

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (“1H2022”)

Nanofilm Technologies International Limited (the “**Company**”) was listed on the Mainboard of the Singapore Exchange Securities Trading Limited on 30 October 2020 (“**Listing**”).

Credit Suisse (Singapore) Limited and Oversea-Chinese Banking Corporation Limited are the Joint Issue Managers for the Offering. Citigroup Global Markets Singapore Pte. Ltd., Credit Suisse (Singapore) Limited and Oversea-Chinese Banking Corporation Limited are the Joint Global Coordinators for the Offering. Citigroup Global Markets Singapore Pte. Ltd., CLSA Singapore Pte Ltd, Credit Suisse (Singapore) Limited and Oversea-Chinese Banking Corporation Limited are the Joint Bookrunners and Underwriters for the Offering. The Joint Issue Managers, the Joint Global Coordinators and the Joint Bookrunners and Underwriters assume no responsibility for the contents of this announcement.

Table of Contents

A. Unaudited condensed interim consolidated statement of profit or loss and other comprehensive income	3
B. Unaudited condensed interim statements of financial position	4
C. Unaudited condensed interim statements of changes in equity	5
D. Unaudited condensed interim consolidated statement of cash flows	7
E. Notes to the unaudited condensed interim consolidated financial statements	8
F. Other information required by Listing Rule Appendix 7.2	25

A. Unaudited condensed interim consolidated statement of profit or loss and other comprehensive income

		Group		
	Note	1H2022 S\$'000	1H2021 S\$'000	Change %
Revenue	5	111,294	96,630	15.2
Cost of sales		<u>(61,280)</u>	<u>(52,081)</u>	17.7
Gross profit		50,014	44,549	12.3
Other operating income		1,871	3,802	(50.8)
Finance income		622	608	2.3
Expenses:				
Research & development and engineering		(10,302)	(10,569)	(2.5)
Selling and distribution		(3,769)	(2,869)	31.4
Administrative		(18,541)	(13,875)	33.6
Finance		(493)	(404)	22.0
Profit before income tax	6	<u>19,402</u>	<u>21,242</u>	(8.7)
Income tax expenses	7	<u>(1,212)</u>	<u>(3,126)</u>	(61.2)
Profit after income tax		<u>18,190</u>	<u>18,116</u>	0.4
Other comprehensive income/ (loss), net of tax				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange difference arising from translation of foreign operations		(8,415)	7,679	(209.5)
Fair value losses from equity investments		(60)	-	n.m.
Total comprehensive income for the period		<u>9,715</u>	<u>25,795</u>	(62.3)
Profit attributable to:				
Equity holders of the Company		18,804	17,885	5.1
Non-controlling interests		(614)	231	(365.8)
		<u>18,190</u>	<u>18,116</u>	0.4
Total comprehensive income attributable to:				
Equity holders of the Company		10,498	25,287	(58.5)
Non-controlling interests		(783)	508	(254.1)
		<u>9,715</u>	<u>25,795</u>	(62.3)
Adjusted EBITDA	4	<u>37,580</u>	<u>33,239</u>	13.1
Earnings per share attributable to the equity holders of the Company (cents)				
Basic earnings per share	8	2.86	2.71	5.5
Diluted earnings per share	8	<u>2.84</u>	<u>2.68</u>	6.0

n.m. - Not meaningful

B. Unaudited condensed interim statements of financial position

	Note	Group		Company	
		30/6/2022 S\$'000	31/12/2021 S\$'000	30/6/2022 S\$'000	31/12/2021 S\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	288,919	290,179	49,279	50,724
Land use rights		12,987	13,391	-	-
Intangible assets	10	13,472	9,860	5,125	5,218
Investment in subsidiaries	11	-	-	109,131	104,800
Other receivables and other non-current assets	12	-	-	85,877	71,824
Other financial assets	20	7,169	1,367	-	-
Deferred tax assets		2,623	1,429	-	-
		<u>325,170</u>	<u>316,226</u>	<u>249,412</u>	<u>232,566</u>
Current assets					
Inventories		18,867	17,365	5,885	5,810
Trade and other receivables, and other current assets	12	85,262	106,848	16,782	27,889
Contract assets/Accrued receivables		14,314	21,506	-	-
Cash and bank balances		156,002	176,610	80,184	94,359
Other financial assets	20	16,616	6,363	-	-
		<u>291,061</u>	<u>328,692</u>	<u>102,851</u>	<u>128,058</u>
Total assets		<u>616,231</u>	<u>644,918</u>	<u>352,263</u>	<u>360,624</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	13	266,927	266,927	266,927	266,927
Treasury shares	13	(22,144)	(15,241)	(22,144)	(15,241)
Reserves		182,116	177,917	60,340	60,193
		<u>426,899</u>	<u>429,603</u>	<u>305,123</u>	<u>311,879</u>
Non-controlling interests		44,591	45,374	-	-
Total equity		<u>471,490</u>	<u>474,977</u>	<u>305,123</u>	<u>311,879</u>
Non-current liabilities					
Bank loans	15	25,348	26,211	25,348	26,128
Lease liabilities	15	16,255	15,279	8,211	9,034
Other creditors	16	53,100	53,100	-	-
Deferred tax liabilities		1,278	1,278	1,278	1,278
		<u>95,981</u>	<u>95,868</u>	<u>34,837</u>	<u>36,440</u>
Current liabilities					
Trade and other payables	17	39,910	60,501	5,732	5,222
Contract liabilities/Advanced receipts		1,129	2,607	182	334
Bank loans	15	2,030	2,070	1,872	1,872
Lease liabilities	15	2,691	2,552	1,488	1,542
Provisions		448	556	591	542
Provision for taxation		2,552	5,787	2,438	2,793
		<u>48,760</u>	<u>74,073</u>	<u>12,303</u>	<u>12,305</u>
Total liabilities		<u>144,741</u>	<u>169,941</u>	<u>47,140</u>	<u>48,745</u>
Total equity and liabilities		<u>616,231</u>	<u>644,918</u>	<u>352,263</u>	<u>360,624</u>

C. Unaudited condensed interim statements of changes in equity

	Attributable to equity holders of the Company						Total S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Treasury Shares S\$'000	Translation reserve S\$'000	Statutory reserve S\$'000	Other reserves S\$'000	Accumulated profits S\$'000			
Group									
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 period	-	-	-	-	-	18,804	18,804	(614)	18,190
Other comprehensive (loss)/ income	-	-	(8,246)	-	(60)	-	(8,306)	(169)	(8,475)
Total comprehensive (loss)/ income for the period	-	-	(8,246)	-	(60)	18,804	10,498	(783)	9,715
Transactions with equity holders, recognised directly in equity									
- Dividends (Note 17)	-	-	-	-	-	(6,577)	(6,577)	-	(6,577)
- Purchase of treasury shares	-	(6,903)	-	-	-	-	(6,903)	-	(6,903)
- Adjustment on employee share options	-	-	-	-	173	-	173	-	173
- Adjustment on restricted share awards	-	-	-	-	105	-	105	-	105
Total transactions with equity holders	-	(6,903)	-	-	278	(6,577)	(13,202)	-	(13,202)
At 30 June 2022	266,927	(22,144)	3,836	6,507	(56,815)	228,588	426,899	44,591	471,490
	Attributable to equity holders of the Company								
	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
Group									
At 1 January 2021	263,756	-	(1,126)	5,856	1,092	161,263	430,841	9,589	440,430
Profit for the period	-	-	-	-	-	17,885	17,885	231	18,116
Other comprehensive income	-	-	7,402	-	-	-	7,402	277	7,679
Total comprehensive income for the period	-	-	7,402	-	-	17,885	25,287	508	25,795
Transactions with equity holders, recognised directly in equity									
- Issuance of shares under ESOS Scheme 2017	1,922	-	-	-	-	-	1,922	-	1,922
- Adjustment on employee share options	-	-	-	-	161	-	161	-	161
Total transactions with equity holders	1,922	-	-	-	161	-	2,083	-	2,083
At 30 June 2021	265,678	-	6,276	5,856	1,253	179,148	458,211	10,097	468,308

Note:

Other reserves consist of share option reserve, fair value reserve and other reserve.

Dividends of S\$6.6 million was the one-tier final dividend paid on 20 May 2022 in respect of the financial year end 31 December 2021.

C. Unaudited condensed interim statements of changes in equity (cont'd)

	Share capital S\$'000	Treasury Shares S\$'000	Other reserves S\$'000	Accumulated profits S\$'000	Total equity S\$'000
Company					
At 1 January 2022	266,927	(15,241)	(4,395)	64,588	311,879
Profit for the period	-	-	-	6,446	6,446
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	6,446	6,446
Transactions with equity holders, recognised directly in equity					
- Dividends (Note 17)	-	-	-	(6,577)	(6,577)
- Buy-back of ordinary shares	-	(6,903)	-	-	(6,903)
- Adjustment on employee share options	-	-	173	-	173
- Adjustment on restricted share awards	-	-	105	-	105
Total transactions with equity holders	-	(6,903)	278	(6,577)	(13,202)
At 30 June 2022	266,927	(22,144)	(4,117)	64,457	305,123
At 1 January 2021					
	263,756	-	630	42,385	306,771
Profit for the period	-	-	-	13,895	13,895
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	13,895	13,895
Transactions with equity holders, recognised directly in equity					
- Issuance of shares under ESOS Scheme 2017	1,922	-	-	-	1,922
- Adjustment on employee share options	-	-	161	-	161
Total transactions with equity holders	1,922	-	161	-	2,083
At 30 June 2021	265,678	-	791	56,280	322,749

Note:

Other reserves consist of share option reserve, fair value reserve and other reserve.

Dividends of S\$6.6 million was the one-tier final dividend paid on 20 May 2022 in respect of the financial year end 31 December 2021.

D. Unaudited condensed interim consolidated statement of cash flows

	Note	Group	
		1H2022 S\$'000	1H2021 S\$'000
Cash Flows from Operating Activities			
Profit before income tax		19,402	21,242
Adjustments for:			
Depreciation of property, plant and equipment		14,754	11,225
Amortisation of land use rights		147	138
Amortisation of intangible assets		698	583
Finance expenses		493	404
Finance income		(622)	(608)
Provision for warranties		165	218
Reversal of provision for warranties		(245)	(184)
Write off/loss on disposal of property, plant and equipment		41	170
Expense recognised in respect of share-based payments and share options granted		279	161
Exchange differences – unrealised		(332)	419
Operating cash flows before working capital changes		<u>34,780</u>	<u>33,768</u>
Inventories		2,107	(5,845)
Trade, other receivables and other current assets (include contract assets)		26,752	34,154
Trade, other payables and provisions (include contract liabilities)		<u>(22,699)</u>	<u>(8,794)</u>
Cash generated from operations		40,940	53,283
Interest paid		(154)	(340)
Interest received		622	608
Income tax paid		<u>(5,615)</u>	<u>(4,548)</u>
Net cash generated from operating activities		<u>35,793</u>	<u>49,003</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(20,316)	(35,529)
Deposit for purchase of property		-	(2,428)
Proceeds from disposal of property, plant and equipment		18	9
Additions to intangible assets		(4,138)	(713)
Additions to other financial assets		<u>(16,397)</u>	<u>-</u>
Net cash used in investing activities		<u>(40,833)</u>	<u>(38,661)</u>
Cash Flows from Financing Activities			
Proceeds from issuance of shares under ESOS Scheme 2017		-	706
Advances received for issuance of ordinary shares under the ESOS Scheme 2017		-	1,066
Advances received for re-issuance of treasury shares under the ESOS Scheme 2017		1,538	-
Payment for buy-back of shares		(6,903)	-
Repayment of bank loans		(873)	(40,049)
Payment of lease liabilities		(1,694)	(987)
Decrease in fixed deposits pledged with banks		446	413
Dividends paid		<u>(6,577)</u>	<u>-</u>
Net cash used in financing activities		<u>(14,063)</u>	<u>(38,851)</u>
Net decrease in cash and cash equivalents		(19,103)	(28,509)
Cash and cash equivalents at the beginning of the period		176,164	226,504
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		(1,059)	862
Cash and cash equivalents at the end of the period		<u>156,002</u>	<u>198,857</u>

Note:

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

Cash and bank balances and fixed deposits	156,002	199,295
Less: Pledged fixed deposits	-	(438)
	<u>156,002</u>	<u>198,857</u>

E. Notes to the unaudited condensed interim consolidated financial statements

These notes form an integral part of and should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements.

1 General Information

Nanofilm Technologies International Limited (the “**Company**”) is a public company limited by shares, incorporated and domiciled in Singapore. The Company’s registered address and principal place of business is Block 28 Ayer Rajah Crescent, #02-02/03, Ayer Rajah Industrial Estate, Singapore 139959.

The Company was listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 30 October 2020.

The unaudited condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise of the Company and its subsidiaries (collectively, the “**Group**”).

The Company is a leading provider of nanotechnology solutions in Asia, leveraging its proprietary technologies, core competencies in R&D, engineering and production, to provide technology-based solutions across a wide range of industries. Nanofilm’s solutions serve as key catalysts in enabling its customers to achieve high value-add advancements in their end-products in an environmentally sustainable manner.

2 Basis of Preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The unaudited condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last interim financial statements for the six-month period ended 31 December 2021.

The unaudited condensed interim financial statements are presented in Singapore dollar (“**S\$**”) which is the Company’s functional currency. The unaudited condensed interim financial statements are presented and rounded to the nearest thousand (**S\$’000**) except when otherwise indicated.

The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group’s audited consolidated financial statements for the financial year ended 31 December 2021, except for the adoption of new and amendments to SFRS(I) that are effective as of 1 January 2022 which did not have significant impact on the financial performance or financial position of the Group. The Group has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In preparing the unaudited condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Information about areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements were disclosed in Note 3 of the Group’s most recent audited financial statements for the financial year ended 31 December 2021.

The critical judgement and key sources of estimation uncertainty made by the management remains unchanged from audited consolidated financial statements for the financial year ended 31 December 2021, except as disclosed below:

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 30 years. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if expectations differ from the original estimates due to changes in the expected level of usage and/or technological developments, such differences will impact the depreciation charges in the period in which such estimates are changed.

E. Notes to the unaudited condensed interim consolidated financial statements

2 Basis of Preparation (cont'd)

Goodwill

The Group measure goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any NCI in the acquiree; plus
- if the business combination is achieved in stages, the fair value of pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment. The recoverable amount of the cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions. As at reporting date, no impairment loss has been recognised.

Put option liability

The Group measure the present value of the put option liability at inception which approximates the changes in estimated cash flows for the redemption at reporting period. There are estimates and assumptions which involve judgements in the determination of the fair market value of each put option shares determined based on discounted value in use calculations.

Other financial assets

The Group is required to reassess the fair value of financial assets at FVOCI and financial assets at FVTPL at the end of each reporting period. In determining the appropriate fair value classified as Level 3 in the fair value hierarchy, the Group makes use of valuation models. The Group makes maximum use of observable market data as inputs to these valuation models. Where observable market data is not available, the Group has to make use of management estimates for unobservable inputs to the models, and seeks to corroborate the estimates to available market data and make necessary estimation adjustments. While the Group believes the assumptions are reasonable and appropriate, significant changes in the assumptions may materially affect the fair value recorded. The carrying amounts of the Group's financial assets at FVOCI and financial assets at FVTPL are disclosed in Note 20.

3 Seasonal Operations

The Group typically enjoys significantly better results in the second half of the year, primarily driven by the Advanced Materials BU's and Nanofabrication BU's exposure to the 3C market. Increase in demand for the Group's services and products in the 3C sector tend to be in line with new product launches or product upgrades by the Group's customers and increases in demand during the holiday season. However, such seasonality trend may change along with changes in consumer pattern or the Group's customers' timing to launch new products or product upgrades.

The Group does not experience any material seasonality impact with respect to the Group's customers from the other industries.

4 Operating Segment Information

Management has determined the operating segments based on the reports reviewed to make strategic decisions. The Group has four reportable segments, as described below, which are the Group's strategic business units based on different services/products ranges.

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

E. Notes to the unaudited condensed interim consolidated financial statements
4 Operating Segment Information (cont'd)

	Advanced materials S\$'000	Industrial equipment S\$'000	Nanofab -rication S\$'000	Sydrogen S\$'000	Inter-segment eliminations S\$'000	Total S\$'000
1H2022						
Revenue from external customers	84,528	19,452	7,299	15	-	111,294
Inter-segment sales	-	5,741	-	-	(5,741)	-
	<u>84,528</u>	<u>25,193</u>	<u>7,299</u>	<u>15</u>	<u>(5,741)</u>	<u>111,294</u>
Adjusted EBITDA	<u>28,771</u>	<u>7,137</u>	<u>2,843</u>	<u>(1,171)</u>	<u>-</u>	<u>37,580</u>
<u>Other information</u>						
Depreciation	13,079	818	768	89	-	14,754
Amortisation of land use rights	142	-	5	-	-	147
Amortisation of intangible assets	316	350	32	-	-	698
COVID-19 related expenses	2,395	66	-	-	-	2,461
Write off/ loss on disposal of property, plant and equipment	41	-	-	-	-	41
Listing expenses – Recurring	20	22	-	-	-	42
Award shares expenses under RSP 2020	63	42	-	-	-	105
Provision for warranties	-	165	-	-	-	165
Reversal of provision for warranties	-	(245)	-	-	-	(245)
At 30 June 2022						
<u>Assets</u>						
Segment assets	378,206	32,581	17,987	5,047	-	433,821
Cash and bank balances						156,002
Other financial assets						23,785
Deferred tax assets						2,623
						<u>616,231</u>
Segment assets include:						
Additions to non-current assets:						
- Property, plant and equipment	21,205	1,010	300	635	-	23,150
- Intangible assets	1,300	504	-	2,334	-	4,138
<u>Liabilities</u>						
Segment liabilities	46,805	10,901	2,264	463	-	60,433
Bank loans						27,378
Deferred tax liabilities						1,278
Other creditors (non-current)						53,100
Provision for taxation						2,552
						<u>144,741</u>

E. Notes to the unaudited condensed interim consolidated financial statements
4 Operating Segment Information (cont'd)

	Advanced materials S\$'000	Industrial equipment S\$'000	Nanofab -rication S\$'000	Sydrogen S\$'000	Inter-segment eliminations S\$'000	Total S\$'000
1H2021						
Revenue from external customers	75,963	18,996	1,671	-	-	96,630
Inter-segment sales	3	1,791	169	-	(1,963)	-
	<u>75,966</u>	<u>20,787</u>	<u>1,840</u>	<u>-</u>	<u>(1,963)</u>	<u>96,630</u>
Adjusted EBITDA	<u>28,316</u>	<u>5,912</u>	<u>(908)</u>	<u>(81)</u>	<u>-</u>	<u>33,239</u>
<u>Other information</u>						
Depreciation	9,694	725	806	-	-	11,225
Amortisation of land use rights	138	-	-	-	-	138
Amortisation of intangible assets	169	408	6	-	-	583
Write back of allowance on trade receivables and contract assets	143	27	-	-	-	170
Provision for warranties	-	218	-	-	-	218
Reversal of provision for warranties	-	(184)	-	-	-	(184)
At 30 June 2021						
<u>Assets</u>						
Segment assets	288,643	33,768	13,328	-	-	335,739
Cash and bank balances						199,295
Deferred tax assets						497
						<u>535,531</u>
Segment assets include:						
Additions to non-current assets:						
- Property, plant and equipment	38,374	5,495	553	-	-	44,422
- Intangible assets	26	394	293	-	-	713
<u>Liabilities</u>						
Segment liabilities	40,010	20,242	1,109	28	-	61,389
Bank loans						393
Deferred tax liabilities						1,263
Provision for taxation						4,178
						<u>67,223</u>

E. Notes to the unaudited condensed interim consolidated financial statements

4 Operating Segment Information (cont'd)

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

	Group	
	1H2022	1H2021
	S\$'000	S\$'000
Adjusted EBITDA ⁽¹⁾ for reportable segments	37,580	33,239
Depreciation	(14,754)	(11,225)
Amortisation	(845)	(721)
Write off/ loss on disposal of property, plant and equipment	(41)	(170)
COVID-19 related expenses ⁽²⁾	(2,461)	-
Other professional fees	(101)	(85)
Award shares expenses under Restricted Share Plan 2020	(105)	-
Finance income	622	608
Finance expenses	(493)	(404)
Profit before income tax	19,402	21,242
Income tax expenses	(1,212)	(3,126)
Profit after income tax	18,190	18,116

Note:

⁽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 the Group's entities' place of business are as follows:

	Group	
	1H2022	1H2021
	S\$'000	S\$'000
Singapore	21,464	14,054
China	78,653	75,520
Japan	11,142	7,047
Vietnam	35	9
Total revenue	111,294	96,630

E. Notes to the unaudited condensed interim consolidated financial statements
5 Revenue

(a) Revenue by business segment

	Group	
	1H2022	1H2021
	S\$'000	S\$'000
Advanced materials	84,528	75,963
Industrial equipment	19,452	18,996
Nanofabrication	7,299	1,671
Sydrogen	15	-
Total	111,294	96,630

(b) Disaggregation of revenue from contracts with customers

	Group	
	1H2022	1H2021
	S\$'000	S\$'000
Performance obligations satisfied at a point in time		
Sale of equipment	15,263	17,165
Sale of products and spare parts	11,129	2,840
	<u>26,392</u>	<u>20,005</u>
Performance obligations satisfied over time		
Service rendered	84,902	76,625
Total	111,294	96,630

E. Notes to the unaudited condensed interim consolidated financial statements

6 Profit before Income Tax

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

	Group	
	1H2022	1H2021
	S\$'000	S\$'000
Finance expense on:		
- bank loans	182	240
- lease liabilities	311	164
Finance income from:		
- bank deposits	(622)	(608)
Material items included in expenses/other operating income:		
Government grants and incentives	(859)	(3,404)
Depreciation of property, plant and equipment	14,754	11,225
Amortisation of land use rights	147	138
Amortisation of intangible assets	698	583
Lease expenses	4	197
Listing expenses (Recurring)	42	44
Staff costs (including directors' remuneration)		
- Salaries and related costs	40,141	33,017
- Contribution to defined contribution plans	2,581	2,100
- Share option expenses	173	161
- Award shares expenses	105	-
Write off/ loss on disposal of property, plant and equipment	41	170
Exchange (gain)/ loss	(584)	8
Provision for warranties	165	218
Reversal of provision for warranties	(245)	(184)

E. Notes to the unaudited condensed interim consolidated financial statements

7 Income Tax Expenses

The Group calculates the period income tax expenses using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expenses in the unaudited condensed interim consolidated statement of profit or loss are:

	Group	
	1H2022	1H2021
	S\$'000	S\$'000
Income tax:		
- Current period	2,343	3,830
- Under/ (over) provision in prior years	63	(955)
	2,406	2,875
Deferred tax:		
- Current period	(629)	251
- Under provision in prior years	(565)	-
	1,212	3,126

8 Earnings per Share

(a) Basic Earnings per Share

Basic earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial periods as follows:

	Group	
	1H2022	1H2021
Profit for the period attributable to equity holders of the Company (S\$'000)	18,804	17,885
Weighted average number of ordinary shares ('000)	657,815	661,111
Basic earnings per share (cents)	2.86	2.71

(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 potential dilutive 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 period) 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	
	1H2022	1H2021
Profit for the period attributable to equity holders of the Company (S\$'000)	18,804	17,885
Weighted average number of ordinary shares ('000)	657,815	661,111
Adjustments for ('000):		
- Share options	2,633	7,134
- Restricted share plan	744	-
	661,192	668,245
Diluted earnings per share (cents)	2.84	2.68

E. Notes to the unaudited condensed interim consolidated financial statements

9 Net Asset Value

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Net assets value (S\$'000)	426,899	429,603	305,123	311,879
Number of shares ('000)	657,688	659,688	657,688	659,688
Net asset value per share (cents)	64.91	65.12	46.39	47.28

10 Property, Plant and Equipment and Intangible Assets

During the six months ended 30 June 2022, the Group acquired property, plant and equipment amounting to S\$23,150,000 (1H2021: S\$44,422,000) and disposed of property, plant and equipment amounting to S\$199,000 (1H2021: S\$730,000). The additions to property, plant and equipment included S\$2,834,000 (1H2021: S\$8,893,000) acquired under right-of-use assets under leasing arrangement. The disposal of property, plant and equipment included derecognition of right-of-use assets related to replacement of lease agreements amounting to S\$118,000 (1H2021: S\$560,000). The Group derecognised the corresponding lease liabilities in the same period.

During the six months ended 30 June 2022, the Group added intangible assets amounting to S\$4,138,000 (1H2021: S\$713,000).

11 Investment in Subsidiaries

Additional injection in capital/ incorporation of subsidiaries/ acquisition of subsidiaries

During the six months ended 30 June 2022:

- On 13 January 2022, the Company, through its 65% owned subsidiary, Sydrogen Energy Pte. Ltd., subscribed for a total share capital of RMB 20,000,000 (equivalent to S\$4,300,000) in Sydrogen (Shanghai) Technology Co., Ltd, a wholly-owned subsidiary of Sydrogen Energy Pte. Ltd.. The principal activity of Sydrogen (Shanghai) Technology Co., Ltd is the R&D, engineering and production of hydrogen applications and products in the hydrogen energy and hydrogen fuel cell business.
- On 21 January 2022, the Company subscribed for 270,000 new ordinary shares in the capital of Nanofilm Investments Pte. Ltd., a wholly owned subsidiary of the Group for an aggregate consideration of S\$270,000. The purpose of the capital injection was to fund the subscription of a convertible note of a principal sum of S\$270,000 issued by Akuos Pte. Ltd., a company incorporated under the laws of Singapore.
- On 21 January 2022, Nanofilm Investments Pte. Ltd., a wholly owned subsidiary of the Company entered into a stock purchase agreement with Zulu Inc, a Delaware corporation for the purchase of 30,000,000 shares of preferred stock in Zulu Inc. at a consideration of US\$3,000,000, for a stake of approximately 22%. The purchase was completed on 15 February 2022. Concurrently, on 16 February 2022, the Company subscribed for 4,061,100 new ordinary shares in the capital of Nanofilm Investments Pte. Ltd., for an aggregate consideration of S\$4,061,100. The purpose of the capital injection was to fund the subscription of the 30,000,000 shares of preferred stock in Zulu Inc..

E. Notes to the unaudited condensed interim consolidated financial statements

12 Trade and Other Receivables, and Other Current Assets

	Group		Company	
	30/06/2022 S\$'000	31/12/2021 S\$'000	30/06/2022 S\$'000	31/12/2021 S\$'000
Current				
Trade receivables:				
- Third parties	72,527	90,904	5,487	6,342
- Loss allowance	(335)	(349)	(55)	(55)
	72,192	90,555	5,432	6,287
- Subsidiaries	-	-	4,280	3,454
- Loss allowance	-	-	(163)	(163)
	-	-	4,117	3,291
	72,192	90,555	9,549	9,578
Other receivables:				
- Deposits	396	329	290	244
- GST/VAT and other taxes receivable	1,041	1,604	461	315
- Due from subsidiaries	-	-	5,811	17,601
- Sundry debtors	2,257	3,603	81	80
	3,694	5,536	6,643	18,240
Other current assets:				
- Prepayments	816	693	348	71
- Advances to suppliers	8,560	10,064	242	-
	9,376	10,757	590	71
Total current	85,262	106,848	16,782	27,889
Non-current				
Other receivables:				
- Loan due from subsidiaries	-	-	85,877	71,824
Gross amount (non-interest bearing)	-	-	88,906	75,500
Less: Fair value adjustment to investment in the Group's subsidiaries	-	-	(6,036)	(6,036)
Add: Accumulated imputed interest recognised in profit or loss, net of exchange differences	-	-	3,007	2,360
Total non-current	-	-	85,877	71,824

Current

Trade receivables are interest-free and are generally on 30 to 90 days' terms.

In other receivables, the amounts due from subsidiaries were S\$5,811,000 as at 30 June 2022, a decrease of S\$11,790,000 from S\$17,601,000 as at 31 December 2021. The net decrease in the amounts due from subsidiaries was due to the conversion of the short-term loan into a new long-term loan agreement (non-current). The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

Non-current

As at 30 June 2022, the loans due from subsidiaries are unsecured and repayable on 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 (where necessary) has been recognised in the Company's profit or loss and fair value adjustment has been recognised in investments in subsidiaries.

E. Notes to the unaudited condensed interim consolidated financial statements

13 Share Capital and Treasury Shares

	Group and Company			
	As at 30 June 2022		As at 31 December 2021	
	No. of ordinary shares ('000)	S\$'000	No. of ordinary shares ('000)	S\$'000
<u>Fully paid ordinary shares</u>				
At 1 January	663,443	266,927	658,351	263,756
Issuance of shares under ESOS Scheme 2017	-	-	5,092	3,171
At 30 June	663,443	266,927	663,443	266,927
<u>Treasury shares</u>				
At 1 January	3,755	15,241	-	-
Purchase of treasury shares	2,000	6,903	5,218	21,179
Treasury shares re-issued under Employee Share Option Scheme	-	-	(1,463)	(5,938)
At 30 June	5,755	22,144	3,755	15,241
Total issued shares excluding treasury shares	657,688	244,783	659,688	251,686

Treasury shares

There were no treasury shares held by the Company as at 30 June 2021.

For the six months period ended 30 June 2022, the Company held 5,755,400 treasury shares, representing 0.88% of the total number of issued ordinary shares (excluding treasury shares) comprising 657,687,710 shares as at 30 June 2022.

For the twelve months period ended 31 December 2021, the Company held 3,755,400 treasury shares, representing 0.57% of the total number of issued ordinary shares (excluding treasury shares) comprising 659,687,710 shares as at 31 December 2021.

Subsidiary holdings

There were no holdings in the Company by any subsidiary as at 30 June 2022, 30 June 2021 and 31 December 2021.

E. Notes to the unaudited condensed interim consolidated financial statements

14 Employee Share Options and Share Awards

Pre-IPO Employee Share Option Scheme 2017 (“ESOS Scheme 2017”)

As at 30 June 2022 and 30 June 2021, details of the options granted under the ESOS Scheme 2017 to acquire ordinary shares in the capital of the Company are as follows:

Date of grant of options	Options outstanding at 1.1.2022	Options granted	Options cancelled/ lapsed	Options exercised	Options outstanding at 30.06.2022	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	-	-	-	511,000	0.5868	9-27 December 2024
3 March 2019	159,000	-	-	-	159,000	0.5868	18-28 March 2025
3 June 2019	190,000	-	-	-	190,000	0.5868	16-18 June 2025
1 July 2020	1,032,000	-	-	-	1,032,000	0.5868	30 June 2026
	<u>3,592,000</u>	-	-	-	<u>3,592,000</u>		

Date of grant of options	Options outstanding at 1.1.2021	Options granted	Options cancelled/ lapsed	Options exercised	Options outstanding at 30.06.2021	Exercise price S\$	Date of expiry
2 April 2018	1,700,000	-	-	-	1,700,000	0.5927	2 April 2023
3 December 2018	6,028,000	-	-	(2,701,000)	3,327,000	0.5868	9-27 December 2024
3 March 2019	533,000	-	-	(240,000)	293,000	0.5868	18-28 March 2025
3 June 2019	550,000	-	-	-	550,000	0.5868	16-18 June 2025
1 July 2020	2,500,000	-	-	(334,000)	2,166,000	0.5868	30 June 2026
	<u>11,311,000</u>	-	-	<u>(3,275,000)</u>	<u>8,036,000</u>		

As at 30 June 2022, out of the 3,592,000 options granted under the ESOS Scheme 2017, 2,860,000 had vested and 732,000 options will vest between 2022 and 2023.

As at 30 June 2021, out of the 8,036,000 options granted under the ESOS Scheme 2017, 3,064,000 had vested and 4,972,000 will vest between July 2021 and 2023.

E. Notes to the unaudited condensed interim consolidated financial statements

14 Employee Share Options and Share Awards (cont'd)

Employee Share Option Scheme ("ESOS Scheme 2020")

As at 31 December 2021, details of the options granted under the ESOS Scheme 2020 to acquire ordinary shares in the capital of the Company are as follows:

Date of grant of options	Options outstanding at 1.1.2022	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 30.06.2022	Exercise price S\$	Date of expiry
26 March 2021	867,500	-	(134,000)	-	733,500	4.9279	26 March 2031
6 April 2021	870,000	-	(150,000)	-	720,000	5.1135	6 April 2026 & 6 April 2031
19 August 2021	880,000	-	(250,000)	-	630,000	4.1185	19 August 2026
31 March 2022	-	2,640,000	-	-	2,640,000	2.6907	31 March 2027
	<u>2,617,500</u>	<u>2,640,000</u>	<u>(534,000)</u>	<u>-</u>	<u>4,723,500</u>		

Date of grant of options	Options outstanding at 1.1.2021	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 30.06.2021	Exercise price S\$	Date of expiry
26 March 2021	-	1,142,500	-	-	1,142,500	4.9279	26 March 2031
6 April 2021	-	300,000	-	-	300,000	5.1135	6 April 2026 & 6 April 2031
19 August 2021	-	720,000	-	-	720,000	4.1185	19 August 2026
	<u>-</u>	<u>2,162,500</u>	<u>-</u>	<u>-</u>	<u>2,162,500</u>		

On 31 March 2022, the Company granted options under the ESOS Scheme 2020 to subscribe for 2,640,000 ordinary shares of the Company. The options are exercisable from 31 March 2023 and will expire on 31 March 2027.

As at 30 June 2022, out of the 4,723,500 options granted under the ESOS Scheme 2020, 363,375 had vested and 4,360,125 will vest between 2022 and 2026.

As at 30 June 2021, out of the 2,162,500 options granted under the ESOS Scheme 2020, none of the options had vested and 2,162,500 will vest between 2022 and 2025.

Nanofilm Restricted Share Plan ("RSP")

As at 30 June 2022, a total of 1,017,000 share awards were granted under the RSP.

- 1) 719,000 share awards were granted on 31 December 2021. The share awards granted will vest over ten years in ten equal annual tranches commencing 31 December 2022.
- 2) 25,000 share awards were granted on 26 January 2022. The share awards granted will vest over four years in four equal annual tranches commencing 26 January 2023.
- 3) 273,000 share awards were granted on 31 March 2022.
 - a. 240,000 share awards granted will vest over five years in five equal annual tranches commencing 31 March 2023.
 - b. 33,000 share awards granted will vest over ten years in ten equal annual tranches commencing 31 March 2023.

E. Notes to the unaudited condensed interim consolidated financial statements
15 Borrowings

	Group		Company	
	<u>30/06/2022</u>	<u>31/12/2021</u>	<u>30/06/2022</u>	<u>31/12/2021</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Current</u>				
Bank loans	2,030	2,070	1,872	1,872
Lease liabilities	2,691	2,552	1,488	1,542
	<u>4,721</u>	<u>4,622</u>	<u>3,360</u>	<u>3,414</u>
<u>Non-current</u>				
Bank loans	25,348	26,211	25,348	26,128
Lease liabilities	16,255	15,279	8,211	9,034
	<u>41,603</u>	<u>41,490</u>	<u>33,559</u>	<u>35,162</u>
<u>Amount repayable in one year or less, or on demand</u>				
Secured	4,563	4,424	3,360	3,414
Unsecured	158	198	-	-
	<u>4,721</u>	<u>4,622</u>	<u>3,360</u>	<u>3,414</u>
<u>Amount repayable after one year</u>				
Secured	41,603	41,407	33,559	35,162
Unsecured	-	83	-	-
	<u>41,603</u>	<u>41,490</u>	<u>33,559</u>	<u>35,162</u>

Details of any collateral

As at 30 June 2022, a bank loan amounting to S\$28,000,000 was outstanding to a local bank. The loan was obtained by the Company for general working capital purposes after the acquisition of the property at 11 Tai Seng Drive, Singapore, which was funded by internal sources of funds on completion. The bank loan was secured by a mortgage over the property. The Company incurred an interest of approximately 1.30% to 2.65% per annum based on a fixed interest spread and cost of fund.

Lease liabilities of the Group and the Company amounting to S\$18,946,000 (31 December 2021: S\$17,831,000) and S\$9,699,000 (31 December 2021: S\$10,576,000) respectively are secured by the leased properties and plant and machinery under the leasing arrangements.

E. Notes to the unaudited condensed interim consolidated financial statements

16 Trade and Other Payables

	Group		Company	
	30/06/2022 S\$'000	31/12/2021 S\$'000	30/06/2022 S\$'000	31/12/2021 S\$'000
Trade payables:				
- Subsidiaries	-	-	1,235	423
- Third parties	17,098	20,829	1,030	1,955
	<u>17,098</u>	<u>20,829</u>	<u>2,265</u>	<u>2,378</u>
Other payables:				
- Accrued operating expenses	11,967	13,179	1,808	2,844
- Advances received for issuance of ordinary shares under ESOS Scheme 2017	1,538	-	1,538	-
- Advances received from government	-	933	-	-
- VAT and other taxes payable	852	3,262	-	-
- Sundry creditors	8,455	22,298	120	-
- Due to subsidiaries	-	-	1	-
	<u>22,812</u>	<u>39,672</u>	<u>3,467</u>	<u>2,844</u>
Total current trade and other payables	<u>39,910</u>	<u>60,501</u>	<u>5,732</u>	<u>5,222</u>
Other creditors:				
- Put option liability	53,100	53,100	-	-
Total non-current other creditors	<u>53,100</u>	<u>53,100</u>	<u>-</u>	<u>-</u>

Trade payables are interest-free and are normally settled on 30 to 90 days' terms. The trade amounts due to subsidiaries are unsecured, interest-free and repayable on normal credit terms.

The non-current other payables of \$53,100,000 as at 30 June 2022 and 31 December 2021 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 Temasek 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. The measurement of the fair value of the financial liability is derived from valuation techniques that include inputs for the liability that are not based on observable market data (level 3 fair value measurements).

17 Dividends

	Group and Company	
	1H2022 S\$'000	1H2021 S\$'000
Ordinary dividends declared and paid:		
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	<u>6,577</u>	<u>-</u>

E. Notes to the unaudited condensed interim consolidated financial statements

18 Commitments and Contingencies

Capital commitment

Capital expenditure contracted for as at the reporting date but not recognised in the unaudited condensed interim financial statements is as follows:

	Group		Company	
	<u>30/06/2022</u>	<u>31/12/2021</u>	<u>30/06/2022</u>	<u>31/12/2021</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Property, plant and equipment	4,683	4,321	1,160	569

19 Related Party Transactions

In addition to the related party information disclosed elsewhere in the unaudited condensed interim financial statements, significant transactions with related parties, on terms agreed between parties, are as follows:

	Group	
	1H2022	1H2021
	S\$'000	S\$'000
<u>Transactions with related parties</u>		
Sales	8,637	8,583
Purchases	5,700	5,534
Lease payments	106	104

20 Other Financial Assets

	Group	
	30 June 2022	31 December 2021
	S\$'000	S\$'000
<u>Equity Investments – at fair value through other comprehensive income</u>		
Investment in unquoted equity (non-current)	5,428	1,367
Investment in quoted equity (non-current)	1,471	-
	6,899	1,367

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 1H2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments. No dividend was recognised during 1H2022. They carrying value approximates its fair value, with reference to recent market subscriptions at reporting period (level 3 fair value measurements).

The investment in quoted equity represents investments that the Group intends to hold for the long-term for strategic purposes. No strategic investments were disposed of during 1H2022. The fair value was derived from quoted prices in active markets and there was a transfer of cumulative gain or loss with equity during the reporting period. (level 1 fair value measurements).

E. Notes to the unaudited condensed interim consolidated financial statements

20 Other Financial Assets (cont'd)

	Group	
	30 June 2022 S\$'000	31 December 2021 S\$'000
<u>Debt investment – at fair value through profit or loss</u>		
Structured deposit with a financial institution (current)	16,616	6,363
Convertible bond (non-current)	270	-
	16,886	6,363

The structured deposit is a capital protected deposit that represents investments that the Group intends to hold for the short-term and realised in July 2022 (31 December 2021: January 2022). The carrying value of the investment approximates its fair value, with reference to observable commodity index at reporting period (level 2 fair value measurements).

The convertible bond is a corporate debt security that represents investments that the Group intends to hold for the long-term till maturity in January 2024. 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).

21 Fair Value

Fair value measurements recognised in the statement of financial position

The Group provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities at amortised cost, 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.

Other than as disclosed, the fair values of the Group's and the Company's non-current financial assets and non-current financial liabilities are calculated based on discounted expected future principal and interest cash flows. The discount rate used is based on market rate for similar instruments as at the reporting date ("Level 2"). As at 30 June 2022 and 31 December 2021, the carrying amounts of these non-current assets and non-current liabilities approximate their fair values.

22 Subsequent events

On 8 July 2022, the Company transferred 2,604,000 treasury shares for the settlement of exercised options under the ESOS Scheme 2017.

Other Information Required by Listing Rule Appendix 7.2

1 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The condensed consolidated statement of financial position of Nanofilm Technologies International Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position of the Company as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2 Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

2A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: - (a) updates on the efforts taken to resolve each outstanding audit issue; (b) confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

3 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: - (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF THE GROUP'S PERFORMANCE

Revenue

The Group derives revenue from its four BU segments: (i) Advanced Materials BU, (ii) Nanofabrication BU, (iii) Industrial Equipment BU, and (iv) Sydrogen BU.

The Group's revenue for 1H2022 was S\$111.3 million, registering an increase of S\$14.7 million (15.2%) from S\$96.6 million in 1H2021, lifted by higher revenue across all BUs.

	1H2022 S\$'000	1H2021 S\$'000	Change %
Advanced Materials BU	84,528	75,963	11.3
Industrial Equipment BU	19,452	18,996	2.4
Nanofabrication BU	7,299	1,671	336.8
Sydrogen BU	15	-	n.m.
Total	111,294	96,630	15.2

n.m. - Not meaningful

Revenue – Advanced Materials BU

Revenue from the Advanced Materials BU for 1H2022 was S\$84.5 million, an increase of S\$8.6 million (11.3%) from S\$76.0 million in 1H2021, attributable to increased revenue contributions from all product sub-segments.

Revenue – Industrial Equipment BU

Revenue from the Industrial Equipment BU for 1H2022 was S\$19.5 million, an increase of S\$0.5 million (2.4%) from S\$19.0 million in 1H2021, attributable to higher sales of customised industrial equipment to the customers.

Other Information Required by Listing Rule Appendix 7.2

REVIEW OF THE GROUP'S PERFORMANCE (cont'd)

Revenue (cont'd)

Revenue – Nanofabrication BU

Revenue from the Nanofabrication BU for 1H2022 was S\$7.3 million, an increase of S\$5.6 million (336.8%) from S\$1.7 million in 1H2021 primarily due to production ramp-up from new projects.

Revenue – Sydrogen BU

Sydrogen BU recorded its maiden sale of S\$15,000 for 1H2022.

Gross profit

Gross profit for 1H2022 was S\$50.0 million, an increase of S\$5.5 million (12.3%) from S\$44.5 million for 1H2021. Gross profit margin was 44.9% for 1H2022, a decrease from 46.1% for 1H2021, driven by increased costs from idle manpower and increased freight charges during the COVID-19 lockdown in Shanghai. It was estimated that these COVID-19 related expenses amount to S\$2.5 million in 1H2022.

Gross profit margin would have been 47.2% for 1H2022 if COVID-19 related expenses were excluded, and the improvement from 1H2021 would have primarily been due to the increase in sales and favourable product mix in 1H2022.

Other operating income

The breakdown for other operating income for 1H2022 and 1H2021 is as follows:

	1H2022 S\$'000	1H2021 S\$'000	Change %
Government grants and incentives	859	3,404	-74.8
Sundry income	380	358	6.1
Scrap sales	48	40	20.0
Exchange gains, net	584	-	n.m.
Total	1,871	3,802	-50.8

n.m. - Not meaningful

Other operating income was S\$1.9 million for 1H2022, a decrease of S\$1.9 million (-50.8%) from S\$3.8 million for 1H2021. This was primarily due to the reduction and timing in recognition of government grants and incentives related to financial subsidies from the Qingpu Local Authority, Shanghai.

Exchange gains, net was S\$0.6 million for 1H2022 primarily due to the appreciation of US dollar resulting in an exchange gain from US dollar denominated sales invoices and receivables.

Finance income

Finance income was S\$0.6 million for both 1H2022 and 1H2021. Finance income was primarily interest income generated from cash and bank balances and fixed deposits.

Research & development and engineering expenses

Research & development and engineering expenses were S\$10.3 million for 1H2022, a decrease of S\$0.3 million (-2.5%) from S\$10.6 million for 1H2021, primarily due to higher capitalisation of development costs in 1H2022.

Selling and distribution expenses

Selling and distribution expenses were S\$3.8 million for 1H2022, an increase of S\$0.9 million (31.4%) from S\$2.9 million for 1H2021, primarily due to an increase in staff cost to accelerate sales efforts.

Administrative expenses

Administrative expenses were S\$18.5 million for 1H2022, an increase of S\$4.6 million (33.6%) from S\$13.9 million for 1H2021 due to the Group's business expansion plan. This was primarily due to an increase of S\$2.6 million in staff related costs from increased staff headcount and S\$0.9 million in depreciation charges to strengthen our management team and infrastructure to support our expansion plan.

Other Information Required by Listing Rule Appendix 7.2

REVIEW OF THE GROUP'S PERFORMANCE (cont'd)

Finance costs

Finance costs were S\$0.5 million for 1H2022, an increase of S\$0.1 million (22.0%) from S\$0.4 million for 1H2021. This was primarily due to higher interest expenses from lease liabilities pertaining to land use rights and rental of equipment.

Income tax

Income tax for 1H2022 was S\$1.2 million, a decrease of S\$1.9 million (-61.2%) from S\$3.1 million for 1H2021, primarily due to (i) lower profit and favourable mix of profit from entities within the Group, (ii) favourable Company tax rate granted under Development and Expansion Incentives by EDB Singapore and, (iii) provision of deferred tax asset due to unrealised profit within the group and prior year under provision of deferred tax asset, partially offset by difference in prior year adjustment in tax provision.

Profit after income tax

As a result of the above factors, the Group's net profit has increased by S\$0.1 million (0.4%) to S\$18.2 million for 1H2022 from S\$18.1 million for 1H2021. This has included the COVID-19 related expenses incurred of S\$2.5 million and the decrease in government grants received of S\$2.5 million.

Profit after tax and minority interests (PATMI)

PATMI has increased by 5.1% after excluding loss attributable to non-controlling interests of S\$0.6 million.

Adjusting for the impact of COVID-19 related expenses and its tax impact, PATMI would have been S\$20.9 million, an increase by S\$3.0 million (16.9%) from S\$17.9 million for 1H2021.

	1H2022	1H2021	Change
	S\$'000	S\$'000	%
PATMI	18.8	17.9	5.1
COVID-19 related expenses	2.5	-	n.m.
Tax deduction from COVID-19 expenses	(0.4)	-	n.m.
Adjusted PATMI	20.9	17.9	16.9

n.m. - Not meaningful

Adjusted EBITDA

The Group's adjusted EBITDA increased by S\$4.4 million (13.1%) to S\$37.6 million for 1H2022 from S\$33.2 million for 1H2021.

Advanced Material BU's adjusted EBITDA for 1H2022 was S\$28.8 million, an increase of S\$0.5 million (1.4%) from S\$28.3 million in 1H2021 mainly due to higher sales for the period, partially offset by higher operating expenses.

Industrial Equipment BU's adjusted EBITDA for 1H2022 was S\$7.1 million, an increase of S\$1.2 million (20.7%) from S\$5.9 million for 1H2021 mainly due to higher sales.

Nanofabrication BU's adjusted EBITDA for 1H2022 was S\$2.8 million, an increase of S\$3.8 million (414.5%) from a loss of S\$0.9 million for 1H2021 mainly due to higher sales from new projects.

Syrogen BU's adjusted EBITDA for 1H2022 was a loss of S\$1.2 million as compared to a loss of S\$0.1 million in 1H2021 primary due to higher expenses incurred to ramp up its R&D capability and expansion of the sales team.

Other Information Required by Listing Rule Appendix 7.2

REVIEW OF THE GROUP'S FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment was at S\$288.9 million as at 30 June 2022, a decrease of S\$1.3 million (-0.4%) from S\$290.2 million as at 31 December 2021, primarily due to additions of S\$23.2 million in 1H2022, offset by depreciation of S\$14.8 million charged to profit or loss, exchange differences of S\$5.4 million and equipment transfer as inventory of S\$3.1 million.

The property, plant and equipment additions of the Group for 1H2022 were as follows:

	1H2022 S\$'000
Plant and machinery	5,636
Building and renovation	3,254
Construction in-progress	12,302
Office and other equipment	1,949
Tools and supplies	9
Total⁽¹⁾	23,150

Note:

⁽¹⁾ The additions included S\$2.8 million acquired under right-of-use assets under the leasing arrangements for rental of additional plant and machinery in China. In 1H2022, the cash outflow on purchase of property, plant and equipment amounted to S\$20.3 million.

Capital expenditure relating to plant and machinery was mainly attributable to the increased number of coating equipment and ancillary equipment invested by the Group's subsidiaries in China as a result of the expansion of business operations in China.

Capital expenditure relating to building and renovation was mainly attributable to the upgrade of existing buildings by Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd ("NRE").

Capital expenditure relating to construction in-progress was mainly attributable to the construction costs incurred by NRE in relation to the Shanghai Plant 2 and construction in-progress for plant and machinery. During the current period, the Group transferred S\$22.5 million assets from construction in-progress to plant and machinery, building and renovation and office and other equipment category due to the completion of the construction in-progress and commenced depreciation.

Intangible assets

Intangible assets were at S\$13.5 million as at 30 June 2022, an increase of S\$3.6 million (36.6%) from S\$9.9 million as at 31 December 2021, primarily due to capitalisation of development costs of S\$4.1 million recorded in 1H2022 partially offset by amortisation of S\$0.7 million charged to profit or loss in 1H2022.

Inventories

Inventories were at S\$18.9 million as at 30 June 2022, an increase of S\$1.5 million (8.6%) from S\$17.4 million as at 31 December 2021. The increase in inventories was mainly due to build-up of inventories for orders fulfilment for Nanofabrication BU customers.

Trade and other receivables and other current assets, and contract assets - Current

Trade receivables were at S\$72.2 million as at 30 June 2022, a decrease of S\$18.4 million (-20.3%) from S\$90.6 million as at 31 December 2021 was primarily due to the decrease in sales from 1H2022 as compared to 2H2021.

Other receivables were at S\$3.7 million as at 30 June 2022, a decrease of S\$1.8 million (-33.3%) from S\$5.5 million as at 31 December 2021. The net increase in other receivables was mainly due to the decrease in sundry debtors of S\$1.3 million primarily due to lower government grant and incentive receivable and the decrease in GST/VAT receivables of S\$0.6 million.

Other current assets represented mainly prepayments and advances to suppliers which was at S\$9.4 million as at 30 June 2022, a decrease of S\$1.4 million (-12.8%) from S\$10.8 million as at 31 December 2021. The decrease in other current assets was mainly due to decrease in advances to suppliers for purchases of plant and equipment by the Company's subsidiaries in China.

Contracts assets were S\$14.3 million as at 30 June 2022, a decrease of S\$7.2 million (-33.4%) from S\$21.5 million as at 31 December 2021 as customers billed the Group for orders that were completed in the prior year and there were lower sales for 1H2022 as compared to 2H2021.

Other Information Required by Listing Rule Appendix 7.2

REVIEW OF THE GROUP'S FINANCIAL POSITION (cont'd)

Other financial assets

Other financial assets were at S\$23.8 million as at 30 June 2022, an increase of S\$16.1 million from S\$7.7 million as at 31 December 2021. The increase was due to an increase in debt investment S\$10.5 million, an increase in unquoted equity of S\$4.1 million and an increase of S\$1.5 million in quoted equity.

Bank loans

Bank loans were at S\$27.4 million as at 30 June 2022, a decrease of S\$0.9 million from S\$28.3 million as at 31 December 2021.

Lease liabilities

Lease liabilities were at S\$18.9 million as at 30 June 2022, an increase of S\$1.1 million from S\$17.8 million as at 31 December 2021. The increase was primarily due to recognition of the new lease contracts entered for the rental of equipment by subsidiaries of the Group in China, offset against the principal payment of lease liabilities during the six months ended 30 June 2022.

Trade and other payables, and contract liabilities

Trade payables were at S\$17.1 million as at 30 June 2022, a decrease of S\$3.7 million (-17.9%) from S\$20.8 million as at 31 December 2021. The decrease in trade payables was mainly attributable to a decrease in trade purchases from lower sales recorded in 1H2022.

Other payables were at S\$22.8 million as at 30 June 2022, a decrease of S\$16.9 million (-42.5%) from S\$39.7 million as at 31 December 2021. The decrease in other payables was mainly attributable to the decrease in sundry creditors from S\$22.3 million as at 31 December 2021 to S\$8.5 million as at 30 June 2022 due to lower outstanding payables on factory renovation and plant & machineries, and a decrease in VAT and other taxes payable primarily due to lower sale invoices billed in 1H2022 (as compared to 2H2021).

Contract liabilities relate to the Group's obligation to transfer goods to customers for which the Group has received consideration. Contract liabilities are recognised as revenue as the Group performs under the contract. Contract liabilities were at S\$1.1 million as at 30 June 2022, a decrease of S\$1.5 million (-56.7%) from S\$2.6 million as at 31 December 2021.

Provision for taxation

Provision for taxation was S\$2.6 million as at 30 June 2022, a decrease from S\$5.8 million as at 31 December 2021 mainly due to the provision of income tax for the current year of S\$2.4 million offset against income tax payments of S\$5.6 million.

Translation reserve

Translation reserve was S\$3.8 million as at 30 June 2022, a decrease of S\$8.3 million from S\$12.1 million as at 31 December 2021. The decrease was primarily due to a depreciation of Chinese Renminbi that resulted in a translation difference arising from the translation of the financial statements of the Group's China operations.

REVIEW OF THE GROUP'S CASH FLOWS

We generated positive net cash flows from operating activities for 1H2022 and 1H2021.

Net cash generated from operating activities amounted to S\$35.8 million for 1H2022, mainly attributed to the following:

- Operating cash flows before working capital changes of S\$34.8 million;
- Net cash inflows from changes in working capital of S\$6.2 million;
- Net interest received of S\$0.5 million; and
- Income tax paid of S\$5.6 million.

Net cash used in investing activities amounted to S\$40.8 million for 1H2022, primarily due to the ongoing renovation of the Shanghai Plant 2 and purchase of property, plant and equipment amounting to S\$20.3 million, additions to financial assets of S\$16.4 million, and additions to intangible assets of S\$4.1 million for development costs and computer software.

Net cash used in financing activities amounted to S\$14.1 million for 1H2022, primarily due to payment for share buy-back of S\$6.9 million, dividend payment of S\$6.6 million, repayment of bank loans and lease liabilities of S\$2.6 million. The cash outflow was offset by advances from re-issuance of treasury shares under ESOS Scheme 2017. As at 30 June 2022, cash and cash equivalents amounted to S\$156.0 million, a decrease of S\$19.1 million from S\$176.6 million as at 31 December 2021.

Other Information Required by Listing Rule Appendix 7.2

4 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement were made previously.

5 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group has delivered a resilient and good set of financial results for 1H2022 despite the challenging operating environment during the Shanghai COVID-19 lockdown that resulted in a loss of revenues across all Business Units (“BU”); a continued incurrence of direct and fixed overheads; and additional COVID-19 related expenses. Against this backdrop, the Group was still able to grow its revenue and profits, underscoring its unique deep-technologies’ (“deep-tech”) reach in multiple growth avenues across vast industries and its strong business foundations put in place by management.

The 1H2022 revenue for NFBU grew 336.8% to S\$7.3 million from S\$1.7 million in 1H2021, largely due to production ramp-up. This is a result of the Group’s proven systematic approach of combining its deep-tech solutions with unique production processes as the natural choice of its global customers, by addressing their needs in product innovation while maintaining cost competitiveness. NFBU holds master mold capabilities which allow it to produce ultra-high precision, complex shapes and forms for lens and sensory components using unique low-cost manufacturing replication processes.

Sydrogen, the Group’s hydrogen fuel cell joint venture with Temasek, achieved its maiden revenue in 1H2022 with the provision of coating services for a customer. While Sydrogen has yet to make a material financial contribution to the Group, it has made a significant “Zero to One” breakthrough. Shortly after being established in July last year, Sydrogen has managed to set up and qualify two industrial scale mass coating lines with an annual coating capacity of 800,000 bipolar plates (“BPP”), for a leading automotive client. Such speed in progress is enabled by the Group’s deep-tech platform and in-house proprietary coating equipment design and fabrication.

Outlook – 2H2022

The Group is optimistic about the outlook of the markets it serves and believes that its deep-tech solutions will address the business opportunities available in these markets, independent of the shorter-term macro trends. The Group’s multiple growth avenues in different industries, which are driven by its deep-tech and BU structure, are in different phases of growth – high, sustainable, emerging or early stage.

The Group’s management remains focused on executing its growth strategy in the following key strategic areas and will provide the market with periodic progress updates: 1) Geographical diversification and coverage; 2) New segments with capability and product expansion; 3) JVs and M&As; and 4) R&D and engineering product development.

1) Geographical Diversification and Coverage

The Group’s business expansion to other strategic locations to be near its customers continues to gather momentum. This geographical diversification of its operations, which is also part of the Group’s risk management strategy, better positions it to compete and operate as a global company. Countries like Japan, Singapore, Vietnam, USA, and Germany have been identified as strategic locations.

Near-term objectives

In the second half 2022, the Group will be expanding its coating services footprint with a coating facility in Osaka, Japan. It is currently in the midst of qualifying its advanced materials solutions with a customer for application on ceramic products.

The Group’s main production facility for NFBU is currently in Vietnam, which saw a significant increase in revenue contribution and activities from the ramp-up of projects and strong pipeline visibility. With the expansion of business activities, the Group is proactively assessing potential locations to increase its production capacity.

And in Singapore, the Group will be expanding its Sydrogen, AMBU and IEPU production capacity at its Ayer Rajah Crescent location. The Group will commence the move of its new corporate headquarter in the fourth quarter as well as setting up the Nanofab engineering centre, at Tai Seng Drive.

Other Information Required by Listing Rule Appendix 7.2

- 5 **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.** (cont'd)

2) New Segments with Capability & Product Expansion

While the Group is well positioned to expand its product suite, particularly in existing sectors, it also aims to selectively channel resources to expand into newer segments where its nanotechnology solutions can be applied to enable and catalyse its customers' products.

Near-term objectives

The Group's green technological solution, which has vast potential applications, has the capability to replace the environmentally damaging electroplating process. Components coated by electroplating, conventionally used in advanced battery components, can now be coated with the Group's advanced materials at cost competitive levels.

With its current mass production projects and a healthy business pipeline, NFBU is poised to expand its product suite and capabilities, including new optical component applications, thereby positioning it well for sustained revenues moving forward.

Sydragen believes it has the best coating performance for BPPs used in fuel cells, as validated and recognised by its customers. It has also achieved significant progress with the qualification of two industrial scale coating lines, with strong interest from multiple global and domestic customers. The Group's coating technology puts it in a unique position to roll out Sydragen's technology and product roadmap.

3) JVs and M&A

In order to complement the Group's BU-driven structure, the Group is actively sourcing for opportunities to invest and build ventures, either through JVs or M&As, alongside strategic partners that on a combined basis offers synergistic benefits in forms of technology sharing, operational fit, product advancements, geographical reach, and market access.

Near-term objectives

To advance the application of its green solutions to replace electroplating, the Group is in active discussion with a local strategic partner to set up a JV for the advanced batteries components for EVs in China.

Consistent with its corporate strategy, the Group is also exploring M&A opportunities to gain market access to customers in different geographies.

4) R&D and Engineering Product Development

As a firm commitment to sustainable innovation, the Group is committed to allocate more than 5% of its total revenue for R&D and engineering expenditures, paving the way for future growth.

Near-term objectives

The Group continues to invest in R&D. In accelerating its efforts to develop core technologies and new product offerings, R&D and engineering expenses increased S\$0.6 million (or 7%) YoY to S\$9 million in 1H2022.

As a home-grown deep-tech company, Nanofilm embraces Singapore's policy in allocating substantial resources to drive research, innovation and entrepreneurship ("RIE"). Towards this end, Nanofilm is committed to invest in R&D in Singapore, thereby playing its part to contribute meaningfully to the research capabilities and economic development locally.

Other Information Required by Listing Rule Appendix 7.2

6 Dividend Information

(a) Current Financial Period Reported on

The Directors have recommended the following interim tax exempt (one-tier) dividend to be paid to shareholders for the current financial period.

Name of dividend	Interim tax-exempt (one-tier) dividend
Date of Payment	9 September 2022
Dividend Type	Cash
Dividend Amount	S\$0.011 per ordinary share
Total amount payable	S\$7.2 million

(b) Corresponding Period of the Immediately Preceding Financial Year and Tax Rate

The Company had paid the following tax exempt (one-tier) dividend to shareholders in the corresponding period of the immediately preceding financial year.

Name of dividend	Interim tax-exempt (one-tier) dividend
Date of Payment	8 September 2021
Dividend Type	Cash
Dividend Amount	S\$0.010 per ordinary share
Total amount paid	S\$6.6 million

(c) The date the dividend is payable

9 September 2022

(d) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

The Share Transfer Books and Register of Members of the Company will be closed on 1 September 2022, 5.00 pm. Duly completed transfers in respect of ordinary shares received by the Company's Shares Registrar up to 5.00 pm on 1 September 2022 will be registered to determine shareholders' entitlement to the Interim Dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited which are credited with shares as at 5.00 pm on 1 September 2022 will be entitled to the Interim Dividend.

7 If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

Not applicable.

Other Information Required by Listing Rule Appendix 7.2

- 8 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

Not applicable as the Company has not obtained a general mandate from shareholders for interested persons transactions ("IPTs").

However, in the spirit of disclosure and transparency, the IPTs entered into by the Group in the current financial period reported on were as follows: -

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (including transactions less than S\$100,000)
		<u>1H2022</u> <u>S\$'000</u>
上海纳曦餐饮管理有限公司 ("Na Xi")	Note ⁽¹⁾	199

Note:

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

- 9 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

Pursuant to Listing Rule 720(1), the Company has procured undertakings from all of its directors and executive officers in the format as set out in Appendix 7.7 of the SGX-ST Listing Manual.

Other Information Required by Listing Rule Appendix 7.2

10 Use of IPO Proceeds

Pursuant to the Listing of the Company, the Company received gross proceeds of S\$200.0 million (“IPO Gross Proceeds”). As at the date of this announcement, the IPO Gross Proceeds have been utilised as follows:

	Amount allocated (as disclosed in the Prospectus) S\$'000	Last announced balance as at 30 April 2022 S\$'000	Amount utilised from 1 May 2022 to 30 June 2022 S\$'000	Balance S\$'000
Capital expenditure on development and building of new machinery for Advanced Materials BU and purchase of new machinery to support Nanofabrication BU	90,000	54,815	3,991	50,824
R&D & engineering for entry into new end industries and new areas and/or products in existing business segments	50,000	26,927	2,481	24,446
Construction, refurbishment and renovation of new and existing production facilities				
- Renovation (including refurbishment, furniture and fittings) of Shanghai Plant 2	20,000	45	45	-
- Construction, refurbishment and renovation of new and existing production facilities	10,000	6,486	803	5,683
General corporate and working capital purposes ⁽¹⁾	20,900	-	-	-
Payment of underwriting commissions and offering expenses	9,100	(505)	-	(505)
	200,000	87,768	7,320	80,448

Note:

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

11 Negative confirmation by the Board pursuant to Rule 705(5)

We, the undersigned, being two (2) directors of Nanofilm Technologies International Limited (the “Company”), do confirm on behalf of the board of directors of the Company (the “Board”), that to the best of the knowledge of the Board, nothing has come to the attention of the Board which may render the financial results for the six-month period ended 30 June 2022 to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD

Dr Shi Xu
Executive Chairman

Gary Ho Hock Yong
Executive Director and Chief Executive Officer

11 August 2022