NTI NanoFilm
ADVANCING TECHNOLOGY SOLUTIONS

DRIVING PROGRESS

SUSTAINING GROWTH

CULTIVATING EFFICIENCY

ANNUAL REPORT 2023

CORPORATE PROFILE

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

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

Currently, the Group owns more than 40 granted patents, over 60 granted utility models and over 40 trademark registrations, not including applications which are pending.

The Group has over 2,100 employees excluding contract employees, 400 of whom are engaged in R&D and engineering. Nanofilm is headquartered in Singapore with a presence in China, Japan, Vietnam, and most recently, India and Europe.

Nanofilm is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 30 October 2020 and it continues to be represented by the relevant FTSE ST and MSCI indices.

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

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OUR VISION

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

OUR MISSION

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

MAKING THE WORLD **A BETTER PLACE**

THROUGH UBIQUITOUS APPLICATIONS OF OUR DEEP TECHNOLOGY CAPABILITIES

HIGH PERFORMANCE CULTURE

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

RESILIENCE & PERSEVERANCE

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

OWNER'S MINDSET

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

INNOVATION AS OUR DNA

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

AUTHENTICITY

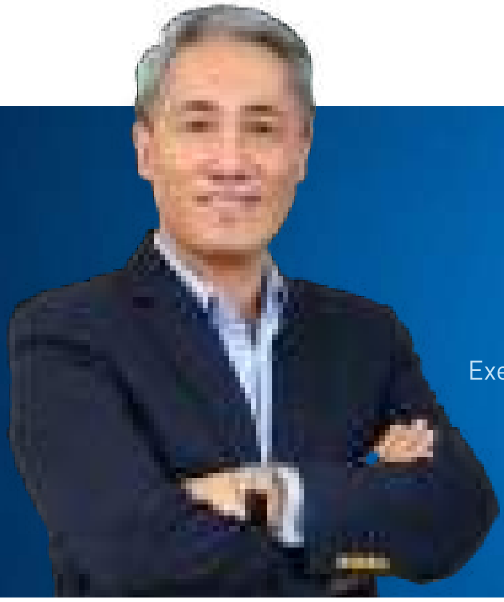
- Open, Candid, Sincere
- Tactful & Respectful
- Honest

CUSTOMER FIRST

- No Nanofilm without the Customer
- Listen Deeply to Customers' Needs
- Proactively Provide Solutions

CHAIRMAN'S MESSAGE

THE GROUP HAD INVESTED MEANINGFULLY IN THE RECENT YEARS IN EXPANDING OUR GEOGRAPHICAL PRESENCE STRATEGICALLY, ENGAGING NEW CUSTOMERS, AND DEVELOPING INNOVATIVE DEEP-TECH SOLUTIONS. WE ARE WELL POSITIONED TO CAPITALISE ON THE UPCOMING OPPORTUNITIES FROM OUR CUSTOMERS' BUSINESS ROADMAP.



DR SHI XU (史旭)
Executive Chairman

DEAR STAKEHOLDERS,

IT IS WITH GREAT PLEASURE THAT I EXTEND MY WARMEST GREETINGS TO YOU AS WE REFLECT ON THE ACHIEVEMENTS, CHALLENGES, AND MILESTONES OF NANOFILM IN THE PAST YEAR.

FY2023 was marked by dynamic macro challenges and changes, but we have demonstrated our ability to adapt and innovate. As we navigate the complexities of our operating environment, our steadfast focus on delivering green sustainable solutions to our customers, continuous innovation, unwavering integrity, and responsible corporate citizenship will continue to define our corporate identity.

The Group had invested meaningfully in the recent years in expanding our geographical presence strategically, engaging new customers, and developing innovative Deep-Tech solutions. We are well positioned to capitalise on the upcoming opportunities from our customers' business roadmap.

On behalf of the Board of Directors, I would like to present the FY2023 Annual Report to our stakeholders.

PROLIFERATING OUR PRESENCE & DEEP-TECH SOLUTIONS

In our Consumer segment within the Advanced Materials Business Unit ("AMBU"), we have made significant strides in maintaining our leading position with our customers. Our strategic global footprint, aligned with the "China plus one" strategy of our customers, positioned us favourably. We have deepened our presence in Vietnam with the acquisition of a land parcel of more than 43,000 sqm, where we will house our largest plant outside China. In addition, we have expanded into India through a factory-in-factory arrangement with our local partner.

We have gained traction with the onboarding of a new non-Chinese consumer electronics giant for the application of our advanced materials coating solution for their flagship smartphone model, whilst continuing our engagement with other major consumer electronics makers. We have also continued to develop our pipeline with new applications such as the hydrophobic coating solutions.

Under our Industrial segment within the AMBU, we have expedited our penetration into Europe with the acquisition of AxynTeC Dünnschichttechnik GmbH ("AxynTeC"), where it already has a foothold in Germany. With its proven solutions and ready customer base in the industrial, decorative and medical industries, we are confident that AxynTeC will expand our solutions portfolio as well as provide a platform in Europe for the offering of our unique solutions to customers in that region.

Our team in the Nanofabrication Business Unit ("NFBU") continues to actively engage with both existing and prospective customers on new product development, some of which will commence initial builds and production in the coming year.

Customer engagement under Sydrogen Energy Pte. Ltd. ("Sydrogen") has been encouraging despite the slower than anticipated end-consumer demand for hydrogen fuel cell applications. Our advanced material solutions for metallic bipolar plates ("BPP"), SydroDIAMOND®, have gone through rigorous customer validation and trials and continues to do so. We are confident that it offers a comparatively more superior and competitive solution.

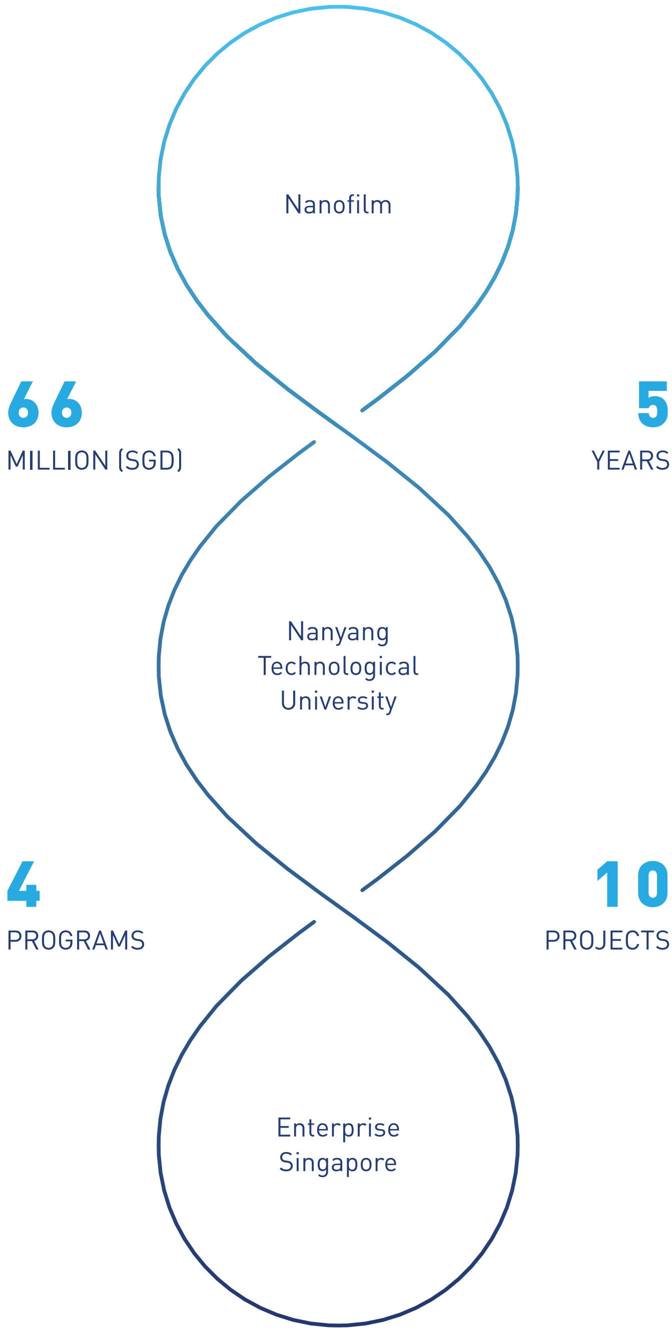
COMMITMENT TO CONTINUOUS SUSTAINABLE INNOVATION

As a Deep-Tech company, innovation is at our core and embedded in our corporate DNA. Under our Sustainable Innovation pillar, we had previously shared our commitment to maintain more than 7% of our revenue in R&D and engineering initiatives. We have invested more than S$79 million in R&D and engineering expenses over the past three fiscal years.

Our commitment allows us to consistently push the limits of material science, through extensive years of dedicated research. The commercialisation journey for such Deep-Tech R&D will entail longer gestational periods. We are grounded by a Deep-Tech platform and fundamentally sound business model, allowing us to continuously deliver breakthroughs in sustainable innovation.

Our dedication to innovation led to the establishment of the NTI-NTU Corporate Laboratory ("**Corp Lab**"), and with good governmental support, we are able to augment our innovation strategy; consolidating and strengthening the deep technological R&D by leveraging the facilities and expertise of Nanyang Technological University ("**NTU**").

PIONEERING A NEW CHAPTER IN NANOTECHNOLOGY SOLUTION

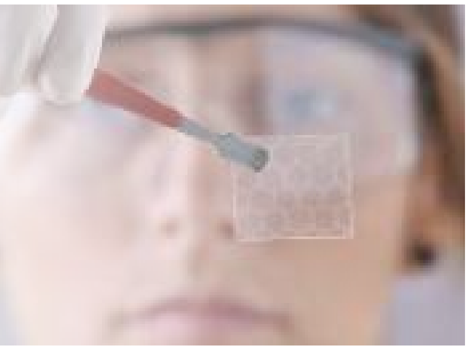


CHAIRMAN'S MESSAGE

RESEARCH PILLARS

COATING EQUIPMENT

Development of large-scale plasma equipment tailored for industrial applications



ADVANCED MATERIALS

Exploration of functional coatings for structural protection, wear resistance, and decorative purposes

NANOFABRICATION TECHNOLOGIES

Exploration of potential of creating metalenses for AR/VR technologies

HYDROGEN ENERGY

Focus on championing sustainable energy solutions through hydrogen

The Corp Lab aims to propel the commercialisation of innovation and technologies, combining Nanofilm's Deep-Tech with NTU's innovation environment, with research focused on four major programmes:

1) **COATING EQUIPMENT**
   Develop cost-effective technologies for depositing protective coatings at an accelerated rate.

2) **ADVANCED MATERIALS**
   Research coatings with functional applications, protecting against wear, corrosion, and providing alternatives to anti-stick solutions.

3) **NANOFABRICATION TECHNOLOGIES**
   Explore nanoscale optical and sensory components for augmented and virtual reality devices.

4) **HYDROGEN ENERGY**
   Focus on fuel cell technologies for affordable and sustainable hydrogen energy.

The Corp Lab is also poised to play a pivotal role in fostering the next generation of researchers and Deep-Tech entrepreneurs. Through the provision of internships, scholarships, and collaborative research projects, students will gain practical experience and exposure to industry-leading technologies.

OPTIMISING OUR INNOVATION AND TECHNOLOGICAL FRAMEWORK

The establishment of the Corp Lab enabled us to enhance our innovative and technological framework through the combined engine of the newly established Corp Lab, our group-level research organisation, the Advanced Technology Research Centre ("**ATRC**") and our Business Units ("**BUs**").

Fundamental research, situated within the Corp Lab, will form the first tier and its focus will be on projects at an earlier Technology Readiness Level ("**TRL**"). The second tier, under the ATRC, will be engaged in more advanced TRL projects, bridging the fundamental research undertaken by the Corp Lab and the third tier, housed directly under the respective BUs, will focus on projects with high potential for commercialisation. ATRC's mandate is to validate and improve the maturity of new technologies and products for eventual mass production by the BUs.

Furthermore, we have introduced the CTO Council ("**Council**"), which I am chairing, to chart the technological direction and strategy of the Group, driving our long-term growth path. This Council features strong technology leaders, CTOs in their own rights, across three distinct areas of technology expertise:

1) Advanced Coating;
2) Nanofabrication; and
3) Renewable New Energy.

These initiatives are meant to solidify our technological lead as well as focus on projects that have high commercial applicability, to steer us towards our objective of long-term sustainable growth for the Group.

SPECIAL THANKS

I wish to express my gratitude to our Board members for their advice and support, especially during this challenging year.

A special note of appreciation to all our management and staff whose dedication and hard work has helped set a better foundation for the Group.

I would also like to thank our valued customers, business partners and suppliers for their trust and support, and I look forward to our continued collaborative efforts in developing and delivering innovative technological solutions to the market.

Lastly, I thank our shareholders for their firm belief and confidence in Nanofilm. Along with the Board and the management team, we remain committed to building long-term shareholder value.

Together, as we embark on the next chapter of our journey, I am confident in our ability to shape a future where Nanofilm continues to be a leader in technological solutions, thrive, and make a positive impact on the world.

Thank you for being part of the Nanofilm family.

DR SHI XU (史旭)
Executive Chairman

OUR BUSINESS

Nanofilm is a global leading technology solutions provider, focused on advanced material science and nanotechnology, with strong innovation DNA, ingrained since 1999 as a Deep-Tech spinoff from NTU. Our Group started with no market positioning and limited capital. Nevertheless, we defied market expectations by successfully competing against tech giants from America, Europe and Japan in gaining market share from customers who are accustomed to their proven conventional technologies.

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

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

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

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

BUSINESS UNITS

ADVANCED MATERIALS

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

NANOFABRICATION

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

INDUSTRIAL EQUIPMENT

Manufacture and supply turnkey equipment systems, ranging from coating equipment to auxiliary equipment (such as cleaning lines) to automation systems, which are installed at customers' production lines. We provide 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.

SYDROGEN ENERGY

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

2023 MILESTONES

EXPANDING AND DEEPING OUR GEOGRAPHICAL PRESENCE

ACQUISITION OF AXYNTEC

Germany

NEW FACTORY IN HYOGO

NEW OFFICE IN TOKYO

Japan

NEW CORPORATE HEADQUARTERS AT TAI SENG

RENOVATED PRODUCTION SITE AT AYER RAJAH

Singapore

NEW MEGA PLANT GROUNDBREAKING CEREMONY

Vietnam

Note
Renovation work in the factory-in-factory arrangement in India is currently underway and expected to be completed in FY2024.

CONTINUAL COLLABORATION WITH STRATEGIC PARTNERS

STRATEGIC COOPERATION BETWEEN SYDROGEN ENERGY & SHANGHAI HYDROGEN PROPULSION TECHNOLOGY CO., LTD ("SHPT")

SIGNING OF MOU BETWEEN SYDROGEN ENERGY & PYXIS MARITIME

COMMITMENT TO DEEPENING OUR INNOVATION ROOTS

LAUNCH OF ADVANCED TECHNOLOGY RESEARCH CENTRE ("ATRC")

LAUNCH OF NTI-NTU CORPORATE LABORATORY

AWARDS RECOGNITION

ACE STARTUP CHAMPION AWARD (NON-STARTUP CATEGORY)

SINGAPORE'S BEST MANAGED COMPANIES 2023

GET-UP20 INNOVATION AWARD FROM A*STAR

ACE STARTUP AWARD

NURTURING INNOVATION

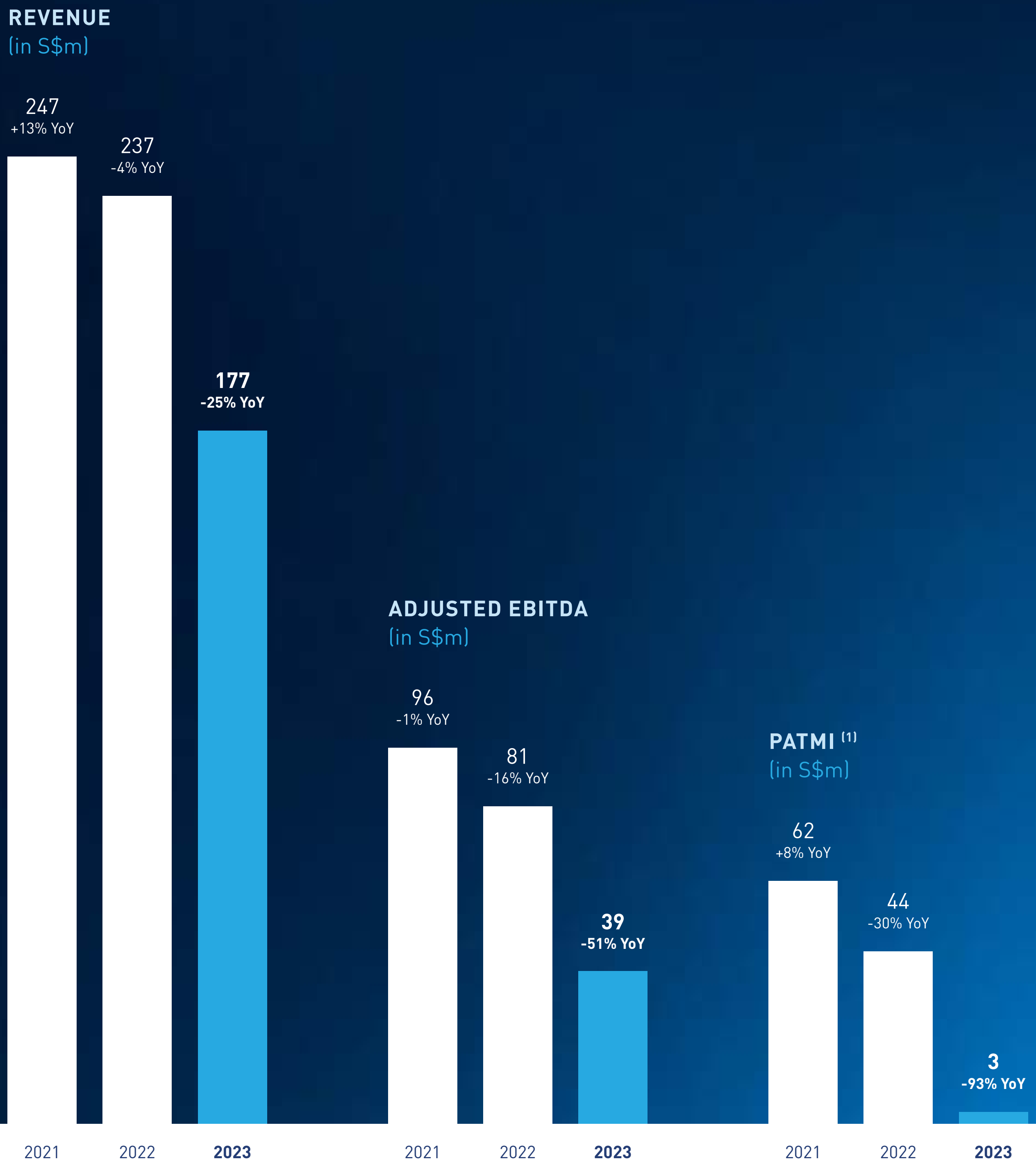
CONTINUED INVESTMENTS IN RESEARCH AND DEVELOPMENT (R&D)

Emphasis on continuous R&D investments, exemplified by the establishment of the NTI-NTU Corp Lab. This initiative underscores our dedication to innovation and technological advancement.

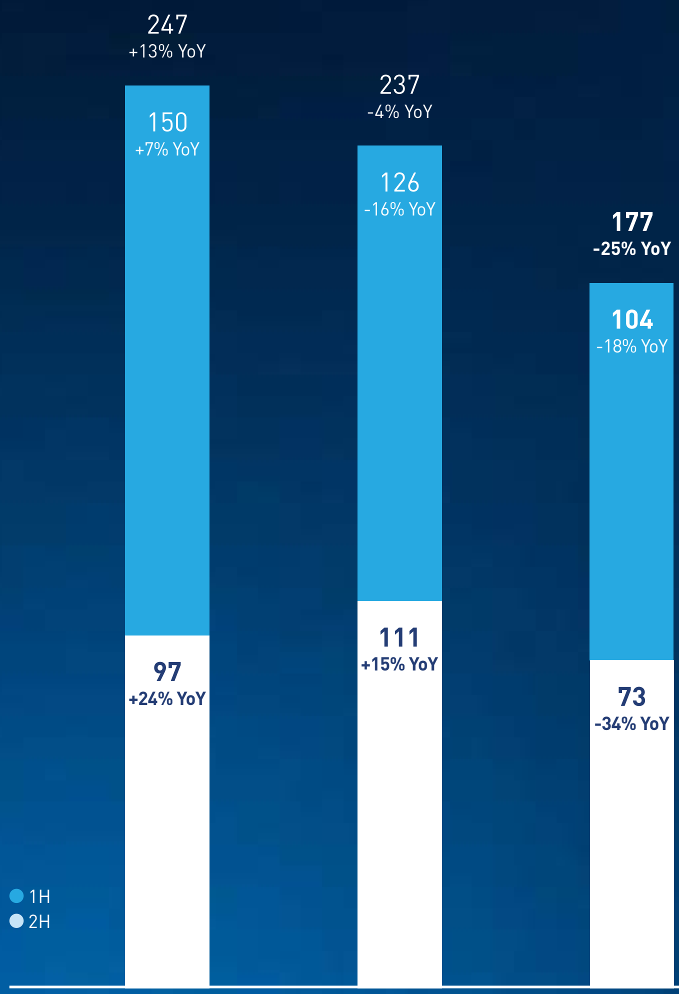
GROUP STRUCTURE

As at 31 March 2024

FINANCIAL HIGHLIGHTS



Source
Company information
(1) Profit after tax and minority interests



REVENUE BREAKDOWN
(in S$m)

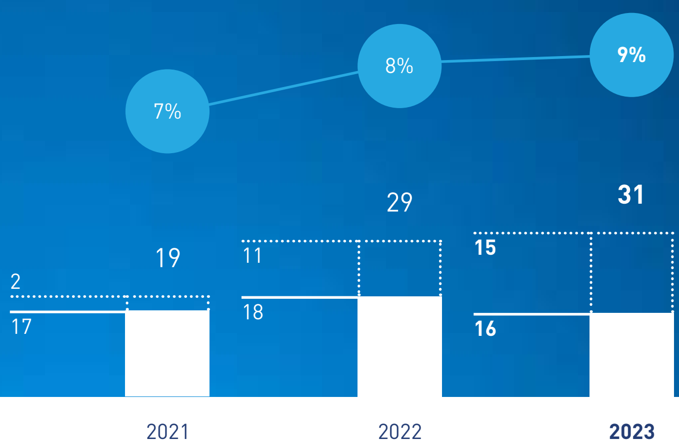
BUSINESS UNITS

S$m	2021	2022	2023
AMBU	194.3	187.2	141.5
IEBU	44.6	30.9	18.4
NFBU	7.8	19.1	16.0
Sydrogen	–	0.2	1.1
TOTAL	**246.7**	**237.4**	**177.0**

END-MARKETS

S$m	2021	2022	2023
Consumer	167.3	171.8	115.2
Industrial	79.4	65.4	60.7
New Energy	–	0.2	1.1
TOTAL	**246.7**	**237.4**	**177.0**

Source
Company information, numbers may not tie due to rounding



INVESTMENT IN TECHNOLOGY & INNOVATION

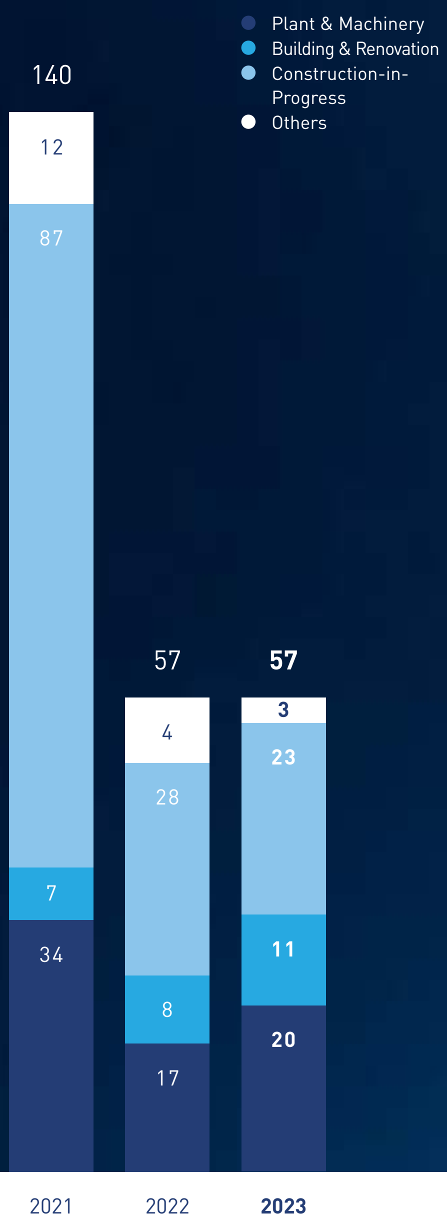
Higher portion of R&D and Engineering activities moving closer to commercialisation

- Total R&D & Eng as % of revenue (%)[2]
- Capitalisation
- R&D & Engineering[1]

Source
Company information, numbers may not tie due to rounding
(1) R&D & Engineering expense excludes Quality Assurance expense
(2) Excludes capitalised R&D & Engineering expenses

PPE UPDATE
(in S$m)

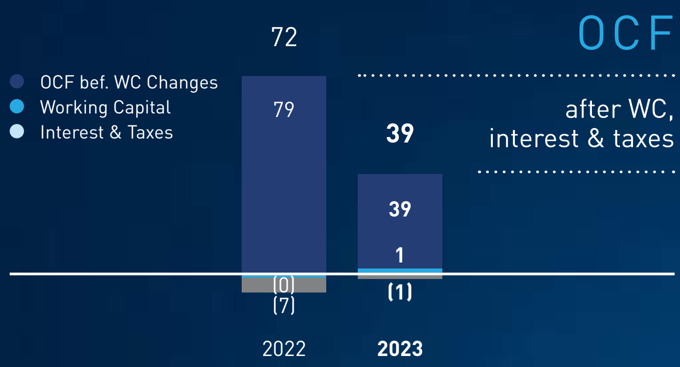
Investments in strategic priorities, enhancing quality asset base to drive future growth



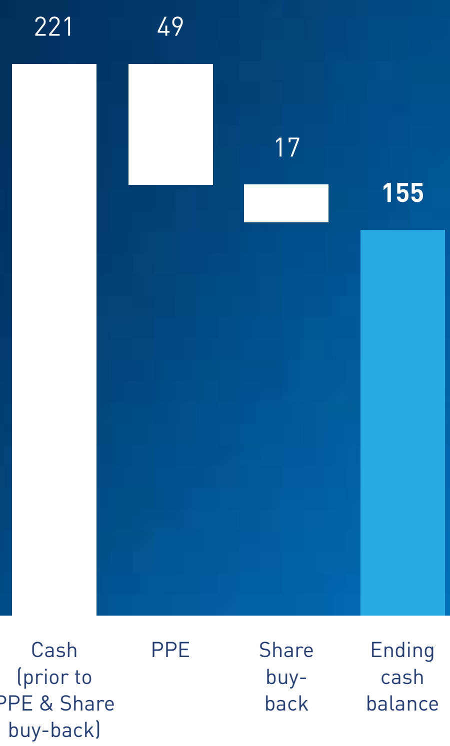
Source
Company information, numbers may not tie due to rounding
Note
Property, plant and equipment ("PPE") amount includes right-of-use assets under leasing arrangements

POSITIVE OPERATING CASH FLOW
(in S$m)

Business resilience with strong positive operating cash flow despite challenging market



TOTAL CASH BALANCE
(in S$m)
as at 31 Dec 2023



Source
Company information, numbers may not tie due to rounding

STRATEGIC REACH

NANOFILM STRATEGIC GEOGRAPHICAL LOCATIONS, OFFER IT A UNIQUE INTERNATIONAL POSITION AS A FIRST MOVER, POSITIONING IT IDEALLY TO EMERGE AS A KEY TECHNOLOGICAL PARTNER FOR CUSTOMERS AIMING TO DIVERSIFY THEIR SUPPLY CHAIN INTO OUR PRODUCTION BASES IN VIETNAM AND INDIA.

Expansion into new regions, notably Europe, through the strategic acquisition of AxynTeC, propelling our penetration into this region.

Strengthening our presence in existing regions with significant developments, including the inauguration of the new Tai Seng headquarters and the establishment of new or renovated sites in Singapore, Japan, and Vietnam, with India sites targeted to be completed in FY2024.

CEO STATEMENT

FY2023 HAS UNDOUBTEDLY BEEN ONE OF RESILIENCE AND ADAPTATION IN THE FACE OF SIGNIFICANT CHALLENGES WITHIN THE GLOBAL BUSINESS SPHERE. THANKS TO OUR SOLID FOUNDATION, WE HAVE EFFECTIVELY NAVIGATED THROUGH THIS PERIOD.

DEAR STAKEHOLDERS,

I am privileged to present Nanofilm's annual report for the financial year ended 31 December 2023 ("**FY2023**"). FY2023 has undoubtedly been one of resilience and adaptation in the face of significant challenges within the global business sphere. Thanks to our solid foundation, we have effectively navigated through this period.

Amidst challenging conditions, I am pleased to report that Nanofilm has both endured and strengthened in FY2023, demonstrating growth and profitability, a testament to our team's dedication and our strategic resilience.

Our robust financial health and strong cash flow have enabled the Board of Directors to recommend a final dividend of 0.33 Singapore cents, subject to approval from our shareholders at the forthcoming Annual General Meeting. With the proposed final dividend, the total dividend for FY2023 will amount to 0.66 Singapore cents. Additionally, demonstrating our commitment to long-term value at Nanofilm, we have conducted a share buyback of 11.1 million ordinary shares amounting to S$16.7 million in FY2023, further aiming to enhance shareholder value.

In our ongoing pursuit of greater efficiency and effectiveness, we have launched initiatives to refine our processes, leading to a 8.7% year-on-year ("YoY") reduction in administrative operating expenses in the second half of the year. Moreover, we have persisted with our strategic plans to expand capacity and upgrade facilities worldwide, despite their immediate effect on operating expenses. These efforts are crucial in setting the stage for our future expansion and solidifying our relationships with major customers, who are industry leaders.

REVENUE

S$177M

DECREASED BY 25% YOY FROM S$237M

PATMI

S$3M

DECREASED BY 93% YOY FROM S$44M

DESPITE THIS DOWNTURN, IT IS CRUCIAL TO ACKNOWLEDGE THE VISIBLE SIGNS OF RECOVERY, ESPECIALLY IN THE SECOND HALF OF THE YEAR, WHICH SHOWCASED THE POSITIVE DYNAMICS AND RESILIENCE OF OUR OPERATIONS. MOST IMPORTANTLY, OUR CONSUMER SEGMENT WITHIN THE AMBU AND THE NFBU HAVE DEMONSTRATED REMARKABLE RESILIENCE, PLAYING A KEY ROLE IN THIS REBOUND DURING THE SECOND HALF OF THE YEAR.

REVIEW OF FY2023 FINANCIAL PERFORMANCE

In FY2023, we faced hurdles that resulted in a 25.4% YoY decrease in Group revenue to S$177.0 million. Despite this downturn, it is crucial to acknowledge the visible signs of recovery, especially in the second half of the year, which showcased the positive dynamics and resilience of our operations. Most importantly, our Consumer segment within the AMBU and the NFBU have demonstrated remarkable resilience, playing a key role in this rebound during the second half of the year.

AMBU in FY2023 experienced a 24.4% YoY decrease in revenue to S$141.5 million, attributable to lower revenue contributions from the Consumer segment. Despite this decline, our Industrial segment within AMBU demonstrated remarkable growth, with double-digit growth of 10.0% YoY growth in printing and imaging and precision engineering applications, as well as a significant 30.8% YoY growth in the Automotive sector.

NFBU experienced lower decline at 16.0% YoY to S$16.0 million, led by a pickup in operational activities in the second half of the year.

Our Industrial Equipment Business Unit faced challenges as industrial equipment sales were impacted by customers' slowdown and indecision in capital expenditure spending. The BU's revenue contribution decreased 40.5% YoY to S$18.4 million, due to lower sales of industrial equipment to third party customers as macroeconomic uncertainties and weak foreign currencies delayed customers' capex spending.

In the fiscal year of 2022, Sydrogen made its notable debut in the market, generating maiden revenue of S$0.2 million. As a specialist in providing coating services for metallic BPP utilised in hydrogen fuel cells, Sydrogen demonstrated its potential for growth and innovation. However, as a burgeoning start-up, Sydrogen also incurred an approximate net loss of S$1.6 million during this period. This loss primarily stems from the company's ongoing investments in research and development, bolstering product development capabilities, and expanding its sales team. Despite facing initial financial challenges, Sydrogen made significant strides in the fiscal year of 2023, as revenue surged to S$1.1 million, representing a remarkable growth rate of 418.0%. This substantial increase is due to an increasing, albeit slower than initially anticipated, market traction within the hydrogen fuel cell industry.

As we look forward, we remain optimistic about Sydrogen's trajectory and its potential to continue driving innovation and value creation in the burgeoning hydrogen fuel cell sector. We are confident in its ability to capitalise on emerging opportunities, further solidifying its position as a key player in the market.

In FY2023, Nanofilm made significant strides in enhancing operational performance, as evidenced by the recovery in Gross Profit Margin during the second half of the year to 40.6%, compared to the first half's 32.0%.

Our cost optimisation efforts have resulted in operational cost savings, which have played a pivotal role in enhancing our overall operational performance in the second half of the year.

The Group's Profit After Tax and Minority Interests for FY2023 decreased by 92.8% YoY to S$3.1 million, primarily due to lower revenues and higher depreciation and amortisation expenses. At a lesser magnitude, our Earnings Before Interest, Taxes, Depreciation and Amortisation for FY2023 declined by 51.1% YoY to S$39.4 million.

Looking ahead, our strategic global footprint, aligned with the "China plus one" strategy of our customers, positioned us favorably for growth opportunities.

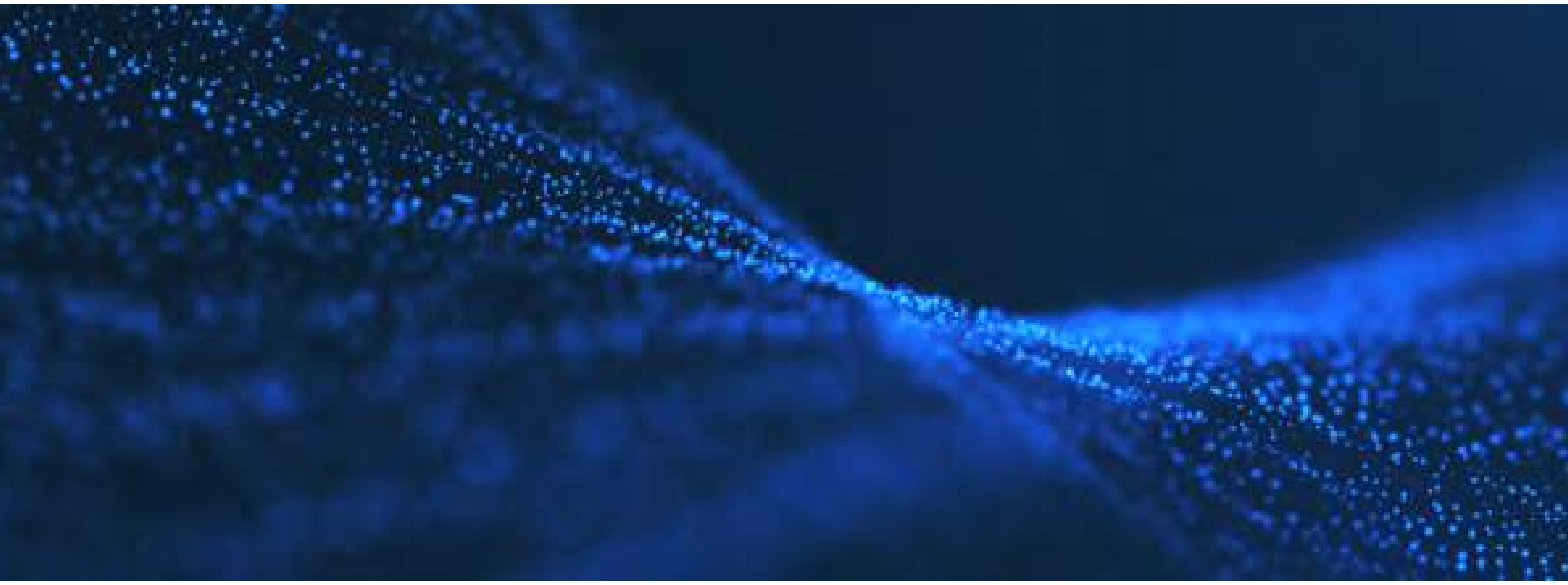
OUR COST OPTIMISATION EFFORTS HAVE RESULTED IN OPERATIONAL COST SAVINGS, WHICH HAVE PLAYED A PIVOTAL ROLE IN ENHANCING OUR OVERALL OPERATIONAL PERFORMANCE IN THE SECOND HALF OF THE YEAR.

LOOKING AHEAD, THE ESTABLISHMENT OF THE NTI-NTU CORPORATE LABORATORY MARKS A SIGNIFICANT MILESTONE, ENABLING US TO LEVERAGE COMBINED RESOURCES AND EXPERTISE TO DRIVE DEEP-TECH INNOVATION.

The strategic acquisition of AxynTeC has been a pivotal move in Europe, which accelerated our market entry and bolstered our offerings with differentiated solutions. Additionally, advancements in Sydrogen's fuel cell systems and the development of BPP coatings underscored our commitment to innovation and technological leadership.

While FY2023 posed challenges, including a decline in revenue and profitability, we remain steadfast in our commitment to sustainable growth and value creation. We continue to invest in research and development, focusing on commercialising innovative solutions that address diverse market needs. In FY2023, our R&D and engineering expenses decreased by 13.6% YoY. This reduction was primarily due to higher capitalisation of eligible R&D and engineering costs, reflecting higher confidence in the commercial viability of the ongoing R&D projects. Notably, our focus on developing new equipment platforms to cater to multiple end-markets, advancements in hydrogen fuel cell-related products, and the nanofabrication of new products have shown promising progress.

Looking ahead, the establishment of the NTI-NTU Corporate Laboratory marks a significant milestone, enabling us to leverage combined resources and expertise to drive deep-tech innovation. This collaborative initiative is poised to yield mutual benefits, enhancing our competitiveness, and positioning us as pioneers in the field of advanced technology.



In FY2023, we continued to make strategic investments in Property, Plant, and Equipment totaling S$49.1 million, excluding lease commitments. These investments were directed towards enhancing our operational capabilities and infrastructure to support our long-term growth objectives. Major PPE investments included significant infrastructure enhancements at our sites in Zigong and Huizhou, as well as the development of a new mega plant 2 in Vietnam, encompassing land acquisition and the initial phase one construction. Additionally, renovations at our Singapore corporate headquarters located at Tai Seng Drive and our Singapore operational site located at Ayer Rajah Crescent were completed, reflecting our commitment to maintaining high standards across our facilities. Furthermore, equipment additions at our sites in Zigong and Huizhou were pivotal in augmenting our production capabilities and ensuring operational efficiency. These investments underscore our dedication to strengthening our operational foundations and positioning the Group for sustained success in the dynamic global marketplace.

As we navigate the uncertainties of the global business landscape, our strategy to collaborate with leading high-technology companies across multiple industry segments remains a cornerstone of our success. This deliberate approach not only fosters business diversification but also fortifies our resilience, equipping us to confront adversities head-on while seizing advantageous prospects.

In conclusion, I extend my sincere appreciation to our dedicated team, valued customers, and supportive shareholders for their unwavering commitment and trust in Nanofilm.

As we look towards the future, we remain optimistic about the abundance of opportunities that await us. Our commitment to innovation, operational excellence, and strategic partnerships will persist as we strive to propel growth and create long-term value for our shareholders.

GARY HO HOCK YONG
Executive Director and
Group Chief Executive Officer

FORGING CONNECTIONS

CUSTOMER-CENTRIC APPROACH AND STRATEGIC COLLABORATIONS:

Focus on meeting customer needs and fostering mutually beneficial relationships.

Evidenced by the establishment of strategic collaborations such as those between:

- Sydrogen and SHPT
- Sydrogen and Pyxis Maritime Pte. Ltd.

BOARD OF DIRECTORS

DR SHI XU

EXECUTIVE CHAIRMAN

MR GARY HO HOCK YONG

EXECUTIVE DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER

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

Dr Shi has his roots in research and academia. He was previously a Lecturer (from 1991 to 1993), Senior Lecturer (from 1993 to 1996) and Associate Professor (from 1996 to 1999) at the Nanyang Technological University. Dr Shi graduated from Tongji University with a Bachelor of Science (Physics), and went on to obtain his Doctor of Philosophy (Physics) from the University of Reading. He has earned numerous accolades, including the National Technology Award received in 2000 from the National Science and Technology Board (now known as A*STAR), the Innovation Award received in 2001 from the Economic Development Board, the EY Entrepreneur of the Year (Singapore) received in 2017 from Ernst and Young and the Businessman of the Year, Singapore Business Awards received in 2021 from the Business Times and DHL Express.

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

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

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

MR RUSSELL THAM MIN YEW

NON-EXECUTIVE AND NON-INDEPENDENT DIRECTOR

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

Previously, he worked at Applied Materials, a Silicon Valley headquartered technology MNC, from 1994 to 2018 where he last held the position of President, Applied Materials Southeast Asia and concurrently held global corporate level business development responsibilities for new markets. He led the regional business and oversaw the company's Singapore infrastructure expansion into manufacturing, supply chain, R&D and product development for global markets. Having joined Applied Materials in 1994, he assumed the position of Regional General Manager, Southeast Asia from 2004 to 2009 after serving in various positions between 1994 to 2003. He went on to concurrently hold various global leadership roles.

Mr Tham serves on the board of AEM Holdings Ltd. which is an SGX-listed company, Xora Innovation Pte. Ltd. and Surbana Jurong Private Limited. He is a board member of Infocomm Media Development Authority, IMDA and Tangram Asia Capital LLP.

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

MS ONG SIEW KOON @ ONG SIEW KHOON

LEAD INDEPENDENT DIRECTOR

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

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

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

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

BOARD OF DIRECTORS

MR KRISTIAN JOHN ROBINSON

INDEPENDENT DIRECTOR

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

He is presently the Managing Director of Spruson & Ferguson (Asia) Pte Ltd, a role he has held since 2012 and one which has seen him expand its footprints into various Intellectual Property markets in Asia (including Hong Kong, SAR, Bangkok, Thailand and Jakarta, Indonesia). Mr Robinson has held various roles in Spruson & Ferguson companies since 2003.

Mr Robinson is a registered Patent Attorney in Singapore, Australia and New Zealand and has more than 27 years of experience in this field. He holds a Bachelor of Engineering (Chemical) (Honours) from Curtin University of Technology, and a Bachelor of Science (Chemistry) from Murdoch University.

MR STEVE GHANAYEM

INDEPENDENT DIRECTOR

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

Prior to this, he led a long and successful career of over three decades with Applied Materials, Inc. Mr Ghanayem joined Applied Materials in 1989 as a Process Engineer and rose through the ranks, developing and launching new products while leading several different product lines.

During his tenure, he and his teams were instrumental in the development and commercialisation of many flagship products, some even becoming industry benchmarks. In 2014, Mr Ghanayem, as Group Vice President and General Manager, led the largest business unit in the company at the time, the Transistor and Interconnect Group.

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

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

MS LEE LEE KHOON

INDEPENDENT DIRECTOR

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

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

After retiring from Ernst & Young, Ms Lee joined Kuok Singapore Group from 2019 to 2021 as its in-house tax adviser where she was involved in many local and overseas projects of this dynamic multinational conglomerate across its diversified business operations. She was further responsible for building, strengthening, coaching and training of the in-house tax team.

Ms Lee graduated from the University of Singapore (now known as National University of Singapore) with a Bachelor of Accountancy. She is an Accredited Director of the Singapore Institute of Directors and a Fellow Chartered Accountant of Singapore as well as a Fellow of CPA Australia.

MR WAN KUM THO

INDEPENDENT DIRECTOR

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

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

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

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

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

SENIOR MANAGEMENT

MR LIM KIAN ONN
GROUP CHIEF FINANCIAL OFFICER

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

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

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

MR GIAN YI-HSEN
GROUP CHIEF STRATEGY OFFICER

Mr Gian Yi-Hsen was appointed as Group Chief Strategy Officer with effect from 15 June 2023. He holds the responsibility of supervising and implementing our Group's corporate strategies, identifying emerging opportunities and managing our Group's M&A activities to facilitate our inorganic growth. Mr Gian also manages our Group's sustainability tracking and reporting process, along with overseeing the risk management systems. Additionally, he serves as the chief executive officer of our subsidiary, Sydrogen Energy Pte. Ltd, overseeing its day to day operations. Mr Gian joined our Group as Vice President (Strategy & Planning) in May 2021, and subsequently as Deputy Chief Executive Officer (Strategy & Planning) from June 2021 to December 2021, and as Group Chief Commercial and Strategy Officer from 1 January 2022 to 14 June 2023.

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

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

MR IAN HOWE
GROUP CHIEF COMMERCIAL OFFICER

Mr. Ian Howe was appointed as Group Chief Commercial Officer on 15 June 2023 and is responsible for overseeing, managing and executing our Group's overall commercial strategy, including to lead the Advanced Materials BU, Global Industrial Surface Coatings operations. From January 2023 to the effective date of his appointment as our Group Chief Commercial Officer, Mr Howe was engaged as our Company's consultant to provide professional business strategy and marketing advisory services.

Mr. Howe has over 20 years of international and cross-functional business management experience in surface technologies, additive manufacturing, and powder metallurgy industries.

Prior to joining our Group, Mr. Howe was with Additive Industries B.V. as Chief Executive Officer from 2021 to 2022 where he was responsible for company strategy, business development, and growth as well as leading the management, commercial and business development teams, strategic marketing, innovation roadmaps and business improvement projects.

Prior to that role, Mr. Howe was with Oerlikon Surface Solutions as Director of Sales and Marketing from 2012 to 2014 and Business Line Head from 2015 to 2021 where he was responsible for business development and growth, management of core teams as well as mergers and acquisitions of businesses. Previously, Mr. Howe served multiple roles with Höganäs Group from 1996 to 2012 including as Global Marketing Director of Höganäs Sweden from 2010 to 2012 and Director of Application and Product Development of North American Höganäs Inc from 2006 to 2010. In these roles, he was responsible for leading the startup of additive manufacturing segment, business development and growth, mergers and acquisitions, establishment of core teams, technology roadmaps and operations footprints.

Mr. Howe graduated from the Sandwell College, United Kingdom in 1996 with a Higher National Diploma in Metallurgy. He obtained a Master of Materials Engineering in Metallurgy and a Master of Business Administration in Strategy, Marketing and Finance, both from The Open University, United Kingdom in 2001 and 2009 respectively.

CORPORATE INFORMATION

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

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

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

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

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

JOINT COMPANY SECRETARIES
Ms Eunice Hooi
Ms Zhan Aijuan

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

COMPANY REGISTRATION NUMBER
199902564C

GROUP WEBSITE
https://www.nti-nanofilm.com/

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte Ltd
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632

AUDITORS
Moore Stephens LLP
10 Anson Road
#29-15 International Plaza
Singapore 079903
Partner-in-charge: Ms Lao Mei Leng
(since financial year ended 31 December 2023)
Chartered Accountant, a member of Institute of Singapore Chartered Accountants

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

Orient Capital Pty Ltd
Ms Payal Dave / Mr Rajesh Agrawal
Email: NanoFilmProjectTeam@linkgroup.com

PRINCIPAL BANKERS
Oversea-Chinese Banking Corporation Limited

Singapore address:
63 Chulia Street
#10-00 OCBC Centre East
Singapore 049514

China address:
No. 1155 Yuanshen Road
Pudong New District
Shanghai, China

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

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

China Construction Bank
Shanghai branch
Shanghai Yangtze River Delta integration demonstration zone sub-branch
500 Cheng Zhong East Rd Qingpu
Shanghai, China

Joint Stock Commercial Bank For Foreign Trade of Vietnam
Hai Duong Branch
No. 66 Nguyen Luong Bang
Binh Han district
Hai Duong City
Hai Duong province, Vietnam

HSBC Continental Europe
The Netherlands
De entrée 236, 1101
EE Amsterdam, The Netherlands

DBS Bank India Ltd
No. 3, Salarpuria Windsor,
Ulsoor Road, Bangalore 560042

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

BOARD STATEMENT

DEAR STAKEHOLDERS,

Nanofilm Technologies International Limited ("**Nanofilm**" or the "**Company**", "**We**", "**us**"), together with our subsidiaries (the "Group"), is delighted to present our fourth Sustainability Report ("**Report**") for the financial year ended 31 December 2023.

Nanofilm adopts a four-pillar sustainability strategy comprising, 'Sustainable Innovation', 'Environment', 'Social' and 'Responsible Business'. The 'Sustainable Innovation' pillar reflects Nanofilm's deep tech DNA and our commitment to using our deep tech capabilities to address various global environmental issues.

In FY2023, Nanofilm has continued to make progress on our sustainability efforts despite the difficult business environment. In particular we have made significant milestones in the 'Sustainable Innovation' and 'Environment' pillars with the NTI-NTU Corporate Laboratory and GHG emissions reduction through procurement of clean hydroelectricity and solar installations. Steady progress has also been continued in our 'Social' and 'Responsible Business' pillars through initiatives like the Nanofilm Technology Forum.

In FY2023, we have established the $66 million NTI-NTU Corporate Laboratory in collaboration with Nanyang Technology University ("**NTU**"), supported by the Singapore government under RIE2025[1]. Leveraging the expertise of Corp Lab, we aim to drive sustainable innovations that position Nanofilm as a leading deep tech company, advancing our Environmental, Social, and Governance ("**ESG**") goals. This NTI-NTU Corporate Laboratory will also be a common platform for public and private collaborators to access NTI's deep tech, contributing to a more vibrant and robust RIE ecosystem. This is in addition to the continued investment in clean technology for hydrogen solutions through Sydrogen Energy.

Throughout the year, Nanofilm has achieved notable environmental sustainability milestones, particularly in our commitment to clean energy initiatives.

- In FY2023, we have utilised approximately 66,761.64 MWh of clean electricity, achieved sourcing 100% of our electricity used in our Shanghai plants from renewable sources.

- In Shanghai, we have successfully installed solar panels on the roofs of both plants with a total capacity of 2.4 MWp. Since implementation, the solar panels have generated approximately 1,828.36 MWh of electricity and has marked a substantial step in reducing our carbon footprint.

On the social and training front, Nanofilm implemented our inaugural Nanofilm Technology Forum for our global technical staff to interact, learn and collaborate about the new deep technology that the various parts of the Group have been undertaking and further hone our skills in commercialising deep technology.

In FY2023, we have reviewed our material topics inventory to ensure alignment with our sustainability approach across four pivotal pillars: Sustainable Innovation, Environmental, Social, and Responsible Business. Sustainability is a vital and integral part of our corporate strategy for achieving long-term sustainable growth through value creation for our people, our environment and our society.

1 RIE2025 refers to Research Innovation Enterprise 2025 national 5 year research plan.

SUSTAINABILITY REPORT

Nanofilm maintains a robust sustainability governance structure, overseen by its Board, CEO, and senior management ("**Senior Leaders**"). The Senior Leaders are responsible for managing sustainability and climate-related matters, including formulating strategies, goals, policies, and guidelines. The CEO, supported by the Chief Strategy Officer ("**CSO**"), chairs the sustainability team, which executes the work plan and monitors key performance indicators. The CSO provides leadership on sustainability strategy, goals, and targets, ensuring a holistic approach across Nanofilm's operations. In accordance with Rule 720(7) of the SGX-ST Listing Rules, all the Directors of the Company have attended sustainability training courses to equip themselves with knowledge on sustainability matters.

This Report is a valuable tool for engaging with stakeholders and addressing issues that matter most to them and our business. It enhances our risk management, strategy development, and stakeholder engagement activities, helping us to focus and prioritise sustainability and corporate social responsibility initiatives.

The scope of this Report encompasses material sustainability aspects from 1 January 2023 to 31 December 2023, with performance data from operations in China, Singapore, Vietnam and Japan. We believe this Report adequately addresses stakeholders' concerns related to sustainability issues arising from our major business operations. In FY2023, we have updated and restated the machine production hours and the scope 2 greenhouse gas ("GHG") emission baselines for FY2022. This is a result of updates to the calculation methodology and the grid emission factor, respectively.

Moreover, in alignment with our commitment to transparency and best practices, we have adopted the "dual reporting" method for disclosing scope 2 greenhouse gas ("**GHG**") emissions. This approach enables us to provide comprehensive insights by disclosing both market-based and location-based emissions for FY2023.

This Report is prepared in compliance with the SGX-ST Listing Rules 711A & 711B and with reference to the latest Global Reporting Initiative ("**GRI**") Standards as it provides an extensive framework that is widely accepted as a global standard for sustainability reporting. The Report also takes into account Sustainability Reporting Guide of Practice Note 7.6 of the SGX-ST Listing Manual. In addition, Nanofilm quantifies and reports its GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the Scope 2 Guidance.

Our commitment to transparency and accuracy is demonstrated through internal data monitoring, verification processes, and regular internal review and audit of our sustainability reporting processes. We welcome your views and feedback on our sustainability practices and reporting at sustainability@nti-nanofilm.com.

Thank you for your continued support as we work towards a sustainable and responsible future.

Board of Directors
Nanofilm Technologies International Limited

APPROACH TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

Sustainability is a fundamental focus at Nanofilm, and we are dedicated to establishing a robust governance structure that ensures the entire organisation is aligned with sustainability principles, aiming for positive and lasting impacts.

The Board, CEO and Senior Leaders oversee the overall management of sustainability and climate-related matters and the formulation of sustainability and climate-related strategies, principles, goals, policies and guidelines. At least two meetings are held annually for the Board to approve Nanofilm's sustainability plans and review the progress updates presented by the CEO and CSO. The Board oversight extends to the material ESG factors, subject to annual reviews to maintain relevance and alignment with current business needs. These factors are integral to shaping the strategic direction and policies of the organisation.

In the preparation and review of this Report, the Senior Leaders actively participated, ensuring a comprehensive and informed perspective before its approval and publication.

The CEO is supported by the CSO, the sustainability leader, to chair the sustainability team. The CSO is responsible for providing leadership and direction on the sustainability and climate-related strategy, goals and targets. The CSO also regularly reviews and monitors the Company's sustainability and climate-related key performance indicators.

The sustainability team, comprised of experts from various functions such as human resources, finance, procurement/supply chain, marketing, research and development, operations, and legal, is responsible for executing the sustainability and climate-related work plan. They provide timely monitoring of key performance indicators to the CSO, ensuring a holistic approach to sustainability throughout Nanofilm's operations.

SUSTAINABILTY GOVERNANCE AT NANOFILM

SUSTAINABILITY REPORT

SUSTAINABILITY PILLARS

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

Sustainable innovation
Advancing technological solutions and innovations with a commitment to sustainability. Drive the commercialisation of deep tech solutions and position Nanofilm as a leader in sustainable innovation.

Environment
Minimising environmental impact and reducing resources consumption. Contribute to a cleaner and more sustainable environment through technological advancements.

Social
Building and sharing knowledge, fostering education, and contributing to societal well-being. Empower individuals with the skills needed for the future and positively impact society through collaboration and education.

Responsible Business
Integrating responsible and sustainable practices into business operations. Foster a culture of responsibility, innovation, and excellence, positioning Nanofilm as a socially and environmentally conscious business leader.

SUSTAINABLE INNOVATION

- Technology-Based Sustainable Solutions
- Hydrogen Economy
- Continuous Operational Improvements
- Sustainable "Green Plating"

ENVIRONMENT

- Managing Carbon Foorprint
- Energy Efficiency
- Water Efficiency

SOCIAL

- Employees Development & Welfare
- Community Involvement

RESPONSIBLE BUSINESS

- Sound Corporate Governance
- Robust Systems & Policies

MATERIALITY ASSESSMENT

The materiality assessment serves as a crucial process, enabling us to stay attuned to evolving sustainability issues and proactively manage sustainability-related risks and opportunities integral to our long-term business viability.

In the current reporting year, we undertook a comprehensive materiality assessment, meticulously capturing market trends and gaining insights into emerging sustainability risks and opportunities impacting our industry and operations. Nanofilm remains committed to an annual review and evaluation of the list of material sustainability topics. This iterative process ensures that our sustainability initiatives remain harmonised with our business goals and aligned with the expectations of our stakeholders.

Using a three-step approach, the materiality assessment process started with the identification of material topics relevant to Nanofilm, followed by prioritisation by stakeholders and lastly, the chosen material topics were reviewed and approved by the Board.

THREE-STEP APPROACH FOR MATERIALITY ASSESSMENT PROCESS

1
STEP 1 REVIEW AND IDENTIFY

- Conduct a peer benchmarking exercise.
- Review ESG rating agencies' requirements and mainstream sustainability reporting standards.

2
STEP 2 ALIGN AND PRIORITISE

- Sustainability topics were shortlisted through a broad stakeholders' engagement.
- Conduct stakeholder interviews to obtain their input and expectation on Nanofilm's sustainable practices.

3
STEP 3 VALIDATE

- The Board and CSO reviewed the material topics to ensure that the prioritisation of the selected material topics remain relevant and pertinent to Nanofilm.

SUSTAINABILITY REPORT

In FY2023, we have refined the list of material topics, focusing on core issues and aligning them with our sustainability approach across four pillars: sustainable innovation, environment, social, and responsible business. This refinement reflects our dedication to fostering an agile business framework and a sustainability strategy with a clear focus.

NANOFILM'S MATERIAL SUSTAINABILITY TOPICS

SUSTAINABILITY PILLAR	MATERIAL TOPIC	RELEVANT SECTION OF THE REPORT
Sustainable Innovation	Sustainable Innovation	Sustainable Innovation
Environment	GHG Emissions & Climate Strategy	Environment - Carbon Emissions and Climate Change
	Energy Consumption	Environment - Energy Management
	Water Consumption	Environment - Water Management
	Waste Management	Environment - Waste Management
Social	Human Capital Development	Social - Human Capital Development Social - Employment Profiles and Welfare
	Diversity and Inclusion	Social - Diversity and Inclusion
	Health and Safety	Social - Health and Safety
	Human Rights and Labour Management	Social - Human Rights and Labour Management
	Local Communities	Social - Local Communities
Responsible Business	Corporate Governance	Responsible Business - Corporate Governance
	Business Ethics	Responsible Business - Business Ethics

STAKEHOLDER ENGAGEMENT

We value our stakeholders and recognise the importance of responsible business development. To achieve this, understanding stakeholders' expectations in the economic, environmental, and societal realms is paramount. We regularly consult our stakeholders using a holistic framework to identify key issues.

Our stakeholders are categorised into internal and external groups. Internally, we engage with the Board, management, and employees. Externally, we collaborate with customers, strategic business partners, regulatory authorities, shareholders/investors, media, analysts, suppliers, and vendors.

NANOFILM'S INTERNAL AND EXTERNAL STAKEHOLDERS

Stakeholders	Engagement Method	Stakeholders' Expectation	Nanofilm's Responses
CUSTOMERS AND STRATEGIC BUSINESS PARTNERS	• Direct feedbacks via sales channel engagement • Site visits to our production facilities • Co-development of research and development projects • Periodic assessment and audits performed by customers relating to impacts on environment, health, safety, and social factors	• Continue to develop innovative solutions that are mission critical in nature • Establish green factory • Ensure business continuity	• Provide a sustainable factory environment while providing solutions needed by customers • Creating value in a sustainable and responsible manner • Ensure that we meet customers' ESG requirements
EMPLOYEES	• Employee's survey and interactions • Internal updates and communication • Events and functions	• Provide training and education • Manage occupational health and safety • Maintain work life balance	• Ensure workplace health and safety enable the employees to work comfortably and safely • Employment benefits to address basic needs and help to manage stress and improve health • Training and career development are in place to improve effectiveness and productivity
REGULATORY AUTHORITIES	• Regular updates and communication • Reports and compliance • Periodical meetings with government bodies • Dialogue with government bodies	• Contribute to regulatory landscape shaping as a market participant	• Attending market events to increase communication, visibility and transparency • Play a part in contributing to economy activities and value-adding output in countries we have presence in
SHAREHOLDERS/ INVESTORS, MEDIA, AND ANALYSTS	• SGX Announcements • Shareholders' meeting • Annual reports and Circulars • Company's website • Regular updates and communication	• Long-term profitability • Sustainability matters • Group's performance against targets • Compliance with all relevant requirements	• Committed to delivering economic value to our capital providers through a strong financial performance and our engagement with them • Regular and effective communication
SUPPLIERS, VENDORS	• Periodic supplier's assessment • Supplier's meetings	• Ability to meet Company's quality standards • Ability to meet Company's delivery timelines	• Periodic suppliers' assessments to ascertain quality of products and services acquired to ensure that they are free from hazardous substances • Supply chain due diligence to ensure our suppliers do not have incidents of human rights and child labour violation

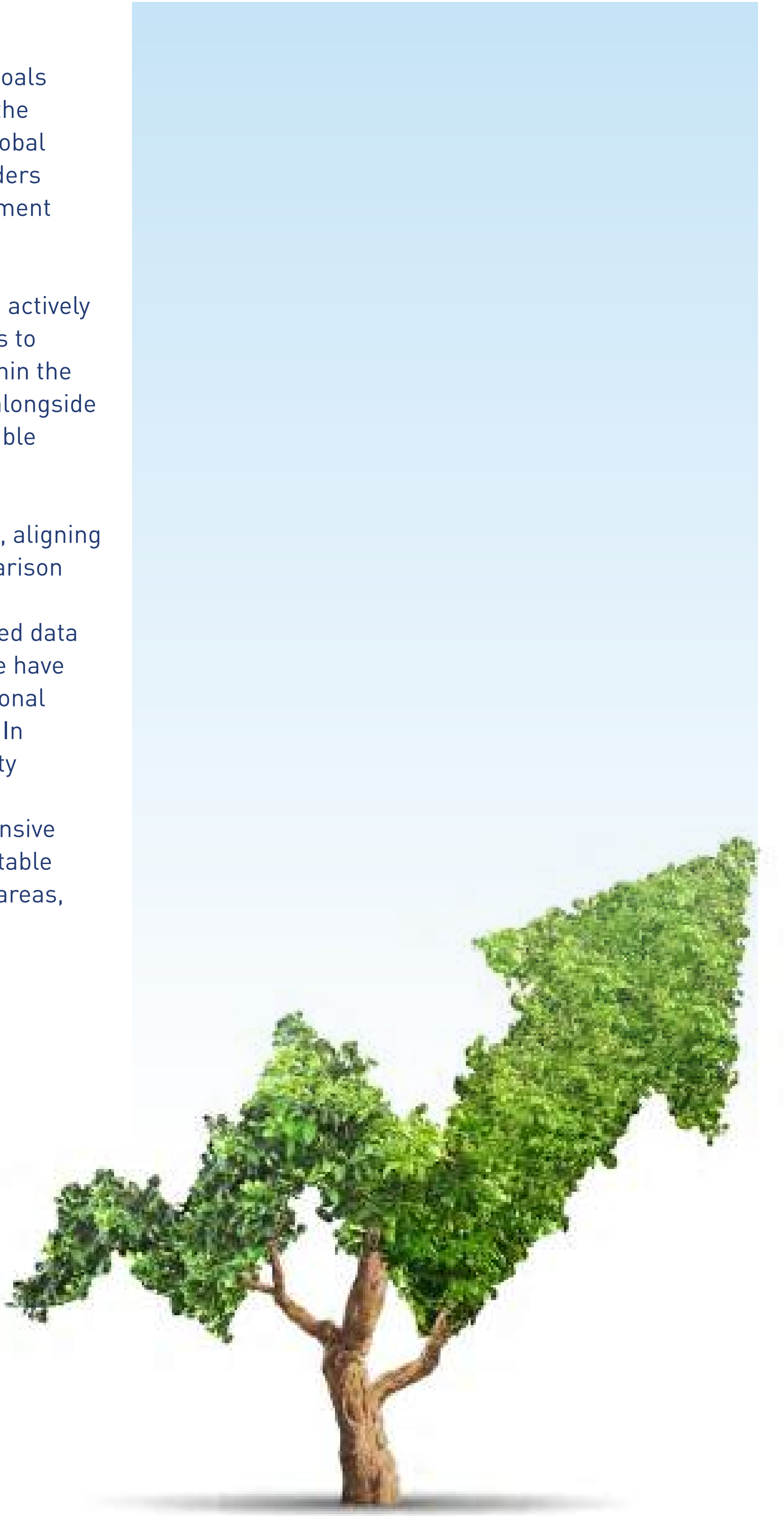
SUSTAINABILITY REPORT

OUR TARGETS AND PERFORMANCE

The United Nations Sustainable Development Goals ("**UN SDGs**") constitute a pivotal component of the 2030 Agenda for Sustainable Development, a global framework unanimously adopted by World Leaders during the United Nations Sustainable Development Summit in September 2015.

At Nanofilm, we are unwaveringly committed to actively supporting the UNSDGs. Our dedication extends to fostering social and economic development within the societies and communities where we operate, alongside our commitment to climate action and responsible business practices.

In the past year, we fine-tuned our 2030 targets, aligning them with FY2022 data to ensure a fairer comparison that encapsulates the full scope of the Group's operations. Moving into FY2023, with an improved data collection system for our coating operations, we have significant increased granularity on our operational status including production hours calculations. In addition, we have launched various sustainability initiatives, furthering our progress towards achieving our long-term goals. For a comprehensive understanding of our sustainability efforts, the table below provides detailed insights into our focus areas, targets, and contributions to the various SDGs.



OUR 2030 TARGETS MEASURED AND FY2023 PERFORMANCE AGAINST 2022 BASE YEAR

Nanofilm's Sustainability Pillars	UN SDGs	Metrics	FY2022 Performance	FY2023 Performance	2030 Target
Sustainable Innovation		Research and Development ("R&D") and engineering expenses as a percentage of total revenue	7.7%	9.4%	>7.0%
Environment		GHG emissions intensity (tCO_2e/'000 production hours)	41.07 (market-based)	6.38 (market-based)	40% reduction in GHG intensity to achieve 24.64 tCO_2e/'000 production hours[2]
		Percentage of total energy use from renewable sources or purchased carbon credits	0%	87%	At least 50%
		Production wastewater discharge intensity (m^3/'000 production hours)	649.00	409.68	80% reduction in production wastewater discharge intensity to achieve 129.8 m^3/'000 production hours
Social		Annual staff training (average hours/employee)	31.44	21.07	40
		Rate of recordable work-related injuries (per 1,000,000 hours worked)[3]	1.64	0.84	<1.0
Responsible Businesses		% of critical direct suppliers covered by human rights, environmental, health and safety due diligence screening	100%	100%	100%
		% of new employees who have completed the Compliance and Code of Conduct training within 6 months of employment	100%	100%	100%
		No. of instances of forced and child labour in operations	Zero Instances	Zero Instances	Zero Instances

This commitment underscores our proactive stance in addressing global challenges and contributing to a sustainable future in line with the United Nations' ambitious agenda.

2 Production hours refers to machine production hours.

3 Number of total recordable work-related injuries over the total man hours for the period (per 1,000,000 hours worked)

SUSTAINABILITY REPORT:

SUSTAINABLE INNOVATION

CORE PRINCIPLES

Striving for innovation and operational excellence in a sustainable and responsible way

Continue R&D of technologies to create solutions with positive sustainability impact and improve lives

SUSTAINABILITY REPORT

TECHONOLOGY-BASED SOLUTIONS

Since our establishment in 1999, Nanofilm has emerged as a leading provider of nanotechnology solutions, leveraging our proprietary technologies, core competencies in R&D, engineering and production, to provide technology-based solutions across a wide range of industries. Our commitment extends across a diverse array of industries, where we deliver technology-based solutions that set industry standards.

Our comprehensive portfolio includes cutting-edge solutions in advanced materials, nanofabrication, and equipment engineering. Through the formulation of advanced materials and nanofabrication processes, we actively contribute to fostering a more sustainable environment. Our solutions play a pivotal role as catalysts, empowering our customers to achieve high-value advancements in custom end-products. By replacing finite base materials, our innovations introduce new functionalities and extend product lifespans.

The adaptability and advantages afforded by our proprietary technologies enable our solutions to be seamlessly applied across various industries. This flexibility has allowed us to venture into new markets previously inaccessible to conventional technologies. At Nanofilm, we consistently push the boundaries of technology applications, integrating new materials and techniques to explore novel applications.

KEY HIGHLIGHTS

Nanofilm has made a significant investment of $16.6 million to propel R&D, underlining our dedication to pushing the boundaries of technological advancement.

R&D investments accounted for 9.4% of our total revenue.

Formation of the NTI-NTU Corporate Laboratory

SUSTAINABILITY REPORT

Nanofilm's strategic vision involves a substantial increase in investment proportions dedicated to clean technology R&D, in particular investment to develop solutions for the hydrogen economy and replacement for electro-plating. This initiative underscores our commitment to developing innovative solutions that address pressing environmental challenges and aligns seamlessly with our broader sustainability goals. We adhere strongly to our policy and guideline governing our clean technology investment that outlines the Company's commitment to sustainability innovation.

To enhance our R&D capabilities, we have formed a robust and highly skilled team devoted to supporting the Group across all facets of technical innovations. With over 400 employees globally dedicated to R&D and engineering endeavours in FY2023, Nanofilm remains at the forefront, driving advancements and establishing benchmarks in the dynamic nanotechnology landscape.

Currently, Nanofilm holds an impressive portfolio of a more than 100 patents and trademarks, a testament to our commitment to innovation. In FY2023, we have made a significant investment of $16.6 million to propel R&D, underlining our dedication to pushing the boundaries of technological advancement. Notably, our R&D investments accounted for 9.4% of our total revenue. Looking ahead to 2030, our ambition is to continue to invest more than 7.0% of our total revenue in R&D and engineering, aligning with our vision to drive innovative and sustainable growth.

SUSTAINABLE "GREEN PLATING"

As the global economy intensifies its pursuit of decarbonisation, various industries, including surface treatments, are actively seeking sustainable alternatives to conventional industrial processes. There is a growing demand for environmentally friendly surface treatment solutions, particularly for anti-corrosion and protection, to replace traditional methods like electroplating, which are inherently pollutive.

Through the synergy of Nanofilm's advanced vacuum solutions and Shenzhen Everwin Precision Technology Co. Ltd.'s ("**Everwin**") manufacturing capabilities, Sichuan Apex Technologies Co., Ltd ("**ApexTech**"), is strategically poised to harness opportunities in the commercialisation of vacuum coating technologies for metal components in electric vehicle ("**EV**") battery packs and energy storage systems. This approach aims to replace the conventional electroplating method with a sustainable, scalable, cost-competitive, and environmentally friendly solution.

The long-term goal is to introduce environmentally friendly coating solutions in various industries and applications, gradually replacing electroplating across diverse domains. This strategic vision aligns with the broader trend towards sustainable practices and positions ApexTech as a key player in advancing cleaner and more sustainable manufacturing processes.

HYDROGEN ECONOMY

The World Bank[4] has emphasised the pivotal role of clean hydrogen in mitigating the impacts of climate change and facilitating the decarbonisation of challenging-to-abate sectors heavily reliant on fossil fuels. Unlike traditional clean energy sources such as solar, wind, and hydropower, which are subject to nature's variability, clean hydrogen stands out as a promising solution. Nanofilm recognises the limitations of conventional clean energy, particularly in terms of predictability and effective long-term storage through batteries.

At Nanofilm, we believe that hydrogen fuel cell technology represents the future of carbon neutrality due to its utilisation of hydrogen as a storable and transportable fuel. In line with this vision, Sydrogen Energy Pte. Ltd., a Joint Venture between Nanofilm and a wholly owned subsidiary of Temasek Holdings Private Limited, has been established. Sydrogen is dedicated to the development and manufacturing of fuel cell components that play a crucial role in overcoming existing limitations and facilitating the widespread use of hydrogen as a clean energy source.

One of our breakthrough innovations, SydroDIAMOND®, is a cutting-edge Bipolar Plate ("**BPP**") carbon coating. This technology can replace costly noble metals like gold, leveraging the superior properties of diamond and graphite to provide outstanding corrosion resistance and high conductivity for metallic BPPs. Sydrogen's advanced materials solutions find applications in both hydrogen fuel cell systems, where hydrogen is used to generate electricity, and electrolyser systems, where hydrogen is produced from water. In FY2023, we have begun commercial shipments of SydroDIAMOND® coated BPP to a key Chinese automotive customer for integration into their fuel cell system. Through such innovations, we are actively contributing to the advancement of clean energy and sustainable solutions for a carbon-neutral future.

In FY2023, Sydrogen Energy Pte Ltd achieved a significant milestone by signing a MOU with Pyxis Maritime Pte Ltd. This collaboration aims to develop hydrogen fuel cell solutions for the maritime harbour craft ecosystem, spanning from shore to sea. The objective is to support Singapore's electrification goals and pave the way towards achieving net-zero emissions. This initiative underscores our commitment to driving sustainable advancements and promoting the adoption of clean energy solutions in critical sectors.

4 https://www.worldbank.org/en/topic/energy/publication/sufficiency-sustainability-and-circularity-of-critical-materials-for-clean-hydrogen

SUSTAINABILITY REPORT

CONTINUOUS OPERATIONAL IMPROVEMENTS

At Nanofilm, our commitment to environmental sustainability is ingrained in the very fabric of our innovations and technologies. We steadfastly pursue enhancements in our operational processes and systems, not merely for efficiency gains but also to minimise the environmental footprint of our business. Our Operational Excellence Suite encompasses various aspects, including manufacturing operational systems (MES, QTS, PTS), LEAN system thinking, process transformation, customer engagement, talent management, sustainability, and technology. This suite serves as a guiding framework for the day-to-day operation of our business.

LEAN SYSTEM THINKING

Since our inception in mid-2017, the integration of LEAN system thinking into our daily business operations has been a consistent and integral aspect of our approach. In FY2023 alone, we successfully concluded 16 LEAN projects, addressing critical processes such as minimising cycle time for industrial equipment, enhancing maintenance downtime, optimising equipment capacity, increased productivity and yield. This builds on a robust legacy, as we have completed over 1,300 LEAN projects since FY2017.

Key areas of focus for LEAN projects in FY2023

- Improving operational efficiencies
- Improving production quality and productivity
- Waste reduction and costs optimisation

MES, QTS MOVE TOWARDS INDUSTRY 4.0

We are actively advancing toward Industry 4.0, the Fourth Industrial Revolution, within our manufacturing operations. A significant milestone was achieved in 2021 with the successful implementation of SAP systems group-wide. Building upon this foundation, we have taken proactive measures to enhance our MES, QTS, and PTS systems[5].

In alignment with our commitment to technological progress, we have initiated the integration of automation and robotics into our manufacturing lines. This includes the deployment of remote diagnostics tools for inspecting coating quality, the implementation of robotic welding, and transformative processes for wire coiling. Furthermore, we have introduced automation for loading and unloading, sorting, and visual inspection.

As part of our strategic vision, we are dedicated to further refining and expanding our smart manufacturing processes. Plans are underway to increase the use of robotics and automation across our manufacturing lines wherever feasible.

5 Manufacturing Execution System ("MES"), Quality Tracking System ("QTS"), Project Tracking System ("PTQ")

OTHER COLLABORATIONS

NTI-NTU CORPORATE LABORATORY

Nanofilm is dedicated to sustainable innovation, evident in our collaboration with NTI and NTU to establish the NTI-NTU Corporate Laboratory. Launched on 1 November 2023, and supported by the Singapore government under RIE2025, this initiative is aligned with national commitments to research and innovation, driving economic growth and addressing challenges. With the total project value of $66M for 5 years, we are intending to provide research scholarship opportunities to 13 Ph.D. candidates in grooming local talents.

The Corporate Laboratory aims to propel the commercialisation of Innovation and Technologies, combining NTI's deep technology with NTU's innovation environment. Over 2023 to 2028, the lab focuses on four key areas:

Coating Equipment
Develop cost-effective technologies for depositing protective coatings at an accelerated rate.

Advanced Materials
Research coatings with functional applications, protecting against wear, corrosion, and providing alternatives to anti-stick solutions.

Nano-fabrication Technologies
Explore nanoscale optical and sensory components for augmented and virtual reality devices.

Hydrogen Energy
Focus on fuel cell technologies for affordable and sustainable hydrogen energy.

NTI-NTU CORPORATE LABORATORY LAUNCHING CEREMONY

SUSTAINABILITY REPORT:

ENVIRONMENT

CORE PRINCIPLES

Protecting the environment for the benefit of future generations

Committing to improve carbon footprint and water efficiency

SUSTAINABILITY REPORT

CARBON EMISSIONS AND CLIMATE CHANGE

RESPONDING TO CLIMATE CHANGE

Nanofilm is dedicated to navigating the complexities of climate change with a proactive and responsible approach. As stewards of sustainability, we recognise the profound impact that climate change can have on our operations, supply chain, and the broader business landscape.

We acknowledge the growing importance of transparency regarding climate-related risks and opportunities. While we have not yet included disclosures aligned with the Task Force on Climate-Related Financial Disclosures ("**TCFD**") recommendations in this year's Sustainability Report, we are actively working on to embark on the climate reporting journey and to develop a comprehensive report encompassing disclosures which are consistent with TCFD's recommendations for the coming year.

CARBON EMISSIONS

GRI 305-1, GRI 305-2, GRI 305-4, GRI 305-7

Nanofilm is dedicated to adopting sustainable practices to minimise its GHG emissions across both Scope 1 and Scope 2 categories. Our ongoing initiatives are aligned with international benchmarks, and we continuously seek innovative solutions to further reduce our environmental impact.

The daily operations of our manufacturing contribute a certain percentage to the overall GHG emissions. Hence, we strive to mitigate the environmental footprint as much as possible while achieving the highest manufacturing performance. Our journey began in FY2020 when we initiated the monitoring and measurement of energy consumption and GHG emissions. In FY2021, we expanded our reporting scope to include performance data from our operations in Vietnam. Continuing this commitment, FY2022 saw the inclusion of operations in Yizheng, China, and Osaka, Japan, reflecting our dedication to encompassing all material operations across the entire Group. In FY2023, we maintain the same reporting boundaries, covering the entire Group, while improving our production data collection system.

KEY HIGHLIGHTS

5,636.28 tonnes of carbon dioxide equivalent ("tCO_2e") total scope 1 and scope 2 GHG emissions (market-based)

GHG Intensity: 6.38 tCO_2e/'000 machine production hours (market-based)

28,807.65 tCO_2e avoidance due to usage of electricity from the solar power and hydropower

Sourcing **100%** electricity from renewable sources for Shanghai site

37% reduction in wastewater discharge intensity in FY2023 compared to FY2022

44% reduction in water consumption in FY2023 compared to FY2022

Waste recycling **increased from 34 metric tons to 206 metric tons**

SUSTAINABILITY REPORT

SCOPE 1 AND 2

Our Scope 1 emissions are direct GHG emissions from owned sources of the Group, including the consumption of petrol and diesel. Our Scope 2 GHG emissions arise from the usage of electricity by third parties for use at our operations. We started calculated Scope 2 GHG emissions using the "dual reporting"[6] methodology outlined in the GHG Protocol corporate standards 2015 revision.

In FY2023, Nanofilm reported a total of 5636.28 tCO_2e for combined scope 1 and scope 2 GHG emissions (market-based) across our diverse operations in Singapore, China, Vietnam, and Japan. The use of electricity from solar and hydropower sources in Shanghai operations resulted in zero Scope 2 GHG emissions from the indirect energy consumption in that location. As we continue to expand our global footprint, we expect to tap into market-based carbon abatement opportunities where available and suitable.

NANOFILM'S FY2022(RESTATED), FY2023 GHG EMISSIONS

	FY2023					FY2022[7]
	Singapore	China (Shanghai + Yizheng)	Vietnam	Japan	Group	Group
Total Scope 1 GHG emissions (tCO_2e)	0	69.36	7.76	0.98	78.09	271.82
Total Scope 2 GHG emissions (Location based) (tCO_2e)	1,381.85	31,635.63	1,140.91	207.59	34,365.99	37,461.62
Total Scope 2 GHG emissions (Market based) (tCO_2e)	**1,381.85**	**2,827.83**	**1,140.91**	**207.59**	**5,558.19**	**37,461.62**
Total Scope 1 and Scope 2 GHG emissions (Location based) (tCO_2e)	1,381.85	31,704.99	1,148.67	208.57	34,444.08	37,733.44
Total Scope 1 and Scope 2 GHG emissions (Market based) (tCO_2e)	**1,381.85**	**2,897.19**	**1,148.67**	**208.57**	**5,636.28**	**37,733.44**

Our GHG emissions intensity levels are measured in tCO_2e per 1,000 machine production hours[8]. In FY2023, the GHG emission intensity is reported at 6.38 tCO_2e per thousand ('000) machine production hours under market-based method. The restated GHG emission intensity in FY2022 was 41.07 tCO_2e per thousand ('000) machine production hours under market-based method. We are committed to closely monitoring the emissions intensity across our sites and enhancing the efficiency of our operational processes. Our target is to achieve a 40% reduction in GHG emissions intensity, aiming for 24.64 tCO_2e per 1,000 machine production hours by 2030 based on the 2022 baseline under market-based method.

6 Dual reporting requires the Company to report scope 2 emissions in two ways and label each result according to the method: one based on the location-based method, and one based on the market-based method. (GHG Protocol Scope 2 Guidance Pg.8)

7 We updated and restated the Scope 2 GHG emission baselines in FY2022 due to the update in the emission factors in China. We have adopted the national average grid emission factor for our operations in Shanghai and Yizheng as per Ministry of Ecology and Environment of the People's Republic of China's notice in 2022.

8 In FY2023, we have updated and restated the calculation method for the machine production hours.

REDUCING AIR EMISSIONS

Certain operations within our facilities generate various air emissions as by-products of chemical reactions, encompassing volatile organic compounds ("**VOCs**"), hydrogen chloride, fluoride, and others. All our permitted sites actively monitor these emissions to guarantee strict compliance with local regulations. In FY2023, we initiated the practice of transparently disclosing significant air emissions resulting from our operations. In the reporting year, our Shanghai operations reported a total of 83.04 kg of air emissions, with the following breakdown of emission types.

Type	Emissions (kg)
Volatile organic compounds (VOC)	63.00
Hydrofluoric acid	5.88
Fluoride	4.45
Oil mist	3.94
Sulphuric acid	3.23

SUSTAINABILITY REPORT

ENERGY MANAGEMENT

GRI 302-1, GRI 302-3, GRI 302-4, GRI 302-5

Recognising the growing importance of environmental responsibility in our industry, Nanofilm prioritises energy efficiency as a key focus area. While our advanced coating technologies necessitate energy consumption, we are committed to minimising our environmental footprint and continuously seek opportunities to optimise energy usage.

Nanofilm has obtained ISO 14001 certification across our sites in Singapore, China, and Vietnam, and has implemented environmental policies in line with national and local regulations. The Company is committed to pollution prevention, waste reduction, energy conservation, and promotes environmental awareness among its employees.

Nanofilm is committed to reaching a goal of sourcing a minimum of 50% of its total energy consumption from renewable sources or purchased carbon credits by 2030. We have implemented various energy conservation initiatives across our operational locations to support this objective.

SOLAR POWER

Staying true to our commitment, Nanofilm is taking steps to implementing renewable energy throughout our production plants. Starting with Shanghai, we have successfully installed solar panels on the roofs of both plants, spanning a total of 19,000 m^2, with a total capacity of 2.4 MWp, supporting our operations across both plants. Since implementation, the solar panels have generated approximately 1,828.36 MWh of electricity, which is equivalent to 767.76 tCO_2e avoidance[9].

HYDROPOWER

Since January 2023, we have switched to hydropower in our Shanghai plants as one of the initiatives to utilise clean electricity for our production. With hydropower, we have successfully converted the power supplied to our coating machines to one that is renewable. In FY2023, we have utilised approximately 66,761.64 MWh of hydropower electricity, achieved sourcing 100% of our electricity from renewable sources for Shanghai site, and this has led to 28,039.89 tCO_2e avoidance.

SHUTTING DOWN WHEN NOT IN USE

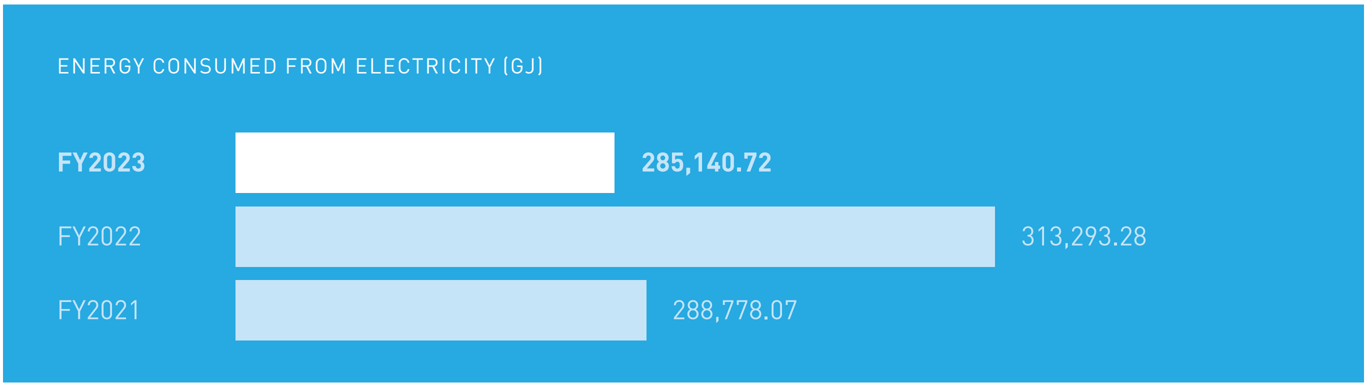
We have implemented an 'OWN' (Off When Not-in-use) initiative which enforces our production to shut down the coating machines in between coating batches. When each batch completes its coating cycle, the unloading – cool down – loading process in between the next batch would typically take about 2 hours. With OWN, we have successfully reduced the idling energy consumption of our equipment contributing to reduction of over 10% of our production energy consumption.

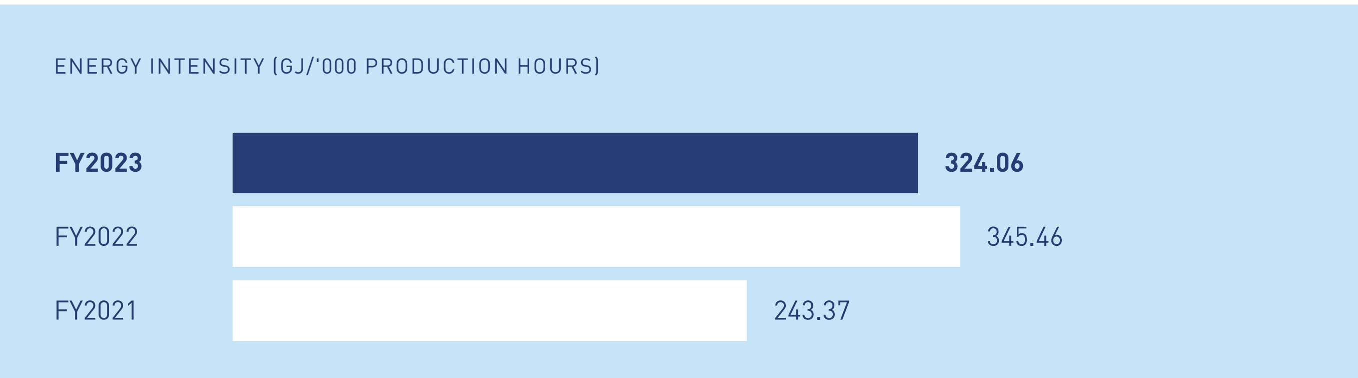
ENERGY EFFICIENT EQUIPMENT

Use of energy efficient inline machines, chillers and compressors has been implemented throughout our production plants. We have increased the use of our proprietary inline machines, which are more energy efficient as they have the load-lock mechanism, reducing the need for vacuum pumping. Inline machines can be up to 20% more energy efficient than traditional batch machines. Since the setup of Shanghai Site 2, with our greater scale, Nanofilm has been shifting to more efficient chillers and compressors, contributing to energy consumption reduction.

9 Emissions avoidance in this Report is defined as the full displacement or prevention of GHG emissions expected to be generated by planned GHG emitting actions in energy from the Electric Grid. The Shanghai regional grid emission factor (4.2t CO_2/ 10^4kWh, source: Shanghai Municipal Bureau of Ecology and Environment.) is selected for the emission avoidance calculation. Source: UNFCCC A.6.4 and A.6.2 Issues on Emissions Avoidance.

In FY2023, Nanofilm consumed a total of 286,247.22 GJ of energy, with energy intensity of 324.06 GJ per thousand ('000) machine production hours[10], reflecting a 6.2% reduction compared to the restated energy intensity in FY2022, which was 345.46 GJ per thousand ('000) machine production hours. The energy consumed from fuel totalled to 1,106.50 GJ. The total energy consumed from electricity amounted to 285,140.72 GJ. Notably, a substantial 86.6% of this electricity was sourced from clean energy, namely solar and hydropower, underscoring our commitment to environmentally friendly power sources. This significant proportion of clean energy usage aligns with our sustainability goals and reflects our dedication to reducing our carbon footprint.





10 In FY2023, we have updated and restated the calculation method for the machine production hours. The restated energy intensity in FY2022 was 345.46 GJ per thousand ('000) machine production hours.

SUSTAINABILITY REPORT

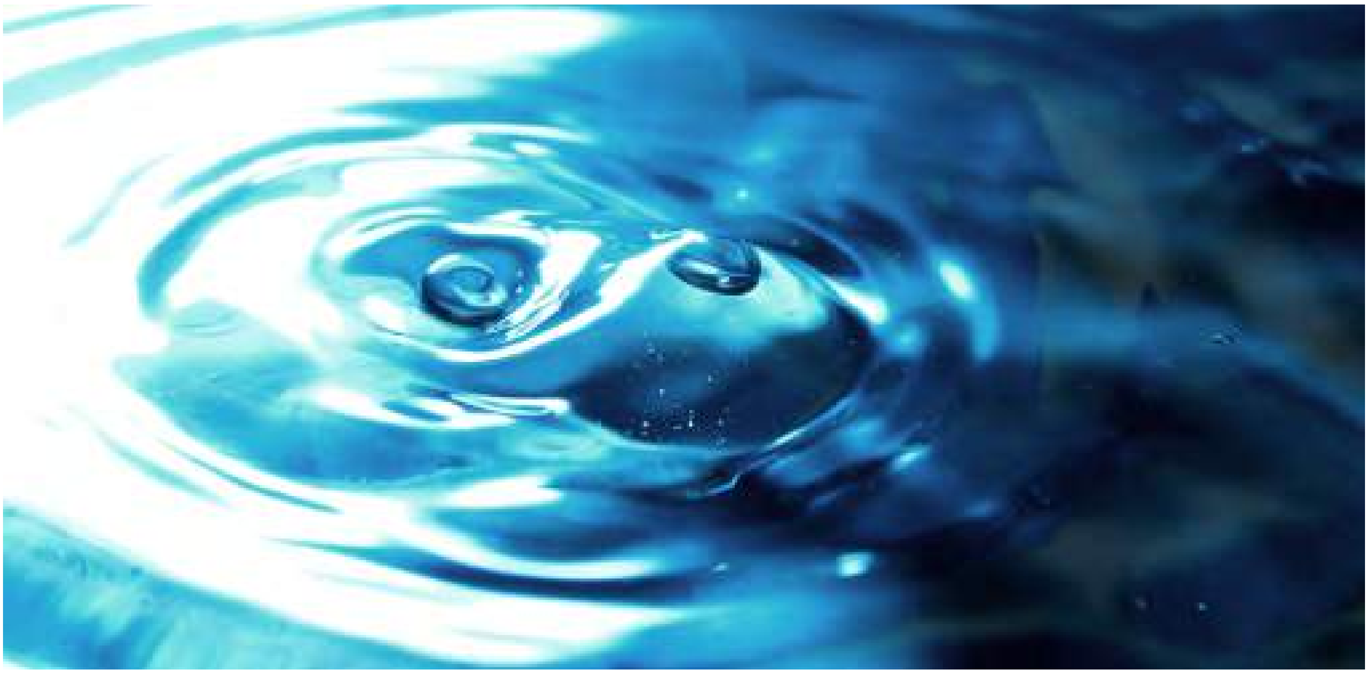
WATER MANAGEMENT

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

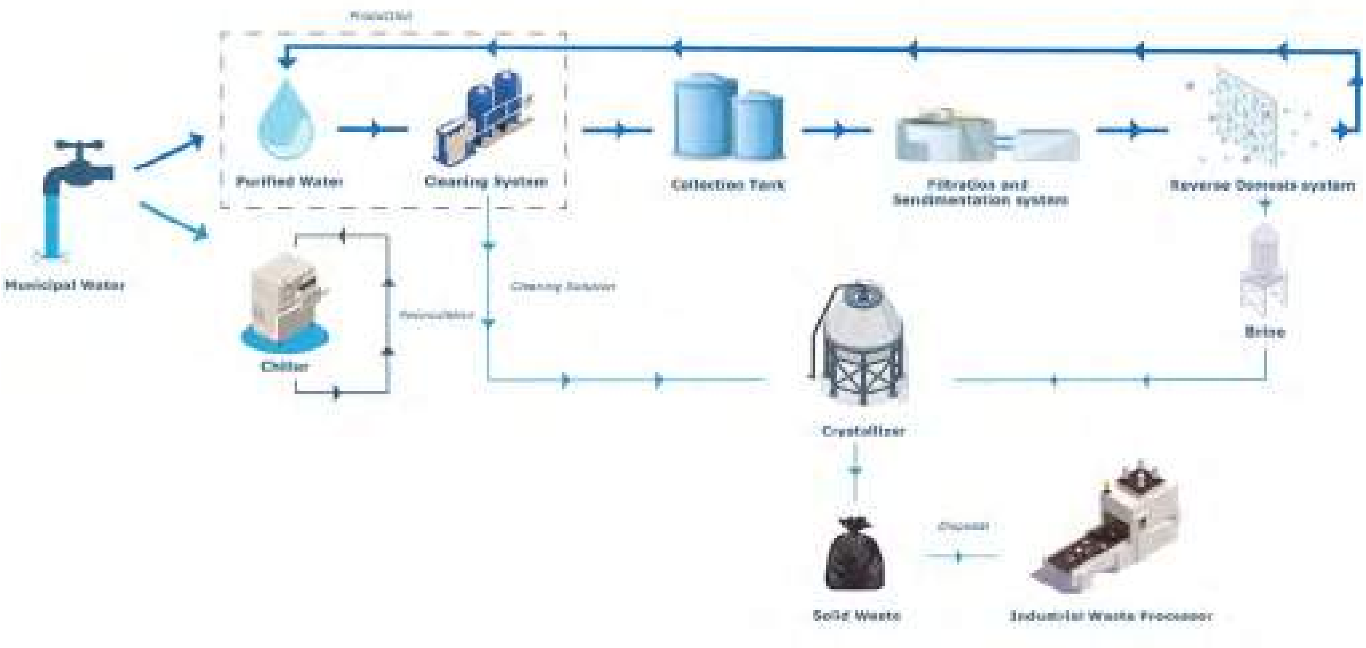
Nanofilm recognises the importance of our planet's natural resources and strive to adhere to high standards to responsibly manage our environmental impact. In response to the growing concerns related to water as a natural resource, Nanofilm aims for zero production liquid waste discharge and has adopted a wide range of measures to reduce water consumption at our factories, installing water-efficient fittings and raising awareness of water scarcity issues among our employees to promote sustainable water management.

Water discharge from Nanofilm's production processes, if not managed responsibly, could potentially lead to water contamination, aquatic life disturbance, community health concerns and more. Hence, we place great emphasis on adhering to environmental standards, regularly monitoring and testing discharge, and investing in sustainable practices to contribute to a more responsible and eco-friendly operation.

Nanofilm has implemented water recycling process in our cleaning operations since 2015, to ensure the wastewater from the cleaning process (prior to coating) is collected, filtrated, and reused in our daily operations besides the cleaning process. However, to further improve our water recycling rates, we have installed a reverse osmosis wastewater recycling system in 2022 that purifies our cleaning process wastewater into the pure water suitable for the cleaning process. Cleaning solutions that cannot be reused will be combined with the brine generated from the reverse osmosis system and sent to a crystalliser where they will be crystallised and disposed as solid waste. As a result, we have achieved a substantial reduction in water consumption since implementation. In FY2023, there was a remarkable 43.8% reduction compared to the previous fiscal year (FY2022).



NANOFILM WATER RECYCLING SYSTEM AND PROCESS



Nanofilm demonstrates its dedication to sustainable water management through comprehensive measures implemented across its global operations. In China, 100% of water discharged from production undergoes treatment, a result of significant investments in evaporative wastewater treatment and water recycling systems, effectively reducing overall water discharge. We remain committed to building on this success by planning to install additional water recycling systems, aiming for zero production water discharge globally.

In Shanghai, Nanofilm monitors sewage and wastewater discharge adhering to Shanghai's Comprehensive Sewage Discharge Standard (DB31/199-2018). All wastewater is crystallised and disposed of through third-party licensed contractors. Importantly, Nanofilm's production processes do not release or produce chemicals classified and labelled as high-concern substances.

SUSTAINABILITY REPORT

In Vietnam, we use a small amount of water for production in the grinding stage. Water used for grinding is recirculated and reused, without generating wastewater. For domestic wastewater, we have a preliminary treatment system and have partnered with the industrial park management board to ensure the discharged water meets the quality standards specified by Vietnamese law, with regular sampling and analysis conducted by third parties and local authorities. The Company adheres to the Environmental law in Vietnam and complies with QCVN 14:2008 Column B, the National Technical Regulation on Domestic Wastewater.

In Singapore, Nanofilm adheres to the environmental standards set by the National Environment Agency ("NEA"). We closely monitor sewage and wastewater discharge, ensuring strict compliance with the nation's environmental regulations.

In FY2023, our total water withdrawal amounted to 406,887.51 cubic meters (m^3), exclusively sourced from third-party (municipal) water supplies. Of the total water consumed, 368,014.51 m^3 is used for production.

The total volume of water discharged from our production facilities in FY2023 was lower than in FY2022, totalling 359,936.51 m3. Our production wastewater discharge intensity for FY2023 was 409.68 m^3 per thousand ('000) machine production hours[11], indicating a 37% reduction in wastewater discharge intensity compared to the restated figure in FY2022 attributed to the implementation of a water-recycling system.

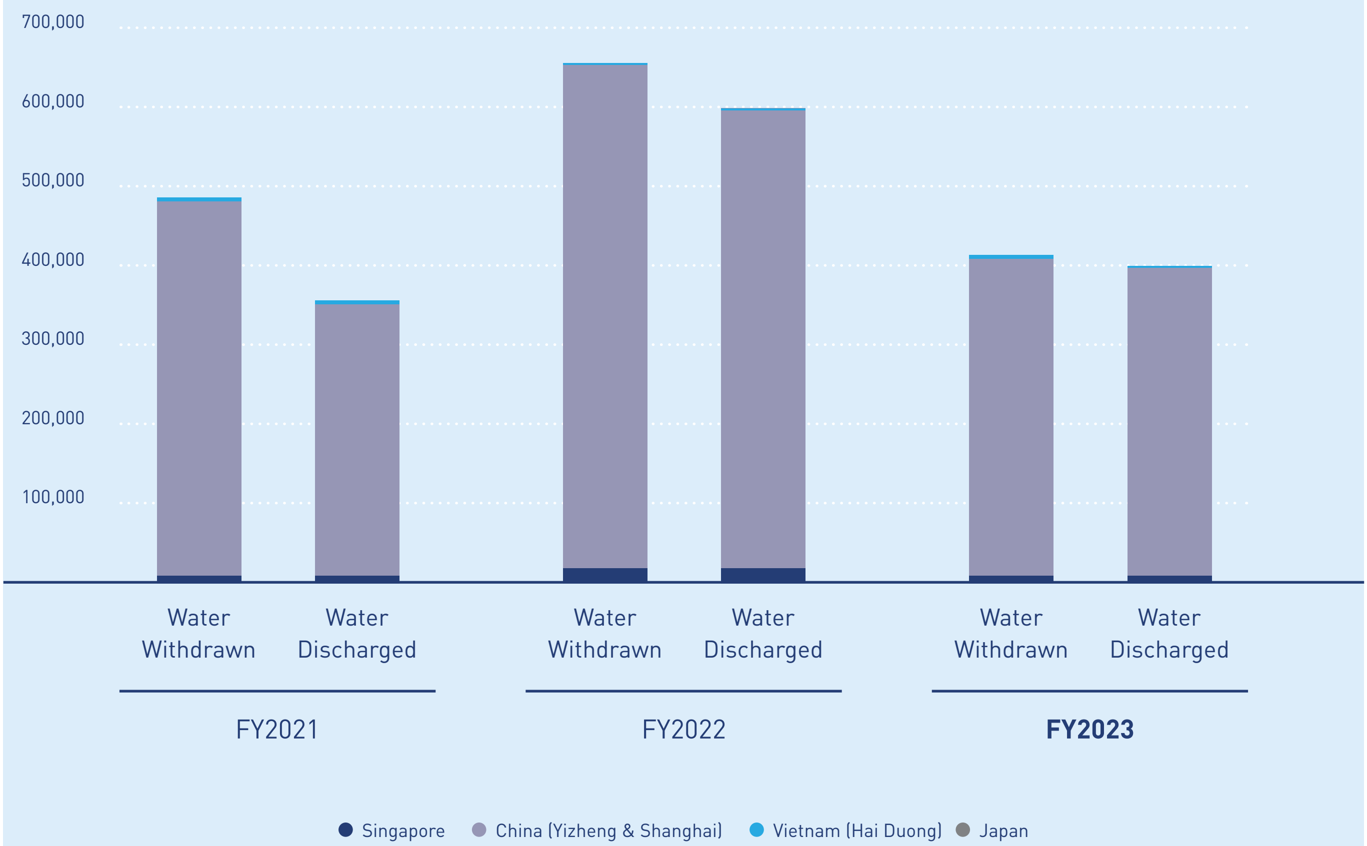
PRODUCTION WATER WITHDRAWAL AND DISCHARGE (M^3)

		FY2021		FY2022		FY2023	
	Water Stress[12]	Water Withdrawn	Water Discharged	Water Withdrawn	Water Discharged	Water Withdrawn	Water Discharged
Singapore	Low	7,800.00	7,800.00	18,228.00	18,228.00	9,663.51	9,663.51
China (Shanghai& Yizheng)	Extremely High (Shanghai) Low (Yi Zheng)	480,858.00	352,989.00	634,498.44	576,463.00	355,896.00	350,241.00
Vietnam (Hai Duong)	Low to Medium	1,151.00	1,151.00	1,949.00	1,559.00	2,423.00	1,938.00
Japan	Low to Medium	–	–	7.00	7.00	32.00	32.00
Group	–	489,809.00	361,940.00	654,682.44	596,257.00	368,014.51	361,874.51

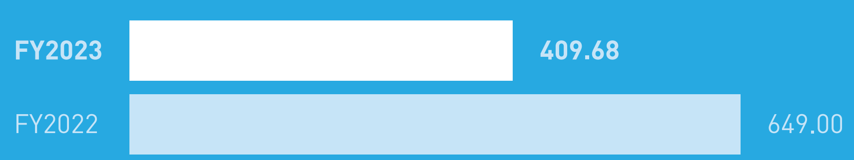
11 In FY2023, we have updated and restated the calculation method for the machine production hours. The restated water discharged intensity in FY2022 was 649.00 m3 per thousand ('000) machine production hours.

12 Water stress levels based on future projections in 2030 (Optimistic). Analysis was done using WRI Aqueduct Water Risk Atlas Tool.

WATER WITHDRAWAL AND DISCHARGE (M³)



WATER DISCHARGE INTENSITY (M³/'000 MACHINE HOURS)



SUSTAINABILITY REPORT

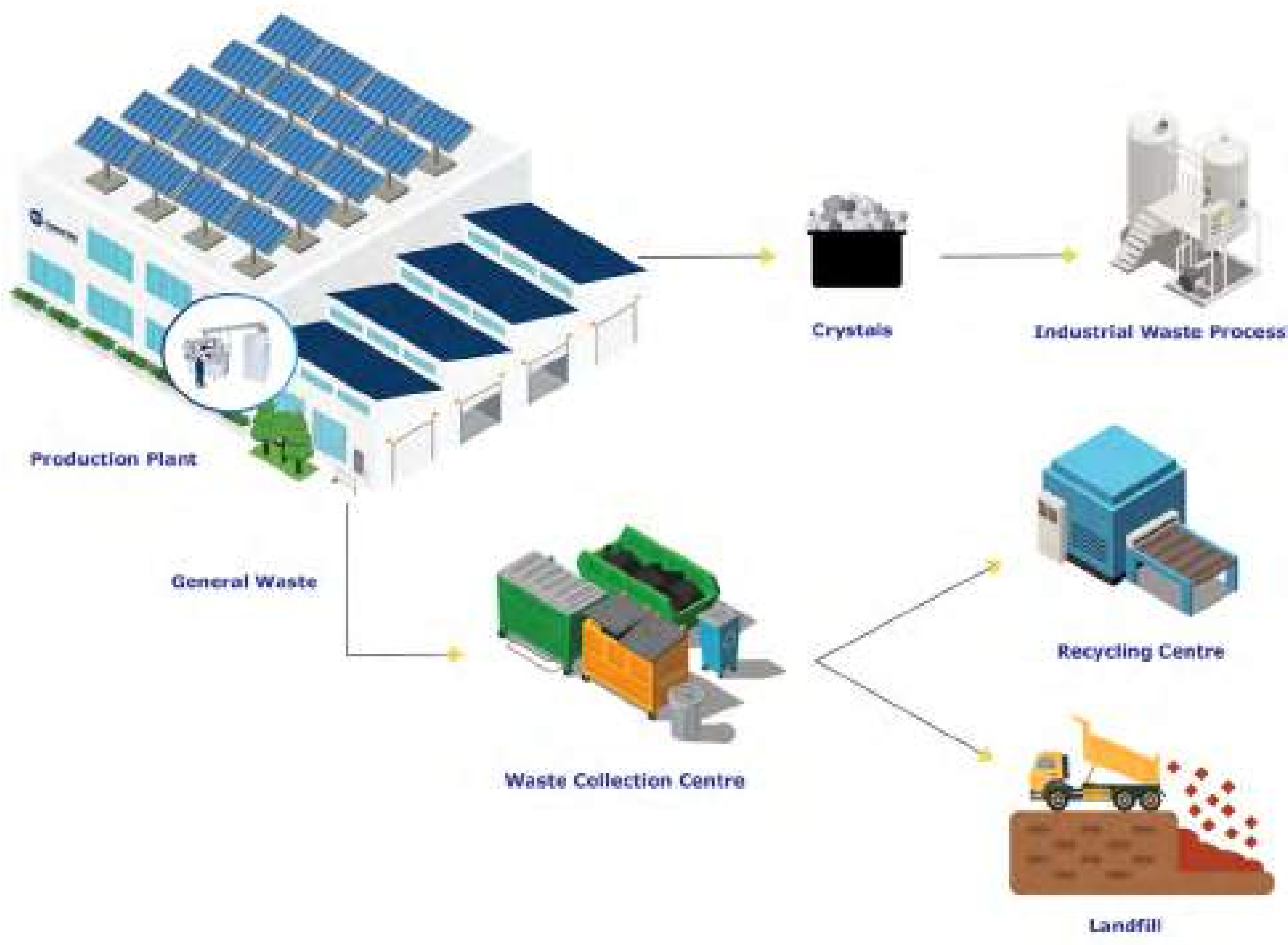
WASTE MANAGEMENT
GRI 306-1, GRI 306-2, GRI 306-3

In the realm of industrial production, the efficient management of waste has emerged as an indispensable pillar of sustainability and responsible business practice. As the global production landscape continues to grow, Nanofilm has taken the initiative to address waste generation and disposal with utmost diligence. Considering that the volume of waste materials generated from our production process is not significant and mostly non-hazardous, we will continuously improve our waste handling and its management to protect the environment as to minimise the negative environmental impact.

At Nanofilm, we prioritise responsible waste management practices for both engine oils and materials derived from machinery maintenance. These materials are systematically aggregated in isolated containers and disposed of through appropriate industrial channels. In cases involving hazardous waste, we ensure proper disposal through third-party engagements.

To proactively address environmental concerns, Nanofilm identifies and assesses factors contributing to waste generation. Control measures are then formulated to minimise their impact. Our Shanghai site exemplifies these practices by adhering to national requirements and involving qualified third-party contractors for waste processing. Notably, certain waste materials undergo processes to harness renewable energy.

NANOFILM'S WASTE MANAGEMENT SYSTEM



Nanofilm promotes a recycling culture by providing recycling bins at offices and production sites. Employees are actively supporting this initiative, facilitating effective sorting. Prior to incineration, recyclables are sorted to ensure proper recycling processes. In production sites like Shanghai, metal and non-metal waste, including paper and wood, are recycled through licensed third-party contractors. In FY2023, our commitment to recycling led to a significant increase, from 34 metric tons to 206 metric tons.

In our Shanghai site, all aspects of waste treatment adhere to Chinese national waste regulations, covering generation, collection, storage, and processing.

In Singapore, waste management follows ISO 14001 certification requirements, while in Vietnam, the Water & Wastewater Management OHS-10 procedure guides our operations.

In FY2023, we generated a total of 307.30 tonnes of hazardous waste, with China contributing to the majority at 306.21 tonnes. Non-hazardous waste totalled 236.98 tonnes, with China leading at 194.13 tonnes. We diverted 270.93 tonnes of hazardous waste and 176.45 tonnes of non-hazardous waste from disposal.

Overall, there has been a decrease of hazardous and non-hazardous waste from FY2022 to FY2023. This highlights Nanofilm's commitment and continuous improvement of their waste management initiatives.

HAZARDOUS WASTE (TONNES)

	FY2022			FY2023		
	TONNES	LITRE	PC	TONNES	LITRE	PC
Singapore	1.10	5,508.00	90.00	–	4,245.00	143.00
China	330.70	–	–	306.21	–	–
Vietnam	1.20	–	–	1.09	–	–
Japan	–	–	–	–	–	–
Total	333.00	5,508.00	90.00	307.30	4,245.00	143.00

NON-HAZARDOUS WASTE (TONNES)

	FY2021	FY2022	FY2023
Singapore	–	–	–
China	261.70	298.30	194.13
Vietnam	9.70	38.00	40.30
Japan	–	–	2.55
Total	271.40	336.30	236.98

SUSTAINABILITY REPORT:

SOCIAL

CORE PRINCIPLES

Caring for our employees' well-being and providing for their training and development

Caring for the community that we operate in through various community involvement

SUSTAINABILITY REPORT

EMPLOYMENT PROFILES AND WELFARE

GRI 2-7, GRI 401-1, GRI 401-2, GRI 401-3

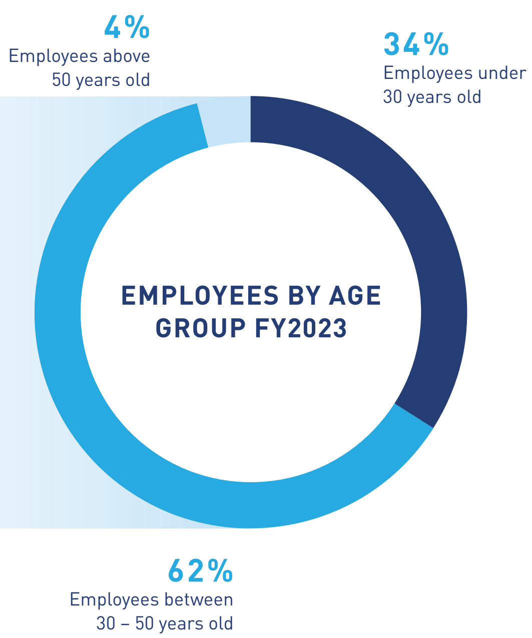
In FY2023, we have a total of 2,215 permanent employees and 525 workers. The workers are outsourced and primarily stationed at our Shanghai site. The permanent employees of overall hiring rate and turnover rate for the Group was 32 % and 44% respectively.

KEY HIGHLIGHTS

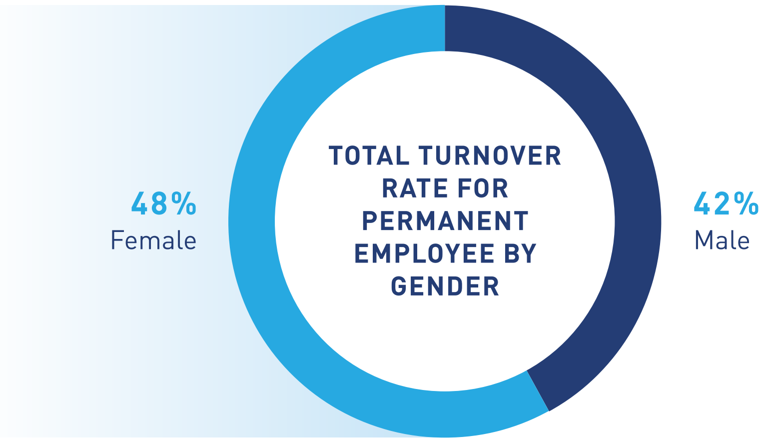
NTI-NTU Corp Lab is intending to offer research scholarship opportunities to 13 Ph.D. candidates, fostering local talents

Employment of 16 individuals with disabilities across various teams

Rate of recordable work-related injuries (per 1,000,000 hours worked): 0.84



SUSTAINABILITY REPORT



EMPLOYEE WELFARE

We believe people are the cornerstone of our business and thus embrace a comprehensive approach, aligning ourselves with industry-leading frameworks to cater to our employees' needs and overall well-being. We have created a robust employment programme to provide welfare and benefits for our employees, benefiting both their individual growth and our long-term prospects as a company.

Recognising the impact of the office environment on health and well-being, our new office at Tai Seng Drive adheres to the principles outlined in The WELL Building Standard, focusing on Water, Light, and Comfort. The workspace design prioritises a distraction-free and comfortable atmosphere, offering various breakout areas and meeting rooms for brainstorming. Additionally, it establishes quiet zones and minimises sound from building systems to optimise employees' emotional health.

Our full-time employees enjoy benefits including health care coverage; employer-funded contributions to retirement benefits stems; insurances including Group hospital insurance, disability and invalidity coverage, as well as different leave types, such as annual leave, parental leave, medical and hospitalisation leave. In FY2023, 146 employees were entitled parental leave, 128 employees have taken parental leave, and 102 employees have returned to work after parental leave.

Other welfare benefits include health screening exercises for our employees. By conducting this exercise, our employees will better understand their health status and take the necessary steps to manage any potential health risks or concerns. We value every one of our employees, and their mental being. Hence, we also provide mental health assessments such as Perceived Stress Tests for all employees so that everyone can have a better understanding of their stress level in conjunction with World Mental Health Day. Mental Wellbeing Pack is also disseminated and aims to provide our employees with some tips, guidelines, and helplines, should they require them.

DIVERSITY AND INCLUSION

GRI 405-1, GRI 406-1

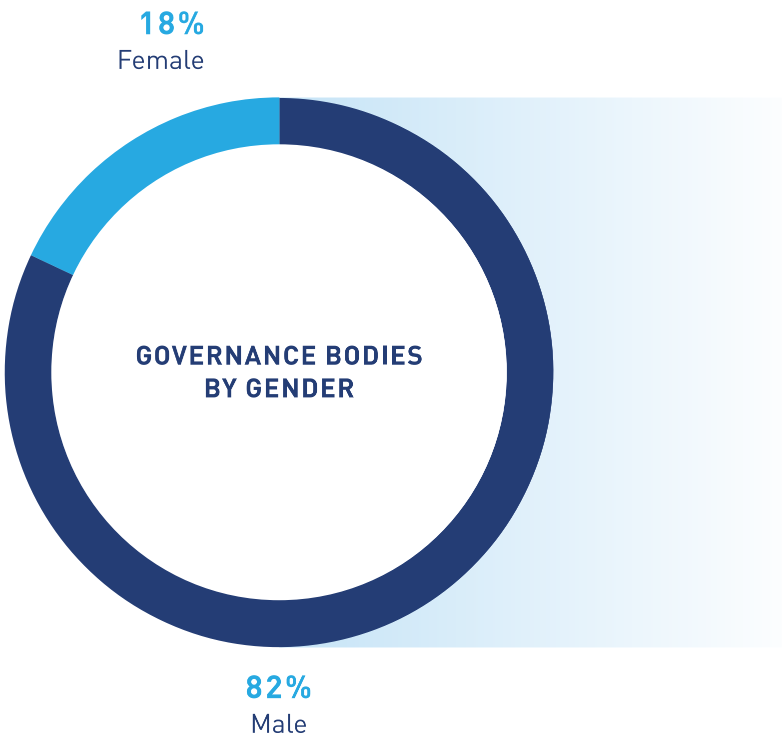
At Nanofilm, we deeply embed diversity and inclusion into our core value system, going beyond mere policy to embody our commitment to social justice and anti-discrimination. This stance resonates with our employees and is evident in our workplace culture, which is celebrated for its fairness, respect, and dignity towards every individual. Our steadfast adherence to our code of conduct, prohibiting any form of discrimination or harassment, is validated by our FY2023 record of zero discrimination incidents.

Inclusion at Nanofilm means every team member feels valued and integral. We create an environment where individuals are empowered to be their authentic selves and where their voices are heard and respected. We recognise that diverse teams and inclusive cultures not only meet our employees' expectations but also provide a significant competitive advantage to our business.

Our approach to fostering diversity and inclusion is methodical and ingrained in our key human resources processes. This includes recruitment, succession planning, performance management, and leadership development, ensuring that these values are reflected in every aspect of our workforce strategy.

In FY2023, Nanofilm's global workforce consisted of 2,215 employees, with females representing approximately 40% of the total workforce. Our staff predominantly falls within the age range of between 30 to 50 years, accounting for 61% of our employees. Geographically, a significant 76% are based in China, followed by 13% in Vietnam, 10% in Singapore, and the remainder in Japan. Reflecting on our governance structure, the Board and senior management team comprise 82% male and 18% female members, respectively.

We are deeply committed to inclusive hiring practices, firmly believing in their vital role in enriching our Company's culture. In our Shanghai operations, we actively recruit individuals with disabilities for various operational and corporate roles. This initiative, which has earned commendation from local authorities, currently includes 16 individuals with disabilities contributing significantly to areas such as operations, administration, procurement, and marketing.



SUSTAINABILITY REPORT

CELEBRATING DIVERSITY, IGNITING INNOVATION AT NANOFILM

International Women's Day

At Nanofilm, we are committed to fostering gender equality and diversity within our organisation, recognising the invaluable contributions of individuals irrespective of gender.

In celebration of International Women's Day, we take pride in highlighting the inspiring stories of two extraordinary women who have defied stereotypes in the traditionally male-dominated manufacturing industry. Wang Ting, a dedicated Manager in the R&D department at Nanofilm Shanghai, has traversed diverse work scopes within the organisation, showcasing her responsibility and exceptional talent. Wang Ting's journey is a testament to breaking barriers and excelling in her field.

Similarly, Chan Jia Yi, an engineer in the Catalyst section at Sydrogen® Singapore, shares her thoughts on the empowerment she derives from being a woman in the industry. Their stories exemplify the spirit of inclusivity and resilience, reflecting Nanofilm's commitment to creating an environment where everyone, regardless of gender, can thrive and contribute to the success of Nanofilm.

HUMAN CAPITAL DEVELOPMENT

GRI 404-1, GRI 404-2, GRI 404-3

At Nanofilm, we believe that talent is precious and the key driver of our success. We have established a comprehensive in-house talent training and development programme, aptly named "Nanofilm College". This initiative is spearheaded by our Group Chief Executive Officer, who is supported by a Dean and a Director of Training. The organisational structure of Nanofilm College is illustrated in the chart provided below.

NANOFILM COLLEGE STRUCTURE

SUSTAINABILITY REPORT

Nanofilm College represents a structured training and development system that begins immediately when a new employee joins our Group. The process kicks off with an orientation programme followed by on-the-job training ("**OJT**"). This system is not just a one-time event but a continuous journey that accompanies an employee's progression within our Group. It includes specialised training tailored for each stage of their career, particularly focusing on the skills and knowledge required for promotions. This approach ensures that our team members are consistently equipped and ready to excel in their evolving roles.

OVERVIEW OF NANOFILM COLLEGE TRAINING PROCESS

COMMUNICATION & FEEDBACK

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

NURTURE & DEVELOPMENT

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

TALENT SELECTION

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

TALENT POOL & REVIEW

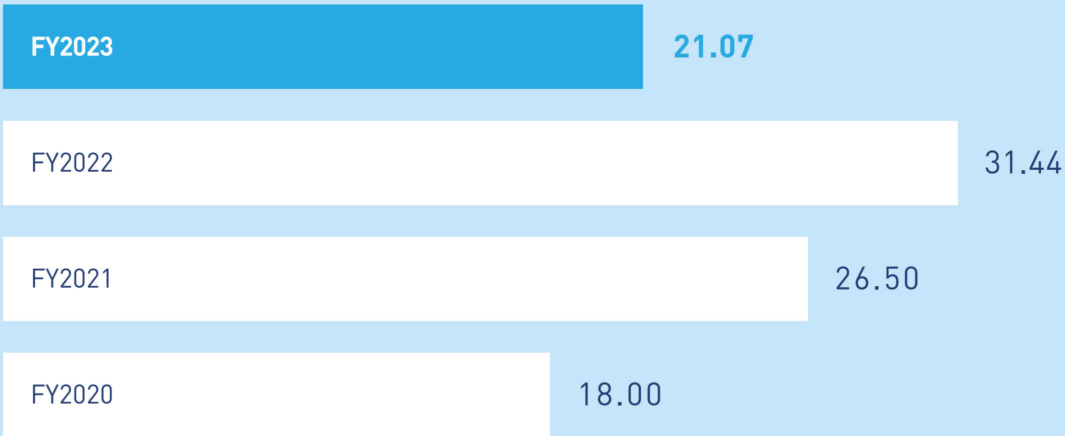
- Recommend suitable employees for promotion by looking at role matchings, track records and past results of employees

Nanofilm College offers an extensive range of over 30 training courses across the following course categories: (a) Standard & Internal Auditing, (b) Environment Health and Safety, (c) Quality, (d) Fire Prevention Training, (e) Technical and Operations, (f) Quality, (g) Corporate Function Systems, (h) Labview software.

Our training programmes are meticulously designed to not only enhance the technical and professional competence of our employees but also to develop their soft skills. This comprehensive approach ensures that our team members are well-equipped for their current roles and responsibilities, while also being prepared for future challenges and advancements within their careers.

In FY2023, we invested an average of 21.07 hours per employee in training, with 19.69 hours per male employee and 23.54 hours per female employee.[13] Looking ahead, our goal is to ensure that by 2030, each employee receives an average of at least 40 hours of training annually, aligning with our steadfast commitment to nurturing a skilled and empowered workforce.

AVERAGE HOURS OF TRAINING PER EMPLOYEE



13 In FY2023, we have restated the average hours of training per employee in FY2022 due to the change of the calculation method. The restated data is 31.44 hours per employee.

SUSTAINABILITY REPORT

INTERNAL TRAINING AND TECHNOLOGY EXCHANGE PLATFORM: NANOFILM TECHNOLOGY FORUM

The Nanofilm Technology Forum 2023, held for the first time in Nanofilm's history at our Shanghai site from 4th to 7th March 2023, saw participants joining from China, Singapore and Vietnam. The forum created a dynamic platform for sharing technological ideas and knowledge within the organisation.

The forum features 35 technology topics spanning equipment, coating solutions, and applications in Consumer, Industrial, and New Energy markets. It was a proud moment to have leaders and business representatives from all units participating as both speakers and attendees, enriching the event with valuable experiences and knowledge. The forum also served as an excellent networking platform.

During discussions on our Business and Technology outlook, it became evident that Nanofilm possesses numerous technological strengths with ample opportunities to extend our nanotechnology into new growth areas. The Chairman's Innovation Award was presented for the most impactful technology, and the Best Poster Award recognised outstanding contributions.

Under the Chairman's Innovation Award category, two notable achievements were celebrated:

TECH FORUM AWARDEE

i. **Diamond Award for Bipolar Plates Coating Development:**
The team developed a coating with exceptional conductivity and corrosion resistance, significantly increasing the lifespan of metallic plates and facilitating mass production for the new energy market.

ii. **Gold Award for DLC Coating Systems:**
Recognising outstanding achievements in DLC source and product design.

NANOFILM SCHOLAR PROGRAMME

In FY2023, Nanofilm introduces the Nanofilm Scholars Programme ("**NSP**"), a prestigious initiative aimed at nurturing industry-ready talent and fostering professional development. The NSP encompasses various funding sources, including the Economic Development Board - Industrial Postgraduate Program ("**EDB-IPP**"), offering exceptional opportunities for higher education, skill enhancement, and career growth to talented employees.

Under the NSP framework, graduate research projects cover diverse areas such as advanced plasma technologies, nanocomposites, optical design, hydrogen fuel cell technologies, and other emerging technologies. The program is designed to elevate academic and career aspirations while contributing to the Company's growth.

Specifically, Nanofilm has fully sponsored two Senior Process Engineers, Zhao Sheng Fu and Tan Yik Kai, for post-graduate study and training under the EDB-IPP program. Through the NSP and EDB-IPP sponsorship, employees like Zhao Sheng Fu and Tan Yik Kai are provided with opportunities for higher education and career empowerment, aligning with Nanofilm's commitment to fostering talent and innovation within the organisation.

LOCAL TALENT DEVELOPMENT

The NTI-NTU Corporate Laboratory is dedicated to fostering a new generation of engineering experts, thereby enriching the local talent pool. Our approach to talent development is twofold. Firstly, we are intending to offer research scholarship opportunities to 13 Ph.D. candidates, providing them with the platform to excel in their academic pursuits. Secondly, we aim to train and employ an additional 27 full-time research staff, offering them invaluable hands-on experience in their respective fields.

To harness the innovative outcomes emerging from the NTI-NTU Corporate Laboratory, we plan to, as a strategic move, expand our operations in Singapore over the next five years, thereby creating numerous employment opportunities and utilising the cutting-edge research developed at the NTI-NTU Corporate Laboratory. This training and mentorship program is not just about imparting knowledge and skills but is about inspiring and guiding future innovators who will continue to push the boundaries in technology and engineering.

PERFORMANCE APPRAISAL

We have established a comprehensive performance appraisal program coupled with a rewards system that directly ties employee recognition and incentives to their appraisal outcomes. This program is instrumental in driving the achievement of our corporate performance targets and goals. It serves as a mechanism to align employee interests with appropriate rewards, assess the skill levels of our workforce, and pinpoint areas where targeted training programs can be developed to address skill gaps.

Our commitment to employee career pathing and progression is paramount. To ensure this, we have implemented various two-way communication channels, facilitating an ongoing dialogue that considers the career development needs of our employees whenever feasible. All employees are afforded training opportunities tailored to their identified needs.

These initiatives collectively position us as an organisation committed to providing a constructive and enriching working experience for our employees. Beyond our organisational interests, we recognise the broader impact on the economic development and skilled labour resources of our local community, reinforcing our dedication to contributing positively to the communities in which we operate. In FY2023, all permanent employees of Nanofilm received their annual performance appraisal.

NUMBER OF STAFF WHO RECEIVED PERFORMANCE AND CAREER DEVELOPMENT REVIEW

	Singapore	Shanghai	Yizheng	Vietnam	Japan	Group
Number of staff who received performance and career development review	125	1179	45	276	16	1641
Percentage of employees receiving regular performance and career development reviews	55	71	100	100	100	74

HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY SYSTEM
GRI 3-3, GRI 403-1

Nanofilm is dedicated to ensuring a healthy and safe working environment across all its business operations. This commitment encompasses our employees, customers, and contractors, as detailed in our Health and Safety Policy. This policy is universally applicable, ensuring everyone under the Nanofilm umbrella adheres to the highest standards of health and safety.

In compliance with national laws and regulations, our operations in Singapore align with the Ministry of Manpower's ("**MOM**") health and safety obligations and expectations, as outlined in the Workplace Safety & Health Act. Additionally, in 2022, the MOM introduced a workplace safety and health code of practice, comprising four principles and seventeen measures for companies to integrate into their business practices. Similarly, in China, our adherence to local regulations is rigorous and thorough.

Our commitment to OHS is further demonstrated by our ISO certifications for health and safety across all factory and office locations, reflecting our dedication to comprehensive OHS goals and systems. Specifically, our Shanghai and Singapore sites are certified to ISO 45001:2019, a globally recognised standard for OHS management systems. The Shanghai site also holds an ISO 45001:2018 certification. In Vietnam, our system, tailored to local activities and workplaces, prepares for emergency situations, and includes annual training and drills in line with customer and legal requirements. Additionally, we follow the Emergency Preparedness and Response NFV-E-03 procedure. In Singapore, our system complies with SG WSH ("**Workplace Safety and Health**") and ISO 14001 certification guidelines.

To further reinforce our commitment to safety, we have established safety committees at our sites in Shanghai, Yizheng, Singapore, Vietnam, and Japan. These committees, comprised of employee representatives from various departments, are responsible for the monitoring of safety practices and conducting monthly safety inspections, ensuring continuous improvement and adherence to our high safety standards.

OCCUPATIONAL HAZARD IDENTIFICATION AND RISK ASSESSMENT

GRI 403-2

Nanofilm employs processes to identify and assess work-related hazards, tailoring our approach to each country's regulations. Our strategy is based on the hierarchy of controls to eliminate hazards and minimise risks effectively.

In Shanghai, we have established a hazard identification and evaluation management procedure, conducting annual assessments using the likelihood, exposure and consequences (LEC) method. Control measures are applied to reduce major risks, ensuring employee safety. Our safety management system, focusing on "three violations," encourages reporting while strict anti-retaliation measures protect whistle-blowers. HR protocols explicitly safeguard employees' rights, allowing them to refuse unsafe operations and report concerns anonymously through suggestion boxes. Established grievance mechanisms, including email and phone, protect employees' interests. Our accident investigation procedures, guided by the "Four No-misses" principle, aim to prevent incidents and continually enhance safety.

In Vietnam, a robust risk assessment process identifies and controls high risks. Worker training on related risks is conducted, aligning with our OHS-01 risk assessment procedure. Workers can anonymously report hazards and near-misses, and established processes ensure thorough investigations of work-related incidents. In Singapore, the Risk Management and Assessment process identifies work-related hazards routinely and non-routinely, with subsequent actions aimed at eliminating hazards and minimising risks effectively.

APPROACH TO HAZARDOUS SUBSTANCES/ CHEMICAL SAFETY

At Nanofilm, we are committed to the highest level of regulatory compliance to sustainably manage our portfolio. This commitment extends to the identification and regulation of substances used in our operations. We ensure that all chemical substances used in our operations are duly registered and comply with the local regulations of the countries where our business units operate. This includes obtaining and renewing necessary permits and licenses for the handling, storage, and use of these chemicals as mandated by local authorities. Nanofilm does not use chemicals classified as of concern or high concern by the Regulations on the Safety Management of Hazardous Chemicals (2013 Revision) in China, the Singapore Environmental, Health & Safety (EHS) Legislation and Vietnam Chemicals Decree No.113/2017/ND-CP. Therefore, the issue of phasing out such substances or introducing alternatives is not applicable to our operations.

SUSTAINABILITY REPORT

In our routine workplace risk assessment, we meticulously evaluate indicators related to hazardous material storage and hazardous chemical usage, among other factors. This proactive approach allows us to identify and mitigate potential risks effectively, thereby maintaining a safe working environment for our employees. We adhere strictly to regulations governing the storage and usage of hazardous materials and chemicals, mitigating risks and ensuring the safety of our employees and the environment.

During our ISO certification process in 2022, we undertook a comprehensive evaluation focusing on environmental aspects. This assessment included examining our practices related to disposal, waste management, noise levels, electricity usage, and dust control in the working environment. This approach is part of our ongoing commitment to maintaining a safe and sustainable working environment.

OCCUPATIONAL HEALTH SERVICES

GRI 403-3

Pre-employment health checks are offered to employees in roles exposed to occupational hazards, like loud noises leading to noise-induced deafness. Regular health monitoring ensures our employees are safe and free from occupational health diseases. Our commitment extends to local initiatives promoting a health-conscious work environment, fostering awareness of a healthy lifestyle.

In China, our canteens feature nutritional menus, supporting employees in maintaining a balanced diet. Regular health check-ups are organised, allowing staff to identify minor health issues early and encouraging the adoption of a healthy lifestyle. These initiatives serve as proactive reminders for employees to prioritise their well-being and adopt a healthy lifestyle.

WORKER PARTICIPATION, CONSULTATION, AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY

GRI 403-4

In Shanghai, a joint labour union committee is established, along with internal and external communication management procedures mandating employee participation in Occupational Health and Safety ("OHS") activities. Monthly meetings, attended by the labour union chairman and department managers, are organised to discuss and decide on OHS-related matters.

In Vietnam, we conduct bi-weekly meetings with employee representatives to address environmental health and safety issues, ensuring compliance with legal and customer requirements. Employee opinions are actively received and processed as needed.

In Singapore, stakeholder engagement involves monthly WSH reviews and line walks with Safety Committees to ensure opinions are actively received.

OHS TRAINING

GRI 403-5

Comprehensive health and safety training programs are implemented for all employees at Nanofilm. New hires undergo mandatory training covering emergency preparedness, hazard identification, risk assessments, and participate in an annual occupational health and safety session.

In Shanghai, we formulate an annual EHS training plan every year, and employees receive regular training in alignment with the plan, with detailed records maintained.

In Vietnam, we adhere to Vietnamese law and customer requirements, conducting extensive training:

- Annual safety training for 6 groups according to ND144/2016/ND -CP
- Chemical safety training for relevant subjects
- Electrical safety training for relevant subjects
- Fire safety and rescue training

In Singapore, we conduct monthly/bimonthly Safety Awareness Training for New Hire Orientation and On Job Training to ensure that employees conduct procedures safely.

PROMOTION OF WORKER HEALTH

GRI 403-6

In Shanghai, we provide non-occupational physical examinations to employees every year to ensure our employees are fit and care for their health. They will receive their medical check-up results and explanations by a medical examiner.

In Vietnam, we provide yearly health examination according to the provisions of law and explain to employees the benefits of having a periodic health check-up once a year by the Company through safety training courses.

In Singapore, we follow Group and HR policy. All confirmed and permanent employees are entitled to enjoy the Group Hospital and Surgical insurance coverage. In FY2023, a health screening exercise was provided to all permanent staff at no cost. Medical reports from this exercise were released to the employees so that they have a better awareness of their health status and may take appropriate steps to manage any potential health risks or concerns.

WORKERS COVERED BY AN OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

GRI 403-8

Health and safety of our employees in the workplace is of utmost priority and importance to us. Nanofilm has implemented an OHS management system, complying with our health and safety policies, statutory regulations and industry standards, global customers' world class standards and legal requirements. Our OHS management system covers all of our 2,215 employees and 525 workers who are not employees but whose work or workplace is controlled by the organisation as of December 2023. In Shanghai, the OHS system is internally audited and certified by an external party in FY2023.

WORK-RELATED INJURIES

GRI 403-9

In FY2023, we achieved zero fatalities resulting from work-related injuries. However, there were seven cases of high-consequence work-related injuries and five cases of recordable work-related injuries, all occurring in Shanghai. These incidents were attributed to falling objects or the use of machinery and equipment.
To address these challenges, the Shanghai factory has developed a comprehensive list of major safety and health risks along with corresponding control measures. The facility focuses on targeted control of major risks and conducts regular evaluations to ensure the effectiveness of these measures in maintaining a safe working environment.

Notably, we recorded zero cases of recordable work-related ill health for all employees and non-employee workers whose work or workplace is controlled by the organisation.

Nanofilm aims to achieve a recordable work injury rate of less than 1.0 (per one million man-hours worked) by 2030, reflecting our dedication to continuous improvement in workplace safety.

HEALTH AND SAFETY PERFORMANCE

	FY2021	FY2022	FY2023
Rate of fatalities as a result of work-related injury (per 1,000,000 hours worked)	Not reported	0	0
Rate of high-consequence work-related injuries (excluding fatalities) (per 1,000,000 hours worked)	Not reported	0.13	0.84
Rate of recordable work-related injuries (excluding high-consequence work-related injuries) (per 1,000,000 hours worked)	2.14	1.64	0.84
Total Recordable Injury Rate (TRIR) (per 100 workers)	0.43	0.33	0.34
Lost Time Incident Rate (LTIR) (per 1,000,000 hours worked)	Not reported	Not reported	0.84

HUMAN RIGHTS AND LABOUR MANAGEMENT

GRI 408-1, GRI 409-1

To ensure that our employees are aware of the responsibilities expected of them and understand their role in ensuring human rights' ethical compliance and behaviour, all our new employees are required to complete the Code of Business Conduct and Ethics training. We are firmly committed to maintaining a secure work environment that rejects human trafficking, slavery, forced labour, and unlawful child labour across all facets of our operations. Our organisation unequivocally condemns these practices, and we actively collaborate with customers to conduct regular reviews, preventing any incidents of human rights violations.

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

SUPPLY CHAIN DUE DILIGENCE

GRI 308-1, GRI 414-1

At Nanofilm, we set high standards in our factories, emphasising fair working hours, a safe work environment, and zero discrimination based on job roles or locations. We also mandate responsible sourcing policies for all raw materials, expecting both our factories and suppliers to adhere to these principles. Prior to onboarding suppliers, we conduct rigorous due diligence screenings to ensure ethical practices, including a zero-tolerance approach to bribery and corruption, and the responsible sourcing of raw materials from non-conflict areas.

Our due diligence screening involves comprehensive measures such as site visits, background checks, certification verification, and sample testing. Approved suppliers, periodically reviewed internally, must adhere to our stringent criteria. We establish anti-bribery and environmental agreements with critical vendors to ensure ongoing compliance throughout our long-term relationships.

In FY2023, all critical direct material suppliers underwent screening based on social and environmental criteria, covering aspects like environmental policies, waste management practices, prohibition of forced and child labour, and adherence to health and safety practices. Our commitment is to maintain 100% human rights, environmental, health, and safety due diligence screening for all new critical direct material suppliers.

CONFLICT MINERALS POLICY

We strictly abide by the relevant regulations of international organisations and the industry, and effectively avoid the risk of conflict minerals by formulating related regulations and policies. We request suppliers to strictly comply with the relevant legal requirements of "prohibiting conflict minerals". When selecting and introducing suppliers, we request all suppliers to provide the Conflict Minerals Questionnaire and the Commitment Letter on Not Using Conflict Minerals, which includes investigation and research on conflict minerals. For suppliers involved in raw metal materials, we request suppliers to trace back to the source of smelting plants and ensure the traceability of raw materials. When necessary, we actively cooperate with customers to conduct relevant audits and inspections. During the reporting period, 100% of our suppliers met the compliance requirements.

LOCAL COMMUNITIES

GRI 413

Grounded in a deep sense of corporate responsibility, we believe in fostering meaningful connections and making a positive impact on community development. From supporting local projects to empowering educational endeavours, our community engagement initiatives are an integral part of Nanofilm's sustainability ethos, demonstrating our belief in creating shared value and building a more sustainable and inclusive future for all.

COMMUNITY GIVE BACK GOLF AND APPRECIATION DINNER 2023

Nanofilm proudly sponsored the "Community Give Back Golf and Appreciation Dinner", organised by the North East Community Development Council. This event successfully raised over $500,000, a remarkable feat that enables us to extend support to 20% more lower-income families than before. Our involvement in this event reflects our dedication to empowering families and fostering a compassionate society.

SGX BULL CHARGE RUN

Since 2021, Nanofilm has been a dedicated sponsor of the SGX Group Cares Bull Charge charity run. Our commitment to this event is part of our broader initiative to give back through charitable activities. We aim to raise funds to aid underprivileged families, individuals with disabilities, and the elderly in our community, making a tangible positive impact where it is most needed.

NORTH EAST COMMUNITY GIVE BACK GOLF & APPRECIATION DINNER 2023

DONATION TO RESILIENCE COLLECTIVE

We have contributed to the 'Celebrating the People of Resilience' fundraising campaign, supporting the mental health recovery journey for those in need. Resilience Collective ("**CR**") brings together peers from diverse backgrounds to share their experiences and support each other, fostering authentic living and hope. Our donation aids in impacting the lives of individuals grappling with mental health issues, reinforcing our commitment to the well-being of our community.

SGX BULL CHARGE RUN

SUSTAINABILITY REPORT:

RESPONSIBLE BUSINESSES

CORE PRINCIPLES

Ensure a sound corporate governance structure to drive the overall strategy of the Group

Compliance with rules and regulations to ensure the continued operation of the Group

SUSTAINABILITY REPORT

CORPORATE GOVERNANCE

GRI 2

We are meticulous in our approach to governance and responsible business. Our governance structure ensures that we monitor and quantify compliance, manage risk as well as maintain customers' and society's confidence and trust. Under our Group CEO's active direction and in collaboration with our Board of Directors and its committees responsible for performance and compliance review, we hold ourselves to the highest standards of economic, environmental, and societal performance as well as compliance with laws, regulations, and corporate policies that govern our operations and practices worldwide. The CEO is supported by the CSO, the sustainability leader, to chair the sustainability team. The CSO is responsible for providing leadership and direction on the sustainability strategy, goals and targets. This is balanced and integrated with the Group's business strategy and commercial goals. The sustainability team is also supported by other expert functions such as human resources, finance, procurement/supply chain, marketing, R&D, operations and legal.

We affirm our commitment to align the corporate governance framework with the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**"), its accompanying Practice Guidance, and the Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). For details of our Board of Directors, board independence and other corporate governance policies and practices, please refer to our Corporate Governance Report in our Annual Report 2023.

BUSINESS ETHICS

GRI 205

Adherence to good business ethics and the promotion of a benign competitive environment are the foundation of the Company's sound development. Nanofilm complies strictly with anti-corruption policies of the countries and regions in which we operate and is committed to conducting our businesses with honesty and integrity. Our CEO oversees and directs the Group's efforts on business ethics and anti-corruption issues and reports annually to the Board on related matters.

KEY HIGHLIGHTS

Zero cases of significant fines or non-monetary sanctions related to the environmental and socio-economic areas

Zero confirmed incidence of corruption

Zero cases of legal actions relating to anti-competitive behaviour, anti-trust, and monopoly practices

100% of all new employee attending the Compliance and Code of Conduct training

We have established Group-wide procedures to ensure compliance with legal and regulatory standards as well as internal standards. In our Code of Business Conduct and Ethics, we set standards of ethical conduct for all of our 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 share dealings. It is also the policy of our Group to ensure that the Company conducts its business in a way that is fair and competitive in its relationships with customers, suppliers, competitors and employees. Our critical vendors are required to ensure that they continue to comply with our anti-bribery and environmental protection requirements as we engage in a long-term relationship with them. We will review and refine our policies and approaches regularly to promote ethical behaviour and integrity both within our organisation and in the entities with which we have relationships with.

To ensure that our employees are aware of the responsibilities expected of them and understand their role in ensuring ethical compliance and behaviour, we communicate the content and requirements of policies such as the code of conduct and other relevant information as necessary to our employees through training, communication and consulting activities. We aim to maintain our target to have 100% of our new employees complete the compliance code of conduct training within 6 months of employment. For existing employees, an annual compulsory refresher awareness training is required to stay up to date on the latest Group-wide compliance and code of conduct.

Significant resources have also been invested by the Company to ensure that we have in place a robust compliance and integrity platform. Our compliance and integrity programme has three pillars:

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

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

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

A Whistle-Blowing Policy is deployed to ensure independent investigations of complaints, aiming at encouraging the reporting of such matters in good faith, with the confidence that Group employees and other persons making such reports will be treated fairly and, to the extent possible, protected from any detrimental or unfair treatment including reprisal. Any suspected non-compliance and/or concern regarding practices concerning the Group or any of its officers or employees may be reported by (i) submitting the completed reporting form, available at the Company's corporate website, to whistleblow@nti-nanofilm.com; (ii) directly to the AC Chairman and/or the Company's Compliance Officer at siewkoon.ong@nti-nanofilm.com and yihsen.qian@nti-nanofilm.com respectively.

During the reporting period, there were no cases of significant fines or non-monetary sanctions related to the environmental and socio-economic areas. There were zero confirmed incidence of corruption and zero cases of legal actions relating to anti-competitive behaviour, anti-trust, and monopoly practices. The target of 100% new employee attending the Compliance and Code of Conduct training was achieved.

SUSTAINABILITY PERFORMANCE SUMMARY

Standard	Metrics	Unit of Measurement	FY2020	FY2021	FY2022	FY2023
/	Revenue	S$' million	218	247	237	177
Sustainable Innovation						
/	R&D and engineering expenses	Percentage	5.9	7.1	7.7	9.4
/	Patents and trademarks	Number	> 70	> 80	> 90	>100
/	Employees engaged in R&D and engineering	Number	> 270	> 300	> 400	> 400
/	Completed LEAN projects	Number	375	373	95	16
Responsible Business						
GRI 205-2	Percentage of members who have undergone anti-corruption training					
	Management Committee	Percentage	Not reported	100	100	100
	All Employees	Percentage	Not reported	100	100	100
GRI 205-3	Confirmed incidents of corruption	Number of incidents	0	0	0	0
/	Human rights incidents in supply chain	Number	0	0	0	0
GRI 204-1	Sourcing from local suppliers	Percentage	49	72	60	71
Environment						
GRI 302-1	Total energy consumption	GJ	219,897.53	322,343.94	317,383.88	286,247.22
GRI 302-4	Energy consumption intensity	GJ/ 1,000 machine production hours	231.00	243.40	345.46[14]	324.06
GRI 303-3	Total water withdrawal	m^3	324,471.00	516,820.00	708,827.20	406,887.51
GRI 303-4	Total water discharge to all areas	m^3	292,677.00	361,940.00	596,257.00	361,874.51
GRI 303-5	Total water consumption from production	m^3	292,855	489,809	654,683	368,014.51
GRI 305-1	Total Scope 1 GHG emissions	tCO_2e	1,601.00	2,463.00	271.82	78.09
GRI 305-2	Total Scope 2 GHG emissions (Location-based)	tCO_2e	42,290.00	66.545.00	37,461.62[15]	34,365.99
GRI 305-2	Total scope 2 GHG emissions (Market-based)	tCO_2e	Not reported	Not reported	37,461.62[16]	5,558.19
GRI 305-1, 305-2	Total Scope 1 and scope 2 GHG emissions (Location-based)	tCO_2e	43,891.00	69,007.00	37,733.44	34,444.08
GRI 305-1, 305-2	Total Scope 1 and scope 2 GHG emissions (Market-based)	tCO_2e	Not reported	Not reported	37,733.44	5,636.28
GRI 305-4	Total GHG emission intensity (Location-based)	tCO2e/ 1,000 machine production hours	46.10	52.10	41.07[17]	38.99
GRI 305-4	Total GHG emission intensity (Market-based)	tCO2e/ 1,000 machine production hours	Not reported	Not reported	41.07[18]	6.38
GRI 306-3	Total waste generated	tonne	176.20	419.70	669.30	544.29
GRI 306-4	Total waste diverted	tonne	Not reported	Not reported	Not reported	447.38
Social						
GRI 2-7	Total employees	Number	Not reported	Not reported	2,658	2,215
GRI 401-1	New employees hire rate	%	Not reported	Not reported	34	32
	Employee turnover rate	%	Not reported	Not reported	30	44
GRI 403-9 GRI 403-10	For ALL EMPLOYEES					
	Rate of fatalities as a result of work-related injury (per 1,000,000 hours worked)	Rate	Not reported	Not reported	0	0
	Rate of high consequence work-related injuries (excluding fatalities) (per 1,000,000 hours worked)	Rate	Not reported	Not reported	0.13	0.84
	Rate of recordable work-related injuries (excluding high-consequence work-related injuries) (per 1,000,000 hours worked)	Rate	1.89	2.14	1.64	0.84
	Total recordable incident rate (TRIR) (per 100 workers)	Rate	0.45	0.43	0.33	0.34
GRI 404-1	Average hours of training per employee	Hours	18.00	26.50	31.44[19]	21.07
GRI 404-2	Employees groupwide subject to regular performance appraisal	Percentage	Not reported	Not reported	100	74

14 Restated figure.
15 Restated figure.
16 Nanofilm did not have contractual instruments for energy consumption in FY2022. The location-based result has been used as a proxy since a market-based result cannot be calculated.
17 Restated figure.
18 Restated figure.
19 Restated figure.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

Statement of use	Nanofilm has reported the information cited in this GRI content index for the period from 1st January 2023 to 31st December 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

Index	GRI Disclosure	Page Reference/Remarks
2-1	Organisational details	SR: Board Statement (Pg. 33-34)
2-2	Entities included in the organisation's sustainability reporting	SR: Board Statement (Pg. 33-34)
2-3	Reporting period, frequency and contact point	SR: Board Statement (Pg. 34)
2-4	Restatements of information	SR: Board Statement (Pg. 34) SR: Carbon Emissions (Pg. 50) SR: Energy Management (Pg. 52-53) SR: Water Management (Pg. 56)
2-5	External assurance	Nanofilm did not seek for external assurance.
2-6	Activities, value chain and other business relationships	Please refer to Annual Report Pg. 6-7
2-7	Employees	SR: Employment Profiles and Welfare (Pg. 61-63)
2-8	Workers who are not employees	SR: Employment Profiles and Welfare (Pg. 61)
2-9	Governance structure and composition	SR: Board Statement (Pg. 34) SR: Corporate Governance (Pg. 77)
2-10	Nomination and selection of the highest governance body	Please refer to Annual Report Pg. 96
2-11	Chair of the highest governance body	Please refer to Annual Report Pg. 26
2-12	Role of the highest governance body in overseeing the management of impacts	SR: Sustainability Governance (Pg. 35)
2-13	Delegation of responsibility for managing impacts	SR: Sustainability Governance (Pg. 35)
2-14	Role of the highest governance body in sustainability reporting	SR: Sustainability Governance (Pg. 35)
2-15	Conflicts of interest	SR: Business Ethics (Pg. 77-78)
2-16	Communication of critical concerns	SR: Business Ethics (Pg. 77-78)
2-17	Collective knowledge of the highest governance body	Please refer to Annual Report Pg. 85
2-18	Evaluation of the performance of the highest governance body	Please refer to Annual Report Pg. 100
2-19	Remuneration policies	Please refer to Annual Report Pg. 101-106
2-20	Process to determine remuneration	Please refer to Annual Report Pg. 101-102
2-21	Annual total compensation ratio	Please refer to Annual Report Pg. 105
2-22	Statement on sustainable development strategy	SR: Sustainability Pillars (Pg. 36)
2-23	Policy commitments	SR: Health and Safety (Pg. 71) SR: Human Rights and Labour Management (Pg. 74) SR: Business Ethics (Pg. 77-78)

Index	GRI Disclosure	Page Reference/Remarks
2-24	Embedding policy commitments	SR: Health and Safety (Pg. 71) SR: Human Rights and Labour Management (Pg. 74) SR: Business Ethics (Pg. 77-78)
2-25	Processes to remediate negative impacts	SR: Business Ethics (Pg. 77-78)
2-26	Mechanisms for seeking advice and raising concerns	SR: Business Ethics (Pg. 77-78)
2-27	Compliance with laws and regulations	SR: Business Ethics (Pg. 77-78)
2-28	Membership associations	The information is not available for FY2023.
2-29	Approach to stakeholder engagement	SR: Stakeholder Engagement (Pg. 39)
2-30	Collective bargaining agreements	The information is not available for FY2023
3-1	Process to determine material topics	SR: Materiality Assessment (Pg. 37)
3-2	List of material topics	SR: Materiality Assessment (Pg. 38)
3-3	Management of material topics	The management of material topics can be found in each pillar across the report.
204-1	Proportion of spending on local suppliers	SR: Sustainability Performance Summary (Pg. 79)
205-1	Operations assessed for risks related to corruption	SR: Business Ethics (Pg. 77-78)
205-2	Communication and training about anti-corruption policies and procedures	SR: Business Ethics (Pg. 77-78)
205-3	Confirmed incidents of corruption and actions taken	SR: Business Ethics (Pg. 77-78)
302-1	Energy consumption within the organisation	SR: Energy Management (Pg. 52-53)
302-2	Energy consumption outside of the organisation	The information is not available for FY2023.
302-3	Energy intensity	SR: Energy Management (Pg. 53)
302-4	Reduction of energy consumption	SR: Energy Management (Pg. 52-53)
302-5	Reductions in energy requirements of products and services	SR: Energy Management (Pg. 52)
303-1	Interactions with water as a shared resource	SR: Water Management (Pg. 54-57)
303-2	Management of water discharge related impacts	SR: Water Management (Pg. 54-57)
303-3	Water withdrawal	SR: Water Management (Pg. 56-57)
303-4	Water discharge	SR: Water Management (Pg. 56-57)
303-5	Water consumption	SR: Water Management (Pg. 56)
305-1	Direct (Scope 1) GHG emissions	SR: Carbon Emissions and Climate Change (Pg. 50)
305-2	Energy indirect (Scope 2) GHG emissions	SR: Carbon Emissions and Climate Change (Pg. 50)
305-3	Other indirect (Scope 3) GHG emissions	The information is not available for FY2023.
305-4	GHG emissions intensity	SR: Carbon Emissions and Climate Change (Pg. 50)
305-5	Reduction of GHG emissions	SR: Carbon Emissions and Climate Change (Pg. 50)
305-6	Emissions of ozone-depleting substances (ODS)	The information is not available for FY2023.
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	SR: Carbon Emissions and Climate Change (Pg. 51)

Index	GRI Disclosure	Page Reference/Remarks
306-1	Waste generation and significant waste-related impacts	SR: Waste Management (Pg. 58-59)
306-2	Management of significant waste-related impacts	SR: Waste Management (Pg. 58-59)
306-3	Waste generated	SR: Waste Management (Pg. 59)
306-4	Waste diverted from disposal	SR: Waste Management (Pg. 59)
306-5	Waste directed to disposal	The information is not available for FY2023.
401-1	New employee hires and employee turnover	SR: Employee Profiles and Welfare (Pg. 62)
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SR: Employee Profiles and Welfare (Pg. 62)
401-3	Parental leave	SR: Employee Profiles and Welfare (Pg. 62)
403-1	Occupational health and safety management system	SR: Health and Safety (Pg. 70-71)
403-2	Hazard identification, risk assessment, and incident investigation	SR: Health and Safety (Pg. 71)
403-3	Occupational health services	SR: Health and Safety (Pg. 72)
403-4	Worker participation, consultation, and communication on occupational health and safety	SR: Health and Safety (Pg. 72)
403-5	Worker training on occupational health and safety	SR: Health and Safety (Pg. 72)
403-6	Promotion of worker health	SR: Health and Safety (Pg. 73)
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	The information is not available for FY2023.
403-8	Workers covered by an occupational health and safety management system	SR: Health and Safety (Pg. 73)
403-9	Work-related injuries	SR: Health and Safety (Pg. 73)
403-10	Work-related ill health	The information is not available for FY2023.
404-1	Average hours of training per year per employee	SR: Human Capital Development (Pg. 67)
404-2	Programs for upgrading employee skills and transition assistance programs	SR: Human Capital Development (Pg. 65-69)
404-3	Percentage of employees receiving regular performance and career development reviews	SR: Human Capital Development (Pg. 70)
405-1	Diversity of governance bodies and employees	SR: Diversity and Inclusion (Pg. 63)
405-2	Ratio of basic salary and remuneration of women to men	The information is not available for FY2023.
408-1	Operations and suppliers at significant risk for incidents of child labour	SR: Human Rights and Labour Management (Pg. 74)
412-1	Operations that have been subject to human rights reviews or impact assessments	SR: Human Rights and Labour Management (Pg. 74)
412-2	Employee training on human rights policies or procedures	SR: Human Rights and Labour Management (Pg. 74)
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	SR: Human Rights and Labour Management (Pg. 74-75)
413-1	Operations with local community engagement, impact assessments, and development programs	SR: Local Communities (Pg. 75)
414-1	New suppliers that were screened using social criteria	SR: Human Rights and Labour Management (Pg. 74-75)

CORPORATE GOVERNANCE

INTRODUCTION

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

The Company affirms its commitment to align its corporate governance framework with the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**") and accompanying Practice Guidance, which form part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). This report describes the Company's corporate governance practices and structures that were in place during the financial year ended 31 December 2023 ("**FY2023**"), with specific reference to each principle and provision of the Code.

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

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

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

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

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

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

The Board's key functions include:

- providing entrepreneurial leadership and setting the strategic plans and performance objectives of the Group which include appropriate focus on value creation, innovation and sustainability;
- approving the release of the Group's financial results and business updates;
- reviewing the adequacy and effectiveness of the Group's risk management and internal controls framework, including strategic, financial, operational, compliance and information technology controls and establishing risk appetite to safeguard shareholders' interests and the Group's assets;
- approving the Group's annual budgets, significant capital expenditure, acquisitions, major investment decisions and divestment proposals;

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

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

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

In FY2023, no new Director was appointed to the Board.

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

The Company will make arrangements for a Director who has no prior experience as a director of a listed company, to attend the Listed Entity Director ("**LED**") Programme conducted by the Singapore Institute of Directors ("**SID**") to meet the mandatory training requirements under Rule 210(5)(a) of the Listing Rules within one year from the date of his appointment. As at the date of this Report, all Directors have completed the relevant training under the LED Programme organised by SID or have prior experience as a director of a listed company prior to their appointment to the Board.

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

During the year, the Directors had received approximately 79 training hours in aggregate through training seminars, courses, conferences and workshops attended by the Directors. Other than the courses comprised in the LED Programme, some of the seminars and conferences attended by the Directors during the year included the following:

- Singapore Governance & Transparency Forum
- Ethical Business Conduct: Advanced Cases in Corporate Governance
- IVAS-IVSC Business Valuation Conference 2023
- The Board's Role in Leading Successful Transformation
- ACRA-SGX-SID AUDIT COMMITTEE SEMINAR 2023
- Sustainability E-training for Directors

- Operational Risk Management Essentials
- Fraud Prevention - Global Edition
- Fair Dealing: Singapore Edition
- 5 years of Leading the Way through Diversity
- ISCA Conference
- How companies should prepare for the IRAS governance framework
- Tax Authorities Governance Programs
- Early lessons and issues for Board Directors

All the Directors have completed the training on Environmental, Social and Governance Essentials organised by the Singapore Institute of Directors. The Company had also appointed a sustainability consultant which provided updates to the Board on developments in sustainability compliance.

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

Board Reserved Matters (Provision 1.3)

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

- the Group's business strategy and objectives, budget and forecasts;
- any material extension of the Group's activities into new business or geographic areas;
- any change to the Company's corporate and capital structure, including the issuance of securities of any company in the Group, amendments to the Company's Constitution, major restructuring or reorganisation of the Group and major changes to the management or control structure of a principal subsidiary of the Company;
- any borrowing or giving of security above a certain limit;
- any injection of capital into any Group company for purposes other than to fund the working capital or capital expenditures of the Group company;
- the Company's financial results, annual report and the releases of related announcements, documents, press news and presentations;
- dividend policy and the determination of any interim and final dividends;
- any interested person transactions above a certain threshold;
- adoption of major policies of the Group;
- any material litigation;
- establishment of any company or entity, joint venture and partnership;
- any investment in, acquisition or disposal of any company, entity or business undertaking;

CORPORATE GOVERNANCE

- the structure, size and composition of the Board and Board Committees;
- appointment and dismissal of Directors, including Board Committee members, Key Executives and the Company Secretaries;
- delegation of authority including the Terms of Reference ("**TOR**") of the Board Committees;
- remuneration matters of the Board and Key Executives, including share incentive plans; and
- communications with shareholders, including the convening of general meetings and issuance of notices of general meetings and all related documents.

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

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

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

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

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

Board and Board Committees Meetings and Attendance (Provision 1.5)

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

All the Directors, including the CEO and Executive Chairman, were present at the Company's last annual general meeting held virtually on 28 April 2023.

The number of Board and Board Committees meetings as well as general meetings held during FY2023, and the attendance of Directors and KMP during these meetings, are as follows:

	BOARD	AC	NC	RC	BRC	GENERAL MEETINGS
No. of meetings held	5	4	2	2	4	1
No. of meetings attended by Directors						
Dr Shi Xu	5	–	1*	1*	–	1
Mr Gary Ho Hock Yong	5	–	1*	1*	3	1
Ms Ong Siew Koon @ Ong Siew Khoon	5	4	2	2*	4	1
Mr Kristian John Robinson	4	3*	2	2	2*	1
Ms Lee Lee Khoon	5	4	2*	2	4*	1
Mr Wan Kum Tho	5	4	2*	2*	4	1
Mr Russell Tham Min Yew	5	1*	2	2	–	1
Mr Steve Ghanayem	5	1*	1*	2*	4	1
No. of meetings attended by KMP						
Mr Lim Kian Onn *(Chief Financial Officer)*	5*	4*	–	–	–	1
Mr Gian Yi-Hsen *(Chief Strategy Officer)*	5*	–	–	–	4*	1
Mr Lars Ralf Rainer Lieberwirth *(Chief Technology Officer)* [1]	1*	–	–	–	–	1
Mr Ian Howe *(Chief Commercial Officer)* [2]	3*	–	–	–	–	0

* By invitation.
(1) Resigned as Chief Technology Officer with effect from 9 April 2024.
(2) Appointed as Group Chief Commercial Officer on 15 June 2023.

Access to Information (Provision 1.6)

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

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

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

Access to Management and Company Secretaries (Provision 1.7)

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

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

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

BOARD COMPOSITION AND GUIDANCE

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

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

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

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

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

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

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

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

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

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

Board Composition and Diversity (Provisions 2.4)

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

<u>Board Diversity</u>

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

The diversity of the Board has been considered from a number of aspects based on the Group's Board Diversity Policy, including but not limited to the following:

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

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

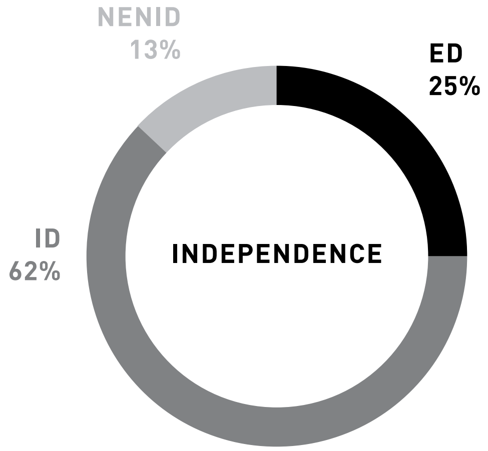
The Board's diversity targets are as follows:

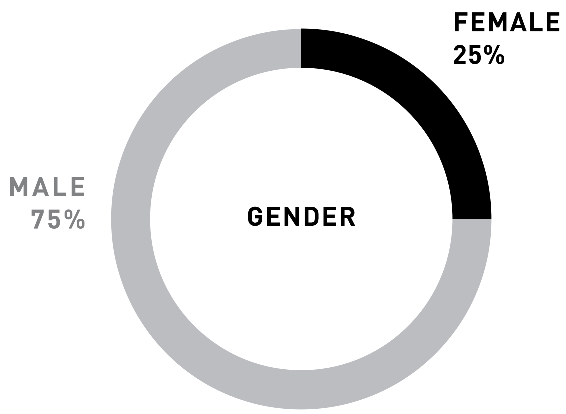
- Gender Diversity: In recognition of the importance and value of gender diversity, the Board will include at least two female Directors. As at the end of FY2023, the Board comprises two female Directors, which constitutes one quarter representation of the Board.

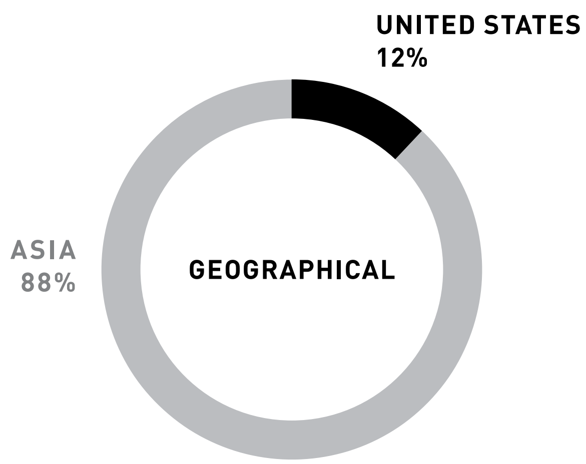
- Geographic Diversity: The Board will include international Directors (based out of Singapore) to encourage diverse expertise and multinational perspectives. To achieve such diversity, the Company will expand the search and recruitment process to attract a diverse pool of candidates from different nationalities and cultural backgrounds. As at the end of FY2023, two of the Directors are based in and have extensive experience in jurisdictions outside Singapore including Australia and the United States of America, and possess diverse cultural backgrounds.

- Skills and Experience: The Company strives to maintain a diverse Board comprising Directors with diverse skills and experience in finance, tax, legal and regulatory, strategic planning, technology and industry knowledge. As at the end of FY2023, the current Board comprises individuals whose diverse expertise and experience in the combined areas of accounting and finance, tax, business and management, legal and regulatory, industry knowledge, strategic planning and customer-based knowledge provide core competencies necessary to lead and govern the Group effectively. Each Director has been appointed based on the strength of his/her calibre, experience, industry knowledge and expertise, grasp of corporate strategy and potential to contribute to the Company and its business. In accordance with the business needs and growth of the Group, the Board will regularly engage individuals with the correct profile and assess their suitability to be appointed.

CORPORATE GOVERNANCE







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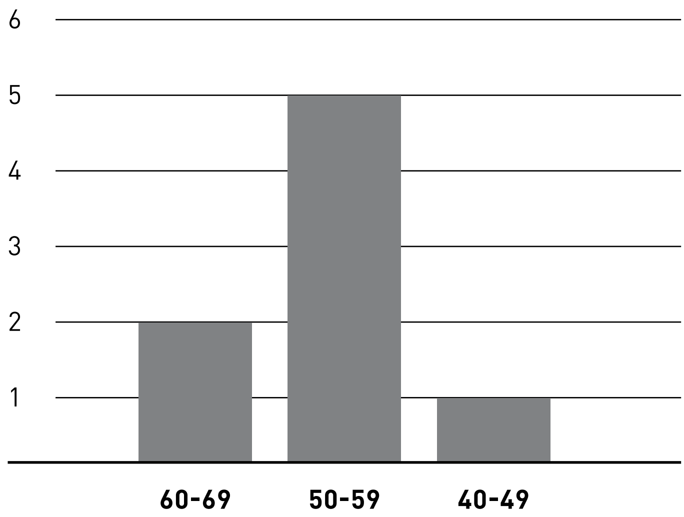
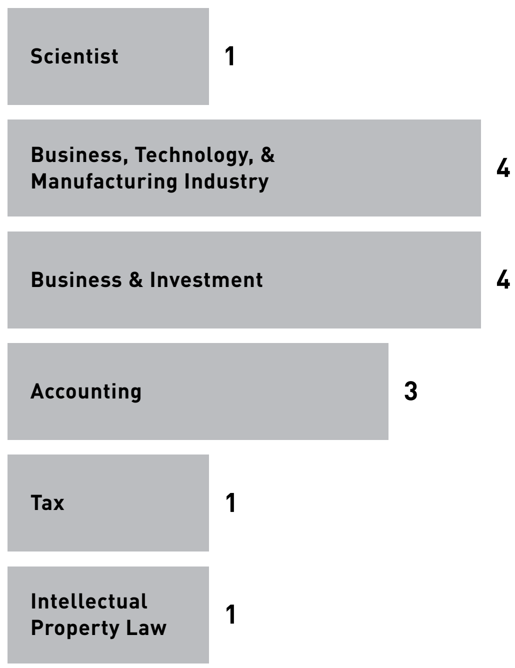


SKILLS, KNOWLEDGE, PROFESSIONAL AND INDUSTRY BACKGROUND



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

The NC is responsible for setting the Board Diversity Policy, including the targets, plans and timelines, for the Board's approval. The NC reviews the policy targets and keeps the Board updated on its progress and status.

Meeting of Independent Directors without Management (Provisions 2.5)

In FY2023 and up to the date of this report, the IDs, led by the Lead ID have met several times (without the presence of Management) both formally and informally, to discuss cessation and appointment of key executives, remuneration package and incentive bonus for EDs and KMP (including the grant of employee share options and share awards), feedbacks from the EA and other matters. The Lead ID will provide feedback and recommendations to the Board and/ or Chairman after such meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

Roles of Chairman and CEO (Provision 3.2)

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

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

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

Appointment of Lead Independent Director (Provision 3.3)

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

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

BOARD MEMBERSHIP

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

Composition of the Nominating Committee (Provision 4.2)

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

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

The NC held two meetings in FY2023. After each meeting, the NC Chairman reports formally to the Board on its proceedings and on all matters within its duties and responsibilities.

Role and Responsibilities of the Nominating Committee (Provision 4.1)

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

- establish a formal and transparent process for the appointment and re-appointment of Directors to the Board, taking into account the need for progressive renewal of the Board;
- assess annually, the effectiveness of the Board as a whole, and 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 Board diversity, performance evaluation criteria and process for the Board, Board Committees and individual Directors, as well as training and professional development programmes for the Directors.

A summary of the activities carried out by the NC in FY2023 and up to the date of this report is set out below:

- reviewed the size and composition of the Board, taking into account various aspects of board diversity;

- reviewed the succession planning of the Board and KMP;

- assessed the effectiveness and performance of the Board, Board Committees and individual Directors;

- reviewed the training and professional development programmes for the Directors;

- reviewed the directorships and principal commitments of each Director to assess if they have impinged on the Director's abilities to discharge his/her duties;

- reviewed and determined the independence of IDs;

- reviewed the Board Diversity Policy;

- reviewed and recommended the nomination of Directors for re-appointment/ re-election;

- reviewed the maximum number of listed company board representations a Director should hold and the principal commitments of Directors; and

- reviewed the TOR of the NC to ensure alignment with the Code.

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

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

The Company's Constitution provides for the appointment of alternate Directors. In compliance with the Code, the Company will avoid the appointment of alternate Directors, and should any appointment be made, it will be for limited periods only. No alternate Director was appointed in FY2023 and up to the date of this report.

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

In accordance with Regulation 100 of the Company's Constitution, Directors who are newly appointed by the Board shall only hold office until the next annual general meeting ("**AGM**"), and thereafter, be eligible for re-election at the AGM. As no new Director was appointed by the Board in FY2023, no Director will retire pursuant to Regulation 100 at the forthcoming AGM of the Company on 26 April 2024.

In accordance with Regulation 94 of the Company's Constitution, one-third of the Board of Directors is to retire from office by rotation. Under Regulation 95, such retiring Directors shall be eligible for re-election at the Company's forthcoming AGM on 26 April 2024. Regulation 100 also provides that Directors eligible for re-election under Regulation 100 will not be taken into account in determining the number of Directors who are to retire by rotation pursuant to Regulation 94.

The NC had recommended to the Board that Mr Gary Ho Hock Yong, Ms Ong Siew Koon @ Ong Siew Khoon and Ms Lee Lee Khoon retire pursuant to Regulation 94 of the Company's Constitution and be nominated for re-election at the forthcoming AGM on 26 April 2024. The Board had accepted the NC's recommendations.

Mr Gary Ho Hock Yong, Ms Ong Siew Koon @ Ong Siew Khoon and Ms Lee Lee Khoon had consented to act and offered themselves for re-election. Each of the above retiring Directors had abstained from the discussion and recused from voting in respect of his/her own nomination.

Pursuant to Rule 720(6) of the Listing Manual, detailed information of the Directors who are proposed to be re-elected to the Board is set out at pages 126 to 129 of this Annual Report.

Determining Directors' Independence (Provision 4.4)

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

(a) whether the Director has a relationship with the Company or its related corporations, substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of his/her independent judgement in the best interests of the Company;

(b) whether the Director is or has been employed by the Company or any of its related corporations in the current or immediate past financial years;

(c) whether the Director has an immediate family member who is or has been employed by the Company or any of its related corporations in the current or any of the past three financial years, and whose remuneration is or was determined by the RC;

(d) whether the Director or his/her immediate family member has, in the current or immediate past financial year, provided to or received from the Company or any of its subsidiaries any significant payments or material services (in excess of S$50,000 aggregated over any financial year), 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 organization which provided to or received from the Company or any of its subsidiaries any significant payments or material services (in excess of S$200,000 aggregated over any financial year);

(f) whether the Director has been a Director on the Board for an aggregate period of more than nine years; and

(g) any other applicable circumstances.

Mr Ghanayem is a shareholder and owner of Ghanayem Consulting, LLC. In October 2022, the Company appointed Ghanayem Consulting, LLC to provide business and operational advisory services to the Company at an annual fee of S$50,000 (the "**Engagement**"). In 2023, the Engagement was renewed for a further period of one year at the same annual fee ("**Renewed Engagement**"). Taking into consideration the guidelines in Practice Guidance 2 of the Code of Corporate Governance 2018 and that the total consultancy fees payable to Ghanayem Consulting, LLC for the Renewed Engagement will not exceed S$200,000 in a financial year, the Board is of the view that Mr Ghanayem is considered independent.

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

CORPORATE GOVERNANCE

Directors' other directorships and principal commitments (Provision 4.5)

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

NAME	DATE OF FIRST APPOINTMENT	DATE OF LAST RE-APPOINTMENT	PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES	DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING FIVE YEARS	OTHER CURRENT PRINCIPAL COMMITMENTS
Dr Shi Xu	2 Aug 1999	28 April 2023	Nil	Nil	Nil
Mr Gary Ho Hock Yong	6 Jul 2021	28 April 2022	Nil	Nil	Nil
Mr Russell Tham Min Yew	1 Mar 2022	28 April 2022	Non-executive non-independent director of AEM Holdings Ltd	Nil	- Head of Emerging Technologies, and Joint Head of Enterprise Development Group (Singapore) of Temasek International Private Ltd. - Chairman of North-East Community Development Council, Partnership Committee; - Chairman of Tampines West Community Club Management Committee; - Adjunct Professor at National University of Singapore, Faculty of Engineering; - Chairman of Infocomm Media Development Authority; - Board Member of Novo Tellus Capital Partners Pte Ltd; - Chairman of Microelectronic 2.0 Steering Committee. NRF RIE 2025, MTI; - Member of Surbana Jurong Private Limited; - Board Member of Xora Innovation Pte. Ltd.; - Board Member of Tangram Asia Capital LLP; - Governance Board Member of Centre for Hydrogen Innovations; - Investment Committee Member of Decarbonization Partners; - Investment Committee Member of Carbon Solutions Holdings Pte. Ltd.

CORPORATE GOVERNANCE

NAME	DATE OF FIRST APPOINTMENT	DATE OF LAST RE-APPOINTMENT	PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES	DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING FIVE YEARS	OTHER CURRENT PRINCIPAL COMMITMENTS
Ms Ong Siew Koon @ Ong Siew Khoon	9 Oct 2020	28 April 2022	Non-executive director of Karooooo Limited (listed on Nasdaq)	Nil	- Lead independent director of Maribank Singapore Private Limited - Director of Total-WellBeing SG Limited (f.k.a Health Concepts and Measurements – Healthier SG Ltd)
Mr Kristian John Robinson	9 Oct 2020	28 April 2023	Nil	Nil	Managing director of Spruson & Ferguson (Asia) Pte Ltd
Ms Lee Lee Khoon	9 Oct 2020	28 April 2022	Nil	Nil	Nil
Mr Wan Kum Tho	14 May 2021	28 April 2023	- Non-executive director of AP Oil International Limited - Non-executive director of Tat Hong Equipment Service Co. Ltd	Independent director of D'nonce Technology Bhd	- Managing director (Investments, APAC) of Singtel Innov8 Private Ltd
Mr Steve Ghanayem	1 Nov 2022	28 April 2023	Nil	Nil	Owner and shareholder of Ghanayem Consulting, LLC

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

CORPORATE GOVERNANCE

BOARD PERFORMANCE

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

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

Board Performance Evaluation

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

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

Board and Board Committees' Performance Criteria

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

Individual Director Evaluation Criteria

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

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

For FY2023, the performance evaluation of the Board, Board Committees and individual Directors was carried out in February 2024. The Directors completed the evaluation forms and returned them to the Company Secretary for compilation of evaluation results. To facilitate continuous improvements of the Board's practices, the summary of evaluation results was tabled at the Board meeting for review and discussion.

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

The NC did not engage any external facilitator to assist in the annual performance evaluation exercise for FY2023.

CORPORATE GOVERNANCE

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Composition of the Remuneration Committee (Provision 6.2)

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

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

Role and responsibilities of the Remuneration Committee (Provision 6.1)

For FY2023, 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;
- reviewed whether 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; and
- 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.

Remuneration Framework (Provision 6.3)

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

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

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

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

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

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

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

RC access to expert professional advice (Provision 6.4)

The RC may from time to time when it is appropriate, refer to market reports on average remuneration or seek external expert or independent professional advice in framing the Group's remuneration policy.

For FY2023, the Company had engaged Aon Solutions Singapore Pte Ltd (AON) as consultant to provide professional advice on the remuneration and share-based compensation of EDs and KMP as well as their key performance indicators ("**KPIs**") which are used for their performance evaluation. AON is independent and not related to the Group or any of its Directors.

LEVEL AND MIX OF REMUNERATION

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

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

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

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

CORPORATE GOVERNANCE

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 KPIs such as core values, competencies, key result areas, performance rating, and potential of the employees. A significant and appropriate proportion of the performance bonuses for EDs and KMP is structured so as to link rewards to performance at both the corporate and individual level. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promote the long-term success of the Group. The RC reviews the KPIs of the KMP. Part of the KPIs are tied to the profitability of the specific business unit which the individuals are managing.

Long-term Incentive Scheme

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

Both the ESOS 2020 and RSP 2021 use vesting schedules in connection with the grants of options and share awards. In addition, the vesting and release of shares pursuant to awards granted under RSP 2021 may be subject to the fulfilment of performance conditions determined by the RC. The use of vesting schedules where options and share awards are vested over a pre-determined time horizon and, in the case of share awards granted under the RSP 2021, conditional upon the fulfilment of performance conditions by the employees, ensure that employees continuously maintain a high level of contribution and commitment to the Group's performance and profitability. Details of the employee share incentive schemes and plan are set out in the Directors' Statement on pages 133 to 140 of this Annual Report.

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

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

CORPORATE GOVERNANCE

Remuneration of IDs/ Non-EDs (Provision 7.2)

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

For FY2023, the Directors' fee structure for the Board and Board Committees is as follows:

	ANNUAL FEES (S$)	
	Chairman	**Member**
Board	80,000	50,000
Audit Committee	20,000	15,000
Nominating Committee	13,000	7,500
Remuneration Committee	15,000	10,000
Board Risk Committee	15,000	10,000

With effect from FY2024, to align with best practices for corporate governance, the EDs (namely, the Executive Chairman of the Board and the Group CEO who is a member of the Board and BRC) would not receive Directors fees for their roles on the Board and Board Committee, but instead their compensation packages would be adjusted to reflect and commensurate with their managerial and operational duties and responsibilities within the Group. This will provide more transparency of the Company's compensation policies to its EDs.

Based on the revised fee structure, the RC has recommended that the Board tables for shareholders' approval at the forthcoming AGM, the payment of Directors' fees of S$448,000 for the financial year ending 2024 ("**FY2024**") to the IDs and NENID, such payment to be made on a quarterly basis, in arrears. The recommendations would be tabled at the forthcoming AGM for shareholders' approval.

No member of the RC is involved in deliberating and deciding on his/her remuneration, compensation or any other form of benefits. The Board concurred with the RC that the proposed Directors' Fees for FY2024 are appropriate and not excessive, taking into consideration the level of contributions by the IDs and NENID, the effort and time spent serving on the Board and Board Committees as well as the responsibilities and obligations associated with their duties as Directors.

DISCLOSURE ON REMUNERATION

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

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

The remuneration of Directors, CEO and KMP for FY2023 is set out below. The disclosure is provided to enable a better understanding of the link between the remuneration paid to Directors, CEO and KMP and the performance of the individual and the Group. Please refer to the description under Principle 7 for the criteria in setting the remuneration.

		BREAKDOWN IN PERCENTAGE					
	REMUNERATION BAND(1)	DIRECTOR FEES	FIXED SALARY	BONUS	OTHERS(2)	SHARE-BASED INCENTIVES(3)	TOTAL
EDs							
Dr Shi Xu	C	12%	73%	13%	2%	0%	100%
Mr Gary Ho Hock Yong	C	11%	70%	12%	6%	1%	100%
IDs and NENID							
Ms Ong Siew Koon @ Ong Siew Khoon	A	100%	0%	0%	0%	0%	100%
Mr Kristian John Robinson	A	100%	0%	0%	0%	0%	100%
Ms Lee Lee Khoon	A	100%	0%	0%	0%	0%	100%
Mr Wan Kum Tho	A	100%	0%	0%	0%	0%	100%
Mr Russell Tham Min Yew	A	100%	0%	0%	0%	0%	100%
Mr Steve Ghanayem	A	100%	0%	0%	0%	0%	100%

		BREAKDOWN IN PERCENTAGE				
	REMUNERATION BAND(1)	FIXED SALARY	BONUS	OTHERS(2)	SHARE-BASED INCENTIVES(3)	TOTAL
KMP						
Mr Lim Kian Onn	B	76%	11%	9%	4%	100%
Mr Lars Ralf Rainer Lieberwirth	B	87%	12%	0%	1%	100%
Mr Gian Yi-Hsen	B	79%	8%	9%	4%	100%
Mr Ian Howe (4)	A	87%	0%	13%	0%	100%

Notes:

Remuneration includes any benefits in kind (such as, but not limited to, award shares and share options as defined in Note (3) below) and any deferred compensation accrued for the relevant financial year and payable at a later date.

(1) Remuneration bands:
"A" refers to remuneration less than or equal to the equivalent of S$250,000.
"B" refers to remuneration greater than the equivalent of S$250,000 and less than or equal to S$500,000.
"C" refers to remuneration greater than the equivalent of S$500,000 and less than or equal to S$750,000.
"D" refers to remuneration greater than the equivalent of S$750,000 and less than or equal to S$1,000,000.
"E" refers to remuneration greater than the equivalent of S$1,000,000 and less than or equal to S$1,250,000.

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

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

(4) The remuneration paid to Mr Ian Howe was prorated from the date of his appointment to 31 December 2023.

Under the Code, the Company is required to disclose the remuneration of the top five KMP. There were only four KMP (who are not Directors or the CEO) during FY2023. Given the commercially sensitive and confidential nature of KMP remuneration and the highly competitive human resource environment in the industry, the Board believes that disclosing the remuneration of the EDs (including the CEO) and KMP in exact quantum is counterintuitive and not in the best interests of the Group as it is important for the Group to retain talent for its long-term interests and growth. With a competent and experienced management team in place, the stability and continuity of the Group's business operations are assured.

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

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

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

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

The aggregate remuneration paid to existing KMP, namely Mr Lim Kian Onn, Mr Lars Lieberwirth, Mr Ian Howe and Mr Gian Yi Hsen (who are not Directors or CEO of the Company) in FY2023 amounted to approximately S$1.27 million, which included benefits-in-kind such as share based incentives and any deferred compensation accrued for the relevant financial year and payable at a later date. The aggregate remuneration of the EDs, namely Dr Shi Xu and Mr Gary Ho Hock Yong, in FY2023 (including Directors' fees) amounted to approximately S$1.22 million.

The Board and RC have assessed and are satisfied that the level and structure of remuneration of EDs and KMP align with the long-term interests and risk management policies of the Company.

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

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

			BREAKDOWN IN PERCENTAGE		
	DESIGNATION	**REMUNERATION BAND**	**FIXED SALARY, BONUS AND OTHERS**	**SHARE-BASED INCENTIVES**	**TOTAL**
Mr Jin Xiaozhe[1]	Vice President of Advanced Materials BU	A[2]	98%	2%	100%

Notes:

(1) Mr Jin Xiaozhe is the brother of Mdm Jin Xiao Qun, a substantial shareholder of the Company.
(2) "**A**" refers to remuneration greater than the equivalent of S$400,000 and less than or equal to S$500,000.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

Mr Wan Kum Tho (Chairman) (ID, AC member)
Ms Ong Siew Koon @ Ong Siew Khoon (Lead ID, AC chair)
Mr Gary Ho Hock Yong (ED)
Mr Steve Ghanayem (ID)

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The BRC assists the Board in determining the risk tolerance level and risk policies of the Group. The BRC oversees and monitors the implementation of risk management and the Group's internal control systems. The BRC ensures that Management maintains a sound system of internal controls and effective risk management policies to safeguard shareholders' interests and the Group's assets. For FY2023, the BRC held four meetings and reports formally to the Board on its proceedings after each meeting as well as any other matters within its duties and responsibilities. The BRC also met informally to discuss matters relating to risk identification, risk control processes and systems to be adopted by the Group.

Role and Responsibility of the BRC

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

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

- To review reports on material risk events and ensure adequacy of actions taken by Management; and
- To investigate any matters within its TOR and to require cooperation by management.

Risk management and internal control systems

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

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

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

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

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

The IA reviews material internal controls as part of the internal audit plan to provide independent assurance on the adequacy, effectiveness and integrity of the Group's internal controls and risk management systems. In FY2023, the Group's in-house IA team carried out audit on the Group's financial, operational, compliance and information technology risk controls.

In FY2023, the Company appointed a third party consultant to provide support to the Company on enhancing its sustainability reporting and monitoring of its sustainability processes.

Adequacy and effectiveness

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

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

Written assurances on their adequacy and effectiveness (Provision 9.2)

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

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

(2) nothing has come to Management's attention which might render the financial results of the Group to be false or misleading in any material aspect;

(3) Management is aware of their responsibilities for establishing, maintaining and evaluating the adequacy and effectiveness of the risk management and internal control systems of the Group; and

(4) there are no known significant deficiencies or lapses in the risk management and internal controls systems relating to the Group's financial, operational, compliance and information technology controls which could adversely affect the Group's ability to record, process, summarise or report financial data, or of any fraud, whether material or not.

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

For FY2023, the Board had received the written confirmations of the KMP, CEO and CFO (collectively, the "**Management Assurance Letters**") as above stated.

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

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

There was no material weakness in risk management and internal controls noted as of 31 December 2023.

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

CORPORATE GOVERNANCE

AUDIT COMMITTEE

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

Composition of the Audit Committee (Provision 10.2)

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

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

Expertise of AC members

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

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

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

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

Authority of the AC

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

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

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

Financial Reporting

- reviewing and reporting to the Board on significant financial reporting issues and judgements to ensure the integrity of the financial statements and any announcements relating to financial performance;
- reviewing the quarterly/half-yearly and annual financial statements before submission to the Board for approval;
- reviewing the assurance from the CEO and CFO on financial records and financial statements;

- discussing with Management any legal, regulatory or contractual matters that may have a material impact on the Group's financial statements and any material reports or inquiries from regulatory or governmental agencies;

- reviewing the adequacy and effectiveness of the Group's finance function;

- ensuring that the Group's trade receivables are stated at fair value and accurately recorded in the financial statements, and that credit policies are adhered to;

- reviewing key financial risk areas and monitor the cash flows of the Group;

Internal Controls

- reviewing and reporting to the Board, at least annually, the adequacy and effectiveness of the Group's internal control systems (including financial, operational, compliance and information technology controls) and recommending to the Board, policies to be developed that would enhance the controls and operating systems of the Group, and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board;

- reviewing regulatory compliance matters, at least on a quarterly basis, with a view to ensuring that adequate rectification measures are taken for past breaches and new initiatives are implemented to mitigate and reduce the risks of future breaches;

Whistleblowing

- reviewing the policy, and establishing procedures for concerns about possible improprieties in financial reporting, criminal offences involving the Group or its employees, or other matters that may negatively impact the Group to be safely raised, independently and appropriately investigated and followed up on;

- reviewing and reporting to the Board on a timely basis any significant matters raised through the whistleblowing channel;

- commissioning and reviewing the findings of investigations by the IA and EA into matters where there is any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;

Interested Person Transactions

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

External Audit and Internal Audit

- reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the EA's audit plan, audit reports and evaluation of the system of internal accounting controls;

- making recommendations to the Board on the proposals to shareholders on the appointment, reappointment and removal of the EA, and approving the remuneration and terms of engagement of the EA;

- monitoring and reviewing the implementation of the recommendations of the IA and EA for internal control weaknesses (if any);

- ensuring co-ordination between the EA, IA and Management, and reviewing the assistance given by Management to the EA and IA;

- ensuring that the internal audit function is adequately resourced and staffed with persons of relevant qualification and experience, and that the IA comply with the standards set by nationally or internationally recognised professional bodies;

- reviewing and approving the internal audit plan, the internal audit reports, the scope and results of the internal audit procedures and Management's response and follow-up actions;

- reviewing at least annually, the adequacy and effectiveness of the Group's risk management and internal audit function and ensuring that a clear reporting structure is in place between the AC and the IA;

- ensuring that the internal audit function has unfettered access to all the Group's documents, records, properties and personnel, including the AC, and has appropriate standing within the Group;

- approving the appointment, termination and remuneration of the head of the internal audit function or the accounting/auditing firm or corporation to which the internal audit function is outsourced;

Conflict of Interest

- reviewing any actual or potential conflicts of interest that may involve the Directors and resolving all conflicts of interest matters referred to it. A Director who is a member of the AC will not participate in any proceedings of the AC in relation to the review of a conflict of interest relating to him/her;

- monitoring any investments in the customers, suppliers and competitors of the Group made by the Directors, controlling shareholders and their respective associates, making assessments on whether there are any potential conflicts of interest and proposing ways to resolve such potential conflicts of interest as and when they arise;

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

- reviewing all conflicts of interest matters referred to it;

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 is 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[1];

General

- undertaking such other functions and duties as may be required by statute or the Listing Manual;

- undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings on matters arising and requiring the attention of the AC; and

- monitoring the use of, and making announcement on the use of the proceeds from the IPO, in accordance with the rules of the Listing Manual.

In FY2023, the AC also reviewed its TOR which is in line with the Code.

Accountability for accurate information

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

The AC and the Board also meet to review and monitor the Group's performance at regular intervals 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.

1 The assessment of the CFO's performance for FY2023 was undertaken by the AC and the results of the assessment were discussed by the AC.

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

Management Accounts

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

External Audit

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

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

Key Audit Matters

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

The significant financial reporting matters have been identified and included in the Independent Auditor's Report to the members of the AC under "Key Audit Matters". For FY2023, the measurement of development costs and accounting for the put option liability have been reported as Key Audit Matters. Details of the Key Audit Matters can be found at page 144 of this Annual Report.

KEY AUDIT MATTER	HOW THE EA ADDRESSED THESE MATTERS
Measurement of development costs	The EA have reviewed the Group's control environment on intangible assets cycle and performed the test of key controls as appropriate, made enquiries with Management on the determination of research and development stage, assessed whether the development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established and costs incurred during the development process can be measured reliably, performed test of details on cost incurred and payment, and performed cut-off test to check that cost is recognised in the appropriate accounting period. The EA found that the methodologies and cost capitalized by Management in determining the intangible assets to be appropriate and reasonable.
Accounting for the put option liability	The EA have reviewed the basis to determine the put option liability and the reasonableness of the key methodologies and assumptions (including discount rates) applied in the valuation of the Venezio Put Option Shares and re-performed the computations involved in the estimation of the put option liability. The EA found that the methodologies and assumptions used by Management in estimating the put option liability to be appropriate and reasonable.

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

Independence of EA

The AC confirms that the Company has complied with Listing Rule 712 in that Moore Stephens is registered with the Accounting and Corporate Regulatory Authority (ACRA). After taking into consideration *inter alia*, the Audit Quality Indicators Disclosure Framework published by ACRA, the AC is satisfied that the resources and experience of Moore Stephens, the audit engagement partner and the team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group.

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

Internal Audit (Provision 10.4)

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

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

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

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

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

Meeting with EA and IA (Provision 10.5)

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

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

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

Participation of shareholders at general meetings (Provision 11.1)

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

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

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

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

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

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

Attendance at general meetings (Provision 11.3)

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

The AGM for FY2022 was convened and held by electronic means on 28 April 2023 ("**AGM 2023**") pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("**AAM Order**"). To provide shareholders with the ability to directly and immediately engage with the Board and vote thereafter, the Company had implemented real-time electronic voting and real-time question-and-answer for the AGM 2023. Alternative arrangements relating to attendance at the AGM 2023 via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions and proxy forms, appointment of proxies to attend and vote in shareholders' stead at the AGM, live voting and live question-and-answer session, were are all informed to shareholders in advance via SGX-Net. The Company answered all substantial and relevant questions submitted by shareholders prior to the AGM 2023, as well as those received live at the AGM 2023. The minutes of the AGM 2023, which included the responses to substantial and relevant questions from shareholders, were published on SGX-Net and the Company's website within one month from the date of the AGM 2023.

The forthcoming AGM for FY2023 on 26 April 2024 ("**AGM 2024**") will be held physically at 28 Ayer Rajah Crescent #02-02/03 Singapore 139959, one of the places of operation of the Company in Singapore. The arrangements relating to attendance and voting at the AGM 2024, appointment of proxies, submission of questions in advance of the AGM 2024, the address of substantial and relevant questions at the AGM 2024 and access to documents, are set out in the Company's Notice of AGM dated 11 April 2024. The Company ensures that the Notice of AGM is made available to all shareholders with sufficient time for all shareholders to review the Notice of AGM and appoint a proxy(ies) to attend the AGM, if they wish. For the benefit of shareholders and in accordance with the Company's Constitution, the Notice of AGM is also advertised in The Business Times.

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. In addition, such shareholder is allowed to attend as observer without being constrained by the two-proxy rule.

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

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

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

Minutes of general meetings (Provision 11.5)

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

Dividend Policy (Provision 11.6)

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

The Board is pleased to recommend a final one tier tax-exempt dividend of S$0.0033 per ordinary share for FY2023, subject to the approval of shareholders at the AGM. Together with the declared tax-exempt one tier interim dividend of S$0.0033 per ordinary share paid on 8 September 2023, the Company has declared a total dividend of S$0.0066 per ordinary share to reward its shareholders for their loyalty and support to the Company.

ENGAGEMENT WITH SHAREHOLDERS

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

Communication with shareholders (Provision 12.1)

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

To enable shareholders and investors to make informed investment decisions, shareholders are notified in advance of the date of release of the Group's financial results through an announcement via SGXNet. Material information relating to the Group, which is deemed price or trade sensitive, or which is likely to affect shareholders' or investors' decisions in investing in the Company's shares, is promptly announced via SGXNet in compliance with the Listing Manual and the Code. Such announcements are also released on the Company's website at https://www.nti-nanofilm.com/investor-overview/investor-announcement/ 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.

CORPORATE GOVERNANCE

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

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

Investor Relations (Provisions 12.2 and 12.3)

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

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

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

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

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

For FY2023 and up to the date of this report, the Company has held more than 100 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 in its press releases. The Company's corporate website has a dedicated email which shareholders and investors could get in contact with the Company and/or send their enquiries to. Questions and feedback from shareholders and investors are attended to by the Company's investor relations team and Orient Capital.

CORPORATE GOVERNANCE

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

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

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

Material stakeholder groups (Provision 13.1)
Management of stakeholder relationships (Provision 13.2)
Corporate website to communicate and engage with stakeholders (Provision 13.3)

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

More information on the Group's strategy and key areas of focus in managing stakeholder relationships can be found in the Company's Sustainability Report on pages 32 to 82 of this Annual Report.

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

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

The Company continues to be represented by the relevant FTSE ST and MSCI indices.

Awards and Accolades

In FY2023, the Company received the GET-Up20 Innovation Award during the 20th anniversary of the Agency for Science, Technology and Research ("**A*STAR**") Growing Enterprises through Technology Upgrade ("**GET-Up**") initiative, being one of the two local enterprises that were given the award. GET-Up is a proactive approach to enhance the global competitiveness of Singapore's technology-focused businesses by equipping them for Singapore's knowledge-based economy.

CORPORATE GOVERNANCE

In FY2023, the Company was also awarded the Startup Champion (non-startup category), while Sydrogen Energy Pte. Ltd. was awarded the Startup Award by the Action Community for Entrepreneurship ("**ACE.SG**"). The awards are a recognition of the Group's constant strive to be at the forefront of innovation while seeking different pathways to commercialise and proliferate the Group's nanotechnology solutions.

The Company was named as one of Singapore's Best Managed Companies winners in 2023, an initiative of Deloitte Private. This is the third consecutive year the Company has been accorded this recognition. Deloitte's Best Managed Companies award program recognises companies for their organisational success and achievement. The program provides a distinct framework for management teams to challenge themselves and benchmark against some of the best private companies in the world. The Best Managed Companies is part of a global awards program active in the Americas, Europe, Australia, China and now Singapore and across Southeast Asia. Companies are evaluated based on factors such as strategy development, capabilities and innovation, culture and commitment, strong governance structures and financial discipline.

OTHER CORPORATE GOVERNANCE MATTERS

WHISTLE-BLOWING POLICY

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

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

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

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

During FY2023, two whistle-blowing reports were received and the matters were thoroughly investigated by the Company's in-house IA team and the AC, appropriate follow-up actions were taken where necessary and the matters were closed.

DEALING IN SECURITIES (LISTING RULE 1207(19))

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

Under the Group's internal guidelines, all officers and 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, they are required to confirm that they are not in possession of any price sensitive inside information concerning the Group. Directors and the CEO are also required to notify their dealings in the Company's securities within 2 business days after the dealing.

The Company had, at the AGM 2023 renewed the mandate from shareholders to undertake buy back of its shares ("**Share Purchase Mandate**") and will be seeking a renewal of the said mandate at the forthcoming AGM 2024. All share repurchases have been and will be carried out in accordance with the mandate approved by shareholders and the provisions of the Companies Act 1967 of Singapore.

In FY2023, the Company had undertaken the repurchase of its shares from the open market. These repurchased shares are held as treasury shares, and a portion of such shares were transferred to employees pursuant to the exercise of employee share options held by them.

CODE OF BUSINESS CONDUCT AND ETHICS

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

As part of the Code of Business Conduct and Ethics, the Group is committed to safeguarding creditors' rights and endeavours to pay invoices in a timely manner. The Group negotiates with its suppliers on an individual basis to mutually agree on contractual terms and meets its obligations accordingly. The Group's Code of Business Conduct and Ethics may be accessed at the Company's website at https://www.nti-nanofilm.com/wp-content/uploads/2023/11/Nanofilm-Supplier-Code-of-Conduct.pdf. Further, the Company has a zero-tolerance approach to bribery and corruption. It complies strictly with anti-corruption policies of the countries and regions in which it operates and is committed to conducting business with honesty and integrity. The CEO oversees and directs the Group's efforts on business ethics and anti-corruption issues and reports annually to the Board on related matters.

The Group strives to comply with all applicable statutory laws and regulations to ensure proper safe work practices are put in place for the health and welfare of its customers and employees. To demonstrate its efforts towards ensuring customers' health and safety, the Company has in place a Health and Safety Policy and safety committees at its sites in multiple countries. These committees are responsible for the monitoring of safety practices and conducting monthly safety inspections, ensuring continuous improvement and adherence to our high safety standards.

Employees undergo training to equip themselves with the requisite skills and competence to operate the Group's business. At Nanofilm, a comprehensive in-house talent training and development programme named "Nanofilm College" has been established to provide employees with specialized training tailored for each stage of their career.

INTERESTED PERSON TRANSACTIONS ("IPT") (LISTING RULE 907)

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

Details of all IPT entered into during FY2023 are as follows:

NAME OF INTERESTED PERSON	NATURE OF RELATIONSHIP	AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS DURING FY2023 (INCLUDING TRANSACTIONS LESS THAN S$100,000) (S$'000)
上海纳曦餐飲管理有限公司 ("**Na Xi**")	Note [(1)]	323

Note:

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

There is no material or significant interested person transaction conducted in the year. 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 FY2023.

MATERIAL CONTRACTS (LISTING RULE 1207(8))

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

CORPORATE GOVERNANCE

USE OF PROCEEDS FROM IPO

Pursuant to the Company's IPO, the Company received gross proceeds of S$200.0 million and as at 31 December 2023, the gross proceeds had been utilised as follows:

	AMOUNT ALLOCATED (AS DISCLOSED IN THE IPO PROSPECTUS) S$'000	LAST ANNOUNCED BALANCE AS AT 31 DECEMBER 2023[1] S$'000	AMOUNT UTILISED FROM 1 JANUARY 2024 TO 29 FEBRUARY 2024 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	32,419	–	32,419
R&D and engineering for entry into new end industries and new areas and/or products in existing business segments	50,000	–	–	–
Construction, refurbishment and renovation of new and existing production facilities				
- Renovation (including refurbishment, furniture and fittings) of Shanghai Plant 2	20,000	–	–	–
- Construction, refurbishment and renovation of new and existing production facilities	10,000	–	–	–
General corporate and working capital purposes	20,900	–	–	–
Payment of underwriting commissions and offering expenses	9,100	(505)	–	(505)
TOTAL	200,000	31,914	–	31,914

Note:
The sum of the numbers listed may not add up to the total thereof due to rounding.

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

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

NAME OF DIRECTOR	MR GARY HO HOCK YONG	MS ONG SIEW KOON	MS LEE LEE KHOON
Date of appointment	6 July 2021	9 October 2020	9 October 2020
Date of last re-appointment	28 April 2022	28 April 2021	28 April 2021
Age	52	65	68
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Please refer to page 96 of this Annual Report	Please refer to page 96 of this Annual Report	Please refer to page 96 of this Annual Report
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-Executive	Non-Executive
Job Title	Chief Executive Officer and Executive Director	Non-Executive Independent Director	Non-Executive Independent Director
Professional qualifications	Please refer to page 26 of this Annual Report	Please refer to page 27 of this Annual Report	Please refer to page 29 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 131 of this Annual Report	Please refer to page 131 of this Annual Report	Please refer to page 131 of this Annual Report
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

NAME OF DIRECTOR	MR GARY HO HOCK YONG	MS ONG SIEW KOON	MS LEE LEE KHOON
Other Principal commitments including Directorships			
Past (for the last 5 years)	Director of: MG Consulting Holdings Pte. Ltd.	Nil	In-house tax advisor to Kuok (Singapore) Group
Present	Director of: 1. NanoFab Technologies Pte. Ltd. 2. Nanofilm Advanced Materials Pte. Ltd. 3. Miller Technologies Pte. Ltd. 4. Nanofilm Investments Pte. Ltd. 5. Nanofilm Ventures Pte. Ltd. 6. Sydrogen Energy Pte. Ltd. 7. Wizture Holdings Pte. Ltd. 8. Nanofilm Advanced Materials India Pte. Ltd. 9. Sydrogen (Shanghai) Technology Co., Ltd. 10. Sydrogen Enterprise Management (Shanghai) Co., Ltd. 11. Nanofilm Enterprise Management (Shanghai) Co., Ltd. 12. Nanofilm Vacuum Coating (Shanghai) Co., Ltd. 13. Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd. 14. Yizheng Nahuan Technologies Co., Ltd. 15. Nanofilm Vacuum Coating (Huizhou) Co., Ltd. 16. Sichuan Apex Technologies Co., Ltd. 17. Nanofilm Technologies Japan Ltd. 18. NanoFab Japan Co., Ltd. 19. Nanofilm Advanced Materials Co., Ltd. 20. Nanofilm Technologies Vietnam Co., Ltd. 21. Nanofilm Technologies Europe B.V. 22. Nanofilm AM Germany GmbH 23. AxynTeC Dünnschichttechnik GmbH 24. Nanofilm Advanced Materials India Private Limited	Director of: 1. Karooooo Limited (listed on Nasdaq) 2. Maribank Singapore Private Limited 3. Total-WellBeing SG Limited (f.k.a Health Concepts and Measurements – Healthier SG Ltd)	Nil

CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE

Information required **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? **Mr Ho, Ms Ong and Ms 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 Mr Ho, Ms Ong and Ms Lee as this is a re-election/re-appointment of Director.**

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

The Directors present their statement to the members together with the audited financial statements of Nanofilm Technologies International Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2023.

In the opinion of the Directors,

(a) the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1. DIRECTORS

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

Dr Shi Xu
Mr Gary Ho Hock Yong
Ms Ong Siew Koon @ Ong Siew Khoon
Mr Kristian John Robinson
Ms Lee Lee Khoon
Mr Wan Kum Tho
Mr Russell Tham Min Yew
Mr Steve Ghanayem

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 and who had any interest in the shares or debentures of the Company or its related corporations are stated below:

	HOLDINGS REGISTERED IN THE NAME OF A DIRECTOR			HOLDINGS IN WHICH A DIRECTOR IS DEEMED TO HAVE AN INTEREST		
NAME OF DIRECTORS	**AT 1.1.2023**	**AT 31.12.2023**	**AT 20.1.2024**	**AT 1.1.2023**	**AT 31.12.2023**	**AT 20.1.2024**
The Company						
Nanofilm Technologies International Limited						
Number of Ordinary Shares						
Dr Shi Xu	44,457,573	44,457,573	44,457,573	292,592,853	292,592,853	292,592,853
Mr Kristian John Robinson	–	–	–	120,000	120,000	120,000
Mr Wan Kum Tho	–	–	–	10,000	25,000	25,000
Mr Gary Ho Hock Yong	–	–	–	3,000,000	3,005,000	3,005,000
Ultimate Holding Company						
Pearl Yard Holdings Inc.						
Number of Ordinary Shares						
Dr Shi Xu	1	1	1	–	–	–

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 31.12.2023	**AT 1.1.2023**
Nanofab Technologies Pte. Ltd. – Number of ordinary shares	4,410	4,410
Nanofab Japan Co., Ltd – Capital contribution in JPY	90	90
Nanofab Vietnam Co., Ltd – Capital contribution in USD	450,000	450,000
Yizheng Nahuan Technologies Co., Ltd – Capital contribution in RMB	30,600,000	30,600,000
Wizture Technologies (Yizheng) Co., Ltd – Capital contribution in RMB	15,000,000 [1]	36,000,000
Sydrogen Energy Pte. Ltd. – Capital contribution in SGD	21,000,000 preference shares and 70,000,000 ordinary shares	21,000,000 preference shares and 70,000,000 ordinary shares
Sydrogen (Shanghai) Technology Co., Ltd – Capital contribution in RMB	20,000,000	20,000,000
Sydrogen Enterprise Management (Shanghai) Co., Ltd – Capital contribution in RMB	100,000	100,000
Sichuan Apex Technologies Co., Ltd – Capital contribution in RMB	27,000,000	27,000,000

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

(1) As at 31 December 2023, Wizture Technologies (Yizheng) Co., Ltd. had become a wholly-owned subsidiary of the Group. Please refer to Note 14 for more information.

4. SHARE OPTIONS AND AWARDS SHARES

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

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

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

As at 31 December 2023, details of the options granted under the ESOS Scheme 2017 are as follows:

DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2023	OPTIONS GRANTED	OPTIONS CANCELLED/ LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2023	EXERCISE PRICE	DATE OF EXPIRY
						S$	
3 December 2018	100,000	–	–	(30,000)	70,000	0.5868	9-27 December 2024
3 June 2019	90,000	–	–	(90,000)	–	0.5868	16-18 June 2025
1 July 2020	566,000	–	–	(466,000)	100,000	0.5868	30 June2026
	756,000	–	–	(586,000)	170,000		

During the financial year ended 31 December 2023, 586,000 shares options were exercised.

As at 31 December 2023, all the 170,000 outstanding options granted under the ESOS Scheme 2017 had vested.

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

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

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

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

	SHARE OPTIONS GRANTED DURING THE FINANCIAL YEAR	AGGREGATE SHARE OPTIONS GRANTED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2017 TO 31.12.2023	AGGREGATE SHARE OPTIONS CANCELLED/ LAPSED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2017 TO 31.12.2023	AGGREGATE SHARE OPTIONS EXERCISED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2017 TO 31.12.2023	AGGREGATE SHARE OPTIONS OUTSTANDING AS AT 31.12.2023
Directors and Employees of Company					
Mr Gary Ho Hock Yong	–	5,200,000	(1,350,000)	(3,850,000)	–
Directors and employees of subsidiaries					
Mr Jin Xiaozhe	–	6,700,000	(1,734,000)	(4,966,000)	–

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

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

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

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

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

- The total number of shares comprised in options which may be granted under the ESOS Scheme 2020, when added to the aggregate of (i) the number of new shares that are issued or issuable and issued shares (including treasury shares) that are delivered or to be delivered pursuant to options already granted under the ESOS Scheme 2020; and (ii) the number of shares subject to any other share options or share schemes adopted by the Company after the Listing Date, shall not exceed 5.0% of the total number of issued shares of the Company on the day preceding the date of grant of any new option.

- The total number of shares which may be issued or delivered pursuant to the exercise of options granted under the ESOS Scheme 2020 to (i) each controlling shareholder and each associate of a controlling shareholder; and (ii) controlling shareholders and associates of controlling shareholders, shall not exceed 10% and 25% of the total number of shares available under the ESOS Scheme 2020, respectively.

- The options that are granted under the ESOS Scheme 2020 may have acquisition prices that are, at the RC's discretion, set at a price equal to the volume-weighted average price for the shares on the SGX-ST over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST ("**Market Price**"); or at a discount to the Market Price (subject to a maximum discount of 20%).

- Options granted under the ESOS Scheme 2020 will have a life span expiring on or before the 10^{th} anniversary of the date of grant in respect of options granted to employees and controlling shareholders and their associates and, on or before the 5^{th} anniversary of the date of grant in respect of options granted to non-executive directors of the Group.

- The ESOS Scheme 2020 shall continue to be in force for a maximum period of 10 years from the adoption date and may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

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

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

As at 31 December 2023, details of the options granted under the ESOS Scheme 2020 are as follows:

DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2023	OPTIONS GRANTED	OPTIONS CANCELLED/ LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2023	EXERCISE PRICE S$	DATE OF EXPIRY
26 March 2021	730,500	–	(46,000)	–	684,500	4.9279	26 March 2031
6 April 2021	610,000	–	(100,000)	–	510,000	5.1135	6 April 2026 & 6 April 2031
19 August 2021	530,000	–	–	–	530,000	4.1185	19 August 2026
31 March 2022	2,325,000	–	(360,000)	–	1,965,000	2.6907	31 March 2027
	4,195,500	–	(506,000)	–	3,689,500		

During the financial year ended 31 December 2023, no share option was granted under the ESOS Scheme 2020. No share option was exercised during the year when vested and 506,000 options have lapsed or been cancelled. As at 31 December 2023, out of the 3,689,500 outstanding options granted under the ESOS Scheme 2020, 1,353,500 had vested and 2,336,000 will vest between 2024 and 2026.

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

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

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

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

	SHARE OPTIONS GRANTED DURING THE FINANCIAL YEAR	AGGREGATE SHARE OPTIONS GRANTED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2020 TO 31.12.2023	AGGREGATE SHARE OPTIONS CANCELLED/ LAPSED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2020 TO 31.12.2023	AGGREGATE SHARE OPTIONS EXERCISED SINCE THE COMMENCEMENT OF THE ESOS SCHEME 2020 TO 31.12.2023	AGGREGATE SHARE OPTIONS OUTSTANDING AS AT 31.12.2023[1]
Name of Directors					
Mr Gary Ho Hock Yong	–	300,000	–	–	300,000
Ms Ong Siew Koon @ Ong Siew Khoon	–	50,000	–	–	50,000
Mr Kristian John Robinson	–	50,000	–	–	50,000
Ms Lee Lee Khoon	–	50,000	–	–	50,000
Mr Wan Kum Tho	–	50,000	–	–	50,000
	–	500,000	–	–	500,000
Directors and employees of the Company's subsidiaries	–	240,000	(170,000)	–	70,000
	–	240,000	(170,000)	–	70,000

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

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

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

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

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

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

- The number of, and conditions to be attached to the awards granted will be determined at the discretion of the RC based on factors such as a participant's rank, work performance, years of service and potential to contribute to the future development and success of the Group. Other factors to be considered include, in the case of performance-related award, the extent of effort and difficulty with which the performance condition(s) may be achieved within the performance period, and in the case of a non-executive director, his board and committee appointments and attendance, and his contribution to the success and development of the Group.

- Award shares may be granted at any time in the course of a financial year, and may lapse by reason of cessation of employment or misconduct of the participant, or by reason of the participant, being a non-executive director, ceasing to be a non-executive director, or in the event of a take-over, winding up or reconstruction of the Group, and any other event approved by the RC.

- The Company will release and deliver shares free of charge, to participants upon the vesting of the share awards granted to them, and in the case of performance-related awards, upon their fulfilment of the related performance conditions, either by way of an issue of new shares, deemed to be fully paid upon their issuance and allotment, or the delivery of existing shares (including treasury shares).

- The grant of each award, each release of shares and each payment in lieu of shares which would otherwise have been released to the participant under the RSP 2021 is subject to, and conditional upon, the Company's right of clawback under certain circumstances, which include any conduct engaged by the participant which causes the Group to suffer financial loss or reputational harm, or results in a need to restate the Group's financial statements, or is otherwise detrimental to the Group's business.

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

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

Other information relating to the RSP 2021 are set out below: (cont'd)

- The class and/or number of ordinary shares of the Company which are the subject of an award, to the extent not yet vested, and/or in respect of which future awards may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of the Company (whether by way of a bonus issue, rights issue, reduction, subdivision, consolidation, distribution or otherwise) or if the Company makes a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor that such adjustment (except in relation to a bonus issue) is fair and reasonable.

During the financial year ended 31 December 2023, the Company did not grant any share awards (2022: 736,000) to the Group's employees pursuant to the RSP 2021. No employee has received 5% or more of the total number of awards available under the RSP 2021. The share awards granted on (i) 31 December 2021, 31 March 2022 and 26 August 2022 will vest in ten (10) equal tranches over a period of ten (10) years commencing from the first anniversary after the date of grant, (ii) 26 January 2022 will vest in four (4) equal tranches over a period of four (4) years commencing from the first anniversary after the date of grant and (iii) 31 March 2022 will vest in five (5) equal tranches over a period of five (5) years commencing from the first anniversary after the date of grant. All the share awards under the RSP 2021 are subject to the grantee achieving certain performance conditions and meeting other terms and conditions in respect of each tranche.

The details of the share awards granted pursuant to the RSP 2021 as at 31 December 2023 are as follows:

DATE OF RSP	SHARE AWARDS OUTSTANDING AT 1.1.2023	SHARE AWARDS GRANTED	SHARE AWARDS VESTED	SHARE AWARDS FORFEITED	SHARE AWARDS OUTSTANDING AT 31.12.2023
31 December 2021	653,500	–	(63,550)	(91,350)	498,600
26 January 2022	25,000	–	(6,250)	–	18,750
31 March 2022	223,000	–	(41,000)	(20,900)	161,100
26 August 2022	438,000	–	(43,800)	–	394,200
	1,339,500	–	(154,600)	(112,250)	1,072,650

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

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

Information on Directors of the Company who have been granted share awards under the RSP 2021, and the aggregate number of share awards granted under the RSP 2021 to directors and employees of the Company's subsidiaries are as follows:

	SHARE AWARDS GRANTED DURING THE FINANCIAL YEAR	AGGREGATE SHARE AWARDS GRANTED SINCE THE COMMENCEMENT OF THE RSP 2021 TO 31.12.2023	AGGREGATE SHARE AWARDS CANCELLED/ LAPSED SINCE THE COMMENCEMENT OF THE RSP 2021 TO 31.12.2023	AGGREGATE SHARE AWARDS VESTED AND RELEASED SINCE THE COMMENCEMENT OF THE RSP 2021 TO 31.12.2023	AGGREGATE SHARE AWARDS OUTSTANDING AS AT 31.12.2023
Name of directors					
Mr Gary Ho Hock Yong	–	50,000	–	5,000	45,000
Directors and employees of the Company's subsidiaries	–	1,103,000	(165,650)	154,600	782,750

5. AUDIT COMMITTEE

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

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

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

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

- assists the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group;
- reviews and reports to the Board significant financial reporting issues and judgements to ensure the integrity of the financial statements and any announcements relating to financial performance;
- reviews the half-yearly and annual financial statements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustment resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- reviews the assurance from the Chief Executive Officer and Chief Financial Officer on the financial records and financial statements;

5. AUDIT COMMITTEE (CONT'D)

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

- 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

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

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

The AC held four meetings in the financial year ended 31 December 2023 with full attendance from all members. In performing its functions, the AC also met with the Company's external auditors, without the presence of the Company's management, at least once a year.

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

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

6. INDEPENDENT AUDITORS

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

On behalf of the Board of Directors,

Dr Shi Xu
Executive Chairman

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

Singapore

28 March 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NANOFILM TECHNOLGIES INTERNATIONAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Nanofilm Technologies International Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (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 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NANOFILM TECHNOLGIES INTERNATIONAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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
Accounting for the put option liability We refer to Note 2(n), Note 3(i) and Note 25 to the financial statements. The Group's put option liability amounted to S$53.10 million as at 31 December 2023. As disclosed in Note 3(i), the put option was granted to Venezio Investments (Private) Limited ("**Venezio**") where Venezio shall have the right to require the Company to redeem the equity interests (the "**Venezio Put Option Shares**") held by Venezio in a subsidiary of the Company, Sydrogen Energy Pte. Ltd., at an amount which is variable depending on the fair market value of the Venezio Put Option Shares. The carrying amount of the put option liability, amounting to S$53.10 million as at 31 December 2023, depends on the valuation of the Venezio Put Option Shares. We focused on this area because of the materiality of the balance and the significant judgement and critical estimates used in the valuation methodologies and assumptions to determine the fair market value of the Venezio Put Option Shares and the carrying amount of the put option liability at year end.	**Our response** We have performed the procedures which included: • Discussed with management, their basis to determine the put option liability; • Independently reviewed the appropriateness of the methodologies and reasonableness of the key inputs and assumptions (including discount rates) applied in the valuation of the Venezio Put Option Shares; • Re-performed the computations involved in the estimation of the put option liability. Based on our audit procedures, we found the methodologies and assumptions used by management in estimating the put option liability to be appropriate and reasonable.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NANOFILM TECHNOLGIES INTERNATIONAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

KEY AUDIT MATTERS (CONT'D)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Measurement of development costs We refer to Note 2(g), Note 3(i) and Note 13 to the financial statements. As disclosed in Note 13 to the financial statements, included in the Group's and the Company's intangible assets are development costs of S$24.72 million and S$3.10 million respectively as at 31 December 2023. These development costs are internally generated intangible assets which can only be recognised when the expenditure incurred can be distinguished between research phase and development phase, and that these development costs, among other considerations, meet the recognition criteria stated in SFRS(I) 1-38 *Intangibles,* paragraph 57. We focused on this area because of the significance of the balance and the degree of judgment involved in determining whether these internally generated intangible assets can be capitalised in accordance with the criteria stated in SFRS(I) 1-38 *Intangibles.*	**Our response** We have performed the procedures which included: • Reviewed the Group's control environment on intangible assets cycle and performed test of key controls as appropriate; • Made enquiries with management on the determination of research and development stage; • Assessed whether the development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established and costs incurred during the development process can be measured reliably; • Performed test of details on cost incurred and payment; and • Performed cut-off test to check that costs is recognised in the appropriate accounting period. Based on our procedures, we found that the methodologies and cost capitalised by management in determining the intangible assets to be appropriate and reasonable.

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.

- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NANOFILM TECHNOLGIES INTERNATIONAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Lao Mei Leng.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore

28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2023

	NOTE	2023 S$'000	2022 S$'000
Revenue	4	177,018	237,406
Cost of sales		(111,453)	(126,015)
Gross profit		65,565	111,391
Other operating income	5	6,188	6,695
Finance income	6	2,139	1,576
Research & development and engineering expenses		(16,605)	(21,908)
Selling and distribution expenses		(8,373)	(7,792)
Administrative expenses		(43,823)	(42,545)
Finance expenses	7	(1,902)	(1,222)
Write back of/(Allowance for) impairment loss on trade receivables and contract assets		96	(51)
Share of loss of associate		(142)	(28)
Profit before income tax	8	3,143	46,116
Income tax expenses	9	(449)	(2,831)
Profit after income tax		2,694	43,285
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising from translation of foreign operations		(17,620)	(32,377)
Items that will not be reclassified subsequently to profit and loss			
Fair value gain from equity investment at fair value through other comprehensive income		131	365
Total comprehensive (loss)/income for the year		(14,795)	11,273
Profit attributable to:			
Equity holders of the Company		3,135	43,809
Non-controlling interests		(441)	(524)
		2,694	43,285
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(13,878)	12,711
Non-controlling interests		(917)	(1,438)
		(14,795)	11,273
Earnings per share attributable to equity holders of the Company (cents)			
Basic earnings per share	10	0.48	6.65
Diluted earnings per share	10	0.48	6.64

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

	NOTE	GROUP 2023 S$'000	GROUP 2022 S$'000	COMPANY 2023 S$'000	COMPANY 2022 S$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	299,595	289,151	62,239	54,133
Land use rights	12	11,283	12,030	–	–
Intangible assets	13	32,807	19,607	9,691	6,273
Investment in subsidiaries	14	–	–	130,057	112,025
Investment in associate	15	3,892	4,033	–	–
Trade and other receivables and other non-current assets	17	–	–	66,265	80,769
Other financial assets	16	1,367	1,637	–	–
Deferred tax assets	24	3,786	3,223	–	–
		352,730	329,681	268,252	253,200
Current assets					
Inventories	18	19,500	18,429	6,111	5,808
Trade and other receivables, and other current assets	17	81,290	100,570	12,297	18,549
Contract assets	4	12,770	12,655	–	–
Cash and bank balances	19	155,209	147,830	19,361	56,269
Other financial assets	16	–	8,700	–	–
		268,769	288,184	37,769	80,626
Total assets		621,499	617,865	306,021	333,826
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	20	266,927	266,927	266,927	266,927
Treasury shares	20	(32,653)	(17,521)	(32,653)	(17,521)
Reserves	21	145,598	169,379	21,627	41,128
		379,872	418,785	255,901	290,534
Non-controlling interests	14(c)	44,132	45,686	–	–
Total equity		424,004	464,471	255,901	290,534
Non-current liabilities					
Bank loans	22	77,528	24,412	22,540	24,412
Lease liabilities	23	19,711	16,841	10,391	8,041
Trade and other payables	25	53,100	53,100	–	–
Deferred tax liabilities	24	1,331	1,350	1,331	1,278
		151,670	95,703	34,262	33,731
Current liabilities					
Trade and other payables	25	35,036	47,770	11,731	5,400
Contract liabilities	4	824	1,388	217	230
Bank loans	22	4,668	1,944	1,872	1,872
Lease liabilities	23	3,851	3,371	1,697	1,580
Provisions	26	330	644	239	377
Provision for taxation		1,116	2,574	102	102
		45,825	57,691	15,858	9,561
Total liabilities		197,495	153,394	50,120	43,292
Total equity and liabilities		621,499	617,865	306,021	333,826

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2023

GROUP	NOTE	SHARE CAPITAL S$'000	TREASURY SHARES S$'000	TRANSLATION RESERVE S$'000	STATUTORY RESERVE S$'000	OTHER RESERVES S$'000	ACCUMULATED PROFITS S$'000	TOTAL S$'000	NON-CONTROLLING INTERESTS S$'000	TOTAL EQUITY S$'000
		ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
AT 1 JANUARY 2023		266,927	(17,521)	(19,381)	7,002	(64,083)	245,841	418,785	45,686	464,471
Profit for the year		–	–	–	–	–	3,135	3,135	(441)	2,694
Other comprehensive income		–	–	(17,144)	–	131	–	(17,013)	(476)	(17,489)
Total comprehensive income for the year		–	–	(17,144)	–	131	3,135	(13,878)	(917)	(14,795)
Transfer to retained earnings	21	–	–	–	–	(496)	496	–	–	–
Transfer of statutory reserve	21	–	–	–	140	–	(140)	–	–	–
Transactions with equity holders, recognised directly in equity										
- Dividends	27	–	–	–	–	–	(9,272)	(9,272)	–	(9,272)
- Purchase of treasury shares	20	–	(16,701)	–	–	–	–	(16,701)	–	(16,701)
- Treasury shares re-issued under ESOS Scheme 2017 and RSP 2021	20	–	1,569	–	–	(1,250)	–	319	–	319
- Adjustment on employee share options	21	–	–	–	–	443	–	443	–	443
- Adjustment on restricted share plan	21	–	–	–	–	712	–	712	–	712
- Contribution of capital by non-controlling interest		–	–	–	–	–	–	–	584	584
- Acquisition of non-controlling interest	14(b)(ii)	–	–	–	–	–	(536)	(536)	(1,221)	(1,757)
Total transactions with equity holders		–	(15,132)	–	–	(95)	(9,808)	(25,035)	(637)	(25,672)
AT 31 DECEMBER 2023		266,927	(32,653)	(36,525)	7,142	(64,543)	239,524	379,872	44,132	424,004

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2023

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

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2023

COMPANY	NOTE	SHARE CAPITAL S$'000	TREASURY SHARES S$'000	OTHER RESERVES S$'000	ACCUMULATED PROFITS S$'000	TOTAL EQUITY S$'000
At 1 January 2023		266,927	(17,521)	(11,810)	52,938	290,534
Loss for the year, representing total comprehensive income for the year		–	–	–	(10,203)	(10,203)
Transactions with equity holders, recognised directly in equity						
- Dividends	27	–	–	–	(9,272)	(9,272)
- Purchase of treasury shares	20	–	(16,701)	–	–	(16,701)
- Treasury shares re-issued under ESOS Scheme 2017 and RSP 2021	20	–	1,569	(1,250)	–	319
- Adjustment on employee share options		–	–	443	–	443
- Adjustment on restricted share plan		–	–	781	–	781
Total transactions with equity holders		–	(15,132)	(26)	(9,272)	(24,430)
At 31 December 2023		266,927	(32,653)	(11,836)	33,463	255,901
At 1 January 2022		266,927	(15,241)	(4,395)	64,588	311,879
Profit for the year, representing total comprehensive income for the year		–	–	–	2,184	2,184
Transactions with equity holders, recognised directly in equity						
- Dividends	27	–	–	–	(13,834)	(13,834)
- Purchase of treasury shares	20	–	(12,683)	–	–	(12,683)
- Treasury shares re-issued under ESOS Scheme 2017	20	–	10,403	(8,679)	–	1,724
- Adjustment on employee share options		–	–	306	–	306
- Adjustment on restricted share plan		–	–	958	–	958
Total transactions with equity holders		–	(2,280)	(7,415)	(13,834)	(23,529)
At 31 December 2022		266,927	(17,521)	(11,810)	52,938	290,534

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2023

	NOTE	2023 S$'000	2022 S$'000
Cash Flows from Operating Activities			
Profit before income tax		3,143	46,116
Adjustments for:			
Depreciation of property, plant and equipment	8	29,789	28,880
Amortisation of land use rights	8	265	285
Amortisation of intangible assets	8	4,403	1,719
Finance expenses	7	1,902	1,222
Finance income	6	(2,139)	(1,576)
Provision for warranties and restoration of property, plant and equipment	8	299	827
Reversal of provision for warranties	8	(487)	(597)
Write off/loss/(gain) on disposal of property, plant and equipment	8	808	(2)
Expenses recognised in respect of share-based payments and share options granted	8	443	416
Expenses recognised in respect of award share expenses under RSP 2021	8	712	958
Exchange differences – unrealised		(449)	770
Write off of other financial assets	8	270	–
Share of loss of associate	15	142	28
Operating cash flow before working capital changes		39,101	79,046
Inventories		(2,304)	4,327
Trade, other receivables and other current assets (include contract assets)		14,877	5,473
Trade, other payables and provisions (include contract liabilities)		(11,616)	(9,804)
Cash generated from operations		40,058	79,042
Interest paid		(1,192)	(536)
Interest received		2,139	1,576
Income tax paid		(1,959)	(7,664)
Net cash generated from operating activities		39,046	72,418
Cash Flows from Investing Activities			
Acquisition of a non-controlling interests		(1,173)	–
Purchase of property, plant and equipment		(49,071)	(50,774)
Proceeds from disposal of property, plant and equipment		744	178
Proceeds from disposal of other financial asset		2,027	–
Addition to investment in associate		–	(4,061)
Additions to intangible assets		(14,264)	(11,358)
Additions to other financial assets		–	(9,239)
Redemption from investment in other financial asset		6,804	6,363
Net cash used in investing activities		(54,933)	(68,891)
Cash Flows from Financing Activities			
Contribution of capital by non-controlling interests		–	1,750
Proceeds from re-issuance of treasury shares under ESOS Scheme 2017		319	1,616
Payment for buy-back of shares	20	(16,701)	(12,683)
Proceeds from bank loans	28	57,784	-
Repayment of bank loans	28	(1,938)	(1,894)
Payment of lease liabilities	28	(4,705)	(3,309)
Increase in fixed deposits pledged with banks		–	446
Dividends paid	27	(9,272)	(13,834)
Net cash generated from/(used in) financing activities		25,487	(27,908)
Net increase/(decrease) in cash and cash equivalents		9,600	(24,381)
Cash and cash equivalents at the beginning of the year		147,830	176,164
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		(2,221)	(3,953)
Cash and cash equivalents at the end of the year	19	155,209	147,830

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Nanofilm Technologies International Limited (the "**Company**") is a public company limited by shares, incorporated and domiciled in Singapore. The Company's registered address and its principal place of business are at 11 Tai Seng Drive, Singapore 535226.

The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activities of the Company are that of the design, research, development, integration, manufacturing and marketing of advanced material science and nano technology in industrial machinery, coating services / surface solutions and precision components. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

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

The Board of Directors has authorised the issue of the financial statements on the date of the Directors' Statement.

2. MATERIAL ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Companies Act 1967 (the "**Act**") of Singapore and Singapore Financial Reporting Standards International ("**SFRS(I)**"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the reporting date, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

On 1 January 2023, the Group has adopted all the new and revised SFRS(I) and Interpretations of SFRS(I) ("**INT SFRS(I)**") that are mandatory for application for the financial year. The adoption of the new and revised SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the financial statements of the Group except as disclosed below:

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

Amendments to SFRS(I) 1-1: Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgments

The amendments require entities to disclose their material accounting policies information rather than their significant accounting policies. It clarifies that accounting policy information may be material because of its nature, even if the related amounts are immaterial. Accounting policy information is material is users of an entity's financial statements would need it to understand other material information in the financial statements. If an entity discloses immaterial accounting policy information, such information must not obscure material accounting policy information. The amended SFRS(I) Practice Statement 2 explains and demonstrates the application of the materiality process to accounting policy disclosures. The Group has applied materiality guidance in SFRS(I) Practice Statement 2 in identifying its material accounting policies for disclosures in the related notes. The previous term 'Significant Accounting Policies' used throughout the financial statements has been replaced with 'Material Accounting Policies'.

Amendments to SFRS(I) 1-12 Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give a rise to equal and offsetting temporary differences – eg., leases and decommissioning liabilities. It requires entities to recognise deferred tax assets and liabilities gross in relation to their leases which were previously recognised net. There is no impact on the amounts disclosed with the requirements of SFRS(I) 1-12, however in Note 24 the amounts have been presented gross. The prior period disclosures have also been amended consistent with the transitional provisions in the amendments.

(b) New and Revised SFRS(I)s Issued but Not Yet Effective

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the Group have not been applied in preparing these financial statements. Management is of the view that the adoption of these new standards would not have material effect on the financial performance or financial position of the Group.

DESCRIPTION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
Amendments to SFRS(I) 1-1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to SFRS(I) 16 *Lease Liability in a Sale and Lease Back*	1 January 2024
Amendments to SFRS(I) 1-1 *Non-Current Liabilities with Covenants*	1 January 2024
Amendments to SFRS(I) 1-21 *the Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*	1 January 2025
Amendments to SFRS (I) 10 and SFRS(I) 1-28 *Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

Amendments to SFRS(I) 1-1
Classification of Liabilities as Current or Non-current

The amendments require that the classification of liabilities as current or non-current must be based on rights that are in existence at the end of the reporting period. The classification is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments clarify that a counterparty conversion option that is recognised separately as an equity component of a compound financial instrument does not affect the classification of the associated liability component as current or non-current. All other obligations to transfer equity instruments, cash, assets and liabilities, affect the classifications. The amendments should be applied retrospectively.

Amendments to SFRS(I) 16
Lease Liability in a Sale and Lease Back

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognised the gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

Amendments to SFRS(I) 1-1
Non-Current Liabilities with Covenants

The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. Additional disclosures are required by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months after the reporting period.

Amendments to SFRS(I) 1-21
The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

Amendments to SFRS(I) 10 and SFRS(I) 1-28
Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments are to reduce the likelihood of diversity in practice development. The proposed amendment of SFRS(I) 10 by confirming that an investment entity parent should measure all of its subsidiaries at fair value, including those that are themselves investment entities. The proposed amendments will clarify that this limited exception to the fair value requirement applies only to those operating subsidiaries whose only substantive purpose is to provide support services for the investment entity's activities (including providing investment-related services to third parties) and, as such, act as an extension of the operations of the investment entity. The limited exception to the fair value requirement does not apply to subsidiaries that both perform investment-related services and have a more than insignificant amount of direct investing activities.

(c) Group Accounting

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in subsidiaries are stated at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

In preparing the financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position.

Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(c) Group Accounting (cont'd)

Acquisition of Businesses

The Group applies the acquisition method to account for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in SFRS(I) 3.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interests are measured at fair value unless another measurement basis is required by SFRS(I).

The excess of the sum of the fair value of the consideration transferred in the business combinations, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill on the statement of financial position.

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.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(c) Group Accounting (cont'd)

Transaction with Non-controlling Interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(d) Investment in Associate

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Goodwill on acquisition of associates represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates is included in the carrying amount of the investments. Gains or losses of disposal of associates include the carrying amounts of the goodwill relating to the entity sold.

Investments in associates are accounted for using the equity method of accounting less impairment losses, if any. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

When the Group reduces its ownership interest in an associate, but the Group continues to apply equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

The Group's share of post-acquisition of loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Profit and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interest in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(e) Foreign Currencies

Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Singapore dollar (S$), which is the functional currency of the Company. The financial statements of the Group are presented and rounded to the nearest thousand (S$'000) except when otherwise indicated.

Transactions and Balances

Transactions in a currency other than the functional currency (foreign currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at reporting date are recognised in profit or loss. In the financial statements, currency translation differences arising from borrowings in foreign currencies, and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are included in other comprehensive income and accumulated in the translation reserve within equity in the financial statements.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Translation of Group Entities' Financial Statements

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rates at the reporting date;
- Income and expenses are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- All resulting currency exchange differences are recognised in other comprehensive income, and are presented in the translation reserve within equity. These currency translation differences are reclassified to profit or loss on disposal or partial disposal (i.e. loss of control) of the entity giving rise to such reserve.

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.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(e) Foreign Currencies (cont'd)

Translation of Group Entities' Financial Statements (cont'd)

On the disposal of a foreign operation, all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense in profit or loss during the financial year in which it is incurred.

The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Plant and machinery	2 to 10 years
Buildings and renovation	1.5 to 30 years
Leasehold land	32 years
Office and other equipment	3 to 6 years
Tools and supplies	2 to 3 years
Motor vehicles	4 to 10 years

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

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.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment (cont'd)

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when changes arise.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the property, plant and equipment is included in profit or loss in the year the property, plant and equipment is derecognised.

(g) Intangible Assets

Research and Development Costs

Research and development costs are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Development costs are stated at cost less accumulated amortisation and accumulated impairment losses. Development costs are amortised from the date of commercial production of the product or from the date the process is put into use. Such costs have a finite useful live and are amortised over 2 to 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.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(g) 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.

Computer software

Computer software is initially capitalised at cost which includes the purchase prices (net of any discounts or rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specification and which can be reliably measured, are added to the original cost of the software. Cost associated with maintaining the computer software are expensed off when incurred.

Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit and loss using the straight-line method over their estimated useful lives of 3 and 5 years.

Customer contract

Customer contract is measured at cost or fair value on acquisitions less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit and loss using the straight-line method over their estimated useful lives of 5 years. This is 5 years from financial year 2021 to financial year 2025 based on purchase price allocation report. Impact was not material to be adjusted.

(h) Land Use Rights

Land use rights are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the lease term period of 38 years and 50 years.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(i) Impairment of Non-Financial assets

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(i) Impairment of Non-Financial assets (cont'd)

ii. *Goodwill (cont'd)*

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

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

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials and consumables - weighted average basis; and
- Finished goods and work-in-progress - costs of direct materials and labour, subcontractors' costs and a proportion of manufacturing overheads based on normal operating capacity on a cost basis.

Allowance is made for any anticipated losses which are likely to be incurred on completion of the jobs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and applicable variable selling expenses. Allowances are made for any slow-moving or obsolete inventories.

(k) Financial Assets

Classification and Measurement

The Group classifies its financial assets as amortised cost, fair value through other comprehensive income ("**FVOCI**") and fair value through profit or loss ("**FVPL**").

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

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

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(k) Financial Assets (cont'd)

Subsequent Measurement

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

FVOCI are subsequently measured at fair value. Impairment losses and reversals, interest income based on the effective interest method, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit and loss. Any remaining fair value movements are recorded in other comprehensive income.

FVPL are subsequently measured at fair value. All fair value movements are recorded in profit and loss.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets measured at amortised costs, contract assets and financial guarantee contracts.

Loss allowances of the Group are measured on either of the following bases:

- 12-month expected credit losses – represents the expected credit losses that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime expected credit losses – represents the expected credit losses that result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Simplified approach - Trade receivables (including contract assets)

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

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(k) Financial Assets (cont'd)

Impairment (cont'd)

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.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(k) 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.

When the FVOCI assets are de-recognised, the accumulated gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in other gains and losses.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subjected to an insignificant risk of changes in value. For the purposes of the consolidated statement of cash flows, cash and cash equivalents are shown net of pledged bank deposits.

(m) Financial Liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability recognised and the consideration paid and payable is recognised in profit or loss.

(n) Put Option Liability

Put option liability represents the Group's obligation to acquire the equity interests in a subsidiary that is held by non-controlling interests, under a put option agreement, in the event that the non-controlling interests exercises the option. It is measured at the present value of the redemption amount. The initial redemption liability is a reduction of the parent's equity as the risks and rewards of ownership remain with the non-controlling interest. The subsequent changes are recognised in profit or loss.

(o) Trade and Other Payables

Trade and other payables are initially measured at fair value, and subsequently carried at amortised cost, using the effective interest method.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the reporting date, in which case they are presented has non-current liabilities.

(q) Derivative Financial Instruments

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

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

(r) Borrowing Costs

Borrowing costs incurred to finance the development of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The amount of borrowing cost capitalised on that asset is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings. Other borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

(s) Provisions

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

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

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

<u>Warranties</u>

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.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(s) Provisions (cont'd)

Provision for Asset Dismantlement, Removal or Restoration

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration the time value.

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

(t) Leases

When the Group is the Lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

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

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

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(t) Leases (cont'd)

When the Group is the Lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payment), less any lease incentive receivables;
- variable lease payment that are based on an index or rate, initially measured using the index or rate at the commencement date;
- amount expected to be payable under residual value guarantees;
- the exercise price of a purchase option if its reasonably certain to exercise the option; and
- payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liabilities are measured at amortised cost, and are re-measured when:

- there is a change in future lease payments arising from changes in an index or rate;
- there is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a modification to the lease term.

Where lease liabilities are re-measured, corresponding adjustments are made against the right-of-use assets. If the carrying amount of the right-of-use assets has been reduced to zero, the adjustments are recorded in profit or loss.

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low value leases, except for sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(t) Leases (cont'd)

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.

(u) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Treasury Shares

The Company's own ordinary shares, which are re-acquired by the Company and held as treasury shares, are recognised at cost and deducted from equity. No gain or loss is recognised in the profit or loss on the purchase, sale, re-issuance or cancellation of equity shares. Any differences between the carrying amount of treasury shares and the consideration received, is recognised directly in equity as gain or loss on re-issuance of treasury shares.

(v) Reserves

Translation Reserve

The translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of entities of the Group whose functional currencies are different from that of the Group's presentation currency.

Fair Value Reserve

The fair value reserve comprises cumulative fair value changes of financial assets through other comprehensive income until they are de-recognised or impaired.

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.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(w) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or services to the customer, which is when the customer obtains control of the good or services. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

<u>Sale of Goods</u>

The Group manufactures and sell its specialised industrial equipment and products for customers through fixed-price contracts. Revenue is recognised when the control has been transferred to the customer. At contract inception, the Group assess whether the Group transfers control of the equipment over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

For these contracts where the specialised equipment has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised equipment. The measure of progress is determined based on the surveys of work performed.

For contracts where the Group does not have an enforceable right to payment, revenue is recognised only when the completed specialised equipment or products are delivered to the customers and the customers have accepted in accordance with the sales contracts.

For sale of spare parts, revenue is recognised when these are delivered to the customers and the customers have accepted it in accordance with the sales contracts.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the performing entity from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Sales-related warranties associated with the sale of goods cannot be purchased separately and they serve as an assurance that the equipment sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* (see Note 2(s)).

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(w) Revenue Recognition (cont'd)

Rendering of Services

The Group provides coating services to customers. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract. Management has assessed that the stage of completion determined by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed is an appropriate measure of progress towards complete satisfaction of these performance obligation under SFRS(I) 15.

Dividend Income

Dividend income is recognised at a point in time when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(x) Government Grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(y) Employee Compensation

Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions to separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group participates in the national schemes as defined by laws of the countries in which it operates. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as expense in profit or loss as and when they are incurred.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(y) Employee Compensation (cont'd)

Share-based Compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each financial reporting date, the Group revises its estimates of the number of shares under options that are expected to be exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued.

(z) Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting date.

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.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(z) Income Taxes (cont'd)

Deferred Tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognised previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

(aa) Dividends to Company's Shareholders

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

(ab) Financial Guarantees

Financial guarantees contracts are initially measured at fair value and subsequently measured at the higher of: (i) amount initially recognised less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and (ii) the amount of expected loss allowance computed using the impairment methodology under SFRS(I) 9.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

(ac) Contingencies

A contingent liability is:

(i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(ii) a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

(ad) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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(k). In making this estimation and judgement, the Group evaluates, among other factors, the ageing analysis of receivables, the collection history of individual debtors, historical credit experience and forward-looking information etc. At every reporting date, the historical default rates are updated and the impact of forward-looking information is re-analysed. The carrying amount of the Group's contract assets and trade and other receivables at the reporting date are disclosed in Note 4, Note 17 and Note 31(a) to the financial statements.

Estimated Useful Life of Property, Plant and Equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be between 1.5 to 32 years as disclosed in Note 2(f). The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if expectations differ from the original estimates due to changes in the expected level of usage and/or technological developments, such differences will impact the depreciation charges in the period in which such estimates are changed. There are no significant changes to useful life of these assets during the financial year.

The carrying amount of the Group's property, plant and equipment at the reporting date are disclosed in Note 11 to the financial statements.

A 10% difference in the expected useful life of these assets from management's estimates would result in increasing/decreasing the carrying amount of the Group's depreciable property, plant and equipment by approximately S$3,211,000 (2022: S$3,113,000).

Capitalisation and Estimated Useful Life of Development Costs

Development costs are capitalised in accordance with the accounting policy as disclosed in Note 2(g). Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. Development costs are amortised on a straight-line basis over the finite useful life of the project which management estimates to be within 5 years. Any changes in such estimates will impact the amortisation charge in the reporting period. The carrying amount of the Group's development costs capitalised at the reporting date are disclosed in Note 13 to the financial statements.

A 10% difference in the expected useful life of the development costs from management's estimates would result in increasing/decreasing the Group's development costs by approximately S$348,000 (2022: S$128,000).

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

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

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 are disclosed in Note 21 to the financial statements.

Impairment of Goodwill

The Group recognised goodwill and tested for impairment annually in accordance with the accounting policy as disclosed in Notes 2(c) and 2(i)(ii) to the financial statements. The recoverable amount of the cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions and changes to these estimates and assumptions would result in changes to the carrying amount of goodwill at reporting period. If the discount rate increases by 1%, no impairment loss will be recognised.

As at reporting date, no impairment loss has been recognised. The carrying amount of goodwill is disclosed in Note 13.

Put Option Liability

In 2021, the Company entered into an agreement with Venezio Investments Private Limited (Venezio) to invest in a hydrogen energy and hydrogen fuel business, through Sydrogen Energy Pte. Ltd.. Upon completion, Sydrogen Energy Pte. Ltd. became a 65% owned subsidiary of the Group. The remaining 35% equity interest is held by Venezio.

Arising from the agreement, the Company granted Venezio a put option, pursuant to which Venezio shall have the right, upon the occurrence of certain put option events (within 8 to 10 years from 1 October 2021), to require the Company to redeem the equity interests held by Venezio in Sydrogen Energy Pte. Ltd. (the "**Venezio Put Option Shares**"), at an amount (the "**Redemption Amount**") which is the higher of:

(A) 50% of the total amount contributed by Venezio for the subscription of Venezio Put Option Shares divided by the number of Venezio Put Option Shares, both as at the date that Venezio exercises the put option; and
(B) the fair market value of the Venezio Put Option Shares.

The put option liability is measured at the present value of the Redemption Amount. The determination of the Redemption Amount, which also requires an assessment of the fair value of the Venezio Put Option Shares, is subject to estimates and assumptions. These estimates and assumptions, which are not observable, will affect the carrying amount of the put option liability.

The carrying amount of the put option liability amounted to S$53,100,000 (2022: S$53,100,000) as at 31 December 2023 as disclosed in Note 25.

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

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

Valuation of Other Financial Assets

The Group's other financial assets are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by a Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of other financial assets, the Group uses market-observable data to the extent it is available. Where inputs are not available, the valuation team makes use of appropriate valuation techniques to determine the fair value and the recoverable amount of the assets. The valuation techniques used for different financial assets are selected to reflect how the market would be expected to price the instruments, using inputs that reasonably reflect the risk-return factors inherent in the instruments. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 16 and 31(f).

Impairment for Investment in Associate

The Group determines the recoverable amount of the investment in associate based on the higher of the fair value less cost of disposal and value-in-use calculations. The calculation requires the use of estimates and assumptions and changes to these estimate and assumptions would result in changes in the carrying amount of the investment in associate at reporting date. If the discount rate increases by 1%, no impairment loss will be recognised.

As at reporting date, no impairment loss has been recognised. The carrying amount of investment in associate is set out in Note 15 to the financial statements.

(ii) Critical judgements made in applying accounting policies

Income Taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's income tax expenses and deferred taxation at the reporting dates are set out in Note 9 and Note 24 to the financial statements.

4. REVENUE

(a) Revenue by business segment

	GROUP	
	2023 S$'000	2022 S$'000
Advanced materials	141,544	187,219
Industrial equipment	18,372	30,887
Nanofabrication	16,049	19,097
Sydrogen	1,053	203
Total	177,018	237,406

(b) Disaggregation of revenue from contracts with customers

	GROUP	
	2023 S$'000	2022 S$'000
Performance obligations satisfied at a point in time		
Sale of equipment	4,439	17,784
Sale of products and spare parts	26,991	28,090
	31,430	45,874
Performance obligations satisfied over time		
Service rendered	138,943	188,116
Sale of equipment	6,645	3,416
	145,588	191,532
Total	177,018	237,406

(c) Contract balances

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Current				
Contract assets	12,770	12,655	–	–
Contract liabilities	824	1,388	217	230

Contract assets represent the Group's rights to consideration for work completed but not billed at the reporting date. Invoices are billed to customers when the rights become unconditional. Contract liabilities relate to the Group's obligation to transfer goods to customers for which the Group have received consideration. Contract liabilities are recognised as revenue as the Group perform under the contract.

4. REVENUE (CONT'D)

(c) Contract balances (cont'd)

The significant changes in the contract assets and contract liabilities during the financial years are as follows:

	GROUP	
	2023	2022
	S$'000	S$'000
Contract assets		
Contract assets billed	(12,655)	(21,506)
Changes in measurement of progress	12,770	12,655

	GROUP		COMPANY	
	2023	2022	2023	2022
	S$'000	S$'000	S$'000	S$'000
Contract liabilities				
Revenue recognised at the beginning of the year	1,388	2,607	230	334
Increase due to cash received, excluding amounts recognised as revenue during the year	(824)	(1,388)	(217)	(230)

5. OTHER OPERATING INCOME

	GROUP	
	2023	2022
	S$'000	S$'000
Government grants and incentives	4,627	5,165
Covid-19 related government grants	–	513
Scrap sales	148	183
Gain on disposal of property, plant and equipment	201	54
Rental income – third party	590	–
Sundry income	622	780
	6,188	6,695

In the prior financial year, the Group received various government grant income related to various temporary wage support schemes as introduced by the Singapore and the People's Republic of China governments aimed to help companies retain and pay their workers as businesses take a hit from the Covid-19 pandemic. In 2022, the Group recorded government grant income of S$513,000 related to various temporary wage support schemes. There are no such grants received in the current financial year.

6. FINANCE INCOME

	GROUP	
	2023 S$'000	2022 S$'000
Interest income:		
- bank deposits	2,139	1,576

7. FINANCE EXPENSES

	GROUP	
	2023 S$'000	2022 S$'000
Interest expense:		
- bank loans	1,192	618
- lease liabilities	710	604
	1,902	1,222

8. PROFIT BEFORE INCOME TAX

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

	NOTE	GROUP 2023 S$'000	GROUP 2022 S$'000
Cost of inventories sold (recognised as cost of sales)		88,012	103,830
Audit fees paid/payable to:			
- Auditors of the Company		187	181
- Other auditors – network firms		84	67
- Other auditors – non-network firms		–	17
Non-audit fees paid/payable to:			
(i) Audit related services			
- Auditors of the Company		7	14
(ii) Non-audit related services			
- Other auditors – non-network firms		173	102
Directors' fee		588	538
Depreciation of property, plant and equipment	11	29,789	28,880
Amortisation of land use rights	12	265	285
Amortisation of intangible assets	13	4,403	1,719
Lease expenses (short term leases)		59	41
Listing expenses - Recurring		44	70
(Write back of)/Impairment loss allowance on trade receivables and contract assets	17	(96)	51
(Write back of)/Write down of inventories	18	(39)	196
Staff costs (including directors' remuneration)			
- Salaries and related costs		67,457	82,239
- Contribution to defined contribution plans		4,460	5,318
- Share option expenses under ESOS Schemes		443	416
- Award shares expenses under RSP 2021		712	958
Write off/loss/(gain) on disposal of property, plant and equipment		808	(2)
Write off of other financial asset	16	270	–
Exchange loss		535	681
Provision for warranties and restoration of property, plant and equipment	26	299	827
Reversal of provision for warranties	26	(487)	(597)

8. PROFIT BEFORE INCOME TAX (CONT'D)

	GROUP	
	2023 S$'000	2022 S$'000
Breakdown of staff costs included in:		
- Cost of sales	37,850	49,238
- Research & development and engineering expenses	8,434	10,883
- Selling and distribution expenses	5,986	5,353
- Administrative expenses	20,802	23,457
	73,072	88,931
Breakdown of amortisation of land use rights and intangible assets included in:		
- Cost of sales	1,929	86
- Research & development and engineering expenses	1,524	1,241
- Administrative expenses	1,215	677
	4,668	2,004

9. INCOME TAX EXPENSES

	GROUP	
	2023 S$'000	2022 S$'000
Income tax:		
- Current year	1,185	5,472
- Over provision in prior years	(97)	(804)
	1,088	4,668
Deferred tax (Note 24):		
- Current year	(511)	(1,272)
- Over provision of deferred tax assets in prior years	(128)	(565)
	(639)	(1,837)
	449	2,831

9. INCOME TAX EXPENSES (CONT'D)

A reconciliation of income tax calculated at the applicable tax rates of the Group entities in their respective tax jurisdictions with income tax expense is as follows:

	GROUP	
	2023 S$'000	2022 S$'000
Profit before income tax	3,143	46,116
Tax calculated at 17% (2022: 17%)	534	7,840
Effect of different tax rates from other countries	(270)	(375)
Non-deductible expenses	237	2,418
Income not subject to tax	(492)	(621)
Tax incentives [1]	(2,845)	(5,853)
Utilisation of previously unrecognised tax losses	(168)	(384)
Deferred tax assets not recognised	3,678	1,175
Over provision in prior years	(225)	(1,369)
	449	2,831

(1) Tax incentives pertain mainly to tax deductions for research and development and treasury shares re-issued under ESOS Scheme 2017

Singapore

The current corporate income tax rate applicable to the Company is 17% (2022: 17%). The Company has been granted a Development and Expansion Incentive under International Headquarters Award for 10 years with a concessionary tax rate of 5%, on incremental income above a prescribed base, applies from 1 September 2022 to 31 August 2031, subject to the terms and conditions being met.

People's Republic of China

The current applicable corporate tax rate is 15% (2022: 15%) for Nanofilm Vacuum Coating (Shanghai) Co., Ltd and Yizheng Nahuan Technologies Co., Ltd, and 25% (2022: 25%) for other subsidiaries incorporated in China respectively. Nanofilm Vacuum Coating (Shanghai) Co., Ltd has been granted a certificate of high technology enterprise by the local tax authorities with a concessionary tax rate of 15% applies, with effect from 18 November 2021 to 18 November 2024, subject to the terms and conditions being met.

Japan

Companies incorporated in Japan are subject to tax on their worldwide income. The taxes include corporate tax, surtax on corporate tax, inhabitant tax and enterprise tax. The current corporate (a national) tax rate is 23.2% (2022: 23.2%). Tax losses can be carried forward for nine years. The utilisation of the tax losses is restricted to 50% of taxable income for the year.

Vietnam

The companies in Vietnam are taxable at the rate of 20%. However, the subsidiary in Vietnam has an Investment Certificate which entitles it to be exempt from income tax for its initial 2 years commencing from the year it first generates taxable profit and thereafter a 50% reduction in income tax for the next 4 succeeding years.

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 2023	GROUP 2022
Profit for the year attributable to equity holders of the Company (S$'000)	3,135	43,809
Weighted average number of ordinary shares ('000)	650,895	658,304
Basic earnings per share (cents)	0.48	6.65

(b) Diluted Earnings per Share

For the purposes of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: Share options and Restricted share plan.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

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

	GROUP 2023	GROUP 2022
Profit for the year attributable to equity holders of the Company (S$'000)	3,135	43,809
Weighted average number of ordinary shares ('000)	650,895	658,304
Adjustments for ('000):		
- Share options	90	559
- Restricted share plan	1,073	1,340
	652,058	660,203
Diluted earnings per share (cents)	0.48	6.64

11. PROPERTY, PLANT AND EQUIPMENT

	PLANT AND MACHINERY S$'000	BUILDING AND RENOVATION S$'000	LEASEHOLD LAND 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
Group								
2023								
Cost								
At 1 January	183,210	115,153	7,907	35,794	2,878	949	61,307	407,198
Additions	20,351	10,634	476	2,611	260	–	22,967	57,299
Disposal/Write off	(2,326)	(2,481)	–	(716)	(2,427)	(160)	(444)	(8,554)
Transfer	2,068	46,814	–	3,005	1,287	–	(53,174)	–
Reclassification (Note e,f)	(51)	–	–	(2,240)	–	–	–	(2,291)
Translation adjustment	(8,602)	(12,207)	–	(1,516)	37	(37)	(638)	(22,963)
At 31 December	194,650	157,913	8,383	36,938	2,035	752	30,018	430,689
Accumulated depreciation								
At 1 January	76,955	18,087	328	19,218	2,833	626	–	118,047
Charge for the year	18,311	8,585	264	4,737	117	97	–	32,111
Disposal/Write off	(2,439)	(744)	–	(734)	(2,427)	(144)	–	(6,488)
Transfer	(1,174)	–	–	147	1,027	–	–	–
Reclassification	(7)	–	–	(1,263)	–	–	–	(1,270)
Translation adjustment	(2,374)	(8,108)	–	(756)	(45)	(23)	–	(11,306)
At 31 December	89,272	17,820	592	21,349	1,505	556	–	131,094
Net book value								
At 31 December	105,378	140,093	7,791	15,589	530	196	30,018	299,595

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	PLANT AND MACHINERY S$'000	BUILDING AND RENOVATION S$'000	LEASEHOLD LAND S$'000	OFFICE AND OTHER EQUIPMENT S$'000	TOOLS AND SUPPLIES S$'000	MOTOR VEHICLES S$'000	CONSTRUCTION IN-PROGRESS S$'000	TOTAL S$'000
GROUP								
2022								
Cost								
At 1 January	172,265	101,622	7,907	33,204	2,883	1,078	69,132	388,091
Additions	17,099	7,948	–	4,006	13	–	27,788	56,854
Disposal/Write off	(2,199)	(1,074)	–	(38)	–	(47)	–	(3,358)
Transfer	11,879	15,452	–	1,903	–	–	(29,234)	–
Reclassification (Note e)	(395)	–	–	–	–	–	(4,244)	(4,639)
Translation adjustment	(15,439)	(8,795)	–	(3,281)	(18)	(82)	(2,135)	(29,750)
At 31 December	183,210	115,153	7,907	35,794	2,878	949	61,307	407,198
Accumulated depreciation								
At 1 January	65,877	12,696	82	15,888	2,761	608	–	97,912
Charge for the year	18,603	7,202	246	4,874	91	112	–	31,128
Disposal/Write off	(2,082)	(724)	–	(30)	–	(43)	–	(2,879)
Reclassification	(8)	–	–	–	–	–	–	(8)
Translation adjustment	(5,435)	(1,087)	–	(1,514)	(19)	(51)	–	(8,106)
At 31 December	76,955	18,087	328	19,218	2,833	626	–	118,047
Net book value								
At 31 December	106,255	97,066	7,579	16,576	45	323	61,307	289,151

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The carrying amount of building, leasehold land and plant and machinery held under leasing arrangements to the Group amounted to S$23,281,000 (2022: S$20,099,000) for financial year ended 31 December 2023 (Note 23).

(b) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. In addition to the right-of-use assets recognised under the property, plant and equipment, the Group has right-of-use of two plots of 50-year leasehold land in the People's Republic of China and a 38-year leasehold land in Vietnam, where the Group's leasehold building resides. These leasehold land are recognised within Land Use Rights (Note 12).

(c) During the financial year ended 31 December 2023, the additions to property, plant and equipment included S$8,251,000 (2022: S$6,080,000) acquired under right-of-use assets under leasing arrangement (Note 23) and S$5,202,000 (2022: S$8,058,000) that were payable as at 31 December 2023 recorded as sundry creditors (Note 25).

(d) During the financial year ended 31 December 2023, the disposal of property, plant and equipment included derecognition of right-of-use assets arising from early termination of leased properties amounting to S$782,000 (2022: S$279,000). The Group de-recognised the corresponding lease liabilities amounting to S$541,000 (2022: S$327,000) and a loss of S$241,000 (2022: a gain of S$48,000) is recorded in profit or loss (Note 23).

(e) Included manufactured coating services machinery reclassified to inventories for sale.

(f) Included developed computer software reclassified to intangible assets.

(g) In 2023, the Tai Seng Property is transferred from construction-in-progress to building and renovation and corresponding depreciation is recorded in profit or loss. As at 31 December 2023, the Tai Seng Property, with a net carrying value of S$30,633,000 (2022: S$31,499,000), is held as security for the Group's bank loan as disclosed in Note 22(a).

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	PLANT AND MACHINERY S$'000	BUILDING AND RENOVATION S$'000	LEASEHOLD LAND S$'000	OFFICE AND OTHER EQUIPMENT S$'000	TOOLS AND SUPPLIES S$'000	MOTOR VEHICLES S$'000	CONSTRUCTION IN-PROGRESS S$'000	TOTAL S$'000
Company								
2023								
Cost								
At 1 January	13,980	5,509	7,907	1,747	–	87	37,487	66,717
Transfer of business from a subsidiary	544	31	–	1	–	–	–	576
Additions	2,848	6,103	476	558	260	–	2,193	12,438
Disposal/Write off	(549)	–	–	–	–	–	–	(549)
Transfer	(1,215)	36,315	–	29	1,215	–	(36,344)	–
At 31 December	15,608	47,958	8,383	2,335	1,475	87	3,336	79,182
Accumulated depreciation								
At 1 January	7,602	3,336	328	1,265	–	53	–	12,584
Transfer of business from a subsidiary	68	10	–	–	–	–	–	78
Charge for the year	880	2,713	264	306	109	9	–	4,281
Transfer	(991)	–	–	–	991	–	–	–
At 31 December	7,559	6,059	592	1,571	1,100	62	–	16,943
Net book value								
At 31 December	8,049	41,899	7,791	764	375	25	3,336	62,239

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	PLANT AND MACHINERY	BUILDING AND RENOVATION	LEASEHOLD LAND	OFFICE AND OTHER EQUIPMENT	MOTOR VEHICLES	CONSTRUCTION IN-PROGRESS	TOTAL
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company							
2022							
Cost							
At 1 January	11,112	5,263	7,907	1,497	87	35,982	61,848
Additions	3,497	867	–	250	–	5,978	10,592
Disposal/Write off	(629)	(621)	–	–	–	–	(1,250)
Reclassification (Note e)	–	–	–	–	–	(4,473)	(4,473)
At 31 December	13,980	5,509	7,907	1,747	87	37,487	66,717
Accumulated depreciation							
At 1 January	7,618	2,333	82	1,047	44	–	11,124
Charge for the year	508	1,309	246	218	9	–	2,290
Disposal/Write off	(524)	(306)	–	–	–	–	(830)
At 31 December	7,602	3,336	328	1,265	53	–	12,584
Net book value							
At 31 December	6,378	2,173	7,579	482	34	37,487	54,133

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The carrying amount of building and leasehold land held under leasing arrangements to the Company amounted to S$11,996,000 (2022: S$9,565,000) for financial year ended 31 December 2023 (Note 23).

(b) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class.

(c) During the financial year ended 31 December 2023, the additions to property, plant and equipment included S$4,101,000 (2022: S$850,000) acquired under right-of-use assets under leasing arrangement (Note 23).

(d) There are no derecognition of right-of-use assets in the current financial year. In the prior financial year, the disposal of property, plant and equipment included derecognition of right-of-use assets arising from early termination of leased properties amounting to S$279,000. The Company de-recognised the corresponding lease liabilities amounting to S$327,000 and a gain of S$48,000 is recorded in profit or loss (Note 23).

(e) Included manufactured coating services machinery reclassified to inventories for sale.

(f) As at 31 December 2023, the Company's Tai Seng Property, with a net carrying value of S$30,633,000 (2022: S$31,499,000), are held as security for the Company's bank loan as disclosed in Note 22(a).

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

	GROUP	
	2023	2022
	S$'000	S$'000
Depreciation included in profit or loss:		
- cost of sales	21,815	21,972
- research & development and engineering	1,364	2,087
- selling and distribution expenses	210	30
- administrative expenses	6,400	4,791
	29,789	28,880
Capitalised in statements of financial position as:		
Intangible assets - development costs	839	532
Inventories	1,483	1,716
	32,111	31,128

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For the financial year ended 31 December 2023

12. LAND USE RIGHTS

	GROUP	
	2023	2022
	S$'000	S$'000
Cost		
At 1 January	13,424	14,612
Translation adjustment	(605)	(1,188)
At 31 December	12,819	13,424
Accumulated amortisation		
At 1 January	1,394	1,221
Amortised during the year	265	285
Translation adjustment	(123)	(112)
At 31 December	1,536	1,394
Net book value		
At 31 December	11,283	12,030

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.

13. INTANGIBLE ASSETS

	PATENTS	DEVELOPMENT COSTS	COMPUTER SOFTWARE	GOODWILL	CUSTOMER CONTRACT	TOTAL
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
2023						
Cost						
At 1 January	1,334	24,893	1,826	4,503	565	33,121
Additions	518	15,502	965	–	–	16,985
Transfer	–	–	2,240	–	–	2,240
Translation adjustment	–	(339)	(88)	–	–	(427)
At 31 December	1,852	40,056	4,943	4,503	565	51,919
Accumulated amortisation and impairment losses						
At 1 January	345	11,865	291	872	141	13,514
Amortised during the year	75	3,475	740	–	113	4,403
Transfer	–	–	1,263	–	–	1,263
Translation adjustment	–	(2)	(66)	–	–	(68)
At 31 December	420	15,338	2,228	872	254	19,112
Net carrying amount						
At 31 December	1,432	24,718	2,715	3,631	311	32,807
2022						
Cost						
At 1 January	949	14,752	970	4,972	–	21,643
Additions	393	10,564	861	–	–	11,818
Transfer	–	–	–	(469)	565	96
Reclassification	(8)	–	–	–	–	(8)
Translation adjustment	–	(423)	(5)	–	–	(428)
At 31 December	1,334	24,893	1,826	4,503	565	33,121
Accumulated amortisation and impairment losses						
At 1 January	310	10,578	23	872	–	11,783
Amortised during the year	35	1,275	268	–	141	1,719
Translation adjustment	–	12	–	–	–	12
At 31 December	345	11,865	291	872	141	13,514
Net carrying amount						
At 31 December	989	13,028	1,535	3,631	424	19,607

13. INTANGIBLE ASSETS (CONT'D)

Included in the additions are depreciation of property, plant and equipment and staff costs, amounting to S$839,000 (2022: S$532,000) and S$7,124,000 (2022: S$5,066,000) 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.

The reclassification of S$2,240,000 of computer software has been transferred from property, plant and equipment upon completion of these software.

Goodwill

The Group recorded S$3,631,000 (2022: S$3,631,000) as goodwill for the excess of the sum of fair value of the consideration over the net fair value of identifiable assets and liabilities. Goodwill acquired through business combinations has been allocated for impairment testing purposes to its cash generating unit ("**CGU**").

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate of 9.50% (2022: 16.4%) was applied to the cash flow projections, budgeted gross margins of 42% to 54% (2022: 42% to 54%), and the forecasted revenue growth rate of 5% (2022: 5%) were used to extrapolate cash flow projections from 2024 to 2028 (2022: 2023 to 2027).

The Group is of the view that reasonably possible changes in the above key assumptions will not cause the recoverable amounts of the CGU to different materially.

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For the financial year ended 31 December 2023

13. INTANGIBLE ASSETS (CONT'D)

	PATENTS	DEVELOPMENT COSTS	COMPUTER SOFTWARE	GOODWILL	CUSTOMER CONTRACT	TOTAL
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company						
2023						
Cost						
At 1 January	1,179	15,790	1,725	–	–	18,694
Additions	438	406	372	–	–	1,216
Transfer of business from a subsidiary	–	–	31	3,631	565	4,227
At 31 December	1,617	16,196	2,128	3,631	565	24,137
Accumulated amortisation						
At 1 January	346	11,790	285	–	–	12,421
Amortised during the year	54	1,302	413	–	–	1,769
Transfer of business from a subsidiary	–	–	2	–	254	256
At 31 December	400	13,092	700	–	254	14,446
Net carrying amount						
At 31 December	1,217	3,104	1,428	3,631	311	9,691
2022						
Cost						
At 1 January	835	14,321	970	–	–	16,126
Additions	344	1,469	755	–	–	2,568
At 31 December	1,179	15,790	1,725	–	–	18,694
Accumulated amortisation						
At 1 January	311	10,574	23	–	–	10,908
Amortised during the year	35	1,216	262	–	–	1,513
At 31 December	346	11,790	285	–	–	12,421
Net carrying amount						
At 31 December	833	4,000	1,440	–	–	6,273

14. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2023 S$'000	2022 S$'000
At 1 January, at cost	105,232	104,800
Additions	21,396	432
Reduction in cost of capital (Note 14 (d))	(3,912)	–
At 31 December; at cost	122,716	105,232
Fair value adjustment to non-current loans (Note 17)	6,036	6,036
Adjustment on award share expenses under RSP 2021	1,305	757
	130,057	112,025

(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	
		2023 %	2022 %	2023 S$'000	2022 S$'000
Nanofilm Advanced Materials Pte. Ltd. (Singapore) [1]	Investment holding company (Singapore)	100	100	56,949	56,729
Nanofilm Technologies Japan Limited (Japan) [4]	Marketing and sales of industrial machinery and equipment and coating services (Japan)	100	100	133	133
Nanofab Technologies Pte. Ltd. (Singapore) [1]	Research and experimental development on engineering (Singapore)	90	90	14,431	14,431
Wizture Holdings Pte. Ltd. (Singapore) [1]	Investment holding company (Singapore)	100	100	7,200	7,200
Sydrogen Energy Pte. Ltd. (Singapore) [1]	Research & Development, engineering and production of hydrogen applications and products (Singapore)	65	65	15,010	15,010
Miller Technologies Pte. Ltd. (Singapore) [1]	Manufacture and supply of dies, molds, tools, jigs and fixtures and the manufacture and repair of machinery (Singapore)	100	100	588	4,500
Nanofilm Investments Pte. Ltd. (Singapore) [1]	Investment holding company (Singapore)	100	100	7,229	7,229
Nanofilm Technologies Europe B.V (Netherland) [5]	Investment holding company (Netherland)	100	–	725	–
Nanofilm Technologies Vietnam Co., Ltd (Vietnam) [3]	Manufacture of plastic products (Vietnam)	100	–	20,451	–
				122,716	105,232

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 2023 %	EQUITY HELD BY THE GROUP 2022 %
Held by Nanofilm Advanced Materials Pte. Ltd.			
Nanofilm Vacuum Coating (Shanghai) Co., Ltd (People's Republic of China) [2]	Provision of coating services to end users in the precision engineering industry and printed circuit boards industry (People's Republic of China)	100	100
Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd. (People's Republic of China) [2]	Involvement in solar cell business, provision of high-tech coating and related research and development services (People's Republic of China)	100	100
Nanofilm Enterprise Management (Shanghai) Co., Ltd (People's Republic of China) [2]	Provision of consultation services and technical development (People's Republic of China)	100	100
Nanofilm Advanced Materials Co., Ltd (Japan) [4]	Coating processing by vacuum deposition technology (Japan)	100	100
Nanofilm Advanced Materials India Pte. Ltd. (Singapore) [1]	Investment holding company (Singapore)	100	–
Held by Nanofilm Advanced Materials India Pte. Ltd.			
Nanofilm Advanced Materials India Private Limited (India) [6]	Provision of thin film deposition services, supply equipment and ancillary technical, maintenance, repair and overhaul services (India)	100	–
Held by Nanofab Technologies Pte. Ltd.			
Nanofab Japan Co., Ltd (Japan) [4]	Manufacture and forming modules (Japan)	90	90
Nanofab Vietnam Co., Ltd (Vietnam) [3]	Manufacture, process and assembly plastic (Vietnam)	90	90
Held by Wizture Holdings Pte. Ltd.			
Wizture Technologies (Yizheng) Co., Ltd (People's Republic of China) [2]	Provision of coating solutions (People's Republic of China)	100	80
Held by Nanofilm Investments Pte. Ltd.			
Nanofilm Ventures Pte. Ltd. (Singapore) [1]	Investment holding company (Singapore)	100	100
Held by Sydrogen Energy Pte. Ltd.			
Sydrogen (Shanghai) Technology Co., Ltd (People's Republic of China) [2]	Research & Development, engineering and production of hydrogen applications and products (People's Republic of China)	65	65

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 2023 %	2022 %
Held by Sydrogen Energy Pte. Ltd. (cont'd)			
Sydrogen Enterprise Management (Shanghai) Co., Ltd (People's Republic of China) [2]	Provision of consulting services, technological services and sales of electronics and equipment (People's Republic of China)	65	65
Held by Nanofilm Vacuum Coating (Shanghai) Co., Ltd			
Shanghai Nanofilm Precision Coating Co., Ltd (People's Republic of China) [2]	Production and sale of auto parts, provision of coating services for precision components and technical services (People's Republic of China)	100	100
Shanghai Nanofilm Trading Co., Ltd (People's Republic of China) [2]	Trading and sales of electronics and equipment (People's Republic of China)	100	100
Yizheng Nahuan Technologies Co., Ltd (People's Republic of China) [2]	Provision of coating services for automotive parts (People's Republic of China)	51	51
Nanofilm Vacuum Coating (Huizhou) Co., Ltd (People's Republic of China) [2]	Provision of vacuum coating (People's Republic of China)	100	100
Sichuan Apex Technologies Co., Ltd (People's Republic of China) [2]	Provision, development and marketing of new vacuum coating applications for the new energy industry, and provision of vacuum coating applications and solutions for related products. (People's Republic of China)	60	60
Held by Nanofilm Technologies Europe B.V			
Nanofilm AM Germany GmbH (Germany) [5]	Manufacture and provide vacuum costing applications and solutions for related product (Germany)	100	–

(1) Audited by Moore Stephens LLP, Singapore.
(2) Audited by Da Hua Certified Public Accountants, a member firm of Moore Global Network Limited of which Moore Stephens LLP, Singapore is a member.
(3) Audited by Moore AISC, a member firm of Moore Global Network Limited of which Moore Stephens LLP, Singapore is a member.
(4) Reviewed by Moore Stephens LLP, Singapore for the purposes of consolidation. These entities are not considered significant subsidiaries pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.
(5) Not audited in current financial year
(6) Financial year end is 31 March 2024. Audited by Singhi & Co, India.

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Additional injection in capital / Incorporation of subsidiaries

(i) On 27 February 2023, the Company incorporated a wholly owned subsidiary in Vietnam, Nanofilm Technologies Vietnam Co., Ltd, with a charter capital of USD5,000,000 (equivalent to S$6,787,000). The registered capital contribution of USD5,000,000 (equivalent to S$6,787,000) in Nanofilm Technologies Vietnam Co., Ltd. was fully paid up on 19 May 2023. The principal business of Nanofilm Technologies Vietnam Co., Ltd, is processing of coating by vacuum deposition technology.

On 28 September 2023, the Company increased the charter capital of Nanofilm Technologies Vietnam Co., Ltd from USD5,000,000 (equivalent to S$6,787,000) to USD15,000,000 (equivalent to S$20,451,000). The increase in charter capital was fully settled by way of cash by the Company in October 2023 and was primarily to fund the construction of the new production site in Vietnam.

(ii) Wizture Technologies (Yizheng) Co., Ltd was 80% owned by Wizture Holdings Pte. Ltd., and the balance 20% was held by a third party non-controlling interest. On 26 July 2023, Wizture Holdings Pte. Ltd. acquired 20% of the registered capital of Wizture Technologies (Yizheng) Co., Ltd from the third party non-controlling interest at a consideration of RMB9,412,000 (equivalent to S$1,757,000). The consideration was fully satisfied in cash. After the acquisition, Wizture Technologies (Yizheng) Co., Ltd became a wholly-owned subsidiary of Wizture Holdings Pte. Ltd.

On 30 November 2023, Wizture Technologies (Yizheng) Co., Ltd., a wholly owned subsidiary of Wizture Holdings Pte. Ltd., undertook a capital reduction exercise to cancel and return RMB30,000,000 (equivalent to S$5,160,000) of its registered capital to its sole shareholder, Wizture Holdings Pte. Ltd.

(iii) On 7 July 2023, Nanofilm Advanced Materials Pte. Ltd., a wholly-owned subsidiary of the Company, incorporated a subsidiary in Singapore, Nanofilm Advanced Materials India Pte. Ltd. with an initial paid-up capital of S$1. The principal activity of Nanofilm Advanced Materials India Pte. Ltd. is that of a holding company.

(iv) On 20 July 2023, Nanofilm Advanced Materials India Pte. Ltd., a wholly-owned subsidiary of Nanofilm Advanced Materials Pte. Ltd., incorporated a subsidiary in India, Nanofilm Advanced Materials India Private Limited, with a share capital of INR100,000 (equivalent to S$2,000) divided into 10,000 shares of INR10.00 each, which are subscribed as to 9,900 shares by Nanofilm Advanced Materials India Pte. Ltd. and the balance 100 shares by Nanofilm Advanced Materials Pte. Ltd. The principal activities of Nanofilm Advanced Materials India Private Limited are to provide thin film deposition services and supply equipment and ancillary technical, maintenance, repair and overhaul services.

On 1 December 2023, Nanofilm Advanced Materials India Pte. Ltd. and Nanofilm Advanced Materials Pte. Ltd., respectively subscribed for 990,000 and 10,000 new shares in Nanofilm Advanced Materials India Private Limited for a consideration of INR9,900,000 (equivalent to S$166,000) and INR100,000 (equivalent to S$2,000) respectively. The purpose of the capital injection was to fund the working capital of the subsidiary.

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

(v) On 20 July 2023, the Company incorporated a wholly-owned subsidiary in the Netherlands, Nanofilm Technologies Europe B.V., with an initial capital of EUR1. The principal activity of Nanofilm Technologies Europe B.V. is that of a holding company.

(vi) On 21 December 2023, Nanofilm Technologies Europe B.V., a wholly-owned subsidiary of the Company, incorporated a subsidiary in Germany, Nanofilm AM Germany GmbH, with a registered capital of EUR100,000 (equivalent to S$145,000). The principal activity of Nanofilm AM Germany GmbH is that of manufacturing and providing vacuum coating applications and solutions for related products.

(vii) On 21 December 2023, the Company's wholly owned subsidiary, Nanofilm Technologies Europe B.V, entered into a share sale and purchase agreement dated 21 December 2023 with Dr Bernd Schey and Dr Claus Hammerl (collectively, the "**Vendors**") to acquire all the registered share capital of Axyntec Dünnschichttechnik GmbH ("**Axyntec**") from the Vendors. Following the completion of the acquisition on 1 February 2024, Axyntec became a wholly-owned subsidiary of the Company. The principal activity of Axyntec is that of providing thin-film coating solutions to the consumer, industrial and medical industries and supplying and supplying coating equipment and systems.

(viii) On 31 December 2023, the Company subscribed for 220,000 ordinary shares in the capital of Nanofilm Advanced Materials Pte. Ltd., a wholly-owned subsidiary of the Company, for an aggregate consideration of S$220,000. The purpose of the capital injection was to fund the working capital of the subsidiary and the subscription by Nanofilm Advanced Materials Pte. Ltd. of 195,000 shares and 10,000 shares in Nanofilm Advanced Materials India Pte. Ltd. and Nanofilm Advanced Materials India Private Limited respectively.

(ix) On 31 December 2023, Nanofilm Advanced Materials Pte. Ltd., subscribed for 195,000 ordinary shares in the capital of Nanofilm Advanced Materials India Pte. Ltd., an indirect wholly-owned subsidiary of the Company, for an aggregate consideration of S$195,000. The purpose of the capital injection was to fund the working capital of the subsidiary and the subscription by Nanofilm Advanced Materials India Pte. Ltd. of 990,000 shares in Nanofilm Advanced Materials India Private Limited.

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(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	
	2023 %	2022 %	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Nanofab Technologies Pte. Ltd. and its subsidiaries ("**Nanofab Group**")	10	10	349	495	1,866	1,588
Yizheng Nahuan Technologies Co., Ltd ("**NHT**")	49	49	1,147	403	8,309	7,474
Sydrogen Energy Pte. Ltd. and its subsidiaries ("**SDE Group**")	35	35	(1,499)	(1,076)	31,903[1]	33,472[1]
Other subsidiaries with immaterial non-controlling interests			(438)	(346)	2,054	3,152
			(441)	(524)	44,132	45,686

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

Summarised financial information (before intragroup eliminations) in respect of subsidiaries with material non-controlling interests is set out below.

	NANOFAB GROUP		NHT		SDE GROUP	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Summarised Statement of Financial Position						
Current						
Assets	12,849	11,452	11,670	6,762	25,874	46,312
Liabilities	(3,428)	(5,379)	(3,202)	(3,362)	(3,292)	(11,957)
Total current net assets	9,421	6,073	8,468	3,400	22,582	34,355
Non-current						
Assets	9,602	9,736	20,570	23,147	92,646	84,968
Liabilities	(366)	–	(12,080)	(11,294)	(4,971)	(4,113)
Total non-current net assets	9,236	9,736	8,490	11,853	87,675	80,855
Net assets	18,657	15,809	16,958	15,253	110,257	115,210

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Interest in subsidiaries with material non-controlling interests (cont'd)

	NANOFAB GROUP		NHT		SDE GROUP	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Summarised Statement of Profit or Loss and Other Comprehensive Income						
Revenue	15,779	19,309	26,329	17,609	1,053	203
Expenses	(12,291)	(14,357)	(23,988)	(16,787)	(5,337)	(3,361)
Profit/(loss) for the year	3,488	4,952	2,341	822	(4,284)	(3,158)
Profit/(loss) attributable to non-controlling interests	349	495	1,147	403	(1,499)	(1,076)
Total comprehensive income/ (loss) attributable to non-controlling interests	278	407	835	(263)	(1,569)	(1,187)
Summarised Cash Flow						
Net cash generated/(used in) from operating activities	184	6,714	1,977	2,508	(1,510)	6,482
Net cash used in investing activities	(1,471)	(783)	(94)	(2,825)	(6,667)	(12,332)
Net cash generated from/(used in) financing activities	(178)	64	(2,277)	672	(10,366)	(12)

(d) Reduction in cost of capital

On 9 October 2023, the Company entered into a business transfer agreement with a wholly-owned subsidiary, Miller Technologies Pte. Ltd. ("**Miller**") pursuant to which Miller transferred its assets and business to the Company. The investment was reduced by S$3,912,000 for the business taken over.

15. INVESTMENT IN ASSOCIATE

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
At cost	4,061	4,061	–	–
Less: Share of loss	(169)	(28)	–	–
	3,892	4,033	–	–

NAME OF ASSOCIATE PLACE OF INCORPORATION AND OPERATION	PRINCIPAL ACTIVITY	PROPORTION (%) OF OWNERSHIP INTEREST 2023 %	2022 %
Zulu Inc. United States of America	Design and manufacturing of adjustable eyecare lenses	21.9	21.9

On 21 January 2022, Nanofilm Investments Pte. Ltd., a wholly owned subsidiary of the Company entered into a stock purchase agreement with Zulu Inc., a Delaware corporation for the purchase of 30,000,000 shares of preferred stock in Zulu Inc. at a consideration of US$3,000,000 (equivalent to S$4,061,100), for a stake of 21.9%. The purchase was completed on 15 February 2022. Concurrently, on 16 February 2022, the Company subscribed for 4,061,100 new ordinary shares in the capital of Nanofilm Investments Pte. Ltd., for an aggregate consideration of S$4,061,100. The purpose of the capital injection was to fund the subscription of the 30,000,000 shares of preferred stock in Zulu Inc.

Nanofilm Investments Pte. Ltd. shall have the right and option, but not the obligation, to require Zulu Inc. to issue, for the price of US$3,000,000, such number of shares of Series A Preferred Stock which, assuming full conversion into common stock, would comprise 13.0% of the common stock issued and outstanding immediately after the option closing on a fully diluted basis.

The call option shall be treated as mandatorily and automatically exercised if the following conditions are met:

(A) Zulu Inc. raised any equity fundraising round of which the pre-money valuation of the company will be no less than US$30,000,000; and

(B) Zulu Inc. will receive no less than US$3,000,000 in investment proceeds.

The exercise period is at any time from and including the date of the agreement (dated 21 January 2022) up to and including the date which is the fifth anniversary thereof (21 January 2027).

15. INVESTMENT IN ASSOCIATE (CONT'D)

The following table summarises the financial information of Zulu Inc. as it included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Zulu Inc.

	ZULU INC 2023 S$'000	ZULU INC 2022 S$'000
Percentage ownership interest	21.9%	21.9%
Non-current assets	198	654
Current assets	1,668	1,735
Current liabilities	(702)	(582)
Net assets of the associate	1,164	1,807
Proportion of the Group's ownership in Zulu Inc.	21.9%	21.9%
Group's share of net assets	255	396
Goodwill	3,637	3,637
Carrying amount of the Group's interest in Zulu Inc.	3,892	4,033
Revenue	51	326
Loss for the year	(556)	(128)

16. OTHER FINANCIAL ASSET

	GROUP	
	2023 S$'000	2022 S$'000
Equity Investments – at fair value through other comprehensive income		
Investment in unquoted equity (non-current)	1,367	1,367
Investment in quoted equity (current)	–	1,896
	1,367	3,263
Debt investment – at fair value through profit or loss		
Structured deposit with a financial institution (current)	–	6,804
Convertible bond (non-current)	–	270
	–	7,074
Total	1,367	10,337

16. OTHER FINANCIAL ASSET (CONT'D)

The investment in unquoted equity represents investments that the Group intends to hold for the long-term for strategic purposes. No strategic investments were disposed of during FY2023, and there were no transfers of any cumulative gain or loss within equity relating to these investments. No dividend was recognised during FY2023. The carrying value approximates its fair value and is derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (level 3 fair value measurements).

The investment in quoted equity in FY2022 represents investments that the Group intends to hold for strategic purposes. The fair value was derived from quoted prices in active markets and there was a recognition of fair value gain to other comprehensive income during the reporting period (level 1 fair value measurements). During the financial year, the Group disposed listed equity securities due to a shift in the original strategic business intent of the parties. The investment had a fair value of S$2,027,000 at the date of disposal, and the cumulative gain on disposal amounted to S$496,000, net of tax. The cumulative gain on disposal was reclassified from fair value reserve to retained profits.

The structured deposit in FY2022 was a capital protected deposit that represents investments that the Group intends to hold for the short-term. In FY2022, the carrying value of the investment approximates its fair value, with reference to observable commodity index at reporting period (level 2 fair value measurements). The structure deposit has been fully redeemed in FY2023.

The convertible bond in FY2022 was a corporate debt security that represents investments that the Group intends to hold for the long-term till maturity in January 2024. In FY2022, the carrying value of the investment approximates its fair value, with reference to valuation techniques that include inputs for the asset or liability that are not based on observable market data at reporting period (level 3 fair value measurements). The convertible bond of S$270,000 has been written off in FY2023 as it was assessed as not recoverable (Note 8).

17. TRADE AND OTHER RECEIVABLES, AND OTHER CURRENT/NON-CURRENT ASSETS

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Trade receivables:				
- Third parties	68,731	83,198	4,359	4,987
- Loss allowance	(216)	(362)	(30)	(30)
	68,515	82,836	4,329	4,957
- Subsidiaries	–	–	1,532	5,778
- Loss allowance	–	–	(7)	(120)
	–	–	1,525	5,658
	68,515	82,836	5,854	10,615
Other receivables:				
- Deposits	491	553	378	401
- GST/VAT and other taxes receivable	2,442	2,136	489	470
- Due from subsidiaries	–	–	2,869	4,696
- Sundry debtors	2,696	4,036	24	1,777
	5,629	6,725	3,760	7,344
Other current assets:				
- Prepayments	2,890	775	2,467	165
- Advances to suppliers	4,256	10,234	216	425
	7,146	11,009	2,683	590
Total current	81,290	100,570	12,297	18,549
Non-current				
Other receivables:				
- Loans due from a subsidiary	–	–	66,265	80,769
Gross amount (Non-interest bearing)	–	–	67,354	83,138
Less: Fair value adjustment to investment in a Group's subsidiary	–	–	(6,036)	(6,036)
Add: Accumulated imputed interest recognised in profit or loss, net of exchange differences	–	–	4,947	3,667
Total non-current	–	–	66,265	80,769

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

Current

As at the reporting date, the Group and the Company have banker guarantees issued from a financial institution for operation and completion of the construction of property, plant and equipment amounting to S$169,000 (2022: S$33,000).

Trade receivables are interest-free and are generally on 30 to 90 days' terms. Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses as disclosed in accounting policy under Note 2(k). There has been no change in the estimation techniques or significant assumptions made for financial years ended 31 December 2022 and 2023. Other receivables are considered to have low credit risk and loss allowance is measured at an amount equal to 12-month expected credit loss which reflects the low credit risk of the exposures. There are no loss allowances arising from these outstanding balances as the expected credit losses are assessed to be immaterial.

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand, except for an amount due from subsidiaries of S$2,229,000 (2022: S$3,233,000) which is interest bearing at between 2% to 3% per annum and repayable within the next 12 months.

The amounts receivable from sundry debtors include the government grant receivables of S$2,643,000 (2022: S$2,947,000) relating to various cash grants in relation government incentives introduced by the China (2022: China government) during the financial year ended 31 December 2023.

Non-current

As at the reporting date, the loans to a subsidiary are unsecured, interest-free and repayable on 1 January 2026 (2022: 31 December 2024 and 1 January 2026). 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).

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

The Group's credit risk exposure in relation to trade receivables (including contract assets) as at the reporting date are set out in the provision matrix as presented below:

	LIFETIME EXPECTED LOSS RATE	GROSS CARRYING AMOUNT S$'000	LIFETIME EXPECTED CREDIT LOSSES S$'000	NET CARRYING AMOUNT S$'000
Group				
2023				
Current	0.2%	69,771	(124)	69,647
Past due:				
1 to 30 days	0.5%	6,237	(11)	6,226
31 to 60 days	1.5%	1,796	(12)	1,784
60 to 90 days	2.5%	1,354	(18)	1,336
More than 90 days	4.0%	2,348	(51)	2,297
		81,506	(216)	81,290
2022				
Current	0.2%	86,990	(158)	86,832
Past due:				
1 to 30 days	0.5%	6,647	(14)	6,633
31 to 60 days	1.5%	935	(13)	922
60 to 90 days	2.5%	563	(12)	551
More than 90 days[1]	4.0%	718	(165)	553
		95,853	(362)	95,491

(1) Included an amount of loss allowance of S$143,000 provided for a specific customer

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

	LIFETIME EXPECTED LOSS RATE	GROSS CARRYING AMOUNT S$'000	LIFETIME EXPECTED CREDIT LOSSES S$'000	NET CARRYING AMOUNT S$'000
Company				
2023				
Current	0.2%	3,249	(9)	3,240
Past due:				
1 to 30 days	0.5%	2,205	(11)	2,194
31 to 60 days	1.5%	41	(1)	40
60 to 90 days	2.5%	–	–	–
More than 90 days	4.0%	396	(16)	380
		5,891	(37)	5,854
2022				
Current	0.2%	3,970	(7)	3,963
Past due:				
1 to 30 days	0.5%	2,790	(14)	2,776
31 to 60 days	1.5%	111	(2)	109
60 to 90 days	2.5%	1,949	(49)	1,900
More than 90 days	4.0%	1,945	(78)	1,867
		10,765	(150)	10,615

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Movements in loss allowance				
At 1 January	362	349	150	218
(Write back)/Impairment loss recognised in profit or loss (Note 8)	(96)	51	(113)	(68)
Translation adjustment	(50)	(38)	–	–
At 31 December	216	362	37	150

18. INVENTORIES

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
At cost or net realisable value:				
Raw materials and consumables	8,431	7,466	2,463	2,342
Work-in-progress	3,925	3,470	818	548
Finished goods	7,056	7,401	2,784	2,909
Goods in transit	88	92	46	9
	19,500	18,429	6,111	5,808
Inventories are stated after deducting allowance for inventories	429	517	96	143
At 1 January	517	343	143	143
Charged to profit or loss (Note 8)	(39)	196	(47)	–
Translation adjustment	(49)	(22)	–	–
At 31 December	429	517	96	143

19. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Cash and bank balances	130,562	87,858	13,095	18,269
Fixed deposits	24,647	59,972	6,266	38,000
Cash and bank balances in the statements of financial position	155,209	147,830	19,361	56,269
Cash and cash equivalents in the statements of cash flows	155,209	147,830	19,361	56,269

Cash at banks earns interest at floating rates based on daily bank deposit rates which approximate 2.22% (2022: 3.39%) 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 2023, fixed deposits bear interest ranging from 3.61% to 4.25% (2022: 1.75% to 4.04%) per annum with maturity period of 7 days to 3 months (2022: 7 days to 3 months) from the reporting date.

20. SHARE CAPITAL AND TREASURY SHARES

	GROUP AND COMPANY			
	2023		2022	
	NO. OF ORDINARY SHARES ('000)	S$'000	NO. OF ORDINARY SHARES ('000)	S$'000
Fully paid ordinary shares				
At 1 January	663,443	266,927	663,443	266,927
At 31 December	663,443	266,927	663,443	266,927
Treasury shares				
At 1 January	6,045	17,521	3,755	15,241
Purchase of treasury shares	11,082	16,701	5,027	12,683
Treasury shares re-issued under ESOS Scheme 2017 and RSP 2021	(740)	(1,569)	(2,737)	(10,403)
At 31 December	16,387	32,653	6,045	17,521
Total issued shares excluding treasury shares	647,056	234,274	657,398	249,406

Ordinary shares

Ordinary shares have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restriction at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Treasury shares

During the financial year ended 31 December 2023, the Company acquired 11,082,000 (2022: 5,027,000) of its own shares in the open market and these shares are held as treasury shares. In the same year, 586,000 (2022: 2,737,000) treasury shares were re-issued under ESOS Scheme 2017 and 155,000 (2022: Nil) treasury shares were re-issued under RSP 2021 at an average price of S$2.1203 (2022: S$2.8982) per share. Options were exercised at an average price of S$0.5868 (2022: S$0.5868).

21. RESERVES

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Translation reserve	(36,525)	(19,381)	–	–
Statutory reserve	7,142	7,002	–	–
Other reserves	(64,543)	(64,083)	(11,836)	(11,810)
Accumulated profits	239,524	245,841	33,463	52,938
	145,598	169,379	21,627	41,128

The other reserves include share options and put option and fair value reserves.

21. RESERVES (CONT'D)

Movements in the Group's reserves are set out in the consolidated statement of changes in equity and as follows:

	AT 1 JANUARY	TREASURY SHARES RE-ISSUED UNDER ESOS SCHEME	ADJUSTMENT ON EMPLOYEE SHARE OPTIONS	FAIR VALUE GAIN FROM EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	ADJUSTMENT ON RESTRICTED SHARE PLAN	TRANSFERED TO RETAINED EARNING	TOTAL
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
2023							
Share options	(13,007)	(1,250)	443	–	–	–	(13,814)
Conversion of convertible bonds	240	–	–	–	–	–	240
Increase in ownership interest in subsidiaries	461	–	–	–	–	–	461
Put option	(53,100)	–	–	–	–	–	(53,100)
Fair value reserve	365	–	–	131	–	(496)	–
Restricted share plan	958	–	–	–	712	–	1,670
Total	(64,083)	(1,250)	443	131	712	(496)	(64,543)
2022							
Share options	(4,634)	(8,679)	306	–	–	–	(13,007)
Conversion of convertible bonds	240	–	–	–	–	–	240
Increase in ownership interest in subsidiaries	461	–	–	–	–	–	461
Put option	(53,100)	–	–	–	–	–	(53,100)
Fair value reserve	–	–	–	365	–	–	365
Restricted share plan	–	–	–	–	958	–	958
Total	(57,033)	(8,679)	306	365	958	–	(64,083)

21. RESERVES (CONT'D)

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

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

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

As at 31 December 2023, details of the options granted under the ESOS Scheme 2017 are as follows:

DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2023	OPTIONS GRANTED	OPTIONS CANCELLED/ LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2023	EXERCISE PRICE S$	DATE OF EXPIRY
3 December 2018	100,000	–	–	(30,000)	70,000	0.5868	9-27 December 2024
3 June 2019	90,000	–	–	(90,000)	–	0.5868	16-18 June 2025
1 July 2020	566,000	–	–	(466,000)	100,000	0.5868	30 June 2026
	756,000	–	–	(586,000)	170,000		

DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2023	OPTIONS GRANTED	OPTIONS CANCELLED/ LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2023	EXERCISE PRICE S$	DATE OF EXPIRY
2 April 2018	1,700,000	–	–	(1,700,000)	–	0.5927	2 April 2023
3 December 2018	511,000	–	–	(411,000)	100,000	0.5868	9-27 December 2024
3 March 2019	159,000	–	–	(159,000)	–	0.5868	18-28 March 2025
3 June 2019	190,000	–	–	(100,000)	90,000	0.5868	16-18 June 2025
1 July 2020	1,032,000	–	(99,000)	(367,000)	566,000	0.5868	30 June 2026
	3,592,000	–	(99,000)	(2,737,000)	756,000		

21. RESERVES (CONT'D)

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

During the financial year ended 31 December 2023, 586,000 share options were exercised. As at 31 December 2023, all the 170,000 outstanding options granted under the ESOS Scheme 2017 had vested.

During the financial year ended 31 December 2022, 2,737,000 share options were exercised and 99,000 share options lapsed or were cancelled. As at 31 December 2022, out of the 756,000 share options granted under the ESOS Scheme 2017, 590,000 had vested between 2018 and 2022 and 166,000 will vest in 2023.

Since the commencement of the ESOS Scheme 2017 until the end of the current financial year, no option has been granted to controlling shareholders of the Company or their associates (as defined in the SGX Trading Listing Manual). The fair value of options granted during the financial year ended 31 December 2020, determined using the Binomial Option Pricing Model was S$760,000. The significant inputs into the model based on management's expert were the share price of S$0.8232 at the grant date, expected volatility of 14.0%, the exercise price, option life shown above, dividend yield and annual risk-free interest rate of 0.5%.

(b) Employee Share Option Scheme ("**ESOS Scheme 2020**")

On 9 October 2020, the shareholders approved the ESOS Scheme 2020, a share-based incentive plan. The ESOS Scheme 2020 applies to all employees and non-executive directors of the Group. Controlling shareholders of the Company and their associates who are employees or non-executive directors of the Group are also eligible to participate in the ESOS Scheme 2020. The ESOS Scheme 2020 is administered by the RC. Please refer to Note 21(a) of this statement for details of the RC members.

The total number of shares comprised in options which may be granted under the ESOS Scheme 2020, when added to the aggregate of (i) the number of new shares that are issued or issuable and issued shares (including treasury shares) that are delivered or to be delivered pursuant to options already granted under the ESOS Scheme 2020; and (ii) the number of shares subject to any other share options or share schemes adopted by the Company after the Listing Date, shall not exceed 5.0% of the total number of issued shares of the Company on the day preceding the date of grant of any new option.

The total number of shares which may be issued or delivered pursuant to the exercise of options granted under the ESOS Scheme 2020 to (i) each controlling shareholder and each associate of a controlling shareholder; and (ii) controlling shareholders and associates of controlling shareholders, shall not exceed 10% and 25% of the total number of shares available under the ESOS Scheme 2020, respectively.

The options that are granted under the ESOS Scheme 2020 may have acquisition prices that are, at the RC's discretion, set at a price equal to the volume-weighted average price for the shares on the SGX-ST over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST ("**Market Price**"); or at a discount to the Market Price (subject to a maximum discount of 20%).

Options granted under the ESOS Scheme 2020 will have a life span expiring on or before the 10th anniversary of the date of grant in respect of options granted to employees and controlling shareholders and their associates and, on or before the 5th anniversary of the date of grant in respect of options granted to non-executive directors of the Group.

21. RESERVES (CONT'D)

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

The ESOS Scheme 2020 shall continue to be in force for a maximum period of 10 years from the adoption date and may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

As at 31 December 2023, details of the options granted under the ESOS Scheme 2020 are as follows:

DATE OF GRANT OF OPTIONS	OPTIONS OUTSTANDING AT 1.1.2023	OPTIONS GRANTED	OPTIONS CANCELLED/ LAPSED	OPTIONS EXERCISED	OPTIONS OUTSTANDING AT 31.12.2023	EXERCISE PRICE S$	DATE OF EXPIRY
26 March 2021	730,500	–	(46,000)	–	684,500	4.9279	26 March 2031
6 April 2021	610,000	–	(100,000)	–	510,000	5.1135	6 April 2026 & 6 April 2031
19 August 2021	530,000	–	–	–	530,000	4.1185	19 August 2026
31 March 2022	2,325,000	–	(360,000)	–	1,965,000	2.6907	31 March 2027
	4,195,500	–	(506,000)	–	3,689,500		

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

During the financial year ended 31 December 2023, no share option was granted under the ESOS Scheme 2020. No share option was exercised during the year when vested and 506,000 options have lapsed or been cancelled. As at 31 December 2023, out of the 3,689,500 outstanding options granted under the ESOS Scheme 2020, 1,353,500 had vested and 2,336,000 will vest between 2024 and 2026.

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

21. RESERVES (CONT'D)

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

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

The fair value of options granted during the financial year was determined using the Binomial Option Pricing Model. The significant inputs into the model based on management's expert were as below:

DATE OF GRANT OF OPTIONS	OPTIONS GRANTED	EXERCISE PRICE	OPTION LIFE	FAIR VALUE AT GRANT DATE	GRANT DATE SHARE PRICE	RISK FREE INTEREST RATE	EXPECTED VOLATILITY
		S$		S$	S$	%	%
26 March 2021	1,142,500	4.9279	10 years	0.1305-0.3397	4.890	1.63	3.53
6 April 2021	300,000	5.1135	5 years	0.1412-0.2926	5.170	0.91	3.44
6 April 2021	720,000	5.1135	10 years	0.1864-0.4100	5.170	1.69	3.44
19 August 2021	880,000	4.1185	5 years	0.1537-0.3018	3.960	0.80	9.33
31 March 2022	2,640,000	2.6907	5 years	0.4448-0.6354	2.710	2.29	22.25

(c) Nanofilm Restricted Share Plan ("**RSP 2021**")

The RSP 2021 was approved and adopted by shareholders of the Company on 29 October 2021. The RSP 2021 is administered by RC. Please refer to Note 21(a) of this statement for details of the RC members.

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

21. RESERVES (CONT'D)

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

During the financial year ended 31 December 2023, there were no share awards granted to the Group's employees pursuant to the RSP 2021(2022: 736,000, at no consideration). No employee has received 5% or more of the total number of awards available under the RSP 2021. The share awards granted on (i) 31 December 2021, 31 March 2022 and 26 August 2022 will vest in ten (10) equal tranches over a period of ten (10) years commencing from the first anniversary after the date of grant, (ii) 26 January 2022 will vest in four (4) equal tranches over a period of four (4) years commencing from the first anniversary after the date of grant and (iii) 31 March 2022 will vest in five (5) equal tranches over a period of five (5) years commencing from the first anniversary after the date of grant. All the share awards under the RSP 2021 are subject to the grantee achieving certain performance conditions and meeting other terms and conditions in respect of each tranche.

The details of the share awards pursuant to the RSP 2021 as at 31 December 2023 are as follows:

DATE OF RSP	SHARES AWARDS OUTSTANDING AT 1.1.2023	SHARES AWARDS VESTED	SHARES AWARDS FORFEITED	SHARES AWARDS OUTSTANDING AT 31.12.2023
31 December 2021	653,500	(63,550)	(91,350)	498,600
26 January 2022	25,000	(6,250)	–	18,750
31 March 2022	223,000	(41,000)	(20,900)	161,100
26 August 2022	438,000	(43,800)	–	394,200
	1,339,500	(154,600)	(112,250)	1,072,650

The fair value of share awards granted during the financial year was determined by reference to the share price at the grant date. The significant inputs into the model based on management's expert were as below:

DATE OF RSP	SHARES AWARDS GRANTED	VESTING PERIOD	FAIR VALUE AT GRANT DATE S$	GRANT DATE SHARE PRICE S$
31 December 2021	719,000	10 years	2,496,370	3.82
26 January 2022	25,000	4 years	71,750	2.87
31 March 2022	240,000	5 years	514,900	2.71
31 March 2022	33,000	10 years	89,430	2.71
26 August 2022	438,000	10 years	1,059,960	2.42

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22. BANK LOANS

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Current	4,668	1,944	1,872	1,872
Non-current (due 2-5 years)	77,528	24,412	22,540	24,412
Total	82,196	26,356	24,412	26,284

Security granted/corporate guarantees granted:

(a) As at 31 December 2023, a bank loan amounting to S$24,412,000 (2022: S$26,284,000) was outstanding to a local bank. The loan was obtained by the Company for general working capital purposes after the acquisition of the property at 11 Tai Seng Drive, Singapore, which was funded by internal sources of funds on completion. The bank loan was secured by a mortgage over the property. The Company incurred an interest of approximately 4.62% to 4.80% (2022: 1.30% to 4.65%) per annum based on a fixed interest spread and cost of fund.

(b) As at 31 December 2023, a bank loan amounting to S$57,784,000 was outstanding by a wholly owned subsidiary, Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd. to a local financial institution for repayment of intercompany loan purposes. The bank loan was secured by a mortgage over the Shanghai Plant 1 and 2 and corporate guarantee of the Company and a wholly owned subsidiary, Nanofilm Vacuum Coating (Shanghai) Co., Ltd. The bank loan incurred interest at 2.79% per annum. The fair value of the corporate guarantee is not material and hence not recognised.

(c) Other than disclosed in Note 22(a) above, there are no other bank loans outstanding as at 31 December 2023. The bank loan outstanding as at 31 December 2022 were unsecured, incurred interest at approximately 0.80% per annum.

23. LEASE LIABILITIES

The Group as a lessee

The Group made periodic lease payments for buildings for the purpose of office usage, leasehold land, motor vehicles, plant and machinery and land use rights. These are recognised within property, plant and equipment (Note 11) and land use rights (Note 12).

The carrying amounts of right-of-use assets classified within property, plant and equipment are as follows:

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Leasehold land	7,791	7,579	7,791	7,579
Plant and machinery	7,852	6,715	–	–
Buildings and renovation	7,638	5,805	4,205	1,986
	23,281	20,099	11,996	9,565

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$8,251,000 (2022: S$6,080,000) and S$4,101,000 (2022: S$850,000) respectively.

Amortisation charges on land use rights are set out in Note 12. Depreciation charges on right-of-use assets classified within property, plant and equipment during the financial year are as follows:

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Leasehold land	264	246	264	246
Plant and machinery	1,046	853	–	–
Buildings and renovation	2,489	1,773	1,406	1,240
	3,799	2,872	1,670	1,486

23. 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	
	2023 S$'000	2022 S$'000
Interest on lease liabilities	710	604
Expenses relating to short-term leases and low value assets (included in cost of sales and administrative expenses)	59	41
	769	645
Total cash outflow for leases (excluding short-term leases)	(4,705)	(3,309)

The Group recognised leases liabilities as follows:

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Lease liabilities:				
Current	3,851	3,371	1,697	1,580
Non-current	19,711	16,841	10,391	8,041
	23,562	20,212	12,088	9,621

24. DEFERRED TAXATION

Deferred tax assets and liabilities are attributable to the following:

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Deferred tax assets:				
Property, plant and equipment	3,186	2,990	–	–
Lease liabilities	4,776	4,115	2,039	1,626
Trade receivables and contract assets	392	47	–	–
Inventories	128	87	–	–
Award shares expenses under RSP 2021	80	99	–	–
	8,562	7,338	2,039	1,626
Less: net effect of deferred tax liabilities arising from right-of-use assets	(4,776)	(4,115)	(2,039)	(1,626)
	3,786	3,223	–	–
Deferred tax liabilities:				
Property, plant and equipment	1,331	1,278	1,331	1,278
Right-of-use assets	4,776	4,115	2,039	1,626
Intangible assets	–	72	–	–
	6,107	5,465	3,370	2,904
Less: net effect of deferred tax assets arising from lease liabilities	(4,776)	(4,115)	(2,039)	(1,626)
	1,331	1,350	1,331	1,278

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
Group				
2023				
Property, plant and equipment	(1,712)	(174)	31	(1,855)
Right-of-use assets	(4,115)	(661)	–	(4,776)
Trade receivables and contract assets	(47)	(362)	17	(392)
Inventories	(87)	(47)	6	(128)
Award shares expenses under RSP 2021	(99)	16	3	(80)
Intangible assets	72	(72)	–	–
Lease liabilities	4,115	661	–	4,776
	(1,873)	(639)	57	(2,455)
2022				
Property, plant and equipment	(9)	(1,798)	95	(1,712)
Right-of-use assets	(4,115)	–	–	(4,115)
Trade receivables and contract assets	(95)	41	7	(47)
Inventories	(47)	(47)	7	(87)
Award shares expenses under RSP 2021	–	(105)	6	(99)
Intangible assets	–	72	–	72
Lease liabilities	4,115	–	–	4,115
	(151)	(1,837)	115	(1,873)
Company				
2023				
Property, plant and equipment	1,278	53	–	1,331
Right-of-use assets	1,626	413	–	2,039
Lease liabilities	(1,626)	(413)	–	(2,039)
	1,278	53	–	1,331
2022				
Property, plant and equipment	1,278	–	–	1,278
Right-of-use assets	1,626	–	–	1,626
Lease liabilities	(1,626)	–	–	(1,626)
	1,278	–	–	1,278

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

24. DEFERRED TAXATION (CONT'D)

Unrecognised deferred tax liabilities

As at 31 December 2023, deferred income tax liabilities of S$9,486,000 (2022: S$10,338,000) 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$189,710,000 (2022: S$206,762,000) at the reporting date and the related deferred tax liabilities have not been recognised in the financial statements as the Group is able to control the timing of the remittance of the earnings and it is probable that the earnings will not be distributed in the foreseeable future.

Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. At the reporting date, several subsidiaries in Singapore, Vietnam, Japan and China have unrecognised tax losses of S$25,812,000 (2022: S$12,497,000) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses from foreign entities can be carried forward for five to ten years. The tax losses from local entities have no expiry date.

25. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Current				
Trade payables:				
- Subsidiaries	–	–	1,257	994
- Third parties	14,368	21,656	1,982	999
	14,368	21,656	3,239	1,993
Other payables:				
- Accrued operating expenses	9,295	13,837	1,659	2,068
- Advances received from government	434	855	19	–
- VAT and other taxes payable	461	1,278	–	–
- Sundry creditors	10,478	10,144	531	1,330
- Due to subsidiaries	–	–	6,283	9
	20,668	26,114	8,492	3,407
Total current trade and other payables	35,036	47,770	11,731	5,400
Non-current				
Other payables:				
- Put option liability	53,100	53,100	–	–
Total non-current other payables	53,100	53,100	–	–

25. TRADE AND OTHER PAYABLES (CONT'D)

Trade payables are interest-free and are normally settled on 30 to 90 days' terms. The trade amounts due to subsidiaries are unsecured, interest-free and repayable on normal credit terms.

Other payables due to subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

Included in accrued operating expenses are accrued staff costs (including bonus) of S$6,106,000 (2022: S$11,256,000) and S$1,230,000 (2022: S$1,534,000) for the Group and the Company respectively.

Included in sundry creditors are payables to vendors of property, plant and equipment of S$5,202,000 (2022: S$8,058,000).

The non-current other payable of S$53,100,000 (2022: S$53,100,000) as at 31 December 2023 was attributed to a financial liability to acquire non-controlling interest. Arising from the investment in Sydrogen Energy Pte. Ltd., the financial liability relates to a put option agreement with Venezio Investments Pte. Ltd. (an indirect wholly owned subsidiary of Temasek Holdings (Private) Ltd) to acquire its 35% equity interest in Sydrogen Energy Pte. Ltd. in the event of a put option event based on the terms of the agreement.

26. PROVISIONS

	WARRANTIES S$'000	RESTORATION S$'000	TOTAL S$'000
Group			
2023			
At 1 January	450	194	644
Provision made	276	23	299
Provision utilised	(120)	–	(120)
Reversal of provision made	(470)	(17)	(487)
Translation adjustment	(6)	–	(6)
At 31 December	130	200	330
2022			
At 1 January	469	87	556
Provision made	720	107	827
Provision utilised	(133)	–	(133)
Reversal of provision made	(597)	–	(597)
Translation adjustment	(9)	–	(9)
At 31 December	450	194	644
Company			
2023			
At 1 January	290	87	377
Provision made	262	23	285
Provision utilised	(116)	–	(116)
Reversal of provision made	(307)	–	(307)
At 31 December	129	110	239
2022			
At 1 January	469	73	542
Provision made	499	14	513
Provision utilised	(81)	–	(81)
Reversal of provision made	(597)	–	(597)
At 31 December	290	87	377

Provision for warranties

A provision is recognised for expected warranty claims on all equipment sold during the respective financial years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred within the next one year from the reporting date. Assumptions used to calculate the provision for warranties are based on current sales levels and current information available about utilisation based on the twelve months' warranty period for all equipment sold.

26. PROVISIONS (CONT'D)

Provision for restoration of property, plant and equipment

The Group and the Company lease buildings for the purpose of office and factory usage. A provision is recognised for the present value of costs to be incurred for the restoration of the premises.

27. DIVIDENDS

	GROUP AND COMPANY	
	2023 S$'000	2022 S$'000
Ordinary dividends paid:		
One-tier tax exempt final dividend of a total of S$0.011 per share paid on 18 May 2023 in respect of the financial year ended 31 December 2022	7,137	–
One-tier tax exempt interim dividend of a total of S$0.0033 per share paid on 8 September 2023 in respect of the financial year ended 31 December 2023	2,135	–
One-tier tax exempt final dividend of a total of S$0.010 per share paid on 20 May 2022 in respect of the financial year ended 31 December 2021	–	6,577
One-tier tax exempt interim dividend of a total of S$0.011 per share paid on 9 September 2022 in respect of the financial year ended 31 December 2022	–	7,257
	9,272	13,834

28. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	BANK LOANS	LEASE LIABILITIES	TOTAL
	S$'000	S$'000	S$'000
Group			
2023			
At 1 January	26,356	20,212	46,568
Proceeds	57,784	–	57,784
Repayment	(1,938)	(4,705)	(6,643)
Non-cash changes:			
Addition during the year	–	8,960	8,960
Disposal during the year	–	(540)	(540)
Currency translation differences	(6)	(365)	(371)
At 31 December	82,196	23,562	105,758
2022			
At 1 January	28,281	17,831	46,112
Repayment	(1,894)	(3,309)	(5,203)
Non-cash changes:			
Addition during the year	–	6,737	6,737
Disposal during the year	–	(327)	(327)
Currency translation differences	(31)	(720)	(751)
At 31 December	26,356	20,212	46,568

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	
	2023	2022	2023	2022
	S$'000	S$'000	S$'000	S$'000
Property, plant and equipment	4,253	10,968	1,628	6,367

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30. RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the entity that is preparing its financial statements ("**reporting entity**").

Parties are considered to be related if (a) a person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and (viii) the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related companies in these financial statements refer to members of Nanofilm Technologies International Limited's group of companies. Related parties in these financial statements refer to a corporate shareholder of subsidiaries and an independent director. In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between parties, are as follows:

	GROUP	
	2023	**2022**
	S$'000	**S$'000**
<u>Transactions with related parties</u>		
Sales	25,954	17,609
Purchases	20,012	11,580
Lease payments	127	205
Consultancy fee	–	11

30. RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel

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

	GROUP	
	2023 S$'000	2022 S$'000
Short-term employee benefits	3,440	3,156
Contributions to defined contribution plans	67	116
Other short-term benefits	98	615
Total compensation paid to key management personnel	3,605	3,887
Comprised amounts paid to:		
Directors of the Company [(1)]	1,672	1,572
Other key management personnel	1,933	2,315
	3,605	3,887

(1) Include certain directors who resigned during the financial year ended 31 December 2022.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks, including the effects of credit risk, interest rate risk, liquidity risk, currency risk and capital risk arising in the normal course of the Group's business. The Group's risk management policy seeks to minimise the potential adverse effects from these exposures. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors of the Company is responsible for setting the objectives, the underlying principles of financial risk management for the Group and establishing the policies such as authority levels, over-sight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved.

Financial Assets and Financial Liabilities

	GROUP		COMPANY	
	2023 S$'000	**2022 S$'000**	**2023 S$'000**	**2022 S$'000**
Financial assets at amortised cost:				
Cash and bank balances	155,209	147,830	19,361	56,269
Trade and other receivables	71,702	87,425	75,390	98,258
Contract assets	12,770	12,655	–	–
Financial assets at fair value through other comprehensive income:				
Other financial assets	1,367	3,263	–	–
Financial assets at fair value through profit or loss:				
Other financial assets	–	7,074	–	–
	241,048	258,247	94,751	154,527
Financial liabilities at amortised cost:				
Trade and other payables	87,241	98,737	11,712	5,400
Bank loans	82,196	26,356	24,412	26,284
Lease liabilities	23,562	20,212	12,088	9,621
	192,999	145,305	48,212	41,305

(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 does 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.

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 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 (2022: 2 debtors) and 5 debtors (2022: 7 debtors) respectively, that individually represented more than 5% (2022: 5%) of third parties trade receivables. The Group and the Company have applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime expected credit loss for trade receivables. The credit risk profile of trade receivables and contract assets are presented based on the past due status in terms of the provision matrix and is set out in Note 17. Other receivables are measured at 12-month expected credit loss as they have a low risk of default and do not have any past due amounts.

The Group's and the Company's cash and cash equivalents are entered into with bank and financial institution counterparties, with ratings mainly in Aa1, Aa3 and A categories, based on rating agency ratings. These are measured at amortised cost and are considered low credit risks and the amount of the allowance on cash and cash equivalents is assessed to be immaterial. The gross and net carrying amounts of cash and cash equivalents are set out in Note 19 to the financial statements.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(a) Credit Risk (cont'd)

Impairment on other receivables has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group and the Company consider that these financial assets have a low credit risk based on the external credit ratings of the counterparties and these counterparties having low risk of default. The amount of the allowance on these financial assets is assessed to be immaterial. The gross and net carrying amounts of other receivables are set out in Note 17 to the financial statements.

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

(b) Interest Rate Risk

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

The Group's and the Company's exposures to interest rate risk for changes in interest rates mainly arise from interest-bearing borrowings. Interest rate risk is managed by the Group and the Company on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

As at 31 December 2023, the Group's and the Company's bank loans are mainly based on fixed interest spread and cost of fund.

If interest rates on bank loans had been 100 basis points 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$682,000 (2022: S$224,000) and S$203,000 (2022: S$218,000) as a result of higher/lower interest expense arising from bank loans of the Group and the Company of S$82,196,000 (2022: S$26,356,000) and S$24,412,000 (2022: S$26,284,000) as at 31 December 2023, respectively.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(c) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when 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.

		CASH FLOWS			
	CARRYING AMOUNTS	CONTRACTUAL CASH FLOWS	WITHIN 1 YEAR	BETWEEN 1 TO 5 YEARS	MORE THAN 5 YEARS
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
2023					
Trade and other payables	87,241	87,241	34,141	–	53,100
Bank loans	82,196	95,675	10,301	41,206	44,168
Lease liabilities	23,562	24,655	4,285	10,598	9,772
	192,999	207,571	48,727	51,804	107,040
2022					
Trade and other payables	98,737	98,737	45,637	–	53,100
Bank loans	26,356	28,467	2,275	8,568	17,624
Lease liabilities	20,212	24,154	3,972	8,788	11,394
	145,305	151,358	51,884	17,356	82,118
Company					
2023					
Trade and other payables	11,712	11,712	11,712	–	–
Bank loans	24,412	29,357	3,670	14,679	11,008
Lease liabilities	12,088	13,964	1,930	4,115	7,919
	48,212	55,033	17,312	18,794	18,927
2022					
Trade and other payables	5,400	5,400	5,400	–	–
Bank loans	26,284	28,394	2,202	8,568	17,624
Lease liabilities	9,621	11,894	1,744	1,912	8,238
	41,305	45,688	9,346	10,480	25,862

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(d) Currency Risk

Currency risk arises on financial instruments that are denominated in currencies other than the respective functional currencies of the entities in the Group and the Company in which they are measured.

The Group and the Company are not exposed to significant foreign currency risk on their operating activities as most transactions and balances are denominated in the respective functional currencies of the Group entities, except for certain cash and bank balances, borrowings, trade and other receivables and payables which are denominated in foreign currencies, primarily United States Dollar ("USD"), Japanese Yen ("JPY") and Renminbi ("RMB"). Exposure to foreign currency risk is monitored on an on-going basis and the Group and the Company endeavour to keep the net exposure at an acceptable level.

The Group's and the Company's foreign currency exposures as at the reporting date, based on the information provided by key management, are as follows:

	DENOMINATED IN THE FOLLOWING CURRENCIES					
	SGD S$'000	USD S$'000	JPY S$'000	RMB S$'000	OTHERS S$'000	TOTAL S$'000
Group						
2023						
Financial assets						
Cash and bank balances	30,149	16,927	2,510	104,459	1,164	155,209
Trade and other receivables, and contract assets	2,826	10,645	395	70,606	–	84,472
Other financial assets	–	1,367	–	–	–	1,367
	32,975	28,939	2,905	175,065	1,164	241,048
Financial liabilities						
Trade and other payables	61,011	1,359	739	23,945	187	87,241
Bank loans	24,412	–	–	57,784	–	82,196
Lease liabilities	13,176	–	543	9,843	–	23,562
	98,599	1,359	1,282	91,572	187	192,999
Net financial (liabilities)/ assets	(65,624)	27,580	1,623	83,493	977	48,049
Less: Net financial (liabilities)/assets denominated in the entities' functional currencies	(8,345)	3,067	236	72,206	–	67,164
Currency exposure	(57,279)	24,513	1,387	11,287	977	(19,115)

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For the financial year ended 31 December 2023

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: (cont'd)

	DENOMINATED IN THE FOLLOWING CURRENCIES					
	SGD S$'000	USD S$'000	JPY S$'000	RMB S$'000	OTHERS S$'000	TOTAL S$'000
Group (cont'd)						
2022						
Financial assets						
Cash and bank balances	91,215	7,756	4,407	44,156	296	147,830
Trade and other receivables, and contract assets	2,264	8,124	794	88,898	–	100,080
Other financial assets	270	3,263	–	6,804	–	10,337
	93,749	19,143	5,201	139,858	296	258,247
Financial liabilities						
Trade and other payables	59,102	860	600	38,038	137	98,737
Bank loans	26,284	–	72	–	–	26,356
Lease liabilities	11,418	–	84	8,710	–	20,212
	96,804	860	756	46,748	137	145,305
Net financial (liabilities)/ assets	(3,055)	18,283	4,445	93,110	159	112,942
Less: Net financial (liabilities)/assets denominated in the entities' functional currencies	(2,155)	6,536	3,317	92,924	–	100,622
Currency exposure	(900)	11,747	1,128	186	159	12,320
Company						
2023						
Financial assets						
Cash and bank balances	8,518	2,776	1,181	6,886	–	19,361
Trade and other receivables	1,151	5,286	30	68,898	25	75,390
	9,669	8,062	1,211	75,784	25	94,751
Financial liabilities						
Trade and other payables	3,799	1,279	332	6,114	188	11,712
Bank loans	24,412	–	–	–	–	24,412
Lease liabilities	12,088	–	–	–	–	12,088
	40,299	1,279	332	6,114	188	48,212
Net financial assets/ (liabilities)	(30,630)	6,783	879	69,670	(163)	46,539
Less: Net financial assets denominated in the Company's functional currency	(31,299)	–	–	–	–	(31,299)
Currency exposure	669	6,783	879	69,670	(163)	77,838

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: (cont'd)

	DENOMINATED IN THE FOLLOWING CURRENCIES					
	SGD	**USD**	**JPY**	**RMB**	**OTHERS**	**TOTAL**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Company (cont'd)						
2022						
Financial assets						
Cash and bank balances	54,461	1,360	350	98	–	56,269
Trade and other receivables	1,885	25,094	4,415	66,864	–	98,258
	56,346	26,454	4,765	66,962	–	154,527
Financial liabilities						
Trade and other payables	4,471	655	12	230	32	5,400
Bank loans	26,284	–	–	–	–	26,284
Lease liabilities	9,621	–	–	–	–	9,621
	40,376	655	12	230	32	41,305
Net financial assets/ (liabilities)	15,970	25,799	4,753	66,732	(32)	113,222
Less: Net financial assets denominated in the Company's functional currency	15,970	–	–	–	–	15,970
Currency exposure	–	25,799	4,753	66,732	(32)	97,252

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(d) Currency Risk (cont'd)

Sensitivity analysis

A change of 2 % (2022: 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	
	2023 S$'000	2022 S$'000
Group		
USD against SGD		
- strengthened	407	199
- weakened	(407)	(199)
JPY against SGD		
- strengthened	23	19
- weakened	(23)	(19)
RMB against SGD		
- strengthened	1,432	3
- weakened	(1,432)	(3)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(d) Currency Risk (cont'd)

Sensitivity analysis (cont'd)

A change of 2% (2022: 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: (cont'd)

	PROFIT AFTER INCOME TAX	
	2023	**2022**
	S$'000	**S$'000**
Company		
USD against SGD		
- strengthened	113	428
- weakened	(113)	(428)
JPY against SGD		
- strengthened	15	79
- weakened	(15)	(79)
RMB against SGD		
- strengthened	1,157	1,108
- weakened	(1,157)	(1,108)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(e) Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development. The Group funds the operations and growth through a mix of equity and debt. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity where required. The Group's overall strategy remains unchanged from the financial years ended 31 December 2023 and 2022.

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	
	2023	**2022**
	S$'000	**S$'000**
Net debt	38,685	(392)
Total equity	424,004	464,471
Total capital	462,689	464,079
Gearing ratio	8%	n.m.

n.m. - Not meaningful as the cash and bank balances are higher than total liabilities.

As disclosed in Note 2(v), subsidiaries of the Group incorporated in the People's Republic of China, are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2023 and 2022. The Group has no other externally imposed capital requirements for the financial years ended 31 December 2023 and 2022.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(f) Fair Value of Assets and Liabilities

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

Fair value hierarchy

The Group provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

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

Assets and liabilities measured at fair value

The following table presents the assets and liabilities measured at fair value as at the reporting date:

	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS LEVEL 1 S$'000	SIGNIFICANT OBSERVABLE INPUTS OTHER THAN QUOTED PRICES LEVEL 2 S$'000	SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3 S$'000	TOTAL S$'000
Group				
2023				
Recurring fair value measurements				
Assets				
Other financial assets				
- fair value through other comprehensive income	–	–	1,367 [1]	1,367
Total other financial assets	–	–	1,367	1,367
2022				
Recurring fair value measurements				
Assets				
Other financial assets				
- fair value through other comprehensive income	1,896	–	1,367 [1]	3,263
- fair value through profit or loss	–	6,804	270 [2]	7,074
Total other financial assets	1,896	6,804	1,637	10,337

As at 31 December 2023 and 2022, the valuation techniques and inputs used in the fair value measurement are set out in Note 16 to the financial statements. There was no transfer between Level 1, Level 2 and Level 3 during the financial years ended 31 December 2023 and 2022.

(1) If the inputs for the asset or liability that are not based on observable market data to the valuation techniques were 5% (2022: 5%) higher/lower while all the other variables were held constant, the carrying amount of the would decrease/increase by S$68,000 (2022: decrease/increase by S$71,000).

(2) If the inputs for the asset or liability that are not based on observable market data to the valuation techniques were 5% higher/lower while all the other variables were held constant, the carrying amount of the would decrease/increase by S$14,000.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

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

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

	FINANCIAL ASSETS, AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	
	2023 S$'000	2022 S$'000
At 1 January	1,637	1,367
Additions	–	270
Write off	(270)	–
At 31 December	1,367	1,637

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. As at 31 December 2023 and 2022, 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 ("**BU**") based on different services/products ranges.

Advanced materials BU - material science provider of advanced materials through proprietary vacuum coating technology across wide range of end industries.

Industrial equipment BU - designs and develops customised coating equipment, cleaning lines and automation systems, including after sales support for internal BUs and external sales to selective markets.

Nanofabrication BU - manufacturer and supplier of nanoproducts in optical imaging lens and sensory components critical to customers' end-products.

Sydrogen BU - provider of critical fuel cell components with its proprietary conductive diamond coatings and fuel cell system solutions for the hydrogen energy market.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

32. OPERATING SEGMENT INFORMATION (CONT'D)

	ADVANCED MATERIALS S$'000	INDUSTRIAL EQUIPMENT S$'000	NANOFABRICATION S$'000	SYDROGEN S$'000	INTER-SEGMENT ELIMINATIONS S$'000	TOTAL S$'000
2023						
Revenue from external customers	141,544	18,372	16,049	1,053	–	177,018
Inter-segment sales	–	18,794	–	–	(18,794)	–
	141,544	37,166	16,049	1,053	(18,794)	177,018
Adjusted EBITDA	32,700	6,068	2,678	(2,043)	–	39,403
Other information						
Depreciation	24,384	1,756	2,514	1,135	–	29,789
Amortisation of land use rights	254	–	11	–	–	265
Amortisation of intangible assets	3,278	345	304	476	–	4,403
Write back of impairment loss on trade receivables	(140)	(18)	56	6	–	(96)
Write off/ loss/(gain) on disposal of property, plant and equipment	805	3	–	–	–	808
Listing expenses charged to profit or loss						
- Recurring	20	23	1	–	–	44
Share option expenses	199	235	9	–	–	443
Award share expenses under RSP 2021	321	377	14	–	–	712
Provision for warranties and restoration of property, plant and equipment	–	299	–	–	–	299
Reversal of provision for warranties	–	(487)	–	–	–	(487)
Assets						
Segment assets	345,442	65,575	20,340	25,888	–	457,245
Cash and bank balances						155,209
Other financial assets						1,367
Investment in associate						3,892
Deferred tax assets						3,786
						621,499
Segment assets include:						
Additions to non-current assets:						
- Property, plant and equipment	40,626	8,166	1,257	7,250	–	57,299
- Intangible assets	13,130	93	138	3,624	–	16,985
Liabilities						
Segment liabilities	41,729	11,105	2,107	4,811	–	59,752
Bank loans						82,196
Deferred tax liabilities						1,331
Other creditors (non-current)						53,100
Provision for taxation						1,116
						197,495

32. OPERATING SEGMENT INFORMATION (CONT'D)

	ADVANCED MATERIALS S$'000	INDUSTRIAL EQUIPMENT S$'000	NANOFABRICATION S$'000	SYDROGEN S$'000	INTER-SEGMENT ELIMINATIONS S$'000	TOTAL S$'000
2022						
Revenue from external customers	187,219	30,887	19,097	203	–	237,406
Inter-segment sales	533	15,677	84	–	(16,294)	–
	187,752	46,564	19,181	203	(16,294)	237,406
Adjusted EBITDA	68,162	7,619	6,280	(1,559)	–	80,502
Other information						
Depreciation	26,362	1,060	1,362	96	–	28,880
Amortisation of land use rights	274	–	11	–	–	285
Amortisation of intangible assets	854	772	93	–	–	1,719
Covid-19 related expenses	2,399	66	–	–	–	2,465
Impairment loss on trade receivables and contract assets	51	–	–	–	–	51
Write down of inventories	196	–	–	–	–	196
Write off/ loss/(gain) on disposal of property, plant and equipment	4	(6)	–	–	–	(2)
Listing expenses charged to profit or loss						
- Recurring	40	29	1	–	–	70
Share option expenses	236	175	5	–	–	416
Award share expenses under RSP 2021	871	85	2	–	–	958
Provision for warranties and restoration of property, plant and equipment	–	827	–	–	–	827
Reversal of provision for warranties	–	(597)	–	–	–	(597)
Assets						
Segment assets	363,901	54,553	15,285	18,703	–	452,442
Cash and bank balances						147,830
Other financial assets						10,337
Investment in associate						4,033
Deferred tax assets						3,223
						617,865
Segment assets include:						
Additions to non-current assets:						
- Property, plant and equipment	43,362	4,229	789	8,474	–	56,854
- Intangible assets	5,852	1,503	–	4,463	–	11,818
Liabilities						
Segment liabilities	55,771	10,411	1,132	2,700	–	70,014
Bank loans						26,356
Deferred tax liabilities						1,350
Other creditors (non-current)						53,100
Provision for taxation						2,574
						153,394

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For the financial year ended 31 December 2023

32. OPERATING SEGMENT INFORMATION (CONT'D)

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

	GROUP	
	2023 S$'000	2022 S$'000
Adjusted EBITDA[1] for reportable segments	39,403	80,502
Depreciation	(29,789)	(28,880)
Amortisation	(4,668)	(2,004)
(Write off/Loss)/Gain on disposal of property, plant and equipment	(808)	2
Covid-19 related expenses[2]	–	(2,465)
Write down of inventories	–	(196)
Other professional fees	(520)	(239)
Award shares expenses under RSP 2021	(712)	(958)
Finance income	2,139	1,576
Finance expenses	(1,902)	(1,222)
Profit before income tax	3,143	46,116
Income tax	(449)	(2,831)
Profit after income tax	2,694	43,285

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

(2) Covid-19 related expenses were idle manpower and increased freight charges incurred during the COVID-19 lockdown in Shanghai for the month of April and May 2022.

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

	GROUP	
	2023 S$'000	2022 S$'000
Singapore	35,828	42,364
China	129,084	173,333
Japan	12,090	21,648
Vietnam	16	61
Total revenue	177,018	237,406

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	
	2023	**2022**
	S$'000	**S$'000**
Singapore	68,912	75,255
China	262,821	242,874
Japan	4,164	5,090
Vietnam	15,466	4,825
Total non-current non-financial assets	351,363	328,044

33. SUBSEQUENT EVENTS

(a) On 1 February 2024, the acquisition of Axyntec was completed for a purchase consideration of EUR 6.8 million of which EUR 5.8 million was settled with cash on the same day. The remaining EUR 1 million will be settled over three years after completion upon the terms and conditions of the share sale and purchase Agreement dated 21 December 2023.

Following the completion of the acquisition, Axyntec has become a wholly-owned subsidiary of the Company.

(b) As at 16 January 2024, Nanofab Technologies Pte. Ltd. ("**NFT**") was 90% owned by the Company and 10% owned by MG Consulting Holdings Pte. Ltd. ("**MG Holdings**"). The Company and MG Holdings entered into a shareholders' agreement dated 27 October 2017 (as amended on 1 July 2019, 15 June 2020 and 6 October 2020) ("**NFT SHA**") pursuant to which MG Holdings may elect to effect an exchange of the 10% shares in NFT held by MG Holdings ("**NFT Swap Shares**") with shares in the Company to be issued to MG Holdings ("**NTI Swap Shares**"), by serving a written notice on the Company (the "**Share Swap**"). On 17 January 2024, the Company transferred 3,866,104 treasury shares in the Company to MG Holdings in settlement of the NTI Swap Shares and in exchange, MG Holdings transferred the NFT Swap Shares to the Company. Following completion of the Share Swap, NFT becomes a wholly-owned subsidiary of the Company.

The consolidated net asset value of NFT as at 31 December 2022 was S$15.8 million. The number of NTI Swap Shares transferred to MG Holdings as consideration for the NFT Swap Shares was computed in accordance with the NFT SHA, which takes into consideration the net profit after tax of NFT for FY2022, and the price earning ratio and market capitalization of the Company as at 31 December 2022.

(c) The Board of Directors of the Group has recommended a final tax exempt one-tier dividend of S$0.0033 per ordinary share for the year. The total amount of dividends is expected to be approximately S$2.1 million. Subject to shareholder's approval at the forthcoming annual general meeting of the Company, the proposed final dividend will be payable on 20 May 2024.

(d) On 29 February 2024, the Company granted an award under the RSP 2021 to certain eligible participants to acquire a total of 647,531 ordinary shares in the capital of the Company ("**Award**"). 50% of the Award will vest on 30 September 2024 and the remaining 50% will vest on 30 September 2025, subject to the grantees achieving certain performance obligations.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2024

SHAREHOLDERS' INFORMATION

Number of equity securities	:	650,922,414
Class of equity securities	:	Ordinary shares
Voting rights	:	One vote per share
Number of treasury shares and subsidiary holdings	:	12,520,696

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 99	1	0.01	1	0.00
100 - 1,000	1,590	19.98	1,289,418	0.20
1,001 - 10,000	4,477	56.27	21,063,350	3.23
10,001 - 1,000,000	1,862	23.40	75,637,296	11.62
1,000,001 and above	27	0.34	552,932,349	84.95
Total	7,957	100.00	650,922,414	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS
1	PEARL YARD HOLDINGS INC	253,709,960	38.98
2	VENEZIO INVESTMENTS PTE LTD	49,269,300	7.57
3	SHI XU	44,457,573	6.83
4	CITIBANK NOMINEES SINGAPORE PTE LTD	35,383,049	5.44
5	HARRYMORE INTERNATIONAL LIMITED	28,192,518	4.33
6	DBS NOMINEES (PRIVATE) LTD	22,748,131	3.49
7	RAFFLES NOMINEES (PTE.) LIMITED	20,428,591	3.14
8	HSBC (SINGAPORE) NOMINEES PTE LTD	17,782,971	2.73
9	JIN XIAOZHE	17,562,740	2.70
10	JIN XIAO QUN	10,190,375	1.57
11	PHILLIP SECURITIES PTE LTD	8,484,266	1.30
12	WEI HAO	5,133,685	0.79
13	LASTING LEGACY PTE LTD	4,721,900	0.73
14	OCBC SECURITIES PRIVATE LIMITED	4,087,700	0.63
15	MAYBANK SECURITIES PTE. LTD.	4,087,204	0.63
16	DBSN SERVICES PTE. LTD.	4,048,556	0.62
17	UOB KAY HIAN PRIVATE LIMITED	3,016,600	0.46
18	MOOMOO FINANCIAL SINGAPORE PTE. LTD.	2,911,850	0.45
19	TIGER BROKERS (SINGAPORE) PTE. LTD.	2,877,200	0.44
20	IFAST FINANCIAL PTE. LTD.	2,799,600	0.43
	Total	**541,893,769**	**83.26**

STATISTICS OF SHAREHOLDINGS

As at 15 March 2024

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

NAME OF SUBSTANTIAL SHAREHOLDER	DIRECT INTEREST	% [6]	DEEMED INTEREST	% [6]
Pearl Yard Holdings Inc ("Pearl Yard")	253,709,960	38.98	–	–
Dr Shi Xu [1]	44,457,573	6.83	292,592,853	44.95
Mdm Jin Xiao Qun [2]	10,190,375	1.57	28,692,518	4.41
Venezio Investments Pte Ltd ("Venezio")	47,579,947	7.31	–	–
Napier Investments Pte. Ltd. ("Napier") [3]	–	–	47,579,947	7.31
Tembusu Capital Pte. Ltd. ("Tembusu") [4]	–	–	47,729,947	7.33
Temasek Holdings (Private) Limited ("Temasek") [5]	–	–	47,729,947	7.33

Notes:

(1) Dr Shi Xu's deemed interest arises from (1) the 253,709,960 shares of the Company (the "**Shares**") held by Pearl Yard as Dr Shi is the sole shareholder of Pearl Yard and accordingly, for the purposes of Section 4 of the Securities and Futures Act 2001 of Singapore (the "SFA"), is deemed to have an interest in the 253,709,960 Shares held by Pearl Yard; (2) the 500,000 Shares held by Neufront Investment Pte Ltd ("**Neufront**") as Dr Shi Xu holds 50% of the total issued shares in Neufront and accordingly for the purposes of Section 4 of the SFA, is deemed to have an interest in the Shares held by Neufront; and (3) the 38,882,893 Shares in which his spouse, Mdm Jin Xiao Qun, has an interest, comprising (i) direct interests in 10,190,375 Shares, and (ii) deemed interests in 28,192,518 Shares held by Harrymore International Limited ("**Harrymore**"). Mdm Jin Xiao Qun holds 50% of the total issued shares in Neufront. Accordingly, for the purposes of Section 4 of the SFA, Mdm Jin Xiao Qun is deemed to have an interest in the 500,000 Shares held by Neufront. This deemed interest in 500,000 Shares is not required to be notified under the SFA and therefore has not been recorded in the Register of Substantial Shareholders.

(2) Mdm Jin Xiao Qun holds more than 20% of the shares of Harrymore. Accordingly, for the purposes of Section 4 of the SFA, Mdm Jin Xiao Qun is deemed to have an interest in the 28,192,518 Shares held by Harrymore.

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

(4) Tembusu's deemed interest arises from the interests in Shares held by Venezio and SeaTown Holdings Pte. Ltd. ("SeaTown"), an independently-managed Temasek portfolio company.

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

(6) The shareholding interests stated in the Register of Substantial Shareholders are computed based on the total number of issued Shares as at the date the respective interests were reported to the Company.

Free Float

As at 15 March 2024, approximately 36.59% 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 at 28 Ayer Rajah Crescent #02-02/03, Singapore 139959 on **Friday, 26 April 2024 at 2.00 p.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 2023 together with the Auditors' Report thereon.

Resolution 1

2. To declare a final dividend (tax exempt one-tier) of S$0.0033 per ordinary share for the financial year ended 31 December 2023.

Resolution 2

3. To re-elect the following Directors of the Company who will each retire pursuant to the relevant Regulations of the Company's Constitution, and who each being eligible, offers himself for re-election:

Mr Gary Ho Hock Yong	(Regulation 94)	**Resolution 3**
Ms Lee Lee Khoon	(Regulation 94)	**Resolution 4**
Ms Ong Siew Koon @ Ong Siew Khoon	(Regulation 94)	**Resolution 5**

Mr Gary Ho Hock Yong will, upon re-election as a Director of the Company, remain as an Executive Director and Chief Executive Officer of the Company and a member of the Board Risk Committee. Detailed information of Mr Gary Ho Hock Yong required pursuant to Rule 720(6) of the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST") can be found in the Annual Report.

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

Ms Ong Siew Koon @ Ong Siew Khoon will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit Committee and a member of the Board Risk Committee and Nominating Committee, and will be considered independent. Detailed information of Ms Ong Siew Koon @ Ong Siew Khoon required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.

4. To approve the payment of Directors' fees of S$448,000.00 for the financial year ending 31 December 2024, to be paid quarterly in arrears.

Resolution 6

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

Resolution 7

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

NOTICE OF ANNUAL GENERAL MEETING

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 1967 of Singapore ("**Companies Act**"), and Rule 806 of the Listing Manual of the SGX-ST, authority be and is hereby given to the Directors to:

(a) (i) allot and issue ordinary shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other similar instruments convertible into Shares; and/or

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or 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;

(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 and treasury shares arising from convertible securities, share options or share awards which were issued/transferred and outstanding or subsisting at the time of the passing of this Resolution.

[See Explanatory Note (i)] **Resolution 8**

8. AUTHORITY TO ISSUE SHARES UNDER THE NANOFILM EMPLOYEE SHARE OPTION SCHEME 2017 (THE "NANOFILM ESOS 2017")

That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors to allot and issue new Shares from time to time as may be required to be issued pursuant to the exercise of the options granted under the Nanofilm ESOS 2017 and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **Resolution 9**

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; (2) awards already granted under the Nanofilm Restricted Share Plan (as defined in paragraph 10 below); and (3) any options and awards already granted under the Company's other share options or share schemes adopted post the initial public offering of the Shares on the SGX-ST ("**Listing**"), shall not exceed 5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) on the date preceding the date of grant of the relevant new option.

[See Explanatory Note (iii)] **Resolution 10**

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

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

(a) offer and grant awards ("**Awards**") in accordance with the provisions of the Nanofilm Restricted Share Plan; and

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

provided that the total number of Shares which may be delivered pursuant to Awards granted under the Nanofilm Restricted Share Plan, when added to: (i) the total number of new Shares allotted and issued and/or to be allotted and issued, issued Shares (including treasury shares and subsidiary holdings, if any) delivered and/or to be delivered, and Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to all Awards granted under the Nanofilm Restricted Share Plan and options already granted under the Nanofilm ESOS 2020; and (ii) the total number of Shares subject to any other share option or share schemes adopted by the Company after the Listing, shall not exceed 5% of the total number of issued Shares (excluding Shares held by the Company as treasury shares and subsidiary holdings, if any) on the date preceding the date of grant of the relevant Award.

[See Explanatory Note (iv)] **Resolution 11**

11. 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**");

NOTICE OF ANNUAL GENERAL MEETING

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing on and from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM of the Company is held or required by law to be held; or

(ii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated.

(c) for purposes of this Resolution:–

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

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

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

"**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 (v)] **Resolution 12**

By Order of the Board

Zhan Aijuan
Company Secretary

Singapore
11 April 2024

Explanatory Notes on Resolutions to be passed

(i) Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors, until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any), of which up to 20% may be issued other than on a pro-rata basis to Shareholders.

For the purpose of determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time Ordinary Resolution 8 is passed, after adjusting for new Shares and/or transfer of treasury 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 9 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 Nanofilm ESOS 2017.

(iii) Ordinary Resolution 10 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 10 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 and/or delivered pursuant to the Nanofilm ESOS 2020, the Nanofilm Restricted Share Plan and any other share option or share schemes adopted by the Company post-Listing shall not exceed 5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) on the date preceding the date of grant of the relevant new option.

(iv) Ordinary Resolution 11 proposed in item 10 above, if passed, will empower the Directors of the Company to offer and grant Awards in accordance with the rules of the Nanofilm Restricted Share Plan from the date of the passing of Ordinary Resolution 11 until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, and to allot and issue from time to time such number of fully-paid new Shares and/or transfer such number of existing Shares held in treasury, free of charge, as may be required to be delivered from time to time pursuant to the vesting of Awards under the Nanofilm Restricted Share Plan. The aggregate number of shares which may be delivered pursuant to Awards granted under the Nanofilm Restricted Share Plan on any date, when added to (1) the total number of new Shares allotted and issued and/or to be allotted and issued, issued Shares (including treasury shares and subsidiary holdings, if any) delivered and/or to be delivered, and Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to all Awards granted under the Nanofilm Restricted Share Plan, and options granted under the Nanofilm ESOS 2020 and (2) the total number of Shares subject to any other share option or share schemes adopted by the Company post-Listing, shall not exceed 5% of the total number of issued Shares (excluding Shares held by the Company as treasury shares and subsidiary holdings, if any) on the date preceding the date of grant of the relevant Award.

(v) Ordinary Resolution 12 proposed in item 11 above, is to renew the mandate approved by Shareholders at the last AGM held on 28 April 2023 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 12 will empower the Directors until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to repurchase Shares by way of Market Purchases or Off-Market Purchases of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) as at the date of the AGM at which the Resolution is passed. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the proposed renewal of the Share Purchase Mandate are set out in greater detail in the Addendum released on the SGX website together with the Annual Report 2023.

Important Notes:

1. The members of the Company (the "**Members**") are invited to attend the AGM physically in person at 28 Ayer Rajah Crescent #02-02/03, Singapore 139959. There will be no option for members to participate in the AGM by electronic means.

2. Printed copies of this Notice of AGM, Proxy Form and the Request Form (to request for printed copy of the Annual Report) are sent by post to Members and are also available on SGXNet at the URL https://www.sgx.com/securities/company-announcements and the Company's website at the URL https://www.nti-nanofilm.com/investor-overview/investor-announcement/.

NOTICE OF ANNUAL GENERAL MEETING

3. The Annual Report has been published and is available for download or online viewing by the Members on SGXNet at https://www.sgx.com/securities/company-announcements and the Company's website at https://www.nti-nanofilm.com/investor-overview/investor-announcement/. Printed copies of the Annual Report will not be sent to the Members unless requested by the Members via the submission of the Request Form. Members who wish to receive a printed copy of the Annual Report are required to complete the Request Form and return it to the Company by **18 April 2024** by post to the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or if by email enclosing a clear scanned completed and signed Request Form by email to srs.requestform@boardroomlimited.com.

4. Members (including investors who hold shares through the Central Provident Fund ("CPF") Investment Scheme ("CPF Investors") and/or Supplementary Retirement Scheme ("SRS Investors")) may participate in the AGM by:

   (i) attending the AGM in person;

   (ii) raising questions at the AGM or submitting questions in advance of the AGM; and/or

   (iii) voting at the AGM (i) themselves personally; or (i) where applicable through their duly appointed proxy(ies).

   CPF Investors and SRS Investors who are unable to attend the AGM but would like to vote, may inform their respective CPF Agent Banks or SRS Operators to appoint the Chairman of the AGM to act as their proxy, and submit their votes by **5 p.m. on 16 April 2024**, being at least seven (7) working days prior to the date of the AGM. In such case, the CPF and SRS investors shall be precluded from attending the AGM.

   To attend the AGM, Members are requested to bring along their NRIC/passport to enable the Company to verify their identity. Members are requested to arrive early to facilitate the registration process.

5. A Member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her/its behalf at the AGM. A Member which is a corporation is entitled to appoint its authorised representative or proxy to attend, speak and vote on its behalf. A proxy need not be a Member.

   Where such Member appoints two (2) proxies, the proportion of his/her/its shareholding to be represented by each proxy shall be specified in the instrument. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/ her/its name in the Depository Register and any second named proxy as an alternate to the first named.

   A Member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.

   "Relevant Intermediary" has the meaning prescribed to it in Section 181 of the Companies Act:

   a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   b) a person holding a capital markets services licence holder to provide custodial services under the Securities and Futures Act and who holds shares in that capacity; or

   c) the CPF Board established by the CPF Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.

6. A Member can appoint the Chairman of the AGM as his/her/its proxy but this is not mandatory.

   If a Member wishes to appoint the Chairman of the AGM as proxy, such Member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the AGM as proxy. If no specific direction is given as to voting or abstentions from voting in respect of a resolution in the form of proxy, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

7. The instrument appointing a proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must be deposited in the following manner.

   a) if submitted by post, be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

   b) if submitted electronically, via email to the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at srs.proxy@boardroomlimited.com,

   in either case, by no later than **2.00 p.m. on 23 April 2024**, being at least 72 hours before the time appointed for holding the AGM. Members are strongly encouraged to submit the completed proxy forms electronically by email.

   The instrument appointing the proxy(ies) must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the proxy(ies) is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

   The Company shall be entitled to reject the instrument appointing the proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the proxy (including any related attachment) (such as in the case where the appointor submits more than one instrument appointing the proxy).

   In addition, in the case of Shares entered in the Depository Register maintained by The Central Depository (Pte) Limited, the Company may reject any proxy form lodged if the Member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM.

8. Members may raise questions at the AGM and/or submit questions related to the Ordinary Resolutions to be tabled for approval at the AGM, in advance of the AGM. For Members who would like to submit questions in advance of the AGM, they may do so by **2.00 p.m. on 18 April 2024**:

   a) if in hard copy by post, to the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

   b) if by email, to srs.teamE@boardroomlimited.com

   Members will need to identify themselves when posing questions by email or by post by providing the following details:

   (a) the Member's full name as it appears on his/her/its CDP/CPF/SRS share records;

   (b) the Member's NRIC/Passport/UEN number; and

   (c) the manner in which the Member holds his/her/its Shares in the Company (e.g.via CDP, CPF or SRS).

   The Company will endeavour to address all substantial and relevant questions submitted by Members prior to the AGM by publishing its responses to such questions on SGXNet at the URL https://www.sgx.com/securities/company-announcements and the Company's website at the URL https://www.nti-nanofilm.com/investor-overview/investor-announcement/ by **21 April 2024**, or during the AGM. Where substantially similar questions are received, the Company will consolidate such questions and consequently not all questions may be individually addressed. The Company will publish the responses made during the AGM to such questions together with the minutes of the AGM on SGXNet at the URL https://www.sgx.com/securities/company-announcements and the Company's website at the URL https://www.nti-nanofilm.com/investor-overview/investor-announcement/ within one (1) month after the date of the AGM.

PERSONAL DATA PRIVACY:

By (a) submitting an instrument appointing the proxy(ies) to attend, speak and vote at the AGM and/or any adjournment thereof, or (b) submitting the Request Form in accordance with this Notice, or (c) submitting any question prior to the AGM in accordance with this Notice, a Member consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) the processing and administration by the Company (or its agents or service providers) of Proxy Forms appointing proxy(ies) for the AGM (including any adjournment thereof);

(ii) the processing of the Request Form for purposes of mailing the physical copy of the Annual Report to Members (or their corporate representatives in the case of Members which are legal entities);

(iii) addressing relevant and substantial questions from Members and if necessary, following up with the relevant Members in relation to such questions;

(iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and

(v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED
(Company Registration Number 199902564C)
(Incorporated in Singapore on 13 May 1999)

PROXY FORM

ANNUAL GENERAL MEETING

IMPORTANT:

Note: This Proxy Form may be accessed at the Company's website at https://www.nti-nanofilm.com/investoroverview/investor-announcement/ and also on the SGX website at https://www.sgx.com/securities/company-announcements

1. A proxy need not be a Member.
2. A Member who is a relevant intermediary is entitled to appoint more than two proxies. Where such Member's proxy form appoints more than one proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument (please see Note 4 for the definition of "**relevant intermediary**").
3. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies or appointment of the Chairman of the Meeting as proxy.
4. **PLEASE READ THE NOTES TO THE PROXY FORM.**

Personal Data Privacy

By submitting an instrument appointing proxy(ies), the Member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2024.

I/We, ______________________________ (Name) ______________________________
of ______________________________ (Address)
being a *member/members of **NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED** (the "**Company**"), hereby appoint:

NAME	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS	
		NO. OF SHARES	%
ADDRESS			

*and/or (delete as appropriate)

NAME	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS	
		NO. OF SHARES	%
ADDRESS			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our proxy to attend, speak and vote for *me/us on *my/our behalf at the Annual General Meeting of the Company ("**Meeting**" or "**AGM**") to be held at 28 Ayer Rajah Crescent #02-02/03, Singapore 139959 on Friday, 26 April 2024 at 2.00 p.m. (including any adjournment thereof).

*I/We direct *my/our proxy to vote for, against or abstain from voting on the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and (including any adjournment thereof), the appointment of the Chairman of the Meeting as *my/our proxy will be treated as invalid.

Voting will be conducted by poll. If you wish to exercise all your votes "For", "Against" or "Abstain", please tick (✓) within the relevant box provided. Alternatively, please indicate the number of votes as appropriate.

NO.	RESOLUTIONS RELATING TO:	NO. OF VOTES FOR	NO. OF VOTES AGAINST	NO. OF VOTES ABSTAIN
ORDINARY BUSINESS				
1	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report			
2	Declaration of final dividend			
3	Re-election of Mr Gary Ho Hock Yong			
4	Re-election of Ms Lee Lee Khoon			
5	Re-election of Ms Ong Siew Koon @ Ong Siew Khoon			
6	Approval of Directors' fees for the financial year ending 31 December 2024			
7	Re-appointment of Moore Stephens LLP as Auditors			
SPECIAL BUSINESS				
8	Share Issue Mandate			
9	Authority to issue shares under the Nanofilm Employee Share Option Scheme 2017			
10	Authority to grant options and issue shares under the Nanofilm Employee Share Option Scheme **2020**			
11	Authority to grant awards and issue shares under the Nanofilm Restricted Share Plan			
12	Renewal of Share Purchase Mandate			

* *Delete where inapplicable*

Dated this __________day of_____________, 2024

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. A Member should insert the total number of shares held by him/her. If the Member has shares entered against his/her/its name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she/it should insert that number of shares. If the Member has shares registered in his/her/its name in the Register of Members, he/she/it should insert that number of shares. If the Member has shares entered against his/her/its name in the said Depository Register and registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares entered against his name in the Depository Register and registered in his/her/its name in the Register of Members. If the number of shares is not inserted, this Proxy Form will be deemed to relate to all the shares held by the Member.

2. A member of the Company ("**Member**") who wishes to exercise his/her/its voting rights at the AGM may:

   (a) (where the Member is an individual) attend, speak and vote at the AGM, or (whether the member is an individual or a corporate) appoint a proxy(ies) (other than the Chairman of the Meeting) to attend, speak and vote at the AGM on his/her/its behalf; or

   (b) (whether the Member is an individual or a corporate) appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM.

3. A Member who is not a relevant intermediary is entitled to appoint not more than two proxies. Where such Member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument.

4. A Member who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such Member's proxy form appoints more than one proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument.

   "Relevant intermediary" has the meaning prescribed to it in Section 181 of the Companies Act:

   (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
   (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e.: **by 5:00 p.m. on 16 April 2024**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by the cut-off date.

6. The proxy need not be a Member.

7. The instrument appointing the proxy(ies) ("**Proxy Form**") must be deposited at the office of the Company's Share Registrar, **Boardroom Corporate & Advisory Services Pte. Ltd.** at **1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632** or emailed to srs.proxy@boardroomlimited.com by **2.00 p.m. on 23 April 2024**, being not less than seventy-two (72) hours before the time appointed for the Meeting.

   Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.

8. If the Member is shown to not have any shares entered against his/her/its name as at seventy-two (72) hours before the time fixed for the Meeting, the Proxy Form will be rejected.

9. The Proxy Form must be under the hand of the appointor or of his/her/its attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

10. The power of attorney or other authority (if any) under which the Proxy Form is signed on behalf of the Member or duly certified copy of such power or authority (failing previous registration with the Company) must be lodged with the Proxy Form, failing which the instrument may be treated as invalid.

11. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in and/or attached to the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the Member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by CDP to the Company.

12. All Members will be bound by the outcome of the Meeting regardless of whether they have attended or voted at the Meeting.

13. Personal data privacy: By submitting an instrument appointing the proxy(ies) (other than the Chairman of the Meeting) or Chairman of the Meeting as a proxy to vote at the Meeting and/or any adjournment thereof, all Members accept and agree to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2024.

Nanofilm Technologies International Limited
11 Tai Seng Drive
Singapore 535226
Tel: (65) 6281 1888
https://www.nti-nanofilm.com/