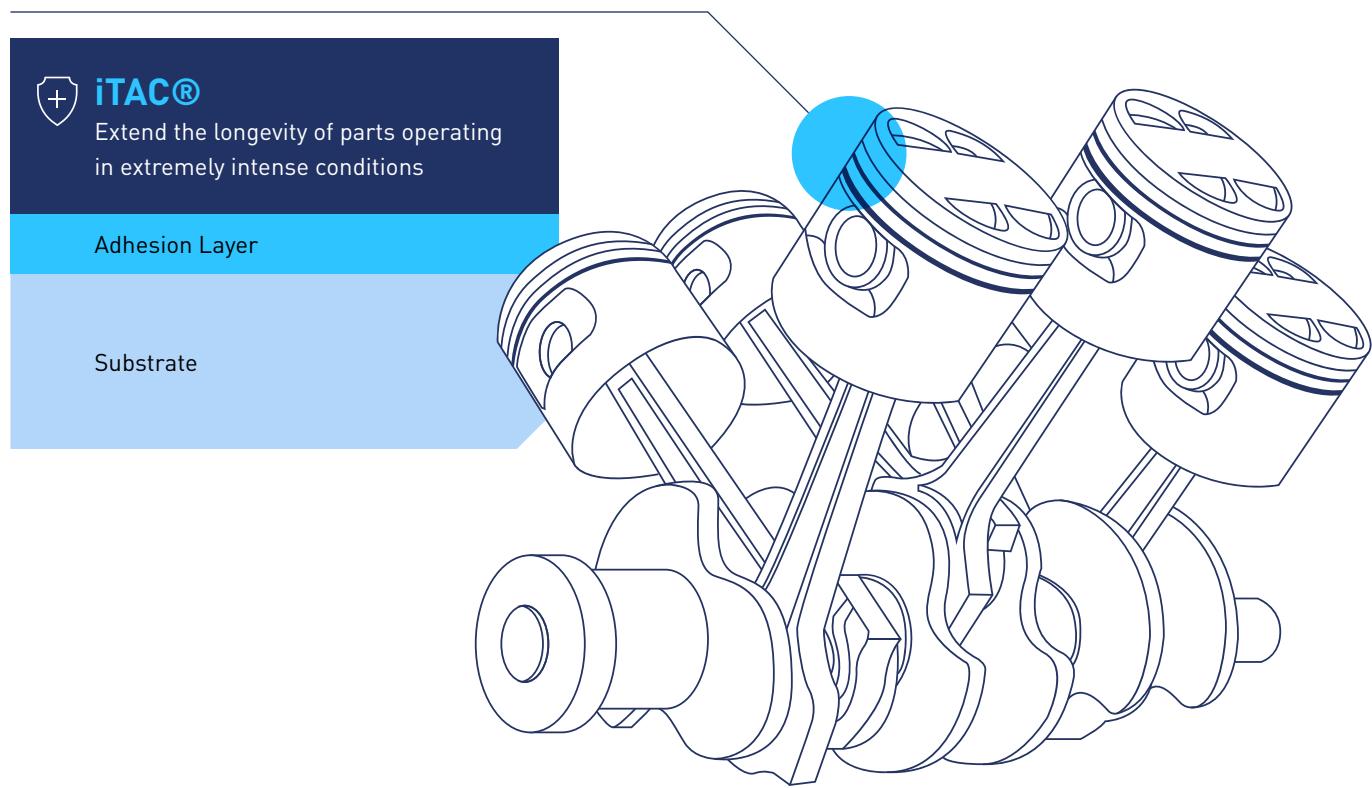
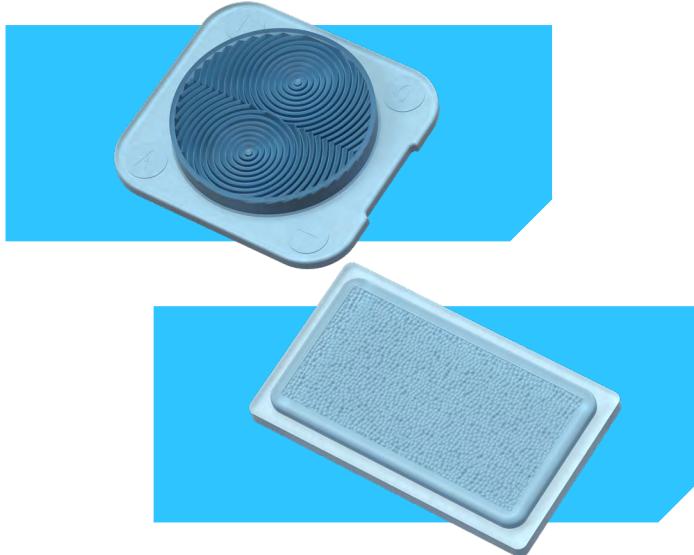


Illustration on how iTAC® can be applied onto a substrate, not drawn to scale

OUR BUSINESS



We are able to customise nanoproducts designed to fit specific size and shape requirements, such as fresnel lens (top) and MLA (bottom)

NANOFABRICATION

Our nanofabrication capabilities are synergistic as it expands the FCVA applications. With single-point diamond-turning and our proprietary computer-aided manufacturing (“**CAM**”) software, the finest geometries can be created for injection moulding or wafer level replication.

A key project secured during the year was the micro-lens array (“**MLA**”) project for the new generation wearables. These lenses are critical and are used in the measurement of the wearer’s vitals such as blood oxygen levels and heart rates.

COMMITMENT TOWARDS CONTINUOUS INNOVATION

Ongoing investments into our R&D and engineering capabilities and infrastructure will allow us to build on our Deep-Tech platform to continuously create innovative technological solutions for the future. As part of our commitment towards sustainable innovation, we have also committed to maintaining our R&D and engineering spend to above 5% of our revenues in any given year.

Nanofilm will seek to step up collaborative efforts across numerous research and innovation platforms, with leading universities and enterprises, in a bid to catalyse fundamental research and accelerate commercialisation opportunities of novel nanotechnological solutions.

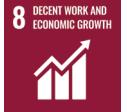
SUSTAINABILITY AS OUR CORE

Commitment to ambitious but achievable 2030 targets:

**2030'S TARGETS ARE MEASURED
AGAINST 2020'S BASE**

METRICS

**2030
TARGET**

 Sustainable Innovation	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Portion of total R&D spend that meets Nanofilm's Environmental, Social, and Governance criteria	100%
		R&D & Engineering expenses as a percentage of total revenue	>5%
 Environment	 6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	Carbon footprint intensity	Reduce 30% tCO₂e/'000 production hours
		Share of energy from renewable sources and purchased carbon credits	50%
		Wastewater discharge from production	Reduce 80% m³'000 production hours
 Social	 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH	Staff training	24 Hours/employee
		Nanofilm college training	60,000 Trainee hours
		Disaster incidents	0
		Workforce diversity	Increase
 Governance	 8 DECENT WORK AND ECONOMIC GROWTH	Supplier due diligence	100%
		Employees who have completed the Compliance and Code of Conduct training	100%
		Human rights incidents in our supply chain	0

KEY HIGHLIGHTS IN 2021:

Sustainable Innovation

- Increased R&D spending to improve operational efficiencies and ramp up development efforts in new applications

Environment

- Completed ultrafiltration and reverse osmosis filtration systems in Shanghai's facilities
- Solar panel installation in Shanghai facilities on track to be completed in 2023

Social

- Joint-lab collaborations with local institutions
- Donation to NTU Cham Tao Soon Chair Professorship in Engineering
- Donation to SGX Cares Bull Charge Virtual Charity Run 2021

Governance

- Strengthened internal systems and risk management framework for governance

KEY MILESTONES

2021 MILSTONES

2021 MARKS THE FIRST FULL YEAR OF PERFORMANCE SINCE LISTING IN OCTOBER 2020

THE MINISTERIAL VISIT



◆ Dr Phua CS (foreground), VP of QMS, explaining to DPM Heng (centre) with Dr Shi (left) on how the Scanning Electron Microscope equipment with EDX system is used to determine the surface morphology and the elemental composition of the coatings as well as conducting any failure analysis

We were privileged to host Singapore's Deputy Prime Minister Heng Swee Keat and Coordinating Minister for Economic Policies at our Singapore Headquarters. The ministerial visit entailed a closed-door discussion followed by a tour of our facility where we showcased some of the applications for our advanced materials solutions



◆ DPM Heng (front row, centre), together with Nanofilm's senior management team



◆ Dr Shi (left) presenting DPM Heng (right) with a memento to commemorate his visit

SYDROGEN ENERGY



◆ Illustration of a metallic bipolar plate, pre-coated (left) and post-coated (right) with Sydrogen's advanced materials surface solution

Joint venture investment with Temasek in Sydrogen Energy – Our Group's foray into the hydrogen economy through the application of our advanced materials surface solutions to critical components in fuel cell and electrolyser systems

SHANGHAI PLANT 2



◆ Aerial view of our Shanghai Plant 2

Commissioning of Shanghai Plant 2, approximately twice the size of Shanghai Plant 1, with a gross built-up area of 66,406 sqm

NEW APPOINTMENTS



Appointment of
Gary Ho
as **Group Chief Executive Officer**

Appointment of
Gian Yi-Hsen
as **Group Chief Commercial & Strategy Officer**

Appointment of
Sean Tan
as **Group Chief Human Resources Officer**

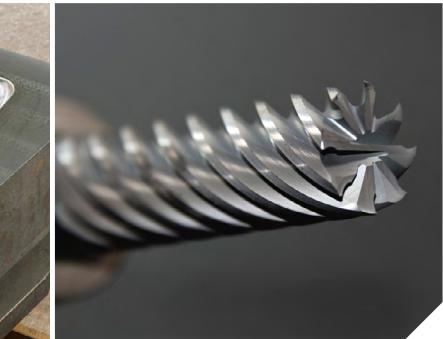
AWARDS



Frost & Sullivan recognised Nanofilm with the 2021 Asia-Pacific Technology Innovation Leadership Award



Nanofilm was awarded as one of the inaugural winners of Best Managed Companies Singapore



◆ Use cases include extending the useful lives of aluminium diecast moulds and drills

Introduction of new advanced materials, STAR-TAC (a derivative of our proprietary TAC-ON®) and Aluminium Chromium Nitride

MILLER TECHNOLOGY



Acquisition of Miller Technologies Pte. Ltd., a trusted supplier of more than 10 years to the Group's Industrial Equipment Business Unit for Computer Numerical Control ("CNC") parts and components, enhancing our value chain capabilities

SUSTAINABILITY REPORT



Inaugural Sustainability Report where we laid out ambitious but realistic targets to be achieved by 2030



Dr Shi received the prestigious Businessman of the Year Award at the 36th Singapore Business Awards jointly organised by The Business Times and DHL Express

Photo by: Alvin Tan



SOLID FUNDAMENTALS GREATER POTENTIAL

We are in a stronger position today to identify and capture opportunities. We are committed to build on our foundation for growth

6 Plants in 4 Countries Around the Globe



Singapore
Plant



Shanghai
Plant 1



Shanghai
Plant 2



Yizheng
Plant



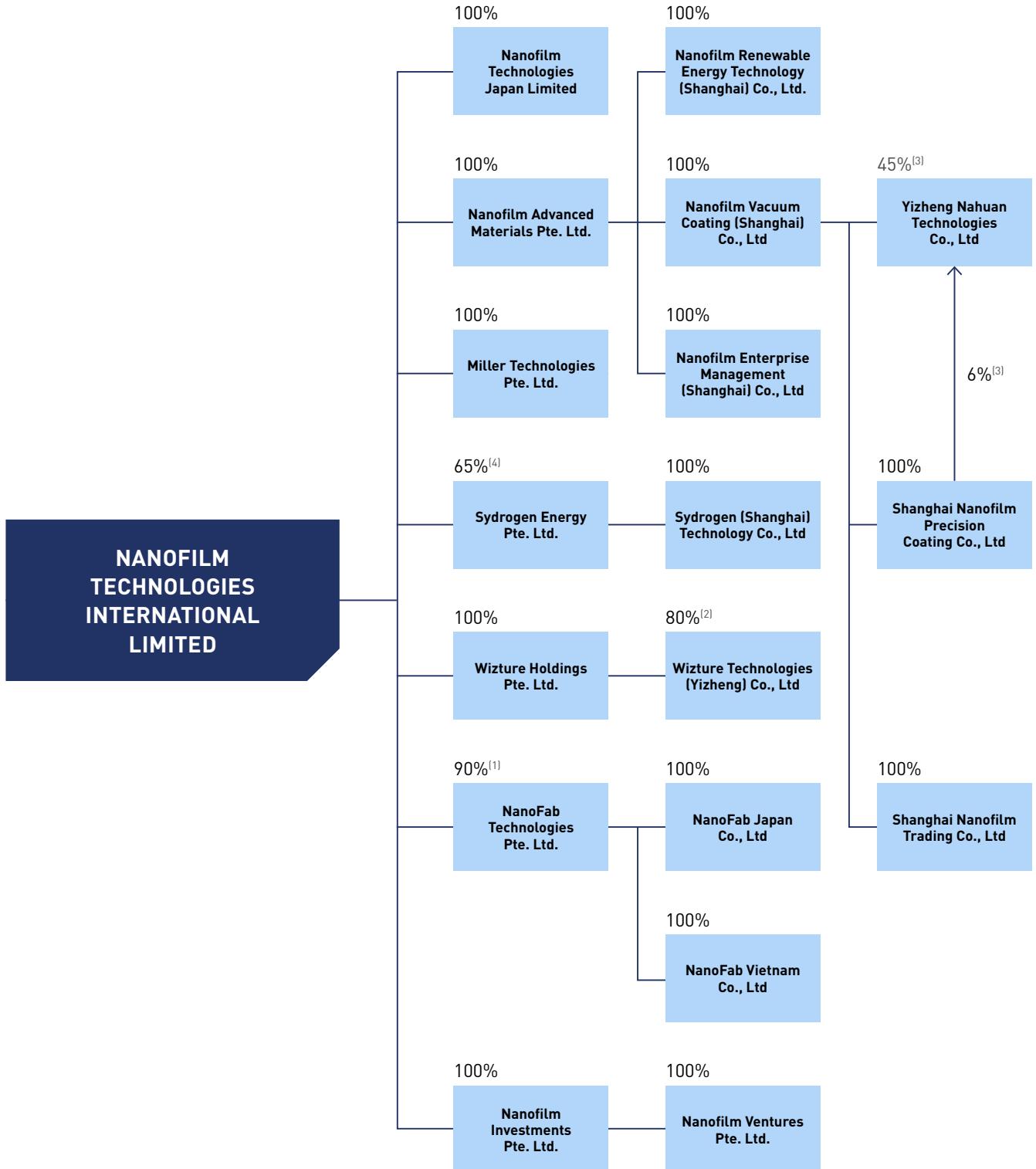
Osaka
Plant



Hai Duong
Plant

GROUP STRUCTURE

AS AT 31 MARCH 2022



Notes:

- (1) The remaining 10% of NanoFab Technologies Pte. Ltd. is held by MG Consulting Holdings Pte. Ltd.
- (2) The remaining 20% of Wizture Technologies (Yizheng) Co., Ltd is held by Yizheng Piston Ring Factory.
- (3) The remaining 49% of Yizheng Nahuan Technologies Co., Ltd is held by Asimco Shuanghuan Piston Ring (Yizheng) Co., Ltd.
- (4) The remaining 35% of Sydrogen Energy Pte. Ltd. is held by Venezio Investments Pte. Ltd. [an indirect wholly owned subsidiary of Temasek Holdings (Private) Ltd].

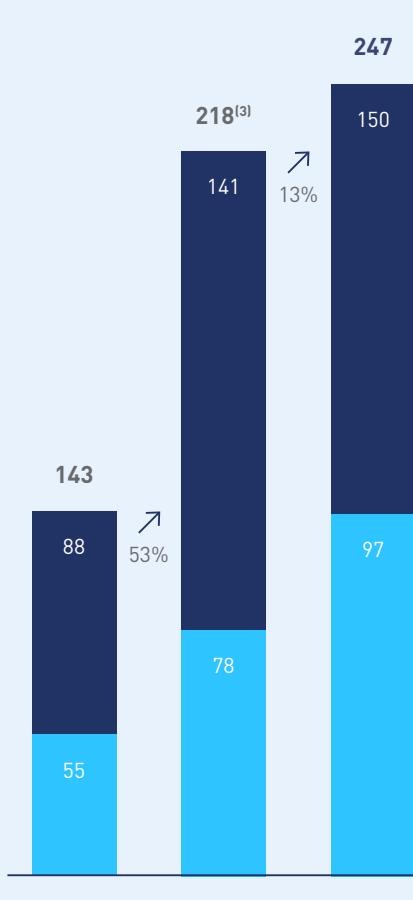
FINANCIAL HIGHLIGHTS

FY2021: OUR UNDERLYING PERFORMANCE IS MUCH STRONGER



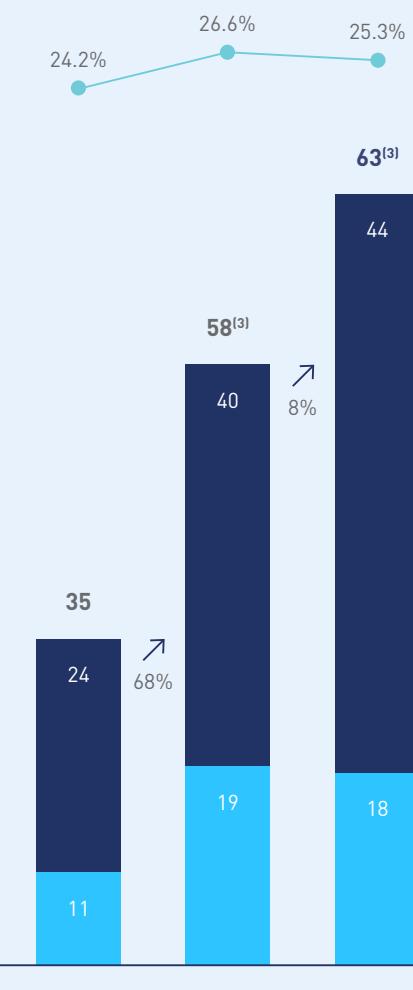
Revenue

S\$247M



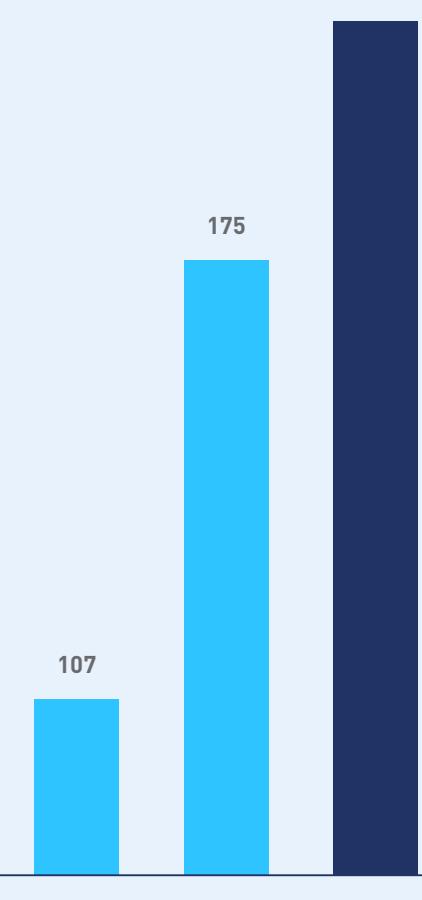
PAT⁽¹⁾

S\$63M



PPE⁽²⁾

S\$290M



● 1H ● 2H

● 1H ● 2H — Net margin (%)

Source: Company information

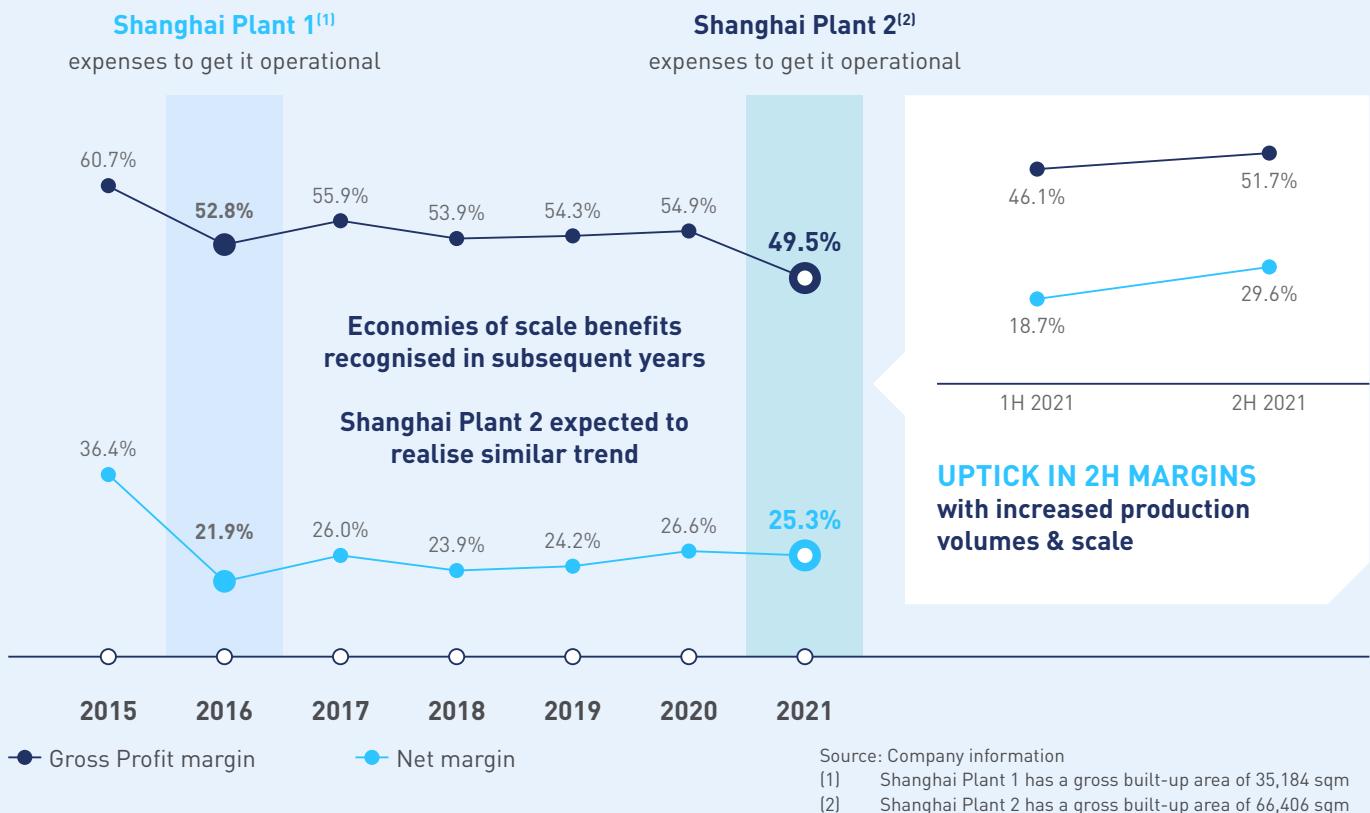
(1) Profit after tax

(2) Property, plant and equipment

(3) Numbers may not add up due to rounding

CAPACITY PREPARED FOR GROWTH

Scale & Operational Excellence Leading to Stronger Margins

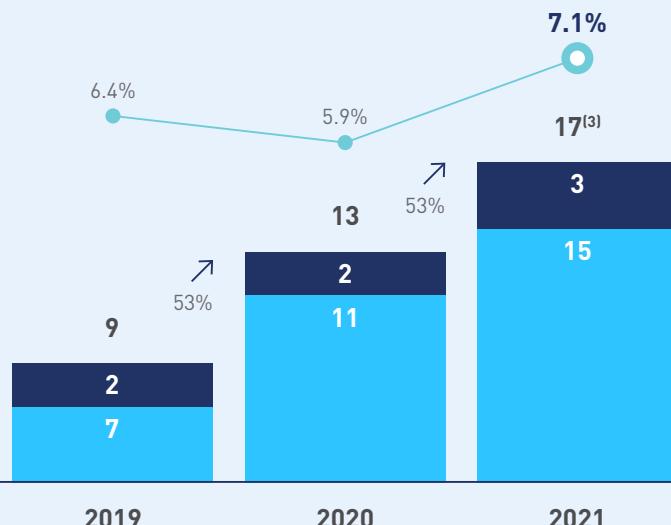


INVESTING IN TECHNOLOGY & INNOVATION: Through Higher R&D Spend



R&D AND ENGINEERING EXPENSES

(in S\$m)



- R&D & Engineering⁽¹⁾
- D&A⁽²⁾
- Total R&D & Engineering as % of revenue (%)

Source: Company information

(1) R&D & Engineering expense excludes Quality Assurance expense and depreciation & amortisation expenses

(2) Depreciation & amortisation expenses

(3) Numbers may not add up due to rounding

FINANCIAL HIGHLIGHTS

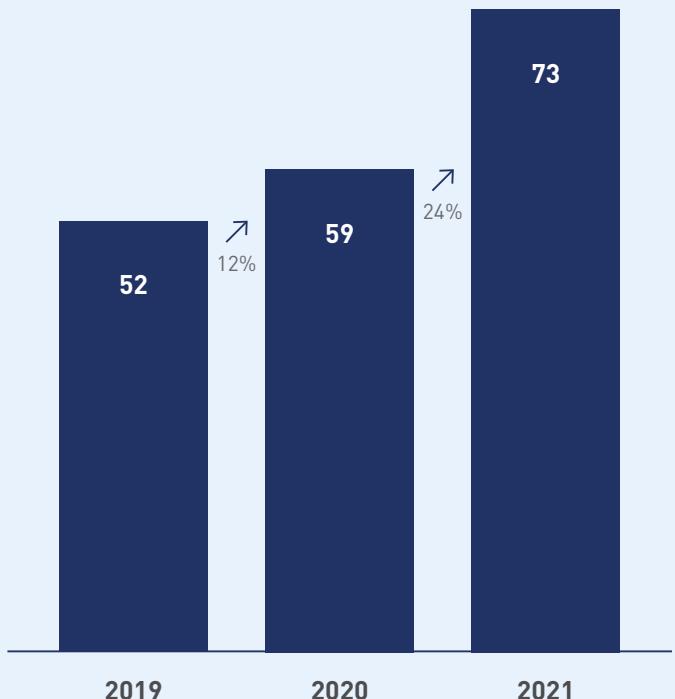
CASH FLOW

Strong Cash Flow Generation Coupled with Effective Cash Management



SOLID NET OPERATING CASH FLOW

(in S\$m)



CASH FLOW + STRONG BALANCE SHEET

to support business requirements & reward shareholders



Ongoing
OPERATIONAL
Requirements



STRATEGIC
Initiatives



TOTAL DIVIDEND ⁽¹⁾
2¢
per ordinary share

Source: Company information

(1) Includes the interim dividend of one Singapore cent paid in September 2021 and the proposed final dividend of one Singapore cent to be paid in May 2022



STAYING ADAPTABLE REALISING GROWTH

Demonstrating the resilience and strength of our business model as a Deep-Tech company

**Realising Top Line Growth
During Tumultuous
Environment**

REVENUE (S\$m)

13% YOY GROWTH



FINANCIAL & OPERATIONS BY CEO

OUR PROGRESS IN FY2021 DEMONSTRATES THE RESILIENCE AND THE STRENGTH OF OUR BUSINESS MODEL AS A DEEP-TECH COMPANY. WE ARE IN A STRONGER POSITION TODAY AND WILL CONTINUE TO BUILD ON OUR FOUNDATIONS FOR GROWTH.

DEAR STAKEHOLDERS,

In the Chinese characters of Nanofilm 纳峰, 峰 represents our foundation that is anchored by our core deep technologies, which we steadily build upon in order to achieve sustainable growth. 2021, too, was a year where we continued to scale new heights with several exciting growth avenues led by our BU-driven strategy.

Our FY2021 results were creditable considering the challenging macro environment that delayed our revenue cycle, and the additional incurrence of business expansionary expenses, part of which were non-recurring, for our new Shanghai Plant 2 and equipment additions. Hence, taking these into consideration, our underlying performance was much stronger, and FY2021 profit before tax would have been approximately S\$72.8 million after adjusting for these non-recurring expenses.

Our progress in FY2021 demonstrates the resilience and the strength of our business model as a Deep-Tech company. We are in a stronger position today and will continue to build on our foundations for growth.

REVIEW OF FY2021 FINANCIAL PERFORMANCE

As the adoption of our nanotechnology solutions with its oft mission-critical applications, continues in multiple industries, we have achieved a consolidated FY2021 Group revenue of S\$246.7 million, up 13.0% YoY, while profit after tax grew 7.7% to S\$62.5 million with a net margin of 25.2%. We had a strong 2H2021 rebound from 1H2021 with revenue growing 55.3% and PAT growing 145.2%, whilst net margins improved from 18.7% to 29.6%. On a YoY basis, 2H2021 PAT recovered from a dip of 2.3% in 1H2021 and grew 12.4% in 2H2020 to S\$44.4 million with net margin improving from 28.1% to 29.6%.

Revenue contribution from other end customers also increased to 39.3%¹ in FY2021, up 7.2 percentage points from 32.1% in FY2020. Additionally, Shanghai Plant 2 became operational in 2021 and is expected to bring economies of scale benefits to the Group, similar to Shanghai Plant 1.

Our Advanced Materials Business Unit achieved a 6.5% growth in revenue to S\$194.3 million, mainly attributed to increased contributions from the 3C and Automotive product sub-segments. The non-3C segment, which is driven by the automotive segment, delivered strong growth and was enabled by the increasing adoption of Nanofilm's greener and functional advanced materials solutions. This growing adoption of Nanofilm's advanced materials solutions across the verticals in AMBU will continue to provide a solid business pipeline for the Group.

¹ Customers other than the Group's single largest end customer

Meanwhile, revenue contribution from our Nanofabrication Business Unit decreased 30.7% to S\$7.8 million, primarily due to the end-of-life of a project in 1H2021. However, NFBU has commenced mass production of its first micro-lens array (“**MLA**”) project for the new-generation wearables, with production ramping up progressively into FY2022. The MLA project is on track to contribute positively to the performance of NFBU in FY2022.

Revenue from our Industrial Equipment Business Unit improved by 81.3% to S\$44.6 million, supported by increased orders for customised industrial equipment from customers as they increased their capital expenditure.

Gross profit for FY2021 was S\$122.2 million, up 2.0% from FY2020’s S\$119.8 million, while gross profit margin was 49.5% in FY2021, a drop from FY2020’s 54.9% due to increased costs from our new Shanghai Plant 2 and new equipment qualification costs, as well as changes in our product mix. In FY2021, our Adjusted Earnings before Interest, Taxes, Depreciation and Amortisation (“**EBITDA**”) decreased 1.3% to S\$95.7 million and the adjusted EBITDA margin was 38.8%, a decrease of 5.6 percentage points from FY2020. Notwithstanding this, we continued to generate strong positive net operating cash flows amounting to S\$73.2 million for FY2021, after accounting for changes in working capital of S\$16.0 million, net interest of S\$0.6 million and income tax paid of S\$8.1 million.

The Group’s profit after tax in FY2021 increased 7.7% to S\$62.5 million, compared to FY2020’s S\$58.1 million. This profit after tax figure includes the expansionary expenses mentioned earlier as well as the net loss contribution of S\$1.0 million from Sydrogen Energy Pte. Ltd..

The Group has enhanced its property, plant and equipment base by 66.3% to S\$290.2 million. We have significantly increased our production capacity for growth through Shanghai Plant 2, which is about twice the size of Plant 1 and added 59 units of coating equipment, bringing the total number of coating equipment to 235. In FY2021, infrastructure-related capital expenditure totalled S\$79.7 million, driven by our newly acquired Singapore headquarters at Tai Seng of S\$31.5 million (including stamp duty and related expenses), leasehold land of S\$7.9 million, and our Shanghai Plant 2 of S\$33.0 million. In FY2021, we continued to invest in our production capacity with production equipment capital expenditures amounting to S\$55.5 million (including construction-in-progress).

We have also increased our R&D spending by 34.3% to S\$17.4 million, which is approximately 7.1% of revenue. This is because we are intensifying our product development efforts in new and exciting areas and will continue to build on our core technology platform as a leading Deep-Tech company. We remain committed to ensuring that R&D spending is more than 5.0% of our revenue, as we seek to expand the commercialisation pathways within existing and new industries. In FY2021, we saw an increase in New Production Introduction (“**NPI**”) projects across our Business Units, which is a reflection of our increased business activities.

Our balance sheet remained healthy, with a cash and bank balance of S\$176.6 million as at 31 December 2021. After considering the interest-bearing debt of S\$46.1 million, the net cash balance stood at S\$130.5 million as of 31 December 2021.

FINANCIAL & OPERATIONS BY CEO

REVIEW OF FY2021 OPERATIONAL PERFORMANCE & OUTLOOK

Advanced Materials Business Unit (“AMBU”)

AMBU reported a utilisation rate of 76.0% as compared to 74.0% in FY2020, with an increase in NPI projects as a testament to the increasing adoption of our advanced materials surface solutions. Our total coating equipment count was 235 with four in-line coating equipment as of 31 December 2021. The growing adoption of Nanofilm’s advanced materials solutions across the verticals in AMBU will continue to provide a solid business pipeline for the Group.

Nanofabrication Business Unit (“NFBU”)

With the early end-of-life of one of our customer’s products, NFBU’s utilisation rate decreased to 13.0% in FY2021. However, we are seeing a recovery after securing another crucial project producing micro-lens arrays for our customer’s smart wearables with mass production having commenced in 4Q2021 and is progressively ramping up into FY2022. NFBU’s value chain integration strategy to drive the adoption of its unique technologies gaining traction, coupled with other new projects ramping up, is expected to drive business performance in FY2022.

Industrial Equipment Business Unit (“IEBU”)

Total equipment produced under IEBU in FY2021 was 76, of which the majority, totalling 58, is manufactured for internal use. Equipment sold to third party customers increased to 18 in FY2021, up from 9 in FY2020, mainly driven by the resumption of capital expenditure spend by our customers. We are setting our sights on further penetrating the renewable energy industry with the development of new equipment designs and solutions by our IEBU. With its visible order book, IEBU will continue to recognise the robust demand from external customers going into FY2022.

Sydrogen Energy (“Sydrogen”)

The Group’s newer business in hydrogen fuel cell through Sydrogen, a joint venture with Temasek, contributed a net loss of S\$1.0 million due to operating expenses incurred for business-building during its first year of operation. Sydrogen will continue to establish its foundation for hydrogen fuel cell technology and will progressively ramp up its production capacity. It is on track to start recognising initial revenue from an automotive project in FY2022.

BROADENING OUR BUSINESS SCOPE

This year, we will continue to strengthen our BU-centric structure and operational excellence, while intensifying our business development and sales infrastructure. This will increase our sales coverage in various geographies and advance the adoption of our nanotechnology solutions across existing and new industry verticals. Our BU-led strategy allows us to focus on serving customers better and in doing so, entrench ourselves in their supply chain. We help customers create future products using our Deep-Tech platform, whether through creating new composite materials and advanced optics for the metaverse, or surface solutions in fuel cell and electrolyser systems.

We remain disciplined and tenacious in our approach towards achieving our longer-term goals. We aim to grow not only organically, but also inorganically through M&As and other corporate opportunities. We will proactively assess synergistic M&As or strategic partnership opportunities while focusing on particular industry value chains that can drive revenue synergies through the utilisation of Nanofilm’s nanotechnology solutions to develop integrated products. Given the challenging macro environment arising from the ongoing COVID-19 pandemic and now the geo-political tensions in Eastern Europe and its impact on the global economy, the road ahead is not expected to be smooth sailing. Yet, we remain confident that our Deep-Tech foundation, business fundamentals, strong management team, track record, ever-expanding know-how, and industry linkages will put us in a strong position to face any challenge.

GARY HO HOCK YONG

Executive Director and Group Chief Executive Officer



ROBUST PARTNERSHIPS EXPANDING HORIZONS

We remain steadfast in our approach to broaden our business scope organically and inorganically; proactively assessing synergistic M&As and strategic partnerships

Completed Milestone in FY2021



Commissioning of Shanghai Plant 2, approximately twice the size of Shanghai Plant 1



Joint investment with Temasek in Sydrogen Energy, tapping on opportunities in the hydrogen economy

BOARD OF DIRECTORS



DR SHI XU
Executive Chairman

Dr Shi Xu is responsible for charting the technological roadmap, corporate direction, and business strategies of our Group. He founded our Group in 1999 and has led its growth as the Chief Executive Officer from 1999 to 2017 and 22 June 2021 to 31 December 2021 (Interim), as the Executive Chairman since 2018, and as our Director since 1999.

Dr Shi has his roots in research and academia, and 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 EY Entrepreneur of the Year (Singapore) received in 2017 from Ernst and Young, the Innovation Award received in 2001 from the Economic Development Board, the National Technology Award received in 2000 from the National Science and Technology Board (now known as A*STAR) 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 RUSSELL THAM MIN YEW
Non-Executive and Non-Independent Director

Mr Gary Ho Hock Yong succeeded to the role of Group Chief Executive Officer from 1 January 2022. His responsibilities involve managing the 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 include 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 by the University of Cambridge Judge Business School.

Mr Russell Tham Min Yew was appointed as a 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. Having joined Applied Materials in 1994, he assumed the position of Regional General Manager, Southeast Asia from 2004 to 2009 after serving in various positions between 1994 to 2003. He went on to concurrently hold 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, and Surbana Jurong Private Limited. He is the Deputy Chairman of Temasek Polytechnic Board of Governors, and a board member of Infocomm Media Development Authority, IMDA and SkillsFuture Singapore, SSG. He is 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.

BOARD OF DIRECTORS



MS ONG SIEW KOON & ONG SIEW KHOON
Lead Independent Director

Ms Ong Siew Koon & Ong Siew Khoon was appointed as an 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 she is also the Lead Independent Director of Karooooo 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.



MR KRISTIAN JOHN ROBINSON
Independent Director

Mr Kristian John Robinson was appointed as an 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, in this capacity, worked with IPH Limited (the listed holding company of Spruson & Ferguson companies) as its key management person. Mr Robinson has held various roles in Spruson & Ferguson companies since 2003, and this most notably includes 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.



MS LEE LEE KHOON
Independent Director

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

Ms Lee was an in-house tax adviser to Kuok (Singapore) Group from 2019 to early 2021. Between 1980 and 2016, she joined Ernst & Young where she held various management positions, including as the ASEAN Business Tax Services Leader and the Lead Partner of a Corporate Tax Group. Ms Lee was with the Inland Revenue Authority of Singapore from 1978 to 1980.

Ms Lee was admitted as a Fellow of CPA Australia in 2004 and as an Accredited Tax Adviser of the Singapore Institute of Accredited Tax Professionals (now known as Singapore Chartered Tax Professionals Limited) in 2010. She is also registered as a Fellow Chartered Accountant of Singapore. Ms Lee graduated from the University of Singapore (now known as the National University of Singapore) in 1978 with a Bachelor of Accountancy.

MR WAN KUM THO
Independent Director

Mr Wan Kum Tho was appointed as an 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 a management committee member and an Executive Director (Investment) of UOB Venture Management Pte Ltd where he was responsible for evaluating investment recommendations.

From 2009 to 2010, Mr Wan was with EEMS Asia Pte Ltd as Vice President of Strategic Planning and Administration where he was in charge of rescheduling debt of the Asian operation, cost controlling, fund raising and planning strategic initiatives with private equity investors. From 2005 to 2008, Mr Wan served as Vice President of Finance and Administration 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 in the U.S.

SENIOR MANAGEMENT

MR LIM KIAN ONN

Group Chief Financial Officer

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

Prior to joining our Group, Mr Lim has 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 GIAN YI-HSEN

Group Chief Commercial and Strategy Officer

Mr Gian Yi-Hsen joined our Group as Vice President (Strategy & Planning) in May 2021 before serving as Deputy Chief Executive Officer (Strategy & Planning) from June 2021 to December 2021. Mr Gian was appointed as Group Chief Commercial and Strategy Officer with effect from 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 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 whilst at the same time acting as Executive Director of Cleantech & Cities, Infrastructure & Industrial Solutions in 2018. Mr Gian was 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.

MR SEAN TAN CHEE KWONG

Group Chief Human Resources Officer

Mr Sean Tan Chee Kwong joined our Group as Group Chief Human Resources Officer in August 2021. His responsibilities include developing and executing human resources strategy and overseeing the overall human resources function of the Group.

Mr Tan has 20 years of experience in management consulting and corporate human resources leadership roles. Between 2019 and 2021, he served as Head of Human Resources and Head of Group Talent Management of ST Engineering Ltd, where he led a team of 50 human resources practitioners. From 2014 to 2019, Mr Tan joined Mercer (Singapore) Pte Ltd as Principal (Talent Consulting Services) and subsequently, as Human Capital Consulting Business Head. Prior to joining Mercer, Mr Tan was Vice President (Human Resources & Organisation Development) of GIC Pte Ltd's from 2011 to 2013. In 2009, Mr Tan served as Head of Top Talent Management (Succession Planning and Workforce Planning) and later as Head of Talent Acquisition until 2010 at the former Information Communication Development Authority of Singapore (which was subsequently reorganised into GovTech Singapore and the Information Communication & Media Development Authority of Singapore).

Mr Tan graduated from Singapore's Nanyang Technological University with a Bachelor of Engineering and is a frequent speaker and panelist at events such as Singapore Perspectives, Industry Transformation and Human Capital seminars.

MR LARS LIEBERWIRTH

Group Chief Technology Officer

Mr Lars Lieberwirth was engaged as a Business Development Director (Europe) of our Company in July 2018 pursuant to a consultancy agreement and was subsequently re-designated 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.

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Shi Xu
(Executive Chairman)
Mr Gary Ho Hock Yong
(Executive Director and Group Chief Executive Officer)
Mr Russell Tham Min Yew
(Non-Executive and 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)

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

BOARD RISK COMMITTEE

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

REMUNERATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms Josephine Toh
Mr Leong Chang Hong

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AUDITOR

Moore Stephens LLP
10 Anson Road
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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

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Mr Lim Kian Onn / Mr Duane Tan
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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**”). This report describes the Company’s corporate governance practices and structures that were in place during the financial year ended 31 December 2021 (“**FY2021**”), 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;
- reviewing the adequacy and effectiveness of the Group’s risk management and internal controls framework, including 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 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;
- setting objective performance criteria to evaluate the performance of the Board, individual Directors and Board Committees;
- approving the nomination and appointment/re-appointment of Directors, members of the Board Committees and key management personnel¹ (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, in recognition 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 (was) of the opinion that his/her participation is (was) necessary. Where such participation is (was) 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 regards 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.

¹ 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 any newly appointed Directors who are unfamiliar with the Group or the duties of a director of a listed company, the Company will conduct an orientation programme to familiarise such incoming Directors with the business activities of the Group, its strategic direction and corporate governance practices, business and organisation structure, as well as the expected duties of a director of a listed company. 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, Company Secretaries and Auditors to facilitate efficient and direct access.

During FY2021 and up to the date of this report, one Executive Director and two Non-Executive Directors were appointed. The head of each respective unit updated the new Non-Executive Directors on their business units' activities and plans. Introduction of KMP to the Non-Executive 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.

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"). All current Directors have completed the relevant training under the LED Programme organised by SID or have experience as a director of a listed company.

To keep pace with regulatory changes, all Directors are informed and encouraged to attend seminars, conferences and training courses at the Company's expense that will assist them in executing their obligations to the Company and effectively discharging 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 220 training hours in aggregate through attending various training seminars, courses, conferences and workshops. 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 2021
- Singapore Governance and Transparency Forum 2021
- Looking Beyond the Pandemic – Important role of the AC
- CTP14 -Driving Climate Change through Executive Compensation
- Launch of the Singapore Directorship Report 2021
- Corporate Governance Roundup 2021
- CTP 9 - Executive and Director Remuneration

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 Singapore Exchange Securities Trading Limited ("SGX-ST") and the Accounting and Corporate Regulatory Authority ("ACRA"), as well as news articles/reports which are relevant to the Group's business are also circulated to the Directors.

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 reports 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 of business undertaking;
- the structure, size and composition of the Board and Board Committees;
- appointment and dismissal of Directors, including members of Board Committees, 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.

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, Nominating Committee ("NC"), RC and Board Risk Committee ("BRG") and delegated specific areas of responsibilities to these Board Committees. Information on the AC, NC, RC and BRC is set out below.

CORPORATE GOVERNANCE REPORT

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, to ensure their continued relevance, taking into consideration the development of the Group and any change in corporate governance practice. 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 on 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 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.

The number of Board and Board Committees meetings as well as general meetings held during FY2021, and the attendance of Directors and KMP during these meetings, are as follows:

	BOARD	AC#	NC	RC	BRC#	GENERAL MEETINGS
No. of meetings held	4	4	2	2	2	2
No. of meetings attended by Directors						
Dr Shi Xu	4	-	2	-	-	2
Mr Gary Ho Hock Yong ⁽¹⁾	4 ⁽¹⁾	-	-	-	2	2
Ms Ong Siew Koon & Ong Siew Khoon ⁽²⁾	4	4	2 ⁽²⁾	2*	2	2
Mr Kristian John Robinson	4	3*	2	2	2*	2
Ms Lee Lee Khoon	4	4	2*	2	2*	2
Mr Wan Kum Tho ⁽³⁾	3 ⁽³⁾	2	1*	1*	2	1
Mr Russell Tham Min Yew ⁽⁴⁾	4 ⁽⁴⁾	-	-	-	-	
Mr James Rowan ⁽⁵⁾	4	2 ⁽⁵⁾	2*	2	1*	2
Mr Lee Liang Huang ⁽⁶⁾	2 ⁽⁶⁾	-	-	-	-	1
No. of meetings attended by KMP						
Mr Lim Kian Onn (Chief Financial Officer)	4*	4*	-	-	-	2
Mr Gian Yi-Hsen (Chief Commercial & Strategy Officer)	4*	-	1*	-	2*	1
Mr Sean Tan Chee Kwong (Chief Human Resources Officer)	2*	-	1*	1*	-	1

CORPORATE GOVERNANCE REPORT

	BOARD	AC#	NC	RC	BRC#	GENERAL MEETINGS
Mr Lars Ralf Rainer Lieberwirth <i>(Chief Technology Officer)</i>	-	-	-	-	-	1
# Audit and Risk Committee ("ARC") was renamed as AC on 14 May 2021. BRC was constituted on 14 May 2021.						
* By invitation.						
(1) Appointed as Director on 6 July 2021. Attended 2 Board meetings as observer and 2 Board meetings as Board member.						
(2) Appointed as member of NC on 14 May 2021. Attended 1 NC meeting as invitee and 1 NC meeting as NC member.						
(3) Appointed as Director on 14 May 2021. Attended 1 Board Meeting as invitee and 2 Board meetings as Board member.						
(4) Appointed as Director on 1 March 2022. Attended 4 Board meetings as observer.						
(5) Ceased to be member of the ARC/AC on 14 May 2021. Ceased as Director and member of RC on 1 March 2022.						
(6) Ceased to be Director and member of BRC on 6 July 2021.						

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 internal auditor ("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 Secretaries or his/her representative(s) who attend and record the minutes of all Board and Board Committee meetings. The Company Secretaries 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 Secretaries rest with the Board.

CORPORATE GOVERNANCE REPORT

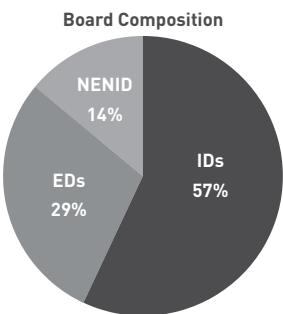
Board Composition and Guidance

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 two (2) EDs, four (4) IDs and one (1) NENID. Accordingly, the IDs and NENID make up a majority of the Board.

The current composition of the Board and Board Committees is set out below:



BOARD	AC	NC	RC	BRC
EDs				
Dr Shi Xu (Chairman)	-	-	-	-
Mr Gary Ho Hock Yong (CEO)	-	-	-	Member
IDs				
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
NENID				
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 four (4) 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 one-third 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 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

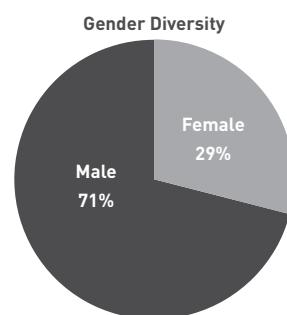
The Group recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of its performance. To promote diversity of the Board, the Company has adopted the Board Diversity Policy which facilitates due consideration to be given to the benefits of diversity. Board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

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

- (a) skills;
- (b) knowledge;
- (c) professional and industry background;
- (d) geographical experience;
- (e) expertise;
- (f) gender;
- (g) age;
- (h) independence (if applicable); and
- (i) 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. 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 provides 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 nearly one-third representation of the Board.



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.

CORPORATE GOVERNANCE REPORT

DIVERSITY	EXISTING														
Function	2 Executive Directors 1 Non-Executive and Non-Independent Director 4 Independent Directors														
Age Group	49 to 66														
Skills, knowledge, professional and industry background	<table border="1"> <thead> <tr> <th>Category</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Scientist</td> <td>1</td> </tr> <tr> <td>Business, Technology & Manufacturing Industry</td> <td>3</td> </tr> <tr> <td>Business & Investment</td> <td>3</td> </tr> <tr> <td>Accounting</td> <td>3</td> </tr> <tr> <td>Tax</td> <td>1</td> </tr> <tr> <td>Intellectual Property Law</td> <td>1</td> </tr> </tbody> </table>	Category	Value	Scientist	1	Business, Technology & Manufacturing Industry	3	Business & Investment	3	Accounting	3	Tax	1	Intellectual Property Law	1
Category	Value														
Scientist	1														
Business, Technology & Manufacturing Industry	3														
Business & Investment	3														
Accounting	3														
Tax	1														
Intellectual Property Law	1														
Geographical experience	Asia Pacific and Europe														

As part of the Company's continuous effort in promoting diversity of the Board, the Board aims to increase the ratio of female representation on the Board as well as 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. Taking into consideration that the search for the correct individuals will take time and 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 FY2021 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 packages and incentive bonuses 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.

CORPORATE GOVERNANCE REPORT

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. Under the leadership of Dr Shi, Nanofilm grew into a multinational technology and manufacturing group with over 1,400 employees, providing unique solutions to businesses across various industries.

Indeed, at the 36th Singapore Business Awards 2020/2021 held on 28 October 2021, Dr Shi Xu, was named Businessman of the Year in recognition of his success in propelling Nanofilm's technology from lab to marketplace.

Dr Shi Xu assumed the role of interim CEO between 22 June 2021 and 31 December 2021 following the resignation of Mr Lee Liang Huang, the former CEO and ED of the Company, due to his health reasons. Mr Gary Ho Hock Yong, then Chief Commercial Officer of the Group, was appointed CEO with effect from 1 January 2022, after the NC and Board had reviewed his qualification and extensive experience in the industries which the Group operates, Mr Ho's familiarity with the Group's business and operations and his roles and responsibilities in supporting the interim CEO, Dr Shi, in leading the growth of the Group's business and overall management.

The responsibilities of Mr Ho as CEO and ED, include 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.

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, Ms Ong Siew Koon @ Ong Siew Khoon was appointed as the Lead ID following the re-designation of the former Lead ID, Mr James Rowan as NENID on 14 May 2021. 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.

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.

CORPORATE GOVERNANCE REPORT

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 FY2021. The NC Chairman reports formally to the Board on its proceedings after each meeting 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 that 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;
- identify candidates and 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.

CORPORATE GOVERNANCE REPORT

A summary of the activities carried out by the NC in FY2021 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 performances 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 re-appointment;
- 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)

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.

The NC will, as part of the Board's progressive renewal process and pursuit of diversity in expertise, experience, gender, age and any relevant attributes on the Board, regularly review the need to appoint, and make recommendations for the appointment of new Directors to the Board.

During the year and up to the date of this report, the NC had reviewed and recommended the appointment of Mr Wan Kum Tho, Mr Gary Ho Hock Yong and Mr Russell Tham Min Yew. 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 FY2021 and up to the date of this report.

The NC reviews the nomination of Directors for re-election annually. 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 recommending the Directors for re-election.

CORPORATE GOVERNANCE REPORT

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 Gary Ho Hock Yong, Mr Wan Kum Tho and Mr Russell Tham Min Yew will therefore hold office until, and be eligible for re-election at the AGM 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 AGM. 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) Ms Ong Siew Koon @ Ong Siew Khoon and Ms Lee Lee Khoon retire pursuant to Regulation 94 of the Constitution and be nominated for re-election at the forthcoming AGM; and (ii) Mr Gary Ho Hock Yong, Mr Wan Kum Tho and Mr Russell Tham Min Yew be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendations.

Ms Ong Siew Koon @ Ong Siew Khoon, Ms Lee Lee Khoon, Mr Gary Ho Hock Yong, Mr Wan Kum Tho and Mr Russell Tham Min Yew (the "Retiring Directors") had consented to act and offered themselves for re-election. Each of the 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 71 to 75 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;
- (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.

CORPORATE GOVERNANCE REPORT

The NC has reviewed and ascertained that Ms Ong Siew Koon @ Ong Siew Khoon, Mr Kristian John Robinson, Ms Lee Lee Khoon and Mr Wan Kum Tho continue to remain independent having considered their confirmations 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	PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES	DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING FIVE YEARS		OTHER CURRENT PRINCIPAL COMMITMENTS
				HELD OVER THE PRECEDING FIVE YEARS	OTHER CURRENT PRINCIPAL COMMITMENTS	
Dr Shi Xu	2 Aug 1999	28 Apr 2021	Nil	Nil	Director of Nanyang Technological University – Ntuitive Pte. Ltd.	
Mr Gary Ho Hock Yong	6 Jul 2021	N.A.	Nil	Nil	Nil	
Ms Ong Siew Koon @ Ong Siew Khoon	9 Oct 2020	N.A.	Non-executive director of Karoooooo Limited (listed on Nasdaq)	Nil	- Lead independent director of Maribank Singapore Private Limited - Director of Health Concepts and Measurements – Healthier SG Ltd	
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	N.A.	Nil	Nil	Nil	
Mr Wan Kum Tho	14 May 2021	N.A.	- 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	

CORPORATE GOVERNANCE REPORT

NAME	DATE OF FIRST APPOINTMENT	DATE OF LAST RE-APPOINTMENT	PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES	DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING FIVE YEARS		OTHER CURRENT PRINCIPAL COMMITMENTS
				HELD OVER THE PRECEDING FIVE YEARS	DIRECTORSHIPS IN OTHER LISTED COMPANIES	
Mr Russell Tham Min Yew	1 Mar 2022	N.A.	Non-executive non-independent director of AEM Holdings Ltd	Nil		<ul style="list-style-type: none"> - Chairman of North-East Community Development Council, Partnership Committee - Chairman of Tampines West Community Club Management Committee - Deputy Chairman of Temasek Polytechnic - Adjunct Professor at National University of Singapore, Faculty of Engineering - Member of National University of Singapore, Engineering Faculty Advisory Board - Board Member of Infocomm Media Development Authority - Board Member of Novo Tellus Capital Partners Pte Ltd - Chairman of Microelectronic 2.0 Steering Committee, NRF RIE 2025, MTI - Member of Future Economy Council - Member of Surbana Jurong Private Limited - Member of Future Economy Council

CORPORATE GOVERNANCE REPORT

The NC has recommended to the Board as a guide that IDs should limit their board representations in other listed companies to five, including that of the Company, so that they may have adequate time to carry out their duties as a 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 other 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)

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 evaluation of the Board's performance as a whole deals with matters on Board structure, composition, information, procedures, accountability, risk management and internal controls and standards of conduct. The Board Committees' evaluation deals with the efficiency and effectiveness of each Board Committee in assisting the Board. The assessment utilises a confidential questionnaire which would be completed by members of the Board and each Board Committee.

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

For FY2021, the performance evaluation of the Board, Board Committees and individual Directors was carried out in February 2022. The Directors had completed the evaluation forms and returned them to the Company Secretaries for compilation of evaluation results. The summary of evaluation results was tabled at the NC's meeting for review.

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 FY2021.

CORPORATE GOVERNANCE REPORT

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 two IDs and one NENID:

Ms Lee Lee Khoon (Chairman)

Mr Kristian John Robinson

Mr Russell Tham Min Yew

Role and responsibilities of the Remuneration Committee (Provision 6.1)

For FY2021, 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;
- ensured 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.

CORPORATE GOVERNANCE REPORT

None of the IDs has service contracts or consultancy arrangements with the Company. They 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.

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 contain 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, 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 FY2021, in framing the remuneration of Directors and KMP, the RC has referenced publicly available executive rewards data of SGX mainboard listed companies of comparable market capitalisation. 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 adopts long-term share incentive scheme and plan to further align the interest of Directors and KMP with that of shareholders, as well as other stakeholders. In addition to the Nanofilm Employee Share Option Scheme 2020 ("ESOS Scheme 2020"), the Company adopted the Nanofilm Restricted Share Plan ("RSP 2021") on 29 October 2021. Both the ESOS Scheme 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 scheme and plan are set out in the Directors' Statement on pages 78 to 84 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 will utilise 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
Board	80,000	50,000
Audit Committee	20,000	15,000
Nominating Committee	13,000	7,500
Remuneration Committee	15,000	10,000
Board Risk Committee	15,000	10,000

Based on the above fee structure, the RC has recommended that the Board tables for shareholders' approval at the AGM, the payment of (i) additional Directors' fees amounting to S\$43,857.53 ("Additional Directors' Fees for FY2021") arising from the change of Directors in FY2021 and (ii) Directors' fees of S\$528,000 for the financial year ending 2022 ("FY2022") such payment to be 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 FY2021 and Directors' Fees for FY2022 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 FY2021 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.

	BREAKDOWN IN PERCENTAGE						TOTAL
	REMUNERATION BAND ⁽²⁾	DIRECTOR FEES ⁽⁵⁾	FIXED SALARY	BONUS	OTHERS ⁽³⁾	SHARE-BASED INCENTIVES ⁽⁴⁾	
EDs							
Dr Shi Xu	D	11%	60%	27%	2%	Nil	100%
Mr Gary Ho Hock Yong ⁽¹⁾⁽⁵⁾	C	6%	62%	28%	3%	Nil	100%
Mr Lee Liang Huang ⁽⁶⁾	B	9%	65%	22%	4%	Nil	100%
IDs							
Ms Ong Siew Koon @ Ong Siew Khoon	A	96%	Nil	Nil	Nil	4%	100%
Mr Kristian John Robinson	A	95%	Nil	Nil	Nil	5%	100%
Ms Lee Lee Khoon	A	96%	Nil	Nil	Nil	4%	100%
Mr James Rowan	A	58%	Nil	Nil	31%	11%	100%
Mr Wan Kum Tho ⁽⁵⁾	A	96%	Nil	Nil	Nil	4%	100%
Mr Russell Tham Min Yew ⁽⁷⁾	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

CORPORATE GOVERNANCE REPORT

	BREAKDOWN IN PERCENTAGE					
	REMUNERATION BAND ⁽²⁾	FIXED SALARY	BONUS	SHARE-BASED INCENTIVES ⁽⁴⁾		TOTAL
				OTHERS ⁽³⁾	INCENTIVES ⁽⁴⁾	
KMP						
Mr Lim Kian Onn	B	63%	19%	5%	14%	100%
Mr Lars Ralf Rainer Lieberwirth	B	64%	23%	Nil	13%	100%
Mr Gian Yi-Hsen	A	82%	7%	5%	6%	100%
Mr Sean Tan Chee Kwong	A	58%	31%	8%	3%	100%
Mr Ricky Tan Chong Ho ⁽⁸⁾	B	69%	26%	5%	Nil	100%

Notes:

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

Percentages have been subject to rounding adjustments, and as a result, the totals may not be an arithmetic aggregation of the figures that precede them.

- (1) As this information is in respect of the financial year ended 31 December 2021, it is based on information applicable to Mr Gary Ho Hock Yong in his position as Executive Director, Chief Commercial Officer and Deputy CEO, as he then was.
- (2) 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.
- (3) Others include employer's CPF contribution and transportation allowance.
- (4) Share-based incentives include share options granted under the ESOS Scheme 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 Directors' fees of Mr Gary Ho Hock Yong and Mr Wan Kum Tho were prorated from the date of their respective appointments to 31 December 2021.
- (6) The remuneration paid to Mr Lee Liang Huang was prorated until the cessation date of his employment with the Company on 21 August 2021.
- (7) Mr Russell Tham Min Yew was appointed as Director on 1 March 2022. Therefore, there is no Director's fees payable to him in respect of FY2021.
- (8) The remuneration paid to Mr Ricky Tan Chong Ho was prorated until the cessation date of his employment with the Company on 16 August 2021.

Under the Code, the Company is required to disclose the remuneration of the top five KMP. 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 not in the best interests of the Group as it is important for the Group to retain talent for the long-term interests of the Group and its shareholders. This will ensure stability and continuity of the Group's business operations with a competent and experienced management team in place.

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 Non-Executive Directors and Independent Directors, and the remuneration policies, composition of remuneration and performance metrics which go towards the determination of the total remuneration packages of the CEO and KMP, the Board has determined that the intent of Principle 8 of the Code has been complied with.

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.

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

The aggregate remuneration paid to existing KMP (who are not Directors or CEO of the Company) in FY2021 amounted to approximately S\$1.10 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 S\$100,000 during the year under review, are as follows:

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

Notes:

- (1) Mdm Jin Xiao Qun is a substantial shareholder and wife of the Executive Chairman, Dr Shi Xu.
- (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 greater than the equivalent of S\$200,000 and less than or equal to S\$300,000.
- (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. A separate BRC was established on 14 May 2021 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 three Directors, two of whom, including the Chairman, are IDs and members of the AC.

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

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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. Since its formation, the BRC held two meetings in FY2021 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. 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.

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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. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

In FY2021, the Group engaged Crowe Horwath First Trust Risk Advisory Pte Ltd (the "**External IA**") as the IA to work with the in-house internal audit team (the "**In-house IA**") on assessment of 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 External IA and In-house IA review 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, internal control weaknesses, the corresponding remedial measures recommended, 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;
- (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

CORPORATE GOVERNANCE REPORT

- (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 FY2021, the Board had received the written confirmations of the KMP, CEO and CFO (collectively, the "**Management Assurance Letters**") as above stated.

Based on the internal controls established and maintained by the Group, work performed by the EA and IA, including the In-house 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 2021.

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 three IDs, namely:

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 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 appointed External IA, the In-house 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 and/or the Company's general counsel 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;

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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, and 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, which are 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 position²;

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 FY2021, the AC also reviewed its TOR which is in line with the Code.

² The assessment of the CFO's performance for FY2021 was done together with the RC.

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 items 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 Company under "Key Audit Matters". For FY2021, the valuation of the Group's and the Company's trade and other receivables and contract assets, the accounting for the put option liability and valuation of goodwill have been reported as Key Audit Matters. The EA had reviewed the Key Audit Matters as shown below, details of which are set out at pages 87 to 88 of this Annual Report:

CORPORATE GOVERNANCE REPORT

KEY AUDIT

MATTER

HOW THE EA ADDRESSED THESE MATTERS

Valuation of trade and other receivables and contract assets	The EA have reviewed the adequacy of the Group's impairment provisions against trade and other receivables and contract assets, as well as the disclosures about the degree of estimation involved in arriving at the expected credit loss model. The EA found that Management's estimates and assumptions around the determination of the expected credit loss were appropriate.
Accounting for the put option liability	The EA have reviewed the reasonableness of the key methodologies and assumptions (including discount rates) applied in the valuation of the Venezio Put Option Shares as defined on page 88 of the Annual Report and re-performed the computations involved in the estimation of the put option liability. The EA found that the Management's methodologies and assumptions used in estimating the put option liability were appropriate and reasonable.
Valuation of goodwill	The EA have reviewed the reasonableness of the key assumptions used in the value-in-use calculations including the gross margins, growth rates and discount rates, and re-executed the calculations of the cash flows prepared by Management to check the mathematical accuracy. The EA found that the Management's estimates and assumptions used in deriving the value-in-use calculations were 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 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)

In addition to the In-house IA, the Group had engaged the External IA to provide independent and objective assurance on its internal audit function that adds value and improves the Group's operations.

The External 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 External IA and the In-house IA report 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 External IA and the In-house IA has unfettered access to all the Group's documents, records, properties and personnel and direct access to the AC.

The External IA and the In-house 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.

CORPORATE GOVERNANCE REPORT

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 External IA and the In-house IA are effective, adequately resourced to perform their functions, and have 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 External 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 thereof.

Both the EA and the External 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.

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.

CORPORATE GOVERNANCE REPORT

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 present at general meetings to respond, if necessary, to operational questions from shareholders that may be raised.

The Company convened its shareholders' meetings virtually in 2021 while adhering to the various advisories and guidance issued by the authorities on holding meetings amid the COVID-19 outbreak.

As permitted under 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"), the Company will be convening its 2022 AGM by electronic means. Under the AAM Order, the AGM may be electronically accessed via live audio-visual webcast or live audio-only stream. Shareholders are encouraged to submit their questions in advance of the AGM and appoint the Chairman of the meeting as proxy at the meeting.

As prescribed by the AAM Order, to facilitate shareholders' votes and allow them to make an informed decision on the resolutions to be tabled at the AGM, the Company will address all substantial and relevant questions received from shareholders prior to the AGM, at least 48 hours (or such other period as may be prescribed by the AAM Order) prior to the closing date and time for the lodgement of the proxy forms. Details on the upcoming AGM are provided in the AGM Notice.

The Company will adopt the same practice with respect to any general meetings that are held by electronic means. In relation to any general meeting where at least 21 days is required to be given to shareholders, all substantial and relevant questions received by the Company prior to such general meeting will be addressed by the Company at least 72 hours (or such other period as may be required by the AAM Order) prior to the closing date and time for the lodgement of the proxy forms.

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 services 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.

CORPORATE GOVERNANCE REPORT

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\$0.01 per ordinary share for FY2021, subject to the approval of shareholders at the AGM. Together with the declared tax-exempt one tier interim dividend of S\$0.01 per ordinary share paid on 8 September 2021, the total declared dividend of S\$0.02 per ordinary share represents approximately 21% of the Group's FY2021 net profit.

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 <http://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.

CORPORATE GOVERNANCE REPORT

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.

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 FY2021 and up to the date of this report, Company has held more than 115 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 the 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.

CORPORATE GOVERNANCE REPORT

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 will be published on the Company's website in the current financial year.

More information on the Group's strategy and key areas of focus in managing stakeholder relationships will be disclosed in the Company's Sustainability 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 with 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.

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

- (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 is comprised of 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 25 Emerging Markets (EM) countries. With 6,319 constituents, the index covers about 14% of the free float-adjusted market capitalisation in each country.*
- (vi) *MSCI Singapore Small Cap Index is designed to measure the performance of the small cap segment of the Singapore market. With 57 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 4,533 constituents, the index covers approximately 14% of the free float-adjusted market capitalisation in each country.*

Awards and Accolades

On 6 July 2021, the Company was named as one of the inaugural winners of Deloitte's Best Managed Companies Singapore 2021 Award, in recognition of its exemplary business performance in 2020. 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.

On 8 July 2021, the Company received the prestigious 2021 APAC Technology Innovation Leadership Award by Frost & Sullivan in the nanocoating deposition technology market. Frost & Sullivan's Technology Innovation Award recognises NTI for introducing the best underlying technology and achieving remarkable product and customer success while driving future business value. Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practice criteria across two dimensions for each nominated company. The Company excels in many of the criteria in the nanocoating deposition technology space.

CORPORATE GOVERNANCE REPORT

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.

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 reprisal. 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.

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; or (ii) directly to the AC Chairman and/or the Company's Compliance Officer at siewkoon.ong@nti-nanofilm.com and 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.

As at the date of this report, one whistle-blowing report was received and is in the process of being resolved. There is no material financial impact to the Group arising from the 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 (whether on a voluntary basis or if required to do so under the Listing Rules) 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 against 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 held on 28 April 2021 renewed the mandate from shareholders to undertake buy back of its shares and will be seeking a renewal of the said mandate at the forthcoming AGM. 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.

CORPORATE GOVERNANCE REPORT

In FY2021, 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.

Interested Person Transactions ("IPT") (Listing Rule 907)

The Group has in place internal procedures to ensure that all transactions with interested persons are reported to the AC in a timely manner, and an IPT register is maintained by the Company.

Details of all IPT entered into during FY2021 are as follows:

NAME OF INTERESTED PERSON	NATURE OF RELATIONSHIP	AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS DURING FY2021 (INCLUDING TRANSACTIONS LESS THAN S\$100,000) (S\$'000)
上海纳曦餐饮管理有限公司 ("Na Xi")	Note ⁽¹⁾	409

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 FY2021.

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 2021, the gross proceeds had been utilised as follows:

	AMOUNT ALLOCATED (AS DISCLOSED IN THE IPO PROSPECTUS)	LAST ANNOUNCED BALANCE AS AT 31 DECEMBER 2021	AMOUNT UTILISED FROM 1 JANUARY 2022 TO 28 FEBRUARY 2022	BALANCE S\$'000
	S\$'000	S\$'000	S\$'000	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	61,535	3,797	57,738
R&D and engineering for entry into new end industries and new areas and/or products in existing business segments	50,000	31,927	2,313	29,614
Construction, refurbishment and renovation of new and existing production facilities				
- Renovation (including refurbishment, furniture and fittings) of Shanghai Plant 2	20,000	7,521	2,747	4,774
- Construction, refurbishment and renovation of new and existing production facilities	10,000	7,194	568	6,626
General corporate and working capital purposes ^[1]	20,900	2,676	2,628	48
Payment of underwriting commissions and offering expenses	9,100	(505)	-	(505)
TOTAL	200,000	110,348	12,053	98,295

Note:

(1) Usage for general corporate and working capital purposes comprised the payment of salary related costs.

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.

CORPORATE GOVERNANCE REPORT

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

NAME OF DIRECTOR	MS ONG SIEW KOON (a) ONG SIEW KHOON	MS LEE LEE KHOON	MR WAN KUM THO	MR GARY HO HOCK YONG	MR RUSSELL THAM MIN YEW
Date of appointment	9 October 2020	9 October 2020	14 May 2021	6 July 2021	1 March 2022
Date of last re-appointment	N.A.	N.A.	N.A.	N.A.	N.A.
Age	63	66	55	50	55
Country of principal residence	Singapore	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Please refer to page 44 to 45 of this Annual Report	Please refer to page 44 to 45 of this Annual Report	Please refer to page 44 to 45 of this Annual Report	Please refer to page 44-45 of this Annual Report	Please refer to page 44 to 45 of this Annual Report
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive	Executive	Non-Executive
Job Title	Non-Executive Lead Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive and Non-Independent Director	Non-Executive and Non-Independent Director
Professional qualifications	Please refer to page 28 of this Annual Report	Please refer to page 29 of this Annual Report	Please refer to page 29 of this Annual Report	Please refer to page 27 of this Annual Report	Please refer to page 27 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 page 77 of this Annual Report	Please refer to page 77 of this Annual Report	Please refer to page 77 of this Annual Report	Please refer to page 77 of this Annual Report	Please refer to page 77 of this Annual Report
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil	Nil	Nil

CORPORATE GOVERNANCE REPORT

NAME OF DIRECTOR	MS ONG SIEW KOON (a) ONG SIEW KHOON	MS LEE LEE KHOON	MR WAN KUM THO	MR GARY HO HOCK YONG	MR RUSSELL THAM MIN YEW
Conflict of interest (including any competing business)	Nil	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	Yes
Other Principal commitments including Directorships					
Past (for the last 5 years)	Nil	1. EY Corporate Services Pte. Ltd. 2. In-house tax adviser to Kuok (Singapore) Group	1. UOB Venture Management Pte Ltd 2. Heliconia Capital Management Pte. Ltd. 3. Nanofilm Technologies International Pte Ltd* 4. Sesto Robotics Pte Ltd* 5. Encyclia 2 Investments Pte. Ltd.* 6. Encyclia 1 Investments Pte. Ltd.* 7. Ascent Solutions Pte. Ltd.* 8. Star 360 Holdings Pte. Ltd.* 9. D'nonce Technology Bhd.	Nil	Nil

* Appointment nominated by Heliconia Capital Management Pte. Ltd.

CORPORATE GOVERNANCE REPORT

MS ONG SIEW KOON @ ONG SIEW KHOON

NAME OF DIRECTOR	MS ONG SIEW KOON @ ONG SIEW KHOON	MS LEE LEE KHOON	MR WAN KUM THO	MR GARY HO HOCK YONG	MR RUSSELL THAM MIN YEW
Present	<p>1. Health Concepts and Measurements – Healthier SG Ltd</p> <p>2. Karooooo Limited</p> <p>3. MariBank Singapore Private Limited</p>	Nil	<p>1. AP Oil International Limited</p> <p>2. Tat Hong Equipment Service Co., Ltd.</p> <p>3. Singtel Innov8 Private Ltd</p>	<p>1. Miller Technologies Pte. Ltd.</p> <p>2. Sydrogen Energy Pte. Ltd.</p> <p>3. Nanofilm Advanced Materials Pte. Ltd.</p> <p>4. Wizture Holdings Pte. Ltd.</p> <p>5. Nanofab Technologies Pte. Ltd.</p> <p>6. Nanofilm Vacuum Coating (Shanghai) Co., Ltd</p> <p>7. Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd</p> <p>8. Nanofilm Enterprise Management (Shanghai) Co., Ltd</p> <p>9. Yizheng Nahuan Technologies Co., Ltd</p> <p>10. Nanofilm Technologies Japan Limited</p> <p>11. Nanofab Japan Co Ltd</p> <p>12. Nanofilm Investments Pte. Ltd.</p> <p>13. Nanofilm Ventures Pte. Ltd.</p>	<p>Please refer to page 47 of this Annual Report</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?
- (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?

Ms Ong, Ms Lee, Mr Wan, Mr Ho and Mr Tham have individually given a negative disclosure on each of the above items (a) to (k).

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.

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 Ms Ong, Ms Lee, Mr Wan, Mr Ho and Mr Tham as this is a re-election/re-appointment of Director.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

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 2021.

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 2021, 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	(appointed on 6 July 2021)
Ms Ong Siew Koon @ Ong Siew Khoon	
Mr Kristian John Robinson	
Ms Lee Lee Khoon	
Mr Wan Kum Tho	(appointed on 14 May 2021)
Mr Russell Tham Min Yew	(appointed on 1 March 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 2021

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 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 1.1.2021 OR DATE OF APPOINTMENT	AT 31.12.2021	AT 21.1.2022	AT 1.1.2021 OR DATE OF APPOINTMENT	AT 31.12.2021	AT 21.1.2022
	IF LATER			IF LATER		
The Company						
<i>Nanofilm Technologies International Limited</i>						
<u>Number of Ordinary Shares</u>						
Dr Shi Xu	50,842,820	44,457,573	44,457,573	319,110,895	292,092,853	292,092,853
Mr Lee Liang Huang (Resigned on 6 July 2021)	6,793,840	– ⁽¹⁾	– ⁽¹⁾	3,255,000	– ⁽¹⁾	– ⁽¹⁾
Mr Kristian John Robinson	120,000	120,000	120,000	–	–	–
Mr Wan Kum Tho (Appointed on 14 May 2021)	–	–	–	–	10,000	10,000
Mr Gary Ho Hock Yong (Appointed on 6 July 2021)	–	–	–	1,300,000	1,300,000	1,300,000
Ultimate Holding Company						
<i>Pearl Yard Holdings Inc.</i>						
<u>Number of Ordinary Shares</u>						
Dr Shi Xu	1	1	1	–	–	–

Note:

(1) Not applicable as the director has resigned during the current financial year.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

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 31.12.2021	AT 1.1.2021
Nanofab Technologies Pte. Ltd.		
- Number of ordinary shares	4,410	4,410
Nanofab Japan Co., Ltd		
- Number of ordinary shares of JPY375,000 each	90	90
Nanofab Vietnam Co., Ltd		
- Capital contribution in USD	450,000	450,000
Yizheng Nahuan Technologies Co., Ltd		
- Capital contribution in RMB	30,600,000	30,600,000
Wixture Technologies (Yizheng) Co., Ltd		
- Capital contribution in RMB	36,000,000	36,000,000
Sydrogen Energy Pte. Ltd.		
- Capital contribution in SGD	21,000,000 preference shares and 70,000,000 ordinary shares	-

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.

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 were subsequently amended on 29 October 2018 and 5 September 2019. The ESOS Scheme 2017 was established and administered by a committee comprising of 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)^[1], Mr Kristian Robinson (Member) and Mr Russell Tham Min Yew (Member)^[2], 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.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

4 SHARE OPTIONS AND AWARDS SHARES (CONT'D)

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

As at 31 December 2021, details of the options granted under the ESOS Scheme 2017 are as follows:

DATE OF GRANT OF OPTIONS	OUTSTANDING AT 1.1.2021	OPTIONS		OPTIONS		OPTIONS OUTSTANDING AT 31.12.2021	EXERCISE PRICE	
		OPTIONS GRANTED	CANCELLED/ LAPSED	OPTIONS EXERCISED			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	511,000	0.5868	9-27 December 2024
3 March 2019	533,000	-	(66,000)	(308,000)	159,000	159,000	0.5868	18-28 March 2025
3 June 2019	550,000	-	-	(360,000)	190,000	190,000	0.5868	16-18 June 2025
1 July 2020	2,500,000	-	(798,000)	(670,000)	1,032,000	1,032,000	0.5868	30 June 2026
	11,311,000	-	(1,164,000)	(6,555,000)	3,592,000			

Notes:

- (1) Ms Lee Lee Khoon was appointed as Chairman after Mr James Rowan stepped down as Chairman on 14 May 2021.
(2) Mr Russell Tham Min Yew was appointed as member after Mr James Rowan resigned with effect on 1 March 2022.

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).

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

4 SHARE OPTIONS AND AWARDS SHARES (CONT'D)

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

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 SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2017 TO 31.12.2021	AGGREGATE	
			SHARE OPTIONS CANCELLED/ LAPSED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2017 TO 31.12.2021	AGGREGATE SHARE OPTIONS EXERCISED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2017 TO 31.12.2021
<u>Directors and employees of Company</u>				
Mr Lee Liang Huang ^[1] (Resigned on 6 July 2021)	-	9,365,000	(5,585,000)	[3,780,000] -
Mr Gary Ho Hock Yong	-	5,200,000	(1,350,000)	[2,150,000] 1,700,000
	-	14,565,000	(6,935,000)	[5,930,000] 1,700,000
<u>Directors and employees of subsidiaries</u>				
Mr Jin Xiaozhe	-	6,700,000	(1,734,000)	[4,966,000] -

Notes:

- (1) The numbers have been adjusted for the sub-division of one existing share into 35 shares, which was effected on 6 March 2018.
(2) These options are exercisable between 2 April 2019 and 2 April 2023 if the vesting conditions are met.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

4 SHARE OPTIONS AND AWARDS SHARES (CONT'D)

(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.

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 option 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 2021

4 SHARE OPTIONS AND AWARDS SHARES (CONT'D)

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

As at 31 December 2021, details of the options granted under the ESOS Scheme 2020 are as follows:

DATE OF GRANT OF OPTIONS	OUTSTANDING AT 1.1.2021	OPTIONS		OPTIONS		OPTIONS		EXERCISE PRICE	DATE OF EXPIRY
		OPTIONS GRANTED	CANCELLED/ LAPSED	OPTIONS EXERCISED	OUTSTANDING AT 31.12.2021				
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 &		
19 August 2021	–	880,000	–	–	880,000	4.1185	6 April 2031		
	–	3,042,500	[425,000]	–	2,617,500		19 August 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.

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.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

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:

	SHARE OPTIONS GRANTED DURING THE FINANCIAL YEAR	AGGREGATE SHARE OPTIONS GRANTED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2020 TO 31.12.2021	AGGREGATE SHARE OPTIONS CANCELLED/ LAPSED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2020 TO 31.12.2021	AGGREGATE SHARE OPTIONS EXERCISED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2020 TO 31.12.2021	AGGREGATE SHARE OPTIONS OUTSTANDING AS AT 31.12.2021 ⁽¹⁾
					Name of directors
Mr Gary Ho Hock Yong	50,000	50,000	-	-	50,000
Mr James Rowan (Resigned on 1 March 2022)	200,000	200,000	-	-	200,000
Ms Ong Siew Koon @ Ong Siew Khoon	50,000	50,000	-	-	50,000
Mr Kristian John Robinson	50,000	50,000	-	-	50,000
Ms Lee Lee Khoon	50,000	50,000	-	-	50,000
Mr Wan Kum Tho	50,000	50,000	-	-	50,000
	450,000	450,000	-	-	450,000

Note:

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

(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 2021

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, job 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 2021, the Company granted 719,000 share awards to the Group's employees pursuant to the RSP 2021, at no consideration. No director of the Company has participated in the RSP 2021 in the financial year and no employee has received 5% or more of the total number of awards available under the RSP 2021. The share awards granted will vest in ten (10) equal tranches over a period of ten (10) years commencing from the first anniversary after the date of grant, subject to the grantee achieving certain performance conditions and meeting other terms and conditions in respect of each tranche.

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

DATE OF RSP	AWARD SHARES OUTSTANDING	AWARD SHARES GRANTED	AWARD SHARES VESTED	AWARD SHARES FORFEITED	AWARD SHARES OUTSTANDING
	AT 1.1.2021				AT 31.12.2021
31 December 2021	-	719,000	-	-	719,000

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

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 (appointed as AC member on 14 May 2021)

Mr James Rowan (ceased as AC member on 14 May 2021)

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

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;

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

5 AUDIT COMMITTEE (CONT'D)

- 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
- 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 since the Listing of the Company on SGX-ST 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 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Nanofilm Technologies International Limited

For the financial year ended 31 December 2021

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 2021, 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 2021 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.

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
Valuation of trade and other receivables and contract assets We refer to Note 2(j), Note 3(i), Note 4, Note 16 and Note 31(a) to the financial statements. The carrying amount of the Group's and the Company's trade and other receivables amounted to S\$96,091,000 and S\$99,642,000 respectively as at 31 December 2021. The carrying amount of the Group's contract assets amounted S\$21,506,000 as at 31 December 2021. There are judgements and estimates involved in the application of the expected credit loss model and impairment provision.	Our response We have performed the procedures which included: <ul style="list-style-type: none">reviewed the Group's and the Company's control over the receivables collection process;checked and tested the accuracy of ageing of trade and other receivables and contract assets;circularised trade and other receivables confirmations independently on a sample basis and checked for the receipt of cash after year end; andreviewed the adequacy of the Group's and the Company's impairment provisions and its disclosures about the degree of estimation involved in arriving at the expected credit loss model. Based on our audit procedures, we found management's estimates and assumptions around the determination of the expected credit loss to be appropriate.

INDEPENDENT AUDITOR'S REPORT

To the members of Nanofilm Technologies International Limited
For the financial year ended 31 December 2021

Key Audit Matters (cont'd)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Accounting for the put option liability We refer to Note 2(m), Note 3(i) and Note 25 to the financial statements. As disclosed in Note 3(i), during the financial year, the Company granted to Venezio Investments (Private) Limited) (Venezio) a put option, pursuant to which Venezio shall have the right to require the Company to redeem the equity interests (the " Venezio Put Option Shares ") held by Venezio in a subsidiary of the company, Sydrogen Energy Pte. Ltd., at an amount which is variable depending on the fair market value of the Venezio Put Option Shares. The carrying amount of the put option liability, amounting to S\$53,100,000 as at 31 December 2021, depends on the valuation of the Venezio 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.	Our response We have performed the procedures which included: <ul style="list-style-type: none">discussed with management the basis to determine the put option liability;independently considered the reasonableness of the key methodologies and assumptions (including discount rates) applied in the valuation of the Venezio Put Option Shares;re-performed the computations involved in the estimation of the put option liability. 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.
Valuation of goodwill We refer to Note 2(f), Note 3(i), Note 13 and Note 14(b)(v) to the financial statements. As disclosed in Note 14(b)(v), the Group acquired Miller Technologies Pte. Ltd. during the year at a consideration of S\$4,500,000. As at 31 December 2021, the fair value of the identifiable net assets at the date of acquisition has been provisionally determined and goodwill of S\$4,100,000 has been recognised. The Group tested goodwill for impairment at the end of the reporting period. As at reporting date, the recoverable amount of the cash-generating units, determined based on discounted value-in-use calculations is higher than the carrying amount of goodwill. There are estimates and assumptions which involve judgements in the determination of the discounted value-in-use calculations.	Our response We have performed the procedures which included: <ul style="list-style-type: none">obtained an understanding of the investment acquisition during the year and discussed with management on the basis to determine the value-in-use calculations;reviewed the reasonableness of the key assumptions used in the value-in-use calculations including the gross margins, growth rates and discount rates; andre-executed the calculations of the cash flows prepared by management to check the mathematical accuracy. Based on our audit procedures, we found the estimates and assumptions used by management in deriving the value-in-use calculations to be reasonable.

INDEPENDENT AUDITOR'S REPORT

To the members of Nanofilm Technologies International Limited
For the financial year ended 31 December 2021

Other Information

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.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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.

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.

INDEPENDENT AUDITOR'S REPORT

To the members of Nanofilm Technologies International Limited

For the financial year ended 31 December 2021

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

- 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.
- 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 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial years ended 31 December 2021

	NOTE	2021 S\$'000	2020 S\$'000
Revenue	4	246,694	218,337
Cost of sales		(124,539)	(98,550)
Gross profit		122,155	119,787
Other operating income	5	7,218	4,183
Finance income	6	983	525
Expenses:			
Research & development and engineering ⁽¹⁾		(21,902)	(16,483)
Selling and distribution ⁽¹⁾		(6,563)	(5,248)
Administrative		(32,651)	(29,628)
Finance	7	(704)	(1,573)
Write back of/ (impairment loss) allowance on trade receivables and contract assets		1,322	(1,287)
Profit before income tax	8	69,858	70,276
Income tax expenses	9	(7,328)	(12,213)
Profit after income tax		62,530	58,063
Other comprehensive income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising from translation of foreign operations		13,665	8,144
Total comprehensive income for the year		76,195	66,207
Profit attributable to:			
Equity holders of the Company		62,202	57,615
Non-controlling interests		328	448
		62,530	58,063
Total comprehensive income attributable to:			
Equity holders of the Company		75,410	65,509
Non-controlling interests		785	698
		76,195	66,207
Earnings per share attributable to equity holders of the Company (cents)			
Basic earnings per share	10	9.42	10.64
Diluted earnings per share	10	9.37	10.53

(1) Figures restated. Please refer to Note 33.

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

NOTE	GROUP		COMPANY	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	290,179	174,538	50,724
Land use rights	12	13,391	13,063	–
Intangible assets	13	9,860	3,802	5,218
Investment in subsidiaries	14	–	–	104,800
Other receivables and other non-current assets	16	–	488	71,824
Other financial assets	15	1,367	–	–
Deferred tax assets	24	1,429	478	–
		316,226	192,369	232,566
				117,424
Current assets				
Inventories	17	17,365	15,788	5,810
Trade and other receivables, and other current assets	16	106,848	95,670	27,889
Contract assets/Accrued receivables	4	21,506	17,706	–
Cash and bank balances	18	176,610	227,355	94,359
Other financial assets	15	6,363	–	–
		328,692	356,519	128,058
				216,081
Total assets		644,918	548,888	360,624
				333,505
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital	19	266,927	263,756	266,927
Treasury shares	19	(15,241)	–	(15,241)
Reserves	20	177,917	167,085	60,193
		429,603	430,841	311,879
Non-controlling interests	14(c)	45,374	9,589	–
Total equity		474,977	440,430	311,879
				306,771
Non-current liabilities				
Bank loans	21	26,211	18,328	26,128
Lease liabilities	22	15,279	1,449	9,034
Other creditors	25	53,100	–	–
Deferred tax liabilities	24	1,278	1,012	1,278
		95,868	20,789	36,440
				5,847
Current liabilities				
Trade and other payables	25	60,501	47,148	5,222
Contract liabilities/Advanced receipts	4	2,607	11,930	334
Bank loans	21	2,070	21,419	1,872
Lease liabilities	22	2,552	1,071	1,542
Provisions	26	556	302	542
Provision for taxation		5,787	5,799	2,793
		74,073	87,669	12,305
Total liabilities		169,941	108,458	48,745
Total equity and liabilities		644,918	548,888	360,624
				333,505

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

STATEMENTS OF CHANGES IN EQUITY

For the financial years ended 31 December 2021

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Group	Note	SHARE CAPITAL \$'000	TREASURY SHARES \$'000	TRANSLATION RESERVE \$'000	STATUTORY RESERVE \$'000	OTHER RESERVES \$'000	ACCUMULATED PROFITS \$'000	TOTAL \$'000	CONTROLLING INTERESTS \$'000	NON-CONTROLLING INTERESTS \$'000	TOTAL EQUITY \$'000
		At 1 January 2021	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		–	–	–	–	–	–	(6,585)	(6,585)	–	(6,585)
- Dividends	27	–	–	–	–	–	–	(182)	–	2,989	–
- Issuance of shares under ESOS Scheme	19	3,171	–	–	–	–	–	–	–	(21,179)	–
2017											
- Purchase of treasury shares	19	–	(21,179)	–	–	–	–	–	–	(21,179)	–
- Treasury shares re-issued under ESOS Scheme 2017	19	–	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)(iv)		–	–	–	–	–	–	–	–	35,000	35,000
Total transactions with equity holders		3,171	(15,241)	–	–	(58,125)	(6,453)	(76,648)	35,000	(41,648)	–
At 31 December 2021		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 2021

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY										NON-CONTROLLING INTERESTS		TOTAL EQUITY	
Group	Note	Share Capital \$'000	Translation Reserve \$'000	Statutory Reserve \$'000	Other Reserves \$'000	Accumulated Profits \$'000	Total \$'000	Non-controlling Interests \$'000	Total \$'000	Non-controlling Interests \$'000	Total \$'000		
At 1 January 2020		9,696	(9,020)	5,434	703	113,701	120,514	6,912	127,426				
Profit for the year		-	-	-	-	57,615	57,615	448	58,063				
Other comprehensive income		-	7,894	-	-	-	7,894	250	8,144				
Total comprehensive income for the year		-	7,894	-	-	57,615	65,509	698	66,207				
Transfer of statutory reserve		-	-	422	-	(422)	-	-	-				
Transactions with equity holders, recognised directly in equity		-	-	-	-	(9,631)	(9,631)	-	(9,631)				
- Dividends		27	-	-	-	-	-	-	-				
- Issuance of shares under ESOS Scheme 2017	19	6,621	-	-	(159)	-	6,462	-	6,462				
- Issuance of shares under RSP 2020	19	3,238	-	-	-	-	3,238	-	3,238				
- Issuance of Initial Public Offering (IPO) shares	19	200,000	-	-	-	-	200,000	-	200,000				
- Share issuance expenses, net of listing grant	19	[5,799]	-	-	-	-	(5,799)	-	(5,799)				
- Conversion of convertible notes	19	50,000	-	-	240	-	50,240	-	50,240				
- Adjustment on employee share options	-	-	-	-	478	-	478	-	478				
- Contribution of capital by non-controlling interest	14(b)(xv)	-	-	-	-	-	-	-	1,809		1,809		
- Increase in ownership interests in subsidiaries	14(b)(xi) (xii)	-	-	-	(170)	-	(170)	-	170		-		
Total transactions with equity holders		254,060	-	-	389	(9,631)	244,818	1,979	246,797				
At 31 December 2020		263,756	[1,126]	5,856	1,092	161,263	430,841	9,589	440,430				

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 2021

COMPANY	NOTE	SHARE CAPITAL	TREASURY SHARES	OTHER RESERVES	ACCUMULATED PROFITS	TOTAL EQUITY
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2021		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	19	3,171	–	(182)	–	2,989
- Purchase of treasury shares	19	–	(21,179)	–	–	(21,179)
- Treasury shares re-issued under ESOS Scheme 2017	19	–	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)
At 31 December 2021		266,927	(15,241)	(4,395)	64,588	311,879
At 1 January 2020		9,696	–	71	40,614	50,381
Profit for the year		–	–	–	11,402	11,402
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the year		–	–	–	11,402	11,402
Transactions with equity holders, recognised directly in equity						
- Dividends	27	–	–	–	(9,631)	(9,631)
- Issuance of shares under ESOS Scheme 2017	19	6,621	–	(159)	–	6,462
- Issuance of shares under RSP 2020	19	3,238	–	–	–	3,238
- Issuance of IPO shares	19	200,000	–	–	–	200,000
- Share issuance expenses, net of listing grant	19	(5,799)	–	–	–	(5,799)
- Conversion of convertible notes	19	50,000	–	240	–	50,240
- Adjustment on employee share options		–	–	478	–	478
Total transactions with equity holders		254,060	–	559	(9,631)	244,988
At 31 December 2020		263,756	–	630	42,385	306,771

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	NOTE	2021 S\$'000	2020 S\$'000
Cash Flows from Operating Activities			
Profit before income tax		69,858	70,276
Adjustments for:			
Depreciation of property, plant and equipment	8	24,351	18,062
Amortisation of land use rights	8	290	278
Amortisation of intangible assets	8	1,192	1,193
Finance expenses	7	704	1,573
Finance income	6	(983)	(525)
Provision for warranties	8	558	315
Reversal of provision for warranties	8	(303)	(434)
Write off/loss on disposal of property, plant and equipment	8	60	54
Expenses recognised in respect of share-based payments and share options granted	8	369	3,716
Exchange differences – unrealised		570	111
Write off of intangible assets	8	18	417
Share issuance expenses charged to profit or loss		–	2,479
Listing grant income recognised in profit or loss		–	(280)
Operating cash flow before working capital changes		96,684	97,235
Inventories		6,312	675
Trade, other receivables and other current assets (include contract assets)		(9,083)	(40,889)
Trade, other payables and provisions (include contract liabilities)		(13,229)	14,080
Cash generated from operations		80,684	71,101
Interest paid		(356)	(2,400)
Interest received		983	525
Income tax paid		(8,111)	(10,209)
Net cash generated from operating activities		73,200	59,017
Cash Flows from Investing Activities			
Acquisition of a subsidiary	14(b)(v)	(4,500)	–
Purchase of property, plant and equipment		(104,872)	(79,153)
Advances paid for purchase of property, plant and equipment		–	(488)
Proceeds from disposal of property, plant and equipment		121	180
Additions to intangible assets		(2,830)	(1,043)
Additions to other financial assets		(7,730)	–
Net cash used in investing activities		(119,811)	(80,504)
Cash Flows from Financing Activities			
Contribution of capital by non-controlling interests	14(b)(iv)(xv)	35,000	1,809
Proceeds from issuance of shares under ESOS Scheme 2017		1,772	6,462
Proceeds from re-issuance of treasury shares under ESOS Scheme 2017		858	–
Advances received for issuance of ordinary shares under the ESOS Scheme 2017		–	1,216
Proceeds from issuance of IPO shares		–	200,000
Share issuance expenses capitalised against share capital		–	(6,519)
Share issuance expenses charged to profit or loss		–	(2,479)
Listing grant income received		–	1,000
Payment for buy-back of shares	19	(21,179)	–
Proceeds from bank loans	28	49,000	55,338
Repayment of bank loans	28	(61,530)	(20,010)
Payment of lease liabilities	28	(2,640)	(4,850)
Increase in fixed deposits pledged with banks		405	(38)
Dividends paid	27	(6,585)	(9,631)
Net cash (used in)/generated from financing activities		(4,899)	222,298
Net (decrease)/increase in cash and cash equivalents		(51,510)	200,811
Cash and cash equivalents at the beginning of the year		226,504	24,592
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		1,170	1,101
Cash and cash equivalents at the end of the year	18	176,164	226,504

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 principal place of business is Block 28 Ayer Rajah Crescent, #02-02/03, Ayer Rajah Industrial Estate, Singapore 139959.

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 2021, 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 2021

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) 1-16, <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37, <i>Provisions: Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to SFRS(I) 3, <i>Business Combinations: Reference to the Conceptual Framework</i>	1 January 2022
Annual improvements to SFRS(I)s 2018 - 2020	1 January 2022
Amendments to SFRS(I) 1-1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 1-1, <i>Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements</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) 1-16

Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit an entity deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognise the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to SFRS(I) 1-37

Provisions: Onerous Contracts - Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Amendments to SFRS(I) 3

Business Combinations: Reference to the Conceptual Framework

The amendments confirm that a business must include inputs and a process. The amendments also clarify that the process must be substantive, and the inputs and process must significantly contribute to creating outputs. The revised definition of a business focuses on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs. A new optional test is available to assess whether a business has been acquired, when the value assets acquired is concentrated in a single asset or group of similar assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- (b) New and Revised SFRS(I)s Issued but Not Yet Effective (cont'd)

Annual Improvements to SFRS(I)s 2018 - 2020

SFRS(I) 9 Financial Instruments: Fees in the '10 per cent' Test for Derecognition

This amendment clarifies that, in applying the derecognition test for financial liabilities under paragraph B3.3.6 of SFRS(I) 9, a borrower includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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) 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 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Group Accounting (cont'd)

Acquisition of Businesses (cont'd)

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.

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) 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 (\$\$), which is the functional currency of the Company. The financial statements of the Group are presented and rounded to the nearest thousand (\$\$'000) except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Foreign Currencies (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) 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
Office and other equipment	3 to 6 years
Tools and supplies	2 to 3 years
Motor vehicles	4 to 10 years
Leasehold land	32 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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 live 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.

(g) 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.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of Non-Financial Assets (cont'd)

i. *Intangible assets (other than goodwill) Property, plant and equipment (cont'd)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) 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.

(j) 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, transaction 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 of 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial Assets (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- (j) Financial Assets (cont'd)

Impairment (cont'd)

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.

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.

- (k) 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.

- (l) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Provisions (cont'd)

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.

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.

(s) 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 recognise 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 are 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 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) 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 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) 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.

(u) 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.

(v) 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 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- (v) 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(r)).

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 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) 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.

(x) 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.

(y) 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 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- (y) 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.

- (z) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(aa) 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.

(ab) 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.

(ac) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

- (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(j). 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 16 and Note 31(a) to the financial statements.

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.

During the current financial year, the Group conducted an operational efficiency review and reassessment of the useful life on Shanghai Plant 1. Accordingly, the Group revised the estimated useful life of its Shanghai Plant 1 from 20 years to 30 years. The revision in estimate has been applied on a prospective basis from 1 January 2021. The effect of the above revision on depreciation charge in current and future periods are as follows:

	2021 S\$'000	2022 S\$'000	2023 S\$'000	LATER S\$'000
Group				
(Decrease)/Increase in depreciation expense	(356)	(356)	(356)	1,068

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\$2,541,000 (2020: S\$1,895,000).

Estimated Useful Life of Development Costs

Development costs are capitalised in accordance with the accounting policy in Note 2(f). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

- (i) Critical accounting estimates and assumptions (cont'd)

Estimated Useful Life of Development Costs (cont'd)

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\$116,000 (2020: S\$118,000).

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 20 to the financial statements).

Goodwill

The Group recognised goodwill and tested for impairment annually in accordance with the accounting policy as disclosed in Note 2(c) and 2(h)(ii) to the financial statements. The recoverable amount of the cash-generating units have 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 increase 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 are set out in Note 13 to the financial statements.

Put Option Liability

During the current financial year, the Company entered into an agreement with Venezio 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 Venezio.

Arising from the agreement, the Company granted Venezio a put option, pursuant to which Venezio 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 Venezio 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 Venezio for the subscription of Venezio Put Option Shares divided by the number of Venezio Put Option Shares, both as at the date that Venezio exercises the put option; and
- (b) the fair market value of the Venezio 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 Venezio 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 as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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	
	2021 S\$'000	2020 S\$'000
Advanced materials	194,269	182,469
Industrial equipment	44,622	24,615
Nanofabrication	7,803	11,253
Total	246,694	218,337

- (b) Disaggregation of revenue from contracts with customers

	GROUP	
	2021 S\$'000	2020 S\$'000
<u>Performance obligations satisfied at a point in time</u>		
Sale of equipment	38,889	20,622
Sale of products and spare parts	11,712	13,601
	50,601	34,223
<u>Performance obligations satisfied over time</u>		
Service rendered	196,093	184,114
Total	246,694	218,337

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4 REVENUE (CONT'D)

(c) Contract balances

	GROUP		COMPANY	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
<i>Current</i>				
Contract assets	21,506	18,759	–	–
Less: Loss allowance (Note 16)	–	(1,053)	–	–
	21,506	17,706	–	–
Contract liabilities	2,607	11,930	334	10,230

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		COMPANY	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Contract assets</u>				
Contract assets billed			(19,352)	(9,941)
Changes in measurement of progress			22,099	17,324
Write back/ (Impairment loss) allowance on contract assets			1,053	(1,053)

	GROUP		COMPANY	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Contract liabilities</u>				
Revenue recognised at the beginning of the year	11,930	6,368	10,230	3,570
Increase due to cash received, excluding amounts recognised as revenue during the year	(2,607)	(11,930)	(334)	(10,230)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

5 OTHER OPERATING INCOME

	GROUP	
	2021	2020
	S\$'000	S\$'000
Government grants and incentives	5,851	2,305
Covid-19 related government grants	679	1,189
Scrap sales	127	150
Gain on disposal of property, plant and equipment	18	-
Listing grant income recognised in profit and loss	-	280
Sundry income	543	259
	7,218	4,183

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 government 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\$679,000 (2020: S\$1,189,000) related to various temporary wage support schemes.

6 FINANCE INCOME

	GROUP	
	2021	2020
	S\$'000	S\$'000
Interest income:		
- bank deposits	983	525

7 FINANCE EXPENSES

	GROUP	
	2021	2020
	S\$'000	S\$'000
Interest expense:		
- bank loans	261	556
- lease liabilities	443	172
- convertible notes carried at amortised cost	-	845
	704	1,573

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

8 PROFIT BEFORE INCOME TAX

This is stated after charging/(crediting) the following:

	NOTE	2021 S\$'000	2020 S\$'000	GROUP
Cost of inventories sold [recognised as cost of sales]		105,116	81,918	
Audit fees paid/payable to:				
- Auditors of the Company		164	124	
- Other auditors		76	67	
IPO fees paid to auditors of the Company		-	230	
Non-audit fees paid/payable to:				
- Auditors of the Company		5	8	
- Other auditors		69	23	
Directors' fee		503	115	
Depreciation of property, plant and equipment	11	24,351	18,062	
Amortisation of land use rights	12	290	278	
Amortisation of intangible assets	13	1,192	1,193	
Lease expenses (short term leases)		440	566	
Listing expenses				
- Recurring		102	9	
- Non-recurring		-	2,479	
(Write back of)/Impairment loss allowance on trade receivables and contract assets	16	[1,322]	1,287	
Write down/(back) of inventories	17	16	(91)	
Write off of obsolete stock		-	9	
Staff costs (including directors' remuneration)				
- Salaries and related costs		78,072	51,900	
- Contribution to defined contribution plans		4,910	1,563	
- Share option expenses under ESOS Schemes		369	478	
- Award shares expenses under RSP 2020		-	3,238	
Write off/loss on disposal of property, plant and equipment		60	54	
Write off of intangible assets		18	417	
Exchange loss		123	757	
Provision for warranties	26	558	315	
Reversal of provision for warranties	26	(303)	(434)	
Breakdown of staff costs included in:				
- Cost of sales		47,100	27,965	
- Research & development and engineering		12,131	9,104	
- Selling and distribution costs		4,460	2,726	
- Administrative costs		19,660	17,384	
		83,351	57,179	
Breakdown of amortisation of land use rights and intangible assets included in:				
- Cost of sales		14	11	
- Research & development and engineering		1,166	1,193	
- Administrative costs		302	267	
		1,482	1,471	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

9 INCOME TAX EXPENSES

	GROUP	
	2021	2020
	S\$'000	S\$'000
Income tax:		
- Current year	8,779	11,899
- (Over)/under provision in prior years	(795)	762
	7,984	12,661
Deferred tax:		
- Current year (Note 24)	(656)	(448)
	7,328	12,213

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	
	2021	2020
	S\$'000	S\$'000
Profit before income tax	69,858	70,276
Tax calculated at applicable tax rates	12,782	12,224
Non-deductible expenses	1,707	1,236
Income not subject to tax	(961)	(481)
Tax exemption	(17)	(17)
Tax incentives ⁽¹⁾	(5,994)	(1,331)
Utilisation of previously unrecognised tax losses	–	(180)
Deferred tax assets not recognised	606	–
(Over)/under provision in prior years	(795)	762
	7,328	12,213

(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% (2020: 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 and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

9 INCOME TAX EXPENSES (CONT'D)

People's Republic of China

The current applicable corporate tax rate is 15% (2020: 15%) for Nanofilm Vacuum Coating (Shanghai) Co., Ltd and 25% (2020: 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 and a concessionary tax rate of 15% applies, subject to the meeting of certain conditions, during the financial years ended 31 December 2020 and 31 December 2021 and valid till 18 November 2024.

Japan

Companies incorporated in Japan are subject to tax on their worldwide income. The taxes included corporate tax, surtax on corporate tax, inhabitant tax and enterprise tax. The current corporate (a national) tax rate is 23.2% (2020: 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 subsidiary in Vietnam has an obligation to pay the government income tax at the rate of 20%. Under the terms of Investment Certificate, the subsidiary is allowed to be exempt from income tax for 2 years starting from the first year it generates a taxable profit and entitled to a 50% reduction in income tax for 4 succeeding years.

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	
	2021	2020
Profit for the year attributable to equity holders of the Company (S\$'000)	62,202	57,615
Weighted average number of ordinary shares ('000)	660,159	541,644
Basic earnings per share (cents)	9.42	10.64

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

10 EARNINGS PER SHARE (CONT'D)

(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.

The convertible notes were converted into ordinary shares during the financial year ended 31 December 2020 (Note 23).

Diluted earnings per share amounts attributable to equity holders of the Company are calculated as follows:

	GROUP	
	2021	2020
Profit for the year attributable to equity holders of the Company (S\$'000)	62,202	57,615
Weighted average number of ordinary shares ('000)	660,159	541,644
Adjustments for ('000):		
- Share options	3,192	5,645
- Restricted share plan	719	-
	664,070	547,289
Diluted earnings per share (cents)	9.37	10.53

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

11 PROPERTY, PLANT AND EQUIPMENT

Group	BUILDING		OFFICE			MOTOR VEHICLES	CONSTRUCTION IN-PROGRESS	TOTAL
	PLANT AND MACHINERY	AND RENOVATION	LEASEHOLD LAND	AND OTHER EQUIPMENT	TOOLS AND SUPPLIES			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000			
<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)(v)]	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 2021

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	BUILDING		OFFICE					
	PLANT AND MACHINERY	AND RENOVATION	LEASEHOLD LAND	AND OTHER 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
<u>2020</u>								
<u>Cost</u>								
At 1 January	88,350	33,488	–	19,039	2,644	1,322	20,391	165,234
Additions	14,019	4,067	–	4,590	143	9	59,102	81,930
Disposal/ Write off	(851)	(2,376)	–	(568)	–	(333)	–	(4,128)
Reclassified to Construction in-progress	(2,720)	–	–	(24)	–	–	741	(2,003)
Transfer	27,991	–	–	4,137	–	–	(32,128)	–
Reclassification [Note e]	(1,038)	–	–	–	–	–	–	(1,038)
Translation adjustment	4,282	1,232	–	952	(53)	42	1,235	7,690
At 31 December	130,033	36,411	–	28,126	2,734	1,040	49,341	247,685
<u>Accumulated depreciation</u>								
At 1 January	38,872	7,419	–	8,722	2,025	920	–	57,958
Charge for the year	11,410	3,202	–	3,595	637	110	–	18,954
Disposal/ Write off	(810)	(2,251)	–	(406)	–	(299)	–	(3,766)
Reclassified to Construction in-progress	(1,996)	–	–	(7)	–	–	–	(2,003)
Reclassification	(118)	–	–	–	–	–	–	(118)
Translation adjustment	1,553	194	–	408	(62)	29	–	2,122
At 31 December	48,911	8,564	–	12,312	2,600	760	–	73,147
<u>Net book value</u>								
At 31 December	81,122	27,847	–	15,814	134	280	49,341	174,538

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) The carrying amount of building, leasehold land and plant and machinery (2020: building) held under leasing arrangements to the Group amounted to S\$17,706,000 (2020: S\$2,541,000) for financial year ended 31 December 2021 (Note 22).
- (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 reside. These leasehold land are recognised within Land Use Rights (Note 12).
- (c) During the financial year ended 31 December 2021, the additions to property, plant and equipment included S\$18,529,000 (2020: S\$2,777,000) acquired under right-of-use assets under leasing arrangement (Note 22) and S\$16,105,000 (2020: nil) that were payable as at 31 December 2021 recorded as sundry creditors (Note 25).
- (d) During the financial year ended 31 December 2021, the disposal of property, plant and equipment included derecognition of right-of-use assets arising from early termination of leased properties amounting to S\$1,234,000 (2020: S\$128,000). The Group de-recognised the corresponding lease liabilities amounting to S\$1,357,000 and a gain of S\$123,000 is recorded in profit or loss (Note 22).
- (e) Included manufactured coating services machinery reclassified to inventories for sale.
- (f) As at 31 December 2021, the Group's construction-in-progress on Tai Seng Property, with a net carrying value of S\$31,510,000, are held as security for the Group's bank loan as disclosed in Note 21(a). The Tai Seng Property will be reclassified from construction-in-progress to building and renovation upon the completion of major renovation to achieve move-in condition.
- (g) As at 31 December 2020, the Group's construction in-progress on the land, with a net carrying value of S\$34,926,000 and land use rights of Shanghai Plant 2 with a carrying value of S\$10,554,000 (Note 12), are held as security for the Group's bank loan as disclosed in Note 21(b). The bank loan was fully repaid in May 2021.
- (h) The amount of borrowing costs capitalised during the previous financial year ended 31 December 2020 for the construction of Shanghai Plant 2 amounting to S\$378,000. The rate used to determine the amount of borrowing costs eligible for capitalisation was approximately 5% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	PLANT AND MACHINERY S\$'000	BUILDING AND RENOVATION S\$'000	LEASEHOLD LAND S\$'000	OFFICE AND OTHER EQUIPMENT S\$'000	MOTOR VEHICLES S\$'000	CONSTRUCTION IN-PROGRESS S\$'000	TOTAL S\$'000
Company							
<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
<u>2020</u>							
<u>Cost</u>							
At 1 January	9,596	3,467	–	1,193	420	3,105	17,781
Additions	1,696	2,912	–	245	–	3,183	8,036
Disposal/Write off	(39)	(2,166)	–	(56)	(333)	–	(2,594)
Reclassification (Note e)	–	–	–	–	–	(5,188)	(5,188)
At 31 December	11,253	4,213	–	1,382	87	1,100	18,035
<u>Accumulated depreciation</u>							
At 1 January	6,942	3,079	–	879	320	–	11,220
Charge for the year	406	809	–	162	13	–	1,390
Disposal/Write off	(39)	(2,115)	–	(56)	(298)	–	(2,508)
At 31 December	7,309	1,773	–	985	35	–	10,102
<u>Net book value</u>							
At 31 December	3,944	2,440	–	397	52	1,100	7,933

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) The carrying amount of building and leasehold land (2020: building) held under leasing arrangements to the Company amounted to S\$10,481,000 (2020: S\$2,265,000) for financial year ended 31 December 2021 (Note 22).
- (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 2021, the additions to property, plant and equipment included S\$11,048,000 (2020: S\$2,777,000) acquired under right-of-use assets under leasing arrangement (Note 22).
- (d) During the financial year ended 31 December 2021, the disposal of property, plant and equipment included derecognition of right-of-use assets arising from early termination of leased properties amounting to S\$1,234,000 (2020: S\$52,000). The Company de-recognised the corresponding lease liabilities amounting to S\$1,357,000 and a gain of S\$123,000 is recorded in profit or loss (Note 22).
- (e) Included manufactured coating services machinery reclassified to inventories for sale.

The breakdown of depreciation charged for the financial years are as follows:

	GROUP	
	2021 S\$'000	2020 S\$'000
Depreciation included in profit or loss:		
- cost of sales	19,157	14,735
- research & development and engineering	1,907	1,084
- selling and distribution expenses	25	34
- administrative expenses	3,262	2,209
	24,351	18,062
Capitalised in statements of financial position as:		
Intangible assets - development costs	321	348
Inventories	739	412
	25,411	18,822

During the previous financial year ended 31 December 2020, an amount of S\$132,000 rental rebate received from the government has been netted against depreciation expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12 LAND USE RIGHTS

	GROUP	
	2021 S\$'000	2020 S\$'000
<u>Cost</u>		
At 1 January	13,947	13,344
Translation adjustment	665	603
At 31 December	14,612	13,947
<u>Accumulated amortisation</u>		
At 1 January	884	576
Amortised during the year	290	278
Translation adjustment	47	30
At 31 December	1,221	884
<u>Net book value</u>		
At 31 December	13,391	13,063

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 2021

13 INTANGIBLE ASSETS

	PATENTS S\$'000	DEVELOPMENT COSTS S\$'000	COMPUTER SOFTWARE S\$'000	GOODWILL S\$'000	TOTAL S\$'000
Group					
<u>2021</u>					
<u>Cost</u>					
At 1 January	573	12,948	–	872	14,393
Additions	394	1,787	970	–	3,151
Acquisition of a subsidiary (Note14(b)(v))	–	–	–	4,100	4,100
Write off	(18)	–	–	–	(18)
Translation adjustment	–	17	–	–	17
At 31 December	949	14,752	970	4,972	21,643
<u>Accumulated amortisation and impairment losses</u>					
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
<u>Net carrying amount</u>					
At 31 December	639	4,174	947	4,100	9,860
<u>2020</u>					
<u>Cost</u>					
At 1 January	555	12,133	–	872	13,560
Additions	159	1,232	–	–	1,391
Write off	(141)	(417)	–	–	(558)
At 31 December	573	12,948	–	872	14,393
<u>Accumulated amortisation and impairment losses</u>					
At 1 January	291	8,376	–	872	9,539
Amortised during the year	9	1,184	–	–	1,193
Write off	–	(141)	–	–	(141)
At 31 December	300	9,419	–	872	10,591
<u>Net carrying amount</u>					
At 31 December	273	3,529	–	–	3,802

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

13 INTANGIBLE ASSETS (CONT'D)

	PATENTS S\$'000	DEVELOPMENT COSTS S\$'000	COMPUTER SOFTWARE S\$'000	TOTAL S\$'000
Company				
<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
<u>2020</u>				
<u>Cost</u>				
At 1 January	555	12,133	–	12,688
Additions	159	1,232	–	1,391
Write off	(141)	(417)	–	(558)
At 31 December	573	12,948	–	13,521
<u>Accumulated amortisation</u>				
At 1 January	291	8,376	–	8,667
Amortised during the year	9	1,184	–	1,193
Write off	–	(141)	–	(141)
At 31 December	300	9,419	–	9,719
<u>Net carrying amount</u>				
At 31 December	273	3,529	–	3,802

Included in the additions are depreciation of property, plant and equipment and staff costs, amounting to S\$321,000 (2020: S\$348,000) and S\$316,000 (2020: S\$713,000) 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\$4,100,000 (31 December 2020: nil) 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 16.2% was applied to the cash flow projections, budgeted gross margins of 42% to 45%, and the forecasted revenue growth rate of 5% were used to extrapolate cash flow projections from 2022 to 2026.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2021	2020
	S\$'000	S\$'000
<u>Unquoted equity shares</u>		
At 1 January; at cost	66,627	15,855
Additions	32,137	47,759
At 31 December; at cost	98,764	63,614
Fair value adjustment to non-current loans (Note 16)	6,036	3,013
	104,800	66,627

(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	
		2021 %	2020 %	2021 S\$'000	2020 S\$'000
Nanofilm Advanced Materials Pte. Ltd. (Singapore) ⁽¹⁾	Investment holding company (Singapore)	100	100	56,123	41,850
Nanofilm Technologies Japan Limited (Japan) ⁽⁴⁾	Marketing and sales of industrial machinery and equipment and coating services (Japan)	100	100	133	133
Nanofab Technologies Pte. Ltd. (Singapore) ⁽¹⁾	Research and experimental development on engineering (Singapore)	90	90	14,431	14,431
Wizture Holdings Pte. Ltd. (Singapore) ⁽¹⁾	Investment holding company (Singapore)	100	100	7,200	7,200
Sydrogen Energy Pte. Ltd. (Singapore) ⁽¹⁾	Research & Development, engineering and production of hydrogen applications and products (Singapore)	65	-	15,010	-
Miller Technologies Pte. Ltd. (Singapore) ⁽¹⁾	Manufacture and supply of dies, moulds, tools, jigs and fixtures and the manufacture and repair of machinery (Singapore)	100	-	4,500	-
Nanofilm Investments Pte. Ltd. (Singapore) ⁽⁴⁾	Investment holding company (Singapore)	100	-	1,367	-
				98,764	63,614

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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	
		2021	2020
		%	%
<i>Held by Nanofilm Advanced Materials Pte. Ltd.</i>			
Nanofilm Vacuum Coating (Shanghai) Co., Ltd (People's Republic of China) ⁽²⁾	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) ⁽²⁾	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) ⁽²⁾	Provision of consultation services and technical development (People's Republic of China)	100	100
<i>Held by Nanofab Technologies Pte. Ltd.</i>			
Nanofab Japan Co., Ltd (Japan) ⁽⁴⁾	Manufacture and forming modules (Japan)	90	90
Nanofab Vietnam Co., Ltd (Vietnam) ⁽³⁾	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) ⁽²⁾	Provision of coating solutions (People's Republic of China)	80	80
<i>Held by Nanofilm Investments Pte. Ltd.</i>			
Nanofilm Ventures Pte. Ltd. (Singapore) ⁽⁴⁾	Investment holding company (Singapore)	100	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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	
		2021	2020
		%	%
<i>Held by Sydrogen Energy Pte. Ltd.</i>			
Sydrogen (Shanghai) Technology Co., Ltd (People's Republic of China) ⁽⁴⁾	Research & Development, engineering and production of hydrogen applications and products (People's Republic of China)	65	-
<i>Held by Nanofilm Vacuum Coating (Shanghai) Co., Ltd</i>			
Shanghai Nanofilm Precision Coating Co., Ltd (People's Republic of China) ⁽²⁾	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) ⁽²⁾	Trading and sales of electronics and equipment (People's Republic of China)	100	100
Yizheng Nahuan Technologies Co., Ltd (People's Republic of China) ⁽²⁾	Provision of coating services for automotive parts (People's Republic of China)	51	51

(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 2021

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Additional injection in capital / Incorporation of subsidiaries

- (i) In March 2021, the Company incorporated a wholly owned Singapore subsidiary, Sydrgen Energy Pte. Ltd. with issued and fully paid-up capital of S\$10,000, comprising of 10,000 ordinary shares in the subsidiary. The principal activity of Sydrgen Energy Pte. Ltd. is that of research and development, engineering and production of hydrogen applications and products in the hydrogen energy and hydrogen fuel cell business.
- (ii) 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 settled by way of cash and the primary purpose was to fund the capital expenditure and working capital of the subsidiary.
- (iii) 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.
- (iv) In July 2021, the Group entered into a joint venture agreement with Venezio 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 Sydrgen Energy Pte. Ltd. In October 2021, the Company and Venezio completed its initial investment in Sydrgen Energy Pte. Ltd., comprising cash injection of a total of S\$50,000,000 (the Company: S\$15,000,000, Venezio: S\$35,000,000) and non-cash consideration of approximately S\$70,000,000 by way of the transfer of the Group's hydrogen energy business and licence of the Group's intellectual property relating to the business, to Sydrgen Energy Pte. Ltd.. The cash proceeds are intended to be used for research and development and the construction of production capacity. Following completion, Sydrgen Energy Pte. Ltd. becomes 65% held by the Company, and 35% held by Venezio.
- (v) 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 all the 400,002 ordinary shares in the company. The principal activity of Miller Technologies Pte. Ltd. is the manufacture and supply of dies, moulds, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

- (b) Additional injection in capital / Incorporation of subsidiaries (cont'd)
(v) (cont'd)

ASSETS AND LIABILITIES RECOGNISED AS A RESULT OF THE ACQUISITION	FAIR VALUE S\$'000
Property, plant and equipment	395
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)
Net identifiable assets acquired	400
Add Goodwill:	4,100
Net cash outflow on acquisition	4,500

The initial accounting for the acquisition of Miller Technologies Pte. Ltd. has only been provisionally determined at the end of the reporting period. At the date of finalisation of these financial statements, the necessary market valuations and other calculation have not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely fair values.

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. It has been allocated to Industrial Equipment Business Unit.

- (vi) In November 2021, the Company incorporated a wholly owned Singapore subsidiary, Nanofilm Investments Pte. Ltd. with an issued and fully paid-up capital of S\$1, comprising of 1 ordinary share in the subsidiary. The principal activity of Nanofilm Investments Pte. Ltd. is that of investment holding company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Additional injection in capital / Incorporation of subsidiaries (cont'd)

- (vii) 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 of 1 ordinary share in the subsidiary. The principal activity of Nanofilm Ventures Pte. Ltd. is that of investment holding company.
- (viii) 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 activity of Sydrogen (Shanghai) Technology Co., Ltd is the research and development, engineering and production of hydrogen applications and products in the hydrogen energy and fuel cell business. Subsequent to the financial year end, a capital injection of RMB20,000,000 (equivalent to S\$4,300,000) was made by the way of cash.
- (ix) 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%.
- (x) In February 2020, the Group's wholly owned subsidiary, Nanofilm Advanced Materials Pte. Ltd. approved the additional share capital investment of RMB 100,000,000 (equivalent to S\$19,874,000) in Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd., a wholly owned subsidiary of the Group. The additional capital investment was settled by way of cash in May 2020 and the primary purpose was to fund the construction of Shanghai Plant 2.
- (xi) In June 2020, the Group's wholly owned subsidiary, Nanofilm Vacuum Coating (Shanghai) Co., Ltd acquired the remaining 49% equity interest in Shanghai Nanofilm Trading Co., Ltd from non-controlling interest at nil consideration. Shanghai Nanofilm Trading Co., Ltd became a wholly owned subsidiary of the Group upon the completion of the acquisition. Following the acquisition, the Group recognised an increase in non-controlling interests and a decrease in other reserve of S\$36,000 and S\$36,000 respectively.

In September 2020, Nanofilm Vacuum Coating (Shanghai) Co., Ltd contributed a total share capital of RMB 1,000,000 in cash in Shanghai Nanofilm Trading Co., Ltd. The primary purpose was to fund the working capital of Shanghai Nanofilm Trading Co., Ltd.

- (xii) In June 2020, the Company subscribed for 3,267 new ordinary shares in the capital of the Nanofab Technologies Pte. Ltd. at a consideration of US\$6,000,000 (equivalent to S\$8,475,000). Part of the consideration in the amount of US\$2,000,000 was set-off against the outstanding loans of US\$2,000,000 (equivalent to S\$2,825,000) owing by Nanofab Technologies Pte. Ltd. to the Company. Upon completion of the subscription, the Group's interest in Nanofab Technologies Pte. Ltd. increased from 70% to 90%. Following the additional subscription by the Company, the Group recognised a net increase in non-controlling interest by S\$134,000 and a corresponding decrease in other reserve by S\$134,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Additional injection in capital / Incorporation of subsidiaries (cont'd)

(xiii) In June 2020, the Company injected S\$1,000,000, comprising of 1,000,000 ordinary shares in a newly incorporated Singapore company, Wizture Holdings Pte. Ltd. The principal activity of Wizture Holdings Pte. Ltd. is that of an investment holding company.

In October 2020, the Company subscribed for an additional 6,200,000 ordinary shares in Wizture Holdings Pte. Ltd. at a consideration of S\$6,200,000 as a form of capital injection by way of cash. The purpose of the cash injection was to fund Wizture Holdings Pte. Ltd.'s investment in Wizture Technologies (Yizheng) Co., Ltd.

(xiv) In July 2020, the Company subscribed for 32,037,444 new ordinary shares in the capital of Nanofilm Advanced Materials Pte. Ltd., a wholly owned subsidiary of the Group at a consideration of approximately S\$32,000,000. Part of the consideration in the amount of S\$32,001,000 was set-off against the outstanding loans of S\$32,001,000 owing by Nanofilm Advanced Materials Pte. Ltd. to the Company at the date of subscription.

(xv) In October 2020, the Group's wholly owned subsidiary, Wizture Holdings Pte. Ltd. contributed a total share capital of RMB 36,000,000 (equivalent to S\$7,236,000) in Wizture Technologies (Yizheng) Co., Ltd as a form of capital injection by way of cash, representing 80% interest in Wizture Technologies (Yizheng) Co., Ltd. The primary purpose was to fund the working capital and capital expenditures of Wizture Technologies (Yizheng) Co., Ltd. The non-controlling interest of Wizture Technologies (Yizheng) Co., Ltd contributed its share capital of RMB 9,000,000 (equivalent to S\$1,809,000) in cash in the subsidiary.

(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		PROFIT/(LOSS) ALLOCATED TO NON-CONTROLLING INTERESTS		ACCUMULATED NON-CONTROLLING INTERESTS	
	HELD BY NON-CONTROLLING INTERESTS		2021	2020	2021	2020
	2021	2020	%	%	S\$'000	S\$'000
Nanofab Technologies Pte. Ltd. and its subsidiaries ("Nanofab Group")	10	10			(138)	(142)
Yizheng Nahuan Technologies Co., Ltd ("NHT")	49	49			900	533
Sydrogen Energy Pte. Ltd. ("SDE")	35	-			(341)	-
Other subsidiaries with immaterial non-controlling interests					(93)	57
					328	448
					1,805	1,811
					45,374	9,589

Note:

(1) The amount is computed using the non-controlling interests contribution of S\$35,000,000 and current year share of loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000	2021 S\$'000
<u>Summarised Statement of Financial Position</u>					
<i>Current</i>					
Assets	5,531	9,256	4,144	3,809	48,914
Liabilities	(4,962)	(7,042)	(1,868)	(1,415)	(255)
Total current net assets	569	2,214	2,276	2,394	48,659
<i>Non-current</i>					
Assets	11,165	10,583	22,311	10,886	69,946
Liabilities	–	(84)	[8,798]	–	–
Total non-current net assets	11,165	10,499	13,513	10,886	69,946
Net assets	11,734	12,713	15,789	13,280	118,605
<u>Summarised Statement of Profit or Loss and Other Comprehensive Income</u>					
Revenue	7,828	11,582	19,083	9,998	–
Expenses	(9,214)	(11,507)	(17,247)	(8,910)	(1,395)
(Loss)/profit for the year	(1,386)	75	1,836	1,088	(1,395)
(Loss)/profit attributable to non-controlling interests	(138)	(142)	900	533	(341)
Total comprehensive (loss)/income attributable to non-controlling interests	(98)	(176)	1,230	808	(341)
<u>Summarised Cash Flow</u>					
Net cash generated/(used in) from operating activities	6,633	(3,292)	4,525	1,571	(1,016)
Net cash used in investing activities	(2,853)	(5,116)	(6,388)	(3,817)	(341)
Net cash generated from/(used in) financing activities	(3,512)	7,446	2,473	(49)	50,010

- (d) Impact of acquisitions on the results of the group

Included in the profit for the year is 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 the year 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

15 OTHER FINANCIAL ASSETS

	GROUP	
	2021 S\$'000	2020 S\$'000
<u>Equity Investments – at fair value through other comprehensive income (Non-current)</u>		
Investment in unquoted equity	1,367	-

The equity investment, invested in December 2021, represents investments that the Group intends to hold for the long-term for strategic purposes. No strategic investments were disposed of during the financial year, and there were no transfers of any cumulative gain or loss within equity relating to these investments. No dividend was recognised during the financial year. The carrying value approximates its fair value, with reference to recent market subscriptions at reporting period (level 3 fair value measurements).

	GROUP	
	2021 S\$'000	2020 S\$'000
<u>Debt investment – at fair value through profit or loss (Current)</u>		
Structured deposit placed with a financial institution	6,363	-

The structured deposit relates to a capital protected deposit that the Group held for short-term and was subsequently realised in 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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

16 TRADE AND OTHER RECEIVABLES, AND OTHER CURRENT/NON-CURRENT ASSETS

	GROUP		COMPANY	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Current</u>				
Trade receivables:				
- Third parties	90,904	86,519	6,342	4,646
- Loss allowance	(349)	(561)	(55)	(55)
	90,555	85,958	6,287	4,591
- Subsidiaries	-	-	3,454	4,692
- Loss allowance	-	-	(163)	(163)
	-	-	3,291	4,529
	90,555	85,958	9,578	9,120
Other receivables:				
- Deposits	329	278	244	179
- GST/VAT and other taxes receivable	1,604	2,250	315	794
- Due from subsidiaries	-	-	17,601	5,542
- Sundry debtors	3,603	1,228	80	246
	5,536	3,756	18,240	6,761
Other current assets:				
- Prepayments	693	214	71	64
- Advances to suppliers	10,064	5,742	-	-
	10,757	5,956	71	64
Total current	106,848	95,670	27,889	15,945

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

16 TRADE AND OTHER RECEIVABLES, AND OTHER CURRENT/NON-CURRENT ASSETS (CONT'D)

	GROUP		COMPANY	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Non-current</u>				
Other receivables:				
- Loans due from a subsidiary	–	–	71,824	39,062
Gross amount (Non-interest bearing)	–	–	75,500	40,640
Less: Fair value adjustment to investment in a Group's subsidiary	–	–	(6,036)	(3,013)
Add: Accumulated imputed interest recognised in profit or loss, net of exchange differences	–	–	2,360	1,435
	–	–	71,824	39,062
Other non-current assets:				
- Advances to suppliers	–	488	–	–
Total non-current	–	488	71,824	39,062
<u>Current</u>				

As at the reporting date, the Group has banker guarantees issued from financial institutions for operation and completion of the construction of property, plant and equipment in China, rental and electricity deposits amounting to S\$1,832,000 (2020: S\$944,000). As at the reporting date, the Company has banker guarantees issued from a financial institution for rental and electricity deposits amounting to S\$1,386,000 (2020: S\$93,000).

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(j). There has been no change in the estimation techniques or significant assumptions made for financial years ended 31 December 2020 and 2021. 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 not to be material.

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\$16,888,000 (2020: S\$5,403,000) which is interest bearing at between 2% to 3% per annum and repayable within the next 12 months.

The amounts receivable from sundry debtors includes the government grant receivables of S\$2,538,000 (2020: S\$129,000) relating to various cash grants in relation government incentives introduced by the China government (2020: temporary wage support schemes introduced by the Singapore government) during the financial year ended 31 December 2021.

Non-current

As at the reporting date, the loans to a subsidiary are unsecured, interest-free and repayable on 31 December 2024 (2020: 2022). 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 2021

16 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
Group				
2021				
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
2020				
Current ⁽¹⁾	0.5%	102,486	(1,555)	100,931
Past due:				
1 to 30 days	1.0%	1,704	(17)	1,687
31 to 60 days	2.0%	290	(6)	284
60 to 90 days	4.0%	731	(29)	702
More than 90 days	10.0%	67	(7)	60
		105,278	(1,614)	103,664

(1) Included an amount of loss allowance of S\$1,053,000 provided for a specific customer.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

16 TRADE AND OTHER RECEIVABLES, AND OTHER CURRENT/NON-CURRENT ASSETS (CONT'D)

	LIFETIME EXPECTED LOSS RATE	GROSS CARRYING AMOUNT S\$'000	LIFETIME EXPECTED CREDIT LOSSES S\$'000	NET CARRYING AMOUNT S\$'000
Company				
<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
<u>2020</u>				
Current	0.5%	4,752	(23)	4,729
Past due:				
1 to 30 days	1.0%	1,780	(18)	1,762
31 to 60 days	2.0%	467	(9)	458
60 to 90 days	4.0%	1,098	(44)	1,054
More than 90 days	10.0%	1,241	(124)	1,117
		9,338	(218)	9,120
	GROUP	COMPANY		
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
<u>Movements in loss allowance</u>				
At 1 January	1,614	708	218	-
(Write back)/ impairment loss recognised in profit or loss	(1,322)	1,287	-	218
Written off	-	(381)	-	-
Translation adjustment	57	-	-	-
At 31 December	349	1,614	218	218

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

17 INVENTORIES

	GROUP		COMPANY	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
At cost or net realisable value:				
Raw materials and consumables	7,977	8,958	4,525	3,513
Work-in-progress	3,827	1,862	1,231	286
Finished goods	5,414	4,960	–	775
Goods in transit	147	8	54	2
	17,365	15,788	5,810	4,576
Inventories are stated after deducting allowance for inventories	343	327	143	143
At 1 January	327	402	143	138
Charged/ (Credited) to profit or loss (Note 8)	16	(91)	–	5
Translation adjustment	–	16	–	–
At 31 December	343	327	143	143

The write-back of inventories in 2020 arose as a result of an increase in net realisable value of certain inventories.

18 CASH AND BANK BALANCES

	GROUP		COMPANY	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
Cash and bank balances	121,852	57,891	44,289	27,554
Fixed deposits	54,758	169,464	50,070	168,006
Cash and bank balances in the statements of financial position	176,610	227,355	94,359	195,560
Less: Pledged fixed deposits	(446)	(851)	–	–
Cash and cash equivalents in the statements of cash flows	176,164	226,504	94,359	195,560

Cash at banks earns interest at floating rates based on daily bank deposit rates which approximate 0.62% (2020: 0.90%) 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 2021, fixed deposits bear interest ranging from 0.42% to 3.58% (2020: 0.22% to 3.58%) per annum with maturity period of 1 to 3 months (2020: 1 to 12 months) from the reporting date.

As at 31 December 2021, fixed deposits of S\$446,000 (2020: S\$851,000) were pledged with financial institutions for operation and construction of certain property, plant and equipment (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

19 SHARE CAPITAL AND TREASURY SHARES

	GROUP AND COMPANY			
	2021		2020	
	NO. OF ORDINARY SHARES ('000)	S\$'000	NO. OF ORDINARY SHARES ('000)	S\$'000
<u>Fully paid ordinary shares</u>				
At 1 January	658,351	263,756	511,238	9,696
Issuance of shares under ESOS Scheme 2017 (Note 20)	5,092	3,171	11,009	6,621
Issuance of shares under RSP 2020 [Note 20]	–	–	5,254	3,238
Conversion of convertible notes [Note 23]	–	–	53,630	50,000
Issuance of IPO shares	–	–	77,220	200,000
Share issuance expense (net of listing grant) capitalised against share capital	–	–	–	(5,799)
At 31 December	663,443	266,927	658,351	263,756
<u>Treasury shares</u>				
At 1 January	–	–	–	–
Purchase of treasury shares	5,218	21,179	–	–
Treasury shares re-issued under ESOS Scheme 2017	(1,463)	(5,938)	–	–
At 31 December	3,755	15,241	–	–
Total issued shares excluding treasury shares	659,688	251,686	658,351	263,756

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 regards to the Company's residual assets.

During the financial year ended 31 December 2021, 5,092,000 (2020: 11,009,000) 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 (2020: S\$0.5870) and S\$0.6227 (2020: S\$0.6014) per share respectively.

On 30 October 2020, the Company issued 77,220,100 IPO shares for a total consideration S\$200 million for cash upon the Company's listing on SGX-ST. The newly issued shares rank pari passu in all aspects with the previously issued shares.

Treasury shares

During the financial year ended 31 December 2021, the Company acquired 5,218,000 (2020: nil) of its own shares in the open market and these shares are held as treasury shares. In the same year, 1,463,000 (2020: nil) treasury shares were re-issued under ESOS Scheme 2017 at an average price of S\$4.0588 (2020: nil) per share. Options were exercised at an average price of S\$0.5868 (2020: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20 RESERVES

	GROUP		COMPANY	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
Translation reserve	12,082	(1,126)	-	-
Statutory reserve	6,507	5,856	-	-
Other reserves	(57,033)	1,092	(4,395)	630
Accumulated profits	216,361	161,263	64,588	42,385
	177,917	167,085	60,193	43,015

The other reserves include share options and put option (Note 25) reserves.

Movements in the Group's reserves are set out in the consolidated statement of changes in equity.

(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 of 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)⁽¹⁾, Mr Kristian Robinson (Member) and Mr Russell Tham Min Yew (Member)⁽²⁾ 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) Ms Lee Lee Khoon was appointed as Chairman after Mr James Rowan stepped down as Chairman on 14 May 2021.
(2) Mr Russell Tham Min Yew was appointed as member after Mr James Rowan resigned with effect on 1 March 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20 RESERVES (CONT'D)

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

As at 31 December 2021, details of the options granted under the ESOS Scheme 2017 are as follows:

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	OPTIONS DATE OF EXPIRY
						S\$	
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
	11,311,000	-	(1,164,000)	(6,555,000)	3,592,000		

DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2020	OPTIONS GRANTED	OPTIONS CANCELLED/ LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2020	EXERCISE PRICE	OPTIONS DATE OF EXPIRY
						S\$	
2 April 2018	3,150,000	-	(1,050,000)	(400,000)	1,700,000	0.5927	2 April 2023
3 December 2018	18,792,000	-	(3,882,000)	(8,882,000)	6,028,000	0.5868	9-27 December 2024
3 March 2019	4,588,000	-	(2,808,000)	(1,247,000)	533,000	0.5868	18-28 March 2025
3 June 2019	550,000	-	-	-	550,000	0.5868	16-18 June 2025
1 July 2020	-	2,980,000	-	(480,000)	2,500,000	0.5868	30 June 2026
	27,080,000	2,980,000	(7,740,000)	(11,009,000)	11,311,000		

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20 RESERVES (CONT'D)

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

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.

During the financial year ended 31 December 2020, the Company granted options under the ESOS Scheme 2017 to subscribe for 2,980,000 ordinary shares of the Company. As at 31 December 2020, of the 11,311,000 options granted under the ESOS Scheme 2017, 7,806,000 had vested between 2018 and 2020 and 3,505,000 will vest in between 2021 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%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20 RESERVES (CONT'D)

(b) Pre-IPO Restricted Share Plan 2020 ("RSP 2020")

The Restricted Share Plan 2020 ("RSP 2020") was approved and adopted by the shareholders of the Company on 9 March 2020. The RSP 2020 was administered by a committee comprising directors of the Company who had been authorised and appointed by the Board.

The RSP 2020 was a share incentive scheme, proposed on a basis that it is important to retain staff whose contributions are essential to the long-term growth and profitability of the Group and to give recognition to outstanding Group's employees who have contributed to the growth of the Group. It also aimed to foster a share ownership culture among Group's employees and to better align employees' incentive scheme with shareholders' interests. New ordinary shares allotted to the Group's employees pursuant to the RSP 2020 was issued at no consideration ("Award Shares").

The RSP 2020 was terminated on 30 October 2020 (the Company's Listing Date on SGX-ST) and no further Award Shares were granted thereunder.

The details of the Award Shares granted pursuant to the RSP 2020 as at 31 December 2020 are as follows:

DATE OF RSP 2020	AWARD SHARES OUTSTANDING AT 1.1.2020	AWARD SHARES GRANTED	AWARD SHARES VESTED	AWARD SHARES FORFEITED	AWARD SHARES OUTSTANDING AT 31.12.2020
12 March 2020	-	5,254,000	(5,237,000)	(17,000)	-

During the financial year ended 31 December 2020, 5,254,000 restricted share awards were granted to the Group's employees pursuant to the RSP 2020 at no consideration. All of the Award Shares vested or forfeited in the year and the restriction against sale was lifted on the Listing Date.

Since the commencement of the RSP 2020 till end of the previous financial year, no Award Shares have been granted to controlling shareholders of the Company or their associates (as defined in the SGX Trading Listing Manual).

The fair value of Award Shares granted during the financial year ended 31 December 2020, determined using market value approach performed by a third party was S\$3,238,000.

(c) 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 20 (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 option 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20 RESERVES (CONT'D)

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

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.

As at 31 December 2021, details of the options granted under the ESOS Scheme 2020 are as follows:

DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2021		OPTIONS OPTIONS GRANTED 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20 RESERVES (CONT'D)

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

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		
					SHARE PRICE	RISK-FREE INTEREST RATE	EXPECTED VOLATILITY
	S\$	S\$	S\$	%	%		
26 March 2021	1,142,500	4.9279	10 years	0.1305- 0.1412-	4.890	1.63	3.53
6 April 2021	300,000	5.1135	5 years	0.2926 0.1864-	5.170	0.91	3.44
6 April 2021	720,000	5.1135	10 years	0.4100 0.1537-	5.170	1.69	3.44
19 August 2021	880,000	4.1185	5 years	0.3018	3.960	0.80	9.33

(d) 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 20 (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 2021, the Company granted 719,000 share awards to the Group's employees pursuant to the RSP 2021, at no consideration. No director of the Company has participated in the RSP 2021 in the financial year and no employee has received 5% or more of the total number of awards available under RSP 2021. The share awards granted will vest in ten (10) equal tranches over a period of ten (10) years commencing from the first anniversary after the date of grant, 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 2021

21 BANK LOANS

	GROUP		COMPANY	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
Current	2,070	21,419	1,872	972
Non-current (due 2-5 years)	26,211	18,328	26,128	3,470
Total	28,281	39,747	28,000	4,442

Security granted/corporate guarantees granted:

- (a) As at 31 December 2021, a bank loan amounting to 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% per annum in the first year based on a fixed interest spread and cost of fund.
- (b) As at 31 December 2020, a non-current bank loan amounting to S\$14,551,000 was outstanding by a wholly owned subsidiary, Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd. to a local financial institution for the construction of Shanghai Plant 2. The bank loan was secured by a mortgage over the land use rights of Shanghai Plant 2, construction in progress on the land, corporate guarantee of the Company and certain subsidiaries of the Group and incurred interest of 5.13% per annum. The secured bank loan has been fully repaid in February 2021.
- (c) As at 31 December 2020, a current bank loan amounting to S\$20,230,000 drawdown for working capital requirements, by a wholly owned subsidiary, Nanofilm Vacuum Coating (Shanghai) Co., Ltd. was secured by the corporate guarantee of a subsidiary of the Group. The bank loan incurred interest ranging from 3.65% to 3.70% per annum. The secured bank loan was initially repayable from March 2022 to January 2025, has been fully repaid in May 2021.
- (d) Other than disclosed in Note 21(a) above, the remaining current and non-current bank loans as at 31 December 2021 are unsecured, incurred interest at approximately 0.80% (2020: 2.00%) per annum. The non-current bank loans are repayable in May 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

22 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	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Leasehold land	7,825	–	7,825	–
Plant and machinery	5,359	–	–	–
Buildings and renovation	4,522	2,541	2,656	2,265
	17,706	2,541	10,481	2,265

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\$18,529,000 (2020: S\$2,777,000) and S\$11,048,000 (2020: S\$2,777,000) respectively.

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	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Leasehold land	82	–	82	–
Plant and machinery	540	323	–	–
Buildings and renovation	1,907	987	1,516	738
Office and other equipment	–	7	–	–
Motor vehicles	–	9	–	9
	2,529	1,326	1,598	747

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

22 LEASE LIABILITIES (CONT'D)

The Group as a lessee (cont'd)

Amounts recognised in profit or loss and consolidated statement of cash flows are as follows:

	GROUP	
	2021 S\$'000	2020 S\$'000
Interest on lease liabilities	443	172
Expenses relating to short-term leases and low value assets (included in cost of sales and administrative expenses)	440	566
	883	738
Total cash outflow for leases (excluding short-term leases)	[2,640]	[4,850]

The Group recognised leases liabilities as follows:

	GROUP		COMPANY	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Lease liabilities:				
Current	2,552	1,071	1,542	879
Non-current	15,279	1,449	9,034	1,365
	17,831	2,520	10,576	2,244

23 CONVERTIBLE NOTES

In June 2018, the Company issued convertible notes at a nominal value of S\$50.0 million due on 20 June 2021. During the previous financial year ended 31 December 2020, the convertible notes were converted into 53,630,290 ordinary shares of the Company prior to the Company's listing on Singapore Stock Exchange on 30 October 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

24 DEFERRED TAXATION

Deferred tax assets and liabilities are attributable to the following:

	GROUP		COMPANY	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax assets:				
Property, plant and equipment	1,287	–	–	–
Trade receivables and contract assets	95	293	–	–
Inventories	47	185	–	–
	1,429	478	–	–
Deferred tax liabilities:				
Property, plant and equipment	1,278	1,012	1,278	1,012

The movement in the deferred taxation are as follows:

Group	RECOGNISED			
	AT 1 JANUARY	IN PROFIT OR LOSS	EXCHANGE DIFFERENCES	AT 31 DECEMBER
	S\$'000	S\$'000	S\$'000	S\$'000
2021				
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)
2020				
Property, plant and equipment	988	24	–	1,012
Trade receivables and contract assets	–	(289)	(4)	(293)
Inventories	–	(183)	(2)	(185)
	988	(448)	(6)	534
Company				
2021				
Property, plant and equipment	1,012	266	–	1,278
2020				
Property, plant and equipment	988	24	–	1,012

The deferred tax liabilities and assets are mainly expected to be settled or recovered after more than twelve months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

24 DEFERRED TAXATION (CONT'D)

Unrecognised deferred tax liabilities

As at 31 December 2021, deferred income tax liabilities of S\$8,821,000 (2020: S\$6,787,000) 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\$176,415,000 (2020: S\$135,742,000) 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\$9,179,000 (2020: S\$5,734,000) 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.

25 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
<u>Current</u>				
Trade payables:				
- Subsidiaries	–	–	423	69
- Third parties	20,829	32,770	1,955	1,495
	20,829	32,770	2,378	1,564
Other payables:				
- Accrued operating expenses	13,179	10,230	2,844	3,062
- Advances received for issuance of ordinary shares under ESOS Scheme 2017	–	1,216	–	1,216
- Advances received from government	933	–	–	–
- VAT and other taxes payable	3,262	636	–	–
- Sundry creditors	22,298	2,296	–	–
	39,672	14,378	2,844	4,278
Total current trade and other payables	60,501	47,148	5,222	5,842
<u>Non-current</u>				
Other creditors:				
- Put option liability	53,100	–	–	–
Total non-current other creditors	53,100	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

25 TRADE AND OTHER PAYABLES (CONT'D)

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\$10,983,000 (2020: S\$8,547,000) and S\$2,546,000 (2020: S\$2,614,000) for the Group and the Company respectively.

Included in sundry creditors are payables to vendors of property, plant and equipment of S\$16,105,000 (2020: nil).

The non-current other payable of S\$53,100,000 as at 31 December 2021 was attributed to a financial liability to acquire non-controlling interest. Arising from the investment in Sydrgen Energy Pte. Ltd., the financial liability relates to a put option agreement with Venezio Investments Pte. Ltd. (an indirect wholly owned subsidiary of Temasek Holdings (Private) Ltd) to acquire its 35% equity interest in Sydrgen Energy Pte. Ltd. in the event of a put option event based on the terms of the agreement.

26 PROVISIONS

Group	WARRANTIES S\$'000	RESTORATION S\$'000	TOTAL
			S\$'000
2021			
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
2020			
At 1 January	455	–	455
Provision made	315	25	340
Provision utilised	(59)	–	(59)
Reversal of provision made	(434)	–	(434)
At 31 December	277	25	302

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26 PROVISIONS (CONT'D)

Company		WARRANTIES	RESTORATION	TOTAL
		S\$'000	S\$'000	S\$'000
2021				
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
2020				
At 1 January		391	–	391
Provision made		315	25	340
Provision utilised		(59)	–	(59)
Reversal of provision made		(370)	–	(370)
At 31 December		277	25	302

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	
	2021	2020
	S\$'000	S\$'000
Ordinary dividends paid:		
One-tier tax exempt interim dividend of a total of S\$0.010 (2020: S\$0.019) per share paid in respect of each financial year end	6,585	9,631

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

28 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	OTHER PAYABLES S\$'000	BANK LOANS S\$'000	LEASE LIABILITIES S\$'000	TOTAL S\$'000
Group				
<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)
<i>Non-cash changes:</i>				
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
<u>2020</u>				
At 1 January	–	3,864	4,630	8,494
Proceeds	1,216	55,338	–	56,554
Repayment	–	(20,010)	(4,850)	(24,860)
<i>Non-cash changes:</i>				
Addition during the year	–	–	2,752	2,752
Disposal during the year	–	–	(128)	(128)
Currency translation differences	–	555	116	671
At 31 December	1,216	39,747	2,520	43,483

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	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
Property, plant and equipment	4,321	23,484	569	407

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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. 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	
	2021 S\$'000	2020 S\$'000
<u>Transactions with related parties</u>		
Sales	19,080	9,942
Purchases	18,559	9,197
Lease payments	209	–

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the financial years are as follows:

	GROUP	
	2021 S\$'000	2020 S\$'000
<u>Short-term employee benefits</u>		
Contributions to defined contribution plans	4,389	4,723
Other short-term benefits	148	126
Total compensation paid to key management personnel	270	36
	4,807	4,885
<u>Comprised amounts paid to:</u>		
Directors of the Company ⁽¹⁾	2,000	2,471
Other key management personnel	2,807	2,414
	4,807	4,885

(1) Include certain Directors who resigned during the financial year ended 31 December 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets at amortised cost:				
Cash and bank balances	176,610	227,355	94,359	195,560
Trade and other receivables	94,487	87,464	99,327	54,149
Contract assets	21,506	17,706	–	–
Financial assets at fair value through other comprehensive income:				
Other financial assets	1,367	–	–	–
Financial assets at fair value through profit or loss:				
Other financial assets	6,363	–	–	–
	300,333	332,525	193,686	249,709
Financial liabilities at amortised cost:				
Trade and other payables	109,406	45,296	5,222	4,626
Bank loans	28,281	39,747	28,000	4,442
Lease liabilities	17,831	2,520	10,576	2,244
	155,518	87,563	43,798	11,312

(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 2021

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 nil debtors (2020: 4 debtors) and 5 debtors (2020: 4 debtors) respectively, that individually represented more than 5% (2020: 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 16. 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 and A1 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 not to be material. The gross and net carrying amounts of cash and cash equivalents are set out in Note 18 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 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(a) Credit Risk (cont'd)

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.

(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 2021, 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\$231,000 (2020: S\$328,000) and S\$232,000 (2020: S\$37,000) as a result of higher/lower interest expense arising from bank loans of S\$28,281,000 (2020: S\$39,747,000) and S\$28,000,000 (2020: S\$4,442,000) as at 31 December 2021, 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 2021

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.

	CARRYING AMOUNTS S\$'000	CONTRACTUAL CASH FLOWS S\$'000	CASH FLOWS							
			WITHIN 1 YEAR S\$'000	BETWEEN 1 TO 5 YEARS S\$'000	MORE THAN 5 YEARS S\$'000					
Group										
<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					
<u>2020</u>										
Trade and other payables	45,296	45,296	45,296	-	-					
Bank loans	39,747	42,882	22,634	20,248	-					
Lease liabilities	2,520	2,636	1,137	1,499	-					
	87,563	90,814	69,067	21,747	-					
Company										
<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					
<u>2020</u>										
Trade and other payables	4,626	4,626	4,626	-	-					
Bank loans	4,442	4,645	1,052	3,593	-					
Lease liabilities	2,244	2,353	939	1,414	-					
Financial guarantees (See note 21(b))	30,345	30,345	-	30,345	-					
	41,657	41,969	6,617	35,352	-					

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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					TOTAL S\$'000
	SGD S\$'000	USD S\$'000	JPY S\$'000	RMB S\$'000	OTHERS S\$'000	
Group						
<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 2021

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(d) Currency Risk (cont'd)

	DENOMINATED IN THE FOLLOWING CURRENCIES					
	SGD S\$'000	USD S\$'000	JPY S\$'000	RMB S\$'000	OTHERS S\$'000	TOTAL S\$'000
<u>2020</u>						
<u>Financial assets</u>						
Cash and bank balances	191,868	1,692	2,334	31,345	116	227,355
Trade and other receivables, and contract assets	720	16,015	3,203	85,230	2	105,170
	192,588	17,707	5,537	116,575	118	332,525
<u>Financial liabilities</u>						
Trade and other payables	4,329	3,464	330	37,047	126	45,296
Bank loans	4,442	-	524	34,781	-	39,747
Lease liabilities	2,244	-	276	-	-	2,520
	11,015	3,464	1,130	71,828	126	87,563
Net financial assets/(liabilities)	181,573	14,243	4,407	44,747	(8)	244,962
Less: Net financial assets/ (liabilities) denominated in the entities' functional currencies	181,573	(365)	3,088	40,519	-	224,815
Currency exposure	-	14,608	1,319	4,228	(8)	20,147

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(d) Currency Risk (cont'd)

	DENOMINATED IN THE FOLLOWING CURRENCIES					TOTAL S\$'000	
	SGD S\$'000	USD S\$'000	JPY S\$'000	RMB S\$'000	OTHERS S\$'000		
Company							
<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	
<u>2020</u>							
<u>Financial assets</u>							
Cash and bank balances	191,767	1,268	1,186	1,337	2	195,560	
Trade and other receivables	6,043	2,883	1,479	43,744	–	54,149	
	197,810	4,151	2,665	45,081	2	249,709	
<u>Financial liabilities</u>							
Trade and other payables	4,290	281	28	12	15	4,626	
Bank loans	4,442	–	–	–	–	4,442	
Lease liabilities	2,244	–	–	–	–	2,244	
	10,976	281	28	12	15	11,312	
Net financial assets/(liabilities)	186,834	3,870	2,637	45,069	(13)	238,397	
Less: Net financial assets denominated in the Company's functional currency	186,834	–	–	–	–	186,834	
Currency exposure	–	3,870	2,637	45,069	(13)	51,563	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

- (d) Currency Risk (cont'd)

Sensitivity analysis

A change of 2% (2020: 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	
	2021	2020
	S\$'000	S\$'000
Group		
<u>USD against SGD</u>		
- strengthened	192	241
- weakened	(192)	(241)
<u>JPY against SGD</u>		
- strengthened	62	22
- weakened	(62)	(22)
<u>RMB against SGD</u>		
- strengthened	93	70
- weakened	(93)	(70)
 Company		
<u>USD against SGD</u>		
- strengthened	446	64
- weakened	(446)	(64)
<u>JPY against SGD</u>		
- strengthened	41	44
- weakened	(41)	(44)
<u>RMB against SGD</u>		
- strengthened	1,245	748
- weakened	(1,245)	(748)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 fund 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 2021 and 2020.

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	
	2021 S\$'000	2020 S\$'000
Net debt	(16,897)	(137,940)
Total equity	474,977	440,430
Total capital	458,080	302,490
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(u), 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 2021 and 2020. The Group have no other externally imposed capital requirements for the financial years ended 31 December 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(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.

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:

Group <u>2021</u>	QUOTED PRICES SIGNIFICANT IN ACTIVE OBSERVABLE MARKETS FOR INPUTS OTHER SIGNIFICANT IDENTICAL THAN QUOTED UNOBSERVABLE INSTRUMENTS PRICES INPUTS TOTAL			
	LEVEL 1	LEVEL 2	LEVEL 3	S\$'000
Recurring fair value measurements				
Assets				
Other financial assets				
-fair value through other comprehensive income	–	–	1,367	1,367
-fair value through profit or loss	–	6,363	–	6,363
Total other financial assets	–	6,363	1,367	7,730

As at 31 December 2021, the valuation techniques and inputs used in the fair value measurement are set out in Note 15 to the financial statements. There were no assets and liabilities measured at fair value as at 31 December 2020. There was no transfer between Level 1, Level 2 and Level 3 during the financial year ended 31 December 2021 and 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(f) Fair Value of Assets and Liabilities (cont'd)

Movements in level 3 assets and liabilities measured at fair value.

Group		FINANCIAL ASSETS, AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	S\$'000
		-	
2021			
At 1 January		-	
Additions		1,367	
At 31 December 2021		1,367	

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 2021 and 2020, the carrying amounts of these non-current assets and non-current liabilities approximate their fair values.

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 based on different services/products ranges.

- | | | |
|----------------------|---|---|
| Advanced materials | - | material science solution provider of advanced materials through proprietary surface solutions nanotechnology applied across wide range of end industries. |
| Industrial equipment | - | designs and develops customised coating equipment, cleaning lines and automation systems, including after sales support, to customers in selective markets. |
| Nanofabrication | - | manufacturer and supplier of nanoproducts in optical imaging lens and sensory components critical to customers' end-products. |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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
2021					
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 2021

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>2020</u>					
Revenue from external customers	182,469	24,615	11,253	-	218,337
Inter-segment sales	29	6,276	329	(6,634)	-
	<u>182,498</u>	<u>30,891</u>	<u>11,582</u>	<u>(6,634)</u>	<u>218,337</u>
Adjusted EBITDA	87,328	6,338	3,273	-	96,939
<u>Other information</u>					
Depreciation	14,517	576	2,969	-	18,062
Amortisation of land use rights	267	-	11	-	278
Amortisation of intangible assets	370	823	-	-	1,193
Impairment loss allowance on trade receivables and contract assets	234	1,053	-	-	1,287
Write (back)/down of inventories	(96)	5	-	-	(91)
Write off of obsolete stock	3	6	-	-	9
Write off/loss, (gain) on disposal of property, plant and equipment	56	(1)	(1)	-	54
Write off of intangible assets	129	288	-	-	417
Listing expenses charged to profit or loss					
- Recurring	8	1	-	-	9
- Non-recurring	2,184	295	-	-	2,479
Listing grant income recognised in profit or loss					
	(247)	(33)	-	-	(280)
Award shares expenses under RSP 2020	1,004	2,234	-	-	3,238
Provision for warranties	-	315	-	-	315
Reversal of provision for warranties	-	(371)	(63)	-	(434)
<u>Assets</u>					
Segment assets	274,702	27,050	19,303	-	321,055
Cash and bank balances					227,355
Deferred tax assets					478
					<u>548,888</u>
Segment assets include:					
Additions to non-current assets:					
- Property, plant and equipment	72,647	4,155	5,128	-	81,930
- Intangible assets	431	960	-	-	1,391
<u>Liabilities</u>					
Segment liabilities	50,567	10,269	1,064	-	61,900
Bank loans					39,747
Deferred tax liabilities					1,012
Provision for taxation					5,799
					<u>108,458</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32 OPERATING SEGMENT INFORMATION (CONT'D)

A reconciliation of total EBITDA to total profit before income tax is as follows:

	GROUP	
	2021 S\$'000	2020 S\$'000
Adjusted EBITDA ⁽¹⁾ for reportable segments	95,726	96,939
Depreciation	(24,351)	(18,062)
Amortisation	(1,482)	(1,471)
Write off/Loss on disposal of property, plant and equipment	(60)	(54)
Write off of obsolete stock	–	(9)
Write off of intangible assets	(18)	(417)
Listing expenses charged to profit or loss - Non-recurring	–	(2,479)
Listing grant income recognised in profit or loss	–	280
Other professional fees	(236)	(165)
Award shares expenses under RSP 2020	–	(3,238)
Finance income	983	525
Finance expenses	(704)	(1,573)
Profit before income tax	69,858	70,276
Income tax	(7,328)	(12,213)
Profit after income tax	62,530	58,063

(1) Net profit before interest, tax, depreciation and amortisation (EBITDA).

Revenue from external customers based on Group's entities' place of business are as follows:

	GROUP	
	2021 S\$'000	2020 S\$'000
Singapore	39,688	24,801
China	190,296	169,160
Japan	16,679	24,355
Vietnam	31	21
Total revenue	246,694	218,337

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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	
	2021	2020
	S\$'000	S\$'000
Singapore	63,465	11,735
China	242,497	169,499
Japan	3,769	5,368
Vietnam	5,128	5,279
Total non-current non-financial assets	314,859	191,881

33 COMPARATIVE FIGURES

During the financial year ended 31 December 2021, management has determined that it is more relevant for the Group to present "Research & development and Engineering" expenses separately from "Selling & distribution" expenses. "Research & development and Engineering" includes Research & development, Engineering and Quality assurance expenses in consolidated statement of profit or loss and other comprehensive income. Comparatives has been adjusted for this purpose.

	BEFORE ADJUSTENTS	AFTER ADJUSTMENTS	AFTER ADJUSTMENTS
	S\$'000	S\$'000	S\$'000
Research & development and engineering	–	16,483	16,483
Selling and distribution	21,731	(16,483)	5,248

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34 SUBSEQUENT EVENTS

- (a) On 11, 12, 13 and 14 January 2022, the Company acquired a total of 2,000,000 of its own shares as treasury shares by the way of market acquisition for a total consideration of S\$6,900,000.
- (b) On 13 January 2022, the Company, through its 65% owned subsidiary, Sydrgen Energy Pte. Ltd., subscribed for a total share capital of RMB 20,000,000 (equivalent to S\$4,300,000) in Sydrgen (Shanghai) Technology Co., Ltd. The principal activity of Sydrgen (Shanghai) Technology Co., Ltd is the R&D, engineering and production of hydrogen applications and products in the hydrogen energy and hydrogen fuel cell business.
- (c) 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.
- (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, for a stake of approximately 22%. 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..
- (e) On 26 January 2022, the Company granted 25,000 shares under the Nanofilm Restricted Share Plan. The shares awarded will vest in four (4) equal tranches over a period of four (4) years commencing from the first anniversary after the date of grant, subject to the grantee achieving certain performance conditions and meeting other terms and conditions in respect of each tranche.
- (f) The Board of Directors of the Group has recommended a final tax exempt one-tier dividend of S\$0.01 per ordinary share for the year. The total amount of dividends is expected to be approximately \$6,600,000. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend will be payable on 20 May 2022.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2022

SHAREHOLDERS' INFORMATION

Number of equity securities	:	657,687,710
Class of equity securities	:	Ordinary shares
Voting rights	:	One vote per share
Number of treasury shares and subsidiary holdings	:	5,755,400

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	1,965	26.46	1,585,218	0.24
1,001 - 10,000	4,526	60.96	18,809,135	2.86
10,001 - 1,000,000	911	12.27	31,342,185	4.77
1,000,001 and above	22	0.30	605,951,171	92.13
Total	7,425	100.00	657,687,710	100.00

Twenty Largest Shareholders

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS
1	Pearl Yard Holdings Inc	253,709,960	38.58
2	Citibank Nominees Singapore Pte Ltd	77,584,619	11.80
3	Venezio Investments Pte Ltd	49,269,300	7.49
4	Shi Xu	44,457,573	6.76
5	HSBC (Singapore) Nominees Pte Ltd	32,438,691	4.93
6	Raffles Nominees (Pte.) Limited	28,563,251	4.34
7	Harrymore International Limited	28,192,518	4.29
8	Jin Xiaozhe	17,462,740	2.66
9	DBS Nominees (Private) Limited	15,745,136	2.39
10	Jin Xiao Qun	10,190,375	1.55
11	DBSN Services Pte. Ltd.	8,896,694	1.35
12	BPSS Nominees Singapore (Pte.) Ltd.	8,694,672	1.32
13	Wang Tong	7,369,435	1.12
14	Wei Hao	5,153,685	0.78
15	Lasting Legacy Pte Ltd	4,721,900	0.72
16	Phillip Securities Pte Ltd	2,950,522	0.45
17	iFast Financial Pte. Ltd.	2,525,300	0.38
18	OCBC Securities Private Limited	2,049,700	0.31
19	UOB Kay Hian Private Limited	1,854,600	0.28
20	Maybank Securities Pte. Ltd.	1,558,900	0.24
	Total	603,389,571	91.74

STATISTICS OF SHAREHOLDINGS

As at 15 March 2022

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

NAME OF SUBSTANTIAL SHAREHOLDER	DIRECT INTEREST	% ⁽⁷⁾	DEEMED INTEREST	% ⁽⁷⁾
Pearl Yard Holdings Inc ("Pearl Yard")	253,709,960	38.54	-	-
Harrymore International Limited ("Harrymore")	28,192,518	4.27	-	-
Dr Shi Xu ⁽¹⁾	44,457,573	6.74	292,092,853	44.28
Mdm Jin Xiao Qun ⁽²⁾	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") ⁽³⁾	-	-	47,579,947	7.22
Tembusu Capital Pte. Ltd. ("Tembusu") ⁽⁴⁾	-	-	47,729,947	7.24
Temasek Holdings (Private) Limited ("Temasek") ⁽⁵⁾	-	-	47,729,947	7.24
Capital Research and Management Company ("CRMC") ⁽⁶⁾	-	-	39,578,050	6.00
The Capital Group Companies, Inc. ("CGC") ⁽⁶⁾	-	-	39,578,050	6.00

Notes:

- (1) Dr Shi Xu is the sole shareholder of Pearl Yard. Accordingly, for the purposes of Section 4 of the Securities and Futures Act 2001 of Singapore (the "SFA"), Dr Shi Xu is treated as having an interest in the 253,709,960 shares of the Company (the "Shares") held by Pearl Yard.

In addition, for the purposes of Section 133(4) of the SFA, Dr Shi Xu is deemed to have an interest in 38,382,893 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.

- (2) 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 treated as having an interest in the 28,192,518 Shares held by Harrymore.

- (3) Napier's deemed interest in Shares arises from the direct interest held by Venezio. Napier is the holding company of Venezio.

- (4) 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.

- (5) Temasek's deemed interest arises from the interests in Shares held by Venezio and SeaTown.

- (6) CGC is the parent company of CRMC and Capital Bank & Trust Company ("CB&T"). CRMC is a U.S.-based investment management company that serves as investment manager to the American Funds family of mutual funds, other pooled investment vehicles, as well as individual and institutional clients. CRMC and its investment manager affiliates manage equity assets for various investment companies through three divisions, Capital Research Global Investors, Capital International Investors and Capital World Investors. CRMC is the parent company of Capital Group International, Inc. ("CGII"), which in turn is the parent company of five investment management companies ("CGII management companies"): Capital International, Inc., Capital International Limited, Capital International Sàrl, Capital International K.K, and Capital Group Private Client Services, Inc. CGII management companies and CB&T primarily serve as investment managers to institutional and high net worth clients. CB&T is a U.S.-based investment management company that is a registered investment adviser and an affiliated federally chartered bank.

Neither CGC nor any of its affiliates own Shares for its own account. The Shares to the Company were owned by accounts under the discretionary investment management of one or more of the investment management companies described above.

- (7) 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 15 March 2022, approximately 31.8% 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 **Thursday, 28 April 2022 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 2021 together with the Auditors’ Report thereon. **Resolution 1**
2. To declare a final dividend (tax exempt one-tier) of S\$0.01 per ordinary share for the financial year ended 31 December 2021. **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/herself for re-election:

Ms Ong Siew Koon @ Ong Siew Khoon (Regulation 94) **Resolution 3**

Ms Lee Lee Khoon (Regulation 94) **Resolution 4**

Mr Wan Kum Tho (Regulation 100) **Resolution 5**

Mr Gary Ho Hock Yong (Regulation 100) **Resolution 6**

Mr Russell Tham Min Yew (Regulation 100) **Resolution 7**

Ms Ong Siew Koon @ Ong Siew Khoon will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit Committee and a member of the Board Risk Committee and Nominating Committee, and will be considered independent. Detailed information of Ms Ong Siew Koon @ Ong Siew Khoon 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.

Ms Lee Lee Khoon will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee, and will be considered independent. Detailed information of Ms Lee Lee Khoon 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 Gary Ho Hock Yong will, upon re-election as a Director of the Company, remain as an Executive Director and Chief Executive Officer of the Company and a member of the Board Risk Committee. Detailed information of Mr Gary Ho Hock Yong required pursuant to Rule 720(6) of the Listing Manual of SGX-ST can be found in the Annual Report.

Mr Russell Tham Min Yew will, upon re-election as a Director of the Company, remain as a Non-Executive and Non-Independent Director and a member of the Nominating Committee and Remuneration Committee. Detailed information of Mr Russell Tham Min Yew required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

4. To approve the payment of additional Directors' fees of S\$43,857.53 for the financial year ended 31 December 2021 ("FY2021").

[See Explanatory Note (i)]

Resolution 8

5. To approve the payment of Directors' fees of S\$528,000.00 for the financial year ending 31 December 2022, to be paid quarterly in arrears.

Resolution 9

6. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.

Resolution 10

7. To transact any other ordinary business which may be transacted at an AGM.

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass with or without any amendments, the following resolutions which will be proposed as Ordinary Resolutions:

8. SHARE ISSUE MANDATE

That pursuant to Section 161 of the Companies Act 1967 of Singapore ("Companies Act"), and listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors to:

- (a) (i) 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 or share options or vesting of share awards which were issued and are outstanding or subsisting at the time of the passing of this Resolution; and
 - (b) 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.

[See Explanatory Note (ii)]

Resolution 11

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 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 12

NOTICE OF ANNUAL GENERAL MEETING

10. AUTHORITY TO GRANT OPTIONS AND ISSUE SHARES UNDER THE NANOFILM EMPLOYEE SHARE OPTION SCHEME 2020 (THE "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 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 pursuant to the exercise of options granted during the Relevant Period specified in sub-paragraph (a) above,

provided that the total number of Shares over which options may be granted under the ESOS 2020 on any date, when added to the total number of Shares allotted and issued and/or to be allotted and issued and issued Shares (including treasury shares) delivered and/or to be delivered, pursuant to (1) options already granted under the ESOS 2020; (2) the RSP 2021 (as defined in paragraph 11 below); and (3) 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, and in this paragraph 10, "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST.

[See Explanatory Note (iv)]

Resolution 13

11. AUTHORITY TO GRANT AWARDS AND ISSUE SHARES UNDER THE NANOFILM RESTRICTED SHARE PLAN (THE "RSP 2021")

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 RSP 2021; and
- (b) allot and issue from time to time such number of fully-paid new Shares and/or transfer such number of existing Shares held in treasury, free of charge, as may be required to be delivered from time to time pursuant to the vesting of Awards under the RSP 2021,

provided that the total number of Shares which may be delivered pursuant to Awards granted under the RSP 2021, 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) 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 RSP 2021; (ii) the total number of new Shares allotted and issued and/or to be allotted and issued, and issued Shares (including treasury shares) delivered and/or to be delivered, pursuant to options already granted under the 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, and in this paragraph 11, "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST.

[See Explanatory Note (v)]

Resolution 14

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);

"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 (vii)]

Resolution 15

NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

Josephine Toh
Company Secretary

Singapore
13 April 2022

Explanatory Notes on Resolutions to be passed

- (i) The additional Directors' fees are due to the change of Directors in FY2021.
- (ii) Ordinary Resolution 11 proposed in paragraph 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 11 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 12 proposed in paragraph 9 above, if passed, will empower the Directors of the Company 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 already granted under the ESOS 2017.
- (iv) Ordinary Resolution 13 proposed in paragraph 10 above, if passed, will empower the Directors of the Company to offer and grant options pursuant to the rules of the ESOS 2020 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 Shares as may be required to be issued pursuant to the exercise of options granted or to be granted under the ESOS 2020. The aggregate number of shares which may be issued pursuant to the ESOS 2020, the RSP 2021 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 14 proposed in paragraph 11 above, if passed, will empower the Directors of the Company to offer and grant Awards in accordance with the provisions of the RSP 2021 from the date of the passing of Ordinary Resolution 14 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 delivered from time to time pursuant to the vesting of Awards under the RSP 2021. The aggregate number of shares which may be delivered pursuant to Awards granted under the RSP 2021 on any date, when added to the total number of new Shares allotted and issued and/or to be allotted and issued, issued Shares (including treasury shares) 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 RSP 2021, the total number of new Shares allotted and issued and/or to be allotted and issued, and issued Shares (including treasury shares) delivered and/or to be delivered, pursuant to options granted under the ESOS 2020 and 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.
- (vi) Ordinary Resolution 15 proposed in paragraph 12 above, is to renew the mandate approved by Shareholders at the last AGM held on 28 April 2021 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 15 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 2021 are set out in greater detail in the Addendum released to SGX-ST together with the Annual Report 2021.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By (a) submitting an instrument appointing the Chairman of the Meeting as a proxy 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 of the Company 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 the Chairman of the Meeting as a proxy 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 the live webcast or live audio feed of the AGM proceedings and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from members received before the AGM 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.

PARTICIPATION IN THE ANNUAL GENERAL MEETING ("AGM") VIA "LIVE" WEBCAST OR "LIVE" AUDIO FEED

As part of the Company's efforts to minimise the risk of community spread of COVID-19, 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 this Notice of AGM and Proxy Form will not be sent to Shareholders of the Company. Instead, 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 <http://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) In order to observe and/or listen to the AGM proceedings through the Live AGM Webcast or Live AGM Audio Feed, Shareholders will need to register at <https://smartagm.sg/NANOFILMAGM2022> **by 10:00 a.m. on 25 April 2022** (the "**Registration Deadline**") for verification of their status as Shareholders (or the corporate representatives of such Shareholders) of the Company. 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.
- (ii) Following successful verification, each such Shareholder or its corporate representative(s) will receive an email confirmation ("**Confirmation Email**") by **5.00 p.m. on 27 April 2022** containing instructions on how to access the live AGM proceedings through the Live AGM Webcast or Live AGM Audio Feed.
- (iii) Shareholders or their corporate representative(s) **must not** forward the abovementioned information 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) Shareholders or their corporate representatives who have registered by the Registration Deadline but do not receive the Confirmation Email by **5.00 p.m. on 27 April 2022** may contact the Company's Share Registrar Office at Boardroom Corporate & Advisory Services Pte. Ltd. at +65 6536 5355 for assistance or email AGM.TeamE@boardroomlimited.com.

NOTICE OF ANNUAL GENERAL MEETING

SUBMISSION OF PROXY FORMS TO VOTE

- (i) Shareholders (whether individual or corporate) who pre-register to observe and/or listen to the AGM proceedings and wish to vote on the resolutions to be tabled at the AGM **must** appoint the Chairman of the Meeting as their proxy to attend, speak and vote on their behalf at the AGM, in accordance with the instructions on the proxy form. Where Shareholders or their corporate representative(s) appoint the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of each resolution in the proxy form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
- (ii) The duly executed Proxy Form must be deposited at or returned 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 emailed to AGM.TeamE@boardroomlimited.com **by 10:00 a.m. on 25 April 2022**, being 72 hours before the commencement of the AGM.

Shareholders are strongly encouraged to submit completed proxy forms electronically via email.

- (iii) 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 5:00 p.m. on 19 April 2022**) in order to allow sufficient time for their respective 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. Other investors holding shares through other relevant intermediaries who wish to vote should approach his/her relevant intermediary as soon as possible to specify voting instructions.

SUBMISSION OF QUESTIONS

- (i) Shareholders will not be able to ask questions at the AGM live during the webcast or audio-stream, and therefore it is important for shareholders to pre-register at <https://smartagm.sg/NANOFILMAGM2022> and submit their questions in advance of the AGM.
Shareholders may submit questions relating to the resolutions to be tabled for approval at the AGM to the Chairman of the Meeting via AGM.TeamE@boardroomlimited.com or in respect of Shareholders who pre-register to observe and/or listen to the AGM proceedings, at the pre-registration website at <https://smartagm.sg/NANOFILMAGM2022>, so that these questions may be addressed in advance of, or during the AGM proceedings. **All questions must be submitted by 8.00 am on 20 April 2022.**
- (ii) The Company will endeavour to address substantial and relevant questions received from Shareholders by **10.00 am on 23 April 2022** and this will be posted on SGXNet and the Company's corporate website.
- (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.

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NANO FILM 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 <http://www.ntinanofilm.com/investors/announcements> and also on the website of the SGX-ST at <https://www.sgx.com/securities/company-announcements>

1. A member will not be able to attend the Meeting in person. If a shareholder wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the Chairman of the Meeting as proxy as his/her/its behalf to attend, speak and vote on his/her/its behalf at the Meeting.
2. A relevant intermediary must appoint the Chairman of the Meeting to attend, speak and vote at the Meeting (please see note 3 for the definition of "relevant intermediary").
3. For CPF/SRS investors who have used their CPF monies to buy the Company's shares, this Proxy Form is not valid for use by CPF/SRS investors 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 Agent Banks/SRS Operators if they have any queries regarding their appointment of the Chairman of the Meeting as proxy.

Personal Data Privacy

By submitting an instrument appointing the Chairman of the Meeting as Proxy, the Member accepts and agrees to the personal data privacy terms set out in the Proxy Form and Notice of Annual General Meeting dated 13 April 2022.

I/We, _____ (Name) _____ (NRIC No./Passport No./Company Registration No.)
 of _____ (Address)

being a member/members of **NANO FILM TECHNOLOGIES INTERNATIONAL LIMITED** (the "Company"), hereby appoint **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 Thursday, 28 April 2022 at 10:00 a.m. and at 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 at 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 FOR	NO. OF VOTES AGAINST	NO. OF VOTES ABSTAIN
ORDINARY BUSINESS				
1	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report			
2	Declaration of final dividend			
3	Re-election of Ms Ong Siew Koon @ Ong Siew Khoon			
4	Re-election of Ms Lee Lee Khoon			
5	Re-election of Mr Wan Kum Tho			
6	Re-election of Mr Gary Ho Hock Yong			
7	Re-election of Mr Russell Tham Min Yew			
8	Approval of additional Directors' fees for the financial year ended 31 December 2021			
9	Approval of Directors' fees for the financial year ending 31 December 2022			
10	Re-appointment of Moore Stephens LLP as Auditors			
SPECIAL BUSINESS				
11	Share Issue Mandate			
12	Authority to issue shares under the Nanofilm Employee Share Option Scheme 2017			
13	Authority to grant options and issue shares under the Nanofilm Employee Share Option Scheme 2020			
14	Authority to grant awards and issue shares under the Nanofilm Restricted Share Plan			
15	Renewal of Share Purchase Mandate			

* Delete where inapplicable

Dated this _____ day of _____, 2022

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF.

TOTAL NUMBER OF SHARES IN:	NO. OF SHARES
(a) CDP Register	
(b) Register of Members	



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Future Act 2001 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in both Depository Register and Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member will not be able to attend the Meeting in person and must appoint the Chairman of the Meeting to attend, speak and vote on his/her/its behalf at the Meeting. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
3. A member who is a relevant intermediary entitled to vote at the Meeting must appoint the Chairman of the Meeting to attend, speak and vote at the Meeting instead of the member.

"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 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.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the Meeting as proxy ("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 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.

6. The Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the Proxy Form is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it 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 the instrument appointing the Chairman of the Meeting as proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By (a) submitting an instrument appointing the Chairman of the Meeting as a proxy to vote at the AGM and/or any adjournment thereof, or (b) completing the pre-registration in accordance with the Notice of the AGM, or (c) submitting any question prior to the AGM in accordance with the Notice of the AGM, a member of the Company 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 the Chairman of the Meeting as a proxy 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 the live webcast or live audio feed of the AGM proceedings and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from members received before the AGM 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.

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