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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 CONSTRUCTION OF THE PRODUCTION PLANT IN LAIXI CITY

THE CONSTRUCTION AGREEMENT

On 6 October 2023, New Focus Lighting & Power (Qingdao) (a wholly-owned subsidiary of the Company) entered into the Construction Agreement with the Contractor, pursuant to which the Contractor agreed to construct the Industrial Park, including the new Production Plant for the manufacturing of electric components of new energy vehicles, and other supporting facilities, at the consideration of RMB290,212,000.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under the Listing Rules exceeds 25%, the transaction contemplated under the Construction Agreement constitutes a major transaction for the Company, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the transaction contemplated under the Construction Agreement. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the transaction contemplated under the Construction Agreement if the Company were to convene a general meeting for the approval of such resolution. The Company has obtained a written Shareholders' approval from Daodu (HK), the controlling Shareholder holding 10,449,312,134 Shares, representing approximately 60.69% of the total issued Shares as at the date of this announcement, in lieu of holding an extraordinary general meeting to approve the Construction Agreement in accordance with Rule 14.44 of the Listing Rules.

A circular containing, among others, particulars of the Construction Agreement and the transaction contemplated thereunder and other information as required under the Listing Rules, will be sent to the Shareholders in due course.

THE CONSTRUCTION AGREEMENT

The principal terms of the Construction Agreement are as follows:

Date: 6 October 2023

Parties: (i) New Focus Lighting & Power (Qingdao) (a wholly-owned subsidiary of the Company); and
(ii) the Contractor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Contractor and its ultimate beneficial owner are Independent Third Parties.

Scope of work: The Contractor will be responsible for the construction works of the Industrial Park, including the Production Plant and other supporting facilities in accordance with the technical specifications prescribed by the relevant government authorities in Laixi City, Qingdao City, Shandong Province, the PRC.

Construction period: The construction period of the work contemplated under the Construction Agreement will be approximately:

(i) 150 days for a gatehouse; and

(ii) 330 days for the Production Plant.

The commencement date for the above construction work is to be notified in writing by New Focus Lighting & Power (Qingdao) to the Contractor, which is expected to take place in October 2023.

For any delays to the commencement of work caused by the Contractor, the Contractor shall pay liquidated damages at the rate of 0.0005% of the Consideration per day, with the maximum amount of liquidated damages payable being 5% of the Consideration.

Consideration: The aggregate Consideration payable by New Focus Lighting & Power (Qingdao) under the Construction Agreement is RMB290,212,000, which was determined by New Focus Lighting & Power (Qingdao) with reference to various government guidance prices and factors including the expected scope and complexity of the construction to be performed, the expected cost of the project, and the specifications of the facilities to be constructed.

The Group will settle the payment of the Consideration by applying the net proceeds from the Subscription.

Payment Terms: The Consideration will be payable in the following manner:

- (i) an advance payment of RMB207,000,000 shall be payable within 30 days after the signing of the Construction Agreement (the “**Advance Payment**”), and such payment shall be applied to offset the Progress Payment in (ii) below;
- (ii) in the course of construction, progress payments, the amount of which shall be calculated based on 75% of the assessed value of the construction work completed in that quarter, shall be payable on a quarterly basis (the “**Progress Payment**”);
- (iii) upon the completion of all construction works and New Focus Lighting & Power (Qingdao) having inspected the construction works and accepted the same, and completion of the settlement procedure, up to 97% of the Consideration shall be paid; and
- (iv) the remaining 3% of the Consideration, which will be withheld by New Focus Lighting & Power (Qingdao) as a quality assurance fee (the “**QA Fee**”), 80% of which shall be payable within 30 days after 2 years from the completion of the project, and the remainder of the QA Fee shall be payable within 30 days after 5 years (after deduction of expenses incurred by New Focus Lighting & Power (Qingdao) in the relevant maintenance works in relation to quality issues of the construction works under the Construction Agreement during the warranty period).

Sub-contracting: The Contractor is prohibited from sub-contracting work on core structures and critical work. Any sub-contracting by the Contractor must be subject to New Focus Lighting & Power (Qingdao)’s prior consent, as well as the sub-contractor’s qualifications and competence.

Warranty period: During the warranty period, the Contractor shall be responsible for providing routine maintenance works and handling and fixing any quality issues of the construction works under the Construction Agreement in a timely manner:

- (1) Unless otherwise specified, the warranty period is 2 years from the date of the inspection and acceptance of the completed construction works by the Contractor pursuant to the Construction Agreement.
- (2) The warranty period for waterproof and leak-proof works for lavatories, rooms and external walls is 5 years. The warranty period for decoration and renovation works, electric wires and pipelines, water pipes and installation of machineries is 2 years. The warranty period for the main structural construction is the reasonable useful life as stipulated under the relevant design document. The warranty period for heating and cooling systems is 2 heating periods and cooling periods, respectively.
- (3) During the warranty period, the Contractor shall carry out maintenance works within 48 hours (or 12 hours if that is urgent maintenance work) after receiving notice of quality issues of the construction works under the Construction Agreement, failing which New Focus Lighting & Power (Qingdao) shall have the right to carry out maintenance works and deduct the relevant expenses from the QA Fee.

INFORMATION ON THE PARTIES

The Group

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.

New Focus Lighting & Power (Qingdao)

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

The Contractor

The Contractor is a limited liability company incorporated in the PRC principally engaged in the construction business, including but not limited to plant planning and design, project management, maintenance and renovation, decoration and furnishing, and conducting safety assessments. The Contractor possesses a 建築業企業資質證書 (construction enterprise qualification certificate*) and 建築施工企業安全生產許可證 (safety production permit for construction enterprises*) and is directly wholly owned by 郭斌 (Guo Bin*).

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT

The Industrial Park will be situated in Laixi City, Qingdao City, Shandong Province, the PRC. The Production Plant is intended to be developed into a production plant of the Group for the manufacturing of electric components of new energy vehicles. As already disclosed in the circular dated 29 July 2021, the Board is of the view that the construction of the Industrial Park represents a good opportunity for the Company to enhance its capabilities in product development and upgrade its manufacturing infrastructure and sales platforms, and further expand the scale of product production and improve operating efficiency.

The Contractor was selected by the Group for the construction work through a competitive negotiation process with three contractors. The Construction Agreement was awarded to the Contractor after thorough evaluation of factors including but not limited to the experience and capability of the three contractors, the expected scope of work and the expected cost of the construction project. New Focus Lighting & Power (Qingdao) considers that the Contractor is able to provide up to standard construction services for implementing the Construction Agreement.

In view of the above, the Board considers that the terms of the Construction Agreement and the transaction contemplated thereunder are on normal commercial terms and are fair and reasonable, and the entering into the Construction Agreement is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As one of the applicable percentage ratios under the Listing Rules exceeds 25%, the transaction contemplated under the Construction Agreement constitutes a major transaction for the Company, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the transaction contemplated under the Construction Agreement. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the transaction contemplated under the Construction Agreement if the Company were to convene a general meeting for the approval of such resolution. The Company has obtained a written Shareholders' approval from Daodu (HK), the controlling Shareholder holding 10,449,312,134 Shares, representing approximately 60.69% of the total issued Shares as at the date of this announcement, in lieu of holding an extraordinary general meeting to approve the Construction Agreement in accordance with Rule 14.44 of the Listing Rules.

A circular containing, among others, particulars of the Construction Agreement and the transaction contemplated thereunder and other information as required under the Listing Rules, will be sent to the Shareholders in due course.

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
“Consideration”	the total consideration of RMB290,212,000 payable to the Contractor by New Focus Lighting & Power (Qingdao), in relation to the construction works contemplated under the Construction Agreement
“Construction Agreement”	the construction agreement entered into between New Focus Lighting & Power (Qingdao) and the Contractor on 6 October 2023 in respect of the construction of the Industrial Park, including the Production Plant
“Contractor”	Shandong Vion Project Management Co., Ltd.* (山東威奧項目管理有限公司), a company incorporated in the PRC with limited liability
“Daodu (HK)”	Daodu (Hong Kong) Holding Limited (香港道度實業有限公司), a company incorporated in Hong Kong with limited liability, being the controlling Shareholder
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	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
“Industrial Park”	Qingdao Laixi Automotive Electronics Industrial Park (青島萊西汽車電子產業園), which is to be located at South Qingbei Road West, Jinshan East Road, Development Zone, Laixi City, the PRC* (中國萊西市開發區金山東路南青北路西)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Focus Lighting & Power (Qingdao)”	New Focus Lighting and Power Technology (Qingdao) Co., Ltd. (紐福克斯光電科技(青島)有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Production Plant”	a production plant of the Group to be situated in the Industrial Park for the manufacturing of electric components of new energy vehicles
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for 10,449,312,134 new Shares by Daodu (HK) on 21 December 2022
“%”	per cent

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

Hong Kong, 6 October 2023

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

* *For identification purposes only*