

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2021 (“FY2021”)

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

	Note	2H2021 S\$'000	2H2020 S\$'000	Change %	Group FY2021 S\$'000	FY2020 S\$'000	Change %
Revenue	5	150,064	140,509	6.8	246,694	218,337	13.0
Cost of sales		(72,458)	(61,635)	17.6	(124,539)	(98,550)	26.4
Gross profit		77,606	78,874	(1.6)	122,155	119,787	2.0
Other operating income		3,416	1,572	117.3	7,218	4,183	72.6
Finance income		375	359	4.5	983	525	87.2
Expenses:							
Research & development and engineering ⁽¹⁾		(11,333)	(9,526)	19.0	(21,902)	(16,483)	32.9
Selling and distribution ⁽¹⁾		(3,694)	(3,214)	14.9	(6,563)	(5,248)	25.1
Administrative		(18,776)	(18,377)	2.2	(32,651)	(29,628)	10.2
Finance		(300)	(685)	(56.2)	(704)	(1,573)	(55.2)
Write back of/ (impairment loss) allowance on trade receivables and contract assets		1,322	(1,287)	n.m	1,322	(1,287)	n.m
Profit before income tax	6	48,616	47,716	1.9	69,858	70,276	(0.6)
Income tax expenses	7	(4,202)	(8,190)	(48.7)	(7,328)	(12,213)	(40.0)
Profit after income tax		44,414	39,526	12.4	62,530	58,063	7.7
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		5,986	5,268	13.6	13,665	8,144	67.8
Total comprehensive income for the period		50,400	44,794	12.5	76,195	66,207	15.1
Profit attributable to:							
Equity holders of the Company		44,317	39,150	13.2	62,202	57,615	8.0
Non-controlling interests		97	376	(74.2)	328	448	(26.8)
		44,414	39,526	12.4	62,530	58,063	7.7
Total comprehensive income attributable to:							
Equity holders of the Company		50,123	44,249	13.3	75,410	65,509	15.1
Non-controlling interests		277	545	(49.2)	785	698	12.5
		50,400	44,794	12.5	76,195	66,207	15.1
Adjusted EBITDA	4	62,487	63,737	(2.0)	95,726	96,939	(1.3)
Earnings per share attributable to the equity holders of the Company (cents)							
Basic earnings per share	8	6.71	7.23	(7.2)	9.42	10.64	(11.5)
Diluted earnings per share	8	6.67	7.15	(6.7)	9.37	10.53	(11.0)

n.m. - Not meaningful

(1) Management has determined that it is more relevant for the Group to present "Research & development and Engineering" expenses separately from "Selling & distribution" expenses. "Research & development and Engineering" includes Research & development, Engineering and Quality assurance expenses. Comparatives has been adjusted for this purpose.

B. Unaudited condensed interim statements of financial position

	Note	Group		Company	
		31/12/2021 S\$'000	31/12/2020 S\$'000	31/12/2021 S\$'000	31/12/2020 S\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	290,179	174,538	50,724	7,933
Land use rights		13,391	13,063	-	-
Intangible assets	10	9,860	3,802	5,218	3,802
Investment in subsidiaries	11	-	-	104,800	66,627
Other receivables and other non-current assets	12	-	488	71,824	39,062
Other financial assets	21	1,367	-	-	-
Deferred tax assets		1,429	478	-	-
		<u>316,226</u>	<u>192,369</u>	<u>232,566</u>	<u>117,424</u>
Current assets					
Inventories		17,365	15,788	5,810	4,576
Trade and other receivables, and other current assets	12	106,848	95,670	27,889	15,945
Contract assets/Accrued receivables		21,506	17,706	-	-
Cash and bank balances		176,610	227,355	94,359	195,560
Other financial assets	21	6,363	-	-	-
		<u>328,692</u>	<u>356,519</u>	<u>128,058</u>	<u>216,081</u>
Total assets		<u>644,918</u>	<u>548,888</u>	<u>360,624</u>	<u>333,505</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	13	266,927	263,756	266,927	263,756
Treasury shares	13	(15,241)	-	(15,241)	-
Reserves		177,917	167,085	60,193	43,015
		<u>429,603</u>	<u>430,841</u>	<u>311,879</u>	<u>306,771</u>
Non-controlling interests		45,374	9,589	-	-
Total equity		<u>474,977</u>	<u>440,430</u>	<u>311,879</u>	<u>306,771</u>
Non-current liabilities					
Bank loans	16	26,211	18,328	26,128	3,470
Lease liabilities	16	15,279	1,449	9,034	1,365
Other creditors	17	53,100	-	-	-
Deferred tax liabilities		1,278	1,012	1,278	1,012
		<u>95,868</u>	<u>20,789</u>	<u>36,440</u>	<u>5,847</u>
Current liabilities					
Trade and other payables	17	60,501	47,148	5,222	5,842
Contract liabilities/Advanced receipts		2,607	11,930	334	10,230
Bank loans	16	2,070	21,419	1,872	972
Lease liabilities	16	2,552	1,071	1,542	879
Provisions		556	302	542	302
Provision for taxation		5,787	5,799	2,793	2,662
		<u>74,073</u>	<u>87,669</u>	<u>12,305</u>	<u>20,887</u>
Total liabilities		<u>169,941</u>	<u>108,458</u>	<u>48,745</u>	<u>26,734</u>
Total equity and liabilities		<u>644,918</u>	<u>548,888</u>	<u>360,624</u>	<u>333,505</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 2021	263,756	-	(1,126)	5,856	1,092	161,263	430,841	9,589	440,430
Profit for the period	-	-	-	-	-	62,202	62,202	328	62,530
Other comprehensive income	-	-	13,208	-	-	-	13,208	457	13,665
Total comprehensive income for the period	-	-	13,208	-	-	62,202	75,410	785	76,195
Transfer of statutory reserve	-	-	-	651	-	(651)	-	-	-
Transactions with equity holders, recognised directly in equity									
- Dividends (Note 18)	-	-	-	-	-	(6,585)	(6,585)	-	(6,585)
- Issuance of shares under ESOS Scheme	3,171	-	-	-	(182)	-	2,989	-	2,989
- Purchase of treasury shares	-	(21,179)	-	-	-	-	(21,179)	-	(21,179)
- Treasury shares re-issued under ESOS Scheme	-	5,938	-	-	(5,080)	-	858	-	858
- Adjustment on employee share options	-	-	-	-	237	132	369	-	369
- Put option relating to interest in non-controlling interest (Note 17)	-	-	-	-	(53,100)	-	(53,100)	-	(53,100)
- Contribution of capital by non-controlling interest (Note 11d)	-	-	-	-	-	-	-	35,000	35,000
Total transactions with equity holders	3,171	(15,241)	-	-	(58,125)	(6,453)	(76,648)	35,000	(41,648)
At 31 December 2021	266,927	(15,241)	12,082	6,507	(57,033)	216,361	429,603	45,374	474,977

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

	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 2020	9,696	-	(9,020)	5,434	703	113,701	120,514	6,912	127,426
Profit for the period	-	-	-	-	-	57,615	57,615	448	58,063
Other comprehensive income	-	-	7,894	-	-	-	7,894	250	8,144
Total comprehensive income for the period	-	-	7,894	-	-	57,615	65,509	698	66,207
Transfer of statutory reserve	-	-	-	422	-	(422)	-	-	-
Transactions with equity holders, recognised directly in equity									
- Dividends (Note 18)	-	-	-	-	-	(9,631)	(9,631)	-	(9,631)
- Issuance of shares under ESOS Scheme 2017	6,621	-	-	-	(159)	-	6,462	-	6,462
- Issuance of shares under RSP 2020	3,238	-	-	-	-	-	3,238	-	3,238
- Issuance of IPO Shares	200,000	-	-	-	-	-	200,000	-	200,000
- Share issuance expenses, net of listing grant	(5,799)	-	-	-	-	-	(5,799)	-	(5,799)
- Conversion of convertible bonds	50,000	-	-	-	240	-	50,240	-	50,240
- Adjustment on employee share options	-	-	-	-	478	-	478	-	478
- Contribution of capital by non-controlling interest	-	-	-	-	-	-	-	1,809	1,809
- Increase in ownership interests in subsidiaries	-	-	-	-	(170)	-	(170)	170	-
Total transactions with equity holders	254,060	-	-	-	389	(9,631)	244,818	1,979	246,797
At 31 December 2020	263,756	-	(1,126)	5,856	1,092	161,263	430,841	9,589	440,430

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 2021	263,756	-	630	42,385	306,771
Profit for the period	-	-	-	28,656	28,656
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	28,656	28,656
Transactions with equity holders, recognised directly in equity					
- Dividends (Note 18)	-	-	-	(6,585)	(6,585)
- Issuance of shares under ESOS	3,171	-	(182)	-	2,989
- Buy-back of ordinary shares	-	(21,179)	-	-	(21,179)
- Treasury shares re-issued	-	5,938	(5,080)	-	858
- Adjustment on employee share options	-	-	237	132	369
Total transactions with equity holders	3,171	(15,241)	(5,025)	(6,453)	(23,548)
At 31 December 2021	266,927	(15,241)	(4,395)	64,588	311,879
At 1 January 2020					
	9,696	-	71	40,614	50,381
Profit for the period	-	-	-	11,402	11,402
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	11,402	11,402
Transactions with equity holders, recognised directly in equity					
- Dividends (Note 18)	-	-	-	(9,631)	(9,631)
- Issuance of shares under ESOS	6,621	-	(159)	-	6,462
- Issuance of shares under RSP	3,238	-	-	-	3,238
- Issuance of IPO shares	200,000	-	-	-	200,000
- Share issuance expenses, net of listing grant	(5,799)	-	-	-	(5,799)
- Conversion of convertible bonds	50,000	-	240	-	50,240
- Adjustment on employee share options	-	-	478	-	478
Total transactions with equity holders	254,060	-	559	(9,631)	244,988
At 31 December 2020	263,756	-	630	42,385	306,771

D. Unaudited condensed interim consolidated statement of cash flows

	Group	
Note	FY2021 S\$'000	FY2020 S\$'000
Cash Flows from Operating Activities		
Profit before income tax	69,858	70,276
Adjustments for:		
Depreciation of property, plant and equipment	24,351	18,062
Amortisation of land use rights	290	278
Amortisation of intangible assets	1,192	1,193
Finance expenses	704	1,573
Finance income	(983)	(525)
Provision for warranties	558	315
Reversal of provision for warranties	(303)	(434)
Write off/loss on disposal of property, plant and equipment	60	54
Expense recognised in respect of share-based payments and share options granted	369	3,716
Exchange differences – unrealised	570	111
Write off of intangible assets	18	417
Share issuance expense charged to profit or loss	-	2,479
Listing grant income recognised in profit or loss	-	(280)
Operating cash flows before working capital changes	<u>96,684</u>	<u>97,235</u>
Inventories	6,312	675
Trade, other receivables and other current assets (include contract assets)	(9,083)	(40,889)
Trade, other payables and provisions (include contract liabilities)	<u>(13,229)</u>	<u>14,080</u>
Cash generated from operations	80,684	71,101
Interest paid	(356)	(2,400)
Interest received	983	525
Income tax paid	<u>(8,111)</u>	<u>(10,209)</u>
Net cash generated from operating activities	<u>73,200</u>	<u>59,017</u>
Cash Flows from Investing Activities		
Acquisition of a subsidiary	(4,500)	-
Purchase of property, plant and equipment	(104,872)	(79,153)
Deposit for purchase of property	-	(488)
Proceeds from disposal of property, plant and equipment	121	180
Additions to intangible assets	(2,830)	(1,043)
Additions to other financial assets	<u>(7,730)</u>	<u>-</u>
Net cash used in investing activities	<u>(119,811)</u>	<u>(80,504)</u>
Cash Flows from Financing Activities		
Contribution of capital by non-controlling interests	35,000	1,809
Proceeds from issuance of shares under ESOS Scheme 2017	1,772	6,462
Proceeds from re-issuance of treasury shares under ESOS Scheme 2017	858	-
Advances received for issuance of ordinary shares under the ESOS Scheme 2017	-	1,216
Proceeds from issuance of IPO shares	-	200,000
Share issuance expense capitalised against share capital	-	(6,519)
Share issuance expense charged to profit or loss	-	(2,479)
Listing grant received	-	1,000
Payment for buy-back of shares	(21,179)	-
Proceeds from bank loans	49,000	55,338
Repayment of bank loans	(61,530)	(20,010)
Payment of lease liabilities	(2,640)	(4,850)
Decrease/(Increase) in fixed deposits pledged with banks	405	(38)
Dividends paid	<u>(6,585)</u>	<u>(9,631)</u>
Net cash (used in)/generated from financing activities	<u>(4,899)</u>	<u>222,298</u>
Net (decrease)/increase in cash and cash equivalents	(51,510)	200,811
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	1,170	1,101
Cash and cash equivalents at the end of the period	<u>176,164</u>	<u>226,504</u>

D. Unaudited condensed interim consolidated statement of cash flows (cont'd)

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	176,610	227,355
Less: Pledged fixed deposits	(446)	(851)
	<u>176,164</u>	<u>226,504</u>

E. Notes to the unaudited condensed interim consolidated financial statements

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

1 General Information

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

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

The unaudited condensed interim consolidated financial statements as at and for the six months ended 31 December 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 31 December 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 interim financial statements for the six-month period ended 30 June 2021.

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

The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group’s audited consolidated financial statements for the 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.

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.

E. Notes to the unaudited condensed interim consolidated financial statements

2 Basis of Preparation (cont'd)

Estimated useful life of property, plant and equipment (cont'd)

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

Goodwill

The Group measure goodwill at the date of acquisition as:

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

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

Put option liability

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

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
FY2021					
Revenue from external customers	194,269	44,622	7,803	-	246,694
Inter-segment sales	7	18,376	10	(18,393)	-
	<u>194,276</u>	<u>62,998</u>	<u>7,813</u>	<u>(18,393)</u>	<u>246,694</u>
Adjusted EBITDA	<u>80,462</u>	<u>15,075</u>	<u>189</u>	<u>-</u>	<u>95,726</u>
<u>Other information</u>					
Depreciation	20,976	1,636	1,739	-	24,351
Amortisation of land use rights	280	-	10	-	290
Amortisation of intangible assets	368	796	28	-	1,192
Write back of allowance on trade receivables and contract assets	(269)	(1,053)	-	-	(1,322)
Write down of inventories	16	-	-	-	16
Write off/ loss/ (gain) on disposal of property, plant and equipment	105	(43)	(2)	-	60
Write off of intangible assets	6	12	-	-	18
Listing expenses – Recurring	32	68	2	-	102
Provision for warranties	-	558	-	-	558
Reversal of provision for warranties	-	(303)	-	-	(303)
At 31 December 2021					
<u>Assets</u>					
Segment assets	376,929	66,427	15,793		459,149
Cash and bank balances					176,610
Other financial assets					7,730
Deferred tax assets					1,429
					<u>644,918</u>
Segment assets include:					
Additions to non-current assets:					
- Property, plant and equipment	106,315	31,436	1,755	-	139,506
- Intangible assets	1,032	1,784	335	-	3,151
<u>Liabilities</u>					
Segment liabilities	64,140	15,965	1,390	-	81,495
Bank loans					28,281
Deferred tax liabilities					1,278
Other creditors (non-current)					53,100
Provision for taxation					5,787
					<u>169,941</u>

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

	Advanced materials S\$'000	Industrial equipment S\$'000	Nanofabrication S\$'000	Inter- segment eliminations S\$'000	Total S\$'000
FY2020					
Revenue from external customers	182,469	24,615	11,253	-	218,337
Inter-segment sales	29	6,276	329	(6,634)	-
	<u>182,498</u>	<u>30,891</u>	<u>11,582</u>	<u>(6,634)</u>	<u>218,337</u>
Adjusted EBITDA	<u>87,328</u>	<u>6,338</u>	<u>3,273</u>	<u>-</u>	<u>96,939</u>
<u>Other information</u>					
Depreciation	14,517	576	2,969	-	18,062
Amortisation of land use rights	267	-	11	-	278
Amortisation of intangible assets	370	823	-	-	1,193
Impairment loss allowance on trade receivables and contract assets	234	1,053	-	-	1,287
Write (back)/ down of inventories	(96)	5	-	-	(91)
Write off of obsolete stock	3	6	-	-	9
Write off/ loss/ (gain) on disposal of property, plant and equipment	56	(1)	(1)	-	54
Write off of intangible assets	129	288	-	-	417
Listing expenses charged to profit or loss					
- Recurring	8	1	-	-	9
- Non-recurring	2,184	295	-	-	2,479
Listing grant recognised in profit or loss	(247)	(33)	-	-	(280)
Award shares expenses under RSP 2020	1,004	2,234	-	-	3,238
Provision for warranties	-	315	-	-	315
Reversal of provision for warranties	-	(371)	(63)	-	(434)
At 31 December 2020					
<u>Assets</u>					
Segment assets	274,702	27,050	19,303	-	321,055
Cash and bank balances					227,355
Deferred tax assets					478
					<u>548,888</u>
Segment assets include:					
Additions to non-current assets:					
- Property, plant and equipment	72,647	4,155	5,128	-	81,930
- Intangible assets	431	960	-	-	1,391
<u>Liabilities</u>					
Segment liabilities	50,567	10,269	1,064	-	61,900
Bank loans					39,747
Deferred tax liabilities					1,012
Provision for taxation					5,799
					<u>108,458</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
2H2021					
Revenue from external customers	118,306	25,626	6,132	-	150,064
Inter-segment sales	4	16,585	-	(16,589)	-
	<u>118,310</u>	<u>42,211</u>	<u>6,132</u>	<u>(16,589)</u>	<u>150,064</u>
Adjusted EBITDA	<u>52,227</u>	<u>9,163</u>	<u>1,097</u>	<u>-</u>	<u>62,487</u>
<u>Other information</u>					
Depreciation	11,282	911	933	-	13,126
Amortisation of land use rights	142	-	10	-	152
Amortisation of intangible assets	199	388	22	-	609
Write back of allowance on trade receivables and contract assets	(269)	(1,053)	-	-	(1,322)
Write down of inventories	16	-	-	-	16
Write off/loss on disposal of property, plant and equipment	(38)	(70)	(2)	-	(110)
Write off of intangible assets	6	12	-	-	18
Listing expenses - Recurring	32	68	2	-	102
Provision for warranties	-	340	-	-	340
Reversal of provision for warranties	-	(119)	-	-	(119)

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

	Advanced materials S\$'000	Industrial equipment S\$'000	Nanofabrication S\$'000	Inter- segment eliminations S\$'000	Total S\$'000
2H2020					
Revenue from external customers	118,347	14,111	8,051	-	140,509
Inter-segment sales	7	4,639	67	(4,713)	-
	<u>118,354</u>	<u>18,750</u>	<u>8,118</u>	<u>(4,713)</u>	<u>140,509</u>
Adjusted EBITDA	<u>57,906</u>	<u>2,791</u>	<u>3,040</u>	<u>-</u>	<u>63,737</u>
<u>Other information</u>					
Depreciation	8,176	224	1,742	-	10,142
Amortisation of land use rights	134	-	5	-	139
Amortisation of intangible assets	192	408	-	-	600
Impairment loss allowance on trade receivables and contract assets	234	1,053	-	-	1,287
Write (back)/down of inventories	(48)	5	-	-	(43)
Write off of obsolete stock	3	6	-	-	9
Write off/loss on disposal of property, plant and equipment	59	-	-	-	59
Write off of intangible assets	129	288	-	-	417
Listing expenses charged to profit or loss					
- Recurring	8	1	-	-	9
- Non-recurring	2,184	295	-	-	2,479
Listing grant recognised in profit or loss	(247)	(33)	-	-	(280)
Award shares expenses under RSP 2020	628	1,398	-	-	2,026
Provision for warranties	-	125	-	-	125
Reversal of provision for warranties	-	(105)	(63)	-	(168)

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			
	2H2021 S\$'000	2H2020 S\$'000	FY2021 S\$'000	FY2020 S\$'000
Adjusted EBITDA ⁽¹⁾ for reportable segments	62,487	63,737	95,726	96,939
Depreciation	(13,126)	(10,142)	(24,351)	(18,062)
Amortisation	(761)	(739)	(1,482)	(1,471)
Gain/ (Write off/Loss) on disposal of property, plant and equipment	110	(59)	(60)	(54)
Write off of obsolete stock	-	(9)	-	(9)
Write off of intangible assets	(18)	(417)	(18)	(417)
Listing expenses charged to profit or loss - non-recurring	-	(2,479)	-	(2,479)
Listing grant recognised in profit or loss	-	280	-	280
Other professional fees	(151)	(104)	(236)	(165)
Award shares expenses under Restricted Share Plan 2020	-	(2,026)	-	(3,238)
Finance income	375	359	983	525
Finance expenses	(300)	(685)	(704)	(1,573)
Profit before income tax	48,616	47,716	69,858	70,276
Income tax expenses	(4,202)	(8,190)	(7,328)	(12,213)
Profit after income tax	44,414	39,526	62,530	58,063

⁽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			
	2H2021 S\$'000	2H2020 S\$'000	FY2021 S\$'000	FY2020 S\$'000
Singapore	25,634	15,425	39,688	24,801
China	114,776	110,205	190,296	169,160
Japan	9,632	14,868	16,679	24,355
Vietnam	22	11	31	21
Total revenue	150,064	140,509	246,694	218,337

E. Notes to the unaudited condensed interim consolidated financial statements

5 Revenue

(a) Revenue by business segment

	Group			
	2H2021 S\$'000	2H2020 S\$'000	FY2021 S\$'000	FY2020 S\$'000
Advanced materials	118,306	118,347	194,269	182,469
Industrial equipment	25,626	14,111	44,622	24,615
Nanofabrication	6,132	8,051	7,803	11,253
Total	150,064	140,509	246,694	218,337

(b) Disaggregation of revenue from contracts with customers

	Group			
	2H2021 S\$'000	2H2020 S\$'000	FY2021 S\$'000	FY2020 S\$'000
Performance obligations satisfied at a point in time				
Sale of equipment	21,724	11,776	38,889	20,622
Sale of products and spare parts	8,872	9,434	11,712	13,601
	30,596	21,210	50,601	34,223
Performance obligations satisfied over time				
Service rendered	119,468	119,299	196,093	184,114
Total	150,064	140,509	246,694	218,337

(c) Breakdown of sales and profit after income tax

	Group		
	FY2021 S\$'000	FY2020 S\$'000	Change %
Sales reported for the first half year	96,630	77,828	24.2
Profit after income tax reported for first half year	18,116	18,537	(2.3)
Sales reported for the second half year	150,064	140,509	6.8
Profit after income tax reported for second half year	44,414	39,526	12.4

E. Notes to the unaudited condensed interim consolidated financial statements

6 Profit before Income Tax

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

	Group			
	2H2021 S\$'000	2H2020 S\$'000	FY2021 S\$'000	FY2020 S\$'000
Finance expense on:				
- bank loans	21	309	261	556
- lease liabilities	279	49	443	172
- convertible notes carried at amortised cost	-	327	-	845
Finance income from:				
- bank deposits	(375)	(359)	(983)	(525)
Material items included in expenses/other operating income:				
Government grants and incentives	(3,126)	(2,122)	(6,530)	(3,774)
Depreciation of property, plant and equipment	13,126	10,142	24,351	18,062
Amortisation of land use rights	152	139	290	278
Amortisation of intangible assets	609	600	1,192	1,193
Lease expenses	243	325	440	566
Listing expenses				
- Recurring	58	9	102	9
- Non-recurring	-	2,479	-	2,479
Write down/ (back) of inventories	16	(43)	16	(91)
Write off of obsolete stock	-	9	-	9
Staff costs (including directors' remuneration)				
- Salaries and related costs	45,055	29,001	78,072	51,900
- Contribution to defined contribution plans	2,810	931	4,910	1,563
- Share option expenses	208	432	369	478
- Award shares expenses	-	2,026	-	3,238
(Gain)/ Write off/ loss on disposal of property, plant and equipment	(110)	59	60	54
Write off of intangible assets	18	417	18	417
Exchange loss	115	1,580	123	757
Provision for warranties	340	125	558	315
Reversal of provision for warranties	(119)	(168)	(303)	(434)

E. Notes to the unaudited condensed interim consolidated financial statements

7 Income Tax Expenses

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

	2H2021 S\$'000	2H2020 S\$'000	Group FY2021 S\$'000	FY2020 S\$'000
Income tax:				
- Current period	4,949	7,941	8,779	11,899
- Under/ (over) provision in prior years	160	697	(795)	762
	<u>5,109</u>	<u>8,638</u>	<u>7,984</u>	<u>12,661</u>
Deferred tax:				
- Current period	(907)	(448)	(656)	(448)
	<u>4,202</u>	<u>8,190</u>	<u>7,328</u>	<u>12,213</u>

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:

	2H2021	2H2020	Group FY2021	FY2020
Profit for the period attributable to equity holders of the Company (S\$'000)	44,317	39,150	62,202	57,615
Weighted average number of ordinary shares ('000)	660,159	541,644	660,159	541,644
Basic earnings per share (cents)	<u>6.71</u>	<u>7.23</u>	<u>9.42</u>	<u>10.64</u>

E. Notes to the unaudited condensed interim consolidated financial statements

8 Earnings per Share (cont'd)

(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 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.

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			
	2H2021	2H2020	FY2021	FY2020
Profit for the period attributable to equity holders of the Company (S\$'000)	44,317	39,150	62,202	57,615
Weighted average number of ordinary shares ('000)	660,159	541,644	660,159	541,644
Adjustments for ('000):				
- Share options	3,192	5,645	3,192	5,645
- Restricted share plan	719	-	719	-
	664,070	547,289	664,070	547,289
Diluted earnings per share (cents)	6.67	7.15	9.37	10.53

9 Net Asset Value

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Net assets value (S\$'000)	429,603	430,841	311,879	306,771
Number of shares ('000)	659,688	658,351	659,688	658,351
Net asset value per share (cents)	65.12	65.44	47.28	46.60

10 Property, Plant and Equipment and Intangible assets

During the twelve months ended 31 December 2021, the Group acquired property, plant and equipment amounting to S\$139,506,000 (31 December 2020: S\$81,930,000) and disposed of property, plant and equipment amounting to S\$1,538,000 (31 December 2020: S\$362,000). The additions to property, plant and equipment included S\$18,529,000 (31 December 2020: S\$2,777,000) acquired under right-of-use assets under leasing arrangement. S\$16,104,000 of the total additions were payable and recorded as sundry creditors (see note 17). The disposal of property, plant and equipment included derecognition of right-of-use assets related to replacement of lease agreements amounting to S\$1,234,000 (31 December 2020: S\$128,000). The Group derecognised the corresponding lease liabilities in the same period.

During the twelve months ended 31 December 2021, the Group acquired intangible assets amounting to S\$3,151,000 (31 December 2020: S\$1,043,000). The Group recorded S\$4,100,000 (31 December 2020: nil) as goodwill for the excess of the sum of fair value of the consideration over the net fair value of identifiable assets and liabilities (See Note 11e).

E. Notes to the unaudited condensed interim consolidated financial statements

11 Investment in Subsidiaries

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

During the twelve months ended 31 December 2021:

- (a) 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.
- (b) 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.
- (c) 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.
- (d) In July 2021, the Group entered into a joint venture agreement with Venezia Investments Pte. Ltd. (an indirect wholly owned subsidiary of Temasek Holdings (Private) Limited) to carry out the hydrogen energy and hydrogen fuel business through Sydrogen Energy Pte. Ltd. In October 2021, the Company and Venezia completed its initial investment in Sydrogen Energy Pte. Ltd., comprising cash injection of a total of S\$50,000,000 (the Company: S\$15,000,000, Venezia: S\$35,000,000) and non-cash consideration of approximately S\$70,000,000 by way of the transfer of the Group's hydrogen energy business and licence of the Group's intellectual property relating to the business, to Sydrogen Energy Pte. Ltd.. The cash proceeds are intended to be used for research and development and the construction of production capacity. Following completion, Sydrogen Energy Pte. Ltd. becomes 65% held by the Company, and 35% held by Venezia.
- (e) In September 2021, the Company entered into an agreement to acquire 100% of Miller Technologies Pte. Ltd. at a consideration of S\$4,500,000 for all the 400,002 ordinary shares in the company. The principal activity of Miller Technologies Pte. Ltd. is the manufacture and supply of dies, molds, tools, jigs and fixtures and the manufacture and repair of machinery and machine-tools. Miller Technologies Pte. Ltd. became a wholly owned subsidiary of the Company when the Company took control of the subsidiary in October 2021, and the acquisition was completed in November 2021. The Group incurred acquisition related costs of S\$34,000 relating to external legal fees and due diligence costs and these have been classified as "administrative" expenses in the condensed consolidated statement of profit or loss.

Asset and liabilities recognised as a result of the acquisition	Fair value S\$'000
Property, plant and equipment	395
Right-of use assets (ROU)	314
Inventories	1
Trade receivables	547
Other receivables	8
Trade payables	(108)
Accrued expenses	(32)
Other payables	(411)
Provisions	(14)
Lease liabilities	(300)
Net identifiable assets acquired	400
Add Goodwill:	4,100
	4,500

The goodwill is attributable to Miller Technologies Pte. Ltd.'s strong position in the market and the Company expecting synergies to arise after the acquisition of the new subsidiary. It has been allocated to Industrial Equipment BU.

E. Notes to the unaudited condensed interim consolidated financial statements

11 Investment in Subsidiaries (cont'd)

- (f) In November 2021, the Company incorporated a wholly owned Singapore subsidiary, Nanofilm Investments Pte. Ltd. with an issued and fully paid-up capital of S\$1, comprising of 1 ordinary share in the subsidiary. The principal activity of Nanofilm Investments Pte. Ltd. is investment holding company.
- (g) In November 2021, the Company, through its wholly owned subsidiary, Nanofilm Investments Pte. Ltd., incorporated a wholly owned Singapore subsidiary, Nanofilm Ventures Pte. Ltd. with an issued and fully paid-up capital of S\$1, comprising of 1 ordinary share in the subsidiary. The principal activity of Nanofilm Ventures Pte. Ltd. is investment holding company.
- (h) In December 2021, the Company subscribed for 1,367,200 new ordinary shares in the capital of Nanofilm Investments Pte. Ltd., a wholly owned subsidiary of the Group for an aggregate consideration of S\$1,367,200. The purpose of the capital injection was to fund the subscription of 69,830 shares of preferred stock in H2Pro Ltd., a company incorporated under the laws of the state of Israel, for a minority stake of less than 1%.

E. Notes to the unaudited condensed interim consolidated financial statements

12 Trade and Other Receivables, and Other Current Assets

	Group		Company	
	31/12/2021 S\$'000	31/12/2020 S\$'000	31/12/2021 S\$'000	31/12/2020 S\$'000
Current				
Trade receivables:				
- Third parties	90,904	86,519	6,343	4,646
- Loss allowance	(349)	(561)	(219)	(55)
	90,555	85,958	6,124	4,591
- Subsidiaries	-	-	3,454	4,692
- Loss allowance	-	-	-	(163)
	-	-	3,454	4,529
	90,555	85,958	9,578	9,120
Other receivables:				
- Deposits	329	278	244	179
- GST/VAT and other taxes receivable	1,604	2,250	315	794
- Due from subsidiaries	-	-	17,601	5,542
- Sundry debtors	3,603	1,228	80	246
	5,536	3,756	18,240	6,761
Other current assets:				
- Prepayments	693	214	71	64
- Advances to suppliers	10,064	5,742	-	-
	10,757	5,956	71	64
Total current	106,848	95,670	27,889	15,945
Non-current				
Other receivables:				
- Loan due from a subsidiary	-	-	71,824	39,062
Gross amount (non-interest bearing)	-	-	75,500	40,640
Less: Fair value adjustment to investment in a Group's subsidiary	-	-	(6,036)	(3,013)
Add: Accumulated imputed interest recognised in profit or loss, net of exchange differences	-	-	2,360	1,435
Other non-current assets:				
- Advances to suppliers	-	488	-	-
Total non-current	-	488	71,824	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\$17,601,000 as at 31 December 2021, an increase of S\$12,059,000 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\$16,888,000 (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 31 December 2021, the loan due from a subsidiary is unsecured, interest-free and repayable on 31 December 2024. 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 and Treasury Shares

	Group and Company			
	2021 No. of ordinary shares (‘000)	S\$’000	2020 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	5,092	3,171	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 31 December	<u>663,443</u>	<u>266,927</u>	<u>658,351</u>	<u>263,756</u>
<u>Treasury shares</u>				
At 1 January	-	-	-	-
Purchase of treasury shares	5,218	21,179	-	-
Treasury shares re-issued under Employee Share Option Scheme	(1,463)	(5,938)	-	-
At 31 December	<u>3,755</u>	<u>15,241</u>	<u>-</u>	<u>-</u>
Total issued shares excluding treasury shares	<u>659,688</u>	<u>251,686</u>	<u>658,351</u>	<u>263,756</u>

As at 31 December 2021, the Group purchased 5,218,000 treasury shares and re-issued 1,463,000 treasury shares under the Employee Share Option Scheme.

Subsidiary holdings

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

E. Notes to the unaudited condensed interim consolidated financial statements

14 Employee Share Options and Share Awards

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

As at 31 December 2021 and 31 December 2020, 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 1.1.2021	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 31.12.2021	Exercise price S\$	Date of expiry
2 April 2018	1,700,000	-	-	-	1,700,000	0.5927	2 April 2023
3 December 2018	6,028,000	-	(300,000)	(5,217,000)	511,000	0.5868	9-27 December 2024
3 March 2019	533,000	-	(66,000)	(308,000)	159,000	0.5868	18-28 March 2025
3 June 2019	550,000	-	-	(360,000)	190,000	0.5868	16-18 June 2025
1 July 2020	2,500,000	-	(798,000)	(670,000)	1,032,000	0.5868	30 June 2026
	<u>11,311,000</u>	<u>-</u>	<u>(1,164,000)</u>	<u>(6,555,000)</u>	<u>3,592,000</u>		

Date of grant of options	Options outstanding at 1.1.2020	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 31.12.2020	Exercise price S\$	Date of expiry
2 April 2018	3,150,000	-	(1,050,000)	(400,000)	1,700,000	0.5927	2 April 2023
3 December 2018	18,792,000	-	(3,882,000)	(8,882,000)	6,028,000	0.5868	9-27 December 2024
3 March 2019	4,588,000	-	(2,808,000)	(1,247,000)	533,000	0.5868	18-28 March 2025
3 June 2019	550,000	-	-	-	550,000	0.5868	16-18 June 2025
1 July 2020	-	2,980,000	-	(480,000)	2,500,000	0.5868	30 June 2026
	<u>27,080,000</u>	<u>2,980,000</u>	<u>(7,740,000)</u>	<u>(11,009,000)</u>	<u>11,311,000</u>		

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

As at 30 December 2020, out of the 11,311,000 options granted under the ESOS Scheme 2017, 7,806,000 options had vested between 2018 and 2020 and 3,505,000 options will vest between 2021 and 2023.

E. Notes to the unaudited condensed interim consolidated financial statements

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

Employee Share Option Scheme (“ESOS Scheme 2020”)

The ESOS Scheme 2020 was approved by the shareholders of the Company on 9 October 2020. As at 31 December 2021, details of the options granted under the ESOS Scheme 2020 to acquire ordinary shares in the capital of the Company are as follows:

Date of grant of options	Options outstanding at 1.1.2021	Options granted	Options cancelled/lapsed	Options exercised	Options outstanding at 31.12.2021	Exercise price S\$	Date of expiry
26 March 2021	-	1,142,500	(275,000)	-	867,500	4.9279	26 March 2031
6 April 2021	-	1,020,000	(150,000)	-	870,000	5.1135	6 April 2026 & 6 April 2031
19 August 2021	-	880,000	-	-	880,000	4.1185	19 August 2026
	-	3,042,500	(425,000)	-	2,617,500		

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

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

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

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

Nanofilm Restricted Share Plan (“RSP”)

The RSP was approved by the shareholders of the Company on 29 October 2021. As at 31 December 2021, a total of 719,000 share awards were granted under the RSP. The share awards granted will vest over ten years in ten equal annual tranches commencing 31 December 2022.

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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Current</u>				
Bank loans	2,070	21,419	1,872	972
Lease liabilities	2,552	1,071	1,542	879
	<u>4,622</u>	<u>22,490</u>	<u>3,414</u>	<u>1,851</u>
<u>Non-current</u>				
Bank loans	26,211	18,328	26,128	3,470
Lease liabilities	15,279	1,449	9,034	1,365
	<u>41,490</u>	<u>19,777</u>	<u>35,162</u>	<u>4,835</u>
<u>Amount repayable in one year or less, or on demand</u>				
Secured	4,424	21,301	3,414	1,851
Unsecured	198	1,189	-	-
	<u>4,622</u>	<u>22,490</u>	<u>3,414</u>	<u>1,851</u>
<u>Amount repayable after one year</u>				
Secured	41,407	15,999	35,162	4,835
Unsecured	83	3,778	-	-
	<u>41,490</u>	<u>19,777</u>	<u>35,162</u>	<u>4,835</u>

Details of any collateral

As at 31 December 2021, a bank loan amounting to S\$28,000,000 was outstanding to a local bank. The loan was obtained by the Company for general working capital purposes after the acquisition of the property at 11 Tai Seng Drive, Singapore, which was funded by internal sources of funds on completion. The bank loan was secured by a mortgage over the property. The Company incurred an interest of approximately 1.30% per annum in the first year based on a fixed interest spread and cost of fund.

As at 31 December 2020, a non-current bank loan amounting to S\$14,551,000 was outstanding 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\$17,831,000 (31 December 2020: S\$2,520,000) and S\$10,576,000 (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	
	31/12/2021 S\$'000	31/12/2020 S\$'000	31/12/2021 S\$'000	31/12/2020 S\$'000
Trade payables:				
- Subsidiaries	-	-	423	69
- Third parties	20,829	32,770	1,955	1,495
	<u>20,829</u>	<u>32,770</u>	<u>2,378</u>	<u>1,564</u>
Other payables:				
- Accrued operating expenses	13,179	10,230	2,844	3,062
- Advances received for issuance of ordinary shares under ESOS Scheme 2017	-	1,216	-	1,216
- Advances received from government	933	-	-	-
- VAT and other taxes payable	3,262	636	-	-
- Sundry creditors	22,298	2,296	-	-
	<u>39,672</u>	<u>14,378</u>	<u>2,844</u>	<u>4,278</u>
Total current trade and other payables	<u>60,501</u>	<u>47,148</u>	<u>5,222</u>	<u>5,842</u>
Other creditors:				
- Put option liability	53,100	-	-	-
Total non-current other creditors	<u>53,100</u>	<u>-</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 payable of \$53,100,000 as at 31 December 2021 was attributed to a financial liability to acquire non-controlling interest. Arising from the investment in Sydrogen Energy Pte. Ltd., the financial liability relates to a put option agreement with Temasek to acquire its 35% equity interest in Sydrogen Energy Pte. Ltd. in the event of a put option event based on the terms of the agreement. The measurement of the fair value of the financial liability is derived from valuation techniques that include inputs for the liability that are not based on observable market data (level 3 fair value measurements).

18 Dividends

	Group and Company	
	FY2021 S\$'000	FY2020 S\$'000
Ordinary dividends declared and payable:		
One-tier tax exempt interim dividend of a total of S\$0.010 per share payable in respect of the financial year ended 31 December 2021	6,585	-
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
	<u>6,585</u>	<u>9,631</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	
	31/12/2021 S\$'000	31/12/2020 S\$'000	31/12/2021 S\$'000	31/12/2020 S\$'000
Property, plant and equipment	4,321	23,484	569	407

Contingent assets & Contingent liabilities

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.

On 2 June 2021, NVC received a formal notice from the People’s Court in Qingpu, Shanghai, that ASP made a counterclaim 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 believed that the Counter-Claim had no sufficient basis. Accordingly, no provision for liability in relation to the Counter-Claim was made in the unaudited condensed interim consolidated financial statements as at 30 June 2021

On 8 December 2021, ASP agreed to make payment of a total amount of S\$5,741,747 (RMB26,755,580) to NVC in settlement of all disputes arising from the contracts for the supply of the Equipment. The settlement amount had been paid in full in December 2021 after completion of certain legal procedure relating to the Claim. In addition, as part of the settlement, NVC has entered into a service agreement with ASP to provide repair, maintenance and other after sales services in respect of the Equipment, at commercially agreed rates.

The Group recognised S\$3,037,000 revenue during the year for completion of the service obligations and written back the allowance (previously provided) on contract assets of S\$1,053,000 upon receipt of the settlement amount.

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			
	2H2021 S\$'000	2H2020 S\$'000	FY2021 S\$'000	FY2020 S\$'000
<u>Transactions with related parties</u>				
Sales	10,497	5,524	19,080	9,942
Purchases	13,025	6,403	18,559	9,197
Lease payments	105	-	209	-

E. Notes to the unaudited condensed interim consolidated financial statements

21 Other Financial Assets

	Group	
	31 December 2021 S\$'000	31 December 2020 S\$'000
<u>Equity Investments – at fair value through other comprehensive income (Non-current)</u>		
Investment in unquoted equity	1,367	-

The equity investment, invested in December 2021, represents investments that the Group intends to hold for the long-term for strategic purposes. No strategic investments were disposed of during FY2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments. No dividend was recognised during FY2021. They carrying value approximates its fair value, with reference to recent market subscriptions at reporting period (level 3 fair value measurements).

	Group	
	31 December 2021 S\$'000	31 December 2020 S\$'000
<u>Debt investment – at fair value through profit or loss (Current)</u>		
Structured deposit with a financial institution	6,363	-

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

22 Fair Value

Fair value measurements recognised in the statement of financial position

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

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

Financial assets and liabilities at amortised cost, whose carrying amounts approximate fair values

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

Other than as disclosed, the fair values of the Group's and the Company's non-current financial assets and non-current financial liabilities are calculated based on discounted expected future principal and interest cash flows. The discount rate used is based on market rate for similar instruments as at the reporting date ("Level 2"). As at 31 December 2021 and 31 December 2020, 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) On 11, 12, 13 and 14 January 2022, the Company acquired a total of 2,000,000 of its own shares as treasury shares by the way of market acquisition for a total consideration of S\$6,900,000.
- (b) On 21 January 2022, the Company subscribed for 270,000 new ordinary shares in the capital of Nanofilm Investments Pte. Ltd., a wholly owned subsidiary of the Group for an aggregate consideration of S\$270,000. The purpose of the capital injection was to fund the subscription of a convertible note of a principal sum of S\$270,000 issued by Akuos Pte. Ltd., a company incorporated under the laws of Singapore.
- (c) On 21 January 2022, Nanofilm Investments Pte. Ltd., a wholly owned subsidiary of the Company entered into a stock purchase agreement with Zulu Inc, a Delaware corporation for the purchase of 30,000,000 shares of preferred stock in Zulu Inc. at a consideration of US\$3,000,000, for a stake of approximately 22%. The purchase was completed on 15 February 2022. Concurrently, on 16 February 2022, the Company subscribed for 4,061,100 new ordinary shares in the capital of Nanofilm Investments Pte. Ltd., for an aggregate consideration of S\$4,061,100. The purpose of the capital injection was to fund the subscription of the 30,000,000 shares of preferred stock in Zulu Inc..
- (d) On 26 January 2022, the Company granted 25,000 shares under the Nanofilm Restricted Share Plan. The shares awarded will vest in four (4) equal tranches over a period of four (4) years commencing from the first anniversary after the date of grant, subject to the grantee achieving certain performance conditions and meeting other terms and conditions in respect of each tranche.

Other Information Required by Listing Rule Appendix 7.2

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

The condensed consolidated statement of financial position of Nanofilm Technologies International Limited (the “Company”) and its subsidiaries (the “Group”) and the statement of financial position of the Company as at 31 December 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 FY2021 was S\$246.7 million, registering an increase of S\$28.4 million (13.0%) from S\$218.3 million in FY2020, 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.

	FY2021 S\$'000	FY2020 S\$'000	Change %
Advanced Materials BU	194,269	182,469	6.5
Industrial Equipment BU	44,622	24,615	81.3
Nanofabrication BU	7,803	11,253	(30.7)
Total	246,694	218,337	13.0

Revenue – Advanced Materials BU

Revenue from the Advanced Materials BU for FY2021 was S\$194.3 million, an increase of S\$11.8 million (6.5%) from S\$182.5 million in FY2020, attributable to increased revenue contributions from 3C and Automotive product sub-segments.

Revenue – Industrial Equipment BU

Revenue from the Industrial Equipment BU for FY2021 revenue was S\$44.6 million, an increase of S\$20.0 million (81.3%) from S\$24.6 million in FY2020, attributable to higher sales of customised industrial equipment to the customers.

Other Information Required by Listing Rule Appendix 7.2

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

Revenue (cont'd)

Revenue – Nanofabrication BU

Revenue from the Nanofabrication BU for FY2021 revenue was S\$7.8 million, a decrease of S\$3.5 million (30.7%) from S\$11.3 million in FY2020, primarily due to an end-of-life project in 1H2021.

Gross profit

Gross profit for FY2021 was S\$122.2 million, an increase of S\$2.4 million (2.0%) from S\$119.8 million for FY2020. Gross profit margin was 49.5% for FY2021, a decrease from 54.9% for FY2020, driven by increased costs in manpower and manufacturing overheads. The decrease in gross profit margin was primarily due to an increase of S\$2.9 million in new Shanghai Plant 2 and new equipment qualification costs to enable production, and lower gross profit margin for FY2021 was also partially a result of product mix, where projects of lower average margins were executed in FY2021.

Other operating income

The breakdown for other operating income for FY2021 and FY2020 is as follows:

	FY2021 S\$'000	FY2020 S\$'000	Change %
Government grants and incentives	6,530	3,774	73.0
Sundry income	543	259	109.3
Scrap sales	127	150	(15.3)
Gain on disposal of property, plant and equipment	18	-	n.m.
Total	7,218	4,183	72.6

n.m. - Not meaningful

Other operating income was S\$7.2 million for FY2021, an increase of S\$3.0 million (72.6%) from S\$4.2 million for FY2020. This was primarily due to an increase in government grants and incentives related to financial subsidies of S\$2.7 million from the Qingpu Local Authority, Shanghai with business activities fulfilled as conditions to the subsidies.

Finance income

Finance income was S\$1.0 million for FY2021, an increase of S\$0.5 million (87.2%) from S\$0.5 million for FY2020. This was primarily due to interest income generated from the increase in cash and bank balances and fixed deposits for most of the months in FY2021 as compared to FY2020.

Research & development and engineering expenses

Research & development and engineering expenses were S\$21.9 million for FY2021, an increase of S\$5.4 million (32.9%) from S\$16.5 million for FY2020, primarily due to an increase of S\$3.1 million in staff cost from increased staff count, an increase of S\$0.8 million in depreciation charges and an increase of S\$0.7 million in utilities expenses to support the increase in R&D and new product development activities.

Selling and distribution expenses

Selling and distribution expenses were S\$6.6 million for FY2021, an increase of S\$1.4 million (25.1%) from S\$5.2 million for FY2020, primarily due to an increase in staff cost to accelerate sales efforts.

Administrative expenses

Administrative expenses were S\$32.7 million for FY2021, an increase of S\$3.1 million (10.2%) from S\$29.6 million for FY2020 due to the Group's business expansion plan. This was primarily due to an increase of S\$5.7 million in staff costs from increased staff count and an increase of S\$1.2 million in depreciation charges and leasing expenses. The increase was offset by the decrease in exchange loss of S\$0.6 million and there were no Restricted Shares Award expenses recorded in FY2021. (FY2020: S\$3.2 million).

Other Information Required by Listing Rule Appendix 7.2

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

Finance costs

Finance costs were S\$0.7 million for FY2021, a decrease of S\$0.9 million (55.2%) from S\$1.6 million for FY2020. 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 FY2021, resulting in a decrease in finance costs in FY2021.

Write back of allowance on trade receivables and contract assets

Write back of allowance on trade receivables and contract assets was S\$1.3 million (FY2020: S\$1.3m impairment loss) primarily due to the recovery of impairment loss allowance arising from a customer in the Industrial Equipment BU and the decrease in expected credit loss of the Group's trade receivables and contract assets.

Income tax

Income tax for FY2021 was S\$7.3 million, a decrease of S\$4.9 million (40.0%) from S\$12.2 million for FY2020, primarily due to (i) an adjustment for overprovision of income tax of S\$0.8 million (FY2020: under provision S\$0.8 million) for the Group's subsidiaries in prior year, (ii) an increase in enhanced tax deduction of S\$1.3 million from increased research and development expenses, (iii) tax deduction of S\$0.9 million on treasury share transfer to employees for exercise of options under ESOS Scheme 2017, (iv) a decrease in non-deductible expenses in FY2021 (FY2020: non-deductible expenses include listing expenses of S\$2.5 million and restricted share awards cost of S\$3.3 million, resulted in lower tax deduction of S\$0.6 million in FY2020).

Profit after income tax

As a result of the above factors, the Group's net profit has increased by S\$4.4 million (7.7%) to S\$62.5 million for FY2021 from S\$58.1 million for FY2020. This has included a net loss contribution of S\$1.0 million from Sydrogen Energy Pte. Ltd..

Adjusted EBITDA

The Group's adjusted EBITDA decreased by S\$1.2 million (1.3%) to S\$95.7 million for FY2021 from S\$96.9 million for FY2020.

Advanced Material BU's adjusted EBITDA for FY2021 was S\$80.5 million, a drop of S\$6.8 million (7.8%) from S\$87.3 million in FY2020, attributable to changes in the product mix and incurred non-recurring expenditures in relation to equipment qualification costs, and new product introduction costs. Adjusted EBITDA for FY2021 would have been S\$83.4 million if non-recurring equipment qualification costs was excluded.

Industrial Equipment BU's adjusted EBITDA for FY2021 was S\$15.1 million, an increase of S\$8.8 million (139.7%) from S\$6.3 million in FY2020, mainly due to higher number of industrial equipment sold during the period.

Nanofabrication BU's adjusted EBITDA for FY2021 was S\$0.2 million, a drop of S\$3.1 million (-93.9%) from S\$3.3 million in FY2020, due to an end-of-life project in 1H2021 resulted in drop in revenues quicker than expenses reduction.

Other Information Required by Listing Rule Appendix 7.2

REVIEW OF THE GROUP'S FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment was at S\$290.2 million as at 31 December 2021, an increase of S\$115.7 million (66.3%) from S\$174.5 million as at 31 December 2020, primarily due to additions of S\$139.5 million in FY2021 and partially offset by depreciation of S\$24.4 million charged to profit or loss in FY2021.

The property, plant and equipment additions of the Group for FY2021 were as follows:

	FY2021 S\$'000
Plant and machinery	33,918
Building and renovation	7,174
Leasehold land	7,907
Construction in-progress	86,678
Office and other equipment	3,441
Tools and supplies	92
Motor vehicles	296
Total⁽¹⁾	139,506

Note:

⁽¹⁾ The additions included S\$18.5 million acquired under right-of-use assets under the leasing arrangements. S\$16.1 million of the total additions were payable and recorded as sundry creditors. In FY2021, the cash outflow on purchase of property, plant and equipment amounted to S\$104.9 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.

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.

Additions relating to leasehold land was attributable to the recognition of right-of-use asset of the Company's leasehold land. During the year, the Group recognised S\$7.9 million right-of-use assets for the lease of land in Singapore which is part of the Company's Tai Seng Property.

Capital expenditure relating to construction in-progress was mainly attributable to the construction costs incurred by NRE in relation to the Shanghai Plant 2, construction in-progress for plant, machinery for NVC and renovation-in-progress for the Company's Tai Seng Property. 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\$65.9 million assets from construction in-progress to plant and machinery, building and renovation and office and other equipment category due to the completion of the construction in-progress and commenced depreciation.

Intangible assets

Intangible assets was at S\$9.9 million as at 31 December 2021, an increase of S\$6.1 million (61.6%) from S\$3.8 million as at 31 December 2020, primarily due to goodwill of S\$4.1 million recorded from the acquisition of a subsidiary and addition of S\$3.2 million (cash: S\$2.8 million, non-cash: S\$0.4 million) incurred for FY2021 and partially offset by amortisation of S\$1.2 million charged to profit or loss in FY2021.

Inventories

Inventories were at S\$17.4 million as at 31 December 2021, an increase of S\$1.6 million (10.1%) from S\$15.8 million as at 31 December 2020. The increase in inventories was mainly due to work in progress for Industrial Equipment BU and build-up of inventories for orders fulfilment for Nanofabrication BU customers.

Other Information Required by Listing Rule Appendix 7.2

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

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

Trade receivables were at S\$90.6 million as at 31 December 2021, an increase of S\$4.6 million (5.3%) from S\$86.0 million as at 31 December 2020 was primarily due to the increase in 4th quarter sales year-on-year.

Other receivables were at S\$5.5 million as at 31 December 2021, an increase of S\$1.7 million (44.7%) from S\$3.8 million as at 31 December 2020. The net increase in other receivables was mainly due to the increase in sundry debtors of S\$2.4 million primarily due to government grant and incentive receivable and offset against the decrease in GST/VAT receivables of S\$0.7 million.

Other current assets represented mainly prepayments and advances to suppliers which was at S\$10.8 million as at 31 December 2021, an increase of S\$4.8 million (80.0%) 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\$21.5 million as at 31 December 2021, an increase of S\$3.8 million (21.5%) 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 twelve months ended 31 December 2021.

Bank loans

Bank loans were at S\$28.3 million as at 31 December 2021, a decrease of S\$11.4 million from S\$39.7 million as at 31 December 2020. The decrease in bank loans was due to repayments made during the twelve months ended 31 December 2021.

Lease liabilities

Lease liabilities were at S\$17.8 million as at 31 December 2021, an increase of S\$15.3 million from S\$2.5 million as at 31 December 2020. The increase was due to recognition of S\$18.8 million lease liabilities for the new lease contracts entered by the Company for the rental of factory units and additional equipment by subsidiaries of the Group in China and offset against derecognition of lease liabilities of S\$1.4 million by the Company for factory units in Singapore and principal payment of lease liabilities of S\$2.6 million during the twelve months ended 31 December 2021.

Trade and other payables, and contract liabilities

Trade payables were at S\$20.8 million as at 31 December 2021, a decrease of S\$12.0 million (-36.6%) from S\$32.8 million as at 31 December 2020. The decrease in trade payables is mainly attributable to a decrease in trade purchases as the Group strengthened its inventory management system that resulted in better control on trade purchases.

Other payables were at S\$39.7 million as at 31 December 2021, an increase of S\$25.3 million (175.7%) from S\$14.4 million as at 31 December 2020. The increase in other payables is mainly attributable to an increase in sundry creditors from S\$2.3 million as at 31 December 2020 to S\$22.3 million as at 31 December 2021 due to outstanding payables on factory renovation and plant & machineries, and an increase in accrued operating expenses from S\$10.2 million as at 31 December 2020 to S\$13.2 million as at 31 December 2021. Included in the accrued operating expenses were accrued staff costs of S\$11.0 million as at 31 December 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\$2.6 million as at 31 December 2021, a decrease of S\$9.3 million (-78.2%) from S\$11.9 million as at 31 December 2020.

Provision for taxation

Provision for taxation was S\$5.8 million as at 31 December 2021 and as at 31 December 2020 mainly due to the provision of income tax for current year of S\$8.8 million, offset against income tax payments of S\$8.1 million and an adjustment for overprovision of income tax of S\$0.8 million for the Group's subsidiaries in China and Vietnam in prior year.

Other Information Required by Listing Rule Appendix 7.2

REVIEW OF THE GROUP'S CASH FLOWS

We generated positive net cash flows from operating activities for FY2021 and FY2020.

Net cash generated from operating activities amounted to S\$73.2 million for FY2021, mainly attributed to the following:

- Operating cash flows before working capital changes of S\$96.7 million;
- Net cash outflows from changes in working capital of S\$16.0 million;
- Net interest received of S\$0.6 million; and
- Income tax paid of S\$8.1 million.

Net cash used in investing activities amounted to S\$119.8 million for FY2021, primarily due to the ongoing renovation of the Shanghai Plant 2 and purchase of property, plant and equipment amounting to S\$104.9 million, acquisition of subsidiary amounting to S\$4.5 million, additions to financial assets of S\$7.7 million, and additions to intangible assets of S\$2.8 million for development costs and computer software.

Net cash used in financing activities amounted to S\$4.9 million for FY2021, primarily due to proceeds from bank loans of S\$49.0 million, contribution of capital by non-controlling interests of S\$35.0 million and S\$2.6 million received from issuance of shares and treasury share re-issued under the ESOS 2017. The cash inflows were offset by the repayment of bank loans and lease liabilities of S\$64.2 million, payment for share buy-back of S\$21.2 million and dividend payment of S\$6.6 million.

As at 31 December 2021, cash and cash equivalents amounted to S\$176.2 million, a decrease of S\$50.3 million from S\$226.5 million as at 31 December 2020. The cash and cash equivalents were derived after deducting the fixed deposits of S\$0.4 million (31 December 2021: 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.

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.

Outlook

The Group posted a record FY2021 performance despite macro headwinds caused by the effects of global supply chain disruptions with demand outpacing supply. In 2022, the Group expects global supply chain bottlenecks to ease to keep pace with the strong underlying consumer demand.

The Group has increased its long-term production capacity following the completion of Shanghai Plant 2 (around twice the size of its Shanghai Plant 1) and new equipment additions, which resulted in one-off plant and equipment qualification costs in FY2021. The capacity expansion is expected to extend the Group's strong commercial reach across multiple industries through its deep-tech advanced materials and nanofabrication solutions, which also enable greater environmental sustainability. When Nanofilm built its Shanghai Plant 1 in 2015, economies of scale benefits accelerated in subsequent years and the Group expects the same for Shanghai Plant 2.

In 2022, the Group will continue to focus on operational excellence to increase productivity and efficiency to mitigate inflationary pressures. This includes embracing Industry 4.0 by adopting a disciplined approach to upgrade the Group's facilities into 'Smart Factories' with investments in automation and digitalisation systems to reduce manual requirements.

With Nanofilm's BU-driven strategy in accelerating the commercialisation and increasing adoption of its nanotechnology solutions across multiple existing and new areas, the Group is optimistic and confident of its sustainable growth outlook in 2022.

Other Information Required by Listing Rule Appendix 7.2

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

On the R&D front, the Group continues to drive synergistic technological solutions, combining its nanofabrication capabilities with its advanced materials as enabling catalysts for its customers. Development efforts in new exciting areas are intensifying with pathways to commercialisation. These areas cover multiple transformational fields and discipline in (i) new classes of advanced materials through greener and sustainable composites; (ii) engineered optics for virtual reality and augmented reality to revolutionise the manner in which a person interacts with the world; and (iii) hydrogen fuel cell technologies and components to enable decarbonisation energy transition through hydrogen.

The Group looks to strengthen its value proposition as a provider of technology-based solutions through synergistic M&As or strategic partnerships, focusing on product value chain that can carry Nanofilm's nanotechnology solutions as integrated products that will drive revenue synergies.

Sustainability

Sustainability is embedded in the Group's everyday life and culture, and its proprietary deep-technologies help to create innovative products and solutions that contribute to a sustainable world. Furthermore, as a global citizen, the Group considers sustainability issues as part of its strategic formulation to determine the material environment, social, and governance ("ESG") factors. Nanofilm's Sustainability Strategy is thus anchored upon four pillars: (i) Sustainable Innovation, (ii) Environment, (iii) Social, and (iv) Governance, and in its inaugural Sustainability Report for the financial year ended 31 December 2020 ("SR2020") that was released on 20 December 2021, it has committed to a set of ambitious but realistic targets to be achieved by 2030.

6 Dividend Information

(a) Current Financial Period Reported on

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

Name of dividend	Interim tax-exempt (one-tier) dividend
Date of Payment	8 September 2021
Dividend Type	Cash
Dividend Amount	S\$0.01 per ordinary share
Total amount paid	S\$6.6 million

The Directors have recommended the following final tax exempt (one-tier) dividend to be paid to shareholders for the financial year ended 31 December 2021, subject to shareholders approval at the Annual General Meeting of the Company to be held on 28 April 2022.

Name of dividend	Final tax-exempt (one-tier) dividend
Date of Payment	20 May 2022
Dividend Type	Cash
Dividend Amount	S\$0.01 per ordinary share
Total amount payable	S\$6.6 million

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

The Company had paid the following tax exempt (one-tier) dividend to shareholders in FY2020.

Name of dividend	Interim tax-exempt (one-tier) dividend
Date of Payment	2 July 2020
Dividend Type	Cash
Dividend Amount	S\$0.019 per ordinary share
Total amount paid	S\$9.6 million

Other Information Required by Listing Rule Appendix 7.2

6 Dividend Information (cont'd)

(c) The date the dividend is payable

20 May 2022

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

The Share Transfer Books and Register of Members of the Company will be closed on 10 May 2022, 5.00 pm. Duly completed transfers in respect of ordinary shares received by the Company's Shares Registrar up to 5.00 pm on 10 May 2022 will be registered to determine shareholders' entitlement to the Final Dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited which are credited with shares as at 5.00 pm on 10 May 2022 will be entitled to the Final 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)
		FY2021
		S\$'000
上海纳曦餐饮管理有限公司 ("Na Xi")	Note ⁽¹⁾	409

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 Additional information pursuant to Rule 706A of the Listing Manual

Pursuant to Rule 706A of the Listing Manual, the Company wishes to announce the following acquisitions of shares and incorporations which have resulted in changes in the Company's subsidiaries during the six-month period ended 31 December 2021 and up to the date of this announcement.

(1) Subscriptions of shares in Sydrogen Energy Pte. Ltd.

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 and hydrogen fuel cell business of the Group ("Hydrogen Energy Business"). SEPL has an initial paid-up capital of S\$10,000, comprising 10,000 ordinary shares which are held by the Company.

On 19 July 2021, the Company announced the entry of a joint venture agreement between the Company and Venezia Investments Pte. Ltd. (an indirect wholly owned subsidiary of Temasek Holdings (Private) Ltd) ("Venezio") to jointly undertake the Hydrogen Energy Business through SEPL.

On 1 October 2021, the Company announced the completion of the first tranche of the initial investment in SEPL by the Company and Venezia which resulted in a reduction of the percentage shareholding interest of the Company in SEPL from 100% to 65%, details of which are as follows:

Subscriber	Number of shares subscribed	Consideration	Resultant shareholding held
Company	21 million preference shares	Cash consideration of S\$15 million, satisfied on closing from internal sources of funds	21 million preference shares and 70 million ordinary shares, comprising 65% of the total issued shares
	69.99 million ordinary shares	Non-cash consideration of S\$69.99 million comprising the transfer of the Hydrogen Energy Business and the licence of the Group's intellectual property relating to the Hydrogen Energy Business to SEP, satisfied on closing	
Venezio	49 million preference shares	Cash consideration of S\$35 million, satisfied on closing	49 million preference shares comprising 35% of the total issued shares

The consideration for the subscriptions was arrived at on a willing-seller, willing-buyer basis after arms' length negotiations between the Company and Venezia, taking into account, amongst others, the Company's Hydrogen Energy Business and the net tangible asset and book value of SEPL of negative \$71,000 as at 19 July 2021, the date the joint venture agreement with Venezia was entered into.

Please refer to the Company's announcements on 19 July 2021 and 1 October 2021 for more details.

(2) Acquisition of Miller Technologies Pte. Ltd.

The Company entered into a share purchase agreement dated 6 September with Liu Cheng Hong ("Vendor") and Weng Jianxin (as warrantor) to acquire all the 400,002 issued and fully paid ordinary shares in the capital of Miller Technologies Pte. Ltd. ("MTPL") at a consideration of S\$4.5 million (the "MTPL Acquisition"). MTPL carries on the principal business of manufacturing and supplying dies, molds, tools, jigs and fixtures and the manufacture and repair of machinery and machine-tools metal cutting types.

The MTPL Acquisition was completed on 5 November 2021 and the consideration was fully satisfied in cash with internal sources of funds, on completion. Pursuant to the completion, MTPL becomes a wholly owned subsidiary of the Company.

The consideration for the MTPL Acquisition was arrived at on a willing-seller, willing-buyer basis after arms' length negotiations between the Company and the Vendor, taking into account, amongst others, the historical profits of the business of MTPL, the Vendor's profit guarantee and the net tangible asset of MTPL of approximately S\$0.40 million as at 1 September 2021, the date MTPL completed the acquisition of its business from its predecessor.

Other Information Required by Listing Rule Appendix 7.2

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

(3) Incorporation of Nanofilm Investments Pte. Ltd.

The Company incorporated Nanofilm Investments Pte. Ltd. ("NIPL") as a wholly owned subsidiary of the Company, and subsequently increased the issued share capital of NIPL through additional subscriptions of shares with internal sources of funds, details of which are as follows:

Name of company	:	Nanofilm Investments Pte. Ltd.	
Country of incorporation	:	Singapore	
Date of incorporation	:	16 November 2021	
Share capital	:	On incorporation	- S\$1.00 comprising one ordinary share
		Additional subscriptions	- S\$1,367,200 comprising 1,367,200 ordinary shares on 28 December 2021
			- S\$270,000 comprising 270,000 ordinary shares on 21 January 2022
			- S\$4,061,100 comprising 4,061,100 ordinary shares on 16 February 2022
		Resultant issued share capital	- S\$5,698,301 comprising 5,698,301 ordinary shares
Nature of business	:	Investment holding	

(4) Incorporation of Nanofilm Ventures Pte. Ltd.

NIPL incorporated Nanofilm Ventures Pte. Ltd. ("NVPL") as a wholly owned subsidiary of NIPL, details of which are as follows:

Name of company	:	Nanofilm Ventures Pte. Ltd.
Country of incorporation	:	Singapore
Date of incorporation	:	16 November 2021
Share capital	:	On incorporation - S\$1.00 comprising one ordinary share
Nature of business	:	Investment holding

(5) Acquisition of shares of preferred stock of Zulu Inc.

On 21 January 2022, NIPL entered into a stock purchase agreement with Zulu Inc, a Delaware corporation for the purchase of 30,000,000 shares of preferred stock in Zulu Inc. at a consideration of US\$3,000,000, for a stake of approximately 22% ("Zulu Acquisition"). Zulu Inc, is in the principal business of design and manufacturing of adjustable eyecare lenses.

The Zulu Acquisition was completed on 15 February 2022 and the consideration was fully satisfied in cash with internal sources of funds, on completion. Pursuant to the completion, Zulu Inc. the Company owns approximately 22% of the shares in Zulu Inc.

The consideration for the Zulu Acquisition was arrived at on a willing-seller, willing-buyer basis after arms' length negotiations between the Company and Zulu Inc, taking into account, amongst others, the business potential of Zulu Inc, and the net tangible asset of Zulu Inc. of approximately US\$269,000 as at 31 December 2021.

Other Information Required by Listing Rule Appendix 7.2

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

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Mdm Jin Xiao Qun	56	Spouse of Dr Shi Xu	<p><u>Position:</u> She holds various positions since she joined the Company on 2 June 2008 and was subsequently appointed as Assistant Vice President of the Company on 1 January 2015, and as Vice President on 1 January 2018.</p> <p><u>Duties:</u> Responsible for the Company's corporate affairs and project manager of the Company's production facilities. She is also responsible for the overall oversight for Shanghai Plant 1 and the on-going renovation of Shanghai Plant 2.</p>	No changes.
Mr Jin Xiaozhe	46	Brother of Jin Xiao Qun	<p><u>Position:</u> He holds various positions since he joined the Company on 1 July 1999 and was subsequently appointed as Vice President of Advanced Materials BU in 2010.</p> <p>In January 2021, he was also appointed as General Manager of NRE.</p> <p><u>Duties:</u> Responsible for Business Development and Sales for Advanced Materials BU in China.</p>	No changes during the year. In January 2021, Mr Jin was also appointed as General Manager of NRE.
Mdm Shi Xiu Ying	63	Sister of Dr Shi Xu	<p><u>Position:</u> Director of NVC since 2011. She has ceased to be a director in January 2021.</p> <p><u>Duties:</u> Non-executive Director.</p>	No changes during the year. In January 2021, Mdm Shi has ceased to be a director of NVC.

ON BEHALF OF THE BOARD

Dr Shi Xu
Executive Chairman

Gary Ho Hock Yong
Executive Director and Chief Executive Officer

23 February 2022