



Nanofilm Technologies International Limited

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 (“1H2023”)

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.....	4
C. Unaudited condensed interim statements of changes in equity	5
D. Unaudited condensed interim consolidated statement of cash flows	8
E. Notes to the unaudited condensed interim consolidated financial statements	9
F. Other information required by Listing Rule Appendix 7.2	29

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

		Group		
	Note	1H2023 S\$'000	1H2022 S\$'000	Change %
Revenue	5	73,152	111,294	(34.4)
Cost of sales		(49,711)	(61,280)	(18.9)
Gross profit		<u>23,441</u>	<u>50,014</u>	(53.1)
Other operating income		1,443	1,871	(22.9)
Finance income		1,177	622	89.2
Expenses:				
Research & development and engineering ⁽¹⁾		(7,254)	(10,302)	(29.6)
Selling and distribution		(3,716)	(3,769)	(1.4)
Administrative		(21,902)	(18,541)	18.1
Finance		(951)	(493)	92.9
Share of loss of associate		(47)	-	n.m.
(Loss)/profit before income tax	6	<u>(7,809)</u>	<u>19,402</u>	n.m.
Income tax expenses	7	(50)	(1,212)	(95.8)
(Loss)/profit after income tax		<u>(7,859)</u>	<u>18,190</u>	n.m.
Other comprehensive income/ (loss), net of tax				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange difference arising from translation of foreign operations		(15,473)	(8,415)	83.9
Fair value gain/(losses) from equity investments		131	(60)	n.m.
Total comprehensive (loss)/income for the period		<u>(23,201)</u>	<u>9,715</u>	n.m.
(Loss)/profit attributable to:				
Equity holders of the Company		(7,649)	18,804	n.m.
Non-controlling interests		(210)	(614)	(65.8)
		<u>(7,859)</u>	<u>18,190</u>	n.m.
Total comprehensive (loss)/income attributable to:				
to:				
Equity holders of the Company		(22,348)	10,498	n.m.
Non-controlling interests		(853)	(783)	8.9
		<u>(23,201)</u>	<u>9,715</u>	n.m.
Adjusted EBITDA	4	<u>10,360</u>	<u>37,580</u>	(72.4)
(Loss)/earnings per share attributable to the equity holders of the Company (cents)				
Basic (loss)/earnings per share	8	(1.17)	2.86	n.m.
Diluted earnings per share	8	(1.17)	2.84	n.m.

n.m. – Not meaningful

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

B. Unaudited condensed interim statements of financial position

	Note	Group		Company	
		30/6/2023 S\$'000	31/12/2022 S\$'000	30/6/2023 S\$'000	31/12/2022 S\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	282,110	289,151	55,147	54,133
Land use rights		16,610	12,030	-	-
Intangible assets	10	27,635	19,607	6,025	6,273
Investment in subsidiaries	11	-	-	118,812	112,025
Investment in associate	12	3,986	4,033	-	-
Other receivables and other non-current assets	13	-	-	78,409	80,769
Other financial assets	21	1,637	1,637	-	-
Deferred tax assets		3,370	3,223	-	-
		<u>335,348</u>	<u>329,681</u>	<u>258,393</u>	<u>253,200</u>
Current assets					
Inventories		21,726	18,429	7,121	5,808
Trade and other receivables, and other current assets	13	58,537	100,570	13,147	18,549
Contract assets/Accrued receivables		14,235	12,655	-	-
Cash and bank balances		127,358	147,830	23,445	56,269
Other financial assets	21	-	8,700	-	-
		<u>221,856</u>	<u>288,184</u>	<u>43,713</u>	<u>80,626</u>
Total assets		<u>557,204</u>	<u>617,865</u>	<u>302,106</u>	<u>333,826</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	(33,347)	(17,521)	(33,347)	(17,521)
Reserves		140,123	169,379	29,549	41,128
		<u>373,703</u>	<u>418,785</u>	<u>263,129</u>	<u>290,534</u>
Non-controlling interests		45,426	45,686	-	-
Total equity		<u>419,129</u>	<u>464,471</u>	<u>263,129</u>	<u>290,534</u>
Non-current liabilities					
Bank loans	16	23,476	24,412	23,476	24,412
Lease liabilities	16	18,391	16,841	7,791	8,041
Other creditors	17	53,457	53,100	-	-
Deferred tax liabilities		1,341	1,350	1,278	1,278
		<u>96,665</u>	<u>95,703</u>	<u>32,545</u>	<u>33,731</u>
Current liabilities					
Trade and other payables	17	34,305	47,770	2,512	5,400
Contract liabilities/Advanced receipts		1,527	1,388	539	230
Bank loans	16	1,872	1,944	1,872	1,872
Lease liabilities	16	2,718	3,371	1,057	1,580
Provisions		464	644	350	377
Provision for taxation		524	2,574	102	102
		<u>41,410</u>	<u>57,691</u>	<u>6,432</u>	<u>9,561</u>
Total liabilities		<u>138,075</u>	<u>153,394</u>	<u>38,977</u>	<u>43,292</u>
Total equity and liabilities		<u>557,204</u>	<u>617,865</u>	<u>302,106</u>	<u>333,826</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 2023	266,927	(17,521)	(19,381)	7,002	(64,083)	245,841	418,785	45,686	464,471
Loss for the period	-	-	-	-	-	(7,649)	(7,649)	(210)	(7,859)
Other comprehensive (loss)/income	-	-	(14,830)	-	131	-	(14,699)	(643)	(15,342)
Total comprehensive (loss)/income for the period	-	-	(14,830)	-	131	(7,649)	(22,348)	(853)	(23,201)
Transfer of statutory reserve	-	-	-	-	-	-	-	-	-
Transactions with equity holders, recognised directly in equity									
- Dividends (Note 18)	-	-	-	-	-	(7,137)	(7,137)	-	(7,137)
- Purchase of treasury shares	-	(16,129)	-	-	-	-	(16,129)	-	(16,129)
- Treasury shares re- issued under ESOS Scheme	-	303	-	-	(303)	-	-	-	-
- Adjustment on employee share options	-	-	-	-	307	-	307	-	307
- Adjustment on restricted share plan	-	-	-	-	225	-	225	-	225
- Contribution of capital by non-controlling interest (Note 11e)	-	-	-	-	-	-	-	593	593
Total transactions with equity holders	-	(15,826)	-	-	229	(7,137)	(22,734)	593	(22,141)
At 30 June 2023	266,927	(33,347)	(34,211)	7,002	(63,723)	231,055	373,703	45,426	419,129

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\$7.1 million was the one-tier final dividend paid on 18 May 2023 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 2022	266,927	(15,241)	12,082	6,507	(57,033)	216,361	429,603	45,374	474,977
Profit for the period	-	-	-	-	-	18,804	18,804	(614)	18,190
Other comprehensive (loss)/income	-	-	(8,246)	-	(60)	-	(8,306)	(169)	(8,475)
Total comprehensive (loss)/income for the period	-	-	(8,246)	-	(60)	18,804	10,498	(783)	9,715
Transactions with equity holders, recognised directly in equity									
- Dividends (Note 18)	-	-	-	-	-	(6,577)	(6,577)	-	(6,577)
- Purchase of treasury shares	-	(6,903)	-	-	-	-	(6,903)	-	(6,903)
- Adjustment on employee share options	-	-	-	-	173	-	173	-	173
- Adjustment on restricted share awards	-	-	-	-	105	-	105	-	105
Total transactions with equity holders	-	(6,903)	-	-	278	(6,577)	(13,202)	-	(13,202)
At 30 June 2022	266,927	(22,144)	3,836	6,507	(56,815)	228,588	426,899	44,591	471,490

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 2023	266,927	(17,521)	(11,810)	52,938	290,534
Loss for the period	-	-	-	(4,671)	(4,671)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(4,671)	(4,671)
Transactions with equity holders, recognised directly in equity					
- Dividends (Note 18)	-	-	-	(7,137)	(7,137)
- Purchase of treasury shares	-	(16,129)	-	-	(16,129)
- Treasury shares re-issued under ESOS Scheme	-	303	(303)	-	-
- Adjustment on employee share options	-	-	307	-	307
- Adjustment on restricted share plan	-	-	225	-	225
Total transactions with equity holders	-	(15,826)	229	(7,137)	(22,734)
At 30 June 2023	266,927	(33,347)	(11,581)	41,130	263,129
At 1 January 2022					
	266,927	(15,241)	(4,395)	64,588	311,879
Profit for the period	-	-	-	6,446	6,446
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	6,446	6,446
Transactions with equity holders, recognised directly in equity					
- Dividends (Note 18)	-	-	-	(6,577)	(6,577)
- Buy-back of ordinary shares	-	(6,903)	-	-	(6,903)
- Adjustment on employee share options	-	-	173	-	173
- Adjustment on restricted share awards	-	-	105	-	105
Total transactions with equity holders	-	(6,903)	278	(6,577)	(13,202)
At 30 June 2022	266,927	(22,144)	(4,117)	64,457	305,123

Note:

Other reserves consist of share option reserve and other reserve.

Dividends of S\$7.1 million was the one-tier final dividend paid on 18 May 2023 in respect of the financial year ended 31 December 2022.

D. Unaudited condensed interim consolidated statement of cash flows

	Note	Group	
		1H2023 S\$'000	1H2022 S\$'000
Cash Flows from Operating Activities			
(Loss)/profit before income tax		(7,809)	19,402
Adjustments for:			
Depreciation of property, plant and equipment		15,434	14,754
Amortisation of land use rights		134	147
Amortisation of intangible assets		1,402	698
Finance expenses		951	493
Finance income		(1,177)	(622)
Provision for warranties		167	165
Reversal of provision for warranties		(296)	(245)
Write off/loss on disposal of property, plant and equipment		653	41
Expense recognised in respect of share-based payments and share options granted		555	279
Exchange differences – unrealised		216	(332)
Share of loss of associate		47	-
Operating cash flows before working capital changes		10,277	34,780
Inventories		(2,775)	2,107
Trade, other receivables and other current assets (include contract assets)		35,535	26,752
Trade, other payables and provisions (include contract liabilities)		(11,445)	(22,699)
Cash generated from operations		31,592	40,940
Interest paid		(657)	(154)
Interest received		1,177	622
Income tax paid		(2,141)	(5,615)
Net cash generated from operating activities		29,971	35,793
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(17,241)	(20,316)
Proceeds from disposal of property, plant and equipment		-	18
Proceeds from disposal of financial asset		2,027	-
Additions to intangible assets		(8,956)	(4,138)
Additions to land use rights		(5,216)	-
Additions to other financial assets		-	(16,397)
Redemption from investment in financial assets		6,535	-
Net cash used in investing activities		(22,851)	(40,833)
Cash Flows from Financing Activities			
Contribution of capital by non-controlling interests		593	-
Advances received for re-issuance of treasury shares under ESOS Scheme 2017		150	1,538
Payment for buy-back of shares		(16,129)	(6,903)
Repayment of bank loans		(927)	(873)
Payment of lease liabilities		(2,080)	(1,694)
Decrease in fixed deposits pledged with banks		-	446
Dividends paid		(7,137)	(6,577)
Net cash used in financing activities		(25,530)	(14,063)
Net decrease in cash and cash equivalents		(18,410)	(19,103)
Cash and cash equivalents at the beginning of the period		147,830	176,164
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		(2,062)	(1,059)
Cash and cash equivalents at the end of the period		127,358	156,002

E. Notes to the unaudited condensed interim consolidated financial statements

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

1 General Information

Nanofilm Technologies International Limited (the “**Company**”) is a public company limited by shares, incorporated and domiciled in Singapore. The Company’s registered address and its principal place of business are 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 30 June 2023 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 30 June 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The unaudited condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last interim financial statements for the six-month period ended 31 December 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 2022, except for the adoption of new and amendments to SFRS(I) that are effective as of 1 January 2023 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 2022.

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 2022, 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 measures 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 Share determined based on discounted value in use calculations. The put option liability is recorded at the present value of the redemption amount as at 30 June 2023.

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. |
| Sydragen 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
1H2023						
Revenue from external customers	59,271	8,850	4,654	377	-	73,152
Inter-segment sales	-	5,601	-	-	(5,601)	-
	<u>59,271</u>	<u>14,451</u>	<u>4,654</u>	<u>377</u>	<u>(5,601)</u>	<u>73,152</u>
Adjusted EBITDA	<u>8,798</u>	<u>2,247</u>	<u>(50)</u>	<u>(635)</u>	<u>-</u>	<u>10,360</u>
<u>Other information</u>						
Depreciation	12,734	977	976	747	-	15,434
Amortisation of land use rights	104	16	13	1	-	134
Amortisation of intangible assets	1,059	225	88	30	-	1,402
Write off/loss/ (gain) on disposal of property, plant and equipment	654	(1)	-	-	-	653
Listing expenses –						
Recurring	18	3	1	-	-	22
Share option expenses	249	37	18	3	-	307
Award share expenses under RSP 2021	201	29	15	2	-	247
Provision for warranties	-	167	-	-	-	167
Reversal of provision for warranties	-	(296)	-	-	-	(296)
At 30 June 2023						
<u>Assets</u>						
Segment assets	331,924	54,195	16,632	18,102	-	420,853
Cash and bank balances						127,358
Other financial assets						1,637
Investment in associate						3,986
Deferred tax assets						<u>3,370</u>
						<u>557,204</u>
Segment assets include:						
Additions to non-current assets:						
- Property, plant and equipment	16,787	1,976	934	1,027	-	20,724
- Land use rights	5,216	-	-	-	-	5,216
- Intangible assets	<u>6,688</u>	<u>640</u>	<u>37</u>	<u>1,591</u>	<u>-</u>	<u>8,956</u>
<u>Liabilities</u>						
Segment liabilities	43,212	10,608	1,757	2,185	-	57,762
Bank loans						25,348
Deferred tax liabilities						1,341
Other creditors (non-current)						53,100
Provision for taxation						<u>524</u>
						<u>138,075</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
1H2022						
Revenue from external customers	84,528	19,452	7,299	15	-	111,294
Inter-segment sales	-	5,741	-	-	(5,741)	-
	<u>84,528</u>	<u>25,193</u>	<u>7,299</u>	<u>15</u>	<u>(5,741)</u>	<u>111,294</u>
Adjusted EBITDA	<u>28,771</u>	<u>7,137</u>	<u>2,843</u>	<u>(1,171)</u>	<u>-</u>	<u>37,580</u>
<u>Other information</u>						
Depreciation	13,079	818	768	89	-	14,754
Amortisation of land use rights	142	-	5	-	-	147
Amortisation of intangible assets	316	350	32	-	-	698
COVID-19 related expenses	2,395	66	-	-	-	2,461
Write off/loss on disposal of property, plant and equipment	41	-	-	-	-	41
Listing expenses – Recurring	20	22	-	-	-	42
Award share expenses under RSP 2021	63	42	-	-	-	105
Provision for warranties	-	165	-	-	-	165
Reversal of provision for warranties	-	(245)	-	-	-	(245)
At 30 June 2022						
<u>Assets</u>						
Segment assets	378,206	32,581	17,987	5,047	-	433,821
Cash and bank balances						156,002
Other financial assets						23,785
Deferred tax assets						2,623
						<u>616,231</u>
Segment assets include:						
Additions to non-current assets:						
- Property, plant and equipment	21,205	1,010	300	635	-	23,150
- Intangible assets	1,300	504	-	2,334	-	4,138
<u>Liabilities</u>						
Segment liabilities	46,805	10,901	2,264	463	-	60,433
Bank loans						27,378
Deferred tax liabilities						1,278
Other creditors (non-current)						53,100
Provision for taxation						2,552
						<u>144,741</u>

E. Notes to the unaudited condensed interim consolidated financial statements

4 Operating Segment Information (cont'd)

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

	Group	
	1H2023	1H2022
	S\$'000	S\$'000
Adjusted EBITDA ⁽¹⁾ for reportable segments	10,360	37,580
Depreciation	(15,434)	(14,754)
Amortisation	(1,536)	(845)
Write off/Loss on disposal of property, plant and equipment	(653)	(41)
COVID-19 related expenses ⁽²⁾	-	(2,461)
Other professional fees	(525)	(101)
Award shares expenses under Restricted Share Plan 2021	(247)	(105)
Finance income	1,177	622
Finance expenses	(951)	(493)
(Loss)/profit before income tax	(7,809)	19,402
Income tax expenses	(50)	(1,212)
(Loss)/profit after income tax	(7,859)	18,190

Note:

- (1) Net profit before interest, tax, depreciation and amortisation (EBITDA).
- (2) COVID-19 related expenses were idle manpower and increased freight charges incurred during the COVID-19 lockdown in Shanghai for the month of April and May 2022.

Revenue from external customers based on the Group's entities' place of business are as follows:

	Group	
	1H2023	1H2022
	S\$'000	S\$'000
Singapore	15,010	21,464
China	52,032	78,653
Japan	6,107	11,142
Vietnam	3	35
Total revenue	73,152	111,294

E. Notes to the unaudited condensed interim consolidated financial statements

5 Revenue

(a) Revenue by business segment

	Group	
	1H2023	1H2022
	S\$'000	S\$'000
Advanced materials	59,271	84,528
Industrial equipment	8,850	19,452
Nanofabrication	4,654	7,299
Sydrigen	377	15
Total	73,152	111,294

(b) Disaggregation of revenue from contracts with customers

	Group	
	1H2023	1H2022
	S\$'000	S\$'000
Performance obligations satisfied at a point in time		
Sale of equipment	2,352	15,263
Sale of products and spare parts	10,165	11,129
	<u>12,517</u>	<u>26,392</u>
Performance obligations satisfied over time		
Service rendered	57,571	84,902
Sale of equipment	3,064	-
	<u>60,635</u>	<u>84,902</u>
Total	73,152	111,294

E. Notes to the unaudited condensed interim consolidated financial statements

6 Profit before Income Tax

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

	Group	
	1H2023	1H2022
	S\$'000	S\$'000
Finance expense on:		
- bank loans	581	182
- lease liabilities	370	311
Finance income from:		
- bank deposits	(1,177)	(622)
Material items included in expenses/other operating income:		
Government grants and incentives	(629)	(859)
Depreciation of property, plant and equipment	15,434	14,754
Amortisation of land use rights	134	147
Amortisation of intangible assets	1,402	698
Listing expenses - Recurring	22	42
Staff costs (including directors' remuneration)		
- Salaries and related costs	35,604	40,141
- Contribution to defined contribution plans	2,588	2,581
- Share option expenses	307	173
- Award shares expenses	248	105
Write off/ loss on disposal of property, plant and equipment	653	41
Exchange loss/(gain)	187	(584)
Provision for warranties	167	165
Reversal of provision for warranties	(296)	(245)

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	
	1H2023	1H2022
	S\$'000	S\$'000
Income tax:		
- Current period	243	2,343
- (Over)/ under provision in prior years	(264)	63
	(21)	2,406
Deferred tax:		
- Current period	71	(629)
- Under provision of deferred tax assets in prior years	-	(565)
	50	1,212

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:

	Group	
	1H2023	1H2022
(Loss)/profit for the period attributable to equity holders of the Company (S\$'000)	(7,649)	18,804
Weighted average number of ordinary shares ('000)	653,892	657,815
Basic (loss)/earnings per share (cents)	(1.17)	2.86

(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:

	Group	
	1H2023	1H2022
(Loss)/profit for the period attributable to equity holders of the Company (S\$'000)	(7,649)	18,804
Weighted average number of ordinary shares ('000)	653,892	657,815
Adjustments for ('000):		
- Share options	460	2,633
- Restricted share plan	1,229	744
	655,581	661,192
Diluted (loss)/earnings per share (cents)	(1.17)	2.84

9 Net Asset Value

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Net assets value (S\$'000)	373,703	418,785	263,129	290,534
Number of shares ('000)	646,997	657,398	646,997	657,398
Net asset value per share (cents)	57.76	63.70	40.67	44.19

E. Notes to the unaudited condensed interim consolidated financial statements

10 Property, Plant and Equipment and Intangible assets

During the six months ended 30 June 2023, the Group acquired property, plant and equipment amounting to S\$20,724,000 (1H2022: S\$23,150,000) and disposed of property, plant and equipment amounting to S\$483,000 (1H2022: S\$199,000). The additions to property, plant and equipment included S\$3,483,000 (1H2022: S\$2,834,000) acquired under right-of-use assets under leasing arrangement. The disposal of property, plant and equipment included derecognition of right-of-use assets amounting to S\$483,000 (1H2022: S\$118,000). The Group derecognised the corresponding lease liabilities in the same period.

During the six months ended 30 June 2023, the Group added land use rights amounting to S\$5,216,000 (1H2022: Nil) and intangible assets amounting to S\$8,956,000 (1H2022: S\$4,138,000).

11 Investment in Subsidiaries

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

During the six months ended 30 June 2023, the Company carried out the following capital injections and incorporation of subsidiary:

On 27 February 2023, the Company incorporated a wholly owned subsidiary in Vietnam, Nanofilm Technologies Vietnam Co., Ltd, with a charter capital of USD5,000,000 (equivalent to S\$6,769,000). The principal business of Nanofilm Technologies Vietnam Co., Ltd, is processing of coating by vacuum deposition technology. The registered capital contribution of USD 5,000,000 (equivalent to S\$6,769,000) in Nanofilm Technologies Vietnam Co., Ltd. was fully paid up by 19 May 2023.

E. Notes to the unaudited condensed interim consolidated financial statements

12 Investment in Associate

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
	S\$'000	S\$'000	S\$'000	S\$'000
Investment in associate	3,986	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 of America	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 a stake of 21.9% comprising 30,000,000 shares of preferred stock in Zulu Inc. at a consideration of US\$3,000,000. The purchase was completed on 15 February 2022. Concurrently, on 16 February 2022, the Company subscribed for 4,061,100 new ordinary shares in the capital of Nanofilm Investments Pte. Ltd., for an aggregate consideration of S\$4,061,100. The purpose of the capital injection was to fund the subscription of the 30,000,000 shares of preferred stock in Zulu Inc..

Nanofilm Investments Pte. Ltd. has 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:

- 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
- Zulu Inc. will receive no less than US\$3,000,000 in investment proceeds

The exercise period is at any time from and including the date of the agreement (dated 21 January 2022) up to and including the date which is the fifth anniversary thereof (21 January 2027).

The following table summarises the financial information of Zulu Inc. as 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	
	30/06/2023	31/12/2022
Percentage ownership interest	21.9%	21.9%
Non-current assets	661	654
Current assets	1,520	1,735
Current liabilities	(588)	(582)
Net assets of the associate	1,593	1,807
Proportion of the Group's ownership in Zulu Inc.	21.9%	21.9%
Group's share of net assets	349	396
Goodwill	3,637	3,637
Carrying amount of the Group's interest in Zulu Inc.	3,986	4,033
Revenue	2	326
Loss for the year	(214)	(128)

E. Notes to the unaudited condensed interim consolidated financial statements

13 Trade and Other Receivables, and Other Current Assets

	Group		Company	
	<u>30/06/2023</u> S\$'000	<u>31/12/2022</u> S\$'000	<u>30/06/2023</u> S\$'000	<u>31/12/2022</u> S\$'000
Current				
Trade receivables:				
- Third parties	45,225	83,198	6,055	4,987
- Loss allowance	(362)	(362)	(30)	(30)
	44,863	82,836	6,025	4,957
- Subsidiaries	-	-	4,684	5,778
- Loss allowance	-	-	(120)	(120)
	-	-	4,564	5,658
	44,863	82,836	10,589	10,615
Other receivables:				
- Deposits	616	553	383	401
- GST/VAT and other taxes receivable	1,919	2,136	338	470
- Due from subsidiaries	-	-	818	4,696
- Sundry debtors	1,001	4,036	59	1,777
	3,536	6,725	1,598	7,344
Other current assets:				
- Prepayments	1,010	775	277	165
- Advances to suppliers	9,128	10,234	683	425
	10,138	11,009	960	590
Total current	58,537	100,570	13,147	18,549
Non-current				
Other receivables:				
- Loan due from a subsidiary	-	-	78,409	80,769
Gross amount	-	-	80,568	83,138
Less: Fair value adjustment to investment in a Group's subsidiary	-	-	(6,036)	(6,036)
Add: Accumulated imputed interest recognised in profit or loss, net of exchange differences	-	-	3,877	3,667
Total non-current	-	-	78,409	80,769

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\$818,000 as at 30 June 2023, a decrease of S\$3,878,000 from S\$4,696,000 as at 31 December 2022. The net decrease in the amounts due from subsidiaries was due to the conversion of the short-term loan into a new long-term loan agreement (non-current). The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

Non-current

As at 30 June 2023, 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			
	As at 30 June 2023		As at 31 December 2022	
	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	663,443	266,927
At 30 June	663,443	266,927	663,443	266,927
<u>Treasury shares</u>				
At 1 January	6,045	17,521	3,755	15,241
Purchase of treasury shares	10,512	16,129	5,027	12,683
Treasury shares re-issued under Employee Share Option Scheme	-	-	(2,737)	(10,403)
Treasury shares re-issued under Restricted Share Plan 2021	(111)	(303)	-	-
At 30 June	16,446	33,347	6,045	17,521
Total issued shares excluding treasury shares	646,997	233,580	657,398	249,406

Treasury shares

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

For the six months period ended 30 June 2023, the Company held 16,446,600 treasury shares, representing 2.54% of the total number of issued ordinary shares (excluding treasury shares) comprising 646,996,510 shares as at 30 June 2023.

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.

During the six months period ended 30 June 2023, the Group purchased 10,511,900 shares from the open market and hold them as treasury shares; in the period, the Group transferred 110,800 treasury shares for the vesting and release of shares pursuant to the Nanofilm Restricted Share Plan ("RSP 2021").

Subsidiary holdings

There were no holdings in the Company by any subsidiary as at 30 June 2023, 30 June 2022 and 31 December 2022.

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 30 June 2023 and 30 June 2022, 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 1.1.2023	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 30.06.2023	Exercise price S\$	Date of expiry
2 April 2018	-	-	-	-	-	0.5927	2 April 2023
3 December 2018	100,000	-	-	-	100,000	0.5868	9-27 December 2024
3 March 2019	-	-	-	-	-	0.5868	18-28 March 2025
3 June 2019	90,000	-	-	-	90,000	0.5868	16-18 June 2025
1 July 2020	566,000	-	-	-	566,000	0.5868	30 June 2026
	<u>756,000</u>	-	-	-	<u>756,000</u>		

Date of grant of options	Options outstanding at 1.1.2022	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 30.06.2022	Exercise price S\$	Date of expiry
2 April 2018	1,700,000	-	-	-	1,700,000	0.5927	2 April 2023
3 December 2018	511,000	-	-	-	511,000	0.5868	9-27 December 2024
3 March 2019	159,000	-	-	-	159,000	0.5868	18-28 March 2025
3 June 2019	190,000	-	-	-	190,000	0.5868	16-18 June 2025
1 July 2020	1,032,000	-	-	-	1,032,000	0.5868	30 June 2026
	<u>3,592,000</u>	-	-	-	<u>3,592,000</u>		

As at 30 June 2023, 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 30 June 2022, out of the 3,592,000 outstanding options granted under the ESOS Scheme 2017, 2,860,000 had vested and 732,000 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 30 June 2023 and 30 June 2022, 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 1.1.2023	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 30.06.2023	Exercise price S\$	Date of expiry
26 March 2021	730,500	-	(10,000)	-	720,500	4.9279	26 March 2031
6 April 2021	610,000	-	-	-	610,000	5.1135	6 April 2026 & 6 April 2031
19 August 2021	530,000	-	-	-	530,000	4.1185	19 August 2026
31 March 2022	2,325,000	-	(250,000)	-	2,075,000	2.6907	31 March 2027
	<u>4,195,500</u>	-	<u>(260,000)</u>	-	<u>3,935,500</u>		

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

As at 30 June 2023, out of the 3,935,500 options granted under the ESOS Scheme 2020, 465,125 had vested and 3,470,375 will vest between 2023 and 2026.

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

Nanofilm Restricted Share Plan (“RSP 2021”)

As at 30 June 2023, 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 30 June 2023, out of the 1,455,000 share awards granted under the RSP 2021, 115,500 shares awards have been forfeited and 110,800 shares were vested and released pursuant to the RSP 2021.

E. Notes to the unaudited condensed interim consolidated financial statements

16 Borrowings

	Group		Company	
	30/06/2023 S\$'000	31/12/2022 S\$'000	30/06/2023 S\$'000	31/12/2022 S\$'000
<u>Current</u>				
Bank loans	1,872	1,944	1,872	1,872
Lease liabilities	2,718	3,371	1,057	1,580
	<u>4,590</u>	<u>5,315</u>	<u>2,929</u>	<u>3,452</u>
<u>Non-current</u>				
Bank loans	23,476	24,412	23,476	24,412
Lease liabilities	18,391	16,841	7,791	8,041
	<u>41,867</u>	<u>41,253</u>	<u>31,267</u>	<u>32,453</u>
<u>Amount repayable in one year or less, or on demand</u>				
Secured	4,590	5,243	2,929	3,452
Unsecured	-	72	-	-
	<u>4,590</u>	<u>5,315</u>	<u>2,929</u>	<u>3,452</u>
<u>Amount repayable after one year</u>				
Secured	41,867	41,253	31,267	32,453
Unsecured	-	-	-	-
	<u>41,867</u>	<u>41,253</u>	<u>31,267</u>	<u>32,453</u>

Details of any collateral

As at 30 June 2023, a bank loan amounting to S\$25,348,000 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\$21,109,000 (31 December 2022: S\$20,212,000) and S\$8,848,000 (31 December 2022: S\$9,621,000) respectively are secured by the leased properties and plant and machinery under the leasing arrangements.

E. Notes to the unaudited condensed interim consolidated financial statements

17 Trade and Other Payables

	Group		Company	
	30/06/2023 S\$'000	31/12/2022 S\$'000	30/06/2023 S\$'000	31/12/2022 S\$'000
Trade payables:				
- Subsidiaries	-	-	484	994
- Third parties	15,187	21,656	583	999
	<u>15,187</u>	<u>21,656</u>	<u>1,067</u>	<u>1,993</u>
Other payables:				
- Accrued operating expenses	9,683	13,837	1,133	2,068
- Advances received from government	972	855	150	-
- VAT and other taxes payable	1,882	1,278	4	-
- Sundry creditors	6,581	10,144	157	1,330
- Due to subsidiaries	-	-	1	9
	<u>19,118</u>	<u>26,114</u>	<u>1,445</u>	<u>3,407</u>
Total current trade and other payables	<u>34,305</u>	<u>47,770</u>	<u>2,512</u>	<u>5,400</u>
Other creditors:				
- Put option liability	53,100	53,100	-	-
- Advances received from government	357	-	-	-
Total non-current other creditors	<u>53,457</u>	<u>53,100</u>	<u>-</u>	<u>-</u>

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

The non-current other payables of \$53,100,000 as at 30 June 2023 and 31 December 2022 was attributed to a financial liability to acquire non-controlling interest. Arising from the investment in Sydrogen Energy Pte. Ltd., the financial liability relates to a put option agreement with Venezio Investments Pte Ltd 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).

18 Dividends

	Group and Company	
	1H2023 S\$'000	1H2022 S\$'000
Ordinary dividends declared and payable:		
One-tier tax exempt final dividend of a total of S\$0.011 per share paid on 18 May 2023 in respect of the financial year ended 31 December 2022	7,137	-
One-tier tax exempt 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
	<u>7,137</u>	<u>6,577</u>

E. Notes to the unaudited condensed interim consolidated financial statements

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	
	30/06/2023 S\$'000	31/12/2022 S\$'000	30/06/2023 S\$'000	31/12/2022 S\$'000
Property, plant and equipment	8,743	10,968	3,255	6,367

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	
	1H2023 S\$'000	1H2022 S\$'000
<u>Transactions with related parties</u>		
Sales	11,785	8,637
Purchases	9,311	5,700
Lease payments	75	106

21 Other Financial Assets

	Group	
	As at 30 June 2023 S\$'000	As At 31 December 2022 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
	1,367	3,263
<u>Debt investment – at fair value through profit or loss</u>		
Structured deposit with a financial institution (current)	-	6,804
Convertible bond (non-current)	270	270
	270	7,074
Total	1,637	10,337

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 1H2023, and there were no transfers of any cumulative gain or loss within equity relating to these investments. No dividend was recognised during 1H2023. 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).

E. Notes to the unaudited condensed interim consolidated financial statements

21 Other Financial Assets (cont'd)

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 investment in quoted equity has been disposed in 1H2023.

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. 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).

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 30 June 2023 and 31 December 2022, the carrying amounts of these non-current assets and non-current liabilities approximate their fair values.

E. Notes to the unaudited condensed interim consolidated financial statements

23 Subsequent events

(a) Acquisition of shares in Wizture Technologies (Yizheng) Co., Ltd

Wizture Technologies (Yizheng) Co., Ltd was 80% owned by Wizture Holdings Pte Ltd, a wholly-owned subsidiary of the Company, and the balance 20% was held by a third party joint venture partner. On 26 July 2023, Wizture Holdings Pte Ltd acquired the 20% of the registered capital of Wizture Technologies (Yizheng) Co., Ltd from the third party joint venture partner at a consideration of RMB 9,412,000. After the acquisition, Wizture Technologies (Yizheng) Co., Ltd became a wholly-owned subsidiary of Wizture Holdings Pte. Ltd.

The consideration for the acquisition was arrived at after taking into account the registered capital contribution by the third party joint venture partner of RMB 9,000,000, nominal return on the cost of investment of the third party joint venture partner of 2% per annum and net book value of Wizture Technologies (Yizheng) Co., Ltd of RMB36,041,000. The consideration was fully satisfied in cash.

(b) Incorporation of Nanofilm Advanced Materials India Pte. Ltd.

On 7 July 2023, Nanofilm Advanced Materials Pte. Ltd., a wholly-owned subsidiary of the Company, incorporated a subsidiary in Singapore, Nanofilm Advanced Materials India Pte. Ltd. with an initial paid-up capital of S\$1.00. The principal activity of Nanofilm Advanced Materials India Pte. Ltd. is that of a holding company.

(c) Incorporation of Nanofilm Advanced Materials India Private Limited

On 20 July 2023, Nanofilm Advanced Materials India Pte. Ltd., a wholly-owned subsidiary of the Company, incorporated a subsidiary in India, Nanofilm Advanced Materials India Private Limited, with a share capital of INR 100,000 divided into 10,000 shares of INR10.00 each, which are subscribed as to 9,900 shares by Nanofilm Advanced Materials India Pte. Ltd. and the balance 100 shares by Nanofilm Advanced Materials Pte. Ltd.. The principal activities of Nanofilm Advanced Materials India Private Limited are to provide thin film deposition services and equipment and ancillary technical, maintenance, repair and overhaul services.

(d) Incorporation of Nanofilm Technologies Europe B.V.

On 20 July 2023, the Company incorporated a wholly-owned subsidiary in the Netherlands, Nanofilm Technologies Europe B.V., with an initial capital of EUR 1.00. The principal activity of Nanofilm Technologies Europe B.V. is that of a holding company.

Other Information Required by Listing Rule Appendix 7.2

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

The condensed consolidated statement of financial position of Nanofilm Technologies International Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position of the Company as at 30 June 2023 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 1H2023 was S\$73.2 million, registering a decrease of S\$38.1 million (-34.3%) from S\$111.3 million in 1H2022, attributed by lower revenue from the Industrial Equipment BU, Advanced Materials BU and Nanofabrication BU. The decrease was partially offset by the increase in revenue from the Sydrogen BU.

	1H2023 S\$'000	1H2022 S\$'000	Change %
Advanced Materials BU	59,271	84,528	(29.9)
Industrial Equipment BU	8,850	19,452	(54.4)
Nanofabrication BU	4,654	7,299	(36.2)
Sydrogen BU	377	15	n.m.
Total	73,152	111,294	(34.3)

n.m. – Not meaningful

Revenue – Advanced Materials BU

Revenue from the Advanced Materials BU for 1H2023 was S\$59.3 million, a decrease of S\$25.2 million (-29.9%) from S\$84.5 million in 1H2022, attributable to lower revenue contributions from 3C product sub-segments.

Revenue – Industrial Equipment BU

Revenue from the Industrial Equipment BU for 1H2023 revenue was S\$8.9 million, a decrease of S\$10.6 million (-54.4%) from S\$19.5 million in 1H2022, 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 1H2023 revenue was S\$4.7 million, a decrease of S\$2.6 million (-36.2%) from S\$7.3 million in 1H2022, attributable to lower sales of consumer electronics sectors.

Revenue – Sydrogen BU

Revenue from the Sydrogen BU for 1H2023 revenue was S\$0.4 million, an increase of S\$0.4 million from S\$15,000 in 1H2022, primarily due to production ramp-up from new projects.

Gross profit

Gross profit for 1H2023 was S\$23.4 million, a decrease of S\$26.6 million (-53.1%) from S\$50.0 million for 1H2022. Gross profit margin was 32.0% for 1H2023, a decrease from 44.9% for 1H2022, primarily due to lower sales.

Other operating income

The breakdown for other operating income for 1H2023 and 1H2022 is as follows:

	1H2023 S\$'000	1H2022 S\$'000	Change %
Government grants and incentives	629	859	(26.8)
Sundry income	652	380	71.5
Scrap sales	119	48	149.0
Exchange gains, net	-	584	n.m.
Gain on disposal of property, plant and equipment	43	-	n.m.
Total	1,443	1,871	(22.9)

n.m. - Not meaningful

Other operating income was S\$1.4 million for 1H2023, a decrease of S\$0.5 million (-22.9%) from S\$1.9 million for 1H2022. This was primarily due to an exchange loss for 1H2023 in comparison to an exchange gain attained in 1H2022.

Finance income

Finance income was S\$1.2 million for 1H2023, an increase of S\$0.6 million (89.2%) from S\$0.6 million for 1H2022. 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\$7.3 million for 1H2023, a decrease of S\$3.0 million (-29.6%) from S\$10.3 million for 1H2022, primarily due to higher capitalisation of development costs in 1H2023.

Selling and distribution expenses

Selling and distribution expenses were S\$3.7 million for 1H2023, a decrease of S\$0.1 million (-1.4%) from S\$3.8 million for 1H2022, primarily due to lower sales related expenses.

Administrative expenses

Administrative expenses were S\$21.9 million for 1H2023, an increase of S\$3.4 million (18.1%) from S\$18.5 million for 1H2022. This was primarily due to an increase of S\$1.2 million in depreciation and amortisation expenses mainly for Singapore Corporate Office, additional expenses incurred for new entities and addition in property, plant and equipment, an increase of S\$1.1 million in professional and consultancy fees, an increase of S\$0.7 million of loss on disposal/write off of fixed assets, an increase of S\$0.2 million in repair and maintenance and an increase of S\$0.2 million of exchange loss.

Finance costs

Finance costs were S\$1.0 million for 1H2023, an increase of S\$0.5 million (92.9%) from S\$0.5 million for 1H2022. 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)

Income tax

Income tax for 1H2023 was S\$50,000, a decrease of S\$1.2 million (-95.8%) from S\$1.2 million for 1H2022, primarily due to losses in 1H2023 in most of the entities within the Group compared to a profit in 1H2022.

Profit after income tax

As a result of the above factors, the Group registered a net loss of S\$7.9 million for 1H2023 from a profit of S\$18.2 million for 1H2022.

Profit after tax and minority interests (PATMI)

PATMI was S\$7.6 million after excluding loss attributable to non-controlling interests of S\$0.2 million.

Adjusted EBITDA

The Group's adjusted EBITDA decreased by S\$27.2 million (-72.4%) to S\$10.4 million for 1H2023 from S\$37.6 million for 1H2022.

Advanced Material BU's adjusted EBITDA for 1H2023 was S\$8.8 million, a drop of S\$20.0 million (-69.4%) from S\$28.8 million in 1H2022, mainly due to lower sales in 3C subsegments.

Industrial Equipment BU's adjusted EBITDA for 1H2023 was S\$2.2 million, a decrease of S\$4.9 million (-69.0%) from S\$7.1 million in 1H2022, mainly due to drop in sales of industrial equipment.

Nanofabrication BU's adjusted EBITDA for 1H2023 was a loss of S\$50,000, from a profit of S\$2.8 million in 1H2022, mainly due to lower sales and increase in operating expenses.

Sydrogen BU's adjusted EBITDA for 1H2023 was a loss of S\$0.6 million, an increase of S\$0.6 million (50.0%) from a loss of S\$1.2 million in 1H2022, mainly due to decrease in operating expenses.

REVIEW OF THE GROUP'S FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment was at S\$282.1 million as at 30 June 2023, a decrease of S\$7.1 million (-2.4%) from S\$289.2 million as at 31 December 2022, primarily due to additions of S\$20.7 million in 1H2023 and partially offset by depreciation of S\$15.4 million charged to profit or loss, exchange differences of S\$9.0 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\$1.1 million.

The property, plant and equipment additions of the Group for 1H2023 were as follows:

	1H2023 S\$'000
Plant and machinery	2,726
Building and renovation	2,488
Construction in-progress	13,424
Office and other equipment	1,942
Tools and supplies	144
Total⁽¹⁾	20,724

Note:

⁽¹⁾ The additions included S\$3.5 million acquired under right-of-use assets under the leasing arrangements. In 1H2023, the cash outflow on purchase of property, plant and equipment amounted to S\$17.2 million.

Other Information Required by Listing Rule Appendix 7.2

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

Capital expenditure relating to plant and machinery was mainly attributable to the increase in right-of-use assets for rental of additional plant and machinery in China of S\$2.5 million as at 30 June 2023.

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\$1.0 million, Singapore corporate office and factory of S\$0.3 million and the recognition of right-of-use assets for rental of factory units in China of S\$1.0 million as at 30 June 2023.

Capital expenditure relating to construction in-progress was mainly attributable to the renovation-in-progress of existing plants and buildings by subsidiaries in China and the Company and construction in-progress for plant and machinery for China. During the current period, the Group transferred S\$43.4 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.

Capital expenditure relating to office and other equipment was mainly attributable to the increase in office, IT and other equipment in China of S\$1.0 million and IT hardware in Singapore of S\$0.3 million as at 30 June 2023.

Intangible assets

Intangible assets were at S\$27.6 million as at 30 June 2023, an increase of S\$8.0 million (40.9%) from S\$19.6 million as at 31 December 2022, primarily due to capitalization of development costs of S\$8.6 million partially offset by amortisation of S\$1.4 million charged to profit or loss in 1H2023.

Deferred tax assets

Deferred tax assets were at S\$3.4 million as at 30 June 2023, an increase of S\$0.2 million (4.6%) from S\$3.2 million as at 31 December 2022, due to the provision of deferred tax asset arising from unrealized profit within the Group of S\$0.2 million.

Inventories

Inventories were at S\$21.7 million as at 30 June 2023, an increase of S\$3.3 million (17.9%) from S\$18.4 million as at 31 December 2022, mainly due to build-up of inventories for orders fulfilment for Industrial Equipment BU and Nanofabrication BU.

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

Trade receivables were at S\$44.9 million as at 30 June 2023, a decrease of S\$37.9 million (-45.8%) from S\$82.8 million as at 31 December 2022, primarily due to the decrease in sales.

Other receivables were at S\$3.5 million as at 30 June 2023, a decrease of S\$3.2 million (-47.4%) from S\$6.7 million as at 31 December 2022. The net decrease in other receivables was mainly due to the decrease in sundry debtors of S\$3.0 million primarily due to government grant, incentives received and less accrual in 1H2023.

Other current assets represented mainly prepayments and advances to suppliers which was at S\$10.1 million as at 30 June 2023, a decrease of S\$0.9 million (7.9%) from S\$11.0 million as at 31 December 2022. The decrease in other current assets was mainly due to decrease in advances to suppliers for purchases of plant and equipment by the Company's subsidiaries in China.

Contracts assets were S\$14.2 million as at 30 June 2023, an increase of S\$1.5 million (12.5%) from S\$12.7 million as at 31 December 2022 mainly due to work completed but not billed in 1H2023.

Other financial assets

Other financial assets were at nil as at 30 June 2023, a decrease of S\$8.7 million from S\$8.7 million as at 31 December 2022, due to the sale of investment in quoted equity and the release of structured deposit in 1H2023.

Bank loans

Bank loans were at S\$25.3 million as at 30 June 2023, a decrease of S\$1.1 million from S\$26.4 million (-3.8%) as at 31 December 2022. The decrease in bank loans was due to repayments of loan during the year.

Other Information Required by Listing Rule Appendix 7.2

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

Lease liabilities

Lease liabilities were at S\$21.1 million as at 30 June 2023, an increase of S\$0.9 million from S\$20.2 million (4.4%) as at 31 December 2022. The increase was due to recognition of S\$3.5 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, offset against derecognition of lease liabilities of S\$0.5 million by the Company for factory units in Singapore and principal payment of lease liabilities of S\$2.1 million during the six months ended 30 June 2023.

Trade and other payables, and contract liabilities

Trade payables were at S\$15.2 million as at 30 June 2023, a decrease of S\$6.5 million (-29.9%) from S\$21.7 million as at 31 December 2022. The decrease was primarily due to the payment made to suppliers.

Other payables were at S\$19.1 million as at 30 June 2023, a decrease of S\$7.0 million (-26.8%) from S\$26.1 million as at 31 December 2022. The decrease in other payables is mainly attributable to a decrease in sundry creditors of S\$3.5 million due to lower outstanding payables on plant & machineries, and the decrease of accrued operating expenses of S\$4.1 million due to decrease in accrued staff cost, offset against the increase in VAT and other tax payable of S\$0.6 million.

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\$1.5 million as at 30 June 2023, an increase of S\$0.1 million (10.0%) from S\$1.4 million as at 31 December 2022.

Provision for taxation

Provision for taxation was S\$0.5 million as at 30 June 2023, a decrease of S\$2.1 million from S\$2.6 million as at 31 December 2022. The decrease was mainly due to the income tax payments of S\$2.1 million.

Translation reserve

Translation reserve was -S\$34.2 million as at 30 June 2023, an increase of translation loss from -S\$19.4 million as at 31 December 2022. This was mainly due to the depreciation of Chinese Renminbi against Singapore Dollar that resulted in a translation loss 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 1H2023 and 1H2022.

Net cash generated from operating activities amounted to S\$30.0 million for 1H2023, mainly attributable to the following:

- Operating cash flows before working capital changes of S\$10.3 million;
- Working capital changes of S\$21.3 million;
- Net interest received of S\$0.5 million;
- Income tax paid of S\$2.1 million; and

Net cash used in investing activities amounted to S\$22.9 million for 1H2023, primarily due to the renovation carried out at China and Singapore, construction-in-progress, purchase of property, plant and equipment and office and other equipment amounting to S\$17.2 million, additions to intangible assets of S\$9.0 million for development costs, computer software and patents, additions to land use rights of S\$5.2 million, and offset against the redemption from investment in financial assets of S\$6.5 million and proceeds from disposal of financial assets of S\$2.0 million.

Net cash used in financing activities amounted to S\$25.5 million for 1H2023, primarily due to the payment for share buy-back of S\$16.1 million and dividend payment of S\$7.1 million, repayment of bank loans and lease liabilities of S\$3.0 million. The cash outflows were offset by contribution of capital by non-controlling interests of S\$0.6 million and S\$0.2 million from advances received for treasury shares re-issued under the ESOS 2017.

As at 30 June 2023, cash and cash equivalents amounted to S\$127.4 million, a decrease of S\$20.4 million from S\$147.8 million as at 31 December 2022.

Other Information Required by Listing Rule Appendix 7.2

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

The financial results are in line with the forecast statement disclosed in the Company's profit guidance announcement for the six months ended 30 June 2023, released on 10 July 2023.

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

The operating environment remains challenging, especially dampening demand for consumer electronics, and exacerbated by the macroeconomic environment and geopolitical tensions, negatively impacted the Group's revenue. Lower revenue coupled with a higher cost base for the Group, mainly from a combination of increased manpower and higher depreciation expenses^[1] incurred for future growth capacity and business initiatives, have resulted in weaker financial performance.

The challenging business climate has weighed on the Group's customers, particularly IEBU customers who remain tight on capital expenditure. On the other hand, the 3C consumer business (AMBU and NFBU) inventory rebalancing is improving. However, demand and production volume for the peak season in 2H2023 will be predicated on end-consumer interest in upcoming new product launches.

To mitigate the impacts of the challenging business environment, the Group has implemented cost reduction measures in manpower, overheads, and other operating expenses in areas involving streamlining business processes. These cost management measures, while on-going, will be balanced against 2H2023 peak production requirements and new business initiatives.

The Group continues to explore ways, including its share buyback scheme and dividends, to create shareholder value and as a signal of confidence in its long-term prospects.

Nanofilm has long upheld a commitment to Environmental, Social, and Governance (ESG) principles, ingraining them within the Company's culture and strategic framework. This steadfast dedication to ESG factors underscores Nanofilm's continuous exploration of innovative green and sustainable initiatives across its diverse business endeavours.

The Group remains fully focused on delivering its long-term growth through the execution of its market expansion strategy to countries and continents like Vietnam, India and Europe. This will focus on the three key end-markets of Consumer, Industrial, and New Energy and will be driven through multiple business models such as Equipment Sale, Coating as a Service, Components Production, and Value Chain Integration.

The Group remains steadfast in executing its longer-term objective, incurring necessary investments now so that it will be better positioned to capture opportunities down the road. This will be achieved through continued investments into R&D and Engineering to maintain its technological and innovation edge, such as investing in the Advanced Technology Research Centre in Singapore; and making investments for geographical and customer diversification.

Further, the mid to long-term prospects for the Group remain strong, especially with new segments such as New Energy with respect to green plating applications on Electric Vehicle connectors and Industrial end-markets expected to contribute from FY2024 onwards.

Looking ahead to 2H2023, barring any unforeseen circumstances, revenue is expected to be higher than 1H2023, driven by seasonality peak production for the consumer segment. However, 2H2023 will not be comparable to 2H2022 due to the uncertain macro environment. The full-year profitability of the Group is subject to the level of demand from end-consumers in the upcoming new 3C product launches and customers' capital expenditures not further tightened.

[1] Includes land, building and equipment

Other Information Required by Listing Rule Appendix 7.2

6 Dividend Information

(a) Current Financial Period Reported on

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

Name of dividend	Interim tax-exempt (one-tier) dividend
Date of Payment	8 September 2023
Dividend Type	Cash
Dividend Amount	S\$0.0033 per ordinary share
Total amount payable	S\$2.1 million

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

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

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

(c) The date the dividend is payable

8 September 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 30 August 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 30 August 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 30 August 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.

Other Information Required by Listing Rule Appendix 7.2

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

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

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

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (including transactions less than S\$100,000)
		1H2023
		S\$'000
上海纳曦餐饮管理有限公司		
("Na Xi")	Note ⁽¹⁾	177

Note:

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

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

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

Other Information Required by Listing Rule Appendix 7.2

10 Use of IPO Proceeds

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

	Amount allocated (as disclosed in the Prospectus) S\$'000	Last announced balance as at 28 February 2023 S\$'000	Amount utilised from 1 March 2023 to 30 June 2023 S\$'000	Balance S\$'000
Capital expenditure on development and building of new machinery for Advanced Materials BU and purchase of new machinery to support Nanofabrication BU	90,000	39,004	2,699	36,305
R&D & engineering for entry into new end industries and new areas and/or products in existing business segments	50,000	14,189	11,051	3,138
Construction, refurbishment and renovation of new and existing production facilities				
- Renovation (including refurbishment, furniture and fittings) of Shanghai Plant 2	20,000	-	-	-
- Construction, refurbishment and renovation of new and existing production facilities	10,000	-	-	-
General corporate and working capital purposes	20,900	-	-	-
Payment of underwriting commissions and offering expenses	9,100	(505)	-	(505)
	200,000	52,688	13,750	38,938

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 30 June 2023 and up to the date of this announcement.

Incorporation of Nanofilm Technologies Vietnam Co., Ltd

On 27 February 2023, the Company incorporated a wholly owned subsidiary in Vietnam, Nanofilm Technologies Vietnam Co., Ltd, with a charter capital of USD5,000,000 (equivalent to S\$6,769,000). The principal business of Nanofilm Technologies Vietnam Co., Ltd, is the processing of coating by vacuum deposition technology. The registered capital contribution of USD 5,000,000 (equivalent to S\$6,769,000) in Nanofilm Technologies Vietnam Co., Ltd. was fully paid up by 19 May 2023.

For acquisitions of shares in subsidiaries and incorporations which have resulted in changes in the Company's subsidiaries for the period from 1 July 2023 to the date of this announcement, please refer to Note 23 of this announcement on Subsequent Events.

Other Information Required by Listing Rule Appendix 7.2

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

We, the undersigned, being two (2) directors of Nanofilm Technologies International Limited (the “Company”), do confirm on behalf of the board of directors of the Company (the “Board”), that to the best of the knowledge of the Board, nothing has come to the attention of the Board which may render the financial results for the six-month period ended 30 June 2023 to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD

Dr Shi Xu
Executive Chairman

Gary Ho Hock Yong
Executive Director and Chief Executive Officer

10 August 2023