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NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 360)

MAJOR TRANSACTION – LOAN TRANSACTION AND UPDATE ON USE OF PROCEEDS FROM SUBSCRIPTION

LOAN TRANSACTION

On 15 December 2022, New Focus Lighting & Power (Qingdao), a wholly-owned subsidiary of the Company (as lender) and Jinghang Dayun (as borrower) entered into the Loan Agreement pursuant to which New Focus Lighting & Power (Qingdao) had agreed to grant the Loan of RMB205,005,000 to Jinghang Dayun for a term of three months from the date of the Loan Agreement at an interest rate of 5% per annum.

On 31 December 2022, part of the Loan in an aggregate of RMB180,000,000 was repaid; and New Focus Lighting & Power (Qingdao) and Jinghang Dayun entered into the Extension Agreement that the maturity date of the remaining Loan (i.e. RMB25,005,000) shall be extended from one year from date of the Extension Agreement.

At the relevant time, as one of the applicable percentage ratios under the Listing Rules exceeds 25%, the Loan Agreement constituted a major transaction for the Company under Chapter 14 of the Listing Rules. The Company regrets that it did not duly comply with the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules by omitting to issue an announcement and circular for Shareholders' approval at the time of provision of the Loan. The Company wishes to apologize in this regard and now publishes this announcement to provide details of the Loan Agreement.

A circular containing details of the terms of the Loan Agreement and the Extension Agreement will be despatched to the Shareholders in compliance with the Listing Rules. As additional time is required by the Company to prepare the information to be included in the circular, the circular is expected to be despatched to the Shareholders on or before 30 April 2023.

UPDATE ON USE OF PROCEEDS FROM SUBSCRIPTION

The gross proceeds and net proceeds from the Subscription was HK\$616,509,415.906 and approximately HK\$615 million.

Due to the industrial development plan (including land bidding plans, optimization of the industrial orientation) of, and pending the introduction of more favorable policies to the auto industry by, the Qingdao Laixi Municipal Government, the net proceeds from the Subscription could not be immediately applied as intended for the construction and production of the new production plant in Laixi City in short term. As such, the Company has applied approximately RMB474 million for the commodities trading business from December 2022 to March 2023. As at the date of this announcement, all the zinc ingot purchased for the purpose of commodities trading have been sold, and the proceeds from such sale (including the RMB474 million net proceeds from the Subscription) have been received by the Group. The Board will ensure that all the net proceeds from the Subscription of approximately HK\$615 million will continue to be applied as originally intended.

A. LOAN TRANSACTION

A summary of the respective principal terms of the Loan Agreement and the Extension Agreement are set out below:

The Loan Agreement

Date: 15 December 2022

Parties: (1) New Focus Lighting & Power (Qingdao), a wholly-owned subsidiary of the Company, as lender; and
(2) Jinghang Dayun as borrower.

Jinghang Dayun is a company incorporated in PRC with limited liability which is principally engaged in technical consulting and technological development, and is wholly owned by 晁彪 (Chao Biao*). To the best of the Company's and the Directors' knowledge, information and belief, having made all reasonable enquiries, Jinghang Dayun and its ultimate beneficial owner are Independent Third Parties.

Principal: RMB205,005,000

Interest rate: 5% per annum

Term: Three (3) months from the date of the Loan Agreement

On 31 December 2022, part of the Loan in an aggregate of RMB180,000,000 was repaid, of which RMB150,000,000 was repaid by Baotou Shuo Zheng Trading Co., Ltd. (which is ultimately beneficially owned by 趙佳樂 (Zhao Jiale*)) and RMB30,000,000 was repaid by Shanghai Yaran Equity Investment Management Co., Ltd., (which is ultimately beneficially owned by 張千山 (Zhang Qianshan*)), both as designated by Jinghang Dayun, and are Independent Third Parties.

On 31 December 2022, New Focus Lighting & Power (Qingdao) and Jinghang Dayun entered into the Extension Agreement that the maturity date of the remaining Loan (i.e. RMB25,005,000) shall be extended to one year from the date of the Extension Agreement.

Funding of the Loan

The Group had financed the Loan with its internal resources at the material time.

Reasons and Benefits for the Loan Agreement and the Extension Agreement

The Group focuses on the research and development, manufacturing and sales of automotive electronic products, as well as the construction and development of automobile dealership networks. The automotive electronic products that the Group produces mainly include inverters, chargers, multi-functional power packs and cooling and heating boxes, which are mainly sold to the markets of the PRC, North America and Europe. The Group's automobile dealership and services business is operated mainly in the Inner Mongolia Autonomous Region for automobile sales, automotive aftersales services, as well as the distribution of car insurance products and automobile financial products.

At the material time, the management of New Focus Lighting & Power (Qingdao) considered that Jinghang Dayun possesses rich government resources and extensive business operations that complement the Group's strategic goals. The Company's medium and long-term development plans entail significant projects, including the construction of the Qingdao Laixi Automotive Electronics Industrial Park, the industrial adjustment of the Group's factory in Shanghai, and the exploration of new sales channels. These initiatives necessitate significant social, industrial, and government resources, which Jinghang Dayun is well-equipped to provide and it is willing to form a strategic alliance with the Group.

Taking into account of the possible strategic synergies with Jinghang Dayun, the reduced amount of the Loan of RMB25,005,000 and the interest income, the Board is of the view that the terms of the remaining Loan were fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Listing Rules Implications

At the relevant time, as one of the applicable percentage ratios under the Listing Rules exceeds 25%, the Loan Agreement constituted a major transaction for the Company under Chapter 14 of the Listing Rules. The Company regrets that it did not duly comply with the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules by omitting to issue an announcement and circular for Shareholders' approval at the time of provision of the Loan. The Company wishes to apologize in this regard and now publishes this announcement to provide details of the Loan Agreement.

A circular containing details of the terms of the Loan Agreement and the Extension Agreement will be despatched to the Shareholders in compliance with the Listing Rules. As additional time is required by the Company to prepare the information to be included in the circular, the circular is expected to be despatched to the Shareholders on or before 30 April 2023.

B. UPDATE ON USE OF PROCEEDS FROM SUBSCRIPTION

The gross proceeds and net proceeds from the Subscription were HK\$616,509,415.906 and approximately HK\$615 million respectively.

The original intended use of the maximum net proceeds of approximately HK\$662 million as disclosed in the circular dated 29 July 2021 is as follows:

- (i) approximately HK\$480 million will be applied for enhancement of the Company's manufacturing capability, including the purchase of land use rights in Economic Development Zone, Laixi City, Qingdao City, Shandong Province for construction of new production plants;
- (ii) approximately HK\$120 million will be applied for repayment of the outstanding bank loans of the Group; and
- (iii) approximately HK\$62 million will be applied as general working capital of the Group.

Due to the industrial development plan (including land bidding plans, optimization of the industrial orientation) of, and pending the introduction of more favorable policies to the auto industry by, the Qingdao Laixi Municipal Government, the net proceeds from the Subscription could not be immediately applied as intended for the construction and production of the new production plant in Laixi City in short term. The Board considers that short term utilization of the idle net proceeds from the Subscription for the commodities trading business can help control production costs, diversify its income source and possibly enhance its financial performance. As such, the Company has applied the net proceeds of approximately RMB474 million for the commodities trading business (i.e. sale and purchase of zinc ingot) from December 2022 to March 2023.

As at the date of this announcement, all the zinc ingot purchased for the purpose of commodities trading have been sold, and the proceeds from such sale (including the RMB474 million net proceeds from the Subscription) have been received by the Group. The Company regrets its failure to make timely disclosure in respect of the short term change in use of proceeds from Subscription in compliance with the Listing Rules, and will ensure that all the net proceeds from Subscription of approximately HK\$615 million will continue to be applied as originally intended.

NON-COMPLIANCE WITH THE LISTING RULES

The Company deeply regrets its non-compliance with the Listing Rules, but the Company would like to stress that the non-compliance of the Listing Rules was inadvertent and unintentional.

The Board will continue to adopt the following measures to strengthen the relevant internal control procedures to prevent occurrence of similar incidents in the future:

- (1) arrange for the internal control department to review, strengthen and continue to monitor the Company's internal control, operation and reporting procedures in respect of the monitoring of all transactions which may constitute notifiable transactions under the Listing Rules before such acquisitions or disposals are conducted by the Group, and seek professional advice if necessary;
- (2) strengthen the communication within the Board and between the management, and the professional advisers of the Company for consultation regarding the compliance with the Listing Rules in respect of any notifiable transactions under the Listing Rules. If necessary, the Company will consult the Stock Exchange about the proper treatment of the proposed transaction; and
- (3) enhance the training provided to the Directors and the senior management to reinforce their understanding of and to emphasize the importance of compliance with the Listing Rules.

The Company takes this opportunity to emphasize that the Group shall continue to enhance its internal control management. Going forward, the Group will make appropriate disclosure in a timely manner to ensure compliance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings when used herein:

“Board”	the board of Directors
“Company”	New Focus Auto Tech Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Extension Agreement”	the extension agreement dated 31 December 2022 and entered into between New Focus Lighting & Power (Qingdao) and Jinghang Dayun relating to the extension of maturity date for the remaining Loan of RMB25,005,000
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of the Company and its connected persons in accordance with the Listing Rules
“Jinghang Dayun”	京行大運 (北京) 科技有限公司 (JingHang DaYun (Beijing) Technology Co., Ltd.*), a company incorporated in the PRC with limited liability, and wholly owned by 晁彪 (Chao Biao*)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the principal amount of RMB205,005,000 with an interest rate of 5% per annum granted by New Focus Lighting & Power (Qingdao) to Jinghang Dayun under the Loan Agreement, and as at the date of this announcement, the remaining amount of the Loan is RMB25,005,000
“Loan Agreement”	the loan agreement dated 15 December 2022 and entered into between New Focus Lighting & Power (Qingdao) and Jinghang Dayun
“New Focus Lighting & Power (Qingdao)”	New Focus Lighting and Power Technology (Qingdao) Co., Ltd. a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for 10,449,312,134 new Shares by Daodu (Hong Kong) Holding Limited on 21 December 2022

By order of the Board
New Focus Auto Tech Holdings Limited
Tong Fei
Executive Director

30 March 2023

As at the date hereof, the Directors are: executive Director – TONG Fei; and independent non-executive Director – LI Qingwen.

* For identification purpose only