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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)**

### **DISCLOSEABLE TRANSACTION LOAN TRANSACTION**

On 9 April 2019, the Company (as lender) and Sky Asia (as borrower) entered into the Loan Agreement pursuant to which the Company had agreed to grant the Loan of HK\$150,000,000 to Sky Asia for a term of three months from the date of the Loan Agreement at an interest rate of 6% per annum.

As the Loan was not repaid upon maturity, after negotiation between the parties, the Company entered into the Novation Agreement with Great Wall Broadband Network on 31 December 2020 to novate the obligations and liabilities of Sky Asia under the Loan Agreement to Great Wall Broadband Network. The maturity date of the Loan has since been extended to 1 January 2022, and was further extended to 1 January 2023.

Great Wall Broadband Network has also procured a third party to provide unsecured loans of RMB40,775,000 and USD10,798,880 to the Company at 8% per annum; and the creditor's right to such loan together with its accrued interests have been pledged as collateral in favour of the Company for the Loan.

As one of the applicable percentage ratios under the Listing Rules exceeds 5%; and all applicable percentage ratios are less than 25%, the Loan Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

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

### **THE LOAN AGREEMENT**

**Date:** 9 April 2019

**Parties:** (1) the Company as lender; and  
(2) Sky Asia as borrower

The Company has no means of contacting Sky Asia for the purpose of obtaining information relating to its ultimate beneficial owner and its principal business activities. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is no relationship between the Company and its connected persons with Sky Asia

**Principal:** HK\$150,000,000

**Interest rate:** 6% per annum

**Purpose:** The Loan shall be solely used by Sky Asia to fund its business operations

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

### **THE NOVATION AGREEMENT**

**Date:** 31 December 2020

**Parties:** (1) the Company as lender; and  
(2) Great Wall Broadband Network as the new borrower

Great Wall Broadband Network is a company incorporated in the PRC with limited liability and is principally engaged in provision of broadband and internet related services. Its ultimate beneficial owner is the China International Council for the Promotion of Multinational Corporations (中國國際跨國公司促進會) (“CICPMC”). According to the webpage of CICPMC, CICPMC is a non-governmental organisation approved by the State Council of the PRC, and was granted Special Consultative Status with the Economic and Social Council of the United Nations. It is an organisation committed to the growth and cooperation of multinational corporations, with most of the Fortune 500, top 500 Chinese SOEs and top 500 Chinese private companies being members of CICPMC, and many UN agencies, commercial offices of embassies in China, chambers of commerce and international organisations being strategic partners of the CICPMC. The current leaders of CICPMC are provided in the official website of the CICPMC (the link of which can be found at: <http://www.cicpmc.org/about.aspx?nid=1&typeid=2>). To the best of the Company’s and the Directors’ knowledge, information and belief, having made all reasonable enquiries, Great Wall Broadband Network and its ultimate beneficial owners are Independent Third Parties

**Subject Matter:** Great Wall Broadband Network has agreed to assume the obligations and liabilities of Sky Asia under the Loan Agreement towards the Company, namely to take up the repayment obligations under the Loan

**Term:** The maturity date of the Loan has been extended to 1 January 2022, then subsequently extended to 1 January 2023

Furthermore, Great Wall Broadband Network has also procured a third party to provide unsecured loans of RMB40,775,000 and USD10,798,880 to the Company at 8% per annum; and the creditor’s right to such loan together with its accrued interests have been pledged as collateral in favour of the Company for the Loan. Such arrangement was determined with the intention to ensure sufficient security was obtained for the Loan, so that the Company has the option of enforcing such security should Great Wall Broadband Network default on the Loan.

## **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 NOVATION 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.

The Loan was privately arranged by Mr. Du, and the Board was not aware of nor consulted on the terms and provision of the Loan at the then material time, including the basis upon which the amount of the Loan was determined. Meanwhile, the Company agreed to enter into the Novation Agreement as Great Wall Broadband Network has assets and operations in the PRC, and the Company was of the view that should Great Wall Broadband Network default on the Loan, it would be much more feasible and less expensive to recover the amount of the Loan by commencing legal proceedings against Great Wall Broadband Network in the PRC, which would put the Company in a more favourable position than having to enforce the debt against Sky Asia. Further, at the material time of the execution of the Novation Agreement and the obtaining of the third party loans, the respective contractual counterparties had been in a better position and with more bargaining power than the Company. The Company had limited options as it was difficult to recover the principal of the Loan within a short period of time and at the same time, the Company's cash flow was relatively tight. Although the interest rates of the Company under the third party loans were slightly higher than the Loan, given the Company was not required to provide security under the third party loans and the circumstances at the time as set out above, the Board had already exhausted its best efforts and endeavours to safeguard the interests of the Company and the Shareholders as a whole by procuring cash flow as well as collateral for the Loan, which was originally unsecured.

The Board has and will continue to, with its best endeavours, procure the repayment of the Loan; and consider that the entering into of the Novation Agreement and the terms and conditions thereof, and obtaining the collateral from Great Wall Broadband Network was the more favourable option from the Board's perspective at the material time, and were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios under the Listing Rules exceed 5%; and all applicable percentage ratios are less than 25%, the Loan Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

## **NON-COMPLIANCE WITH THE LISTING RULES**

As the Loan was privately arranged by Mr. Du, and the Board was not aware of nor consulted on the terms and provision of the Loan at the then material time, the Company was unable to disclose the details of the Loan in a timely manner in accordance with the requirements of Chapter 14 of the Listing Rules. Upon the maturity of the Loan, the Company was occupied in dealing with the matters relating to Mr. Du and spared no efforts in the recovery of the Loan and negotiation with the borrower, thus the Company failed to timely disclose the details of the Loan and the subsequent novation arrangement. The Company would like to stress that the late disclosure was inadvertent and the Company had no intention to withhold any information from disclosure.

## **REMEDIAL ACTIONS**

The Company deeply regrets its failure to make timely disclosure in respect of the Loan Agreement and the Novation Agreement in compliance with the Listing Rules. The Board will 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 and/or connected 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 and/or connected transactions under the Listing Rules; and
- (3) require the Directors and the senior management of the Company to attend trainings and provide them with updates on the Listing Rules, including identification of notifiable and connected transactions and compliance with the Listing Rules, to be provided by the Company's professional advisers or other external institutions.

Going forward, the Company will make such disclosures 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
“Great Wall Broadband Network”	長城寬帶網絡服務有限公司 (Great Wall Broadband Network Company Limited*), a company incorporated in the PRC with limited liability, being the new borrower under the Novation Agreement
“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
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the principal amount of HK\$150,000,000 with an interest rate of 6% per annum granted by the Company to Sky Asia under the Loan Agreement
“Loan Agreement”	the loan agreement dated 9 April 2019 and entered into between the Company and Sky Asia
“Mr. Du”	Mr. Du Jinglei, a former chairman of the Board and executive Director at the then material time, up until 1 July 2019

“Novation Agreement”	the novation agreement dated 31 December 2020 entered into between the Company and Great Wall Broadband Network, for the purpose of novating the obligations and liabilities of Sky Asia under the Loan Agreement to Great Wall Broadband Network
“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
“Sky Asia”	Sky Asia Holdings Limited, a company with limited liability, being the borrower under the Loan Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollar, the lawful currency of the United States of America

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

Hong Kong, 17 October 2022

*As at the date hereof, the Directors are: executive Director – TONG Fei; non-executive Directors – WANG Zhenyu and ZHANG Jianxing; and independent non-executive Directors – HU Yuming, LIN Lei and ZHANG Xiaoya.*

\* *For identification purpose only*