



## **NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED**

(Company Registration Number 199902564C)

(Incorporated in Singapore on 13 May 1999)

### **CLAIM AGAINST ADVANCED SOLAR POWER (HANGZHOU) INC. (龙焱能源科技(杭州)有限公司) (“ASP”) BY NANOFILM VACUUM COATING (SHANGHAI) CO., LTD (“NVC”) AND RELATED COUNTER-CLAIM BY ASP AGAINST NVC**

#### **Background**

The Board of Directors of Nanofilm Technologies International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to item 3 of the Company’s announcement on 15 March 2021 (the “**Announcement**”) in respect of the outstanding debts due from ASP.

As stated in the Announcement, the Group, namely NVC, was contracted to supply two Cadmium Telluride (“**CdTe**”) thin film surface solution and production in-line equipment for solar cell panels (the “**Equipment**”) to ASP, which were constructed and delivered in instalments between 2017 and 2019 (the “**ASP Project**”).

The ASP Project is considered an innovative project which is a first of its kind, where the Group developed and customized two CdTe thin film surface solution and production in-line equipment for solar cells panels, based on ASP’s specifications. After the delivery and installation of the Equipment, which were carried out in stages, ASP refused to give factory acceptance for some of the Equipment that were delivered, and instead made demands with regard to, *inter alia* the specifications of the Equipment which, in the Company’s view, are outside NVC’s contractual obligation to meet. Notwithstanding, NVC endeavoured on a goodwill basis, to address ASP’s demands, and to cause ASP to carry out factory acceptance of those Equipment. The Company regrets that NVC’s goodwill gesture and efforts did not produce a positive outcome. While at the same time putting the Equipment into operation for its own production, ASP persistently refused to give factory acceptance for some of those Equipment that were delivered.

#### **Claim against ASP**

On 6 April 2021, upon the advice of NVC’s Chinese legal counsel (“**Counsel**”), NVC commenced a claim at the People’s Court in Qingpu, Shanghai against ASP (the “**Claim**”) for an aggregate claim amount of S\$5.9 million (RMB 28,287,362) and interests for late payment (the “**Claim Amount**”) on the ground that ASP is liable under the various contracts to pay NVC for the Equipment constructed and delivered.

Credit Suisse (Singapore) Limited and Oversea-Chinese Banking Corporation Limited are the Joint Issue Managers for the initial public offering of shares in, and listing of, the Company on the Mainboard of the SGX-ST on 30 October 2020 (“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

As at 31 December 2020, the Group recorded total sales of S\$23.0 million from the ASP Project, out of which S\$20.9 million had been invoiced to ASP. The Group received payment of S\$20.9 million, leaving S\$2.1 million outstanding as contracts assets, out of which provisions of S\$1.1 million had been made as at 31 December 2020.

The Claim Amount included an amount of S\$3.7 million payable under the contracts upon acceptance of the Equipment. On a conservative basis, the said sum had not been recognised as sales in the financial statements of NVC pending acceptance of the related Equipment by ASP.

### **Counter-Claim by ASP**

On 2 June 2021, NVC received a formal notice from the People's Court in Qingpu, Shanghai, that ASP made a counter-claim against NVC for an amount of S\$2.4 million (RMB 11,322,361) ("**Counter-Claim**"), 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.

### **Financial Impact**

Based on the Company's assessment and after taking into consideration the advice of Counsel, the Company is confident of the Claim and believes that the Counter-Claim has no sufficient basis and could be tactical in nature. NVC will both rigorously pursue the Claim and defend the Counter-Claim.

The costs incurred in performing the work related to the Claim Amount had been expended in prior financial years. Except for the net contract asset of S\$1.1 million (after deducting the provisions of S\$1.1 million) outstanding as at 31 December 2020, the balance of the Claim Amount of S\$3.7 million has not been recognised as sales in the financial statements of NVC. Accordingly, the Claim is not expected to have any material adverse impact on the financial statements of the Group for the financial year ending 31 December 2021. NVC's ability to recover the Claim Amount will improve the Group's financial statements instead.

Taking into consideration *inter alia*, the grounds of the Counter-Claim and the amount claimed thereunder, the Company is of the view that that the Counter-Claim is not expected to have any material adverse impact on the Group's financial statements for the financial year ending 31 December 2021. ASP is not a major customer of the Group and its contribution to the revenue of the Group in the last three years since 2018 was insignificant.

The Company will keep shareholders informed of any further developments via announcements on the SGX-NET as and when appropriate.

### **BY ORDER OF THE BOARD NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED**

Lim Kian Onn  
Chief Financial Officer  
7 June 2021