



Nanofilm Technologies International Limited

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Registration No.: 199902564C

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2022 (“FY2022”)

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

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.....	5
C. Unaudited condensed interim statements of changes in equity.....	6
D. Unaudited condensed interim consolidated statement of cash flows.....	9
E. Notes to the unaudited condensed interim consolidated financial statements	10
F. Other information required by Listing Rule Appendix 7.2	33

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

		Group					
	Note	2H2022 S\$'000	2H2021 S\$'000	Change %	FY2022 S\$'000	FY2021 S\$'000	Change %
Revenue	5	126,112	150,064	(16.0)	237,406	246,694	(3.8)
Cost of sales		<u>(64,735)</u>	<u>(72,458)</u>	(10.7)	<u>(126,015)</u>	<u>(124,539)</u>	1.2
Gross profit		61,377	77,606	(20.9)	111,391	122,155	(8.8)
Other operating income		4,824	3,416	41.2	6,695	7,218	(7.2)
Finance income		954	375	154.4	1,576	983	60.3
Expenses:							
Research & development and engineering ⁽¹⁾		(11,606)	(11,333)	2.4	(21,908)	(21,902)	0.0
Selling and distribution		(4,023)	(3,694)	8.9	(7,792)	(6,563)	18.7
Administrative		(24,004)	(18,776)	27.8	(42,545)	(32,651)	30.3
Finance		(729)	(300)	143.0	(1,222)	(704)	73.6
(Impairment loss)/Write back of allowance on trade receivables and contract assets		(51)	1,322	(103.9)	(51)	1,322	(103.9)
Share of loss of associate		(28)	-	n.m.	(28)	-	n.m.
Profit before income tax	6	<u>26,714</u>	<u>48,616</u>	(45.1)	<u>46,116</u>	<u>69,858</u>	(34.0)
Income tax expenses	7	<u>(1,619)</u>	<u>(4,202)</u>	(61.5)	<u>(2,831)</u>	<u>(7,328)</u>	(61.4)
Profit after income tax		<u>25,095</u>	<u>44,414</u>	(43.5)	<u>43,285</u>	<u>62,530</u>	(30.8)
Other comprehensive income, net of tax							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Exchange difference arising from translation of foreign operations		(23,962)	5,986	(500.3)	(32,377)	13,665	(336.9)
<i>Items that will not be reclassified subsequently to profit or loss</i>							
Fair value gain from equity investment at fair value through other comprehensive income		425	-	n.m.	365	-	n.m.
Total comprehensive income for the period		<u>1,558</u>	<u>50,400</u>	(96.9)	<u>11,273</u>	<u>76,195</u>	(85.2)
Profit attributable to:							
Equity holders of the Company		25,005	44,317	(43.6)	43,809	62,202	(29.6)
Non-controlling interests		90	97	(7.2)	(524)	328	(259.8)
		<u>25,095</u>	<u>44,414</u>	(43.5)	<u>43,285</u>	<u>62,530</u>	(30.8)
Total comprehensive income attributable to:							
Equity holders of the Company		2,213	50,123	(95.6)	12,711	75,410	(83.1)
Non-controlling interests		(655)	277	(336.4)	(1,438)	785	(283.2)
		<u>1,558</u>	<u>50,400</u>	(96.9)	<u>11,273</u>	<u>76,195</u>	(85.2)
Adjusted EBITDA	4	<u>42,922</u>	<u>62,487</u>	(31.3)	<u>80,502</u>	<u>95,726</u>	(15.9)

n.m. - Not meaningful

(1) "Research & development and Engineering" includes Research & development, Engineering and Quality assurance expenses.

A. Unaudited condensed interim consolidated statement of profit or loss and other comprehensive income (cont'd)

		2H2022	2H2021	Change	Group	FY2021	Change
	Note	S\$'000	S\$'000	%	FY2022	S\$'000	%
					S\$'000		
Earnings per share attributable to the equity holders of the Company (cents)							
Basic earnings per share	8	3.80	6.71	(43.4)	6.65	9.42	(29.5)
Diluted earnings per share	8	<u>3.79</u>	<u>6.67</u>	(43.2)	<u>6.64</u>	<u>9.37</u>	(29.2)

B. Unaudited condensed interim statements of financial position

	Note	Group		Company	
		31/12/2022 S\$'000	31/12/2021 S\$'000	31/12/2022 S\$'000	31/12/2021 S\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	289,151	290,179	54,133	50,724
Land use rights		12,030	13,391	-	-
Intangible assets	10	19,607	9,860	6,273	5,218
Investment in subsidiaries	11	-	-	112,025	104,800
Investment in associate	12	4,033	-	-	-
Other receivables and other non-current assets	13	-	-	80,769	71,824
Other financial assets	21	1,637	1,367	-	-
Deferred tax assets		3,223	1,429	-	-
		<u>329,681</u>	<u>316,226</u>	<u>253,200</u>	<u>232,566</u>
Current assets					
Inventories		18,429	17,365	5,808	5,810
Trade and other receivables, and other current assets	13	100,570	106,848	18,549	27,889
Contract assets/Accrued receivables		12,655	21,506	-	-
Cash and bank balances		147,830	176,610	56,269	94,359
Other financial assets	21	8,700	6,363	-	-
		<u>288,184</u>	<u>328,692</u>	<u>80,626</u>	<u>128,058</u>
Total assets		<u>617,865</u>	<u>644,918</u>	<u>333,826</u>	<u>360,624</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	14	266,927	266,927	266,927	266,927
Treasury shares	14	(17,521)	(15,241)	(17,521)	(15,241)
Reserves		169,379	177,917	41,128	60,193
		<u>418,785</u>	<u>429,603</u>	<u>290,534</u>	<u>311,879</u>
Non-controlling interests		45,686	45,374	-	-
Total equity		<u>464,471</u>	<u>474,977</u>	<u>290,534</u>	<u>311,879</u>
Non-current liabilities					
Bank loans	16	24,412	26,211	24,412	26,128
Lease liabilities	16	16,841	15,279	8,041	9,034
Other creditors	17	53,100	53,100	-	-
Deferred tax liabilities		1,350	1,278	1,278	1,278
		<u>95,703</u>	<u>95,868</u>	<u>33,731</u>	<u>36,440</u>
Current liabilities					
Trade and other payables	17	47,770	60,501	5,400	5,222
Contract liabilities/Advanced receipts		1,388	2,607	230	334
Bank loans	16	1,944	2,070	1,872	1,872
Lease liabilities	16	3,371	2,552	1,580	1,542
Provisions		644	556	377	542
Provision for taxation		2,574	5,787	102	2,793
		<u>57,691</u>	<u>74,073</u>	<u>9,561</u>	<u>12,305</u>
Total liabilities		<u>153,394</u>	<u>169,941</u>	<u>43,292</u>	<u>48,745</u>
Total equity and liabilities		<u>617,865</u>	<u>644,918</u>	<u>333,826</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	-	-	-	-	-	43,809	43,809	(524)	43,285
Other comprehensive income	-	-	(31,463)	-	365	-	(31,098)	(914)	(32,012)
Total comprehensive income for the period	-	-	(31,463)	-	365	43,809	12,711	(1,438)	11,273
Transfer of statutory reserve	-	-	-	495	-	(495)	-	-	-
Transactions with equity holders, recognised directly in equity									
- Dividends (Note 18)	-	-	-	-	-	(13,834)	(13,834)	-	(13,834)
- Purchase of treasury shares	-	(12,683)	-	-	-	-	(12,683)	-	(12,683)
- Treasury shares re- issued under ESOS Scheme	-	10,403	-	-	(8,679)	-	1,724	-	1,724
- Adjustment on employee share options	-	-	-	-	306	-	306	-	306
- Adjustment on restricted share plan	-	-	-	-	958	-	958	-	958
- Contribution of capital by non-controlling interest (Note 11e)	-	-	-	-	-	-	-	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

Note:

Other reserves consist of share option reserve, fair value reserve and other reserve mainly relating to put option relating to interest in non-controlling interest.

Dividends of S\$13.8 million consist of the one-tier final dividend of S\$6.6 million paid on 20 May 2022 in respect of the financial year ended 31 December 2021 and one-tier interim dividend of S\$7.2 million paid on 9 September 2022 in respect of the financial year ended 31 December 2022.

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

	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 2021	263,756	-	(1,126)	5,856	1,092	161,263	430,841	9,589	440,430
Profit for the period	-	-	-	-	-	62,202	62,202	328	62,530
Other comprehensive income	-	-	13,208	-	-	-	13,208	457	13,665
Total comprehensive income for the period	-	-	13,208	-	-	62,202	75,410	785	76,195
Transfer of statutory reserve	-	-	-	651	-	(651)	-	-	-
Transactions with equity holders, recognised directly in equity									
- Dividends (Note 18)	-	-	-	-	-	(6,585)	(6,585)	-	(6,585)
- Issuance of shares under ESOS Scheme	3,171	-	-	-	(182)	-	2,989	-	2,989
- Purchase of treasury shares	-	(21,179)	-	-	-	-	(21,179)	-	(21,179)
- Treasury shares re-issued under ESOS scheme	-	5,938	-	-	(5,080)	-	858	-	858
- Adjustment on employee share options	-	-	-	-	237	132	369	-	369
- Put option relating to interest in non-controlling interest (Note 17)	-	-	-	-	(53,100)	-	(53,100)	-	(53,100)
- Contribution of capital by non-controlling interest	-	-	-	-	-	-	-	35,000	35,000
Total transactions with equity holders	3,171	(15,241)	-	-	(58,125)	(6,453)	(76,648)	35,000	(41,648)
At 31 December 2021	266,927	(15,241)	12,082	6,507	(57,033)	216,361	429,603	45,374	474,977

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	-	-	-	2,184	2,184
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,184	2,184
Transactions with equity holders, recognised directly in equity					
- Dividends (Note 18)	-	-	-	(13,834)	(13,834)
- Buy-back of ordinary shares	-	(12,683)	-	-	(12,683)
- Treasury shares re-issued	-	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
At 1 January 2021	263,756	-	630	42,385	306,771
Profit for the period	-	-	-	28,656	28,656
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	28,656	28,656
Transactions with equity holders, recognised directly in equity					
- Dividends (Note 18)	-	-	-	(6,585)	(6,585)
- Issuance of shares under ESOS	3,171	-	(182)	-	2,989
- Buy-back of ordinary shares	-	(21,179)	-	-	(21,179)
- Treasury shares re-issued	-	5,938	(5,080)	-	858
- Adjustment on employee share options	-	-	237	132	369
Total transactions with equity holders	3,171	(15,241)	(5,025)	(6,453)	(23,548)
At 31 December 2021	266,927	(15,241)	(4,395)	64,588	311,879

Note:

Other reserves consist of share option reserve and other reserve.

Dividends of S\$13.8 million consist of the one-tier final dividend of S\$6.6 million paid on 20 May 2022 in respect of the financial year ended 31 December 2021 and one-tier interim dividend of S\$7.2 million paid on 9 September 2022 in respect of the financial year ended 31 December 2022.

D. Unaudited condensed interim consolidated statement of cash flows

	Note	Group	
		FY2022 S\$'000	FY2021 S\$'000
Cash Flows from Operating Activities			
Profit before income tax		46,116	69,858
Adjustments for:			
Depreciation of property, plant and equipment		28,880	24,351
Amortisation of land use rights		285	290
Amortisation of intangible assets		1,719	1,192
Finance expenses		1,222	704
Finance income		(1,576)	(983)
Provision for warranties		827	558
Reversal of provision for warranties		(597)	(303)
(Gain)/write off/loss on disposal of property, plant and equipment		(2)	60
Expense recognised in respect of share-based payments and share options granted		1,374	369
Exchange differences – unrealised		770	570
Write off of intangible assets		-	18
Share of loss of associate		28	-
Operating cash flows before working capital changes		79,046	96,684
Inventories		4,327	6,312
Trade, other receivables and other current assets (include contract assets)		5,473	(9,083)
Trade, other payables and provisions (include contract liabilities)		(9,804)	(13,229)
Cash generated from operations		79,042	80,684
Interest paid		(536)	(356)
Interest received		1,576	983
Income tax paid		(7,664)	(8,111)
Net cash generated from operating activities		72,418	73,200
Cash Flows from Investing Activities			
Acquisition of a subsidiary		-	(4,500)
Purchase of property, plant and equipment		(50,774)	(104,872)
Proceeds from disposal of property, plant and equipment		178	121
Additions to investment in associate		(4,061)	-
Additions to intangible assets		(11,358)	(2,830)
Additions to other financial assets		(9,239)	(7,730)
Redemption from investment in financial assets		6,363	-
Net cash used in investing activities		(68,891)	(119,811)
Cash Flows from Financing Activities			
Contribution of capital by non-controlling interests		1,750	35,000
Proceeds from issuance of shares under ESOS Scheme 2017		-	1,772
Proceeds from re-issuance of treasury shares under ESOS Scheme 2017		1,616	858
Payment for buy-back of shares		(12,683)	(21,179)
Proceeds from bank loans		-	49,000
Repayment of bank loans		(1,894)	(61,530)
Payment of lease liabilities		(3,309)	(2,640)
Decrease in fixed deposits pledged with banks		446	405
Dividends paid		(13,834)	(6,585)
Net cash used in financing activities		(27,908)	(4,899)
Net decrease in cash and cash equivalents		(24,381)	(51,510)
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		(3,953)	1,170
Cash and cash equivalents at the end of the period		147,830	176,164
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		147,830	176,610
Less: Pledged fixed deposits		-	(446)
		147,830	176,164

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 is Block 28 Ayer Rajah Crescent, #02-02/03, Ayer Rajah Industrial Estate, Singapore 139959 and its principal place of business is at 11 Tai Seng Drive, Singapore 535226.

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 31 December 2022 comprise of the Company and its subsidiaries (collectively, the “**Group**”).

The Company is a leading nanotechnology material company in Asia, leveraging its proprietary technologies through its self-built equipment to produce advanced materials coatings and nanofabricated products, with core competencies in R&D, engineering and mass production. Nanofilm’s environmentally sustainable nanotechnology solutions serve as key catalysts in enabling its customers to achieve high value-add advancements in their end-products across wide range of industries.

2 Basis of Preparation

The unaudited condensed interim consolidated financial statements for the six months ended 31 December 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 30 June 2022.

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 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. The put option liability is recorded at the present value of the redemption amount as at 31 December 2022.

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 21.

Loss allowance for receivables (including contract assets)

The Group measures the loss allowance for receivables in accordance with the accounting policy. 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 13.

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.

E. Notes to the unaudited condensed interim consolidated financial statements

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 ("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. |
| Syrogen BU | - provider of critical fuel cell components with its proprietary conductive diamond coatings and fuel cell system solutions for the 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
FY2022						
Revenue from external customers	187,219	30,887	19,097	203	-	237,406
Inter-segment sales	533	15,677	84	-	(16,294)	-
	<u>187,752</u>	<u>46,564</u>	<u>19,181</u>	<u>203</u>	<u>(16,294)</u>	<u>237,406</u>
Adjusted EBITDA	<u>68,162</u>	<u>7,619</u>	<u>6,280</u>	<u>(1,559)</u>	<u>-</u>	<u>80,502</u>
<u>Other information</u>						
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 –						
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	-	827	-	-	-	827
Reversal of provision for warranties	-	(597)	-	-	-	(597)
At 31 December 2022						
<u>Assets</u>						
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
						<u>617,865</u>
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
<u>Liabilities</u>						
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
						<u>153,394</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	Nanofabrication S\$'000	Inter- segment eliminations S\$'000	Total S\$'000
FY2021					
Revenue from external customers	194,269	44,622	7,803	-	246,694
Inter-segment sales	7	18,376	10	(18,393)	-
	<u>194,276</u>	<u>62,998</u>	<u>7,813</u>	<u>(18,393)</u>	<u>246,694</u>
Adjusted EBITDA	<u>80,462</u>	<u>15,075</u>	<u>189</u>	<u>-</u>	<u>95,726</u>
<u>Other information</u>					
Depreciation	20,976	1,636	1,739	-	24,351
Amortisation of land use rights	280	-	10	-	290
Amortisation of intangible assets	368	796	28	-	1,192
Write back of allowance on trade receivables and contract assets	(269)	(1,053)	-	-	(1,322)
Write down of inventories	16	-	-	-	16
Write off/ loss/ (gain) on disposal of property, plant and equipment	105	(43)	(2)	-	60
Write off of intangible assets	6	12	-	-	18
Listing expenses- Recurring	32	68	2	-	102
Provision for warranties	-	558	-	-	558
Reversal of provision for warranties	-	(303)	-	-	(303)
At 31 December 2021					
<u>Assets</u>					
Segment assets	376,929	66,427	15,793	-	459,149
Cash and bank balances					176,610
Other financial assets					7,730
Deferred tax assets					1,429
					<u>644,918</u>
Segment assets include:					
Additions to non-current assets:					
- Property, plant and equipment	106,315	31,436	1,755	-	139,506
- Intangible assets	1,032	1,784	335	-	3,151
<u>Liabilities</u>					
Segment liabilities	64,140	15,965	1,390	-	81,495
Bank loans					28,281
Deferred tax liabilities					1,278
Other creditors (non-current)					53,100
Provision for taxation					5,787
					<u>169,941</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
2H2022						
Revenue from external customers	102,691	11,435	11,798	188	-	126,112
Inter-segment sales	533	9,936	84	-	(10,553)	-
	<u>103,224</u>	<u>21,371</u>	<u>11,882</u>	<u>188</u>	<u>(10,553)</u>	<u>126,112</u>
Adjusted EBITDA	<u>39,391</u>	<u>482</u>	<u>3,437</u>	<u>(388)</u>	<u>-</u>	<u>42,922</u>
<u>Other information</u>						
Depreciation	13,283	242	594	7	-	14,126
Amortisation of land use rights	132	-	6	-	-	138
Amortisation of intangible assets	538	422	61	-	-	1,021
COVID-19 related expenses	4	-	-	-	-	4
Impairment loss on trade receivables and contract assets	51	-	-	-	-	51
Write down of inventories	196	-	-	-	-	196
Gain on disposal of property, plant and equipment	(37)	(6)	-	-	-	(43)
Listing expenses –						
Recurring	20	7	1	-	-	28
Share option expenses	178	63	2	-	-	243
Award share expenses under RSP 2021	808	43	2	-	-	853
Provision for warranties	-	662	-	-	-	662
Reversal of provision for warranties	-	(352)	-	-	-	(352)

E. Notes to the unaudited condensed interim consolidated financial statements

4 Operating Segment Information (cont'd)

	Advanced materials S\$'000	Industrial equipment S\$'000	Nanofabrication S\$'000	Inter- segment eliminations S\$'000	Total S\$'000
2H2021					
Revenue from external customers	118,306	25,626	6,132	-	150,064
Inter-segment sales	4	16,585	-	(16,589)	-
	<u>118,310</u>	<u>42,211</u>	<u>6,132</u>	<u>(16,589)</u>	<u>150,064</u>
Adjusted EBITDA	<u>52,227</u>	<u>9,163</u>	<u>1,097</u>	<u>-</u>	<u>62,487</u>
<u>Other information</u>					
Depreciation	11,282	911	933	-	13,126
Amortisation of land use rights	142	-	10	-	152
Amortisation of intangible assets	199	388	22	-	609
Write back of allowance on trade receivables and contract assets	(269)	(1,053)	-	-	(1,322)
Write down of inventories	16	-	-	-	16
Write off/loss on disposal of property, plant and equipment	(38)	(70)	(2)	-	(110)
Write off of intangible assets	6	12	-	-	18
Listing expenses - Recurring	32	68	2	-	102
Provision for warranties	-	340	-	-	340
Reversal of provision for warranties	-	(119)	-	-	(119)

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			
	2H2022 S\$'000	2H2021 S\$'000	FY2022 S\$'000	FY2021 S\$'000
Adjusted EBITDA ⁽¹⁾ for reportable segments	42,922	62,487	80,502	95,726
Depreciation	(14,126)	(13,126)	(28,880)	(24,351)
Amortisation	(1,159)	(761)	(2,004)	(1,482)
Gain/ (Write off/Loss) on disposal of property, plant and equipment	43	110	2	(60)
COVID-19 related expenses ⁽²⁾	(4)	-	(2,465)	-
Write down of inventories	(196)	-	(196)	-
Write off of intangible assets	-	(18)	-	(18)
Other professional fees	(138)	(151)	(239)	(236)
Award shares expenses under Restricted Share Plan 2021	(853)	-	(958)	-
Finance income	954	375	1,576	983
Finance expenses	(729)	(300)	(1,222)	(704)
Profit before income tax	26,714	48,616	46,116	69,858
Income tax expenses	(1,619)	(4,202)	(2,831)	(7,328)
Profit after income tax	25,095	44,414	43,285	62,530

(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			
	2H2022 S\$'000	2H2021 S\$'000	FY2022 S\$'000	FY2021 S\$'000
Singapore	20,900	25,634	42,364	39,688
China	94,680	114,776	173,333	190,296
Japan	10,506	9,632	21,648	16,679
Vietnam	26	22	61	31
Total revenue	126,112	150,064	237,406	246,694

E. Notes to the unaudited condensed interim consolidated financial statements

5 Revenue

(a) Revenue by business segment

	Group			
	2H2022	2H2021	FY2022	FY2021
	S\$'000	S\$'000	S\$'000	S\$'000
Advanced materials	102,691	118,306	187,219	194,269
Industrial equipment	11,435	25,626	30,887	44,622
Nanofabrication	11,798	6,132	19,097	7,803
Sydragen	188	-	203	-
Total	126,112	150,064	237,406	246,694

(b) Disaggregation of revenue from contracts with customers

	Group			
	2H2022	2H2021	FY2022	FY2021
	S\$'000	S\$'000	S\$'000	S\$'000
Performance obligations satisfied at a point in time				
Sale of equipment	2,521	21,724	17,784	38,889
Sale of products and spare parts	16,961	8,872	28,090	11,712
	<u>19,482</u>	<u>30,596</u>	<u>45,874</u>	<u>50,601</u>
Performance obligations satisfied over time				
Service rendered	103,214	119,468	188,116	196,093
Sale of equipment	3,416	-	3,416	-
	<u>106,630</u>	<u>119,468</u>	<u>191,532</u>	<u>196,093</u>
Total	126,112	150,064	237,406	246,694

(c) Breakdown of sales and profit after income tax

	Group		
	FY2022	FY2021	Change
	S\$'000	S\$'000	%
Sales reported for the first half year	111,294	96,630	15.2
Profit after income tax reported for first half year	18,190	18,116	0.4
Sales reported for the second half year	126,112	150,064	(16.0)
Profit after income tax reported for second half year	25,095	44,414	(43.5)

E. Notes to the unaudited condensed interim consolidated financial statements

6 Profit before Income Tax

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

	Group			
	2H2022	2H2021	FY2022	FY2021
	S\$'000	S\$'000	S\$'000	S\$'000
Finance expense on:				
- bank loans	436	21	618	261
- lease liabilities	293	279	604	443
Finance income from:				
- bank deposits	(954)	(375)	(1,576)	(983)
Material items included in expenses/other operating income:				
Government grants and incentives	(4,819)	(3,126)	(5,678)	(6,530)
Depreciation of property, plant and equipment	14,126	13,126	28,880	24,351
Amortisation of land use rights	138	152	285	290
Amortisation of intangible assets	1,021	609	1,719	1,192
Lease expenses	37	243	41	440
Listing expenses - Recurring	28	58	70	102
Write down of inventories	196	16	196	16
Staff costs (including directors' remuneration)				
- Salaries and related costs	42,098	45,055	82,239	78,072
- Contribution to defined contribution plans	2,737	2,810	5,318	4,910
- Share option expenses	243	208	416	369
- Award shares expenses	853	-	958	-
(Gain)/write off/ loss on disposal of property, plant and equipment	(43)	(110)	(2)	60
Write off of intangible assets	-	18	-	18
Exchange loss	1,265	115	681	123
Provision for warranties	662	340	827	558
Reversal of provision for warranties	(352)	(119)	(597)	(303)

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			
	2H2022	2H2021	FY2022	FY2021
	S\$'000	S\$'000	S\$'000	S\$'000
Income tax:				
- Current period	3,129	4,949	5,472	8,779
- (Over)/ under provision in prior years	(867)	160	(804)	(795)
	2,262	5,109	4,668	7,984
Deferred tax:				
- Current period	(643)	(907)	(1,272)	(656)
- Under provision of deferred tax assets in prior years	-	-	(565)	-
	1,619	4,202	2,831	7,328

E. Notes to the unaudited condensed interim consolidated financial statements

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:

	2H2022	2H2021	Group FY2022	FY2021
Profit for the period attributable to equity holders of the Company (S\$'000)	25,005	44,317	43,809	62,202
Weighted average number of ordinary shares ('000)	658,304	660,159	658,304	660,159
Basic earnings per share (cents)	3.80	6.71	6.65	9.42

(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 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:

	2H2022	2H2021	Group FY2022	FY2021
Profit for the period attributable to equity holders of the Company (S\$'000)	25,005	44,317	43,809	62,202
Weighted average number of ordinary shares ('000)	658,304	660,159	658,304	660,159
Adjustments for ('000):				
- Share options	559	3,192	559	3,192
- Restricted share plan	1,340	719	1,340	719
	660,203	664,070	660,203	664,070
Diluted earnings per share (cents)	3.79	6.67	6.64	9.37

9 Net Asset Value

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Net assets value (S\$'000)	418,785	429,603	290,534	311,879
Number of shares ('000)	657,398	659,688	657,398	659,688
Net asset value per share (cents)	63.70	65.12	44.19	47.28

E. Notes to the unaudited condensed interim consolidated financial statements

10 Property, Plant and Equipment and Intangible assets

During the twelve months ended 31 December 2022, the Group acquired property, plant and equipment amounting to S\$56,854,000 (31 December 2021: S\$139,506,000) and disposed of property, plant and equipment amounting to S\$479,000 (31 December 2021: S\$1,538,000). The additions to property, plant and equipment included S\$6,080,000 (31 December 2021: S\$18,529,000) 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\$327,000 (31 December 2021: S\$1,234,000). The Group derecognised the corresponding lease liabilities in the same period.

During the twelve months ended 31 December 2022, the Group added intangible assets amounting to S\$11,818,000 (31 December 2021: S\$3,151,000).

11 Investment in Subsidiaries

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

During the twelve months ended 31 December 2022:

- (a) On 13 January 2022, Sydrogen Energy Pte. Ltd., a 65% owned subsidiary of the Company, made payment of its registered capital contribution 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 R&D, engineering and production of hydrogen applications and products in the hydrogen fuel cell energy business.
- (b) 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.
- (c) On 19 August 2022, Nanofilm Advanced Materials Pte. Ltd., a wholly-owned subsidiary of the Company, acquired 100% of the issued share capital comprising 250 common shares of Nanofilm Advanced Materials Co., Ltd. at a consideration of JYP 10 million. Nanofilm Advanced Materials Co., Ltd. is a company established under the laws of Japan and is in the principal business of coating processing by vacuum deposition technology.
- (d) On 30 August 2022, Sydrogen (Shanghai) Technology Co., Ltd, incorporated a China subsidiary, Sydrogen Enterprise Management (Shanghai) Co., Ltd with a registered capital of RMB100,000. The principal activity of Sydrogen Enterprise Management (Shanghai) Co., Ltd is the provision of consulting services, technological services and sales of electronics and equipment.
- (e) On 28 September 2022, Nanofilm Vacuum Coating (Shanghai) Co., Ltd, a wholly owned subsidiary of the Company, entered into a joint venture contract with Shenzhen Everwin Precision Technology Co., Ltd and Shanghai Hongshi Enterprise Management Partnership (Limited Partnership) to set up a joint venture company, Sichuan Apex Technologies Co., Ltd.. Sichuan Apex Technologies Co., Ltd. was incorporated on 19 October 2022 with an initial registered capital of RMB50,000,000 (comprising cash injection of (i) RMB 30 million by Nanofilm Vacuum Coating (Shanghai) Co., Ltd (60%); and (ii) RMB 15 million by Shenzhen Everwin Precision Technology Co., Ltd (30%); and (iii) RMB 5 million by Shanghai Hongshi Enterprise Management Partnership (Limited Partnership) (10%). On 27 December 2022, Nanofilm Vacuum Coating (Shanghai) Co., Ltd injected RMB 18 million by way of cash in Sichuan Apex Technologies Co., Ltd toward partial payment of its registered capital contribution. The principal activity of Sichuan Apex Technologies Co., Ltd is the 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.
- (f) On 10 October 2022, Nanofilm Vacuum Coating (Shanghai) Co., Ltd, a wholly-owned subsidiary of the Company, incorporated a China subsidiary, Nanofilm Vacuum Coating (Huizhou) Co., Ltd with a registered capital of RMB20,000,000. On 27 October 2022, Nanofilm Vacuum Coating (Shanghai) Co., Ltd injected RMB 20 million by way of cash in Nanofilm Vacuum Coating (Huizhou) Co., Ltd toward partial payment of its registered capital contribution. The principal activity of Nanofilm Vacuum Coating (Huizhou) Co., Ltd is provision of vacuum coatings.

E. Notes to the unaudited condensed interim consolidated financial statements

11 Investment in Subsidiaries (cont'd)

- (g) On 14 October 2022, Nanofilm Advanced Materials Co., Ltd. subscribed for 1,250 common shares in the capital of Nanofilm Advanced Materials Co., Ltd at an aggregate subscription price of JPY50,000,000. The capital injection was settled by way of cash and the primary purpose was to fund the working capital of the subsidiary.
- (h) On 18 October 2022, the Company subscribed for 606,000 ordinary shares in the capital of Nanofilm Advanced Materials Pte. Ltd., a wholly owned subsidiary of the Group, at an aggregate subscription price of S\$606,000. The purpose of the capital injection was to fund Nanofilm Advanced Materials Pte. Ltd.'s initial acquisition of the 250 common shares of Nanofilm Advanced Materials Co., Ltd at a consideration of JPY10,000,000 (equivalent to S\$101,000) on 19 August 2022 and the subsequent subscription of additional 1,250 common shares in the capital of Nanofilm Advanced Materials Co., Ltd at an aggregate subscription price of JPY50,000,000 (equivalent to S\$505,000).

E. Notes to the unaudited condensed interim consolidated financial statements

12 Investment in Associate

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	S\$'000	S\$'000	S\$'000	S\$'000
Investment in associate	4,033	-	-	-

<u>Name of associate</u>	<u>Principal activity</u>	<u>Place of incorporation and operation</u>	<u>Proportion (%) of ownership interest</u>
Zulu Inc.	Design and manufacturing of adjustable eyecare lenses	United states	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, 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..

The Company 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) The company 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).

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 31/12/2022 S\$'000
Percentage ownership interest	21.9%
Non-current assets	654
Current assets	1,735
Current liabilities	<u>(582)</u>
Net assets of the associate	1,807
Proportion of the Group's ownership in Zulu Inc.	21.9%
Group's share of net assets	396
Goodwill	<u>3,637</u>
Carrying amount of the Group's interest in Zulu Inc.	<u>4,033</u>
Revenue	326
Loss for the year	<u>(128)</u>

E. Notes to the unaudited condensed interim consolidated financial statements

13 Trade and Other Receivables, and Other Current Assets

	Group		Company	
	<u>31/12/2022</u> S\$'000	<u>31/12/2021</u> S\$'000	<u>31/12/2022</u> S\$'000	<u>31/12/2021</u> S\$'000
Current				
Trade receivables:				
- Third parties	83,198	90,904	4,987	6,342
- Loss allowance	(362)	(349)	(30)	(55)
	82,836	90,555	4,957	6,287
- Subsidiaries	-	-	5,778	3,454
- Loss allowance	-	-	(120)	(163)
	-	-	5,658	3,291
	82,836	90,555	10,615	9,578
Other receivables:				
- Deposits	553	329	401	244
- GST/VAT and other taxes receivable	2,136	1,604	470	315
- Due from subsidiaries	-	-	4,696	17,601
- Sundry debtors	4,036	3,603	1,777	80
	6,725	5,536	7,344	18,240
Other current assets:				
- Prepayments	775	693	165	71
- Advances to suppliers	10,234	10,064	425	-
	11,009	10,757	590	71
Total current	100,570	106,848	18,549	27,889
Non-current				
Other receivables:				
- Loan due from a subsidiary	-	-	80,769	71,824
Gross amount (non-interest bearing)	-	-	83,138	75,500
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	-	-	3,667	2,360
Total non-current	-	-	80,769	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\$4,696,000 as at 31 December 2022, a decrease of S\$12,905,000 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 31 December 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

14 Share Capital and Treasury Shares

	Group and Company			
	2022		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 31 December	<u>663,443</u>	<u>266,927</u>	<u>663,443</u>	<u>266,927</u>
<u>Treasury shares</u>				
At 1 January	3,755	15,241	-	-
Purchase of treasury shares	5,027	12,683	5,218	21,179
Treasury shares re-issued under Employee Share Option Scheme	(2,737)	(10,403)	(1,463)	(5,938)
At 31 December	<u>6,045</u>	<u>17,521</u>	<u>3,755</u>	<u>15,241</u>
Total issued shares excluding treasury shares	<u>657,398</u>	<u>249,406</u>	<u>659,688</u>	<u>251,686</u>

Treasury shares

For the twelve months period ended 31 December 2022, the Company held 6,045,500 treasury shares, representing 0.92% of the total number of issued ordinary shares (excluding treasury shares) comprising 657,397,610 shares as at 31 December 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.

During 2022, the Group purchased 5,027,100 shares from the open market and hold them as treasury shares; in the year, the Group transferred 2,737,000 treasury shares in settlement of the exercise of Options granted under the under the ESOS Scheme 2017.

Subsidiary holdings

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

E. Notes to the unaudited condensed interim consolidated financial statements

15 Employee Share Options and Share Awards

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

As at 31 December 2022 and 31 December 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 31.12.2022	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	-	-	(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
	<u>3,592,000</u>	-	<u>(99,000)</u>	<u>(2,737,000)</u>	<u>756,000</u>		

Date of grant of options	Options outstanding at 1.1.2021	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 31.12.2021	Exercise price S\$	Date of expiry
2 April 2018	1,700,000	-	-	-	1,700,000	0.5927	2 April 2023
3 December 2018	6,028,000	-	(300,000)	(5,217,000)	511,000	0.5868	9-27 December 2024
3 March 2019	533,000	-	(66,000)	(308,000)	159,000	0.5868	18-28 March 2025
3 June 2019	550,000	-	-	(360,000)	190,000	0.5868	16-18 June 2025
1 July 2020	2,500,000	-	(798,000)	(670,000)	1,032,000	0.5868	30 June 2026
	<u>11,311,000</u>	-	<u>(1,164,000)</u>	<u>(6,555,000)</u>	<u>3,592,000</u>		

As at 31 December 2022, out of the 756,000 outstanding options granted under the ESOS Scheme 2017, 590,000 had vested and 166,000 options will vest in 2023.

As at 31 December 2021, out of the 3,592,000 outstanding options granted under the ESOS Scheme 2017, 2,511,000 options had vested and 1,081,000 options will vest between 2022 and 2023.

E. Notes to the unaudited condensed interim consolidated financial statements

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

Employee Share Option Scheme (“ESOS Scheme 2020”)

As at 31 December 2022 and 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 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
	<u>2,617,500</u>	<u>2,640,000</u>	<u>(1,062,000)</u>	<u>-</u>	<u>4,195,500</u>		

Date of grant of options	Options outstanding at 1.1.2021	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 31.12.2021	Exercise price S\$	Date of expiry
26 March 2021	-	1,142,500	(275,000)	-	867,500	4.9279	26 March 2031
6 April 2021	-	1,020,000	(150,000)	-	870,000	5.1135	6 April 2026 & 6 April 2031
19 August 2021	-	880,000	-	-	880,000	4.1185	19 August 2026
	<u>-</u>	<u>3,042,500</u>	<u>(425,000)</u>	<u>-</u>	<u>2,617,500</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 31 December 2022, out of the 4,195,500 options granted under the ESOS Scheme 2020, 467,625 had vested and 3,727,875 will vest between 2023 and 2026.

In March 2021, the Company granted options under the ESOS Scheme 2020 to subscribe for a total of 1,142,500 ordinary shares in the Company. The options will vest over four years in four equal annual tranches commencing March 2022 and are exercisable from their respective dates of vesting until their expiry on 26 March 2031.

In April 2021, the Company granted options under the ESOS Scheme 2020 to subscribe for a total of 1,020,000 ordinary shares in the Company. The options will vest over four years in four equal annual tranches commencing from 6 April 2022. Out of the 1,020,000 options, 300,000 options which were granted to independent directors are exercisable from their respective dates of vesting until their expiry on 6 April 2026, and the remaining 720,000 options which were granted to employees are exercisable from their respective dates of vesting until their expiry on 6 April 2031.

In August 2021, the Company granted options under ESOS Scheme 2020 to subscribe for a total of 880,000 ordinary shares in the Company. The options will vest over four years in four equal annual tranches commencing from 19 August 2022 and are exercisable from their respective dates of vesting until their expiry on 19 August 2026.

As at 31 December 2021, out of the 3,042,500 options granted under the ESOS Scheme 2020, none of the options had vested, 425,000 options have been cancelled and 2,617,500 will vest between 2022 and 2025.

E. Notes to the unaudited condensed interim consolidated financial statements

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

Nanofilm Restricted Share Plan ("RSP 2021")

As at 31 December 2022, a total of 1,455,000 share awards were granted under the RSP 2021.

- 1) 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.
- 2) 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.
- 3) 438,000 share awards were granted on 26 August 2022. The share awards granted will vest over ten years in ten equal annual tranches commencing 26 August 2023.
- 4) 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.

As at 31 December 2022, out of the 1,455,000 share awards granted under the RSP 2021, 115,500 shares awards have been forfeited.

16 Borrowings

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Current</u>				
Bank loans	1,944	2,070	1,872	1,872
Lease liabilities	3,371	2,552	1,580	1,542
	<u>5,315</u>	<u>4,622</u>	<u>3,452</u>	<u>3,414</u>
<u>Non-current</u>				
Bank loans	24,412	26,211	24,412	26,128
Lease liabilities	16,841	15,279	8,041	9,034
	<u>41,253</u>	<u>41,490</u>	<u>32,453</u>	<u>35,162</u>
<u>Amount repayable in one year or less, or on demand</u>				
Secured	5,243	4,424	3,452	3,414
Unsecured	72	198	-	-
	<u>5,315</u>	<u>4,622</u>	<u>3,452</u>	<u>3,414</u>
<u>Amount repayable after one year</u>				
Secured	41,253	41,407	32,453	35,162
Unsecured	-	83	-	-
	<u>41,253</u>	<u>41,490</u>	<u>32,453</u>	<u>35,162</u>

E. Notes to the unaudited condensed interim consolidated financial statements

16 Borrowings (cont'd)

Details of any collateral

As at 31 December 2022, a bank loan amounting to 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 1.30% to 4.65% per annum based on a fixed interest spread and cost of fund.

Lease liabilities of the Group and the Company amounting to S\$20,212,000 (31 December 2021: S\$17,831,000) and S\$9,621,000 (31 December 2021: S\$10,576,000) respectively are secured by the leased properties and plant and machinery under the leasing arrangements.

17 Trade and Other Payables

	Group		Company	
	31/12/2022 S\$'000	31/12/2021 S\$'000	31/2/2022 S\$'000	31/12/2021 S\$'000
Trade payables:				
- Subsidiaries	-	-	994	423
- Third parties	21,656	20,829	999	1,955
	<u>21,656</u>	<u>20,829</u>	<u>1,993</u>	<u>2,378</u>
Other payables:				
- Accrued operating expenses	13,837	13,179	2,068	2,844
- Advances received from government	855	933	-	-
- VAT and other taxes payable	1,278	3,262	-	-
- Sundry creditors	10,144	22,298	1,330	-
- Due to subsidiaries	-	-	9	-
	<u>26,114</u>	<u>39,672</u>	<u>3,407</u>	<u>2,844</u>
Total current trade and other payables	<u>47,770</u>	<u>60,501</u>	<u>5,400</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 31 December 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).

E. Notes to the unaudited condensed interim consolidated financial statements

18 Dividends

	Group and Company	
	FY2022 S\$'000	FY2021 S\$'000
Ordinary dividends declared and payable:		
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	-
One-tier tax exempt interim dividend of a total of S\$0.010 per share payable in respect of the financial year ended 31 December 2021	-	6,585
	<u>13,834</u>	<u>6,585</u>

19 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	
	31/12/2022 S\$'000	31/12/2021 S\$'000	31/12/2022 S\$'000	31/12/2021 S\$'000
Property, plant and equipment	<u>10,968</u>	<u>4,321</u>	<u>6,367</u>	<u>569</u>

20 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			
	2H2022 S\$'000	2H2021 S\$'000	FY2022 S\$'000	FY2021 S\$'000
<u>Transactions with related parties</u>				
Sales	8,972	10,497	17,609	19,080
Purchases	5,880	13,025	11,580	18,559
Lease payments	99	105	205	209
Consultancy fee	<u>11</u>	<u>-</u>	<u>11</u>	<u>-</u>

E. Notes to the unaudited condensed interim consolidated financial statements

21 Other Financial Assets

	Group	
	31 December 2022 S\$'000	31 December 2021 S\$'000
<u>Equity Investments – at fair value through other comprehensive income</u>		
Investment in unquoted equity (non-current)	1,367	1,367
Investment in quoted equity (current)	1,896	-
	3,263	1,367
<u>Debt investment – at fair value through profit or loss</u>		
Structured deposit with a financial institution (current)	6,804	6,363
Convertible bond (non-current)	270	-
	7,074	6,363
Total	10,337	7,730

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 FY2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments. No dividend was recognised during FY2022. 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 represents investments that the Group intends to hold for strategic purposes. No strategic investments were disposed of during FY2022. 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).

The structured deposit is a capital protected deposit that represents investments that the Group intends to hold for the short-term and realised in January 2023 (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).

E. Notes to the unaudited condensed interim consolidated financial statements

22 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 31 December 2022 and 31 December 2021, the carrying amounts of these non-current assets and non-current liabilities approximate their fair values.

23 Subsequent events

There are no known subsequent events which have led to adjustments to this set of financial statements.

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 31 December 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, and (iii) Industrial Equipment BU and (iv) Sydrogen BU.

The Group's revenue for FY2022 was S\$237.4 million, registering a decrease of S\$9.3 million (-3.8%) from S\$246.7 million in FY2021, attributed by lower revenue from the Industrial Equipment BU and Advanced Materials BU. The decrease was partially offset by the increase in revenue from the Nanofabrication BU and the Sydrogen BU.

	FY2022 S\$'000	FY2021 S\$'000	Change %
Advanced Materials BU	187,219	194,269	(3.6)
Industrial Equipment BU	30,887	44,622	(30.8)
Nanofabrication BU	19,097	7,803	144.7
Sydrogen BU	203	-	n.m.
Total	237,406	246,694	(3.8)

n.m. – Not meaningful

Revenue – Advanced Materials BU

Revenue from the Advanced Materials BU for FY2022 was S\$187.2 million, a decrease of S\$7.1 million (-3.6%) from S\$194.3 million in FY2021, attributable to lower revenue contributions from 3C and Automotive product sub-segments.

Revenue – Industrial Equipment BU

Revenue from the Industrial Equipment BU for FY2022 revenue was S\$30.9 million, a decrease of S\$13.7 million (-30.8%) from S\$44.6 million in FY2021, attributable to lower sales of industrial equipment to third party 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 FY2022 revenue was S\$19.1 million, an increase of S\$11.3 million (144.7%) from S\$7.8 million in FY2021, primarily due to production ramp up.

Revenue – Sydrogen BU

Sydrogen BU recorded total sales of S\$203,000 for FY2022.

Gross profit

Gross profit for FY2022 was S\$111.4 million, a decrease of S\$10.8 million (-8.8%) from S\$122.2 million for FY2021. Gross profit margin was 46.9% for FY2022, a decrease from 49.5% for FY2021, driven by increased business costs from COVID-19 situation in China and higher depreciation expenses. It was estimated that the COVID-19 related expenses, one-off in nature, amounted to S\$2.5 million in FY2022.

GP margin would have been 48.0% for FY2022 if the one-off COVID-19 related expenses were excluded, and the decrease from FY2021 would have primarily been due to lower sales and higher depreciation expenses.

Other operating income

The breakdown for other operating income for FY2022 and FY2021 is as follows:

	FY2022 S\$'000	FY2021 S\$'000	Change %
Government grants and incentives	5,678	6,530	(13.0)
Sundry income	780	543	43.6
Scrap sales	183	127	44.1
Gain on disposal of property, plant and equipment	54	18	200.0
Total	6,695	7,218	(7.2)

n.m. - Not meaningful

Other operating income was S\$6.7 million for FY2022, a decrease of S\$0.5 million (-7.2%) from S\$7.2 million for FY2021. This was primarily due to a decrease in government grants and incentives received related to financial subsidies from the Qingpu Local Authority, Shanghai.

Finance income

Finance income was S\$1.6 million for FY2022, an increase of S\$0.6 million (60.3%) from S\$1.0 million for FY2021. This was primarily due to interest income generated from higher interest rate from fixed deposits.

Research & development and engineering expenses

Research & development and engineering expenses were S\$21.9 million for both FY2022 and FY2021, mainly consisting of the expenses in R&D and new product development activities.

Selling and distribution expenses

Selling and distribution expenses were S\$7.8 million for FY2022, an increase of S\$1.2 million (18.7%) from S\$6.6 million for FY2021, primarily due to an increase in staff cost to accelerate business development and sales efforts.

Administrative expenses

Administrative expenses were S\$42.5 million for FY2022, an increase of S\$9.8 million (30.3%) from S\$32.7 million for FY2021. This was primarily due to an increase of S\$2.8 million in staff costs to execute the Group's business expansion plan, Restricted Shares Award expenses of S\$1.0 million, an increase of S\$1.9 million in depreciation and amortisation expenses, an increase of S\$0.7 million in IT maintenance fee, an increase of S\$0.6 million of office repair and maintenance and an increase of S\$0.6 million of exchange loss.

Finance costs

Finance costs were S\$1.2 million for FY2022, an increase of S\$0.5 million (73.6%) from S\$0.7 million for FY2021. This was primarily due to higher interest expenses from a long term property bank loan and lease liabilities pertaining to leasehold land and rental of equipment.

Other Information Required by Listing Rule Appendix 7.2

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

Impairment loss on trade receivables and contract assets

Impairment loss on trade receivables and contract assets was S\$0.1 million (FY2021: S\$1.3 million write back of allowance on trade receivables and contract assets) primarily due to there was a recovery of impairment loss from customer in the Industrial Equipment BU and a decrease in expected credit loss of the Group's trade receivables and contract assets in FY2021.

Income tax

Income tax for FY2022 was S\$2.8 million, a decrease of S\$4.5 million (-61.4%) from S\$7.3 million for FY2021, primarily due to (i) lower profit for the year, (ii) lower tax expenses from foreign subsidiary due to utilization of prior year tax losses (iii) tax deduction for the cost incurred from the treasury shares vested to employees.

Profit after income tax

As a result of the above factors, the Group's net profit has decreased by S\$19.2 million (-30.8%) to S\$43.3 million for FY2022 from S\$62.5 million for FY2021. This includes the COVID-19 related expenses incurred of S\$2.5 million and lower government grant received of S\$0.9 million.

Profit after tax and minority interests (PATMI)

PATMI has decreased by 29.6% after excluding loss attributable to non-controlling interests of S\$0.5 million.

Adjusting for the impact of COVID-19 related expenses and its tax impact, PATMI would have been S\$45.9 million, a decrease of S\$16.3 million (-26.2%) from S\$62.2 million for FY2021.

	FY2022	FY2021	Change
	S\$'000	S\$'000	%
PATMI	43.8	62.2	(29.6)
COVID-19 related expenses	2.5	-	n.m.
Tax deduction from COVID-19 expenses	(0.4)	-	n.m.
Adjusted PATMI	45.9	62.2	(26.2)

n.m. - Not meaningful

Adjusted EBITDA

The Group's adjusted EBITDA decreased by S\$15.2 million (-15.9%) to S\$80.5 million for FY2022 from S\$95.7 million for FY2021.

Advanced Material BU's adjusted EBITDA for FY2022 was S\$68.2 million, a drop of S\$12.3 million (-15.3%) from S\$80.5 million in FY2021, mainly due to lower sales coupled with higher indirect labour costs offset by the decrease in material cost.

Industrial Equipment BU's adjusted EBITDA for FY2022 was S\$7.6 million, a decrease of S\$7.5 million (-49.5%) from S\$15.1 million in FY2021, mainly due to drop in sales of industrial equipment and less favorable product mix in FY2022.

Nanofabrication BU's adjusted EBITDA for FY2022 was S\$6.3 million, an increase of S\$6.1 million (3,222.8%) from S\$0.2 million in FY2021, mainly due to higher sales as a result of production ramp up.

Syrogen BU's adjusted EBITDA for FY2022 was a loss of S\$1.6 million in FY2022 (FY2021: nil) primarily due to higher expenses incurred to ramp up its R&D and product development capabilities and expansion of the sales team.

REVIEW OF THE GROUP'S FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment was at S\$289.2 million as at 31 December 2022, a decrease of S\$1.0 million (-0.3%) from S\$290.2 million as at 31 December 2021, primarily due to additions of S\$56.9 million in FY2022 and partially offset by depreciation of S\$28.9 million charged to profit or loss, exchange differences of S\$21.6 million due to translation difference of plant and machinery as a result of depreciation of Renminbi against Singapore dollar and equipment transfer to inventory of S\$4.6 million.

Other Information Required by Listing Rule Appendix 7.2

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

Property, plant and equipment (cont'd)

The property, plant and equipment additions of the Group for FY2022 were as follows:

	FY2022 S\$'000
Plant and machinery	17,099
Building and renovation	7,948
Construction in-progress	27,788
Office and other equipment	4,006
Tools and supplies	13
Total⁽¹⁾	56,854

Note:

(1) The additions included S\$6.1 million acquired under right-of-use assets under the leasing arrangements. In FY2022, the cash outflow on purchase of property, plant and equipment amounted to S\$50.8 million.

Capital expenditure relating to plant and machinery was mainly attributable to the increased number of coating service equipment in China and Singapore. Higher addition of coating service equipment in China was because of the expansion of business operations. During the year, the Group recognised S\$2.6 million right-of-use assets for rental of additional plant and machinery in China.

Capital expenditure relating to building and renovation was mainly attributable to the upgrade of existing building by Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd ("NRE") of S\$3.5 million and the recognition of right-of-use assets. During the current period, the Group recognised S\$2.5 million and S\$0.8 million right-of-use assets for rental of factory units in Singapore and China respectively.

Capital expenditure relating to construction in-progress was mainly attributable to the construction costs incurred by NRE in relation to the Shanghai Plant 2, construction in-progress for plant, machinery for China and Japan and renovation-in-progress for Singapore. During the current period, the Group transferred S\$29.2 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 was at S\$19.6 million as at 31 December 2022, an increase of S\$9.7 million (98.0%) from S\$9.9 million as at 31 December 2021, primarily due to capitalization of development costs of S\$10.6 million partially offset by amortisation of S\$1.7 million charged to profit or loss in FY2022.

Deferred tax assets

Deferred tax assets were at S\$3.2 million as at 31 December 2022, an increase of S\$1.8 million (128.6%) from S\$1.4 million as at 31 December 2021, was due to the provision of deferred tax asset arising from unrealized profit within the group of S\$1.3 million and prior year under-provision of deferred tax assets of S\$0.5 million.

Inventories

Inventories were at S\$18.4 million as at 31 December 2022, an increase of S\$1.0 million (5.7%) from S\$17.4 million as at 31 December 2021, mainly due to work in progress for Industrial Equipment BU and build-up of inventories for orders fulfilment for Advanced Materials BU customers.

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

Trade receivables were at S\$82.8 million as at 31 December 2022, a decrease of S\$7.8 million (-8.6%) from S\$90.6 million as at 31 December 2021 was primarily due to the decrease in sales.

Other receivables were at S\$6.7 million as at 31 December 2022, an increase of S\$1.2 million (21.8%) from S\$5.5 million as at 31 December 2021. The net increase in other receivables was mainly due to the increase in sundry debtors of S\$0.4 million primarily due to government grant and incentive receivable, the increase in GST/VAT receivables of S\$0.6 million primarily due to the addition in plant and equipment for use in business and the increase in deposit of S\$0.2m.

Other current assets represented mainly prepayments and advances to suppliers which was at S\$11.0 million as at 31 December 2022, an increase of S\$0.2 million (1.9%) from S\$10.8 million as at 31 December 2021. The increase in other current assets was mainly due to increase in advances to suppliers for purchases of plant and equipment by the Company's subsidiaries in Singapore.

Other Information Required by Listing Rule Appendix 7.2

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

Trade and other receivables and other current assets, and contract assets – Current (cont'd)

Contracts assets were S\$12.7 million as at 31 December 2022, a decrease of S\$8.8 million (-40.9%) from S\$21.5 million as at 31 December 2021 because of lower sales and billing by customer on the Group for orders that were completed in the prior year.

Other financial assets

Other financial assets were at S\$10.3 million as at 31 December 2022, an increase of S\$2.6 million from S\$7.7 million as at 31 December 2021, due to the increase of S\$1.9 million in quoted equity and the increase in debt investment of S\$0.7 million.

Bank loans

Bank loans were at S\$26.4 million as at 31 December 2022, a decrease of S\$1.9 million from S\$28.3 million as at 31 December 2021. The decrease in bank loans was due to repayments of loan during the year.

Lease liabilities

Lease liabilities were at S\$20.2 million as at 31 December 2022, an increase of S\$2.4 million from S\$17.8 million as at 31 December 2021. The increase was due to recognition of S\$6.1 million lease liabilities for the new lease contracts entered by the Company for the rental of factory units and new lease contracts entered for the rental of equipment by subsidiaries of the Group in China and offset against derecognition of lease liabilities of S\$0.3 million by the Company for factory units in Singapore and principal payment of lease liabilities of S\$3.3 million during the twelve months ended 31 December 2022.

Trade and other payables, and contract liabilities

Trade payables were at S\$21.7 million as at 31 December 2022, an increase of S\$0.9 million (4.3%) from S\$20.8 million as at 31 December 2021.

Other payables were at S\$26.1 million as at 31 December 2022, a decrease of S\$13.6 million (-34.3%) from S\$39.7 million as at 31 December 2021. The decrease in other payables is mainly attributable to a decrease in sundry creditors from S\$22.3 million as at 31 December 2021 to S\$10.1 million as at 31 December 2022 due to lower outstanding payables on plant & machineries, and a decrease in VAT and other tax payable from S\$3.3 million as at 31 December 2021 to S\$1.3 million as at 31 December 2022, mainly due to lower sales invoices billed in FY2022 (as compared to FY2021), offset against the accrued operating expenses from S\$13.2 million as at 31 December 2021 to S\$13.8 million as at 31 December 2022. Included in the accrued operating expenses were mainly the accrued staff costs of S\$11.2 million as at 31 December 2022 (31 December 2021: S\$11.0 million) and others.

Contract liabilities relate to the Group's obligation to transfer goods to customers for which the Group had received consideration. Contract liabilities are recognised as revenue as the Group performs under the contract. Contract liabilities were at S\$1.4 million as at 31 December 2022, a decrease of S\$1.2 million (-46.2%) from S\$2.6 million as at 31 December 2021.

Provision for taxation

Provision for taxation was S\$2.6 million as at 31 December 2022, a decrease of S\$3.2 million from S\$5.8 million as at 31 December 2021. The decrease was mainly due to the lower provision of income tax for current year of S\$3.3 million.

Translation reserve

Translation reserve was -S\$19.4 million as at 31 December 2022, a decrease of S\$31.5 million from S\$12.1 million as at 31 December 2021. The decrease was mainly due to the 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 FY2022 and FY2021.

Net cash generated from operating activities amounted to S\$72.4 million for FY2022, mainly attributed to the following:

- Operating cash flows before working capital changes of S\$79.0 million;
- Net interest received of S\$1.0 million; and
- Income tax paid of S\$7.7 million.

Other Information Required by Listing Rule Appendix 7.2

REVIEW OF THE GROUP'S CASH FLOWS (cont'd)

Net cash used in investing activities amounted to S\$68.9 million for FY2022, primarily due to the renovation of the Shanghai Plant 2 and purchase of property, plant and equipment amounting to S\$50.8 million, additions to intangible assets of S\$11.4 million for development costs and computer software, addition to an investment in an associated company of S\$4.1 million and addition to other financial assets of S\$9.2 million, offset against the redemption from investment in financial assets of S\$6.4 million.

Net cash used in financing activities amounted to S\$27.9 million for FY2022, primarily due to the payment for share buy-back of S\$12.7 million and dividend payment of S\$13.8 million, repayment of bank loans and lease liabilities of S\$5.2 million. The cash outflows were offset by contribution of capital by non-controlling interests of S\$1.8 million and S\$1.6 million received from treasury share re-issued under the ESOS 2017.

As at 31 December 2022, cash and cash equivalents amounted to S\$147.8 million, a decrease of S\$28.4 million from S\$176.2 million as at 31 December 2021.

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 in respect of the Group's financial results for FY2022. The Group remains focused on executing its strategy to deliver sustainable growth and achieving its previously announced 2025 targets of S\$500 million in revenue and S\$100 million in net profit after tax and minority interest.

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.**

FY2022 was a challenging year for operations as the Group found itself navigating through numerous unforeseen obstacles and changes, such as from supply chain disruptions and the abrupt change in China's Zero-COVID-19 policy. For the year in review, the percentage decrease in revenue was lower than the decrease in profits due to one-off costs of approximately S\$2.5 million related to COVID-19 restrictions, a net loss of approximately S\$1.6 million incurred by Sydrogen, and fixed indirect costs that could not be reduced in tandem with the reduction in revenue.

Notwithstanding such near-term issues, the Group has continued to invest in R&D innovation and New Product Introduction ("NPI") projects, expand its production footprint, implement cost reduction measures, accelerate decentralisation efforts while optimising its BU structure to move towards its set medium-term targets. All of these are necessary investments and initiatives in laying a firm foundation that allows Nanofilm to be uniquely positioned as the leading nanotechnology materials company.

The Group is sanguine about the outlook of the markets it serves, backed by its strong fundamentals and differentiated solutions rooted in its deep-tech platform and operational excellence. Furthermore, the Group is cautiously optimistic that some of the operational risks and costs associated with the COVID-19 restrictions would not recur in FY2023.

In 2023, the management expects its operating environment to remain challenging given the uncertain macro environment while business opportunities exist in its target markets.

Despite this and barring any unforeseen circumstances, the Group remains focused on executing its strategy to deliver sustainable growth and on achieving its medium-term 2025 targets of S\$500 million in revenue and S\$100 million in net profit after tax and minority interest. The growth path towards the 2025 Target is realistically expected to be non-linear.

ApexTech

The production site of Sichuan Apex Technologies Co., Ltd ("ApexTech") at Zigong, Sichuan, is undergoing renovation and fitting out works, and these are expected to be completed by 1H2023. ApexTech is working towards commissioning and qualifying its initial production lines in 2H2023, with the aim of commencing the initial coating of metal components used in Electric Vehicles' ("EV") battery systems in 2H2023.

ApexTech is on-track to commence its mass production in FY2024. With the world pivoting towards electrification, the Group firmly believes that ApexTech will be well positioned to capture opportunities in the increasing adoption of EVs.

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)

Sydrogen Energy

Sydrogen had recognised its maiden revenue from the provisioning of coating services in FY2022. Its proprietary advanced material, SydroDIAMOND™, that is applied on metallic bipolar plates, continues to gain traction and interest from Chinese and non-Chinese players.

The initial revenue contribution from coated BPP sales to a leading automotive customer is expected to commence in 2H2023. The Group is cognisant that the market is still embryonic; however, Sydrogen has commenced working towards increasing its BPP coating capacity for future mass production lines in order to increase efficiency and throughput.

Beyond the automotive application, Sydrogen is exploring distributed power applications for hydrogen fuel cells with Memorandums of Understanding (“MoU”) signed with City Energy Pte. Ltd. and ST Telemedia Global Data Centres. However, the Group does not expect any material contribution from distributed power applications in the near-term.

Vietnam Production Expansion

The Group has signed an agreement to acquire an approximately 45,000 square metre land, approximately 15 minutes away from the current production premises of Nanofabrication Business Unit (“NFBU”). The land acquisition cost is approximately US\$4 million. The new production site will house multiple BUs, with NFBU as its anchor BU.

The planned renovation and fitting out works for the new production site will be divided into three phases. The first phase entails the building and fitting out of a three-storey building with gross floor area of approximately 15,000 square metres. The Group expects completion of the first phase in late 2023 and for NFBU to commence production at the new site by late-2H2023.

6 Dividend Information

(a) Current Financial Period Reported on

The Company had paid the following tax-exempt (one-tier) interim dividend to shareholders.

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

The Directors have recommended the following final tax exempt (one-tier) dividend to be paid to shareholders for the financial year ended 31 December 2022, subject to shareholders' approval at the Annual General Meeting of the Company to be held on 28 April 2023.

Name of dividend	Final tax-exempt (one-tier) dividend
Date of Payment	18 May 2023
Dividend Type	Cash
Dividend Amount	S\$0.011 per ordinary share
Total amount payable	S\$7.2 million

Other Information Required by Listing Rule Appendix 7.2

6 Dividend Information (cont'd)

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

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

Name of dividend	Final tax-exempt (one-tier) dividend
Date of Payment	20 May 2022
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

18 May 2023

(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 9 May 2023, 5.00 pm. Duly completed transfers in respect of ordinary shares received by the Company's Shares Registrar up to 5.00 pm on 9 May 2023 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 9 May 2023 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.

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)
		FY2022 S\$'000
上海纳曦餐饮管理有限公司 ("Na Xi")	Note ⁽¹⁾	366

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)	Last announced balance as at 30 September 2022	Amount utilised from 1 October 2022 to 31 December 2022	Balance
	S\$'000	S\$'000	S\$'000	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	43,382	3,403	39,979
R&D & engineering for entry into new end industries and new areas and/or products in existing business segments	50,000	19,768	3,925	15,843
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	4,160	4,160	-
General corporate and working capital purposes	20,900	-	-	-
Payment of underwriting commissions and offering expenses	9,100	(505)	-	(505)
	200,000	66,805	11,488	55,317

11 Additional information pursuant to Rule 706A of the Listing Manual

Pursuant to Rule 706A of the Listing Manual, the Company wishes to announce the following acquisitions of shares and incorporations which have resulted in changes in the Company's subsidiaries during the six-month period ended 31 December 2022 and up to the date of this announcement.

(1) Acquisition of shares in Nanofilm Advanced Materials Co., Ltd.

On 19 August 2022, Nanofilm Advanced Materials Pte. Ltd., a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Mr Kyozo Tominaga ("**Seller**") to acquire 100% of the issued share capital comprising 250 common shares of Nanofilm Advanced Materials Co., Ltd. at a consideration of JYP 10 million. Nanofilm Advanced Materials Co., Ltd. is a company established under the laws of Japan and is in the principal business of coating processing by vacuum deposition technology.

The consideration for the acquisition was arrived at on a willing-seller, willing-buyer basis after arms' length negotiations between Nanofilm Advanced Materials Pte. Ltd. and the Seller, after taking into account, amongst others, the business potential of Nanofilm Advanced Materials Co., Ltd. and net tangible asset of S\$101,000. The consideration was fully satisfied in cash by the Company on behalf of Nanofilm Advanced Materials Pte. Ltd.

Other Information Required by Listing Rule Appendix 7.2

11 Additional information pursuant to Rule 706A of the Listing Manual (cont'd)

(2) Incorporation of Sydrogen Enterprise Management (Shanghai) Co., Ltd

On 30 August 2022, Sydrogen (Shanghai) Technology Co., Ltd, incorporated a China subsidiary, Sydrogen Enterprise Management (Shanghai) Co., Ltd with a registered capital of RMB100,000. The principal activity of Sydrogen Enterprise Management (Shanghai) Co., Ltd is the provision of consulting services, technological services and sales of electronics and equipment.

(3) Incorporation of Sichuan Apex Technologies Co., Ltd.

On 28 September 2022, Nanofilm Vacuum Coating (Shanghai) Co., Ltd, a wholly owned subsidiary of the Company, entered into a joint venture contract with Shenzhen Everwin Precision Technology Co., Ltd and Shanghai Hongshi Enterprise Management Partnership (Limited Partnership) to set up a joint venture company, Sichuan Apex Technologies Co., Ltd.. Sichuan Apex Technologies Co., Ltd. was incorporated on 19 October 2022 with an initial registered capital of RMB50,000,000 (comprising cash injection of (i) RMB 30 million by Nanofilm Vacuum Coating (Shanghai) Co., Ltd (60%); and (ii) RMB 15 million by Shenzhen Everwin Precision Technology Co., Ltd (30%); and (iii) RMB 5 million by Shanghai Hongshi Enterprise Management Partnership (Limited Partnership) (10%). The principal activity of Sichuan Apex Technologies Co., Ltd is the 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.

(4) Incorporation of Nanofilm Vacuum Coating (Huizhou) Co., Ltd

On 10 October 2022, Nanofilm Vacuum Coating (Shanghai) Co., Ltd, a wholly-owned subsidiary of the Company, incorporated a China subsidiary, Nanofilm Vacuum Coating (Huizhou) Co., Ltd with a registered capital of RMB20,000,000. The principal activity of Nanofilm Vacuum Coating (Huizhou) Co., Ltd is provision of vacuum coatings.

Other Information Required by Listing Rule Appendix 7.2

12 Additional information pursuant to Rule 704(13) of the Listing Manual

Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Mdm Jin Xiao Qun	57	Spouse of Dr Shi Xu	<p><u>Position:</u> She has held various positions since joining the Company on 2 June 2008 and was subsequently appointed as Assistant Vice President of the Company on 1 January 2015, and as Vice President on 1 January 2018. On 1 April 2022, Mdm Jin ceased to be an employee of the Group.</p> <p><u>Duties:</u> Responsible for the Company's corporate affairs and project manager of the Company's production facilities. She is also responsible for the overall oversight for Shanghai Plant 1 and the on-going renovation of Shanghai Plant 2.</p>	On 1 April 2022, Mdm Jin ceased to be an employee of the Group.
Mr Jin Xiaozhe	47	Brother of Jin Xiao Qun	<p><u>Position:</u> He holds various positions since he joined the Company on 1 July 1999 and was subsequently appointed as Vice President of Advanced Materials BU in 2010. In January 2021, he was also appointed as General Manager of NRE.</p> <p><u>Duties:</u> Responsible for Business Development and Sales for Advanced Materials BU in China.</p>	No changes during the year. In January 2021, Mr Jin was also appointed as General Manager of NRE.

ON BEHALF OF THE BOARD

Dr Shi Xu
Executive Chairman

Gary Ho Hock Yong
Executive Director and Chief Executive Officer

21 February 2023