

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 (“1H2021”)

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

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

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

		Group		
	Note	1H2021 S\$'000	1H2020 S\$'000	Change %
Revenue	5	96,630	77,828	24.2
Cost of sales		(52,081)	(36,915)	41.1
Gross profit		<u>44,549</u>	<u>40,913</u>	8.9
Other operating income		3,802	2,611	45.6
Finance income		608	166	266.3
Expenses:				
Selling and distribution		(13,438)	(8,991)	49.5
Administrative		(13,875)	(11,251)	23.3
Finance		(404)	(888)	(54.5)
Profit before income tax	6	<u>21,242</u>	<u>22,560</u>	(5.8)
Income tax expenses	7	(3,126)	(4,023)	(22.3)
Profit after income tax		<u>18,116</u>	<u>18,537</u>	(2.3)
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		7,679	2,876	167.0
Total comprehensive income for the period		<u>25,795</u>	<u>21,413</u>	20.5
Profit attributable to:				
Equity holders of the Company		17,885	18,465	(3.1)
Non-controlling interests		231	72	220.8
		<u>18,116</u>	<u>18,537</u>	(2.3)
Total comprehensive income attributable to:				
Equity holders of the Company		25,287	21,260	18.9
Non-controlling interests		508	153	232.0
		<u>25,795</u>	<u>21,413</u>	20.5
Adjusted EBITDA	4	<u>33,239</u>	<u>33,202</u>	0.1
Earnings per share attributable to the equity holders of the Company (cents)				
Basic earnings per share	8	2.71	3.59	(24.5)
Diluted earnings per share	8	<u>2.68</u>	<u>3.34</u>	(19.8)

B. Unaudited condensed interim statements of financial position

	Note	Group		Company	
		30/06/2021 S\$'000	31/12/2020 S\$'000	30/06/2021 S\$'000	31/12/2020 S\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	208,447	174,538	14,957	7,933
Land use rights		13,295	13,063	-	-
Intangible assets		4,139	3,802	3,839	3,802
Investment in subsidiaries	11	-	-	80,910	66,627
Other receivables and other non-current assets	12	-	488	41,944	39,062
Deferred tax assets		497	478	-	-
		<u>226,378</u>	<u>192,369</u>	<u>141,650</u>	<u>117,424</u>
Current assets					
Inventories		25,217	15,788	6,487	4,576
Trade and other receivables, and other current assets	12	60,971	95,670	41,735	15,945
Contract assets/Accrued receivables		23,670	17,706	-	-
Cash and bank balances		199,295	227,355	158,402	195,560
		<u>309,153</u>	<u>356,519</u>	<u>206,624</u>	<u>216,081</u>
Total assets		<u>535,531</u>	<u>548,888</u>	<u>348,274</u>	<u>333,505</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	13	265,678	263,756	265,678	263,756
Reserves		192,533	167,085	57,071	43,015
		<u>458,211</u>	<u>430,841</u>	<u>322,749</u>	<u>306,771</u>
Non-controlling interests		10,097	9,589	-	-
Total equity		<u>468,308</u>	<u>440,430</u>	<u>322,749</u>	<u>306,771</u>
Non-current liabilities					
Bank loans	16	188	18,328	-	3,470
Lease liabilities	16	7,607	1,449	2,626	1,365
Deferred tax liabilities		1,263	1,012	1,263	1,012
		<u>9,058</u>	<u>20,789</u>	<u>3,889</u>	<u>5,847</u>
Current liabilities					
Trade and other payables	17	40,965	47,148	6,849	5,842
Contract liabilities/Advanced receipts		10,042	11,930	9,475	10,230
Bank loans	16	205	21,419	-	972
Lease liabilities	16	2,405	1,071	1,644	879
Provisions		370	302	370	302
Provision for taxation		4,178	5,799	3,298	2,662
		<u>58,165</u>	<u>87,669</u>	<u>21,636</u>	<u>20,887</u>
Total liabilities		<u>67,223</u>	<u>108,458</u>	<u>25,525</u>	<u>26,734</u>
Total equity and liabilities		<u>535,531</u>	<u>548,888</u>	<u>348,274</u>	<u>333,505</u>

C. Unaudited condensed interim statements of changes in equity

	Attributable to equity holders of the Company						Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Translation reserve S\$'000	Statutory reserve S\$'000	Other reserves S\$'000	Accumulated profits S\$'000	Total S\$'000		
Group								
At 1 January 2021	263,756	(1,126)	5,856	1,092	161,263	430,841	9,589	440,430
Profit for the period	-	-	-	-	17,885	17,885	231	18,116
Other comprehensive income	-	7,402	-	-	-	7,402	277	7,679
Total comprehensive income for the period	-	7,402	-	-	17,885	25,287	508	25,795
Transactions with equity holders, recognised directly in equity								
- Issuance of shares under ESOS Scheme 2017	1,922	-	-	-	-	1,922	-	1,922
- Adjustment on employee share options	-	-	-	161	-	161	-	161
Total transactions with equity holders	1,922	-	-	161	-	2,083	-	2,083
At 30 June 2021	265,678	6,276	5,856	1,253	179,148	458,211	10,097	468,308
At 1 January 2020	9,696	(9,020)	5,434	703	113,701	120,514	6,912	127,426
Profit for the period	-	-	-	-	18,465	18,465	72	18,537
Other comprehensive income	-	2,795	-	-	-	2,795	81	2,876
Total comprehensive income for the period	-	2,795	-	-	18,465	21,260	153	21,413
Transactions with equity holders, recognised directly in equity								
- Dividends (Note 18)	-	-	-	-	(9,631)	(9,631)	-	(9,631)
- Issuance of shares under ESOS Scheme 2017	22	-	-	-	-	22	-	22
- Adjustment on employee share options	-	-	-	46	-	46	-	46
- Adjustment on restricted share awards	-	-	-	1,212	-	1,212	-	1,212
- Increase in ownership interests in subsidiaries	-	-	-	(170)	-	(170)	170	-
Total transactions with equity holders	22	-	-	1,088	(9,631)	(8,521)	170	(8,351)
At 30 June 2020	9,718	(6,225)	5,434	1,791	122,535	133,253	7,235	140,488

C. Unaudited condensed interim statements of changes in equity

	Share capital S\$'000	Other reserves S\$'000	Accumulated profits S\$'000	Total equity S\$'000
Company				
At 1 January 2021	263,756	630	42,385	306,771
Profit for the period	-	-	13,895	13,895
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	13,895	13,895
Transactions with equity holders, recognised directly in equity				
- Issuance of shares under ESOS Scheme 2017	1,922	-	-	1,922
- Adjustment on employee share options	-	161	-	161
Total transactions with equity holders	1,922	161	-	2,083
At 30 June 2021	265,678	791	56,280	322,749
At 1 January 2020	9,696	71	40,614	50,381
Profit for the period	-	-	6,388	6,388
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	6,388	6,388
Transactions with equity holders, recognised directly in equity				
- Dividends (Note 18)	-	-	(9,631)	(9,631)
- Issuance of shares under ESOS Scheme 2017	22	-	-	22
- Adjustment on employee share options	-	46	-	46
- Adjustment on restricted share awards	-	1,212	-	1,212
Total transactions with equity holders	22	1,258	(9,631)	(8,351)
At 30 June 2020	9,718	1,329	37,371	48,418

D. Unaudited condensed interim consolidated statement of cash flows

	Note	Group	
		1H2021 S\$'000	1H2020 S\$'000
Cash Flows from Operating Activities			
Profit before income tax		21,242	22,560
Adjustments for:			
Depreciation of property, plant and equipment		11,225	7,920
Amortisation of land use rights		138	139
Amortisation of intangible assets		583	593
Finance expenses		404	888
Finance income		(608)	(166)
Provision for warranties		218	190
Reversal of provision for warranties		(184)	(266)
Write off/loss/(gain) on disposal of property, plant and equipment		170	(5)
Expense recognised in respect of share-based payments and share options granted		161	1,258
Exchange differences – unrealised		419	(878)
Operating cash flows before working capital changes		33,768	32,233
Inventories		(5,845)	864
Trade, other receivables and other current assets (include contract assets)		34,154	4,119
Trade, other payables and provisions (include contract liabilities)		(8,794)	(3,910)
Cash generated from operations		53,283	33,306
Interest paid		(340)	(1,341)
Interest received		608	166
Income tax paid		(4,548)	(2,557)
Net cash generated from operating activities		49,003	29,574
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(35,529)	(35,704)
Deposit for purchase of property		(2,428)	-
Proceeds from disposal of property, plant and equipment		9	94
Additions to intangible assets		(713)	(588)
Net cash used in investing activities		(38,661)	(36,198)
Cash Flows from Financing Activities			
Proceeds from issuance of shares under ESOS Scheme 2017		706	22
Advances received for issuance of ordinary shares under the ESOS Scheme 2017		1,066	-
Proceeds from bank loans		-	26,498
Repayment of bank loans		(40,049)	(4,051)
Payment of lease liabilities		(987)	(616)
Decrease/(Increase) in fixed deposits pledged with banks		413	(17)
Net cash (used in)/generated from financing activities		(38,851)	21,836
Net (decrease)/increase in cash and cash equivalents		(28,509)	15,212
Cash and cash equivalents at the beginning of the period		226,504	24,592
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		862	564
Cash and cash equivalents at the end of the period		198,857	40,368

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	199,295	41,198
Less: Pledged fixed deposits	(438)	(830)
	198,857	40,368

E. Notes to the unaudited condensed interim consolidated financial statements

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

1 General Information

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

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

The unaudited condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 comprise of the Company and its subsidiaries (collectively, the “**Group**”).

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

2 Basis of Preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2021 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 annual financial statements for the year ended 31 December 2020.

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 2020, except for the adoption of new and amendments to SFRS(I) that are effective as of 1 January 2021 which did not have significant impact on the financial performance or financial position of the Group and the change in estimate of useful life of property, plant and equipment as disclosed below. The Group has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

E. Notes to the unaudited condensed interim consolidated financial statements

2 Basis of Preparation (cont'd)

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 2020.

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 2020, 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.

During the current financial period, the Group conducted an operational efficiency review and reassessment of the useful life on Shanghai Plant 1. Accordingly, the Group revised the estimated useful life of its Shanghai Plant 1 from 20 years to 30 years. The revision in estimate has been applied on a prospective basis from 1 January 2021. The effect of the above revision on depreciation charge in current and future periods are as follows:

	FY2021 S\$'000	FY2022 S\$'000	FY2023 S\$'000	Later S\$'000
Group				
(Decrease)/increase in depreciation expense	(356)	(356)	(356)	1,068

3 Seasonal Operations

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

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

4 Operating Segment Information

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

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

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
1H2021					
Revenue from external customers	75,963	18,996	1,671	-	96,630
Inter-segment sales	3	1,791	169	(1,963)	-
	<u>75,966</u>	<u>20,787</u>	<u>1,840</u>	<u>(1,963)</u>	<u>96,630</u>
Adjusted EBITDA	<u>28,235</u>	<u>5,912</u>	<u>(908)</u>	<u>-</u>	<u>33,239</u>
<u>Other information</u>					
Depreciation	9,694	725	806	-	11,225
Amortisation of land use rights	138	-	-	-	138
Amortisation of intangible assets	169	408	6	-	583
Write off/loss on disposal of property, plant and equipment	143	27	-	-	170
Provision for warranties	-	218	-	-	218
Reversal of provision for warranties	-	(184)	-	-	(184)
At 30 June 2021					
<u>Assets</u>					
Segment assets	288,643	33,768	13,328	-	335,739
Cash and bank balances					199,295
Deferred tax assets					497
					<u>535,531</u>
Segment assets include:					
Additions to non-current assets:					
- Property, plant and equipment	38,374	5,495	553	-	44,422
- Intangible assets	186	434	297	-	917
<u>Liabilities</u>					
Segment liabilities	40,038	20,242	1,109	-	61,389
Bank loans					393
Deferred tax liabilities					1,263
Provision for taxation					4,178
					<u>67,223</u>

E. Notes to the unaudited condensed interim consolidated financial statements

4 Operating Segment Information (cont'd)

	Advanced materials S\$'000	Industrial equipment S\$'000	Nanofabrication S\$'000	Inter- segment eliminations S\$'000	Total S\$'000
1H2020					
Revenue from external customers	64,122	10,504	3,202	-	77,828
Inter-segment sales	22	1,637	262	(1,921)	-
	<u>64,144</u>	<u>12,141</u>	<u>3,464</u>	<u>(1,921)</u>	<u>77,828</u>
Adjusted EBITDA	<u>29,422</u>	<u>3,547</u>	<u>233</u>	<u>-</u>	<u>33,202</u>
<u>Other information</u>					
Depreciation	6,341	352	1,227	-	7,920
Amortisation of land use rights	133	-	6	-	139
Amortisation of intangible assets	178	415	-	-	593
Write back of inventories	(48)	-	-	-	(48)
Gain on disposal of property, plant and equipment	(3)	(1)	(1)	-	(5)
Provision for warranties	-	190	-	-	190
Reversal of provision for warranties	-	(266)	-	-	(266)
At 30 June 2020					
<u>Assets</u>					
Segment assets	204,935	20,061	11,241	-	236,237
Cash and bank balances					41,198
					<u>277,435</u>
Segment assets include:					
Additions to non-current assets:					
- Property, plant and equipment	33,812	1,035	1,696	-	36,543
- Intangible assets	228	533	-	-	761
<u>Liabilities</u>					
Segment liabilities	34,148	15,122	5,646	-	54,916
Convertible notes					49,961
Bank loans					26,301
Deferred tax liabilities					988
Provision for taxation					4,782
					<u>136,948</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	
	1H2021 S\$'000	1H2020 S\$'000
Adjusted EBITDA ⁽¹⁾ for reportable segments	33,239	33,202
Depreciation	(11,225)	(7,920)
Amortisation	(721)	(732)
(Write off/Loss)/gain on disposal of property, plant and equipment	(170)	5
Other professional fees	(85)	(61)
Award shares expenses under Restricted Share Plan 2020	-	(1,212)
Finance income	608	166
Finance expenses	(404)	(888)
Profit before income tax	21,242	22,560
Income tax expenses	(3,126)	(4,023)
Profit after income tax	18,116	18,537

⁽¹⁾ Net profit before interest, tax, depreciation and amortisation (EBITDA).

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

	Group	
	1H2021 S\$'000	1H2020 S\$'000
Singapore	14,054	9,376
China	75,520	58,955
Japan	7,047	9,487
Vietnam	9	10
Total revenue	96,630	77,828

E. Notes to the unaudited condensed interim consolidated financial statements

5 Revenue

(a) Revenue by business segment

	Group	
	1H2021	1H2020
	S\$'000	S\$'000
Advanced materials	75,963	64,122
Industrial equipment	18,996	10,504
Nanofabrication	1,671	3,202
Total	96,630	77,828

(b) Disaggregation of revenue from contracts with customers

	Group	
	1H2021	1H2020
	S\$'000	S\$'000
Performance obligations satisfied at a point in time		
Sale of equipment	17,165	8,846
Sale of products and spare parts	2,840	4,167
	<u>20,005</u>	<u>13,013</u>
Performance obligations satisfied over time		
Service rendered	<u>76,625</u>	<u>64,815</u>
Total	96,630	77,828

E. Notes to the unaudited condensed interim consolidated financial statements

6 Profit before Income Tax

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

	Group	
	1H2021	1H2020
	S\$'000	S\$'000
Interest expense on:		
- bank loans	240	247
- convertible notes carried at amortised cost	-	518
- lease liabilities	164	123
Interest income from:		
- bank deposits	(608)	(166)
Material items included in expenses/other operating income:		
Government grants and incentives	(3,404)	(1,652)
Research and development & engineering expenses	8,147	5,566
Depreciation of property, plant and equipment	11,225	7,920
Amortisation of land use rights	138	139
Amortisation of intangible assets	583	593
Lease expenses	197	241
Write back of inventories	-	(48)
Staff costs (including directors' remuneration)		
- Salaries and related costs	33,017	22,899
- Contribution to defined contribution plans	2,100	632
- Share option expenses	161	46
- Restricted shares award cost	-	1,212
Write off/loss/(gain) on disposal of property, plant and equipment	170	(5)
Exchange loss/(gain)	8	(823)
Provision for warranties	218	190
Reversal of provision for warranties	(184)	(266)

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	
	1H2021	1H2020
	S\$'000	S\$'000
Income tax:		
- Current period	3,830	3,958
- (Over)/Under provision in prior years	(955)	65
	2,875	4,023
Deferred tax:		
- Current period	251	-
	3,126	4,023

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	
	1H2021	1H2020
Profit for the period attributable to equity holders of the Company (S\$'000)	17,885	18,465
Weighted average number of ordinary shares ('000)	661,111	513,680
Basic earnings per share (cents)	2.71	3.59

(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/had two categories of dilutive potential ordinary shares: share options and convertible notes.

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.

The convertible notes were converted into ordinary shares in October 2020.

Diluted earnings per share amounts attributable to equity holders of the Company are calculated as follows:

	Group	
	1H2021	1H2020
Profit for the period attributable to equity holders of the Company (S\$'000)	17,885	18,465
Add back: interest and other expense convertible notes, net of tax (S\$'000)	-	497
Net profit used to determine diluted earnings per share (S\$'000)	17,885	18,962
Weighted average number of ordinary shares ('000)	661,111	513,680
Adjustments for ('000):		
- Share options	7,134	910
- Convertible notes	-	53,630
	668,245	568,220
Diluted earnings per share (cents)	2.68	3.34

E. Notes to the unaudited condensed interim consolidated financial statements

9 Net Asset Value

	Group		Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Net assets value (S\$'000)	458,211	430,841	322,749	306,771
Number of shares ('000)	661,626	658,351	661,626	658,351
Net asset value per share (cents)	69.26	65.44	48.78	46.60

10 Property, Plant and Equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment amounting to S\$44,422,000 (1H2020: S\$36,543,000) and disposed of property, plant and equipment amounting to S\$730,000 (30 June 2020: S\$141,000). The additions to property, plant and equipment included S\$8,893,000 (30 June 2020: S\$839,000) 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\$560,000 (30 June 2020: S\$51,000). The Group derecognised the corresponding lease liabilities of the same amount.

11 Investment in Subsidiaries

Additional injection in capital/incorporation of subsidiaries

During the six months ended 30 June 2021:

- In March 2021, the Company incorporated a wholly owned Singapore subsidiary, Sydrogen Energy Pte. Ltd. with issued and fully paid up capital of S\$10,000, comprising of 10,000 ordinary shares in the subsidiary. The principal activity of Sydrogen Energy Pte. Ltd. is the R&D, engineering and production of hydrogen applications and products in the hydrogen energy and hydrogen fuel cell business.
- In March 2021, the Group through its wholly owned subsidiary, Nanofilm Advanced Materials Pte. Ltd. contributed a total of US\$10,739,000 (equivalent to S\$14,292,000) to the paid-up registered capital of Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd., a wholly owned subsidiary of the Group. The capital injection was settled by way of cash and the primary purpose was to fund the capital expenditure and working capital of the subsidiary.
- In April 2021, the Company subscribed for 14,273,118 new ordinary shares in the capital of Nanofilm Advanced Materials Pte. Ltd., a wholly owned subsidiary of the Group by way of the capitalisation of an outstanding loan of S\$14,273,000 owing by Nanofilm Advanced Materials Pte. Ltd. to the Company at the date of subscription.

E. Notes to the unaudited condensed interim consolidated financial statements

12 Trade and Other Receivables, and Other Current Assets

	Group		Company	
	30/6/2021 S\$'000	31/12/2020 S\$'000	30/6/2021 S\$'000	31/12/2020 S\$'000
Current				
Trade receivables:				
- Third parties	46,585	86,519	7,939	4,646
- Loss allowance	(605)	(561)	(55)	(55)
	45,980	85,958	7,884	4,591
- Subsidiaries	-	-	14,911	4,692
- Loss allowance	-	-	(163)	(163)
	-	-	14,748	4,529
	45,980	85,958	22,632	9,120
Other receivables:				
- Deposits	2,855	278	2,686	179
- GST/VAT and other taxes receivable	2,143	2,250	705	794
- Due from subsidiaries	-	-	15,403	5,542
- Sundry debtors	357	1,228	210	246
	5,355	3,756	19,004	6,761
Other current assets:				
- Prepayments	298	214	99	64
- Advances to suppliers	9,338	5,742	-	-
	9,636	5,956	99	64
Total current	60,971	95,670	41,735	15,945
Non-current				
Other receivables:				
- Loan due from a subsidiary	-	-	41,944	39,062
Gross amount (Non-interest bearing)	-	-	43,160	40,640
Less: Fair value adjustment to investment in a Group's subsidiary	-	-	(3,013)	(3,013)
Add: Accumulated imputed interest recognised in profit or loss, net of exchange differences	-	-	1,797	1,435
Other non-current assets:				
- Advances to suppliers	-	488	-	-
Total non-current	-	488	41,944	39,062

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\$15,403,000 as at 30 June 2021, an increase of S\$9,861,000 from S\$5,542,000 as at 31 December 2020. The net increase in the amounts due from subsidiaries were additional loans to subsidiaries for working capital purposes. The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand, except for the amounts due from subsidiaries of S\$14,943,000 (31 December 2020: S\$5,403,000) which are interest bearing between 2% and 3% (31 December 2020: 3%) per annum and repayable within the next 12 months.

Non-current

As at 30 June 2021, the loan due from a subsidiary is unsecured, interest-free and repayable on 31 December 2022. The amounts are adjusted to be measured at fair value at date of inception. Accordingly, imputed interest income has been recognised in the Company's profit or loss and fair value adjustment has been recognised in investments in subsidiaries.

E. Notes to the unaudited condensed interim consolidated financial statements

13 Share Capital

	Group and Company			
	30/06/2021		31/12/2020	
	No. of ordinary shares (‘000)	S\$’000	No. of ordinary shares (‘000)	S\$’000
<u>Fully paid ordinary shares</u>				
At 1 January	658,351	263,756	511,238	9,696
Issuance of shares under ESOS Scheme 2017	3,275	1,922	11,009	6,621
Issuance of shares under RSP 2020	-	-	5,254	3,238
Conversion of convertible notes	-	-	53,630	50,000
Issuance of IPO shares	-	-	77,220	200,000
Share issuance expense (net of listing grant) capitalised against share capital	-	-	-	(5,799)
At 30 June / 31 December	<u>661,626</u>	<u>265,678</u>	<u>658,351</u>	<u>263,756</u>

Treasury shares

There were no treasury shares held by the Company as at 30 June 2021, 31 December 2020 and 30 June 2020.

Subsidiary holdings

There were no holdings in the Company by any subsidiary as at 30 June 2021, 31 December 2020 and 30 June 2020.

The total number of issued ordinary shares excluding treasury shares as at 31 December 2021 was 661,626,110 (31 December 2020: 658,351,110).

E. Notes to the unaudited condensed interim consolidated financial statements

14 Employee Share Options

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

As at 30 June 2021 and 30 June 2020, details of the options granted under the ESOS Scheme 2017 on the unissued ordinary shares of the Company are as follows:

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

Date of grant of options	Options outstanding at 1.1.2020	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 30.06.2020	Exercise price S\$	Date of expiry
2 April 2018	3,150,000	-	(1,050,000)	-	2,100,000	0.5927	2 April 2023
3 December 2018	18,792,000	-	(3,772,000)	(27,000)	14,993,000	0.5868	9-27 December 2024
3 March 2019	4,588,000	-	(2,802,000)	(10,000)	1,776,000	0.5868	18-28 March 2025
3 June 2019	550,000	-	-	-	550,000	0.5868	16-18 June 2025
	<u>27,080,000</u>	<u>-</u>	<u>(7,624,000)</u>	<u>(37,000)</u>	<u>19,419,000</u>		

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

As at 30 June 2020, of the 19,419,000 options granted under the ESOS Scheme 2017, 12,000,000 had vested and 7,419,000 will vest between 2020 and 2022.

Employee Share Option Scheme (“ESOS Scheme 2020”)

The ESOS Scheme 2020 was approved by the shareholders of the Company on 9 October 2020. As at 30 June 2021, details of the options granted under the ESOS Scheme 2020 on the unissued ordinary shares of the Company are as follows:

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

In March 2021, the Company granted options under the ESOS Scheme 2020 to subscribe for 1,142,500 ordinary shares of the Company. The options are exercisable from 26 March 2022 and will expire on 26 March 2031.

In April 2021, the Company granted options under the ESOS Scheme 2020 to subscribe for 1,020,000 ordinary shares of the Company. The options are exercisable from 6 April 2022, of which 300,000 options granted to independent directors will expire on 26 March 2026 and 720,000 options granted to employees will expire on 6 April 2031.

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

E. Notes to the unaudited condensed interim consolidated financial statements

15 Convertible Notes

As at 30 June 2020, 53,630,290 shares were issuable upon conversion of the convertible notes, at a conversion price of S\$0.93230903 for each conversion shares.

In October 2020, the convertible notes were converted into 53,630,290 ordinary shares of the Company prior to the Company's listing on Singapore Stock Exchange on 30 October 2020.

16 Borrowings

	Group		Company	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Current</u>				
Bank loans	205	21,419	-	972
Lease liabilities	2,405	1,071	1,644	879
	<u>2,610</u>	<u>22,490</u>	<u>1,644</u>	<u>1,851</u>
<u>Non-current</u>				
Bank loans	188	18,328	-	3,470
Lease liabilities	7,607	1,449	2,626	1,365
	<u>7,795</u>	<u>19,777</u>	<u>2,626</u>	<u>4,835</u>
<u>Amount repayable in one year or less, or on demand</u>				
Secured	2,405	21,301	1,644	1,851
Unsecured	205	1,189	-	-
	<u>2,610</u>	<u>22,490</u>	<u>1,644</u>	<u>1,851</u>
<u>Amount repayable after one year</u>				
Secured	7,607	15,999	2,626	4,835
Unsecured	188	3,778	-	-
	<u>7,795</u>	<u>19,777</u>	<u>2,626</u>	<u>4,835</u>

Details of any collateral

As at 31 December 2020, a non-current bank loan amounting to S\$14,551,000 was due by a wholly owned subsidiary, Nanofilm Renewable Energy Technology (Shanghai) Co., Ltd. to a local financial institution for the construction of Shanghai Plant 2. The bank loan was secured by a mortgage over the land use rights of Shanghai Plant 2, construction in progress on the land, corporate guarantee of the Company and certain subsidiaries of the Group and incurred interest of 5.13% per annum. The secured bank loan has been fully repaid during the six months ended 30 June 2021.

As at 31 December 2020, a current bank loan amounting to S\$20,230,000 drawdown for working capital requirements, by a wholly owned subsidiary, Nanofilm Vacuum Coating (Shanghai) Co., Ltd. was secured by the corporate guarantee of a subsidiary of the Group. The bank loan incurred interest ranging from 3.65% to 3.70% per annum. The secured bank loan has been fully repaid during the six months ended 30 June 2021.

Lease liabilities of the Group and the Company amounting to S\$10,012,000 (31 December 2020: S\$2,520,000) and S\$4,270,000 (31 December 2020: S\$2,244,000) respectively are secured by the leased properties and plant and machinery (31 December 2020: leased properties) under the leasing arrangements.

E. Notes to the unaudited condensed interim consolidated financial statements

17 Trade and Other Payables

	Group		Company	
	30/6/2021 S\$'000	31/12/2020 S\$'000	30/6/2021 S\$'000	31/12/2020 S\$'000
Trade payables:				
- Subsidiaries	-	-	1,202	69
- Third parties	27,788	32,770	3,018	1,495
	<u>27,788</u>	<u>32,770</u>	<u>4,220</u>	<u>1,564</u>
Other payables:				
- Accrued operating expenses	9,016	10,230	1,563	3,062
- Advances received for issuance of ordinary shares under ESOS Scheme 2017	1,066	1,216	1,066	1,216
- VAT and other taxes payable	1,729	636	-	-
- Sundry creditors	1,366	2,296	-	-
	<u>13,177</u>	<u>14,378</u>	<u>2,629</u>	<u>4,278</u>
Total	<u>40,965</u>	<u>47,148</u>	<u>6,849</u>	<u>5,842</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.

18 Dividends

	Group and Company	
	1H2021 S\$'000	1H2020 S\$'000
Ordinary dividends declared and payable:		
One-tier tax exempt interim dividend of a total of S\$0.019 per share payable in respect of the financial year ended 31 December 2020	-	9,631

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	
	30/6/2021 S\$'000	31/12/2020 S\$'000	30/6/2021 S\$'000	31/12/2020 S\$'000
Property, plant and equipment	33,434	23,484	29,639	407

Contingent assets

On 6 April 2021, upon the advice of the Chinese legal counsel of Nanofilm Vacuum Coating (Shanghai) Co., Ltd ("NVC"), NVC commenced a claim at the People's Court in Qingpu, Shanghai against Advanced Solar Power (Hangzhou) Inc ("ASP") for an aggregate claim amount of S\$5.9 million (RMB 28,287,362) and interests for late payment on the ground that ASP is liable under the various contracts to pay NVC for two Cadmium Telluride thin film surface solution and production in-line equipment for solar cell panels (the "Equipment") constructed and delivered.

Contingent liabilities

On 2 June 2021, NVC received a formal notice from the People's Court in Qingpu, Shanghai, that ASP made a counter-claim against NVC for an amount of S\$2.4 million (RMB 11,322,361), on the ground of quality issues in the Equipment, which ASP alleged had resulted in a loss to them of S\$1.0 million in value of products and S\$1.4 million in production capacity (the "Counter-Claim"). Based on the Company's assessment and after taking into consideration the advice of NVC's Chinese legal counsel, the Company believes that the Counter-Claim has no sufficient basis. Accordingly, no provision for liability in relation to the Counter-Claim has been made in these unaudited condensed interim consolidated financial statements.

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	
	1H2021 S\$'000	1H2020 S\$'000
<u>Transactions with related parties</u>		
Sales	8,583	4,418
Purchases	5,534	2,794
Rental expenses	104	-

E. Notes to the unaudited condensed interim consolidated financial statements

21 Fair Value

Fair value measurements recognised in the statement of financial position

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

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

Financial instruments whose carrying amounts approximate fair values

The carrying amounts of the Group's and the Company's financial assets and financial liabilities with a maturity of less than one year approximate their fair values due to their short-term maturities.

The fair values of the Group's and the Company's non-current financial assets and non-current financial liabilities are calculated based on discounted expected future principal and interest cash flows. The discount rate used is based on market rate for similar instruments as at the reporting date ("Level 2"). As at 30 June 2021 and 31 December 2020, the carrying amounts of these non-current assets and non-current liabilities approximate their fair values.

22 Subsequent events

As announced on 19 July 2021, the Company has entered into a subscription and joint venture agreement with Venezio Investments Pte. Ltd. ("Temasek"), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited and a substantial shareholder of the Company; and Sydrogen Energy Pte. Ltd. ("SEPL"), a wholly-owned subsidiary of the Company (the "JV Agreement"). Under the JV Agreement, the Company and Temasek (collectively, the "JV Partners") have agreed to form a joint venture to undertake the hydrogen energy and hydrogen fuel cell business of the Group through SEPL ("Hydrogen Energy Business"). The Company and Temasek will subscribe for shares in the capital of SEPL for up to approximately S\$140 million (the "Initial Investment"), in the shareholding proportion of 65% and 35%, respectively. The Initial Investment is subject to the fulfilment of certain conditions precedent, including anti-trust approvals.

The proceeds are intended to be used for research and development and the construction of production lines for the Hydrogen Energy Business. The contribution from the Company for the Initial Investment will comprise cash contribution of up to S\$21 million to be funded by internal resources, and non-cash contribution for the remainder in the form of the transfer of the Hydrogen Energy Business and the licence of the Group's intellectual property relating to the Hydrogen Energy Business, to SEPL. The contribution from Temasek comprises cash.

As at the date of this announcement, the issued and paid-up share capital of SEPL is S\$10,000 and its net tangible asset and book value is negative S\$141,000.

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 2021 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 three BU segments: (i) Advanced Materials BU, (ii) Nanofabrication BU, and (iii) Industrial Equipment BU.

The Group's revenue for 1H2021 was S\$96.6 million, registering an increase of S\$18.8 million (24.2%) from S\$77.8 million in 1H2020, lifted by higher revenue from the Advanced Materials BU and the Industrial Equipment BU. The increase was partially offset by the decrease in revenue from the Nanofabrication BU.

	1H2021 S\$'000	1H2020 S\$'000	Change %
Advanced Materials BU	75,963	64,122	18.5
Industrial Equipment BU	18,996	10,504	80.8
Nanofabrication BU	1,671	3,202	(47.8)
Total	96,630	77,828	24.2

Revenue – Advanced Materials BU

Revenue from the Advanced Materials BU for 1H2021 was S\$76.0 million, an increase of S\$11.9 million (18.5%) from S\$64.1 million in 1H2020, attributable to increased revenue contributions from 3C and Automotive product sub-segments.

Revenue – Industrial Equipment BU

Revenue from the Industrial Equipment BU for 1H2021 revenue was S\$19.0 million, an increase of S\$8.5 million (80.8%) from S\$10.5 million in 1H2020, attributable to higher sales of customized industrial equipment to the customers.

Other Information Required by Listing Rule Appendix 7.2

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

Revenue (cont'd)

Revenue – Nanofabrication BU

Revenue from the Nanofabrication BU for 1H2021 revenue was S\$1.7 million, a decrease of S\$1.5 million (47.8%) from S\$3.2 million in 1H2020, primarily due to end of life of projects.

Gross profit

Gross profit for 1H2021 was S\$44.5 million, an increase of S\$3.6 million (8.9%) from S\$40.9 million for 1H2020. Gross profit margin was 46.1% for 1H2021, a decrease from 52.6% for 1H2020, driven by increased costs in manpower and manufacturing overheads. The decrease in gross profit margin was primarily due to (i) an increase of S\$2.6 million in new Shanghai Plant 2 and new equipment qualification costs to enable production; and (ii) an increase of S\$2.8 million in new product introduction costs involving new projects yet to reach mass production. Lower gross profit margin for 1H2021 was also partially a result of product mix, where projects of lower average margins were executed in 1H2021.

Other operating income

The breakdown for other operating income for 1H2021 and 1H2020 is as follows:

	1H2021 S\$'000	1H2020 S\$'000	Change %
Government grants and incentives	3,404	1,652	106.1
Sundry income	358	68	426.5
Scrap sales	40	64	(37.5)
Exchange gains, net ⁽¹⁾	-	823	n.m.
Gain on disposal of property, plant and equipment	-	4	n.m.
Total	3,802	2,611	45.6

Note:

⁽¹⁾ The Group incurred exchange losses of S\$8,445 for 1H2021 which was booked in Administrative expenses.

n.m. - Not meaningful

Other operating income was S\$3.8 million for 1H2021, an increase of S\$1.2 million (45.6%) from S\$2.6 million for 1H2020. This was primarily due to an increase in government grants and incentives related to financial subsidies of S\$1.7 million from the Qingpu Local Authority, Shanghai and sundry income of S\$0.3 million and offset by a decrease in foreign exchange gain of S\$0.8 million compared to 1H2020.

Finance income

Finance income was S\$0.6 million for 1H2021, an increase of S\$0.4 million (266.3%) from S\$0.2 million for 1H2020. This was primarily due to interest income generated from the increase in cash and bank balances and fixed deposits from S\$41.2 million as at 30 June 2020 to S\$199.3 million as at 30 June 2021.

Selling and distribution expenses

Selling and distribution expenses were S\$13.4 million for 1H2021, an increase of S\$4.4 million (49.5%) from S\$9.0 million for 1H2020, primarily due to an increase of S\$2.6 million in staff costs as a result of increased staff count and an increase of S\$1.4 million for research and development & engineering activities (excluding staff costs) to support our business growth and in preparation for the operational commencement of the Shanghai Plant 2.

Administrative expenses

Administrative expenses were S\$13.9 million for 1H2021, an increase of S\$2.6 million (23.3%) from S\$11.3 million for 1H2020 due to the Group's business expansion plan. This was primarily due to (i) an increase of S\$0.5 million in staff costs as a result of increased staff count and employee share options expenses; (ii) an increase of S\$0.5 million in depreciation charges and leasing expenses; (iii) an increase of S\$0.5 million in professional and directors' fees; (iv) an increase of S\$0.5 million in repair and maintenance activities, and security expenses due to the newly constructed Shanghai Plant 2.

Other Information Required by Listing Rule Appendix 7.2

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

Finance costs

Finance costs were S\$0.4 million for 1H2021, a decrease of S\$0.5 million (54.5%) from S\$0.9 million for 1H2020. As the S\$50 million convertible notes were converted into share capital of the Company in October 2020, there was no interest expense incurred on convertible notes in 1H2021, resulting in a decrease in finance costs in 1H2021.

Income tax

Income tax for 1H2021 was S\$3.1 million, a decrease of S\$0.9 million (22.3%) from S\$4.0 million for 1H2020, primarily due to an adjustment for overprovision of income tax of S\$0.9 million for the Group's subsidiaries in China in prior year.

Profit after income tax

As a result of the above factors, the Group's net profit has decreased by S\$0.4 million (2.3%) from S\$18.5 million for 1H2020 to S\$18.1 million for 1H2021.

Adjusted EBITDA

The Group's adjusted EBITDA for 1H2021 and 1H2020 remained flat at S\$33.2 million for each corresponding period.

Advanced Material BU's adjusted EBITDA for 1H2021 was S\$28.2 million, a drop of S\$1.2 million (4.0%) from S\$29.4 million in 1H2020, attributable to changes in the product mix and incurred expenditures in relation to equipment qualification costs, and new product introduction costs.

Industrial Equipment BU's adjusted EBITDA for 1H2021 was S\$5.9 million, an increase of S\$2.4 million (66.7%) from S\$3.5 million in 1H 2020, mainly due to higher number of industrial equipment sold during the period.

Nanofabrication BU's adjusted EBITDA for 1H2021 was negative S\$0.9 million, a drop of S\$1.1 million (-489.7%) from S\$0.2 million in 1H2020, due to the end of life of projects resulted in drop in revenues quicker than expenses reduction.

REVIEW OF THE GROUP'S FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment was at S\$208.4 million as at 30 June 2021, an increase of S\$33.9 million (19.4%) from S\$174.5 million as at 31 December 2020, primarily due to capital expenditures of S\$44.4 million incurred for 1H2021 and partially offset by depreciation of S\$11.2 million charged to profit or loss in 1H2021.

The capital expenditures of the Group for 1H2021 were as follows:

	1H2021 S\$'000
Plant and machinery	9,688
Building and renovation	5,127
Construction in-progress	28,241
Office and other equipment	1,358
Tools and supplies	8
Total⁽¹⁾	44,422

Note:

⁽¹⁾ The capital expenditures included S\$8.9 million acquired under right-of-use assets under the leasing arrangements. In 1H2021, the cash outflow on purchase of property, plant and equipment amounted to S\$35.5 million.

Capital expenditure relating to plant and machinery was mainly attributable to the increased number of coating equipment and ancillary equipment invested by the Group's subsidiaries in China as a result of the expansion of business operations in China. During the year, the Group recognised S\$5.8 million right-of-use assets for rental of additional plant and machinery in China.

Other Information Required by Listing Rule Appendix 7.2

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

Property, plant and equipment (cont'd)

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") and the recognition of right-of-use assets. During the current period, the Group recognised S\$3.1 million right-of-use assets for rental of factory units in Singapore which are part of the Singapore plant under the Company.

Capital expenditure relating to construction in-progress was mainly attributable to the construction costs incurred by NRE in relation to the Shanghai Plant 2 and construction in-progress for plant and machinery for NVC. NVC is the Group's headquarters in China and posted revenue growth since FY2020, and accordingly, had invested in additional coating equipment and ancillary equipment. During the current period, the Group transferred S\$7.6 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.

Inventories

Inventories were at S\$25.2 million as at 30 June 2021, an increase of S\$9.4 million (59.7%) from S\$15.8 million as at 31 December 2020. The inventories turnover days have increased from 58 days as at 31 December 2020 to 88 days as at 30 June 2021. The increase in inventories was mainly due to work in progress of S\$4.4 million for the IEBU and build-up of inventories of S\$4.6 million to meet the anticipated increase orders from AMBU customers.

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

Trade receivables were at S\$46.0 million as at 30 June 2021, a decrease of S\$40.0 million (46.5%) from S\$86.0 million as at 31 December 2020. The Group improved its trade receivables turnover days from 144 days as at 31 December 2020 to 86 days as at 30 June 2021.

Other receivables were at S\$5.4 million as at 30 June 2021, an increase of S\$1.6 million (42.6%) from S\$3.8 million as at 31 December 2020. The net increase in other receivables was mainly due to deposits of S\$2.4 million paid for the new property to be purchased by the Company and offset against the decrease in sundry debtors of S\$0.8 million.

Other current assets represented mainly prepayments and advances to suppliers which was at S\$9.6 million as at 30 June 2021, an increase of S\$3.6 million (61.8%) from S\$6.0 million as at 31 December 2020. 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 China.

Contracts assets were S\$23.7 million as at 30 June 2021, an increase of S\$6.0 million (33.7%) from S\$17.7 million as at 31 December 2020, driven by the completion of the customers' orders which provided the Group the right to payment for work completed but not billed as at the end of the reporting period.

Other non-current assets

As at 31 December 2020, the advances to suppliers of S\$0.5 million were made for advances for purchases of property, plant and equipment for factory renovation and purchases of fixed assets by the Company's two subsidiaries in Yizheng. The amounts were capitalised as property, plant and equipment during the six months ended 30 June 2021.

Bank loans

Bank loans were at S\$0.4 million as at 30 June 2021, a decrease of S\$39.3 million from S\$39.7 million as at 31 December 2020. The decrease in bank loans was due to repayments made during the six months ended 30 June 2021.

Lease liabilities

Lease liabilities were at S\$10.0 million as at 30 June 2021, an increase of S\$7.5 million (297.3%) from S\$2.5 million as at 31 December 2020. The increase was due to recognition of S\$8.9 million lease liabilities for the new lease contracts entered into by the Company for the rental of factory units in Singapore and rental of additional equipment by a subsidiary of the Group in China and 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\$0.9 million during the six months ended 30 June 2021.

Other Information Required by Listing Rule Appendix 7.2

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

Trade and other payables, and contract liabilities

Trade payables were at S\$27.8 million as at 30 June 2021, a decrease of S\$5.0 million (15.2%) from S\$32.8 million as at 31 December 2020. The Group decreased its trade payables turnover days from 121 days as at 31 December 2020 to 97 days as at 30 June 2021.

Other payables were at S\$13.2 million as at 30 June 2021, a decrease of S\$1.2 million (8.4%) from S\$14.4 million as at 31 December 2020. The decrease in other payables is mainly attributable to a decrease in accrued operating expenses from S\$10.2 million as at 31 December 2020 to S\$9.0 million as at 30 June 2021. Included in the accrued operating expenses are accrued staff costs of S\$7.0 million as at 30 June 2021 (31 December 2020: S\$8.5 million).

Contract liabilities relate to the Group's obligation to transfer goods to customers for which the Group have received consideration. Contract liabilities are recognised as revenue as the Group performs under the contract. Contract liabilities were at S\$10.0 million as at 30 June 2021, a decrease of S\$1.9 million (15.8%) from S\$11.9 million as at 31 December 2020.

Provision for taxation

Provision for taxation was S\$4.2 million as at 30 June 2021, a decrease of S\$1.6 million (28.0%) from S\$5.8 million as at 31 December 2020 mainly due to provision of income tax for current year of S\$3.8 million and offset against income tax payments of S\$4.5 million and an adjustment for overprovision of income tax of S\$0.9 million for the Group's subsidiaries in China in prior year.

REVIEW OF THE GROUP'S CASH FLOWS

We generated positive net cash flows from operating activities for 1H2021 and 1H2020.

Net cash generated from operating activities amounted to S\$49.0 million for 1H2021, mainly attributed to the following:

- Operating cash flows before working capital changes of S\$33.8 million;
- Net cash inflows from changes in working capital of S\$19.5 million;
- Net interest received of S\$0.2 million; and
- Income tax paid of S\$4.5 million.

Net cash used in investing activities amounted to S\$38.7 million for 1H2021, primarily due to the ongoing renovation of the Shanghai Plant 2 and purchase of property, plant and equipment amounting to S\$35.5 million, deposit for purchase of property of S\$2.5 million and additions to intangible assets of S\$0.7 million for development costs.

Net cash used in financing activities amounted to S\$38.8 million for 1H2021, primarily due to proceeds of S\$0.7 million received from issuance of shares under the ESOS 2017 and S\$1.1 million of advances received for issuance of ordinary shares under the ESOS Scheme 2017. The cash inflows were offset by the repayment of bank loans and lease liabilities of S\$41.0 million.

As at 30 June 2021, cash and cash equivalents amounted to S\$198.9 million, an increase of S\$158.5 million from S\$40.4 million as at 30 June 2020. The cash and cash equivalents were derived after deducting the fixed deposits of S\$0.4 million (30 June 2020: S\$0.8 million) which were pledged with the bank for banking facility granted to the Group for operation and completion of the construction of Shanghai Plant 2.

Other Information Required by Listing Rule Appendix 7.2

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

No forecast or prospect statement were made previously.

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

Global recovery from Covid-19 continues to be varied with measures being imposed or re-imposed in some countries while others have gradually eased restrictions. As a multinational corporation, the Group has had to continuously adapt to this dynamic situation which was exacerbated by the challenges from global supply chain disruptions caused by chip shortages that has led to delays in projects.

Despite these macro headwinds, the Group continued to deliver top line growth in 1H 2021 with increased adoption of its advanced materials solutions as well as capitalising on a rebound in the industrial equipment ordering cycle for renewals and production expansion. With the incurrence of Shanghai Plant 2 and new equipment qualification costs in 1H2021, the Group is well positioned to capture future growth opportunities. The Group continues to invest in new product introduction projects potentially creating revenue streams beyond FY2021.

In conjunction with its ongoing strategy to strengthen its value proposition as a provider of technology based solutions, the Group continues to proactively assess potential synergistic acquisitions and strategic partnerships, unlocking value through the Group's core technologies and platform.

Following the incorporation of SEPL, it marks another successful take off from Nanofilm's launch pad where the Group provides the platform to incubate pre-identified verticals by extending the necessary resources for these to eventually operate autonomously. While still majority owned, SEPL will be independently managed with its own board of directors and management team.

SEPL will also form a key pillar of the Group's sustainability effort in supporting the United Nations Sustainable Development Goal of Affordable and Clean Energy. By harnessing the Group's DNA in innovation, Nanofilm will seek to reduce carbon emissions through its nanotechnology solutions.

6 Dividend Information

(a) Current Financial Period Reported on

The following dividend is recommended for the current financial period.

Name of Dividend:	Interim Dividend
Dividend Type:	Cash
Dividend Rate:	S\$0.010 per ordinary share
Tax rate:	Tax exempt (One-tier)
Total amount payable:	S\$6.6 million

The Board declares a tax exempt one-tier interim cash dividend of S\$0.010 per share (1H2020: tax exempt one-tier cash dividend of S\$0.019 per share) in respect of the half year ended 30 June 2021. The interim dividend will be paid to shareholders on 8 September 2021.

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

The following dividend was declared in the corresponding period of the immediately preceding financial year.

Name of Dividend:	Interim Dividend
Dividend Type:	Cash
Dividend Rate:	S\$0.019 per ordinary share
Tax rate:	Tax exempt (One-tier)
Total amount payable:	S\$9.6 million
Date of payment:	2 July 2020

Other Information Required by Listing Rule Appendix 7.2

6 Dividend Information (cont'd)

(c) The date the dividend is payable

8 September 2021

(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 2021, 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 2021 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 2021 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)
		1H2021 S\$'000
上海纳曦餐饮管理有限公司 ("Na Xi")	Note ⁽¹⁾	198

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 April 2021	Amount utilised from 1 May 2021 to 30 June 2021	Balance
	S\$'000	S\$'000	S\$'000	S\$'000
Capital expenditure on development and building of new machinery for our Advanced Materials BU and purchase of new machinery to support our Nanofabrication BU	90,000	86,211	1,107	85,104
R&D & engineering for entry into new end industries and new areas and/or products in existing business segments	50,000	42,951	2,235	40,716
Construction, refurbishment and renovation of new and existing production facilities				
- Renovation (including refurbishment, furniture and fittings) of Shanghai Plant 2	20,000	16,527	1,047	15,480
- Construction, refurbishment and renovation of new and existing production facilities	10,000	8,979	1,008	7,971
General corporate and working capital purposes ⁽¹⁾	20,900	13,300	2,191	11,109
Payment of underwriting commissions and offering expenses	9,100	(505)	-	(505)
	200,000	167,463	7,588	159,875

Note:

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

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

On 9 March 2021, Sydrogen Entergy Pte. Ltd. (“SEPL”) was incorporated as a wholly-owned subsidiary of the Company to carry on the hydrogen energy business of the Group. SEPL has an initial paid up capital of S\$10,000, comprising 10,000 ordinary shares which are held by the Company.

BY ORDER OF THE BOARD

Lim Kian Onn
Chief Financial Officer

13 August 2021

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 2021 to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD

Dr Shi Xu
Executive Chairman and Chief Executive Officer

Gary Ho Hock Yong
Executive Director

13 August 2021