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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)

APPOINTMENT OF INTERNAL CONTROL ADVISER

References are made to the announcements of New Focus Auto Tech Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 17 October 2022, 30 March 2023, 31 March 2023, 21 April 2023 and 24 April 2023 in relation to, among others, (i) non-compliance with the disclosure and/or shareholder approval requirements relating to various loan transactions and change in use of proceeds from the Subscription (the “**Change in Use of Proceeds**”); and (ii) the delay in publication of the audited annual results announcement for the year ended 31 December 2022 (the “**Announcements**”) and the annual report for the year ended 31 December 2022 released on 27 April 2023 (the “**2022 Annual Report**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

Non-compliance Incidents

The non-compliance with the announcement and shareholders’ approval requirements under Chapter 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) at the time of entering into loan transactions and the failure to make timely disclosure in respect of the short term Change in Use of Proceeds in compliance with the Listing Rules as disclosed in the Announcements were mainly resulted from a misinterpretation of the Listing Rules, namely the relevant senior management did not appreciate the full extent of the disclosure and shareholders’ approval requirements under the Listing Rules.

The said delay in publication of the audited annual results announcement for the year ended 31 December 2022 (the “**2022 Annual Results Announcement**”) was mainly caused by (i) additional time required by the auditors of the Company (the “**Auditors**”), HLB Hodgson Impey Cheng Limited, to receive some of the confirmation letters from banks, suppliers and other parties according to the specified deadlines; and (ii) the Auditors discovered the Change in Use of Proceeds when it was close to the time of release of the 2022 Annual Results Announcement with additional questions raised in this regard and the Auditors decided to expand the audit scope, resulting in a further delay in the release of the 2022 Annual Results Announcement.

Appointment of Internal Control Adviser

Following the various non-compliance incidents as set out in the Announcements and the 2022 Annual Report, such as the delay in disclosure and/or shareholder approval requirements relating to various loan transactions and the Change in Use of Proceeds; and the delay in publication of its 2022 Annual Results Announcement, the Company has appointed PRO-WIS Risk Advisory Services Limited (“**PRO-WIS**”) as the independent internal control adviser of the Company to conduct a review (“**Internal Control Review**”) of, and make recommendations to improve, the Company’s internal controls to address, inter alia, the following issues and deficiencies identified:

- (i) the deficiencies in the internal control system relating to the identification, reporting, approval and disclosure of notifiable transactions (in particular loan transactions) under Rules 13.13 to 13.15A and Chapter 14 of the Listing Rules by the Company and its subsidiaries;
- (ii) the deficiencies in the internal control system relating to the timely financial reporting and disclosure process; and
- (iii) the deficiencies in the internal control system relating to the monitoring, application and approval procedures for the use of proceeds from fund raising activities (including subscriptions).

The Internal Control Review comprises different phases and is still in progress, and it is expected to be completed at the end of August 2023. An Internal Control Review report will be issued by PRO-WIS upon the completion of the internal control review, and the Company will disclose the following thereafter: (i) the major findings and recommendations; (ii) the Board’s view towards such findings and recommendations; and (iii) whether any of the recommendations were implemented to enhance the internal control system of the Company.

Other Remedial Steps Taken by the Company

As remedial steps taken to prevent further non-compliance of the Listing Rules from occurring, the Directors and respective senior management have engaged professionals with related expertise to provide training on the related topics on 16 May 2023 so that the Directors and relevant senior management will be familiar with the respective requirements and avoid similar misinterpretations of the Listing Rules requirements in the future. The Company will arrange regular trainings for the Directors and the relevant senior management to reinforce their understanding of, and to emphasize the importance of compliance with, the Listing Rules.

In order to improve the Group's relevant internal controls, in addition to the engagement of PRO-WIS to review and improve the Group's internal control system, the Company has (a) arranged for the internal control personnel of the Group to review, strengthen and continue to monitor the Group'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 transactions are conducted by the Group, and seek professional advice if necessary; (b) strengthened and will continue to strengthen the communications within the Board and between the Board, the relevant senior management and the professional advisers of the Company for consultation regarding compliance with the Listing Rules in respect of any notifiable transactions under the Listing Rules; and (c) further required continuous self-learning of the Listing Rules by the management of the Group. In addition, the Group will consult its legal or financial advisers on the relevant requirements before entering into any agreement or transaction which may constitute a notifiable transaction under the Listing Rules, to ensure that the Company will comply with the Listing Rules in the future. If necessary, the Company will also further consult the Stock Exchange.

By Order of the Board
New Focus Auto Tech Holdings Limited
Tong Fei
Acting Chairman and Executive Director

Hong Kong, 9 August 2023

As at the date of this announcement, the Directors are: executive Director – TONG Fei; and independent non-executive Directors – LI Qingwen, HUANG Bo and ZHANG Kaizhi.

* *For identification purposes only*