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View our report online:  
<http://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 share in, and listing of, the Company on the Mainboard of the SGX-ST on 30 October 2020.

Nanofilm Technologies International Limited (“**Nanofilm**” or the “**Company**” and together with its subsidiaries, the “**Group**”) is a leading provider of nanotechnology solutions, leveraging on its proprietary technologies and 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 its customers to achieve high value-add advancements in their end-products in an environmentally sustainable manner.

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

Listed on the Mainboard of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 30 October 2020, Nanofilm is a constituent of the FTSE ST China Index, FTSE ST Singapore Shariah Index and the FTSE ST Small Cap Index since 21 December 2020. Effective 22 March 2021, Nanofilm has been included as a constituent of the FTSE ST Large & Mid Cap Index and the FTSE ST Mid Cap Index and consequently, ceased to be included in the FTSE ST Small Cap Index.

Currently, Nanofilm owns more than 70 patents and trademarks, not including over 20 applications which are pending. The Group has over 270 employees worldwide who are engaged in R&D and engineering and it has achieved a daily turn-around of high volume, high mix parts capacity of over 5 million.



## Vision

Integrating nanotechnology in advanced materials and nanoproducts into our daily lives.



## Mission

The key catalyst to enable advancement of our customers’ products in a sustainable manner.



## Values



### SINCERITY

Our stakeholders are our partners. We value long-term relationships and stay our course as trusted technological partners.



### SERVICE

Top class consistent service and quality to all our stakeholders.



### INNOVATION

Continuous innovation is in our DNA, creating unparalleled value in a responsible sustainable manner for our stakeholders.



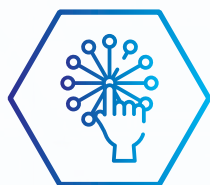
### EFFICIENCY

Efficiency and effective processes to maximise outputs with best use of resources, underpinned by our solid scalable production system with high variability capability to cater for high volume, high mix projects.

Nanofilm is a global leading technology solutions provider with strong innovation DNA, ingrained since 1999 as a high-tech spinoff from Nanyang Technological University (“**NTU**”), focused in advanced material science and nanotechnology. In the beginning, with virtually no market positioning and limited capital, our Group succeeded in what many thought we could not when we successfully competed against tech giants from America, Europe and Japan, from where customers were accustomed to proven conventional technologies.

Against all odds, we overcame numerous fate-defining challenges and went on to revolutionise the industry by redrawing material science boundaries, exceeding all expectations.

Our business model has been constantly evolving according to our strategy, designed and crafted for business excellence.



#### **Business Unit #1: ADVANCED MATERIALS**

Provides 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, 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 are used by our customers as components for the smooth functioning and performance of certain parts of their end-products, due to their nanoscale and/or nanofeatures. We utilise our nanofabrication technology and software to fabricate nanoproducts which are designed to fit the specific size and shape requirements specified by our customers as well as to provide the required functional properties to their end-products.



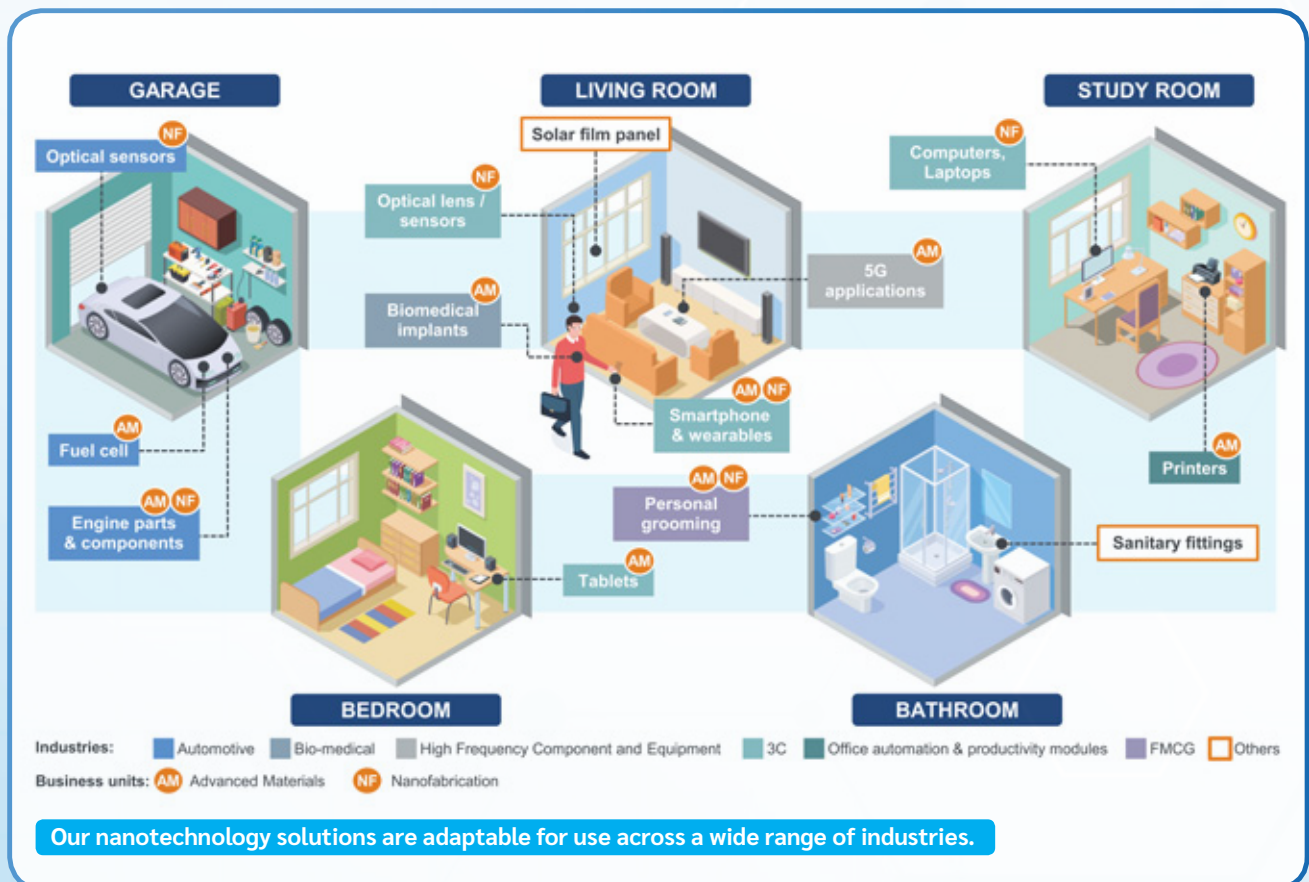
#### **Business Unit #3: INDUSTRIAL EQUIPMENT**

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 just 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.

## Nanofilm's Technology-based Solutions are an Integral Part of Our Daily Lives

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

## Nanofilm's Nanotechnology Solutions are Used in Our Daily Lives Across a Range of Industries





CHAIRMAN'S STATEMENT



**DR SHI XU**  
*Executive Chairman*



We continued our strong growth momentum in 2020, delivering a record set of financial results, in line with our consistent growth trend over the years.



## Dear Stakeholders,

2020 was a turbulent year impacted by the unprecedented COVID-19 outbreak. According to the International Monetary Fund, global 2020 growth has contracted 3.5%. Notwithstanding the uncertainties surrounding new virus variants, the global economy is projected to rebound 6.0% in 2021, led by the global vaccination rollout<sup>(1)</sup>.

Against this economic backdrop, not only have we stayed resilient, we have also excelled. We continued our strong growth momentum in 2020, delivering a record set of financial results, in line with our consistent growth trend over the years. Our success is not random. It is anchored by the solid foundation we have laid with strong management, good teamwork, clear strategy execution, operational excellence and a robust risk management system.

With this foundation, we were able to go against the tide (逆流而上) and list on the Mainboard of the Singapore Stock Exchange, achieving another remarkable milestone for Nanofilm. Indeed, our value propositions, as highlighted in our Prospectus, have consistently taken us to greater heights.

Overall, Nanofilm has performed well in our FY2020 report card and on behalf of the Board of Directors, I proudly present our inaugural FY2020 annual report to our stakeholders.

## FINANCIAL HIGHLIGHTS

We achieved a record set of results for FY2020, with Group revenue increasing 52.8% YoY to S\$218.3 million, led by our Advanced Materials Business Unit (66.4% growth YoY) and Nanofabrication Business Unit (90.3% growth YoY). Profit after tax saw a faster pace of growth of 68.1% to S\$58.1 million.

Our Group's cash flow position remained solid and investments in capital expenditure are expected to contribute positively to our business in future. Balance sheet remained healthy, with cash and bank balances of S\$227.4 million as at 31 December 2020.

## CONNECTING DEEP TECH WITH THE COMMERCIAL WORLD

Since our founding in 1999, Nanofilm has grown and developed alongside our customers. We are now integrated in our customers' product development cycles and supply chains as a trusted long-term technology partner to our major customers.

Nanofilm is able to create avenues to channel deep tech to the commercial world, leveraging on our value propositions. Our avenues are ever enlarging and expanding into multiple end-markets, backed by our differentiated technology-based solutions, R&D, in-house engineering and production capabilities.

<sup>(1)</sup> IMF - World Economic Outlook, April 2021: Managing Divergent Recoveries, 23 March 2021

Our proprietary nanotechnology solutions are key enabling catalysts across a number of mission critical applications in multiple end-markets, playing a key role in our customers' end-products. These solutions are executed using our capability in high-volume production processes, underpinned by our operational excellence framework.

Our R&D activities are conducted in a strategic manner to uncover the promises of our nanotechnology. We will accelerate the time to market for technologies that are of commercial interest.

These unique strengths reaffirm our position as the leading nanotechnology solutions provider, as we continually redraw material science boundaries and open up new markets which were previously inaccessible via conventional technologies, in an environmentally sustainable manner.

## EXPANDING OUR REACH

As at 22 March 2021, Nanofilm is a constituent of the FTSE ST Large & Mid Cap Index, FTSE ST Mid Cap Index, FTSE ST China Index and FTSE ST Singapore Shariah Index. Indeed, response from the market has been strong and as a newly-listed company on SGX, the inclusion into these FTSE ST indices has enabled our Group to increase our exposure to index funds and bring about higher trading liquidity to investors globally. It is also in line with our Group's continued outreach to a high quality and diversified investor base.

As a constituent of these internationally recognised benchmark indices, Nanofilm has outperformed the market in 2020, with a total shareholder return<sup>(2)</sup> of 51.2% since our listing on 30 October 2020 till end of the year.

## ROADMAP AHEAD

Nanofilm remains focused on creating more avenues to connect deep tech to the commercial world across multiple end-markets in secular growth trends to achieve sustainable long-term growth. Our growth strategy is anchored on our strong emphasis on R&D, grounded by science, in new applications of nanotechnology. For 2020, we invested 5.0% of our revenue in R&D and engineering (excluding depreciation and amortisation expenses) as we prepare for future innovations to meet new market applications with Environment, Social and Governance ("ESG") benefits.

Future markets under development include new energy, biomedical, aerospace and Internet of Things ("IoT") optics. Another key area of focus will be on value chain integration across products to drive sustainable growth. This will be achieved by selectively entering into the design, manufacturing and assembly of vital components and modules in industries where our advanced materials are key enablers, and through increased customer engagement, leveraging on synergies across our business segments to offer integrated solutions.

We intend to achieve greater market share in our existing markets by leveraging on our established track record with our customers, with strong emphasis on quality and time to delivery, to explore new applications of our nanotechnology solutions.

As for technology leadership, we will continue to invest and build on our three core competencies – R&D innovation and product development capabilities, strong in-house engineering capabilities and solid production capabilities – to drive a sustainable growth.

ESG would be a key emphasis of our solution offerings as we incorporate sustainability and societal impact as key considerations in our technology and applications. Our goal is to achieve betterment of our society at large and our interaction with the world.

<sup>(2)</sup> Bloomberg as at 31 December 2020.



## OUR COMMITMENT

We are a global citizen committed to uphold a robust ESG framework that creates stakeholder value in a sustainable and responsible manner. We believe that it is only by integrating sustainability in our business strategy that we will enable Nanofilm to generate stronger and sustainable returns.

Sustainability is where we are able to continuously apply our technology responsibly for our customers. Often neglected, our contribution to the world's sustainability cannot be undermined, as our green-labelled mission critical applications adopted by global supply chains reach end-consumers of global mass, which amplifies the societal and environment impact exponentially.

We are committed to bring a positive impact on society by touching lives and improving life quality with our nanotechnology solutions. The day-to-day products in modern living that contain our solutions are wide-ranging, which include 3C applications such as smartphones and tablets for communication and connection to the world, and health and lifestyle applications such as smart wearables and personal grooming products.

Our coating technologies and production processes are greener solutions, executed in an environmentally sustainable manner, compared to conventional technologies. Our advanced materials optimise the world's natural resources by replacing limited precious base materials, extending useful life of materials and changing the characteristics of materials. For example, we have contributed to the successful commercialisation of solar CdTe cells production for solar panels that integrates solar energy with building materials; greener automotive applications that reduce emission output; functional coating on cutting tools that extends tool life to enable production machining efficiency; and the new energy end-market development of using hydrogen as the source of energy.

Our efforts are guided and monitored by our Group's Sustainability Council, comprising Board members and management. It is further complemented with regular independent ESG audits conducted by our global customers.

## OUR APPRECIATION

Our accomplishments in the various milestones in 2020 would not have been possible without the support and contributions of many. I would like to express my deep appreciation for the contributions and wise counsel of my fellow Board members, who have devoted time and efforts to participate actively in our Board and Board Committees' decision-making.

On behalf of the Board, I would like to thank our shareholders for the strong support and confidence placed on Nanofilm. We will continue to deliver value to our shareholders by executing our growth strategy.

To our valued customers and business partners, thank you for your confidence and trust all these years. Together, we will achieve higher value-add advancements and scale greater heights. To our management and staff, a special note of appreciation for your diligence, dedication and commitment, as we continue to work as a team in unlocking the promises of our technology and products.

Deeply rooted in science, I am passionate on investing in future technology that can bring about a long-lasting significant impact on the world. Together with my highly experienced team, we are committed to constantly innovate to deliver growth and value to our stakeholders. Our future potential is vast, holding wide and expanding avenues to connect deep tech to the commercial world.

Thank you for participating in this journey with us.

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

# OUR KEY STRENGTHS

Our business represents a highly scalable platform for future growth owing to the following competitive strengths.

## (1) OUR UNIQUE TECHNOLOGY ECOSYSTEM

### In-house Proprietary Production Equipment

- Able to offer comprehensive end-to-end nanotechnology solutions
- Production equipment built in-house at attractive entry cost



### Blend of R&D and Engineering Capabilities

- In-house engineering capabilities complement R&D platform and facilitate mass production



### New & Differentiated Advanced Materials

**TAC-ON®**  
(Tetrahedral Amorphous Carbon)

**iTAC®**  
(Thick Tetrahedral Amorphous Carbon)

**MiCC®**  
(Nano-crystalline chromium nitride)

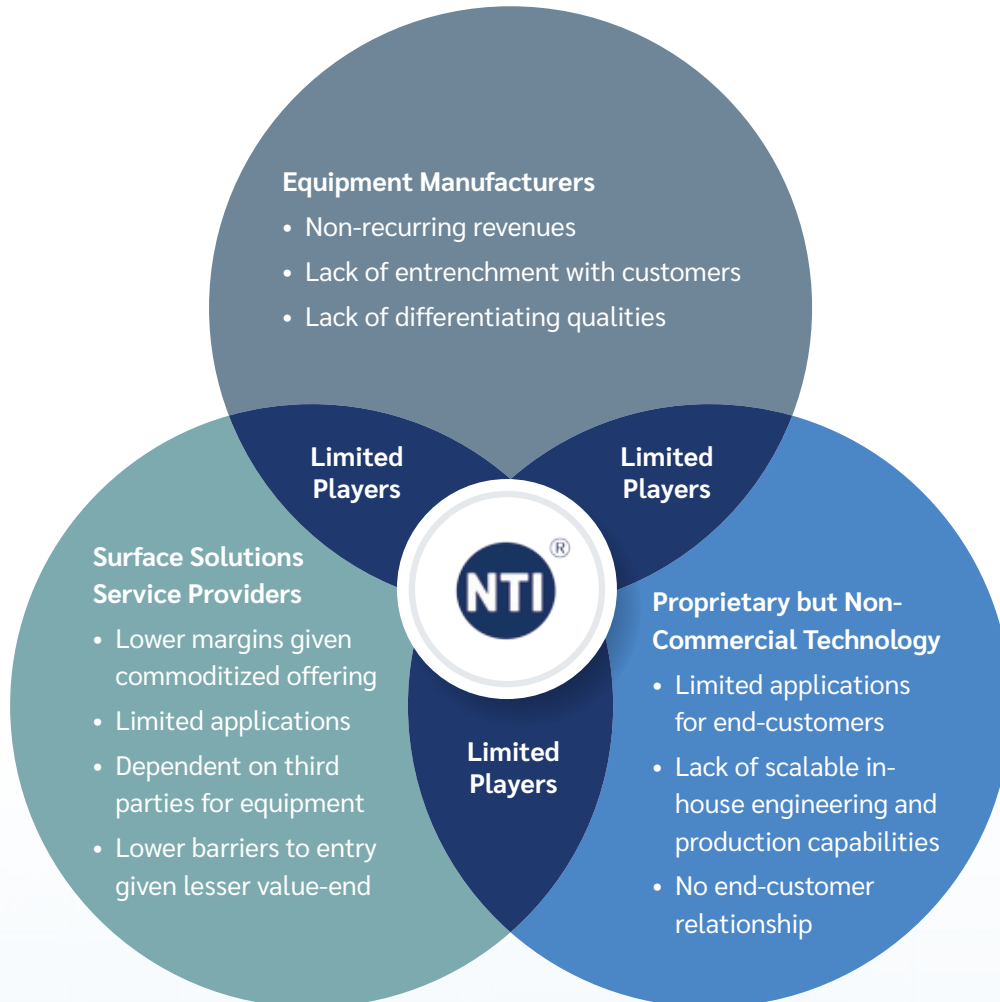
**FCVA Metals**

### 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





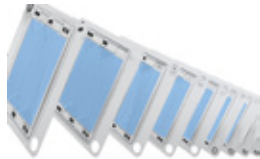
**(2) DIFFERENTIATED TECHNOLOGY-BASED SOLUTIONS DRIVE SUSTAINABLE COMPETITIVE ADVANTAGE**



A	Differentiated technology-based solutions enabling mission-critical applications	X
B	Full-service in-house Equipment and Surface Solutions Capabilities	X
C	Redraws market boundaries opening up broader end-markets exposure	X
D	Scalable and Reliable Production Capabilities	=
<b>Nanofilm Sustainable Competitive Advantage</b>		

## (3) MISSION-CRITICAL PRODUCTS ENABLE CUSTOMERS AND CREATE STICKINESS

### ENABLING CUSTOMERS TO ACHIEVE HIGH VALUE-ADD IMPROVEMENTS IN THEIR END-PRODUCTS

	Superior Functional Properties	Aesthetic Enhancements	New Applications
	 <p><b>Piston Rings</b>      <b>HPLC Components</b></p>	 <p><b>Tablet Logos</b></p>	 <p><b>Fuel Cells Bipolar Plates</b></p>
<b>Improved Properties</b>	<ul style="list-style-type: none"> <li>• Extends useful life via improved corrosion and wear resistance</li> <li>• Improves hardness</li> </ul>	<ul style="list-style-type: none"> <li>• Enables laser cutting of thin layer of stainless steel plates, for deposition with a broad range of color choices</li> </ul>	<ul style="list-style-type: none"> <li>• Replace expensive materials</li> <li>• Functional performance</li> <li>• Improves aesthetic qualities</li> </ul>
<b>Applications</b>	<ul style="list-style-type: none"> <li>• Smartphones, computers and wearables</li> <li>• Multi functional printers components</li> <li>• EMI<sup>(1)</sup> coatings on plastics in camera brackets in devices</li> <li>• Piston Rings</li> <li>• HPLC Pumps / Valves</li> </ul>	<ul style="list-style-type: none"> <li>• Tablets</li> <li>• Smartphones</li> </ul>	<ul style="list-style-type: none"> <li>• Engine components</li> <li>• FMCG applications</li> <li>• Fuel Cells</li> </ul>

### Winning Formula for Customers

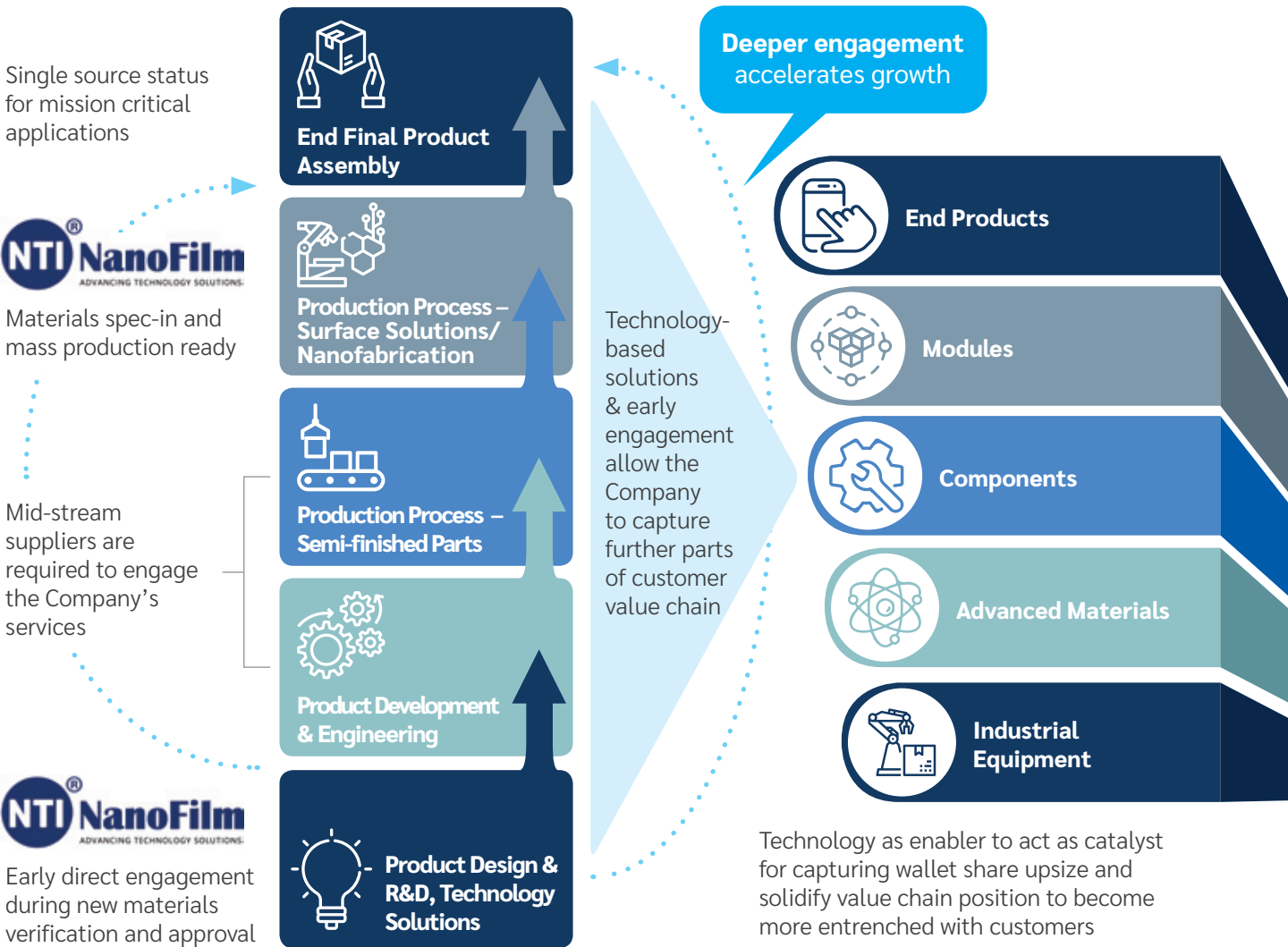
- 1 Differentiated Solutions with Improved Properties
- 2 Expands Market Possibilities
- 3 High value-add functional and aesthetic improvements

<sup>(1)</sup> Electromagnetic Interference  
 Note: The blue shaded portion of each of the images denotes NTI's contribution.

## ENTRENCHMENT WITH OUR CUSTOMERS GROWS STRONGER OVER TIME

Early Direct Engagement with End-Customers in their Product Development and Design Process

Demonstrated Upsize Value Chain Creation



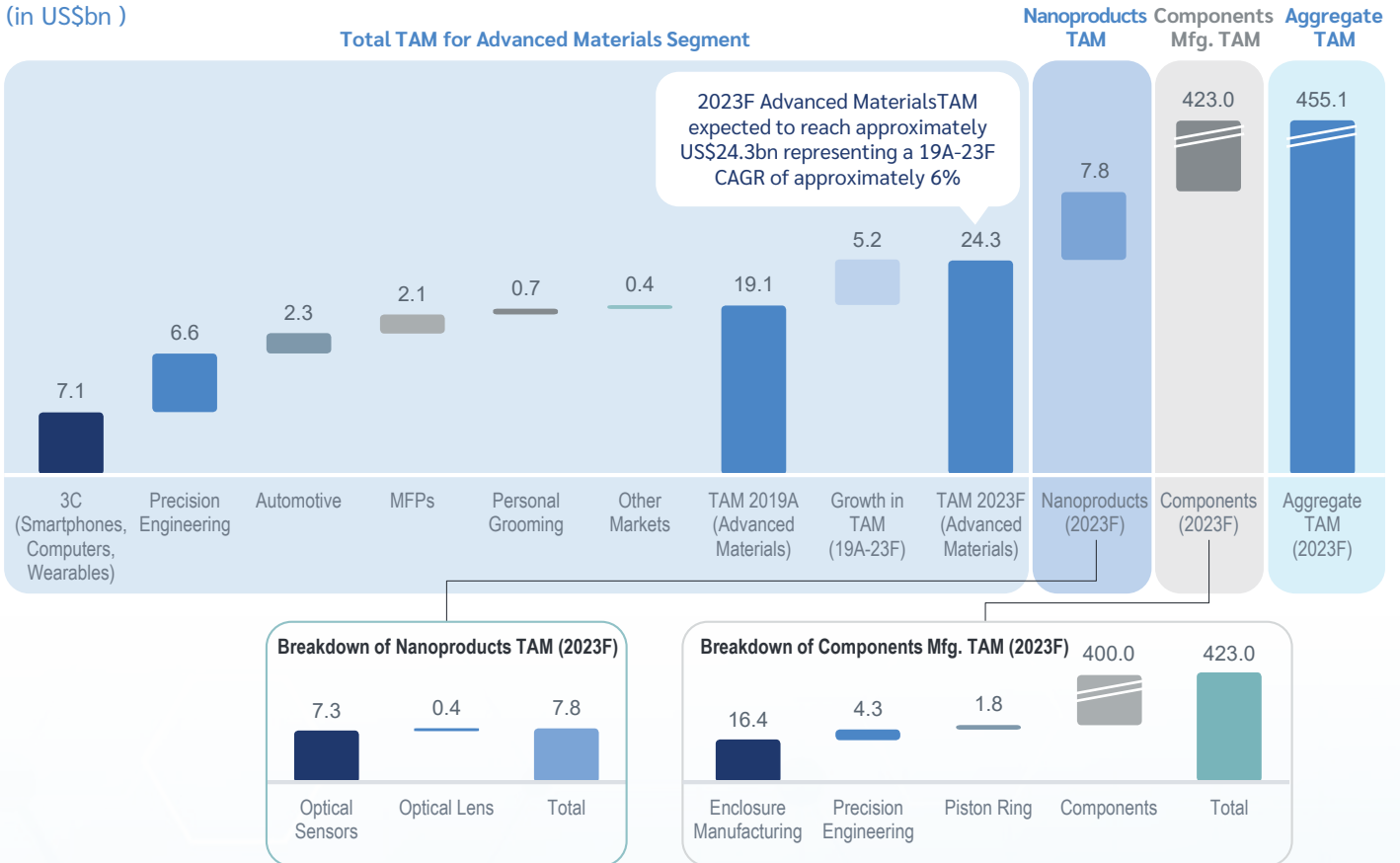
### Barriers to Entry

- 1 Key enablers for our customers across multiple applications leading to high intimacy
- 2 Low % of total end-product cost
- 3 Value chain integration, accelerated with strategic partners entrenches Nanofilm with customers

# OUR KEY STRENGTHS

## (4) MULTIPLE AVENUES FOR GROWTH FROM A LARGE TAM AND FAVORABLE SECULAR INDUSTRY TRENDS<sup>(1)</sup>

### Total Addressable Market ("TAM") Size (in US\$bn)



<sup>(1)</sup> Based on Frost & Sullivan's report "Independent Market Research (IMR) on the Global Advanced Materials Industry"

## (5) STRONG IN-HOUSE R&D, ENGINEERING AND PRODUCTION CAPABILITIES, DRIVING ADDITIONAL VALUE CREATION

### Support Manufacturing More Efficiently

#### Common Activities Captured in Manufacturing Execution System (MES)

- Managing Process Orders & WIP
- Managing Material
- Managing Labor
- Managing Equipment
- Managing Quality

### Demonstrated Value Creation

**13%** Total Cost Per Unit Reduction 

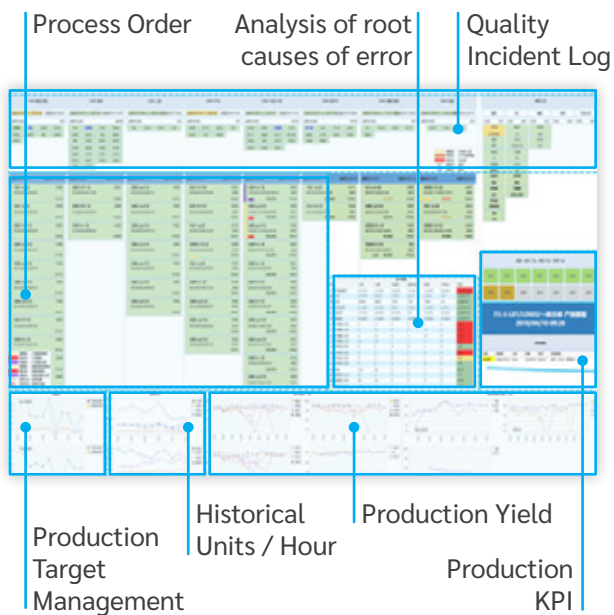
**7%** Improve Manufacturing Cycle Time 

**6%** Improve Overall Equipment Effectiveness 

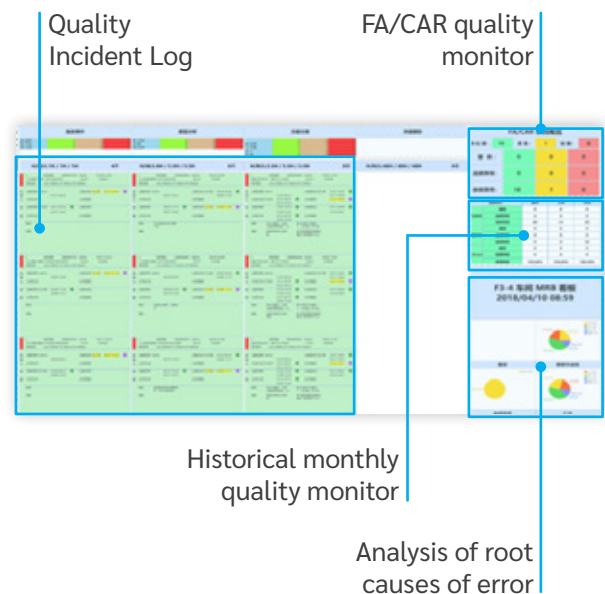
**40%** Reduction in Lead Time to Procure Supplies 

### Real Time Monitoring of Key Metrics

#### MES DASHBOARD



#### QUALITY TRACKING DASHBOARD



## (6) STRONG MANAGEMENT TEAM POSSESSING SIGNIFICANT STRATEGIC AND OPERATIONAL EXPERIENCE IN THEIR RESPECTIVE FIELDS

### Founder and Executive Chairman

#### DR SHI XU

- Founded Nanofilm in 1999, as a technology spinoff from NTU
- Visionary founder of Nanofilm who developed the Company's proprietary nanotechnology offering
- Recipient of National Technology Award from National Science and Technology Board in 2000, Innovation Award from Economic Development Board in 2001, EY Entrepreneur of the Year (Singapore) in 2017
- Previously served as Associate Professor at NTU

### Nanofilm Management Team

Name	Position	Industry Experience (Years)	Selected Previous Experience
Mr Lee Liang Huang	CEO	c. 33	IBM, MI Holdings Pte Ltd
Mr Gary Ho Hock Yong	CCO	c. 24	Hi-P International Limited
Mr Ricky Tan Chong Ho	COO	c. 26	Western Digital, HGST, Pemstar, IBM
Mr Lars Ralf Rainer Lieberwirth	CTO	c. 21	Gillette, P&G, Hi-P International Limited
Mr Lim Kian Onn	CFO	c. 13	ZACD Group Limited, OCBC, DNB, Credit Suisse

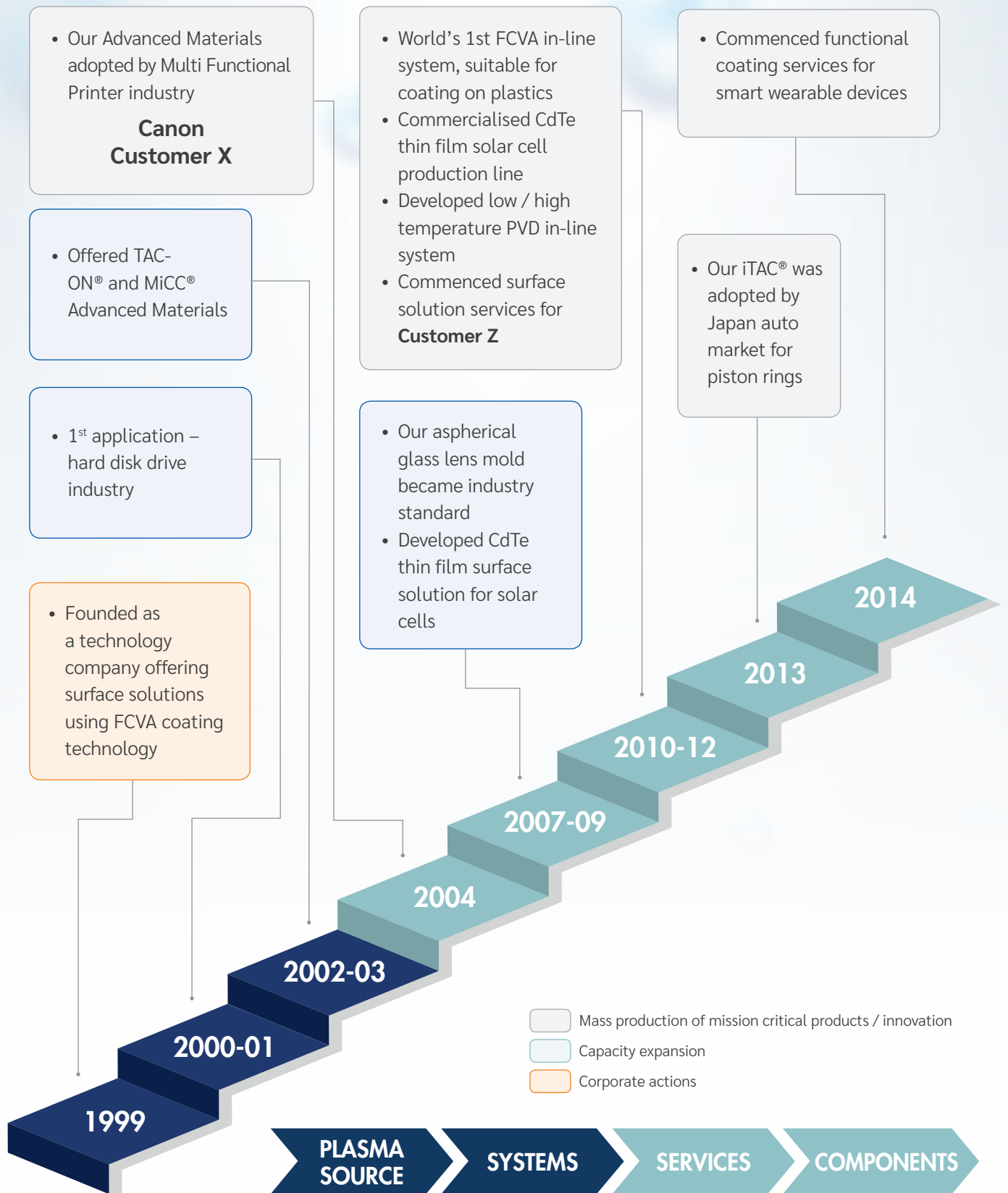


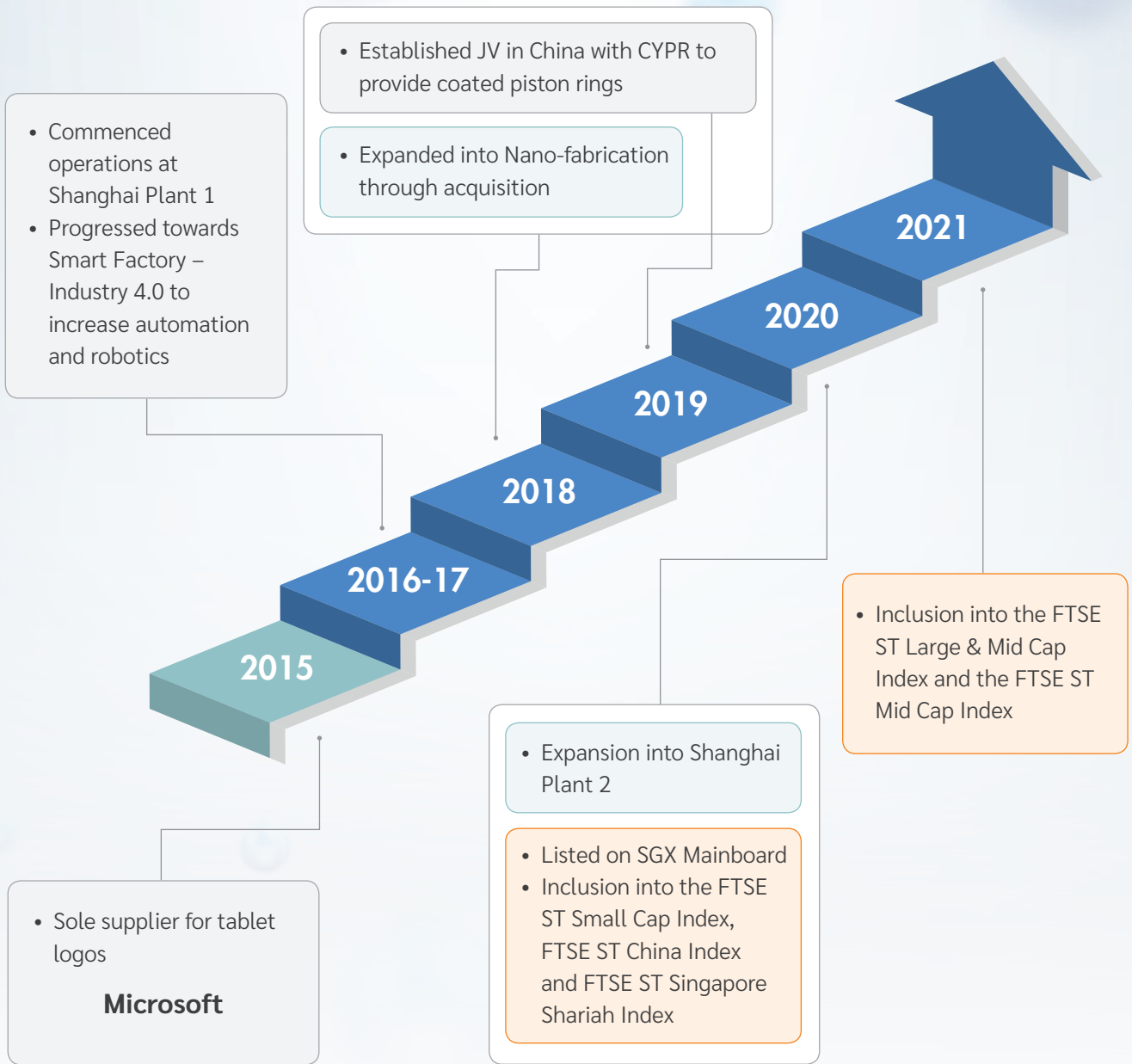


## STRENGTHENING OUR LEADING POSITION

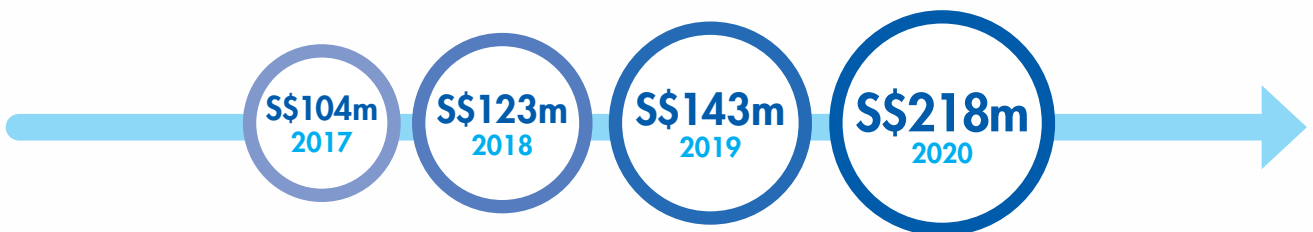
Our beginning as a high-tech spinoff from a university and our journey to becoming the first deep technology company to list in Singapore, have taught us to adapt to changes in the market and technological advancements. By integrating investment with R&D, Nanofilm boasts a unique business model that gives us an edge in both areas, allowing us to respond readily to market forces.

# KEY MILESTONES





## REVENUE

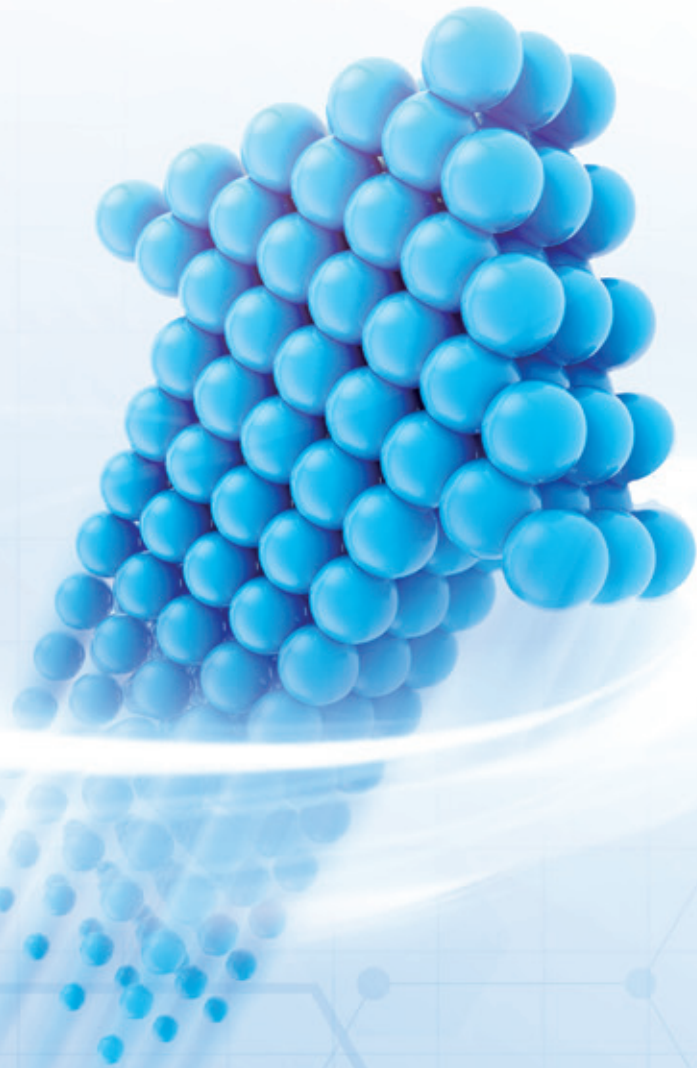


VALUE CHAIN  
INTEGRATION

HORIZONTAL INTEGRATION / CAPACITY EXPANSION

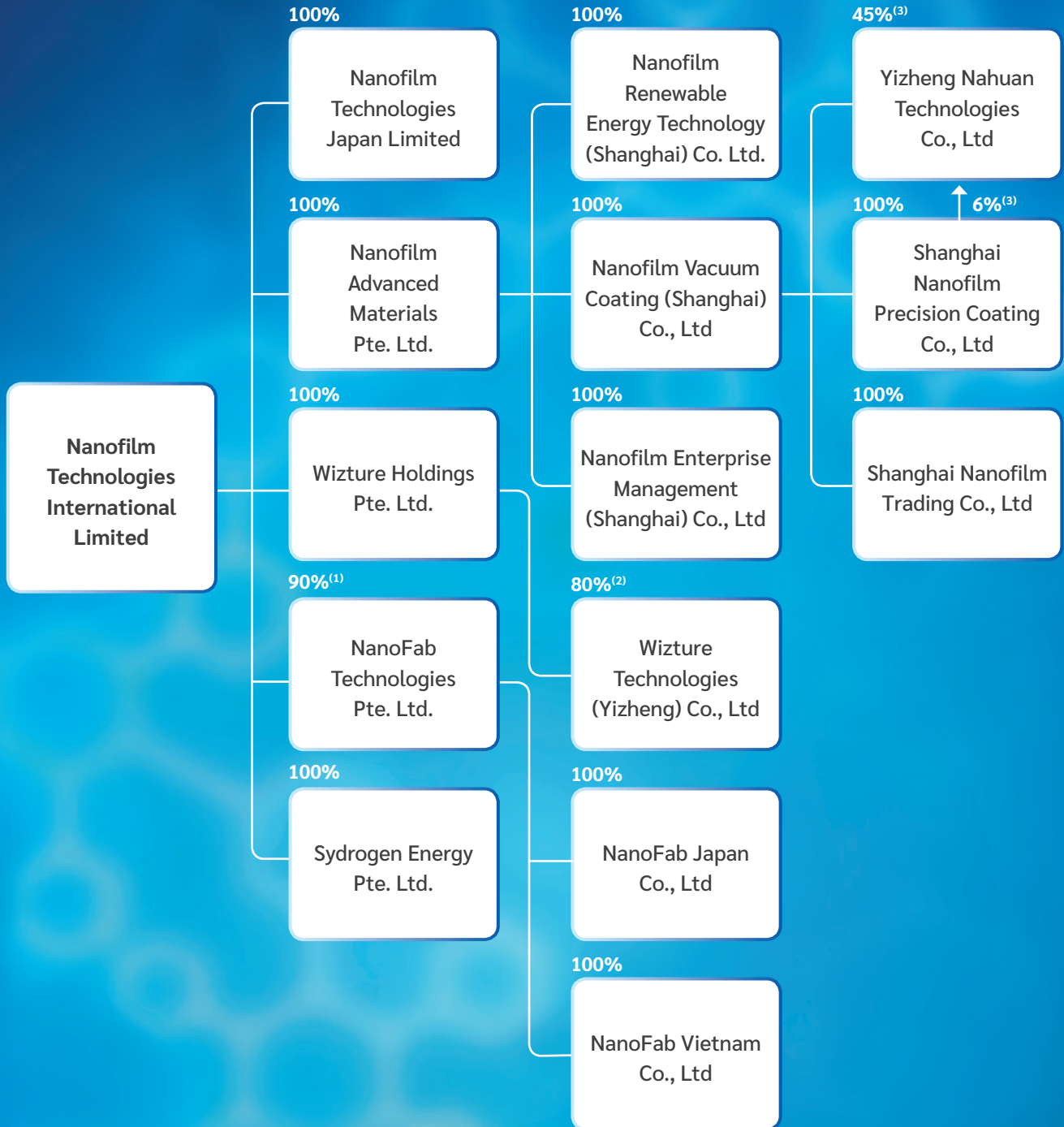
# PIONEERING THE FUTURE THROUGH SYNERGY

Nanofilm's growth strategy includes identifying opportunities for acquisitions and joint ventures. Looking ahead, we will continue pursuing growth via identifying synergistic acquisitions and joint ventures while keeping focus on core competencies. We will hone our competitive edge and strengthen our leading position in the nanotechnology industry.



# GROUP STRUCTURE

as at 23 March 2021



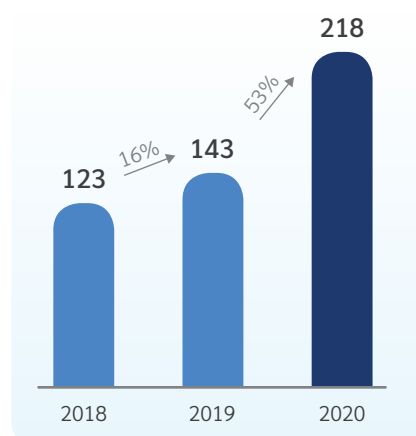
Notes:

- (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.

## FY2020: RECORD FINANCIAL YEAR

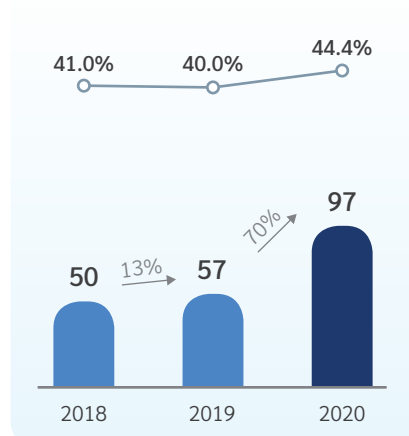
### Revenue

Strong and accelerated growth  
(S\$m)



### Adjusted EBITDA

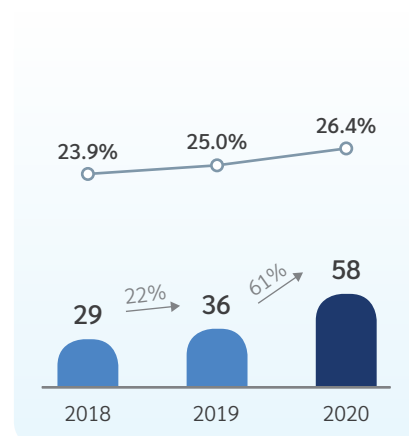
Grew at faster pace  
(S\$m)



● Adjusted EBITDA<sup>(2)</sup> (S\$m)  
○ Margin (%)

### PATMI<sup>(1)</sup>

Up 61% YoY  
(S\$m)

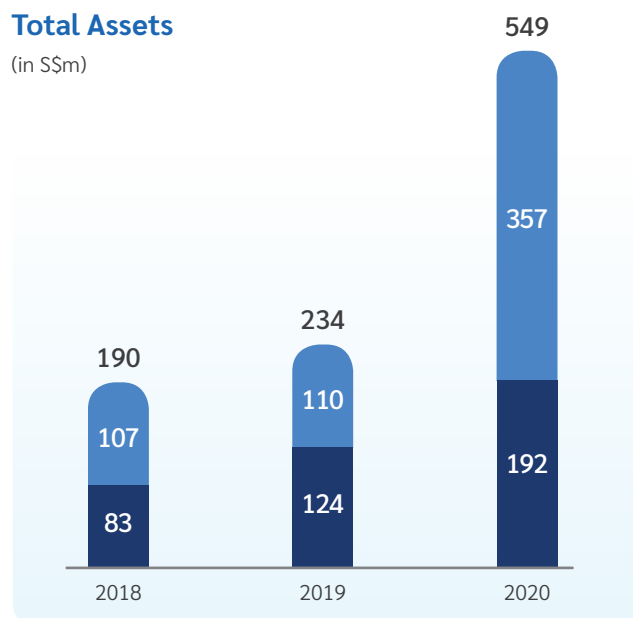


● PATMI<sup>(3)</sup> (S\$m)  
○ Margin (%)

## BALANCE SHEET

### Total Assets

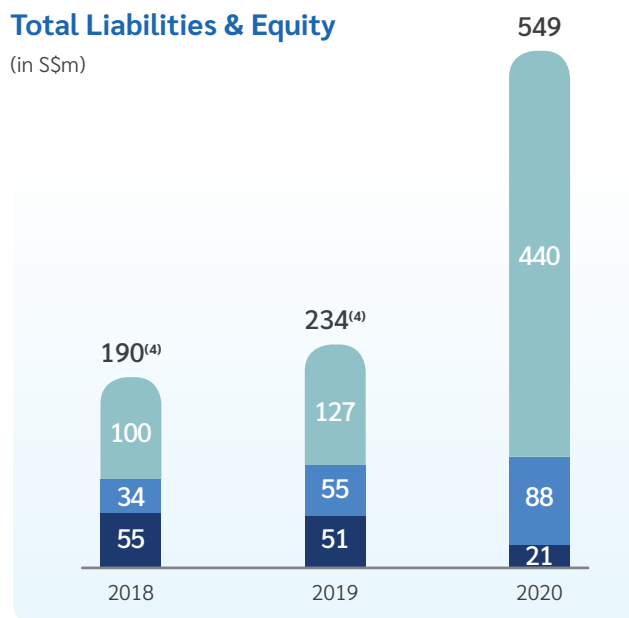
(in S\$m)



● Non-Current Assets ● Current Assets

### Total Liabilities & Equity

(in S\$m)



● Non-Current Liabilities ● Current Liabilities ● Equity

<sup>(1)</sup> Profit After Tax and Minority Interests

<sup>(2)</sup> Adjusted EBITDA is reconciled from profit before income tax by adding back depreciation, amortization, net finance expenses, listing-related expenses, other professional fees, and other exceptional items

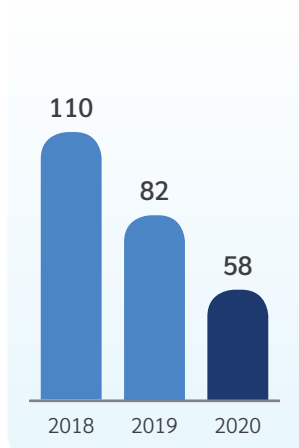
<sup>(3)</sup> Refers to profit attributable to equity holders of the Company

<sup>(4)</sup> Numbers may not add up due to rounding

## EFFECTIVE WORKING CAPITAL MANAGEMENT

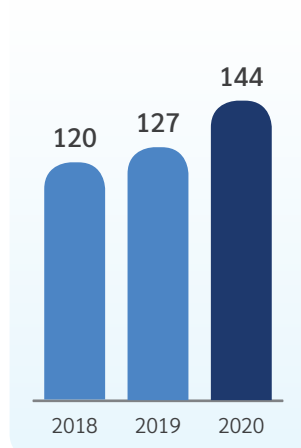
### Inventory turnover period<sup>(1)</sup>

(in days)



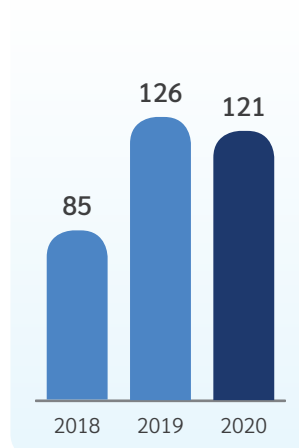
### Trade receivables turnover period<sup>(2)</sup>

(in days)



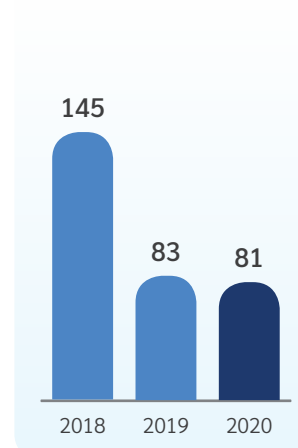
### Trade payables turnover period<sup>(3)</sup>

(in days)



### Cash conversion cycle<sup>(4)</sup>

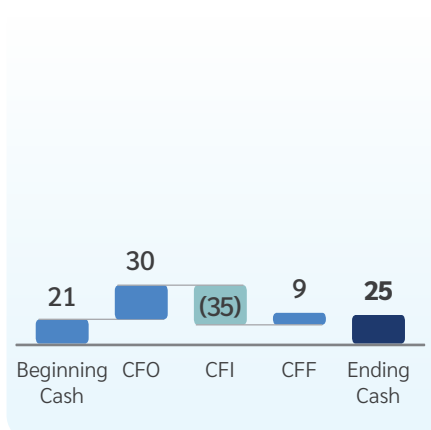
(in days)



## CASH FLOW GENERATION

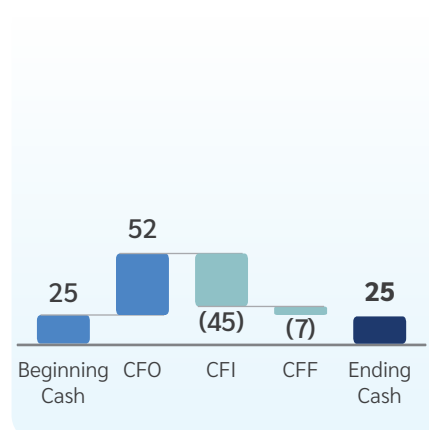
### 2018

(in S\$m)



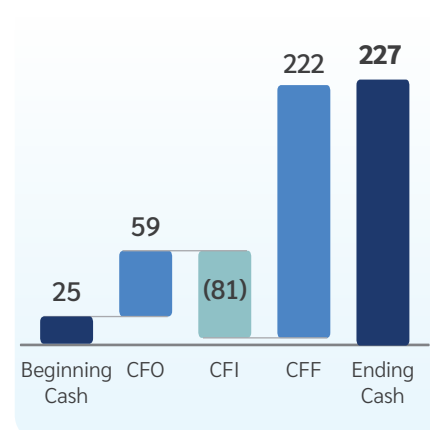
### 2019

(in S\$m)



### 2020

(in S\$m)



● Increase    ● Decrease    ● Total

<sup>(1)</sup> Computed by multiplying the amount of inventories at the end of each year by the number of calendar days in the year and dividing the resulting figure by the cost of sales (cost of inventories consumed and consumables used) in respect of that year

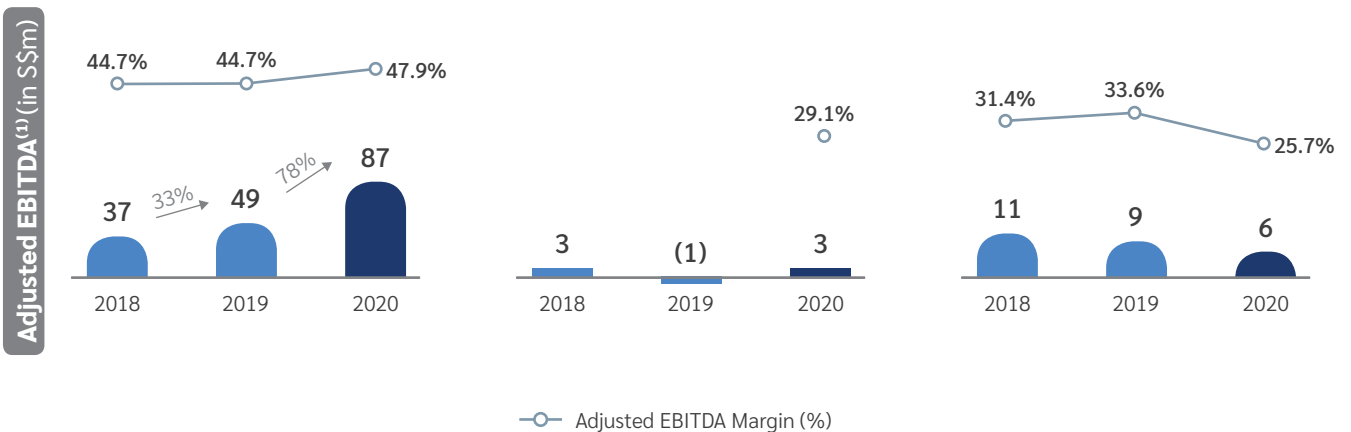
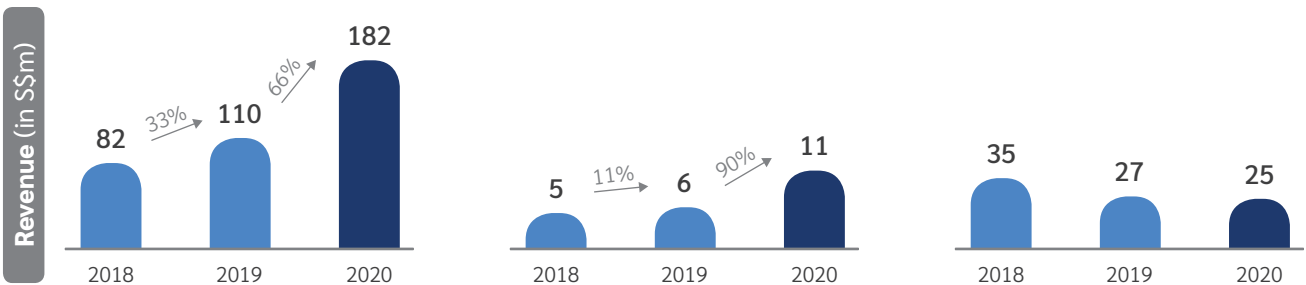
<sup>(2)</sup> Computed by multiplying the amount of trade receivables at the end of each year by the number of calendar days in the year and dividing the resulting figure by the total revenue in respect of that year

<sup>(3)</sup> Computed by multiplying the amount of trade payables at the end of each year by the number of calendar days in the year and dividing the resulting figure by the cost of sales (cost of inventories consumed and consumable used) in respect of that year

<sup>(4)</sup> Sum of inventory turnover period and trade receivables turnover period less trade payables turnover period

## BUSINESS UNIT BREAKDOWN

<b>Advanced Materials BU ("AMBU")</b> 	<b>Nanofabrication BU ("NFBU")<sup>(2)</sup></b> 	<b>Industrial Equipment BU ("IEBU")</b> 
<b>Strong and Accelerating Growth</b>	<b>Synergistic Growth Engine</b>	<b>Selectively Serves Customers to Support AMBU</b>



<sup>(1)</sup> Adjusted EBITDA is reconciled from profit before income tax by adding back depreciation, amortization, net finance expenses, listing-related expenses, other professional fees, and other exceptional item

<sup>(2)</sup> Nanofabrication BU is a start up that was acquired in 2018





As a deep tech company with a strong and successful track record in commercialising our technology, our proprietary differentiated nanotechnology solutions have served as key enablers in a number of mission critical applications, and this has translated into strong consistent financial returns.



## Dear Valued Shareholders,

We are pleased that Nanofilm has produced a record set of results for FY2020, setting the tone for our inaugural annual report. This follows our successful listing on the Mainboard of SGX in October 2020, as the largest primary listing<sup>(1)</sup> on the Singapore Exchange since 2017.

As a deep tech company with a strong and successful track record in commercialising our technology, our proprietary differentiated nanotechnology solutions have served as key enablers in a number of mission critical applications, and this has translated into strong consistent financial returns.

### REVIEW OF FY2020 FINANCIAL PERFORMANCE

Revenue from our Advanced Materials Business Unit achieved 66.4% growth in revenue to S\$182.5 million, mainly attributed to increased contributions from the 3C and Automotive product sub-segments. Meanwhile, revenue contribution from our Nanofabrication Business Unit increased 90.3% to S\$11.3 million, on the back of new projects secured to produce Fresnel lenses for smartphone applications. We were selective on equipment sales to external

customers. Revenue from our Industrial Equipment Business Unit declined by 10.1% to S\$24.6 million, as we continued to fabricate in-house coating equipment at record pace for our Advanced Materials Business Unit's production.

Gross profit for FY2020 was S\$119.8 million, up 54.2% from FY2019's S\$77.7 million, while gross profit margin was 54.9% in FY2020, up from FY2019's 54.3%, driven by our Group's strong operational leverage.

In FY2020, our Adjusted Earnings before Interest, Taxes, Depreciation and Amortisation ("**EBITDA**") grew at a higher rate of 69.8% to S\$96.9 million. Adjusted EBITDA margin was 44.4%, an increase of 4.4 percentage points from FY2019. Our Group benefitted from economies of scale and operational excellence, with increased efficiency and effectiveness in our production processes. We continued to generate strong positive net operating cash flows amounting to S\$59.0 million for FY2020, after accounting for changes in working capital of S\$26.1 million, net interest paid of S\$1.9 million and income tax paid of S\$10.2 million.

Profit after tax increased 68.1% to S\$58.1 million,

<sup>(1)</sup> Excluding real estate investment trusts

compared to FY2019's S\$34.5 million. This was notwithstanding the incurrence of a one-off net listing expenses and restricted shares award costs of S\$5.4 million, partially offset by the receipt of COVID-19 related government grants of S\$1.2 million in FY2020.

To pave the way for long-term growth, we incurred infrastructure-related capital expenditure, namely for the construction of Shanghai Plant 2, of S\$27.0 million in FY2020; while capital expenditure for our production equipment amounted to S\$44.7 million (including Construction-in-progress). Notably, our equipment capital expenditure had been fully paid which comprised our Group's in-house proprietary coating equipment built at cost for our Advanced Materials Business Unit. Our coating equipment are income-generating assets with long-term useful lives. As disclosed in the Prospectus, our Group has demonstrated the ability to recover the costs of our capital investments in coating equipment in a relatively short period of time. Our Group had added a record of 74 new coating equipment to our Advanced Materials Business Unit in FY2020, as compared to the addition of 33 new coating equipment in FY2019.

Balance sheet remained healthy, with an increase in cash and bank balances to S\$227.4 million as at 31 December 2020. After taking into consideration interest-bearing debt of S\$42.3 million, net cash balance stood at S\$185.1 million as at 31 December 2020.

Earnings per share for FY2020 grew 52.2% to 10.6 cents from 7.0 cents in FY2019. Net asset value per share increased to 65.4 cents as at 31 December 2020, from 23.6 cents as at 31 December 2019.

## REVIEW OF FY2020 OPERATIONAL PERFORMANCE

### Advanced Materials Business Unit

Operationally, our Group achieved remarkable utilisation rates in FY2020. Notably, our Advanced Materials Business Unit reported utilisation rate of 74% as compared to 71% in FY2019, despite an increase of 73 coating equipment and one in-line coating equipment installed in FY2020. This brought our total coating equipment count to 176 coating equipment and four in-line coating equipment as of 31 December 2020. Demand for our advanced material solutions across key product sub-segments has increased as a result of increasing adoption of our solutions.

With the commencement of operations at our Shanghai Plant 2 since 8 February 2021, we now have an additional production space of 66,406 sqm. This increases our Group's total gross floor area across all production facilities to over 110,000 sqm, positioning us well for business opportunities across all Business Units.

### Nanofabrication Business Unit

Despite being a relatively new business, our Nanofabrication Business Unit has gained significant momentum. Revenue surged 90.3% YoY to S\$11.3 million in FY2020, primarily driven by new projects for the mass production of Fresnel lenses for smartphone applications in the second half of FY2020. In June 2020, our Group also further increased our shareholdings in NanoFab Technologies Pte. Ltd. to 90%, following the acquisition of a 51% stake in January 2018. This positions us well for continued growth in this segment. Utilisation rate for our Nanofabrication Business Unit increased 4 percentage points to 43% in FY2020.

## Industrial Equipment Business Unit

The majority of coating equipment manufactured during the year was proprietary in nature and retained within our Group for our Advanced Materials Business Unit's production. Total equipment produced in FY2020 was 83, more than twice of FY2019's of 41. Equipment used internally also increased from 33 in FY2019 to 74 in FY2020. As a result, our Industrial Equipment Business Unit saw revenue contribution from external customers decreased from S\$27.4 million in FY2019 to S\$24.6 million in FY2020, as we remained selective on equipment sales to external customers.

Over the years, we have been strategic in the sales of our industrial equipment to selected customers as we seek to balance our production output between our Advanced Materials Business Unit production capacity requirements and customers' equipment needs.

## Dividends

As disclosed in our IPO Prospectus, Nanofilm does not have a fixed dividend policy, and no dividend is recommended post-listing for the current financial period. Having said that, moving forward, the Board intends to recommend and distribute dividends of at least 20% of our Group's net profit after tax (excluding exceptional items) generated in the financial year ending 31 December 2021, as we wish to reward our shareholders for participating in our Group's growth.

## GOING FORWARD

Since Nanofilm's founding in 1999, we have built a strong and successful track record in customer acquisition and retention, underpinned by our technology and operational ecosystem. Today, we are the nanotechnology solutions partner to the world's leading blue-chip end customers in multiple mission critical applications and products. We have also further entrenched our positions with customers through our unique value chain integration value proposition.

We are confident that our proprietary and differentiated nanotechnology solutions, which are highly versatile and offered at compelling values, can enable mass adoption amongst our customers. This will allow us to simultaneously broaden our product range and deepen our wallet share with existing customers, as we attract potential new customers in the same end-markets and penetrate new end-markets.

In recognition of Nanofilm's technology leadership, we were conferred the "Smart Times Asia's Most Innovative Company 2020" in the 2020 Fortune Times Awards. This award serves to affirm and validate our strong innovation DNA and mission critical game-changing solutions and applications.

Going forward, we will adopt a four-pronged approach to ensure long-term growth by maximising our core enabling technologies in applications and end-markets. Firstly, we seek to further entrench our market leadership in the 3Cs, printing and imaging, and precision engineering spaces by capturing greater market share in established end-markets. We will also ramp up efforts in newer end-markets such as automotive, optical lens and optical sensors. Our Group will continue to pursue vertical and horizontal integration by leveraging synergies across business segments to offer our customers integrated and comprehensive solutions. Last but not least, we will make calculated and strategic entrances into new markets of positive secular trends by leveraging the easy-to-adapt nature of our technological solutions.

## LEE LIANG HUANG

*Executive Director and Chief Executive Officer*

# BOARD OF DIRECTORS



- 1 **MS ONG SIEW KOON @ ONG SIEW KHOON** *Independent Director*
- 2 **MR KRISTIAN JOHN ROBINSON** *Independent Director*
- 3 **MS LEE LEE KHOON** *Independent Director*
- 4 **MR JAMES ROWAN** *Lead Independent Director*
- 5 **MR LEE LIANG HUANG** *Executive Director and Chief Executive Officer*
- 6 **DR SHI XU** *Executive Chairman*



## **DR SHI XU**

*Executive Chairman*

Dr Shi Xu is responsible for charting the corporate direction and business strategies, business and corporate development and policy planning of our Group. He founded our Group in 1999 and has led its growth as the Chief Executive Officer from 1999 to 2017, as the Executive Chairman since 2018, and as our director since 1999. Dr Shi Xu 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 Xu 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) given in 2017 by Ernst and Young, the Innovation Award given in 2001 by the Economic Development Board and the National Technology Award given in 2000 from the National Science and Technology Board (now known as A\*STAR).

## **MR LEE LIANG HUANG**

*Executive Director and Chief Executive Officer*

Mr Lee Liang Huang was appointed as an Executive Director of our Company and the Chief Executive Officer of our Group in November 2017. His responsibilities include making major corporate decisions, managing the overall operations and resources of our Company and acting as the main point of communication between management and the Board. Mr Lee was previously with MI Holdings Pte Ltd, where he served as the Group Chief Executive Officer from 2014 to September 2017. He has held various senior management positions in IBM Singapore Pte Ltd from 1996 to 2014 where he was responsible for, among others, developing strategies and operational guidelines, strategic sourcing of hardware and integrated supply chain operational functions. His last held position in IBM Singapore Pte Ltd was Global Hardware Procurement Sourcing Director. He was also previously General Manager of Cleanseal Pte Ltd from 1994 to 1996 and held various positions in Conner Peripherals Pte Ltd from 1987 to 1993, where his last position was Operations Director. Mr Lee holds a Master of Engineering in Engineering Management from the Queensland University of Technology.



# BOARD OF DIRECTORS



## MR JAMES ROWAN

*Lead Independent Director*

Mr James Rowan was appointed as Lead Independent Director of our Company on 9 October 2020. He is presently the Chief Executive Officer of the Ember Consumer Division and President of the Ember Healthcare Division of Ember Technologies Inc., a role he has held since February 2021. Mr James Rowan was previously an Executive Director of Dyson Group from 2012 to 2020, where he initially served as the Chief Operating Officer and, subsequently, the Chief Executive Officer. Prior to that, Mr Rowan was the Chief Operating Officer (Global Operations) of BlackBerry Limited/Research in Motion Limited from 2007 to 2012, Senior Vice-President (Global Operations) of Celestica Inc. from 2005 to 2007, Vice-President (European Operations) of Flextronics International Ltd. from 1998 to 2005 and Managing Director (Europe) of International Components Corporation from 1993 to 1997. Mr Rowan holds a Higher National Certificate (Mechanical & Production Engineering) issued by the Scottish Vocational Educational Counsel, and a Master of Science (Business with Supply Chain and Logistics) from the Northumbria University. He is currently a member of the Industrial Advisory Board of Nanyang Technological University, and was formerly a member on the Committee of the Future Economy of Singapore.



## MS ONG SIEW KOON @ ONG SIEW KHOON

*Independent Director*

Ms Ong Siew Koon @ Ong Siew Khoon was appointed as an Independent Director of our Company on 9 October 2020. 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. Ms Ong graduated from the National University of Singapore with a Bachelor of Accountancy, and is a Chartered Accountant of Singapore with more than 30 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). He 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. She was formerly with the Inland Revenue Authority of Singapore from 1978 to 1980 and held various management positions at Ernst & Young, Singapore from 1980 to 2016, her last held positions were as the ASEAN Business Tax Services Leader and as the Lead Partner of a Corporate Tax Group. 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.



## SENIOR MANAGEMENT

### MR LIM KIAN ONN

*Chief Financial Officer*

Mr Lim Kian Onn joined our Group in 2019 as Business Adviser, where he was responsible for, among others, managing and executing our Group's mergers and acquisitions strategy, general corporate affairs, managing engagements with external financial advisers appointed by our Group and advising on fund raising activities involving strategic investments in our Group. He was promoted to Senior Financial Controller (Corporate) in March 2020 and was subsequently re-designated as Chief Financial Officer on 1 August 2020. He is responsible for providing leadership in financial management, corporate finance and corporate affair matters, and his roles include strategic financial planning, reporting and analysis as well as budgeting. Prior to joining our Group, Mr Lim was an Executive Director of ZACD Capital Pte Ltd from 2018 to 2019, and worked with Oversea-Chinese Banking Corporation Limited from 2013 to 2018, where his last held position was Vice President and Senior Transactor. He started his career with Credit Suisse in 2007 as a quantitative equity research analyst before joining DNB Bank from 2008 to 2012 as Director (Corporate Finance) and Head of Securities Research (Asia). 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 GARY HO HOCK YONG

*Chief Commercial Officer*

Mr Gary Ho Hock Yong joined our Group as Chief Marketing Officer on 2 January 2018 and was subsequently re-designated as Chief Commercial Officer on 1 August 2020. He oversees our Group's commercial strategy and development activities. 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 holds a Master of Business Administration from the University of Roehampton.



## **MR RICKY TAN CHONG HO**

*Chief Operating Officer*

Mr Ricky Tan Chong Ho joined our Group as Senior VP, Operations on 11 May 2020 and was subsequently re-designated as Chief Operating Officer on 1 August 2020. He is responsible for the management and control of our international business operations, including designing, planning and implementing our Group's business operational strategies, processes and procedures. Mr Tan has been in the electronic manufacturing industry for more than 20 years, and been involved in the management of a number of notable multinational corporations. Mr Tan worked in Western Digital Ltd as a Consultant from 2018 to 2019, as well as in HGST Singapore Pte Ltd as its Senior Director cum Vice-President (from 2013 to 2017) and Global Director (Engineering) (from 2008 to 2013). Prior to that, he was the Vice-President cum General Manager (Asia) of Pemstar Ltd from 2004 to 2008. From 1994 to 2004, he worked in IBM in Singapore and Shenzhen, PRC, where his last held position was Director. Mr Tan graduated from the National University of Singapore in 1987 with a Bachelor of Engineering (Honours).

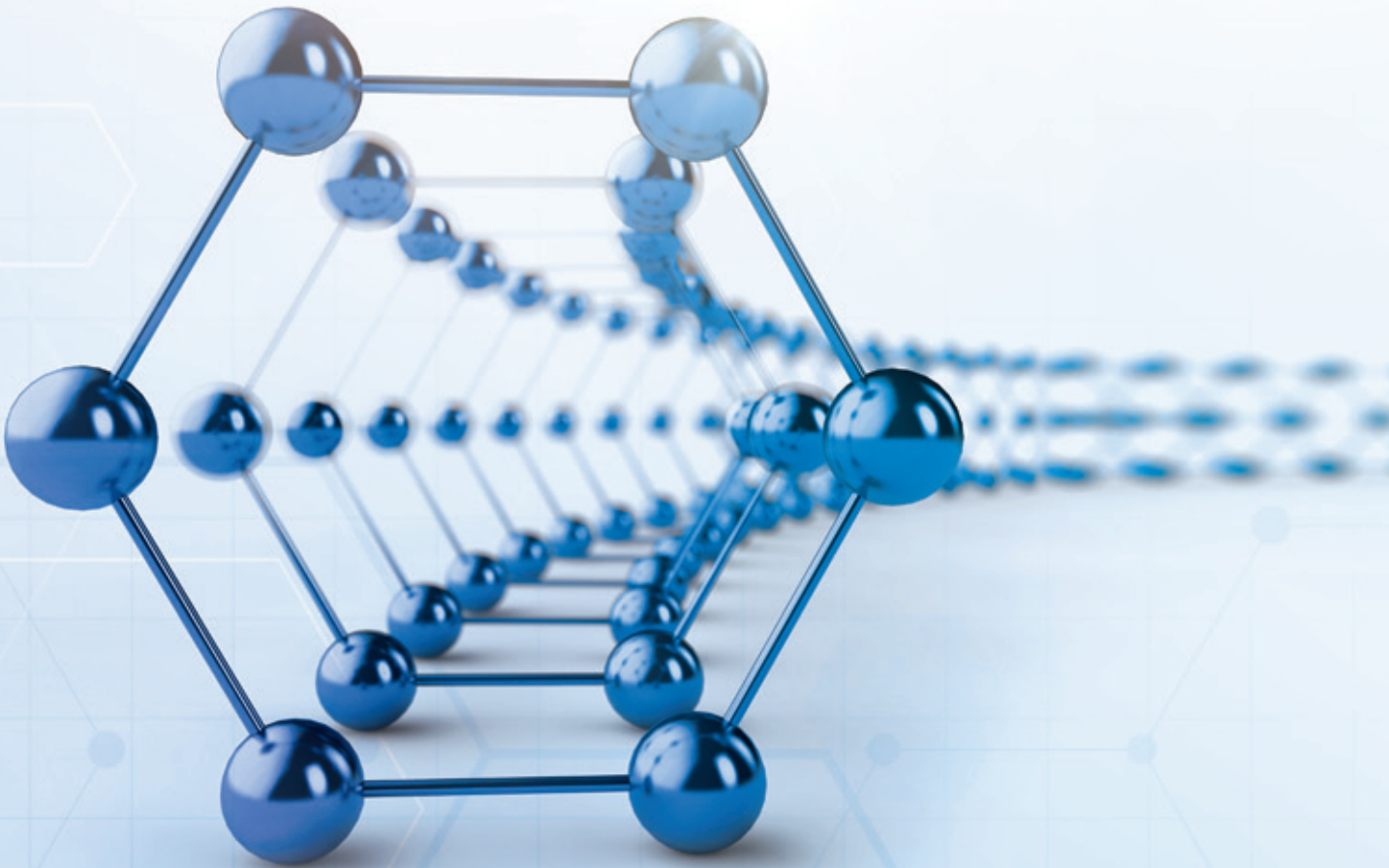
## **MR LARS RALF RAINER LIEBERWIRTH**

*Chief Technology Officer*

Mr Lars Ralf Rainer 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 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.

# ADAPTING AND ADVANCING FOR RESILIENCE

To fortify ourselves against future challenges in the face of economic uncertainty, Nanofilm understands the importance of stability and sustainability in our operations. We aim to protect ourselves and our shareholders from fluctuating market conditions by upscaling and integrating our services, giving us more influence and control over the product value chain so we can respond to changes in a timely manner.



## INTRODUCTION

Nanofilm Technologies International Limited (the “**Company**”) and its subsidiaries (together with the Company, the “**Group**”) are committed to setting 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 endeavours 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 adopted and in place since its listing on the mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 30 October 2020 (“**IPO**”), with specific reference to each principle and provision of the Code.

The Board is pleased to report that since the Company’s IPO up to the date of this report, 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

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### The Board’s Conduct of Affairs

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#### **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 responsibility of stewardship of the Group 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 over the management 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 control and establishes risk appetite to safeguard shareholders’ interests and the Group’s assets;
- approving the annual budgets, significant capital expenditure, acquisitions and divestment proposals;
- approving the nomination and appointment/ re-appointment of Directors, Board Committees members and key management personnel<sup>1</sup> (collectively, “**KMP**”);
- reviewing sustainability issues such as environmental, social and governance factors, as part of its strategic formulation;

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

- identifying key stakeholder groups, recognising that their perceptions affect the Company's reputation;
- setting the Group's standard of conduct and values to ensure that obligations to shareholders and other stakeholders are understood and met; and
- assuming responsibility for and ensuring the Group's compliance with good corporate governance practices.

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

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

Directors must avoid putting themselves in a position where there is an actual or potential conflict between their duty to the Company and their personal interests. In order to protect the reputation of both the Director and the Company, Directors should as far as possible also avoid situations where there might reasonably appear to be conflicts of interest and 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 containing details of the interest and the nature of the conflict. The affected Director will recuse himself/herself from discussions and decisions involving the areas of potential conflict, unless the Board is of the opinion that his/her participation is necessary. Where such participation is permitted, the conflicted Director will recuse himself/herself from the decision-making. Since the Company's IPO up to the date of this report, apart from the grant of share options under the Company's Employee Share Option Scheme to Directors on 6 April 2021, there is no conflict-related transaction which a Director had to abstain from voting.

For the purposes of Section 156 of the 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 should be regarded as being interested in any transaction made between the Group and such entity. The notice will assist to flag out any potential conflict of interest situation in transactions entered into by the Group. The Directors will periodically update the notice whenever there is any change in his/her interest in other entities.

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

A formal letter of appointment will be 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 Independent Directors ("IDs") have each received a formal letter of appointment setting out his/her duties and responsibilities. Each of the Executive Directors ("EDs") also has an existing service agreement with the Company.

The Company will conduct an orientation programme for all newly appointed Directors to familiarise the 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 KMP.

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. They have also been briefed on the roles and responsibilities of a director of a public-listed company in Singapore by the legal advisers acting for the Company in the IPO.

All Directors are informed and encouraged to attend seminars, conference and training courses at the Company's expenses that will assist them in executing their obligations to the Company and effectively discharge their duties as directors. In addition to the LED Programme, members of the Audit and Risk Committee ("**ARC**") had in January 2021 attended the Enterprise Resilience and Risk Management seminar jointly organised by the Accounting and Corporate Regulatory Authority, the Singapore Exchange and the SID.

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

### **Board Reserved Matters (Provision 1.3)**

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

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

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

The Board has established three Board Committees, namely, the ARC, Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”) and delegated specific areas of responsibilities to these Board Committees. Information on each of the Board Committees is set out below.

The compositions, authorities and duties of the Board Committees are set out in their respective TOR. The TOR of the Board Committees will be reviewed at least 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 practices. Any change to the TOR will require the approval of the Board.

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

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

The Board and ARC will meet at least four times a year while the NC and RC will meet at least twice a year. Meetings are scheduled at the start of each year and the schedule of all the Board and Board Committee meetings for the year is given to all the Directors. Ad hoc meetings are called when there are pressing matters requiring the Board’s or relevant Board Committee’s consideration and decision in between the fixed meetings. 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. The Board and Board Committees may also make decisions through circulating resolutions.

The number of Board and Board Committees meetings held since the Company’s IPO in October 2020 up to the date of this report and the attendance of Directors during these meetings are as follows:

	<b>Board</b>	<b>ARC</b>	<b>NC</b>	<b>RC</b>
<b>No. of meetings held</b>	2	2	2	2
<b>No. of meetings attended by Directors</b>				
Dr Shi Xu	2	N.A.	2	N.A.
Mr Lee Liang Huang	2	N.A.	N.A.	N.A.
Mr James Rowan	2	2	2	2
Ms Ong Siew Koon @ Ong Siew Khoon	2	2	2*	2*
Mr Kristian John Robinson	2	1*	2	2
Ms Lee Lee Khoon	2	2	2*	2

\* By invitation

Note: There was no general meeting held since the Company’s IPO up to the date of this report.

## ***Access to Information (Provision 1.6)***

Prior to each Board or Board Committee meeting, notice of the meeting containing the agenda for the meeting, which had been reviewed by the Chairman of the Board or the Chairmen of the respective Board Committees, is circulated to the Directors or the relevant Board Committee members. Management provides the Board and/or Board Committees with complete and adequate information relating to the matters on the agenda for the meeting in advance to allow Directors sufficient time to review and seek clarification and/or further information. Such information includes background and explanations on financial information, annual budgets, forecasts and projections, new business initiatives and other matters sought to be deliberated and decided at the Board or Board Committees meeting. The Board also receives quarterly management accounts which present a balanced and understandable assessment of the Group’s performance, position and prospects from Management.

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

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 attend Board and/or Board Committees meetings to make a presentation to the Board or Board Committees of the key points on the matters to be discussed, provide updates on the Group's operations and business, furnish additional information and/or discuss issues which may be raised by the Directors. The interaction gives the Board a good understanding of the Group's business and any issues and/or challenges, and promotes active engagement with Management.

The IDs have separate and independent access to Management and regularly meet with Management for discussions to understand the Group's operations. The ARC meets with the Group's 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. The Company Secretaries 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.

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## **Board Composition and Guidance**

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**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 comprise a majority on the Board (Provisions 2.1 to 2.3)**

The Board currently comprises two (2) EDs and four (4) IDs. Accordingly, a majority of the Board comprises IDs.

The current composition of the Board and Board Committees is set out in the table below.

<b>Board</b>	<b>ARC</b>	<b>NC</b>	<b>RC</b>
<b>EDs</b>			
Dr Shi Xu (Chairman)	-	Member	-
Mr Lee Liang Huang (CEO)	-	-	-
<b>IDs</b>			
Mr James Rowan (Lead ID)	Member	Member	Chairman
Ms Ong Siew Koon @ Ong Siew Khoon	Chairman	-	-
Mr Kristian John Robinson	-	Chairman	Member
Ms Lee Lee Khoon	Member	-	Member

The profile of each Director can be found on pages 27 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 Director's independent business judgement in the best interests of the Company. The NC reviews annually the independence of each Director.

The IDs, comprising two thirds 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 (ARC), Mr James Rowan (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 pursuant to 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 or strategies, constructively challenging and assisting in developing proposals on strategy, assisting the Board to review 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 an unanimous basis and no individual or group is able to dominate the Board's decision-making process.

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

The Board, assisted by the NC, will review 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 the requirements of the Group's business.

#### Board Diversity

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 one third representation of the Board.

Having assessed the size and composition of the Board and Board Committees, the Board is satisfied that it is sufficiently diverse for the needs of the Group and will continue to maintain such diversity.

Although the Company does not have a formal board diversity policy, due consideration will be given to the benefits of diversity. Board membership will be regularly renewed with the appointment of new members with the right blend of strengths, skills, talents and experience, and who have the capacity to contribute effectively.

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

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



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## Chairman and Chief Executive Officer

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**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 and Roles of the Chairman and Chief Executive Officer ("CEO") (Provisions 3.1 and 3.2)***

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.

The Executive Chairman, 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 meeting in consultation with the CEO and ensures that Directors receive complete, adequate and timely information on matters to be tabled for discussion at the meeting. The Chairman promotes constructive engagement among the Directors as well as between the Board and the CEO on strategic issues.

The responsibilities of the CEO and ED, Mr Lee Liang Huang, include making major corporate decisions, managing the overall operations and resources of the Company, and acting as the main point of communication between Management and the Board.

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, Mr James Rowan was appointed as the Lead ID. Mr Rowan will avail himself 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.

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.

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## Board Membership

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**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. In addition, Mr James Rowan, the Lead ID, is a member of the NC.

Mr Kristian John Robinson (Chairman)  
Mr James Rowan  
Dr Shi Xu

The NC held two meetings since the Company's IPO up to the date of this report. 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, 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 the Board diversity, performance evaluation criteria and process for the Board, Board Committees and individual Directors training and professional development programmes for the Board and the Directors.

A summary of the activities carried out by the NC since the Company's IPO to the date of this report is set out below:

- reviewed the size and composition of the Board, taking into account, aspects of board diversity;
- reviewed the succession planning of the Board and KMP.
- assessed the effectiveness and performance of the Board, Board Committees and individual Directors;
- reviewed the training and professional development programmes for the Directors;
- reviewed the directorships and principal commitments of each Director to assess if they have impinged on the Director's abilities to discharge his/her duties;
- reviewed and determined the independence of IDs;
- reviewed the key performance indicators of the CEO and KMP;
- reviewed and recommended the nomination for re-appointment of Directors;
- 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 and, his/her ability and willingness to commit time to the Company, and how he/she will complement and augment the competencies of the current Board. Upon the identification of a suitable candidate, the NC will make the recommendation to the Board for approval of his/her appointment as Director.

The Company has not appointed any new Director to the Board since the Company's IPO up to the date of this report. The NC will, as part of the Board 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.

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 since the Company's IPO 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.

In accordance with Regulation 100 of the Company's Constitution, Directors newly appointed by the Board during the financial year shall only hold office until the next annual general meeting ("**AGM**"), and thereafter, be eligible for re-election at the AGM.

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.

The NC had recommended to the Board that Dr Shi Xu and Mr Lee Liang Huang (the "**Retiring Directors**") shall retire pursuant to Regulation 94 of the Constitution and they be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation. Dr Shi Xu and Mr Lee Liang Huang had consented to act and offered themselves for re-election.

The Retiring Directors had each abstained from the discussion and taking a decision in respect of their own nomination.

Pursuant to Rule 720(6) of the Listing Manual, please refer to pages 61 to 63 of the Annual Report for detailed information of the Directors who are proposed to be re-elected to the Board.

## ***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.

The NC has reviewed and ascertained that Mr James Rowan, Mr Kristian John Robinson, Ms Lee Lee Khoon and Ms Ong Siew Koon @ Ong Siew Khoon continue to remain independent having considered their confirmation that they do not have any relationship with the Company, its related companies, substantial shareholders, or officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company and 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 27 to 29 of this Annual Report. The key information of the Directors as at the date of this report is set out below.

<b>Name</b>	<b>Date of appointment</b>	<b>Date of last re-appointment</b>	<b>Present directorships in other listed companies</b>	<b>Directorships in other listed companies held over the preceding five years</b>	<b>Other current principal commitments</b>
Dr Shi Xu	2 Aug 1999	9 Oct 2020	Nil	Nil	Nil
Mr Lee Liang Huang	14 Nov 2017	9 Oct 2020	Nil	Nil	Nil
Mr James Rowan	9 Oct 2020	N.A.	Nil	Nil	Chief executive officer of Ember Consumer Division and President of Ember Healthcare Division of Ember Technologies Inc.
Ms Ong Siew Koon @ Ong Siew Khoon	9 Oct 2020	N.A.	Nil	Nil	Nil
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

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.

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## Board Performance

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**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 Director (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 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 FP2020<sup>1</sup>, the performance evaluation of the Board, Board Committees and Individual Directors was carried out in February 2021. 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 FP2020.

## REMUNERATION MATTERS

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### Procedures for Developing Remuneration Policies

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

***Composition of the Remuneration Committee Provision 6.2***

The RC comprises the following three IDs:

Mr James Rowan (Chairman)  
Mr Kristian John Robinson  
Ms Lee Lee Khoon

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<sup>1</sup> The period from 9 October 2020 (date of appointment or reappointment of Directors) to 31 December 2020.

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

For FP2020, the RC had performed the following roles and responsibilities as set out in its TOR:

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

***Remuneration Framework (Provision 6.3)***

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

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

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 RC also reviews the remuneration packages of the EDs and KMP. The service agreements or employment contracts of the EDs and KMP do not have a fixed term and contains termination provisions, pursuant to which either party to the agreement may terminate the employment by giving two months' prior written notice or by paying (in the case of the Company) or forfeiting two months' salary in lieu of notice. The Company may also terminate the employment, with written notice, under certain specified conditions. The RC reviewed the reasonableness of the termination clauses and is satisfied that the termination clauses, are fair and reasonable and not overly generous. However, in relation to the Executive Chairman and CEO, taking into consideration the significance of the role and responsibilities undertaken by them, the RC has proposed that the termination notice in their respective service agreements be extended from two to six months. The termination clauses in the service agreements of the Executive Chairman and CEO will be reviewed again in the next RC meeting.

***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. Since the Company's IPO up to the date of this report, the RC has not sought external advice nor appointed remuneration consultants in considering the remuneration of Directors and KMP.

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## Level and Mix of Remuneration

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**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 Directors to provide good stewardship of the Group, and KMP to successfully manage the Group for the long term.

### ***Remuneration of Executive Directors and Key Management Personnel (Provisions 7.1, 7.3 and 8.1)***

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.

#### *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.

#### *Long-term Incentive Scheme*

To further align the interest of Directors and KMP with that of shareholders, as well as other stakeholders, the Company has adopted long term share incentive schemes and the use of vesting schedules in connection with grants of options. The use of vesting schedules where options are vested over a pre-determined time horizon ensure that employees continuously maintain a high level of contribution and commitment to the Group's performance and profitability. Details of the employee share incentive schemes are set out in the Directors' Statement on pages 66 to 69 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, subject to the need to finance any cost of acquiring the shares and associated tax liabilities.

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

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

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

	Annual Fees (S\$)	
	Chairman	Member
<b>Board</b>	80,000	50,000
<b>Audit and Risk Committee</b>	30,000	18,000
<b>Nominating Committee</b>	13,000	7,500
<b>Remuneration Committee</b>	15,000	10,000

Based on the above structure, the RC has recommended to the Board (i) prorated Directors' fees of S\$105,344 for the period from 9 October 2020 (date of appointment/re-appointment) to 31 December 2020 ("FP2020"); and (ii) Directors' fees of S\$459,000 for financial year ending 2021 ("FY2021"), to be paid quarterly 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 in respect of any remuneration, compensation or any form of benefits to be granted to him. The Board concurred with the RC that the proposed fees for FP2020 and FY2021 are appropriate and not excessive, taking into consideration the level of contributions by the directors and factors such as effort and time spent for serving on the Board and Board Committees as well as the responsibilities and obligations of the 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 the financial year ended 31 December 2020 is set out below. The disclosure is provided to enable investors to understand the link between the remuneration paid to the Directors, the CEO and KMP and the performance of the Group and individual performance. Please refer to the description under Principle 7 which sets out the criteria for setting the remuneration.

	Remuneration Band <sup>(2)</sup>	Breakdown in Percentage					Total
		Director Fees <sup>(5)</sup>	Fixed Salary	Bonus	Others <sup>(3)</sup>	Share-based Incentives <sup>(4)</sup>	
<b>EDs</b>							
Dr Shi Xu	C	4%	61%	32%	3%	Nil	100%
Mr Lee Liang Huang (CEO)	E	1%	28%	14%	1%	56%	100%
<b>IDs</b>							
Mr James Rowan	A	20,770	Nil	Nil	Nil	Nil	100%
Ms Ong Siew Koon @ Ong Siew Khoon	A	18,361	Nil	Nil	Nil	Nil	100%
Mr Kristian John Robinson	A	16,754	Nil	Nil	Nil	Nil	100%
Ms Lee Lee Khoon	A	17,902	Nil	Nil	Nil	Nil	100%



	Remuneration Band <sup>(2)</sup>	Breakdown in Percentage				Total
		Fixed Salary	Bonus	Others <sup>(3)</sup>	Share-based Incentives <sup>(4)</sup>	
<b>KMP</b>						
Mr Lim Kian Onn	B	30%	45%	5%	20%	100%
Mr Gary Ho Hock Yong	E	24%	13%	2%	61%	100%
Mr Ricky Tan Chong Ho	B	34%	22%	2%	42%	100%
Mr Lars Ralf Rainer Lieberwirth	A	34%	13%	Nil	53%	100%

**Notes:**

- <sup>(1)</sup> Remuneration includes any benefits in kind (including award shares and share options as defined in Note (4) below) and any deferred compensation accrued for the relevant financial year and payable at a later date.
- <sup>(2)</sup> 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.
- <sup>(3)</sup> Others include employer’s CPF contribution and transportation allowance.
- <sup>(4)</sup> Share-based incentives include award shares granted under the Restricted Share Plan 2020 and the share options granted under the ESOS Scheme 2017. 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 award shares and share options granted on the date of grant.
- <sup>(5)</sup> Directors’ fees were prorated for FP2020.

Under the Code, the Company has to disclose the remuneration of the top five KMP. The Company has identified only the above four KMP other than Directors and CEO for FY2020. Given the commercial sensitivity and confidential nature of remuneration matters of 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. In view of the highly competitive human resource environment, it is important for the Group to retain talent for the long-term interests of the Group and its shareholders, and ensure stability and continuity of its 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.

There are no contractual provisions to allow the Company to reclaim incentive components of remuneration from EDs and KMP in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group.

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

The aggregate remuneration paid to the KMP (who are not Directors or CEO of the Company) in FY2020 amounted to approximately S\$2.0 million which includes any benefits in kind such as award shares and share 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	Remuneration Band	Breakdown in Percentage		
			Fixed Salary, Bonus and Others	Share-based incentives	Total
Mdm Jin Xiao Qun <sup>(1)</sup>	Assistant Vice President	A <sup>(3)</sup>	100%	Nil	100%
Mr Jin Xiaozhe <sup>(2)</sup>	Vice President of Advanced Materials BU	B <sup>(4)</sup>	37%	63%	100%

**Notes:**

- <sup>(1)</sup> Mdm Jin Xiao Qun is a substantial shareholder and wife of the Executive Chairman, Dr Shi Xu.
- <sup>(2)</sup> Mr Jin Xiaozhe is the brother of Mdm Jin Xiao Qun and brother-in-law of Dr Shi Xu.
- <sup>(3)</sup> "A" refers to remuneration greater than the equivalent of S\$200,000 and less than or equal to S\$300,000.
- <sup>(4)</sup> "B" refers to remuneration greater than the equivalent of S\$700,000 and less than or equal to S\$800,000.

## 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 written assurances on their adequacy and effectiveness (Provisions 9.1 and 9.2)**

The Board has overall responsibility for the governance of risk and exercises oversight of the material risks in the Group's business. The Board ensures that Management maintains a sound system of internal controls and effective risk management policies to safeguard shareholders' interests and the Group's assets.

The Board is assisted by the ARC which conducts reviews of the adequacy and effectiveness of the Group's internal controls and risk management systems. Management reports to the ARC on the Group's risks profile, and evaluates results and counter measures to mitigate identified potential risks.

#### Risk management and internal control systems

The Group's risk management policy seeks to minimise the potential adverse effects from risk 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.

In FY2020, the Group engaged Crowe Horwath First Trust Risk Advisory Pte Ltd ("**Crowe**") as the internal auditor ("**IA**") to carry out an assessment of the Group's Internal Control Framework addressing the principal risk categories, including strategic, financial, operational, compliance and information technology risks.

The Board, assisted by the ARC, is responsible for setting the objectives, the underlying principles of risk management for the Group and establishing 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 ARC and Board. 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 Company's IA reviews material internal controls as part of the internal audit plan to provide independent assurance to the ARC and the Board on the adequacy, effectiveness and integrity of the Group's internal controls and risk management systems.

### Adequacy and effectiveness

The IA presents its findings to the ARC. If any non-compliance or internal control weaknesses are noted during the audit, the corresponding recommendations and Management's responses are reported to the ARC.

The EA reports any significant deficiencies of such internal controls identified during the audit to the ARC. The ARC and the Board review the adequacy and effectiveness of the risk management and internal controls system at least annually.

On a half-yearly and annual basis, the CEO and Chief Financial Officer ("**CFO**") provide written confirmations to the Board confirming 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 as at the end of the financial year to be false or misleading in any material aspect;
3. Management is aware of their responsibilities for establishing, maintaining and evaluating the adequacy and effectiveness of the risk management and internal control systems of the Group; and
4. there are no known significant deficiencies or lapses in the risk management and internal controls systems relating to the Group's financial, operational, compliance and information technology controls which could adversely affect the Group's ability to record, process, summarise or report financial data, or of any fraud, whether material or not.

The other KMP have also provided written confirmations of the above matters in items (3) and (4) (such written confirmations of the KMP, together with the respective written confirmations of the CEO and CFO, collectively referred to as the "**Management Assurance Letter**"). For FY2020, the Board had received the Management Assurance Letter duly signed by the CEO, CFO and other KMP.

Based on the internal controls established and maintained by the Group, work performed by the IA and EA, reviews performed by Management and the various Board Committees and the Management Assurance Letter, the Board, with the concurrence of the ARC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective to address 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, but not absolute 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 poor judgement in decision-making, human error, fraud or other irregularities.

There was no material weakness in risk management and internal controls noted as at 31 December 2020.

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

### Separate Risk Committee

The Company does not have a Risk Committee. However, Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the ARC and Board.

The ARC is responsible for determining the Group's levels of risk tolerance and risk policies and oversees Management's implementation and monitoring of risk management and internal control systems.

### 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 ARC 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 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.

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## **Audit Committee**

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

### ***Composition of the ARC (Provision 10.2)***

The ARC comprises three IDs, namely:

Ms Ong Siew Koon @ Ong Siew Khoon (Chairman)  
Mr James Rowan  
Ms Lee Lee Khoon

### Expertise of AC members

All three ARC 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 ARC Chairman, has extensive and practical accounting and financial management expertise and experience and is well qualified to chair the ARC. 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.

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

In compliance with the Code, the ARC 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 ARC

The ARC 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 ARC. The ARC has direct access to the IA and EA and full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the IA and EA are given unrestricted access to the ARC.

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

The ARC 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 ARC 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 and Risk Management

- 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 risk management systems 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;

## 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 impact negatively on the Group to be safely raised, independently and appropriately investigated and followed up on;
- reviewing and reporting to the Board on a timely basis any significant matters raised through the whistleblowing channel;
- commissioning and reviewing the findings of investigations by 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 IA and EA for internal control weaknesses (if any);
- ensuring co-ordination between the EA, IA and the 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 ARC and the IA;
- ensuring that the internal audit function has unfettered access to all the Group's documents, records, properties and personnel, including the ARC, 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;

## 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 ARC will not participate in any proceedings of the ARC in relation to the review of a conflict of interest relating to him/her;
- monitoring any investments in the customers, suppliers and competitors of the Group made by the Directors, controlling shareholders and their respective associates, making assessments on whether there are any potential conflicts of interest and proposing ways to resolve such potential conflicts of interest as and when they arise;

- reviewing and assessing whether additional processes are required to be put in place to manage any material conflicts of interest with the controlling shareholders and proposing, where appropriate, the relevant measures for the management of such conflicts;

## Hedging

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

## Intellectual Property

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

## Legal Representatives

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

## Share Swap

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

## Chief Financial Officer

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

## 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 ARC; 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 FY2020, the ARC also reviewed its TOR which is in line with the Code.

## External Audit

The EA provides regular updates and periodic briefings to the ARC on changes or amendments to accounting standards to enable the ARC to keep abreast of such changes and their corresponding impact on the financial statements, if any. The ARC 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 ARC 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 ARC had discussed with Management the accounting principles that were applied and their judgement of item that might affect the integrity of the financial statements and considered the clarity of key disclosures in the financial statements.

The significant financial reporting matters have been identified and included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". For FY2020, the valuation of the Group's and the Company's trade and other receivables and contract assets has been reported as a Key Audit Matter. The EA had 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. The ARC concurs with the conclusion of the Management and the EA on the Key Audit Matter.

### Independence of EA

The ARC confirms that the Company has complied with Listing Rule 712 in that Moore Stephens is registered with the Accounting and Corporate Regulatory Authority (ACRA). The ARC 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 ARC also reviewed all non-audit services provided by the EA and is of the opinion that the nature and provision of such services would not affect the independence and objectivity of the EA. The EA have confirmed their independence in this respect.

### ***Internal Audit (Provision 10.4)***

The internal audit function is outsourced to Crowe who provide independent and objective assurance that adds value and improves the Group's operations.

Crowe 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. Regular audits of the Group's subsidiaries are conducted based on a risk based audit approach in its audit plan approved by the ARC. Crowe reports functionally to the ARC Chairman and administratively to the CFO.

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

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

The ARC 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 ARC is satisfied that Crowe is independent, effective, and adequately resourced to perform its functions, and has appropriate standing within the Group. Accordingly, the Company is in compliance with Rule 719(3) of the Listing Manual on maintaining on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits.

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

The ARC meets with the EA and 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 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

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### Shareholder Rights and Conduct of General Meetings

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**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 and 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 the general 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.

#### ***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. 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.

#### ***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 event 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.

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

All Directors, including the Chairman of the Board and the Chairmen of the ARC, NC 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.

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 inaugural AGM by electronic means. Under the AAM Order, the AGM can 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. The Company will address substantial and relevant questions at, or prior to, the AGM. Details on the upcoming AGM are provided in the AGM Notice.

***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.

***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 Group intends to utilise and/or reinvest any profits generated from its operations in FY2020 in the business (including financing acquisition activities). As such, except for the payment of the interim dividend of approximately S\$9.6 million to shareholders on 2 July 2020, the Company does not intend to pay any dividends to shareholders with respect to its profits generated in the financial year ended 31 December 2020.

As disclosed in the IPO prospectus, moving forward, the Board intends to recommend and distribute dividends of at least 20% of the Group's net profit after tax (excluding exceptional items) generated in the financial year ending 31 December 2021, as the Company wish to reward its shareholders for participating in the Group's growth.

Shareholders should note that the foregoing statements are merely statements of the Company's present intention and do not constitute legally binding obligations on the Company or legally binding statements in respect of its future dividends, which may be subject to modification (including reduction or non-declaration thereof) in the Directors' sole and absolute discretion. Thus, shareholders should not treat the proposed dividends for the financial year ending 31 December 2021 as an indication of the Company's future dividend policy.

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**Engagement with Shareholders**

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**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, Management 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 participate in the AGM and any other general meetings of the Company where they can communicate with the Board and 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 meetings.

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

The Board recognises the importance of engaging with shareholders, investors and analysts to obtain and understand their concerns and feedback. The Company has adopted practices in relation to its investor relations 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, Citigate Dewe Rogerson Singapore Pte Ltd ("**CDR Singapore**") engages in continuous and informed dialogue with shareholders to allow for an ongoing exchange of views. Since the Company's IPO to the date of this report, Management has held 75 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 CDR Singapore 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 CDR Singapore.

## **MANAGING STAKEHOLDERS RELATIONSHIPS**

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### **Engagement with Stakeholders**

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**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 to better understand the needs of its key stakeholders and incorporate these into its corporate strategy.

### ***Material stakeholder groups (Provision 13.1)***

### ***Management of stakeholder relationships (Provision 13.2)***

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

In keeping with its commitments to good corporate governance, the 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 inaugural Sustainability Report.

The Group has identified the following key stakeholder groups based on their relevance and influence to 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 (<http://www.nti-nanofilm.com/>) to leverage on internet platforms, which enables it to communicate with key stakeholders and the public.

The Company was included in the FTSE ST Small Cap Index, FTSE ST China Index and FTSE ST Singapore Shariah Index, with effect from 21 December 2020. The FTSE ST Small Cap Index is a market capitalisation weighted index that tracks the performance of companies listed on the SGX that are within the top 98% (by market capitalisation), save for those included in the STI and FTSE Mid Cap Index. The FTSE ST China Index, on the other hand, 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. The FTSE ST Singapore Shariah Index has been designed to be used as the basis of Shariah compliant investment products that focus on Shariah-compliant companies listed on the SGX.

With effect from 22 March 2021, the Company was included into the FTSE ST Large & Mid Cap Index and the FTSE ST Mid Cap Index. In line with the Company's continuing outreach to a high quality and diversified investor base, the inclusions are expected to increase the Company's exposure to global index funds and provide higher trading liquidity.

## **OTHER CORPORATE GOVERNANCE MATTERS**

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### **Whistle-Blowing Policy**

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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.

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.

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

No whistle blowing report was received as at the date of this report.

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

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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, Cap. 289 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 an Extraordinary General Meeting held on 9 October 2020 adopted a Share Purchase Mandate and will be seeking a renewal of the mandate at the upcoming AGM. The Company has not purchased any shares under the mandate since the IPO.

The Company confirmed that it has adhered to its policy for securities transactions for FY2020.

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## Code of Business Conduct and Ethics

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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.

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

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

Details of all IPT entered into during FY2020 are as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during FY2020 (including transactions less than S\$100,000) (S\$'000)
Shanghai Ji Ding Advanced Material Co., Ltd (" <b>Ji Ding</b> ") <sup>(2)</sup>	Note <sup>(1)</sup>	1,318
Shanghai Zun Yi International Trading Co. Ltd (" <b>Zun Yi</b> ") <sup>(3)</sup>	Note <sup>(1)</sup>	1,400
上海纳曦餐饮管理有限公司 (" <b>Na Xi</b> ")	Note <sup>(1)</sup>	210
<b>Total</b>		<b>2,928</b>

### Notes:

- <sup>(1)</sup> Ji Ding, Zun Yi and Na Xi are associates of the Company's director and controlling shareholder and regarded as interested persons under Chapter 9 of the Listing Manual of the SGX-ST.
- <sup>(2)</sup> Ji Ding has ceased to be an interested person following the disposal of all the shares in Ji Ding held by the associate of the Company's director and controlling shareholder to an unrelated third party on 13 August 2020.
- <sup>(3)</sup> The Group has ceased to carry out transactions with Zun Yi with effect from September 2020.

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 FY2020.

## 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.

## Use of Proceeds from IPO

Pursuant to the Company's IPO, the Company received gross proceeds of S\$200.0 million and as at 28 February 2021, the gross proceeds had been utilised as follows:

	Amount allocated (as disclosed in the IPO prospectus) S\$'000	Last announced balance <sup>(1)</sup> S\$'000	Amount utilised from 1 Jan 2021 to 28 Feb 2021 S\$'000	Balance S\$'000
Capital expenditure on development and building of new machinery for the Company's Advanced Materials BU and purchase of new machinery to support the Company's Nanofabrication BU	90,000	89,948	1,821	88,127
R&D and engineering for entry into new end industries and new areas and/or products in existing business segments	50,000	47,697	2,263	45,434
Construction, refurbishment and renovation of new and existing production facilities				
- Renovation (including refurbishment, furniture and fittings) of Shanghai Plant 2	20,000	18,959	890	18,069
- Construction, refurbishment and renovation of new and existing production facilities	10,000	9,656	21	9,635
General corporate and working capital purposes <sup>(2)</sup>	20,900	18,567	2,077	16,490
Payment of underwriting commissions and offering expenses	9,100	(405)	100	(505)
<b>TOTAL</b>	<b>200,000</b>	<b>184,422</b>	<b>7,172</b>	<b>177,250</b>

### Notes:

<sup>(1)</sup> As reported in item 15 (Use of IPO Proceeds) in the Company's results announcement for the financial year ended 31 December 2020, released on 26 February 2021.

<sup>(2)</sup> Usage for general corporate and working capital purposes comprised the payment of salary related costs.

Save for an increase of approximately S\$0.5 million in underwriting commissions and offering expenses, the use of the gross proceeds is in accordance with the intended use as disclosed in the IPO prospectus dated 23 October 2020.

**Information on Directors nominated for re-election / re-appointment  
- Appendix 7.4.1 of the Listing Manual of the SGX-ST**

<b>Name of Director</b>	<b>Dr Shi Xu</b>	<b>Mr Lee Liang Huang</b>
Date of appointment	2 August 1999	14 November 2017
Date of last re-appointment	9 October 2020	9 October 2020
Age	57	60
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Please refer to page 41 of this Annual Report	Please refer to page 41 of this Annual Report
Whether appointment is executive, and if so, the area of responsibility	Please refer to page 39 of this Annual Report	Please refer to page 39 of this Annual Report
Job Title	Executive Chairman	CEO
Professional qualifications	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 65 of this Annual Report	Please refer to page 65 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	Spouse of Mdm Jin Xiao Qun, a substantial shareholder. Mdm Jin Xiao Qun is a controlling shareholder of Harrymore International Limited, a substantial shareholder  Sole shareholder of Pearl Yard Holdings Inc., a controlling shareholder	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in <a href="#">Appendix 7.7</a> ) under <a href="#">Rule 720(1)</a> has been submitted to the listed issuer	Yes	Yes
<b>Other Principal Commitments* Including Directorships#</b> * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)		
Past (for the last 5 years)	Please refer to page 42 of this Annual Report	Please refer to page 42 of this Annual Report
Present	Nil	Nil

## **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?

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

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

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

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

**Not applicable for Dr Shi and Mr Lee as this is a re-election/re-appointment of Director.**



# DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Nanofilm Technologies International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020.

In the opinion of the directors,

- (a) the consolidated 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 2020, 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 Lee Liang Huang	
Mr James Rowan	(appointed on 9 October 2020)
Ms Ong Siew Koon @ Ong Siew Khoon	(appointed on 9 October 2020)
Mr Kristian John Robinson	(appointed on 9 October 2020)
Ms Lee Lee Khoon	(appointed on 9 October 2020)

## 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.

### 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 1.1.2020 or date of appointment if later	At 31.12.2020	At 21.1.2021	At 1.1.2020 or date of appointment if later	At 31.12.2020	At 21.1.2021
<b>The Company</b>						
<i>Nanofilm Technologies International Limited</i>						
<u>Number of Ordinary Shares</u>						
Dr Shi Xu	154,262,220	50,842,820	50,842,820	311,870,895	319,110,895	311,601,895
Mr Lee Liang Huang	16,793,840	6,793,840	10,048,840	-	3,255,000	-
Mr Kristian John Robinson	-	120,000	120,000	-	-	-
Dr Wei Hao (Resigned on 18 August 2020)	6,300,000	- <sup>(1)</sup>	- <sup>(1)</sup>	-	- <sup>(1)</sup>	- <sup>(1)</sup>
Mr Hideyuki Uejima (Resigned on 18 August 2020)	2,100,000	- <sup>(1)</sup>	- <sup>(1)</sup>	-	- <sup>(1)</sup>	- <sup>(1)</sup>
Mdm Jin Xiao Qun (Resigned on 18 August 2020)	10,476,375	- <sup>(1)</sup>	- <sup>(1)</sup>	47,684,560	- <sup>(1)</sup>	- <sup>(1)</sup>
<b>Ultimate Holding Company</b>						
<i>Pearl Yard Holdings Inc.</i>						
<u>Number of Ordinary Shares</u>						
Dr Shi Xu	1	1	1	-	-	-

**Note:**

<sup>(1)</sup> Not applicable as the directors have resigned during the current financial year.



# DIRECTORS' STATEMENT

### 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 31.12.2020	At 1.1.2020
Nanofab Technologies Pte. Ltd.		
- Number of ordinary shares	4,410	1,143
Nanofab Japan Co., Ltd		
- Number of ordinary shares of JPY375,000 each	90	70
Nanofab Vietnam Co., Ltd		
- Capital contribution in USD	450,000	350,000
Yizheng Nahuan Technologies Co., Ltd		
- Capital contribution in RMB	30,600,000	30,600,000
Wizture Technologies (Yizheng) Co., Ltd		
- Capital contribution in RMB	36,000,000	-

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 the shareholders of the Company at the Extraordinary General Meeting held on 6 February 2017 and subsequently amended on 29 October 2018 and further amended on 5 September 2019. The ESOS Scheme 2017 is established and administered by a committee comprising of directors of the Company who have been authorised and appointed by the Board. Since the listing of the Company on the SGX-ST on 30 October 2020 (the "Listing Date"), the ESOS Scheme 2017 is now administered by the Remuneration Committee, comprising Mr James Rowan (Chairman), Mr Kristian John Robinson and Ms Lee Lee Khoon in relation to all outstanding options granted pursuant to the ESOS Scheme 2017 and validly existing as at the Listing Date.

The ESOS Scheme 2017 terminated on 30 October 2020 (the Company's Listing Date on SGX-ST) and no further options will be granted thereunder. 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 can only be exercised after vesting has taken place.

## 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 2020, details of the options granted under the ESOS Scheme 2017 on the unissued ordinary shares of the Company are as follows:

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	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
	<u>27,080,000</u>	<u>2,980,000</u>	<u>(7,740,000)</u>	<u>(11,009,000)</u>	<u>11,311,000</u>		

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. The options are exercisable from 1 July 2020 and will expire on 30 June 2026.

As at 31 December 2020, of the 11,311,000 options granted under the ESOS Scheme 2017, 7,806,000 had vested in between 2018 and 2020 and 3,505,000 will vest in between 2021 and 2023.

Since the commencement of the scheme till 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).

The information on directors of the Company participating in the ESOS Scheme 2017 and employees who receive 5% or more of the total number of options available under the ESOS Scheme 2017, are as follows:

Name of directors and employees	Share options granted during the financial year	Aggregate share options granted since the commencement of the ESOS Scheme 2017 to 31.12.2020	Aggregate share options cancelled/ lapsed since the commencement of the ESOS Scheme 2017 to 31.12.2020	Aggregate share options exercised since the commencement of the ESOS Scheme 2017 to 31.12.2020	Aggregate share options outstanding as at 31.12.2020 <sup>(2)</sup>
Mr Lee Liang Huang <sup>(1)</sup>	-	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
Mr Jin Xiaozhe	-	6,700,000	(1,734,000)	(3,500,000)	1,466,000
	<u>-</u>	<u>21,265,000</u>	<u>(8,669,000)</u>	<u>(9,430,000)</u>	<u>3,166,000</u>

**Note:**

- <sup>(1)</sup> The numbers have been adjusted for the sub-division of one existing share into 35 shares, which was effected on 6 March 2018.
- <sup>(2)</sup> These options are exercisable between the periods from 1 July 2018 to 27 December 2024 if the vesting conditions are met.

## 4 Share Options and Awards Shares (cont'd)

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

On 9 October 2020, the shareholders approved a share based incentive plan known as the Nanofilm Employee Share Option Scheme ("ESOS Scheme 2020"). 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 the employee or non-executive director of the Group are also eligible to participate in the ESOS Scheme 2020. The ESOS Scheme 2020 is administered by the Remuneration Committee.

Other information relating to the ESOS Scheme 2020 are 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 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 Remuneration Committee'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 Remuneration Committee 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 of 10 years from the date of grant for options granted to employees and controlling shareholders and their associates and 5 years from the date of grant for 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.

Since the commencement of the scheme till end of the current financial year, there were no options granted pursuant to the ESOS Scheme 2020.

### (C) 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.

## 4 Share Options and Awards Shares (cont'd)

### (C) Pre-IPO Restricted Share Plan 2020 ("RSP 2020") (cont'd)

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 have been vested or forfeited in the current year and the restriction against sale was lifted on the Listing Date.

Since the commencement of the RSP 2020 till end of the current 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 information on directors of the Company participating in the RSP 2020 and employees who receive 5% or more of the total number of Award Shares available under the RSP 2020 are as follows:

Name of directors and employees	Award Shares granted during the financial year	Aggregate Award Shares granted since the commencement of the RSP 2020 to 31.12.2020	Aggregate Award Shares cancelled/lapsed since the commencement of the RSP 2020 to 31.12.2020	Aggregate Award Share vested since the commencement of the RSP 2020 to 31.12.2020	Aggregate Award Shares outstanding as at 31.12.2020
Mr Lee Liang Huang	1,085,000	1,085,000	-	(1,085,000)	-
Mr Gary Ho Hock Yong	1,050,000	1,050,000	-	(1,050,000)	-
Mr Jin Xiaozhe	734,000	734,000	-	(734,000)	-
Mr Gwee Bah Lee	500,000	500,000	-	(500,000)	-
Mr Wei Faquan	334,000	334,000	-	(334,000)	-
Mr Tangzhi	334,000	334,000	-	(334,000)	-

## 5 Audit and Risk Committee

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

Ms Ong Siew Koon @ Ong Siew Khoon (Chairman)  
Mr James Rowan  
Ms Lee Lee Khoon

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

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

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



## 5 Audit and Risk Committee (cont'd)

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

The ARC 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 ARC has held two meetings since the Listing of the Company on SGX-ST with full attendance from all members. In performing its functions, the ARC 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 ARC 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 Lee Liang Huang  
Chief Executive Officer

Singapore  
23 March 2021



# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED

### 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 consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, 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 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, Chapter 50 (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 2020 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
<p><b>Valuation of trade and other receivables and contract assets</b></p> <p>We refer to Note 2(j), Note 3(i), Note 4, Note 16 and Note 31(a) to the financial statements.</p> <p>The carrying amount of the Group's and the Company's trade and other receivables amounted to S\$89,714,000 and S\$54,943,000 respectively as at 31 December 2020. The carrying amount of the Group's contract assets amounted to S\$17,706,000 as at 31 December 2020.</p> <p>There are judgements and estimates involved in the application of the expected credit loss model and impairment provision.</p>	<p><b>Our response</b></p> <p>We have reviewed the Group's and the Company's control over the receivables collection process, requested and received trade receivables balance confirmation, analysed the aging of trade and other receivables and contract assets, checked for the receipt of cash after year end, reviewed the adequacy of the Group's and the Company's impairment provisions against trade and other receivables and contract assets and its disclosures about the degree of estimation involved in arriving at the expected credit loss model.</p> <p>Based on our procedures, we found management's estimates and assumptions around the determination of the expected credit loss to be appropriate.</p>

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED



(cont'd)

### 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED

(cont'd)

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

- 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 consolidated 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  
23 March 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



For the Financial Year ended 31 December 2020

	Note	2020 S\$'000	2019 S\$'000
<b>Revenue</b>	4	218,337	142,908
Cost of sales		(98,550)	(65,245)
Gross profit		119,787	77,663
Other operating income	5	4,183	1,907
Finance income	6	525	507
Expenses:			
Selling and distribution		(21,731)	(16,771)
Administrative		(29,628)	(21,125)
Finance	7	(1,573)	(1,376)
Other operating		-	(872)
Impairment loss allowance on trade receivables and contract assets		(1,287)	(37)
Share of loss of associated company	15	-	(1)
<b>Profit before income tax</b>	8	70,276	39,895
Income tax expenses	9	(12,213)	(5,354)
<b>Profit after income tax</b>		58,063	34,541
<b>Other comprehensive income/(loss), net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising from translation of foreign operations		8,144	(3,900)
<b>Total comprehensive income for the year</b>		66,207	30,641
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		57,615	35,755
Non-controlling interests		448	(1,214)
		58,063	34,541
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		65,509	32,022
Non-controlling interests		698	(1,381)
		66,207	30,641
<b>Earnings per share attributable to equity holders of the Company (cents)</b>			
Basic earnings per share	10	10.64	6.99
Diluted earnings per share	10	10.53	6.52

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



# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Company	
		2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	174,538	107,276	7,933	6,561
Land use rights	12	13,063	12,768	-	-
Intangible assets	13	3,802	4,021	3,802	4,021
Investment in subsidiaries	14	-	-	66,627	18,795
Other receivables and other non-current assets	16	488	180	39,062	36,502
Deferred tax assets	24	478	-	-	-
		<u>192,369</u>	<u>124,245</u>	<u>117,424</u>	<u>65,879</u>
<b>Current assets</b>					
Inventories	17	15,788	14,734	4,576	5,209
Trade and other receivables, and other current assets	16	95,670	58,210	15,945	31,187
Contract assets/Accrued receivables	4	17,706	11,376	-	-
Cash and bank balances	18	227,355	25,405	195,560	15,317
		<u>356,519</u>	<u>109,725</u>	<u>216,081</u>	<u>51,713</u>
<b>Total assets</b>		<u>548,888</u>	<u>233,970</u>	<u>333,505</u>	<u>117,592</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	19	263,756	9,696	263,756	9,696
Reserves	20	167,085	110,818	43,015	40,685
		<u>430,841</u>	<u>120,514</u>	<u>306,771</u>	<u>50,381</u>
Non-controlling interests	14(c)	9,589	6,912	-	-
<b>Total equity</b>		<u>440,430</u>	<u>127,426</u>	<u>306,771</u>	<u>50,381</u>
<b>Non-current liabilities</b>					
Bank loans	21	18,328	-	3,470	-
Lease liabilities	22	1,449	346	1,365	15
Convertible notes	23	-	49,940	-	49,940
Deferred tax liabilities	24	1,012	988	1,012	988
		<u>20,789</u>	<u>51,274</u>	<u>5,847</u>	<u>50,943</u>
<b>Current liabilities</b>					
Trade and other payables	25	47,148	37,014	5,842	10,287
Contract liabilities/Advanced receipts	4	11,930	6,368	10,230	3,570
Bank loans	21	21,419	3,864	972	-
Lease liabilities	22	1,071	4,284	879	297
Provisions	26	302	455	302	391
Provision for taxation		5,799	3,285	2,662	1,723
		<u>87,669</u>	<u>55,270</u>	<u>20,887</u>	<u>16,268</u>
<b>Total liabilities</b>		<u>108,458</u>	<u>106,544</u>	<u>26,734</u>	<u>67,211</u>
<b>Total equity and liabilities</b>		<u>548,888</u>	<u>233,970</u>	<u>333,505</u>	<u>117,592</u>

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

# STATEMENTS OF CHANGES IN EQUITY



For the Financial Year ended 31 December 2020

Note	Attributable to equity holders of the Company						Non-controlling interests S\$'000	Total equity S\$'000	
	Share capital	Translation reserve	Statutory reserve	Other reserves	Accumulated profits	Total			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000			
<b>Group</b>									
<b>At 1 January 2020</b>	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									
- Dividends	27	-	-	-	(9,631)	(9,631)	-	(9,631)	
- 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)(vi)	-	-	-	-	-	1,809	1,809	
- Increase in ownership interests in subsidiaries	14(b)(ii)(iii)	-	-	(170)	-	(170)	170	-	
Total transactions with equity holders		254,060	-	-	389	(9,631)	244,818	1,979	246,797
<b>At 31 December 2020</b>		263,756	(1,126)	5,856	1,092	161,263	430,841	9,589	440,430
<b>At 1 January 2019</b>		9,696	(5,287)	5,224	639	87,688	97,960	2,440	100,400
Profit/(loss) for the year		-	-	-	-	35,755	35,755	(1,214)	34,541
Other comprehensive loss		-	(3,733)	-	-	-	(3,733)	(167)	(3,900)
Total comprehensive (loss)/ income for the year		-	(3,733)	-	-	35,755	32,022	(1,381)	30,641
Transfer of statutory reserve		-	-	210	-	(210)	-	-	-
Transactions with equity holders, recognised directly in equity									
- Dividends	27	-	-	-	-	(9,532)	(9,532)	-	(9,532)
- Adjustment on employee share options		-	-	-	64	-	64	-	64
- Contribution of capital by non-controlling interest	14(b)(vii)	-	-	-	-	-	-	5,853	5,853
Total transactions with equity holders		-	-	-	64	(9,532)	(9,468)	5,853	(3,615)
<b>At 31 December 2019</b>		9,696	(9,020)	5,434	703	113,701	120,514	6,912	127,426

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



# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year ended 31 December 2020

(cont'd)

	Note	Share capital S\$'000	Other reserves S\$'000	Accumulated profits S\$'000	Total equity S\$'000
<b>Company</b>					
<b>At 1 January 2020</b>		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
<b>At 31 December 2020</b>		<b>263,756</b>	<b>630</b>	<b>42,385</b>	<b>306,771</b>
<b>At 1 January 2019</b>		9,696	7	40,231	49,934
Profit for the year		-	-	9,915	9,915
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	9,915	9,915
Transactions with equity holders, recognised directly in equity					
- Dividends	27	-	-	(9,532)	(9,532)
- Adjustment on employee share options		-	64	-	64
Total transactions with equity holders		-	64	(9,532)	(9,468)
<b>At 31 December 2019</b>		<b>9,696</b>	<b>71</b>	<b>40,614</b>	<b>50,381</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS



For the Financial Year ended 31 December 2020

	Note	2020 S\$'000	2019 S\$'000
<b>Cash Flows from Operating Activities</b>			
Profit before income tax		70,276	39,895
Adjustments for:			
Depreciation of property, plant and equipment		18,062	13,453
Amortisation of land use rights		278	239
Amortisation of intangible assets		1,193	1,126
Finance expenses		1,573	1,376
Finance income		(525)	(507)
Provision for warranties		315	579
Reversal of provision for warranties		(434)	(472)
Write off/loss on disposal of property, plant and equipment		54	129
Expenses recognised in respect of share-based payments and share options granted		3,716	64
Exchange differences – unrealised		111	386
Write off of intangible assets		417	-
Share issuance expenses charged to profit or loss		2,479	-
Listing grant income recognised in profit or loss		(280)	-
Share of loss of an associate company		-	1
Impairment loss on goodwill		-	872
Fair value loss on derivatives		-	152
Gain on disposal of an associated company		-	(75)
<b>Operating cash flow before working capital changes</b>		<b>97,235</b>	<b>57,218</b>
Inventories		675	4,550
Trade, other receivables and other current assets (include contract assets)		(40,889)	(17,112)
Trade, other payables and provisions (include contract liabilities)		14,080	15,235
<b>Cash generated from operations</b>		<b>71,101</b>	<b>59,891</b>
Interest paid		(2,400)	(836)
Interest received		525	513
Income tax paid		(10,209)	(7,082)
<b>Net cash generated from operating activities</b>		<b>59,017</b>	<b>52,486</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment		(79,153)	(46,335)
Advances paid for purchase of property, plant and equipment		(488)	-
Proceeds from disposal of property, plant and equipment		180	47
Additions to intangible assets		(1,043)	(1,306)
Additions for land use rights	12	-	(312)
Proceeds from disposal of associated company	15	-	2,614
<b>Net cash used in investing activities</b>		<b>(80,504)</b>	<b>(45,292)</b>
<b>Cash Flows from Financing Activities</b>			
Contribution of capital by non-controlling interests		1,809	-
Proceeds from issuance of shares under ESOS Scheme 2017		6,462	-
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	-
Advances received for issuance of ordinary shares under the ESOS Scheme 2017		1,216	-
Proceeds from bank loans		55,338	21,825
Repayment of bank loans		(20,010)	(17,875)
Payment of lease liabilities		(4,850)	(832)
Increase in fixed deposits pledged with banks		(38)	(813)
Dividends paid		(9,631)	(9,532)
<b>Net cash generated from/(used in) financing activities</b>		<b>222,298</b>	<b>(7,227)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>200,811</b>	<b>(33)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>24,592</b>	<b>25,089</b>
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		1,101	(464)
<b>Cash and cash equivalents at the end of the year</b>	18	<b>226,504</b>	<b>24,592</b>

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

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 converted to a public company limited by shares on 15 October 2020 and changed its name from Nanofilm Technologies International Pte Ltd to Nanofilm Technologies International Limited. The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited (“SGX-ST”) on 30 October 2020.

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 consolidated financial statements.

The ultimate controlling shareholder of the Company is Dr Shi Xu.

The Board of Directors have authorised the issue of the financial statements on the date of the Directors’ Statement.

## 2 Significant Accounting Policies

### (a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards International (SFRS(I)). The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of consolidated 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 consolidated financial statements are disclosed in Note 3.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (a) Basis of Preparation (cont'd)

On 1 January 2020, 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 and elected to early adopt Amendment to SFRS(I) 16, *Leases – Covid-19 Related Rent Concessions*. 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, except as disclosed below:

#### Early adoption of Amendment to SFRS(I) 16, *Leases – Covid-19 Related Rent Concessions*

The Group has elected to early adopt the amendments to SFRS(I) 16 which provided a practical expedient for a lessee to elect not to assess whether a rent concession is a lease modification, if all the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has elected to apply this practical expedient to all property leases. As a result of applying the practical expedient, rent concessions of S\$198,000 was recognised as negative variable lease payments (i.e. reduction in the rental expenses and depreciation) in the profit or loss during the financial year ended 31 December 2020.

### (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 consolidated 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) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 16, <i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

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

#### Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 16 *Interest Rate Benchmark Reform - Phase 2*

The amendments introduce a practical expedient on modification of a financial asset or a financial liability that results from a change that is necessary as a direct consequence of interest rate benchmark reform and occurs on an 'economically equivalent' basis by allowing these changes to be accounted for by updating the effective interest rate. A similar practical expedient will also apply under SFRS(I) 16 *Leases* for lessees when accounting for lease modifications required by interest rate benchmark reform. The amendments also allow a series of temporary reliefs from discontinuing the hedge accounting solely because of replacing the interest rate benchmark if the hedge meets other hedge accounting criteria. Early adoption is permitted.

#### 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 recognises 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.

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 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 consolidated 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.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (c) Group Accounting (cont'd)

#### Acquisition of Businesses (cont'd)

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

#### Transactions and Balances

Transactions in a currency other than the functional currency (foreign currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at reporting date are recognised in profit or loss. In the consolidated 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 consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (d) Foreign Currencies (cont'd)

#### Transactions and Balances (cont'd)

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.

### (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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (e) Property, Plant and Equipment (cont'd)

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 25 years
Office and other equipment	3 to 6 years
Tools and supplies	2 to 3 years
Motor vehicles	4 to 10 years

Property, plant and equipment held under leases arrangement are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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.

### (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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (f) Intangible Assets (cont'd)

#### 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* *Investment in associated company*

Non-financial assets (other than goodwill) are tested for impairment whenever there is any indication that these assets may be impaired. At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

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

- i. *Intangible assets (other than goodwill)*  
*Property, plant and equipment*  
*Investment in associated company (cont'd)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

- ii. *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of cash-generating unit, including the goodwill, exceeds the recoverable amount of the cash-generating unit. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and value-in-use.

The total impairment loss of a cash-generating unit is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit pro-rata on the basis of the carrying amount of each asset in the cash-generating unit.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

- (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (i) Inventories (cont'd)

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.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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.

#### 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (j) Financial Assets (cont'd)

#### Impairment (cont'd)

##### *Simplified approach - Trade receivables (including contract assets)*

The Group applies the simplified approach to provide expected credit losses for all trade receivables and contract assets. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors that are specific to the debtors and the economic environment.

##### *General approach - Other financial instruments and financial guarantee contracts*

The Group applies the general approach to provide for expected credit losses on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month expected credit losses at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, a loss allowance is measured at an amount equal to lifetime expected credit losses. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort including both historical credit experience and forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month expected credit losses.

The Group considers a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

##### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired.

##### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (j) Financial Assets (cont'd)

#### 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.

### (m) 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.

### (n) 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.

### (o) Convertible Notes

On issuance of the convertible notes, the proceeds are allocated between the embedded equity conversion option and the liability component. The embedded option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option.

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in profit or loss. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are de-recognised with a corresponding recognition of share capital.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (p) 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.

### (q) Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each reporting date. All derivatives are classified as assets when the fair value is positive (Positive replacement values for financial derivatives) and as liabilities when the fair value is negative (Negative replacement values for financial derivatives).

The changes in the fair value of derivatives other than those designated as fair value hedges, cash flow hedges or net investments in foreign operations hedges are recognised in profit or loss.

### (r) Provisions

Provisions are recognised when the Group have a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (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 recognised right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are presented within "Property, Plant and Equipment" and "Land Use Rights" in the statements of financial position.

The initial measurement of lease liabilities 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.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (s) Leases (cont'd)

#### When the Group is the Lessee (cont'd)

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.

### (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.

### (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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (v) Revenue Recognition (cont'd)

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.

#### 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (v) Revenue Recognition (cont'd)

#### 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.

### (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.

#### Employee Leave Entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees, if deemed payable. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (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.

#### 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 2 Significant Accounting Policies (cont'd)

### (z) Dividends to Company's Shareholders

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

### (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 consolidated 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 3 Critical Accounting Estimates, Assumptions and Judgements (cont'd)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (i) Critical accounting estimates and assumptions

#### Loss Allowance for Receivables (including contract assets)

The Group measures the loss allowance for receivables in accordance with the accounting policy as disclosed in Note 2(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 consolidated 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 25 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.

The carrying amount of the Group's property, plant and equipment at the reporting date are disclosed in Note 11 to the consolidated 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\$1,895,000 (2019: S\$1,393,000).

#### 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 consolidated financial statements.

A 10% difference in the expected useful life of the development costs from management's estimates would result in increasing/decreasing the Group's development costs by approximately S\$118,000 (2019: S\$112,000).

#### 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 consolidated financial statements).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 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 consolidated financial statements.

## 4 Revenue

- (a) Revenue by business segment

	Group	
	2020	2019
	S\$'000	S\$'000
Advanced materials	182,469	109,625
Nanofabrication	11,253	5,912
Industrial equipment	24,615	27,371
Total	<u>218,337</u>	<u>142,908</u>

- (b) Disaggregation of revenue from contracts with customers

	Group	
	2020	2019
	S\$'000	S\$'000
<u>Performance obligations satisfied at a point in time</u>		
Sale of equipment	20,622	19,812
Sale of products and spare parts	13,601	7,863
	<u>34,223</u>	<u>27,675</u>
<u>Performance obligations satisfied over time</u>		
Service rendered	184,114	111,268
Sale of equipment	-	3,965
	<u>184,114</u>	<u>115,233</u>
Total	<u>218,337</u>	<u>142,908</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 4 Revenue (cont'd)

### (c) Contract balances

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
<i>Current</i>				
Contract assets	18,759	11,376	-	-
Less: Loss allowance (Note 16)	(1,053)	-	-	-
	17,706	11,376	-	-
Contract liabilities	11,930	6,368	10,230	3,570

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	
	2020	2019
	S\$'000	S\$'000
<u>Contract assets</u>		
Contract assets billed	(9,941)	(9,926)
Changes in measurement of progress	17,324	13,527
Impairment loss allowance on contract assets	(1,053)	-

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Contract liabilities</u>				
Revenue recognised at the beginning of the year	6,368	2,071	3,570	955
Increase due to cash received, excluding amounts recognised as revenue during the year	(11,930)	(6,368)	(10,230)	(3,570)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 5 Other Operating Income

	Group	
	2020	2019
	S\$'000	S\$'000
Government grants and incentives	2,305	1,395
Covid-19 related government grants	1,189	-
Listing grant income recognised in profit and loss	280	-
Scrap sales	150	89
Gain on disposal of an associated company	-	75
Sundry income	259	348
	<u>4,183</u>	<u>1,907</u>

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\$1,189,000 (2019: Nil) related to various temporary wage support schemes.

## 6 Finance Income

	Group	
	2020	2019
	S\$'000	S\$'000
Interest income:		
- bank deposits	<u>525</u>	<u>507</u>

## 7 Finance Expenses

	Group	
	2020	2019
	S\$'000	S\$'000
Interest expense:		
- bank loans	556	118
- lease liabilities	172	229
- convertible notes carried at amortised cost	845	1,029
	<u>1,573</u>	<u>1,376</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 8 Profit before Income Tax

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

	Note	Group	
		2020 S\$'000	2019 S\$'000
Cost of inventories sold (recognised as cost of sales)		81,918	54,226
Audit fees paid/payable to:			
- Auditors of the Company		124	82
- Other auditors		67	34
IPO fees paid to auditors of the Company		230	-
Non-audit fees paid/payable to:			
- Auditors of the Company		8	1
- Other auditors		23	13
Research and development & engineering expenses		12,980	9,092
Directors' fee		115	28
Depreciation of property, plant and equipment	11	18,062	13,453
Amortisation of land use rights	12	278	239
Amortisation of intangible assets	13	1,193	1,126
Lease expenses		566	544
Listing expenses			
- Recurring		9	-
- Non-recurring		2,479	-
Impairment loss allowance on trade receivables and contract assets	16	1,287	37
Impairment of goodwill	13	-	872
Write (back)/down of inventories	17	(91)	367
Write off of obsolete stock		9	-
Staff costs (including directors' remuneration)			
- Salaries and related costs		51,900	42,966
- Contribution to defined contribution plans		1,563	1,070
- Share option expenses under ESOS Scheme 2017		478	64
- Award shares expenses under RSP 2020		3,238	-
Write off/loss on disposal of property, plant and equipment		54	129
Write off of intangible assets		417	-
Exchange loss		757	605
Fair value loss on derivatives		-	152
Provision for warranties	26	315	579
Reversal of provision for warranties	26	(434)	(472)
Breakdown of staff costs included in:			
- Cost of sales		27,965	21,994
- Selling and distribution costs		11,830	9,556
- Administrative costs		17,384	12,550
		<u>57,179</u>	<u>44,100</u>
Breakdown of amortisation of land use rights and intangible assets included in:			
- Cost of sales		11	10
- Selling and distribution costs		1,193	1,126
- Administrative costs		267	229
		<u>1,471</u>	<u>1,365</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 9 Income Tax Expenses

	Group	
	2020	2019
	S\$'000	S\$'000
Income tax:		
- Current year	11,899	5,637
- Under/(Over) provision in prior years	762	(423)
	<u>12,661</u>	<u>5,214</u>
Deferred tax:		
- Current year (Note 24)	(448)	140
	<u>12,213</u>	<u>5,354</u>

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	
	2020	2019
	S\$'000	S\$'000
Profit before income tax	<u>70,276</u>	<u>39,895</u>
Tax calculated at applicable tax rates	12,224	5,953
Non-deductible expenses	1,236	677
Income not subject to tax	(481)	(254)
Tax exemption	(17)	(32)
Tax incentives <sup>(1)</sup>	(1,331)	(1,245)
Utilisation of previously unrecognised tax losses	(180)	(171)
Deferred tax assets not recognised	-	849
Under/(Over) provision in prior years	762	(423)
	<u>12,213</u>	<u>5,354</u>

<sup>(1)</sup> Tax incentives pertain mainly to research and development tax deductions.

### *Singapore*

The current corporate income tax rate applicable to the Company is 17% (2019: 17%). The Company enjoys a concessionary income tax rate of 10% under the International Growth Scheme for 5 years from 1 July 2016, subject to the terms and conditions being met.

### *People's Republic of China*

The current applicable corporate tax rate is 15% (2019: 15%) for Nanofilm Vacuum Coating (Shanghai) Co., Ltd and 25% (2019: 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 during the financial years ended 31 December 2019 and 31 December 2020 and valid to 31 October 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 9 Income Tax Expenses (cont'd)

### *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% (2019: 23.2%). Tax losses can be carried forward for nine years. The utilisation of the tax losses is restricted at 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	
	2020	2019
Profit for the year attributable to equity holders of the Company (S\$'000)	57,615	35,755
Weighted average number of ordinary shares ('000)	541,644	511,238
Basic earnings per share (cents)	10.64	6.99

### (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 convertible notes.

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 have been converted into ordinary shares during the financial year ended 31 December 2020 (Note 23).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 10 Earnings per Share (cont'd)

### (b) Diluted Earnings per Share (cont'd)

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

	Group	
	2020	2019
Profit for the year attributable to equity holders of the Company (S\$'000)	57,615	35,755
Add back: interest and other expense on convertible notes, net of tax (S\$'000)	-	1,091
Net profit used to determine diluted earnings per share (S\$'000)	57,615	36,846
Weighted average number of ordinary shares ('000)	541,644	511,238
Adjustments for ('000):		
- Share options	5,645	-
- Convertible notes	-	53,630
	547,289	564,868
Diluted earnings per share (cents)	10.53	6.52

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 11 Property, Plant and Equipment

	Plant and machinery S\$'000	Building and renovation S\$'000	Office and other equipment S\$'000	Tools and supplies S\$'000	Motor vehicles S\$'000	Construction in-progress S\$'000	Total S\$'000
<b>Group</b>							
<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 f)	(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
<u>2019</u>							
<u>Cost</u>							
At 1 January	65,969	32,780	14,819	2,611	1,313	2,933	120,425
Additions	5,690	1,622	2,406	67	98	42,569	52,452
Disposal/Write off	(1,194)	(306)	(157)	-	(122)	-	(1,779)
Transfer	19,906	114	2,413	-	55	(22,488)	-
Reclassification (Note f)	(23)	-	-	-	-	(2,211)	(2,234)
Translation adjustment	(1,998)	(722)	(442)	(34)	(22)	(412)	(3,630)
At 31 December	88,350	33,488	19,039	2,644	1,322	20,391	165,234
<u>Accumulated depreciation</u>							
At 1 January	33,619	5,299	6,224	649	897	-	46,688
Charge for the year	7,176	2,449	2,776	1,402	129	-	13,932
Disposal/Write off	(1,194)	(231)	(86)	-	(92)	-	(1,603)
Translation adjustment	(729)	(98)	(192)	(26)	(14)	-	(1,059)
At 31 December	38,872	7,419	8,722	2,025	920	-	57,958
<u>Net book value</u>							
At 31 December	49,478	26,069	10,317	619	402	20,391	107,276



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 11 Property, Plant and Equipment (cont'd)

- (a) The carrying amount of building (2019: building, motor vehicles and plant and machinery) held under leasing arrangements to the Group amounted to S\$2,541,000 (2019: S\$2,840,000) for financial year ended 31 December 2020 (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 2020, the additions to property, plant and equipment included S\$2,777,000 (2019: S\$264,000) acquired under right-of-use assets under leasing arrangement (Note 22).
- (d) During the financial year ended 31 December 2019, the additions to property, plant and equipment included S\$5,853,000 acquired through capital injection from a non-controlling interest (Note 14(b) (vii)).
- (e) During the financial year ended 31 December 2020, the disposal of property, plant and equipment included derecognition of right-of-use assets arising from early termination of leased properties amounting to S\$128,000 (2019: Nil). The Group de-recognised the corresponding lease liabilities of the same amount (Note 22).
- (f) Included manufactured coating services machinery reclassified to inventories for sale.
- (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(a).
- (h) The amount of borrowing costs capitalised during the 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 is approximately 5% per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 11 Property, Plant and Equipment (cont'd)

	Plant and machinery S\$'000	Building and renovation S\$'000	Office and other equipment S\$'000	Motor vehicles S\$'000	Construction in-progress S\$'000	Total S\$'000
<b>Company</b>						
<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
<u>2019</u>						
<u>Cost</u>						
At 1 January	9,505	3,456	1,006	420	2,211	16,598
Additions	815	16	194	-	3,105	4,130
Disposal/Write off	(724)	(5)	(7)	-	-	(736)
Reclassification (Note e)	-	-	-	-	(2,211)	(2,211)
At 31 December	9,596	3,467	1,193	420	3,105	17,781
<u>Accumulated depreciation</u>						
At 1 January	7,349	2,518	738	306	-	10,911
Charge for the year	313	566	148	14	-	1,041
Disposal/Write off	(720)	(5)	(7)	-	-	(732)
At 31 December	6,942	3,079	879	320	-	11,220
<u>Net book value</u>						
At 31 December	2,654	388	314	100	3,105	6,561



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 11 Property, Plant and Equipment (cont'd)

- (a) The carrying amount of building (2019: building and motor vehicles) held under leasing arrangements to the Company amounted to S\$2,265,000 (2019: S\$338,000) for financial year ended 31 December 2020 (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 2020, the additions to the additions to property, plant and equipment included S\$2,777,000 (2019: Nil) acquired under right-of-use assets under leasing arrangement (Note 22).
- (d) During the financial year ended 31 December 2020, the disposal of property, plant and equipment included derecognition of right-of-use assets arising from early termination of leased properties amounting to S\$52,000 (2019: Nil). The Company de-recognised the corresponding lease liabilities of the same amount (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:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Depreciation included in profit or loss:		
- cost of sales	14,735	10,599
- selling and distribution expenses	1,118	929
- administrative expenses	2,209	1,925
	18,062	13,453
Capitalised in statements of financial position as:		
Intangible assets - development costs	348	192
Inventories	412	287
	18,822	13,932

During the 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 CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 12 Land Use Rights

	Group	
	2020 S\$'000	2019 S\$'000
<u>Cost</u>		
At 1 January	13,344	2,950
Additions	-	312
Reclassification	-	10,385
Translation adjustment	603	(303)
At 31 December	13,947	13,344
<u>Accumulated amortisation</u>		
At 1 January	576	350
Amortised during the year	278	239
Translation adjustment	30	(13)
At 31 December	884	576
<u>Net book value</u>		
At 31 December	13,063	12,768

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. During the financial year ended 31 December 2019, the Group received the title deeds for one of the plot of state-owned land and accordingly, a deposit of RMB 52,580,000 (equivalent to S\$10,385,000) was transferred from other receivables to land use rights.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 13 Intangible Assets

	Patents S\$'000	Development costs S\$'000	Goodwill S\$'000	Total S\$'000
<b>Group</b>				
<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
<u>2019</u>				
<u>Cost</u>				
At 1 January	358	10,832	872	12,062
Additions	197	1,301	-	1,498
At 31 December	555	12,133	872	13,560
<u>Accumulated amortisation and impairment losses</u>				
At 1 January	286	7,255	-	7,541
Amortised during the year	5	1,121	-	1,126
Impairment loss	-	-	872	872
At 31 December	291	8,376	872	9,539
<u>Net carrying amount</u>				
At 31 December	264	3,757	-	4,021

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 13 Intangible Assets (cont'd)

	Patents S\$'000	Development costs S\$'000	Total S\$'000
<b>Company</b>			
<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
<u>2019</u>			
<u>Cost</u>			
At 1 January	358	10,832	11,190
Additions	197	1,301	1,498
At 31 December	555	12,133	12,688
<u>Accumulated amortisation</u>			
At 1 January	286	7,255	7,541
Amortised during the year	5	1,121	1,126
At 31 December	291	8,376	8,667
<u>Net carrying amount</u>			
At 31 December	264	3,757	4,021

Included in the additions are depreciation of property, plant and equipment, staff costs and rental capitalised, amounting to S\$348,000 (2019: S\$192,000), S\$713,000 (2019: S\$832,000) and Nil (2019: S\$117,000), 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

During the financial year ended 31 December 2019, the Group recorded an impairment loss of S\$872,000 to profit or loss in relation to goodwill attributable to the Nanofabrication cash-generating unit which was in loss making position.

The recoverable amount of the cash-generating unit had been determined based on value-in-use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The Group applied a pre-tax discount rate of approximately 13%, budgeted average gross margins of about 20% and average growth rates of about 17% over 5 years to the cash flow projections. If the management's estimated growth rates and estimated pre-tax discount rate used in the value-in-use calculation decreased by 5% and increased by 1% respectively, goodwill impairment charge would remain at S\$872,000.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 14 Investment in Subsidiaries

	Company	
	2020	2019
	S\$'000	S\$'000
<u>Unquoted equity shares</u>		
At 1 January; at cost	15,855	15,855
Additions	47,759	-
At 31 December; at cost	63,614	15,855
Fair value adjustment to non-current loans (Note 16)	3,013	2,940
	<u>66,627</u>	<u>18,795</u>

(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	
		2020	2019	2020	2019
		%	%	S\$'000	S\$'000
Nanofilm Advanced Materials Pte. Ltd. (formerly known as Sinovest Holdings Pte. Ltd.) (Singapore) <sup>(1)</sup>	Investment holding company (Singapore)	100	100	41,850	9,766
Nanofilm Technologies Japan Limited (Japan) <sup>(5)</sup>	Marketing and sales of industrial machinery and equipment and coating services (Japan)	100	100	133	133
Nanofab Technologies Pte. Ltd. (Singapore) <sup>(1)</sup>	Research and experimental development on engineering (Singapore)	90	70	14,431	5,956
Wizture Holdings Pte. Ltd. (Singapore) <sup>(1)</sup>	Investment holding company (Singapore)	100	-	7,200	-
				<u>63,614</u>	<u>15,855</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 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	
		2020 %	2019 %
<i>Held by Nanofilm Advanced Materials Pte. Ltd.</i>			
Nanofilm Vacuum Coating (Shanghai) Co., Ltd (People's Republic of China) <sup>(2)(4)</sup>	Provision of coating services to end users in the precision engineering industry and printed circuit boards industry (People's Republic of China)	100	100
Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd. (People's Republic of China) <sup>(2)(4)</sup>	Involvement in solar cell business (People's Republic of China)	100	100
Nanofilm Enterprise Management (Shanghai) Co., Ltd (People's Republic of China) <sup>(2)(4)</sup>	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) <sup>(5)</sup>	Manufacture and forming modules (Japan)	90	70
Nanofab Vietnam Co., Ltd (Vietnam) <sup>(3)</sup>	Manufacture, process and assembly plastic (Vietnam)	90	70
<i>Held by Wizture Holdings Pte. Ltd.</i>			
Wizture Technologies (Yizheng) Co., Ltd (People's Republic of China) <sup>(2)</sup>	Provision of coating solutions (People's Republic of China)	80	-
<i>Held by Nanofilm Vacuum Coating (Shanghai) Co., Ltd</i>			
Shanghai Nanofilm Precision Coating Co., Ltd (People's Republic of China) <sup>(2)(4)</sup>	Production and sale of auto parts, provision of coating services for precision components and technical services (People's Republic of China)	100	100
Shanghai Nanofilm Trading Co., Ltd (f.k.a. Shanghai Nanofilm Zaichuang Automation Co., Ltd) (People's Republic of China) <sup>(2)(4)</sup>	Trading and sales of electronics and equipment (People's Republic of China)	100	51
Yizheng Nahuan Technologies Co., Ltd (People's Republic of China) <sup>(2)(4)</sup>	Provision of coating services for automotive parts (People's Republic of China)	51	51

<sup>(1)</sup> Audited by Moore Stephens LLP, Singapore.

<sup>(2)</sup> For the financial year ended 31 December 2020, audited by Da Hua Certified Public Accountants, a member firm of Moore Global Network Limited of which Moore Stephens LLP, Singapore is a member.

<sup>(3)</sup> Audited by KPMG Limited, Hanoi.

<sup>(4)</sup> For the financial year ended 31 December 2019, audited by Shanghai Yongcheng Certified Public Accountants Co., Ltd.

<sup>(5)</sup> Audited/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 CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 14 Investment in Subsidiaries (cont'd)

### (b) Additional injection in capital / Incorporation of subsidiaries

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 14 Investment in Subsidiaries (cont'd)

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

- (vi) In October 2020, the Group's wholly owned subsidiary, Witure Holdings Pte. Ltd. contributed a total share capital of RMB 36,000,000 (equivalent to S\$7,236,000) in Witure Technologies (Yizheng) Co., Ltd as a form of capital injection by way of cash, representing 80% interest in Witure Technologies (Yizheng) Co., Ltd. The primary purpose was to fund the working capital and capital expenditures of Witure Technologies (Yizheng) Co., Ltd. The non-controlling interest of Witure Technologies (Yizheng) Co., Ltd contributed its share capital of RMB 9,000,000 (equivalent to S\$1,809,000) in cash in the subsidiary.
- (vii) During the financial year ended 31 December 2019, the Group through its wholly owned subsidiaries, Nanofilm Vacuum Coating (Shanghai) Co., Ltd and Shanghai Nanofilm Precision Coating Co., Ltd contributed a total share capital of RMB 30,600,000 (equivalent to S\$6,092,000) in cash in Yizheng Nahuan Technologies Co., Ltd, a 51% owned subsidiary of the Group. The non-controlling interest of Yizheng Nahuan Technologies Co., Ltd contributed its share capital of RMB 29,400,000 (equivalent to S\$5,853,000) through equipment capital injection 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 held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2020	2019	2020	2019	2020	2019
	%	%	S\$'000	S\$'000	S\$'000	S\$'000
Nanofab Technologies Pte. Ltd. and its subsidiaries ("Nanofab Group")	10	30	(142)	(1,226)	1,271	1,313
Yizheng Nahuan Technologies Co., Ltd ("NHT")	49	49	533	20	6,507	5,699
Other subsidiaries with immaterial non-controlling interests			57	(8)	1,811	(100)
			448	(1,214)	9,589	6,912



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 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	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Summarised Statement of Financial Position</u>				
<i>Current</i>				
Assets	9,256	3,034	3,809	4,631
Liabilities	(7,042)	(3,301)	(1,415)	(691)
Total current net assets/(liabilities)	2,214	(267)	2,394	3,940
<i>Non-current</i>				
Assets	10,583	8,565	10,886	7,756
Liabilities	(84)	(3,920)	-	(65)
Total non-current net assets	10,499	4,645	10,886	7,691
Net assets	12,713	4,378	13,280	11,631
<u>Summarised Statement of Profit or Loss and Other Comprehensive Income</u>				
Revenue	11,582	6,348	9,998	1,914
Expenses	(11,507)	(10,436)	(8,910)	(1,874)
Profit/(loss) for the year	75	(4,088)	1,088	40
(Loss)/profit attributable to non-controlling interests	(142)	(1,226)	533	20
Total comprehensive (loss)/income attributable to non-controlling interests	(176)	(1,222)	808	(154)
<u>Summarised Cash Flow</u>				
Net cash (used in)/ generated from operating activities	(3,292)	(492)	1,571	(1,065)
Net cash used in investing activities	(5,116)	(1,462)	(3,817)	(2,185)
Net cash generated from/(used in) financing activities	7,446	1,409	(49)	5,995



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 15 Investment in Associated Company

	Group	
	2020 S\$'000	2019 S\$'000
<u>Unquoted equity shares, at cost</u>		
At 1 January	-	2,540
Disposal	-	(2,539)
Share of loss (including impairment charge)	-	(1)
At 31 December	-	-

In June 2019, the Group completed its disposal of its entire 32.5% interest in Yi Lin (Shanghai) Technologies Co., Ltd at a consideration of RMB 13,180,000 (equivalent to S\$2,614,000). The Group recognised a gain on disposal of associated company amounting to S\$75,000 in profit or loss during the financial year ended 31 December 2019.

## 16 Trade and Other Receivables, and Other Current/Non-current Assets

	Group		Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
<u>Current</u>				
Trade receivables:				
- Third parties	86,519	50,269	4,646	3,032
- Loss allowance	(561)	(708)	(55)	-
	85,958	49,561	4,591	3,032
- Subsidiaries	-	-	4,692	13,245
- Loss allowance	-	-	(163)	-
	-	-	4,529	13,245
	85,958	49,561	9,120	16,277
Other receivables:				
- Deposits	278	267	179	113
- GST/VAT and other taxes receivable	2,250	1,880	794	544
- Due from subsidiaries	-	-	5,542	14,144
- Sundry debtors	1,228	712	246	-
	3,756	2,859	6,761	14,801
Other current assets:				
- Prepayments	214	483	64	109
- Advances to suppliers	5,742	5,307	-	-
	5,956	5,790	64	109
Total current	95,670	58,210	15,945	31,187



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 16 Trade and Other Receivables, and Other Current/Non-current Assets (cont'd)

	Group		Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
<u>Non-current</u>				
Other receivables:				
- Loans due from a subsidiary	-	-	39,062	36,502
Gross amount (Non-interest bearing)	-	-	40,640	38,640
Less: Fair value adjustment to investment in a Group's subsidiary	-	-	(3,013)	(2,940)
Add: Accumulated imputed interest recognised in profit or loss, net of exchange differences	-	-	1,435	802
- Staff loan	-	180	-	-
	-	180	39,062	36,502
Other non-current assets:				
- Advances to suppliers	488	-	-	-
Total non-current	488	180	39,062	36,502

### Non-current

As at the reporting date, the loans to a subsidiary are unsecured, interest-free and repayable on 31 December 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).

The non-current loan to staff as at 31 December 2019 was unsecured, interest-free and fully repaid in 2020.

### Current

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\$944,000 (2019: S\$846,000). As at the reporting date, the Company has banker guarantees issued from a financial institution for rental and electricity deposits amounting to S\$93,000 (2019: S\$34,000).

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 2019 and 2020. 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 a subsidiary of S\$5,403,000 (2019: S\$2,019,000) which is interest bearing at 3% per annum and repayable within the next 12 months.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 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
<b>Group</b>				
<u>2020</u>				
Current <sup>(1)</sup>	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
<u>2019</u>				
Current	0.5%	59,772	(299)	59,473
Past due:				
1 to 30 days	1.0%	595	(6)	589
31 to 60 days	2.0%	664	(13)	651
60 to 90 days	4.0%	202	(8)	194
More than 90 days <sup>(1)</sup>	10.0%	412	(382)	30
		61,645	(708)	60,937

<sup>(1)</sup> Included an amount of loss allowance of S\$1,053,000 (2019: S\$371,000) provided for a specific customer.

	Lifetime expected loss rate	Gross carrying amount S\$'000	Lifetime expected credit losses S\$'000	Net carrying amount S\$'000
<b>Company</b>				
<u>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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 16 Trade and Other Receivables, and Other Current/Non-current Assets (cont'd)

As at 31 December 2019, majority of the Company's trade receivables are within the current credit terms and the loss allowance on the expected credit loss is assessed not to be material.

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Movements in loss allowance</u>				
At 1 January	708	671	-	-
Impairment loss recognised in profit or loss	1,287	37	218	-
Written off	(381)	-	-	-
At 31 December	1,614	708	218	-

## 17 Inventories

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
At cost or net realisable value:				
Raw materials and consumables	8,958	5,177	3,513	2,761
Work-in-progress	1,862	2,996	286	1,762
Finished goods	4,960	4,864	775	683
Goods in transit	8	1,697	2	3
	15,788	14,734	4,576	5,209
Inventories are stated after deducting allowance for inventories				
	327	402	143	138
At 1 January	402	-	138	-
(Credited)/Charged to profit or loss (Note 8)	(91)	367	5	138
Translation adjustment	16	35	-	-
At 31 December	327	402	143	138

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 18 Cash and Bank Balances

	Group		Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Cash and bank balances	57,891	22,564	27,554	15,317
Fixed deposits	169,464	2,841	168,006	-
Cash and bank balances in the statements of financial position	227,355	25,405	195,560	15,317
Less: Pledged fixed deposits	(851)	(813)	-	-
Cash and cash equivalents in the statements of cash flows	226,504	24,592	195,560	15,317

Cash at banks earns interest at floating rates based on daily bank deposit rates which approximate 0.90% (2019: 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 2020, fixed deposits bear interest ranging from 0.22% to 3.58% (2019: 2.73% to 3.58%) per annum with maturity period of 1 to 12 months (2019: 1 to 24 months) from the reporting date.

As at 31 December 2020, fixed deposits of S\$851,000 (2019: S\$813,000) were pledged with financial institutions for operation and construction of certain property, plant and equipment (Note 11).

## 19 Share Capital

	Group and Company			
	2020		2019	
	No. of ordinary shares ( <sup>'000</sup> )	S\$'000	No. of ordinary shares ( <sup>'000</sup> )	S\$'000
<u>Fully paid ordinary shares</u>				
At 1 January	511,238	9,696	511,238	9,696
Issuance of shares under ESOS Scheme 2017 (Note 20)	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	658,351	263,756	511,238	9,696

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.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 20 Reserves

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Translation reserve	(1,126)	(9,020)	-	-
Statutory reserve	5,856	5,434	-	-
Other reserves	1,092	703	630	71
Accumulated profits	161,263	113,701	42,385	40,614
	<u>167,085</u>	<u>110,818</u>	<u>43,015</u>	<u>40,685</u>

The other reserves include share options reserve.

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

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

The ESOS Scheme 2017 was approved by the shareholders of the Company at the Extraordinary General Meeting held on 6 February 2017 and subsequently amended on 29 October 2018 and further amended on 5 September 2019. The ESOS Scheme 2017 is established and administered by a committee comprising of directors of the Company who have been authorised and appointed by the 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, comprising Mr James Rowan (Chairman), Mr Kristian John Robinson and Ms Lee Lee Khoon in relation to all outstanding options granted pursuant to the ESOS Scheme 2017 and validly existing as at the Listing Date.

The ESOS Scheme 2017 terminated on 30 October 2020 (the Company's Listing Date on SGX-ST) and no further options will be granted thereunder. 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 share options granted under the ESOS Scheme 2017 have exercise prices that were determined at the discretion of the committee at date of grant. Options can only be exercised after vesting has taken place.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 20 Reserves (cont'd)

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

As at 31 December 2020 and 2019, details of the options granted under the ESOS Scheme 2017 on the unissued ordinary shares of the Company are as follows:

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 S\$	Date of expiry
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
	<u>27,080,000</u>	<u>2,980,000</u>	<u>(7,740,000)</u>	<u>(11,009,000)</u>	<u>11,311,000</u>		

Date of grant of options	Options outstanding at 1.1.2019	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 31.12.2019	Exercise price S\$	Date of expiry
2 April 2018	3,150,000	-	-	-	3,150,000	0.5927	2 April 2023
3 December 2018	19,555,000	-	(763,000)	-	18,792,000	0.5868	9-27 December 2024
3 March 2019	-	4,618,000	(30,000)	-	4,588,000	0.5868	18-28 March 2025
3 June 2019	-	550,000	-	-	550,000	0.5868	16-18 June 2025
	<u>22,705,000</u>	<u>5,168,000</u>	<u>(793,000)</u>	<u>-</u>	<u>27,080,000</u>		

During the financial year ended 31 December 2019, the Company granted options under the ESOS Scheme 2017 to subscribe for 5,168,000 ordinary shares of the Company. No share options were exercised during the year when vested. As at 31 December 2019, of the 27,080,000 share options granted under the ESOS Scheme 2017, 16,464,000 had vested in 2018 and 2019 and 10,616,000 will vest in between 2020 and 2022.

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. The options are exercisable from 1 July 2020 and will expire on 30 June 2026. As at 31 December 2020, of the 11,311,000 options granted under the ESOS Scheme 2017, 7,806,000 had vested in between 2018 and 2020 and 3,505,000 will vest in between 2021 and 2023.

Since the commencement of the scheme till 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).

The fair value of options granted during the financial year, determined using the Binomial Option Pricing Model was S\$760,000 (2019: S\$31,000). The significant inputs into the model based on management's expert were the share price of S\$0.8232 (2019: S\$0.5189) at the grant date, expected volatility of 14.0% (2019: 13.0%), the exercise price, option life shown above, dividend yield and annual risk-free interest rate of 0.5% (2019: 2.0%).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 20 Reserves (cont'd)

### 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:

<b>Date of RSP 2020</b>	<b>Award Shares outstanding at 1.1.2020</b>	<b>Award Shares granted</b>	<b>Award Shares vested</b>	<b>Award Shares forfeited</b>	<b>Award Shares outstanding at 31.12.2020</b>
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 current 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, determined using market value approach performed by a third party was S\$3,238,000.

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

On 9 October 2020, the shareholders approved a share based incentive plan known as the Nanofilm Employee Share Option Scheme ("ESOS Scheme 2020"). 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 the employee or non-executive director of the Group are also eligible to participate in the ESOS Scheme 2020. The ESOS Scheme 2020 is administered by the Remuneration Committee.

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, 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 20 Reserves (cont'd)

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

- The total number of shares which may be 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 Remuneration Committee'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 Remuneration Committee 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 of 10 years from the date of grant for options granted to employees and controlling shareholders and their associates and 5 years from the date of grant for 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.

Since the commencement of the scheme till end of the current financial year, there were no options granted pursuant to the ESOS Scheme 2020.

## 21 Bank Loans

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Current	21,419	3,864	972	-
Non-current (due 2-5 years)	18,328	-	3,470	-
Total	39,747	3,864	4,442	-

### Security granted/corporate guarantees granted:

- (a) As at 31 December 2020, a non-current bank loan amounting to S\$14,551,000 (2019: Nil) is due 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 is 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 (Note 11 and 12). The bank loan is repayable from March 2022 to January 2025.
- (b) A current bank loan amounting to S\$20,230,000 (2019: Nil) drawdown for working capital requirements, by a wholly owned subsidiary, Nanofilm Vacuum Coating (Shanghai) Co., Ltd.. is 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 and is repayable from April 2021 to September 2021.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 21 Bank Loans (cont'd)

Security granted/corporate guarantees granted: (cont'd)

- (c) Other than disclosed in Note 21(a) and (b) above, the remaining current and non-current bank loans as at 31 December 2020 are unsecured, incurred interest at approximately 2.00% per annum. The non-current bank loans are repayable from May 2023 to May 2025.
- (d) The loans as at 31 December 2019 were unsecured, incurred interest at 4.35% per annum and have been repaid in April 2020.

## 22 Lease Liabilities

The Group as a lessee

The Group made periodic lease payments for buildings for the purpose of office usage, 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	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Buildings and renovation	2,541	854	2,265	277
Plant and machinery	-	1,880	-	-
Office and other equipment	-	45	-	-
Motor vehicles	-	61	-	61
	<u>2,541</u>	<u>2,840</u>	<u>2,265</u>	<u>338</u>

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\$2,777,000 (2019: S\$264,000) and S\$2,777,000 (2019: Nil) 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	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Buildings and renovation	987	718	738	496
Plant and machinery	323	622	-	-
Office and other equipment	7	20	-	-
Motor vehicles	9	9	9	9
	<u>1,326</u>	<u>1,369</u>	<u>747</u>	<u>505</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 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	
	2020 S\$'000	2019 S\$'000
Interest on lease liabilities	172	229
Expenses relating to short-term leases and low value assets (included in cost of sales and administrative expenses)	566	544
	<u>738</u>	<u>773</u>
Total cash outflow for leases (excluding short-term leases)	<u>(4,850)</u>	<u>(832)</u>

The Group recognised leases liabilities as follows:

	Group		Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Lease liabilities:				
Current	1,071	4,284	879	297
Non-current	1,449	346	1,365	15
	<u>2,520</u>	<u>4,630</u>	<u>2,244</u>	<u>312</u>

In August 2020, the Group repaid lease liabilities with outstanding amount of S\$3,851,000 (JPY 298,517,000) which were pledged with net book value of plant and machinery amounting to S\$1,770,000 as at 31 December 2019.

## 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. Pursuant to the terms of the convertible notes agreements, the notes can be converted into shares of the Company (the "conversion option") based on the terms of convertible notes agreement at the holder's option at a conversion price of S\$0.93230903 for each conversion shares. The interest was charged at 2% p.a. On full conversion, up to 53,630,290 conversion shares are issued and allotted to the holders of the notes, if the full carrying amount of notes is converted into shares. Under the terms of the convertible notes agreements, the mandatory conversion notice was served on the date of registration of the final prospectus with the Monetary Authority of Singapore. During the 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 CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 23 Convertible Notes (cont'd)

The convertible notes recognised as at the reporting date were analysed as follows:

	<b>Group and Company 2019 S\$'000</b>
Face value of convertible notes issued, net of transaction costs	50,000
Embedded equity conversion option	(115)
Liability component at initial recognition	49,885
Accumulated amortisation of interest expense	55
Liability component at end of financial year	<u>49,940</u>

The liability component of the convertible notes at 31 December 2019 approximated to its fair value. The fair value was calculated using cash flows discounted at market borrowing rate of 2.08% (Level 2 of the fair value measurements). The derivatives payables (Note 25) were related to the fair value of the equity conversion option for the convertible notes and was measured based on Level 3 of the fair value measurements. The fair value of the derivatives payables not traded in an active market was determined by using a valuation technique valued by a third party valuer. The key assumptions applied included implied volatility of 14% and risk-free interest rate of 1.5%.

## 24 Deferred Taxation

Deferred tax assets and liabilities are attributable to the following:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Deferred tax assets:				
Trade receivables and contract assets	293	-	-	-
Inventories	185	-	-	-
	<u>478</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities:				
Property, plant and equipment	<u>1,012</u>	<u>988</u>	<u>1,012</u>	<u>988</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 24 Deferred Taxation (cont'd)

The movement in the deferred taxation are as follows:

	At 1 January S\$'000	Recognised in profit or loss S\$'000	Exchange differences S\$'000	At 31 December S\$'000
<b>Group</b>				
<u>2020</u>				
Property, plant and equipment	988	24	-	1,012
Trade receivables and contract assets	-	(289)	(4)	(293)
Inventories	-	(183)	(2)	(185)
	<u>988</u>	<u>(448)</u>	<u>(6)</u>	<u>534</u>
<u>2019</u>				
Property, plant and equipment	<u>848</u>	<u>140</u>	<u>-</u>	<u>988</u>
<b>Company</b>				
<u>2020</u>				
Property, plant and equipment	<u>988</u>	<u>24</u>	<u>-</u>	<u>1,012</u>
<u>2019</u>				
Property, plant and equipment	<u>848</u>	<u>140</u>	<u>-</u>	<u>988</u>

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

### Unrecognised deferred tax liabilities

As at 31 December 2020, deferred income tax liabilities of S\$6,787,000 (2019: S\$4,131,000) 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\$135,742,000 (2019: S\$82,600,000) 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 Vietnam, Japan and China have unrecognised tax losses of S\$5,734,000 (2019: S\$6,110,000) 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 can be carried forward for five to ten years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 25 Trade and Other Payables

	Group		Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Trade payables:				
- Subsidiaries	-	-	69	69
- Third parties	32,770	22,552	1,495	4,634
	<u>32,770</u>	<u>22,552</u>	<u>1,564</u>	<u>4,703</u>
Other payables:				
- Accrued operating expenses	10,230	11,177	3,062	5,286
- Advances received for issuance of ordinary shares under ESOS Scheme 2017	1,216	-	1,216	-
- VAT and other taxes payable	636	2,634	-	-
- Sundry creditors	2,296	384	-	297
- Derivatives payables	-	267	-	-
- Due to a subsidiary	-	-	-	1
	<u>14,378</u>	<u>14,462</u>	<u>4,278</u>	<u>5,584</u>
Total	<u>47,148</u>	<u>37,014</u>	<u>5,842</u>	<u>10,287</u>

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.

The non-trade amount due to a subsidiary was unsecured, interest-free and was fully repaid in 2020.

Included in accrued operating expenses are accrued staff costs (including bonus) of S\$8,547,000 (2019: S\$8,241,000) and S\$2,614,000 (2019: S\$3,586,000) for the Group and the Company respectively.

## 26 Provisions

	Warranties S\$'000	Restoration S\$'000	Total S\$'000
<b>Group</b>			
<u>2020</u>			
At 1 January	455	-	455
Provision made	315	25	340
Provision utilised	(59)	-	(59)
Reversal of provision made	(434)	-	(434)
At 31 December	<u>277</u>	<u>25</u>	<u>302</u>
<u>2019</u>			
At 1 January	423	-	423
Provision made	579	-	579
Provision utilised	(75)	-	(75)
Reversal of provision made	(472)	-	(472)
Currency translation differences	*	-	*
At 31 December	<u>455</u>	<u>-</u>	<u>455</u>

\* Less than S\$1,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 26 Provisions (cont'd)

	Warranties S\$'000	Restoration S\$'000	Total S\$'000
<b>Company</b>			
<u>2020</u>			
At 1 January	391	-	391
Provision made	315	25	340
Provision utilised	(59)	-	(59)
Reversal of provision made	(370)	-	(370)
At 31 December	<u>277</u>	<u>25</u>	<u>302</u>
<u>2019</u>			
At 1 January	423	-	423
Provision made	515	-	515
Provision utilised	(75)	-	(75)
Reversal of provision made	(472)	-	(472)
At 31 December	<u>391</u>	<u>-</u>	<u>391</u>

### 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 returns 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

	<b>Group and Company</b>	
	2020 S\$'000	2019 S\$'000
Ordinary dividends paid:		
One-tier tax exempt interim dividend of a total of S\$0.019 (2019: S\$0.019) per share paid in respect of each financial year end	<u>9,631</u>	<u>9,532</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 28 Changes in Liabilities Arising from Financing Activities

	Other payables S\$'000	Bank loans S\$'000	Lease liabilities S\$'000	Total S\$'000
<b>Group</b>				
<u>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

	Bank loans S\$'000	Lease liabilities S\$'000	Total S\$'000
<b>Group</b>			
<u>2019</u>			
At 1 January	-	5,185	5,185
Proceeds	21,825	-	21,825
Repayment	(17,875)	(832)	(18,707)
<i>Non-cash changes:</i>			
Addition during the year	-	264	264
Currency translation differences	(86)	13	(73)
At 31 December	3,864	4,630	8,494

## 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	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Property, plant and equipment	23,484	34,076	407	-



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 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 consolidated 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 consolidated financial statements, significant transactions with related parties, on terms agreed between parties, are as follows:

	Group	
	2020	2019
	S\$'000	S\$'000
<u>Transactions with a related party</u>		
Sales	9,942	1,914
Purchases	9,197	8,471

### Compensation of key management personnel

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

	Group	
	2020	2019
	S\$'000	S\$'000
Short-term employee benefits	4,723	3,086
Contributions to defined contribution plans	126	105
Other short-term benefits	36	42
Total compensation paid to key management personnel	4,885	3,233
Comprised amounts paid to:		
Directors of the Company <sup>(1)</sup>	2,471	2,206
Other key management personnel	2,414	1,027
	4,885	3,233

<sup>(1)</sup> Include certain directors who resigned during the financial year ended 31 December 2020.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 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	
	2020	2019
	S\$'000	S\$'000
Financial assets at amortised cost:		
Cash and bank balances	227,355	25,405
Trade and other receivables	87,464	50,720
Contract assets	17,706	11,376
	<u>332,525</u>	<u>87,501</u>
Financial liabilities at amortised cost:		
Trade and other payables	45,296	34,113
Bank loans	39,747	3,864
Lease liabilities	2,520	4,630
Convertible notes	-	49,940
	<u>87,563</u>	<u>92,547</u>

#### (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 CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 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 4 debtors (2019: 2 debtors) and 4 debtors (2019: 1 debtor) respectively, that individually represented more than 5% (2019: 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 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 consolidated 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 consolidated financial statements.

The Group and the Company monitor its credit risk according to the degree of default risk and the outstanding amounts will be written off if there is evidence indicating that there is no reasonable expectation of recovery due to customer default on long outstanding balances.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 31 Financial Instruments and Risk Management (cont'd)

### (b) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments recognised on the statements of financial position. It is the risk that changes in interest rates will affect the Group's and the Company's income or the value of their holdings of financial instruments. 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.

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\$328,000 (2019: S\$33,000) and S\$37,000 (2019: Nil) as a result of higher/lower interest expense arising from bank loans of S\$39,747,000 (2019: S\$3,864,000) and S\$4,442,000 (2019: Nil) as at 31 December 2020, 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.

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	Cash flows		
		Contractual cash flows S\$'000	Within 1 year S\$'000	Between 1 to 5 years S\$'000
<b>Group</b>				
<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
	<u>87,563</u>	<u>90,814</u>	<u>69,067</u>	<u>21,747</u>
<u>2019</u>				
Trade and other payables	34,380	34,380	34,380	-
Bank loans	3,864	3,920	3,920	-
Lease liabilities	4,630	5,167	4,491	676
Convertible notes	49,940	51,468	1,000	50,468
	<u>92,814</u>	<u>94,935</u>	<u>43,791</u>	<u>51,144</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 31 Financial Instruments and Risk Management (cont'd)

### (c) Liquidity Risk (cont'd)

	Carrying amounts S\$'000	Cash flows		
		Contractual cash flows S\$'000	Within 1 year S\$'000	Between 1 to 5 years S\$'000
<b>Company</b>				
<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
	<u>11,312</u>	<u>11,624</u>	<u>6,617</u>	<u>5,007</u>
<u>2019</u>				
Trade and other payables	10,287	10,287	10,287	-
Lease liabilities	312	317	302	15
Convertible notes	49,940	51,468	1,000	50,468
	<u>60,539</u>	<u>62,072</u>	<u>11,589</u>	<u>50,483</u>

### (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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 31 Financial Instruments and Risk Management (cont'd)

### (d) Currency Risk (cont'd)

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	
<b>Group</b>						
<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
	<u>192,588</u>	<u>17,707</u>	<u>5,537</u>	<u>116,575</u>	<u>118</u>	<u>332,525</u>
<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
	<u>11,015</u>	<u>3,464</u>	<u>1,130</u>	<u>71,828</u>	<u>126</u>	<u>87,563</u>
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	<u>-</u>	<u>14,608</u>	<u>1,319</u>	<u>4,228</u>	<u>(8)</u>	<u>20,147</u>
<u>2019</u>						
<u>Financial assets</u>						
Cash and bank balances	1,570	3,740	3,298	16,710	87	25,405
Trade and other receivables, and contract assets	374	5,620	3,679	52,421	2	62,096
	<u>1,944</u>	<u>9,360</u>	<u>6,977</u>	<u>69,131</u>	<u>89</u>	<u>87,501</u>
<u>Financial liabilities</u>						
Trade and other payables	8,583	1,971	1,285	22,228	313	34,380
Bank loans	-	-	-	3,864	-	3,864
Lease liabilities	311	-	4,202	117	-	4,630
Convertible notes	49,940	-	-	-	-	49,940
	<u>58,834</u>	<u>1,971</u>	<u>5,487</u>	<u>26,209</u>	<u>313</u>	<u>92,814</u>
Net financial (liabilities)/assets	(56,890)	7,389	1,490	42,922	(224)	(5,313)
Less: Net financial (liabilities)/assets denominated in the entities' functional currencies	(56,890)	(341)	218	34,217	-	(22,796)
Currency exposure	<u>-</u>	<u>7,730</u>	<u>1,272</u>	<u>8,705</u>	<u>(224)</u>	<u>17,483</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 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	
<b>Company</b>						
<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
	<u>197,810</u>	<u>4,151</u>	<u>2,665</u>	<u>45,081</u>	<u>2</u>	<u>249,709</u>
<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
	<u>10,976</u>	<u>281</u>	<u>28</u>	<u>12</u>	<u>15</u>	<u>11,312</u>
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	<u>-</u>	<u>3,870</u>	<u>2,637</u>	<u>45,069</u>	<u>(13)</u>	<u>51,563</u>
<u>2019</u>						
<u>Financial assets</u>						
Cash and bank balances	1,546	2,770	1,128	9,871	2	15,317
Trade and other receivables	12,480	9,844	3,380	41,332	-	67,036
	<u>14,026</u>	<u>12,614</u>	<u>4,508</u>	<u>51,203</u>	<u>2</u>	<u>82,353</u>
<u>Financial liabilities</u>						
Trade and other payables	8,554	1,456	71	-	206	10,287
Lease liabilities	312	-	-	-	-	312
Convertible notes	49,940	-	-	-	-	49,940
	<u>58,806</u>	<u>1,456</u>	<u>71</u>	<u>-</u>	<u>206</u>	<u>60,539</u>
Net financial (liabilities)/assets	(44,780)	11,158	4,437	51,203	(204)	21,814
Less: Net financial liabilities denominated in the Company's functional currency	(44,780)	-	-	-	-	(44,780)
Currency exposure	<u>-</u>	<u>11,158</u>	<u>4,437</u>	<u>51,203</u>	<u>(204)</u>	<u>66,594</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 31 Financial Instruments and Risk Management (cont'd)

### (d) Currency Risk (cont'd)

#### *Sensitivity analysis*

A change of 2% (2019: 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	
	2020	2019
	S\$'000	S\$'000
<b>Group</b>		
<u>USD against SGD</u>		
- strengthened	241	132
- weakened	(241)	(132)
<u>JPY against SGD</u>		
- strengthened	22	22
- weakened	(22)	(22)
<u>RMB against SGD</u>		
- strengthened	70	148
- weakened	(70)	(148)
	241	132
	(241)	(132)
	22	22
	(22)	(22)
	70	148
	(70)	(148)
	64	185
	(64)	(185)
	44	74
	(44)	(74)
	748	850
	(748)	(850)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 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 2020 and 2019.

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	
	2020	2019
	S\$'000	S\$'000
Net debt	(137,940)	70,043
Total equity	440,430	127,426
Total capital	302,490	197,469
Gearing ratio	n.m.	35.5%

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 2020 and 2019. The Group have no other externally imposed capital requirements for the financial years ended 31 December 2020 and 2019.

### (f) Fair Value

The fair value information presented represents the Group's best estimate of those values and may be subject to certain assumptions and limitations. The methodologies and assumptions used in the estimation of fair values depend on the terms and characteristics of the various financial instruments. The following methods and assumptions are used to determine the fair value of each class of financial instruments for which it is practicable to determine that value.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 31 Financial Instruments and Risk Management (cont'd)

(f) Fair Value (cont'd)

*Fair value measurements recognised in the statement of financial position*

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).

*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 2020 and 2019, 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 CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 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	<u>87,328</u>	<u>6,338</u>	<u>3,273</u>	<u>-</u>	<u>96,939</u>
<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 CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 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>2019</u>					
Revenue from external customers	109,625	27,371	5,912	-	142,908
Inter-segment sales	5	3,653	436	(4,094)	-
	<u>109,630</u>	<u>31,024</u>	<u>6,348</u>	<u>(4,094)</u>	<u>142,908</u>
Adjusted EBITDA	<u>48,976</u>	<u>9,201</u>	<u>(1,083)</u>	<u>-</u>	<u>57,094</u>
<u>Other information</u>					
Depreciation	9,719	637	3,097	-	13,453
Amortisation of land use rights	219	10	10	-	239
Amortisation of intangible assets	405	721	-	-	1,126
Impairment loss allowance on trade receivables	45	(9)	1	-	37
Impairment of goodwill	-	-	872	-	872
Write down of inventories	228	139	-	-	367
(Gain), loss/write off on disposal of property, plant and equipment	(61)	110	80	-	129
Fair value loss on derivatives	55	97	-	-	152
Provision for warranties	-	515	64	-	579
Reversal of provision for warranties	-	(472)	-	-	(472)
<u>Assets</u>					
Segment assets	174,028	24,441	10,096	-	208,565
Cash and bank balances					<u>25,405</u>
					<u>233,970</u>
Segment assets include:					
Additions to non-current assets:					
- Property, plant and equipment	49,508	1,390	1,554	-	52,452
- Land use rights	10,697	-	-	-	10,697
- Intangible assets	539	959	-	-	1,498
<u>Liabilities</u>					
Segment liabilities	24,373	18,917	5,177	-	48,467
Convertible notes					49,940
Bank loans					3,864
Deferred tax liabilities					988
Provision for taxation					<u>3,285</u>
					<u>106,544</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the Financial Year ended 31 December 2020

## 32 Operating Segment Information (cont'd)

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

	Group	
	2020	2019
	S\$'000	S\$'000
Adjusted EBITDA <sup>(1)</sup> for reportable segments	96,939	57,094
Depreciation	(18,062)	(13,453)
Amortisation	(1,471)	(1,365)
Write off/Loss on disposal of property, plant and equipment	(54)	(129)
Write off of obsolete stock	(9)	-
Write off of intangible assets	(417)	-
Listing expenses charged to profit or loss - Non-recurring	(2,479)	-
Listing grant income recognised in profit or loss	280	-
Other professional fees	(165)	(359)
Award shares expenses under RSP 2020	(3,238)	-
Fair value loss on derivatives	-	(152)
Impairment loss on goodwill	-	(872)
Finance income	525	507
Finance expenses	(1,573)	(1,376)
Profit before income tax	70,276	39,895
Income tax	(12,213)	(5,354)
Profit after income tax	58,063	34,541

<sup>(1)</sup> 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	
	2020	2019
	S\$'000	S\$'000
Singapore	24,801	28,902
China	169,160	95,224
Japan	24,355	17,898
Vietnam	21	884
Total revenue	218,337	142,908



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2020

## 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	
	2020 S\$'000	2019 S\$'000
Singapore	11,735	10,582
China	169,509	104,795
Japan	5,368	2,572
Vietnam	5,279	6,116
Total non-current non-financial assets	191,891	124,065

## 33 Subsequent Events

- (a) On 6 January 2021 and 11 March 2021, the Company issued a total of 3,275,000 new ordinary shares in the capital of the Company at the exercise price of S\$0.5868 each pursuant to the exercise of 3,275,000 options granted under the Company ESOS Scheme 2017.
- (b) In January 2021 and up to the date of this report, the Group's wholly owned subsidiary, Nanofilm Advanced Materials Pte. Ltd., injected RMB69,500,000 (equivalent to about S\$14,292,000) in Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd., a wholly owned subsidiary of the Group for the purpose of additional capital contribution by way of cash. The increase in capital contribution is expected to be completed by end of March 2021. The primary purpose of the capital contribution is to fund the capital expenditures of Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd.
- (c) In March 2021, the Company incorporated a wholly owned subsidiary, Sydrogen Energy Pte. Ltd. with an initial paid-up capital of S\$10,000. The principal activities of the Company are that of research and development activities, engineering and production of hydrogen applications and products.

# STATISTICS OF SHAREHOLDINGS



As at 16 March 2021

## Shareholders' Information

Number of equity securities	:	661,626,110
Class of equity securities	:	Ordinary shares
Voting rights	:	One vote per share
Number of treasury shares and subsidiary holdings	:	Nil

## Distribution of Shareholders by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 - 99	1	0.03	1	0.00
100 - 1,000	1,445	37.84	1,204,400	0.18
1,001 - 10,000	2,079	54.44	7,555,024	1.14
10,001 - 1,000,000	271	7.09	14,642,800	2.22
1,000,001 and above	23	0.60	638,223,885	96.46
<b>Total</b>	<b>3,819</b>	<b>100.00</b>	<b>661,626,110</b>	<b>100.00</b>

## Twenty Largest Shareholders

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	Pearl Yard Holdings Inc	253,709,960	38.35
2	Citibank Nominees Singapore Pte Ltd	86,859,051	13.13
3	DBS Nominees (Private) Limited	61,534,607	9.30
4	Dr Shi Xu	50,842,820	7.68
5	Harrymore International Limited	47,701,560	7.21
6	Venezio Investments Pte Ltd	34,749,000	5.25
7	BPSS Nominees Singapore (Pte.) Ltd.	18,130,042	2.74
8	Mr Jin Xiaozhe	12,604,000	1.91
9	DBSN Services Pte. Ltd.	11,667,565	1.76
10	Mdm Jin Xiao Qun	10,190,375	1.54
11	HSBC (Singapore) Nominees Pte Ltd	8,827,783	1.33
12	Mr Lee Liang Huang	6,548,840	0.99
13	Lasting Legacy Pte Ltd	5,805,000	0.88
14	Raffles Nominees (Pte.) Limited	5,575,771	0.84
15	DB Nominees (Singapore) Pte Ltd	4,817,000	0.73
16	UOB Kay Hian Private Limited	4,258,800	0.64
17	Lion-OCBC Capital Asia I Holding Pte. Ltd.	3,439,695	0.52
18	EDB Investments Pte Ltd	2,912,886	0.44
19	Merrill Lynch (Singapore) Pte. Ltd.	2,658,200	0.40
20	Oversea-Chinese Banking Corporation Limited	2,183,930	0.33
	<b>Total</b>	<b>635,016,885</b>	<b>95.97</b>



# STATISTICS OF SHAREHOLDINGS

As at 16 March 2021

## Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest	% <sup>(7)</sup>	Deemed Interest	% <sup>(7)</sup>
Pearl Yard Holdings Inc ("Pearl Yard")	253,709,960	38.54	-	-
Harrymore International Limited ("Harrymore")	47,701,560	7.25	-	-
Dr Shi Xu <sup>(1)</sup>	50,842,820	7.70	311,601,895	47.18
Mdm Jin Xiao Qun <sup>(2)</sup>	10,190,375	1.55	47,701,560	7.25
Venezio Investments Pte Ltd ("Venezio")	34,749,000	5.28	-	-
Napier Investment Pte. Ltd. ("Napier") <sup>(3)</sup>	-	-	34,749,000	5.28
Tembusu Capital Pte. Ltd. ("Tembusu") <sup>(4)</sup>	-	-	40,141,605	6.09
Temasek Holdings (Private) Limited ("Temasek") <sup>(5)</sup>	-	-	41,243,998	6.26
SMALLCAP World Fund, Inc. <sup>(6)</sup>	33,637,000	5.09	-	-
Capital Research and Management Company ("CRMC") <sup>(6)</sup>	-	-	46,688,800	7.07
The Capital Group Companies, Inc. ("CGC") <sup>(6)</sup>	-	-	46,688,800	7.07

### 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, Chapter 289 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 57,891,935 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 47,701,560 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 Securities and Futures Act, Chapter 289 of Singapore, Mdm Jin Xiao Qun is treated as having an interest in the 47,701,560 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 aggregation of the interests of Venezio, Fullerton Fund Management Company Ltd. ("Fullerton") and SeaTown Holdings Pte. Ltd. ("SeaTown").
- (5) Temasek's deemed interest arises from the interests in Shares held by Venezio, Fullerton, SeaTown and Heliconia Capital Management Pte. Ltd.
- (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 Capita Group International, Inc. ("CGII"), which in turn is the parent company of four investment management companies ("CGII management companies"): Capital International, Inc., Capital International Limited, Capital International Sàrl and Capital International K.K. 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 of the Company for its own account. Rather, the shares notified to the Company are owned by accounts under the discretionary investment management of one or more of the investment management companies described above.

As CGII is the parent company of the CGII management companies, CGII has a deemed interest in the total shares managed by the CGII management companies.

As CRMC is the parent company of CGII, in accordance with Sections 4(4) and 4(5) of the SFA, CRMC has a deemed interest in the total shares managed by the CGII management companies, in addition to the shares directly managed by CRMC.



# STATISTICS OF SHAREHOLDINGS



As at 16 March 2021

## Substantial Shareholders (cont'd)

(6) (cont'd)

As CGC is the parent company of CRMC and CB&T, pursuant to Sections 4(4) and 4(5) of the SFA, CGC is deemed interested in the total aggregate interest of CRMC and CB&T.

CRMC is the investment adviser to SMALLCAP World Fund, Inc., a mutual fund organized as a Delaware statutory trust. SMALLCAP World Fund, Inc. has direct interest in the Company, with a shareholding of 33,637,000 shares (5.09%).

(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 and have not been adjusted based on the subsequent increased total number of issued Shares arising from the exercise of employee share options in January 2021 and March 2021.

## Free Float

As at 16 March 2021, approximately 27.38% 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 **Wednesday, 28 April 2021 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 2020 together with the Auditors’ Report thereon. **Resolution 1**
2. To re-elect the following Directors of the Company who will each retire pursuant to Regulation 94 of the Constitution of the Company, and who each being eligible, offers himself for re-election:  
  
Dr Shi Xu **Resolution 2**  
  
Mr Lee Liang Huang **Resolution 3**  
  
*Dr Shi Xu will, upon re-election as a Director of the Company, remain as the Chairman of the Board and a member of the Nominating Committee. Detailed information of Dr Shi Xu required pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) can be found in the Annual Report.*  
  
*Mr Lee Liang Huang will, upon re-election as a Director of the Company, remain as an Executive Director and Chief Executive Officer of the Company. Detailed information of Mr Lee Liang Huang required pursuant to Rule 720(6) of the Listing Manual of SGX-ST can be found in the Annual Report.*
3. To approve the payment of pro-rated Directors’ fees of S\$105,344 for the period from 9 October 2020 to 31 December 2020. **Resolution 4**
4. To approve the payment of Directors’ fees of S\$459,000 for the financial year ending 31 December 2021, to be paid quarterly in arrears. **Resolution 5**
5. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**
6. 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 Ordinary Resolutions:

### 7. SHARE ISSUE MANDATE

That pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore (“**Companies Act**”), and Rule 806 of the Listing Manual of the SGX-ST, authority be and is hereby given to the Directors to:

- (a) (i) 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 capitalization 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;

# NOTICE OF ANNUAL GENERAL MEETING

- (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.

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any)(as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (“**Shareholders**”) (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of the issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of any convertible securities;
  - (b) new Shares arising from the exercise of share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in a general meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

*[See Explanatory Note (i)]*

**Resolution 7**

## **8. AUTHORITY TO ISSUE SHARES UNDER THE NANOFILM EMPLOYEE SHARE OPTION SCHEME 2017 (“PRE-IPO ESOS”)**

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 Pre-IPO ESOS 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 (ii)]*

**Resolution 8**



# NOTICE OF ANNUAL GENERAL MEETING

## 9. AUTHORITY TO GRANT OPTIONS AND ISSUE SHARES UNDER THE NANOFILM EMPLOYEE SHARE OPTION SCHEME 2020 (THE "NANOFILM ESOS 2020")

That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors to:

- (a) offer and grant options pursuant to the rules of the Nanofilm ESOS 2020 and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier ("**Relevant Period**"); and
- (b) allot and issue new shares as may be required to be issued 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 Nanofilm 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 and subsidiary holdings, if any) delivered and/or to be delivered, pursuant to (1) options already granted under the Nanofilm ESOS 2020 and (2) any options and awards already granted under the Company's other share options or share schemes adopted post the initial public offering of the Shares on the SGX-ST ("**Listing**"), shall not exceed 5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) on the date preceding the date of grant of the relevant new option.

[See Explanatory Note (iii)]

**Resolution 9**

## 10. 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.

# NOTICE OF ANNUAL GENERAL MEETING

(c) for purposes of this Resolution:-

**“Average Closing Price”** means the average of the closing market prices of the Shares over the last five (5) consecutive market days on which Shares are transacted on the SGX-ST or, as the case may be, such other securities exchange on which the Shares may for the time being be listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Manual of the SGX-ST for any corporate action which occurs during the relevant five-day (5) market days period and the date on which the Market Purchase is made or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase;

**“date of the making of the offer”** means the day on which the Company announces its intention to make an offer for an Off-Market Purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the basis set out below) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

**“Maximum Limit”** means that number of issued Shares representing 10% of the total issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date); and

**“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 (iv)]*

**Resolution 10**

By Order of the Board

Josephine Toh  
Company Secretary

Singapore  
13 April 2021



# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes on Resolutions to be passed

- (i) Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors, effective 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 7 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.

- (ii) Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company to issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of options already granted under the Pre-IPO ESOS.
- (iii) Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company to offer and grant options pursuant to the rules of the Nanofilm ESOS 2020 from the date of the passing of Ordinary Resolution 9 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 issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of options granted or to be granted under the Nanofilm ESOS 2020. The aggregate number of shares which may be issued pursuant to the Nanofilm ESOS 2020 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.
- (iv) Ordinary Resolution 10 proposed in item 10 above, is to renew the mandate first approved by Shareholders on 9 October 2020 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 10 will empower the Directors effective 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 Buyback Mandate on the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2020 are set out in greater detail in the Addendum released to SGX-ST together with the Annual Report 2020.

## 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.

# NOTICE OF ANNUAL GENERAL MEETING

## 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/annual-reports-and-general-meetings>.

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 <http://smartagm.sg/NanofilmAGM2021> **by 10:00 a.m. on 25 April 2021** (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 12.00 noon on 27 April 2021 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 an email confirmation by 12.00 noon on 27 April 2021 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](mailto:AGM.TeamE@boardroomlimited.com).

## 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 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 or emailed to [meeting@nanofilm.com.sg](mailto:meeting@nanofilm.com.sg) **by 10:00 a.m. on 25 April 2021**, being 72 hours before the commencement of the AGM. **In view of the current COVID-19 situation, 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 10:00 a.m. on 19 April 2021**) 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.



# NOTICE OF ANNUAL GENERAL MEETING

## 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 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 [meeting@nanofilm.com.sg](mailto:meeting@nanofilm.com.sg), or by post to the Company's Share Registrar Office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 and/or in respect of Shareholders who pre-register to observe and/or listen to the AGM proceedings, at the pre-registration website at <http://smartagm.sg/NanofilmAGM2021>, so that these questions may be addressed in advance of, or during the AGM proceedings. **All questions must be submitted by 10.00 am on 19 April 2021.**

- (ii) The Company will address substantial and relevant questions received from Shareholders, in advance of (through the publication of the Company's response on the SGXNet and the Company's website) or during the AGM.
- (iii) Minutes of the AGM including the Company's responses to substantial and relevant questions from Shareholders will be posted on SGXNet and the Company's corporate website within one month from the date of the AGM.





## NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED

(Company Registration Number 199902564C)  
(Incorporated in Singapore on 13 May 1999)

### PROXY FORM ANNUAL GENERAL MEETING

**IMPORTANT:**

Note: This Proxy Form may be accessed at the Company's at <http://www.nti-nanofilm.com/investors/annual-reports-and-general-meetings> 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 2021.

\*I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport/Co Reg No.)

of \_\_\_\_\_ (Address)

being a member/members of **NANOFILM 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 Wednesday, 28 April 2021 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
<b>Ordinary Business</b>				
1.	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report			
2.	Re-election of Dr Shi Xu			
3.	Re-election of Mr Lee Liang Huang			
4.	Approval of Directors' fees for the period from 9 October 2020 to 31 December 2020			
5.	Approval of Directors' fees for financial year ending 31 December 2021			
6.	Re-appointment of Moore Stephens LLP as Auditors			
<b>Special Business</b>				
7.	Share Issue Mandate			
8.	Authority to issue shares under the Nanofilm Employee Share Option Scheme 2017			
9.	Authority to grant options and issue shares under the Nanofilm Employee Share Option Scheme 2020			
10.	Renewal of Share Purchase Mandate			

\*Delete where inapplicable

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021

Total number of shares in:	No. of shares
(a) CDP Register	
(b) Register of Members	

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

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



## 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, Chapter 289), 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 (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), 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 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 or email to [meeting@nanofilm.com.sg](mailto:meeting@nanofilm.com.sg) not less than seventy-two (72) hours before the time appointed for the Meeting. **In view of the current COVID-19 situation, 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 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.

## 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 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.

## BOARD OF DIRECTORS

Dr Shi Xu (*Executive Chairman*)  
Mr Lee Liang Huang (*Executive Director and Chief Executive Officer*)  
Mr James Rowan (*Lead Independent Director*)  
Ms Ong Siew Koon @ Ong Siew Khoon (*Independent Director*)  
Mr Kristian John Robinson (*Independent Director*)  
Ms Lee Lee Khoon (*Independent Director*)

## AUDIT AND RISK COMMITTEE

Ms Ong Siew Koon @ Ong Siew Khoon (*Chairman*)  
Mr James Rowan  
Ms Lee Lee Khoon

## NOMINATING COMMITTEE

Mr Kristian John Robinson (*Chairman*)  
Mr James Rowan  
Dr Shi Xu

## REMUNERATION COMMITTEE

Mr James Rowan (*Chairman*)  
Mr Kristian John Robinson  
Ms Lee Lee Khoon

## JOINT COMPANY SECRETARIES

Ms Josephine Toh  
Mr Leong Chang Hong

## REGISTERED OFFICE

28 Ayer Rajah Crescent  
#02-02/03  
Singapore 139959  
Tel: (65) 6872 6890  
Email: enquiry@nanofilm.com.sg

## COMPANY REGISTRATION NUMBER

199902564C

## GROUP WEBSITE

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

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

## AUDITORS

Moore Stephens LLP  
10 Anson Road  
#29-15 International Plaza  
Singapore 079903

Partner-in-charge: Ms Chan Rouh Ting  
(since financial year ended 31 December 2018)  
Chartered Accountant, a member of Institute of Singapore  
Chartered Accountants

## INVESTOR RELATIONS

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

Citigate Dewe Rogerson Singapore Pte Ltd  
105 Cecil Street  
#09-01 The Octagon  
Singapore 069534  
Tel: (65) 6534 5122  
Email: nanofilmsg@citigatedewerogerson.com

## PRINCIPAL BANKERS

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

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

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

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

United Overseas Bank Limited  
80 Raffles Place  
UOB Plaza  
Singapore 048624

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

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

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



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