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If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New Focus Auto Tech Holdings Limited, you should at once hand this circular to the purchaser or the transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission.

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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 TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover have the same meanings as those defined in this circular.

A notice convening the EGM to be held at Room 1809, Feidiao International Building, No. 1065A Zhaojiabang Road, Xuhui District, Shanghai, PRC on Tuesday, 15 August 2023 at 2:00 p.m. is set out in this circular. A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.nfa360.com/en/>). Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude any member of the Company from attending and voting in person at the EGM or any adjournment thereof and in such event, the form of proxy will be deemed to be revoked.

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Baotou Shuozheng”	包頭市碩正商貿有限公司 (Baotou Shuo Zheng Trading Co., Ltd.*), a company incorporated in the PRC with limited liability, and ultimately beneficially owned by 趙佳樂 (Zhao Jiale*)
“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday, Sunday and public holiday) on which banks both in Hong Kong and the PRC are generally open for business throughout their normal business hours
“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
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held at Room 1809, Feidiao International Building, No. 1065A Zhaojiabang Road, Xuhui District, Shanghai, PRC on Tuesday, 15 August 2023 at 2:00 p.m. for the Shareholders to consider and, if thought fit, approve and ratify, among others, the Loan Agreements and the transactions contemplated thereunder
“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 amount of the First Loan of RMB25,005,000
“First Loan”	the unsecured 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 for a term of three months from the date of the First Loan Agreement

DEFINITIONS

“First Loan Agreement”	the loan agreement dated 15 December 2022 and entered into between New Focus Lighting & Power (Qingdao) and Jinghang Dayun in relation to the First Loan
“Group”	the Company and its subsidiaries
“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*)
“Latest Practicable Date”	25 July 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in the circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	collectively, the First Loan Agreement, the Extension Agreement, the Repaid Loan Agreements, the Supplemental Agreements and the Second Loan Agreement
“Loans”	collectively, the First Loan and the Second Loan
“New Focus Lighting & Power (Qingdao)”	紐福克斯光電科技(青島)有限公司 (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, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Repaid Loan”	part of the First Loan in an aggregate of RMB180,000,000 that was repaid on 31 December 2022, of which RMB150,000,000 was repaid by Baotou Shuozheng and RMB30,000,000 was repaid by Shanghai Yaran, both as designated by Jinghang Dayun
“Repaid Loan Agreements”	collectively, two agreements each dated 30 December 2022 entered into between (a) New Focus Lighting & Power (Qingdao), Jinghang Dayun and Baotou Shuozheng and (b) New Focus Lighting & Power (Qingdao), Jinghang Dayun and Shanghai Yaran, respectively, pursuant to which Jinghang Dayun authorized Baotou Shuozheng and Shanghai Yaran to repay RMB150,000,000 and RMB30,000,000 on its behalf, respectively, to New Focus Lighting & Power (Qingdao)
“RMB”	Renminbi, the lawful currency of the PRC
“Second Loan”	the unsecured loan in the maximum principal amount of RMB300,000,000 with an interest rate of 5% per annum granted by New Focus Lighting & Power (Qingdao) to Jinghang Dayun for a term commencing from the date of the Second Loan Agreement until 30 April 2023
“Second Loan Agreement”	the loan agreement dated 3 January 2023 and entered into between New Focus Lighting & Power (Qingdao) and Jinghang Dayun in relation to the Second Loan
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“Shanghai Yaran”	上海亞冉股權投資管理有限公司 (Shanghai Yaran Equity Investment Management Co., Ltd.*), a company incorporated in the PRC with limited liability, and ultimately beneficially owned by 張千山 (Zhang Qianshan*)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “Daodu”	Daodu (Hong Kong) Holding Limited, a company incorporated in Hong Kong with limited liability
“Subscription”	the subscription for 10,449,312,134 new Shares by the Subscriber on 21 December 2022
“Supplemental Agreements”	collectively, three agreements each dated 1 January 2023 supplemental to the First Loan Agreement entered into between (a) New Focus Lighting & Power (Qingdao), Jinghang Dayun and Baotou Shuozheng; (b) New Focus Lighting & Power (Qingdao), Jinghang Dayun and Shanghai Yaran; and (c) New Focus Lighting & Power (Qingdao) and Jinghang Dayun, respectively, regarding the Repaid Loan, pursuant to which New Focus Lighting & Power (Qingdao) refunded the repayment of RMB150,000,000 and RMB30,000,000 to Baotou Shuozheng and Shanghai Yaran, respectively, and the total amount of the outstanding First Loan resumed back to RMB205,005,000 at that material time
“%”	per cent

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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)

Executive Director:

Mr. Tong Fei (*Acting Chairman*)

Independent Non-executive Director:

Mr. Li Qingwen

Mr. Huang Bo

Mr. Zhang Kaizhi

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Wan Chai

Hong Kong

27 July 2023

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION – LOAN TRANSACTIONS

INTRODUCTION

References are made to the announcements of the Company dated 30 March 2023 and 24 April 2023 in relation to the Loan Agreements.

The purpose of this circular is to provide you with details of the Loans and other information as required under the Listing Rules.

* *For identification purposes only*

LETTER FROM THE BOARD

LOAN TRANSACTIONS

A summary of the respective principal terms of the Loan Agreements are set out below:

1. The First Loan Agreement, the Repaid Loan Agreements and the Extension Agreement

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

On 30 December 2022, New Focus Lighting & Power (Qingdao) entered into the Repaid Loan Agreements with Jinghang Dayun, Baotou Shuozheng and Shanghai Yaran, pursuant to which Jinghang Dayun authorized Baotou Shuozheng and Shanghai Yaran to repay RMB150,000,000 and RMB30,000,000 on its behalf, respectively, to New Focus Lighting & Power (Qingdao). New Focus Lighting & Power (Qingdao) however indicated to the parties that the payment of the Repaid Loan should be subject to sufficient background due diligence checks having been conducted by it on Baotou Shuozheng and Shanghai Yaran, respectively.

On 31 December 2022, part of the First Loan in an aggregate of RMB180,000,000 was repaid, of which RMB150,000,000 was repaid by Baotou Shuozheng and RMB30,000,000 was repaid by Shanghai Yaran, both as designated by Jinghang Dayun.

On 31 December 2022, New Focus Lighting & Power (Qingdao) and Jinghang Dayun also entered into the Extension Agreement by which the maturity date for the remaining amount of the First Loan (i.e. RMB25,005,000) was extended to one year from the date of the Extension Agreement. Save for the extension of the maturity date, the other terms of the First Loan, including but not limited to interests and that no security is provided, remained unchanged pursuant to the Extension Agreement.

2. The Supplemental Agreements and the Second Loan Agreement

As the background due diligence checks have not been conducted by New Focus Lighting and Power (Qingdao) on Baotou Shuozheng and Shanghai Yaran, respectively, the Repaid Loan was remitted to New Focus Lighting and Power (Qingdao) without its prior approval, and considering the potential risks associated with lending and repayment, the Company had made the prudent decision to avoid any unnecessary economic disputes by refraining from engaging in financial transactions with non-borrowing parties. As a result, on 1 January 2023, New Focus Lighting & Power (Qingdao) entered into the Supplemental Agreements with Jinghang Dayun, Baotou Shuozheng and Shanghai Yaran regarding the Repaid Loan, pursuant to which New Focus Lighting & Power (Qingdao) refunded the repayment of RMB150,000,000 and RMB30,000,000 to Baotou Shuozheng and Shanghai Yaran, respectively, and the total amount of the outstanding First Loan resumed back to RMB205,005,000.

LETTER FROM THE BOARD

At the material time, Shanghai Yaran and Baotou Shuozheng had previously provided Jinghang Dayun with a credit line and part of RMB180 million was earmarked for the direct repayment to New Focus Lighting & Power (Qingdao). As such, Jinghang Dayun would have been eligible for a more favorable loan interest rate if it fully utilized the credit line.

However, when New Focus Lighting & Power (Qingdao) returned the repayments to Shanghai Yaran and Baotou Shuozheng, Jinghang Dayun became unable to fully utilize the credit lines provided by the two companies resulting in higher interest rates, which increased its overall fund costs. If Jinghang Dayun re-draws that RMB180 million again for the repayment, it would have to wait for another one to two months for Shanghai Yaran and Baotou Shuozheng to go through the internal approval process. To address this issue, Jinghang Dayun opted to forgo the credit lines from the two companies and instead apply for additional loans from New Focus Lighting & Power (Qingdao).

Thus, on 3 January 2023, New Focus Lighting & Power (Qingdao) (as lender) entered into the Second Loan Agreement with Jinghang Dayun (as borrower), pursuant to which New Focus Lighting & Power (Qingdao) agreed to grant a further unsecured loan of not more than RMB300,000,000 to Jinghang Dayun for a term commencing from the date of the Second Loan Agreement until 30 April 2023, with an interest rate of 5% per annum. According to the Loan Agreements, New Focus Lighting & Power (Qingdao) had advanced an aggregate of RMB477,780,875 to Jinghang Dayun, of which RMB205,005,000 was advanced under the First Loan Agreement and RMB272,775,875 was advanced under the Second Loan Agreement. As at the Latest Practicable Date, Jinghang Dayun had already repaid an aggregate of the Loans of RMB452,776,875 together with the accrued interest of RMB4,700,000, and the balance of the Loans was RMB25,004,000.

The interest rates of 5% for the Loans were determined according to the weighted average interest rates charged on those external loans/borrowings obtained by the Group during the year 2022.

FUNDING OF THE LOANS

The Group had financed the First Loan with its internal resources and the Second Loan with the net proceeds raised from the Subscription at the material times.

FINANCIAL EFFECTS OF THE PROVISION OF THE LOANS ON THE GROUP

In regards to the financial impact on the Group as a result of the provision of the First Loan, there will be no material change to the total assets, total liabilities and earnings of the Group to reflect the accounting treatment of the First Loan. In connection with the provision of the First Loan, the Group's cash and bank balance had decreased by approximately RMB22,089,000 and the Group's accounts receivables increased by approximately RMB25,004,000. Pursuant to the First Loan Agreement and the Extension Agreement, the estimated maximum aggregate interests during the loan period will be approximately RMB3,850,000 (tax inclusive), and will be contributed as other income of the Group.

LETTER FROM THE BOARD

In regards to the financial impact on the Group as a result of the provision of the Second Loan, there is no material change to the total assets, total liabilities and earnings of the Group to reflect the accounting treatment of the Second Loan. In connection with the provision of the Second Loan, the Group's cash and bank balance had increased by approximately RMB1,784,000. The interest received during the loan period of the Second Loan was RMB1,784,000 (tax inclusive), and has been contributed as other income of the Group.

INFORMATION OF THE PARTIES

The Group focuses on the innovative production of environmentally friendly automotive lighting and automotive electronic power products (the Group's manufacturing business) as well as sales of automobile, provision of after sales services and distribution of automobile insurance and financial products (the automotive dealership and services business of the Group), with the aim of providing automobile consumers with products and services with premium performance-price ratio. 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.

New Focus Lighting & Power (Qingdao) is a wholly-owned subsidiary of the Company, which is principally engaged in the manufacture of mechanical and electrical equipment; sales of automobile accessories and non-ferrous metal alloys in the PRC.

To the best of the Company's and the Directors' knowledge, information and belief, having made all reasonable enquiries,

- a) Jinghang Dayun is a company incorporated in the PRC with limited liability which is principally engaged in technical consulting and technological development, and is wholly owned by 晁彪 (Chao Biao*). Both Jinghang Dayun and 晁彪 (Chao Biao*) are Independent Third Parties;
- b) Baotou Shuozheng is a company incorporated in the PRC with limited liability which is principally engaged in technology promotion and application services, including mainly information technology consultation services business and network service systems products, and is ultimately beneficially owned by 趙佳樂 (Zhao Jiale*). Both Baotou Shuozheng and 趙佳樂 (Zhao Jiale*) are Independent Third Parties; and
- c) Shanghai Yaran is a company incorporated in the PRC with limited liability which is principally engaged in equity investment management and investment consultation, and is ultimately beneficially owned by 張千山 (Zhang Qianshan*). Both Shanghai Yaran and 張千山 (Zhang Qianshan*) are Independent Third Parties.

LETTER FROM THE BOARD

ASSESSMENT OF THE CREDIT RISK RELATING TO THE LOANS

The Loans (including its extension) were granted on the basis of New Focus Lighting & Power (Qingdao)'s internal due diligence and the well established business relations with Jinghang Dayun, which has provided substantial assistance to the Group throughout its business development process in Qingdao (as detailed in the section headed "REASONS FOR AND BENEFITS OF THE LOAN AGREEMENTS"). During the latest review period from January to November 2022 (as the First Loan was granted in December 2022), it was observed that Jinghang Dayun's total value of business contracts, primarily related to cloud, data, and technology services, rose substantially from approximately RMB90 million in 2021 to approximately RMB500 million. Despite Jinghang Dayun only experienced a minimal net cash inflow during the review period, the cash outflow was directed towards business expansion given the surge in business volume. This expansion led to a doubling of the team size compared to the pandemic year, 2021. The remarkable increase in business volume showcased Jinghang Dayun's capacity to generate a stable cash inflow continuously, thus ensuring its repayment ability. While the internal process for provision of security by Jinghang Dayun was lengthy, the management of New Focus Lighting & Power (Qingdao) considered the risks involved in providing unsecured Loans to be relatively low, given the financial performance of Jinghang Dayun and the established business relationship. Therefore, the Board also agreed that the risks involved in providing those unsecured Loans were relatively low at that material time.

REASONS FOR AND BENEFITS OF THE LOAN AGREEMENTS

The terms of the Loan Agreements (including but not limited to the interest rates) were arrived at by the parties after arm's length negotiations, with reference to the prevailing interest rate in the PRC for similar loan amounts, customary interest rates of those loans/borrowings obtained by the Group and their short term nature.

At the material time, the management of New Focus Lighting & Power (Qingdao) considered that:

1. the Group has established business relations with the executives and the beneficial owner of Jinghang Dayun since 2020;
2. as a business partner, Jinghang Dayun has provided substantial assistance to the development of the Group, including:
 - i introducing the Group to the local government of Laixi City, Qingdao (the "**Laixi Government**"), and the facilitation of the Subscription by Daodu, a company indirectly invested in by the Laixi State-owned Assets Investment Center* (萊西市國有資產投資中心), a municipal public institution* (市屬事業單位) established in Laixi City by the Laixi Government, raising approximately HK\$616 million (details of which are set out in the announcements of the Company dated 28 May 2021 and 21 December 2022);

LETTER FROM THE BOARD

- ii assisting the Group in negotiating with the Laixi Government on cooperation in regards to industrial park development, obtaining land use rights, the implementation of tax incentive policies, and foreign return investment incentives; and
 - iii providing assistance to the Group's industrial synergy and business expansion, introducing the Group to different automobile companies which have a key presence in Laixi City, and assisting in business cooperation negotiations as an intermediary;
3. 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 is willing to form a strategic alliance with the Group;
4. the short term nature of the Loans, ranging from three months to one year; and
5. the Company can receive stable interest income.

Taking into account of the above, the Board is of the view that the terms of the Loan Agreements (including but not limited to the respective maturity and interest rate of the Loans, that the Loans are unsecured) and its subsequent extension were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under the Listing Rules exceeds 25%, the First Loan Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and should have been subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

As one of the applicable percentage ratios under the Listing Rules exceeds 25%, the Second Loan Agreement itself also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules in addition to the First Loan Agreement.

The entering into of the First Loan Agreement as well as the Second Loan Agreement also constituted an advance to an entity under Rule 13.13 of the Listing Rules as the assets ratio exceeded 8%, which shall be subject to the disclosure requirement under Rule 13.15 of the Listing Rules. The Company has failed to make the timely disclosure at the time when the Loan Agreements were entered into. The required details of the Loan Agreements under Rule 13.15 of the Listing Rules had subsequently been disclosed in the announcements of the Company dated 30 March 2023 and 24 April 2023 and this circular.

LETTER FROM THE BOARD

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 the provision of the Loans. The non-compliance incident 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.

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 trainings on the related topic on 16 May 2023 so that the Directors and relevant senior management will be familiar with the respective requirements and avoid similar mis-interpretations of the Listing Rules requirements in the future. The Company is also currently still in the course of a discussion to decide whether to arrange regular trainings to the Directors and the relevant senior management to reinforce their understanding of, and to emphasize the importance of the compliance with, the Listing Rules.

In order to improve the Group's relevant internal controls, the Group has (a) engaged PRO-WIS Risk Advisory Services Limited, an internal control expert, to review and improve the Group's overall internal control system; (b) 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; (c) 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 the compliance with the Listing Rules in respect of any notifiable transactions under the Listing Rules; and (d) 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 about the proper treatment of the proposed transaction after the said consultation.

EGM

The EGM will be held at Room 1809, Feidiao International Building, No. 1065A Zhaojiabang Road, Xuhui District, Shanghai, PRC on Tuesday, 15 August 2023 at 2:00 p.m., for the purpose of considering and, if thought fit, approving, confirming and ratifying the Loan Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, as at the Latest Practicable Date, no Shareholder has a material interest in the transactions contemplated under the Loan Agreements and is required to abstain from voting for the resolution(s) to approve and ratify the transactions contemplated under the Loan Agreements at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude any member of the Company from attending and voting in person at the meeting or any adjournment thereof and in such event, the form of proxy will be deemed to be revoked.

To ascertain the entitlement of Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 11 August 2023 to Tuesday, 15 August 2023, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Thursday, 10 August 2023.

RECOMMENDATION

The Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve and ratify the Loan Agreements and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices set out in this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group:

- (i) for the year ended 31 December 2022 has been disclosed on pages 62 to 155 of the Company's 2022 annual report published on 28 April 2023 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701569.pdf>);
- (ii) for the year ended 31 December 2021 has been disclosed on pages 59 to 163 of the Company's 2021 annual report published on 30 April 2022 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042902754.pdf>); and
- (iii) for the year ended 31 December 2020 has been disclosed on pages 57 to 171 of the Company's 2020 annual report published on 30 April 2021 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901489.pdf>).

The aforesaid annual reports of the Company have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and of the Company (<https://www.nfa360.com/en/>).

2. INDEBTEDNESS

As at the close of business on 31 May 2023, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group's outstanding indebtedness includes:

- (i) bank and other borrowings of approximately RMB273,922,000, including secured and guaranteed borrowings of approximately RMB48,223,000, secured and unguaranteed borrowings of approximately RMB200,188,000, unsecured and guaranteed borrowings of approximately RMB5,612,000, and unsecured and unguaranteed borrowings of approximately RMB19,899,000. The Group's bank and other borrowings were secured by its assets, including property, plant and equipment, right-of-use asset, investment properties and inventory;
- (ii) unsecured and unguaranteed borrowings of related parties of approximately RMB39,987,000;
- (iii) unsecured and unguaranteed lease liabilities of approximately RMB1,381,000; and
- (iv) contingent liabilities of approximately RMB17,370,000 in respect of certain claims made by relevant third parties against the subsidiaries of the Company.

Disclaimer

The Directors confirm that, as of 31 May 2023, being the latest practicable date for the purpose of this statement of indebtedness, save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of

business, the Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 31 May 2023 and up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, are of the opinion that, taking into account its existing cash and bank balances and other internal resources available, the Group will have sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECTS

The Group's principal businesses have a vast market with still much room for growth. The Group will continue to strengthen its management and enhance the operating results of all its businesses as soon as possible.

The automobile dealership industry is expected to remain under certain pressure in the near term. To improve the Group's operating results, the Group plans to focus on the following operating strategies in 2023:

Firstly, in light of the growing market demand for new energy vehicles, the Group will actively acquire the distribution rights of proprietary new energy vehicle brands, and enhance the Group's ancillary service facilities for new energy vehicles; and

Secondly, the Group will continue to consolidate the Group's existing businesses, optimise the Group's personnel structure and phase out underperforming employees, so as to reduce labour costs.

In terms of the production and operation of the manufacturing business, the research and development ("R&D") of high-power inverters and energy storage products progressed smoothly. Well-known international customers received the first batch of new products after trial production. The follow-up R&D of the series of products are progressing steadily. Due to the drastic decline in market demand for pre-installation commercial vehicles, revenue from the domestic trade business dropped significantly. However, the R&D of new products and procurement of new customers in the domestic trade business are progressing smoothly, and the manufacturing business of the Group has become the designated supplier of a heavy truck manufacturer, which ranks among the top five in China. As the domestic trade business is anticipating market recovery, we will continue to promote the R&D of new products and procurement of new customers. Although the construction progress of the Vietnam factory has been hindered by the pandemic, we will still seek to send our engineering and technical management personnel to Vietnam.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, to the best knowledge of the Directors and chief executive of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register maintained by the Company under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

(b) Substantial Shareholders interests

As at the Latest Practicable Date, to the best knowledge of the Directors and chief executive of the Company, the following persons (other than Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the total issued Shares carrying rights to vote in all circumstances at general meetings of any other member of the Company (if any) or had any options in respect of such Shares:

Name	Capacity/Nature of interest	Number of Shares interested (Note 1)	Approximate percentage of issued Shares (Note 2)
Daodu	Beneficial Owner	10,449,312,134 (L)	60.69%
Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司) (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%

Name	Capacity/Nature of interest	Number of Shares interested (Note 1)	Approximate percentage of issued Shares (Note 2)
Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司) (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Guorui Xin Fukesi Investment Center, L.P.* (青島國瑞新福克斯投資中心(有限合夥)) (the "Fund") (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Chunxi Asset Management (Beijing) Co., Ltd.* (春熙資產管理(北京)有限公司) ("Chunxi AM") (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Luo Xiaoman (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Guorui Hengda Investment Development Co., Ltd.* (青島國瑞恒達投資開發有限公司) ("Guorui Hengda") (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Changyang Group Co., Ltd.* (青島昌陽集團有限公司) (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Laixi State-owned Assets Investment Service Center* (萊西市國有資產投資服務中心) (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Lingdu Venture Capital Management Co., Ltd.* (青島零度創業投資管理有限公司) (the "General Partner") (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Wuhan Zero Innovation Venture Capital Management Co., Ltd.* (武漢零度創新創業投資管理有限公司) (the "Investment Manager") (Note 3)	Investment Manager	10,449,312,134 (L)	60.69%
Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Wuhan Optics Valley Union Group Company Limited* (武漢光谷聯合集團有限公司) ("OVU") (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%

Name	Capacity/Nature of interest	Number of Shares interested (Note 1)	Approximate percentage of issued Shares (Note 2)
Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司) (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
China Electronics Optics Valley Union Company Limited (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
AAA Holdings Limited (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
China Electronics Optics Valley Union Holding Company Limited (“CEOVU”) (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Huang Liping (Note 3)	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
CDH Fast Two Limited	Beneficial Owner	1,614,776,043 (L)	9.38%
CDH Fast One Limited (Note 4)	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
Fast Point Limited (Note 4)	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
CDH Fund IV, L.P. (Note 4)	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
CDV IV Holdings Company Limited (Note 4)	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
China Diamond Holdings IV, L.P. (Note 4)	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
China Diamond Holdings Company Limited (Note 4)	Interest in a controlled corporation	1,614,776,043 (L)	9.38%

Notes:

1. The letter “L” denotes a long position in the Shares.
 2. The percentage represents the number of Shares interested divided by the total number of issued Shares as at the Latest Practicable Date of 17,216,948,349.
 3. Each of (i) Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司) (as the sole shareholder of Daodu); (ii) Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司) (as the sole shareholder of Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司)); (iii) the Fund (which directly owns 99.11% of Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司)); (iv) Chunxi AM (which directly owns 50.92% of the Fund); (v) Luo Xiaoman (who directly owns 82.50% of Chunxi AM); (vi) Guorui Hengda (which directly owns 48.92% of the Fund); (vii) Qingdao Changyang Group Co., Ltd.* (青島昌陽集團有限公司) (as the sole shareholder of Guorui Hengda); (viii) Laixi State-owned Assets Investment Service Center* (萊西市國有資產投資服務中心) (as the sole shareholder of Qingdao Changyang Group Co., Ltd.* (青島昌陽集團有限公司)); (ix) the General Partner (as the general partner of the Fund); (x) the Investment Manager (as the investment manager of the Fund); (xi) Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) (as the sole shareholder of the General Partner); (xii) OVU (which directly owns 45% of Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司)); (xiii) Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司) (as the sole shareholder of OVU); (xiv) China Electronics Optics Valley Union Company Limited (as the sole shareholder of Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司)); (xv) AAA Holdings Limited (as the sole shareholder of China Electronics Optics Valley Union Company Limited); (xvi) CEOVU (as the sole shareholder of AAA Holdings Limited); and (xvii) Huang Liping (who indirectly owns 25.14% of CEOVU and ultimately and beneficially owns 80% and 40% of two limited partnerships which directly owns 30% and 25% of Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司), respectively), is deemed to be interested in the Shares under the SFO.
 4. Each of CDH Fast One Limited (as the sole shareholder of CDH Fast Two Limited); Fast Point Limited (as the sole shareholder of CDH Fast One Limited); CDH Fund IV, L.P. (as the sole shareholder of Fast Point Limited); CDH IV Holdings Company Limited (as the general partner of CDH Fund IV, L.P.); China Diamond Holdings IV, L.P. (as the controlling shareholder of CDH IV Holdings Company Limited); and China Diamond Holdings Company Limited (as the general partner of China Diamond Holdings IV, L.P.) is deemed to be indirectly interested in the Company under the SFO.
- * The English names are transliterations of their respective Chinese names which have not been registered.

Save as aforesaid, as at the Latest Practicable Date, to the best knowledge of the Directors and chief executive of the Company, no person had any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the total issued Shares carrying rights to vote in all circumstances at general meetings of any other member of the Company (if any) or who had any option in respect of such Shares.

3. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, the date to which the latest published audited financial statements of the Group were made up. There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

6. LITIGATION

As at the Latest Practicable Date, save that Inner Mongolia Chuangying Automobile Co., Ltd. (a wholly-owned subsidiary of the Company) was served (1) recently with a summons as one of the defendants relating to an alleged failure of payment of an outstanding amount of RMB8,506,800 pursuant to a sales contract between it and Ningbo Jiche Trading Co., Ltd.* (寧波極車貿易有限公司); and (2) with a summons as one of the defendants relating to an alleged failure of payment of consideration of RMB39,391,960 pursuant to 12 share transfer agreements between it and Chifeng Lifeng Vehicle Store Co., Ltd.* (赤峰市利豐汽車行有限公司), the Directors were not aware of any litigation or claims of material importance which were pending or threatened against any members of the Group.

For further details, please refer to the inside information announcements issued by the Company on 5 and 19 June 2023.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, save for the contracts below, no material contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of the Group within the two years preceding the issue of this circular:

1. the Loan Agreements;
2. a partnership agreement dated 2 July 2023 entered into between New Focus Technology (Beijing) Co., Ltd. (an indirect wholly-owned subsidiary of the Company) (“**New Focus (Beijing)**”), Tianjin Yun Qi Tian Technology Co., Ltd (“**Tianjin Yun Qi Tian**”), Yanshi Hongyuan 11 (Pingtan) Investment Partnership (Limited Partnership) (“**Yanshi Hongyuan**”) and Beijing Xifu Technology Co., Ltd. (“**Beijing Xifu**”) for the establishment of a limited partnership. The total amount of capital commitments of the Limited Partnership is RMB290.2 million, of which Tianjin Yun Qi Tian (as a general partner) and Yanshi Hongyuan (as a general partner and an executive partner) will each contribute RMB0.1 million, while New Focus (Beijing) and Beijing Xifu (as limited partners) will contribute RMB140 million and RMB150 million, respectively; and
3. an agreement dated 28 May 2021 entered into between the Company and the Subscriber relating to the Subscription for a maximum of 11,252,732,911 Shares at the subscription price of HK\$0.059 per Share for a total consideration of not more than RMB554,381,000 by the Subscriber together with all its supplemental agreements dated 14 December 2021, 28 February 2022, 17 May 2022, 8 July 2022, 14 October 2022 and 6 December 2022 in relation to the extension of the completion date of the Subscription.

9. GENERAL

- i The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business is in 5/F, 180 Hennessy Road, Wan Chai, Hong Kong.
- ii The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

- iii The secretary of the Company is Mr. Liu Xiaohua, who is a licensed attorney under the State Bar of California and an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries).
- iv The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Loan Agreements will be on display on the websites of the Company (<https://www.nfa360.com/en/>) and the Stock Exchange (<http://www.hkexnews.hk>) for a period of 14 days from the date of this circular.

* *For identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of New Focus Auto Tech Holdings Limited (the “Company”) will be held at Room 1809, Feidiao International Building, No. 1065A Zhaojiabang Road, Xuhui District, Shanghai, PRC on Tuesday, 15 August 2023 at 2:00 p.m. for the purpose of transacting the following business:

ORDINARY RESOLUTION

“**THAT**

- (a) the Loan Agreements (as defined in the circular of the Company dated 27 July 2023) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company (the “**Director**”) be and is hereby authorised to do all such acts and things as the Director in his sole and absolute discretion deems necessary, desirable or expedient to implement, give effect to and/or complete the Loan Agreements and the transactions contemplated thereunder.”

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

Hong Kong, 27 July 2023

Registered Office:
Cricket Square,
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong:*
5/F, 180 Hennessy Road
Wan Chai
Hong Kong

* *For identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on his/her behalf, subject to the Memorandum and Articles of Association of the Company. A proxy needs not be a member of the Company. A member who is the holder of two or more shares of the Company (the “Share(s)”) may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.
4. Where there are joint holders of any Share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, then the one of such joint holders so present whose name stands first on the register of members of the Company shall, in respect of such Share, be entitled alone to vote in respect thereof.
5. The resolutions at the EGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
6. The register of members of the Company will be closed from Friday, 11 August 2023 to Tuesday, 15 August 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration by 4:30 p.m. on Thursday, 10 August 2023.

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