Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Nanofilm Technologies International Limited

Stock code: MZH

Meeting details:
Date: 28 April 2022
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. With the commissioning of Shanghai Plant 2, the group now has 6 plants in 4 countries. Shanghai Plant 2 with a gross built-up area of 66,406 sqm is almost twice the size of Shanghai Plant 1. The addition of 59 coating equipment (now 235 at the group level) has significantly boosted the group's long-term production capacity.





(Adapted from company annual report)

(i) **With a significant proportion of the company's manufacturing facilities in Shanghai, what is the impact on the group caused by the lock down of Shanghai in the past weeks?**

(ii) **Is the group facing supply chain and manpower constraints in Shanghai?**

(iii) **Would the board/management be updating shareholders on the material development in Shanghai in a timely manner (via SGXNet)?**

(iv) **How much flexibility is there in the group's infrastructure? Are the other plants able to step up and increase production if and when needed?**

Q2. As highlighted by the chairman, the group is a Deep-Tech company with industry leading technology in material science and nanotechnology. Leveraging the group's proprietary filtered cathodic vacuum arc (FCVA) advanced technologies and proprietary equipment, revenue and profit after tax grew 13% to $218 million and 8% to $63 million respectively.

The group has a proven track record of commercialising the proprietary Deep-Tech's advanced materials and nanofabrication. The group offers customers materials with characteristics needed in their products, such as high hardness, strength, strong corrosion resistance, and other properties.

Revenue contribution from other end customers (excluding the single largest end customer) increased to 39.3% of the group's revenue (from 32.1%).

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(i) **FVCA: Does management see competitors catching up in 2-3 years or in the mid-term?**

(ii) **Advanced materials: How is the group reaching out to (more and new) end users to increase the applications of its advanced materials, such as TAC-ON®, iTAC® and MiCC®? How long is the typical development cycle, such as proving the use case of iTAC® in piston rings in internal combustion engines? In addition, how long was the development cycle for the group's advanced materials, such as STAR-TAC and aluminium chromium nitride?**

(iii) **Industrial equipment: Would the board/management help shareholders understand to reasons to increase equipment sales to external customers in the renewable energy industry? Is this a deviation from the preferred avenue of providing technology in-house (as a service) instead of selling equipment to these customers?**

(iv) **Sydrogen: Is the group taking on significant risks relating to the development and adoption of hydrogen fuel cell technology via Sydrogen? What is the amount committed to support Sydrogen?**

(v) **R&D:** In FY2021, the group spent $17 million (approximately 7% of revenue) in R&D and engineering, with a longer-term goal of 10% of revenue. **How does management allocate its R&D budget? How does the board/management evaluate the success/returns of the group's R&D efforts?**

Q3. The company marked the first full year as a listed company since its listing in October 2020. There has been a transition to a new team during this period.

Dr Shi Xu assumed the role of interim CEO between 22 June 2021 and 31 December 2021 following the resignation of Mr Lee Liang Huang, the former CEO and ED of the company due to health reasons. The then-chief commercial officer of the group, Mr Gary Ho Hock Yong, was appointed as CEO with effect from 1 January 2022. Mr Gian Yi-Hsen was also appointed as the chief commercial and strategy officer of the company with effect from 1 January 2022.

The then-chief operating officer of the group, Mr Ricky Tan Chong Ho, resigned in August 2021 following a reorganisation in the group.

There were also changes to the board with the cessation of Mr James Rowan and the appointment of Mr Russell Tham Min Yew.

The nominating committee (NC) has stated that potential candidates are "sourced through contacts or recommendations from directors" although an external consultant may be engaged to source for qualified candidates, if required.

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(i) **With the new management team in place for the past 4 months, what additional insights can the newly appointed CEO share with shareholders?**

(ii) **What is the depth of the group's leadership bench strength (and future pipeline) in the core functions of the group, such as R&D, commercialisation, operations, sales, manufacturing, supply chain etc?**

(iii) **In addition, can the NC help shareholders understand how the use of personal/directors' contacts and recommendations for new directors achieves the board's diversity policy?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)