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If you are in any doubt as to any aspect of 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 advisers.

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of New Focus Auto Tech Holdings Limited.

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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)**

- (1) SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE**
- (2) APPLICATION FOR WHITEWASH WAIVER**
- (3) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL  
AND**
- (4) NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



A notice convening the EGM to be convened and held at Room 1809, Feidiao International Building, No.1065A Zhaojiabang Road, Xuhui District, Shanghai, PRC on Monday, 13 September 2021 at 2 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong Branch Share Registrar and Transfer Office, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at least 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 you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

\* For identification purpose only

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## DEFINITIONS

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

|                       |   |
|-----------------------|---|
| “acting in concert”   | has the meaning ascribed to it under the Takeovers Code   |
| “Announcement”        | the announcement made by the Company dated 28 May 2021  |
| “Articles”            | the memorandum and articles of association of the Company   |
| “associate(s)”        | has the meaning ascribed to it under the Listing Rules and the Takeovers Code   |
| “Board”               | the board of Directors  |
| “Business Day(s)”     | a day on which the Stock Exchange is open for the transaction of business   |
| “CDH”                 | CDH Fast Two Limited, a company incorporated in the British Virgin Islands with limited liability, and the controlling Shareholder as at the Latest Practicable Date  |
| “Company”             | New Focus Auto Tech Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 360)                                     |
| “Completion”          | completion of the Subscription pursuant to the terms of the Subscription Agreement  |
| “Completion Date”     | the date of Completion, which is expected to be within ten (10) Business Days after all of the conditions of the Subscription have been fulfilled or waived (or such other date as the Company and the Subscriber may agree in writing) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules  |
| “Directors”           | the director(s) of the Company from time to time  |

## DEFINITIONS

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|--|---|
| “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 Monday, 13 September 2021 at 2 p.m. for the Shareholders or the Independent Shareholders, as appropriate, to consider and, if thought fit, approve, among others, the Subscription and the transactions contemplated thereunder (including the Specific Mandate), the Whitewash Waiver and the Increase of Authorised Share Capital |
| “Executive”                            | the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of such Executive Director  |
| “Fame Mountain”                        | Fame Mountain Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Mo Keung and a substantial Shareholder as at the Latest Practicable Date   |
| “Fund”                                 | Qingdao Guorui Xin Fukesi Investment Center, L.P.* (青島國瑞新福克斯投資中心(有限合夥)), a limited partnership established in the PRC   |
| “General Partner”                      | Qingdao Lingdu Venture Capital Management Co., Ltd.* (青島零度創業投資管理有限公司), the general partner of the Fund  |
| “Group”                                | the Company and its subsidiaries  |
| “HK\$” or “HKD”                        | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”                            | the Hong Kong Special Administrative Region of the PRC  |
| “Increase in Authorised Share Capital” | proposed increase in the authorised share capital of the Company from HK\$1,000,000,000.00 divided into 10,000,000,000 Shares of HK\$0.1 each to HK\$2,000,000,000.00 divided into 20,000,000,000 Shares of HK\$0.1 each by the creation of an additional 10,000,000,000 new Shares   |

## DEFINITIONS

|                                 |  |
|---------------------------------|--|
| “Independent Board Committee”   | an independent board committee of the Board established in accordance with the Takeovers Code in compliance with Rule 2.8 of the Takeovers Code, comprising all three (3) independent non-executive Directors, namely Mr. Hu Yuming, Mr. Lin Lei and Mr. Zhang Xiaoya, who have no direct or indirect interest in the Subscription Agreement or the Whitewash Waiver   |
| “Independent Financial Adviser” | Octal Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver  |
| “Independent Shareholders”      | Shareholder(s) other than: (i) the Subscriber and parties acting in concert with it (including the Fund, the General Partner, the Limited Partners and the Investment Manager and their respective ultimate beneficial owners) and their associates; (ii) CDH and those who are involved in or interested in the Subscription and the Whitewash Waiver and the transactions contemplated thereunder (if any); and (iii) those who are required to abstain from voting at the EGM (if any) to consider and approve the Subscription Agreement, the Whitewash Waiver and the transactions contemplated thereunder under the Listing Rules and the Takeovers Code |
| “Independent Third Party(ies)”  | any person or company and their respective ultimate beneficial owner(s) who, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons   |
| “Investment Manager”            | Wuhan Huibo Yongdao Venture Capital Management Co., Ltd.* (武漢匯博永道創業投資管理有限公司), being the investment manager to the Fund   |
| “Last Trading Day”              | 28 May 2021, being the last trading day of the Shares before the entry into of the Subscription Agreement  |

## DEFINITIONS

|                                 |  |
|---------------------------------|--|
| “Latest Practicable Date”       | 26 July 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained herein  |
| “Limited Partners”              | Chunxi Asset Management (Beijing) Co., Ltd.* (春熙資產管理(北京)有限公司) (“ <b>Chunxi AM</b> ”) and Qingdao Guorui Hengda Investment Development Co., Ltd.* (青島國瑞恒達投資開發有限公司) (“ <b>Guorui Hengda</b> ”), being all the limited partners of the Fund   |
| “Listing Committee”             | the listing sub-committee of the board of the Stock Exchange   |
| “Listing Rules”                 | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Notes”                         | the notes in an aggregate principal amount of US\$24,200,000 issued by the Company to CCBI Solar Energy (Holding) Limited on 26 September 2019 under the Note Exchange Agreement. The Notes comprise three tranches in the principal amounts of US\$4,840,000, US\$7,260,000 and US\$12,100,000, which have matured on 1 March 2020, 1 June 2020 and 1 September 2020, respectively. Interest on the Notes accrues at the rate of 10% per annum. As at the Latest Practicable Date, the outstanding amount was approximately US\$1.7 million |
| “Note Exchange Agreement”       | the note exchange agreement dated 26 September 2019 entered into among the Company, High Inspiring Limited and CCBI Solar Energy (Holding) Limited, pursuant to which the Company on the one hand, and High Inspiring Limited and CCBI Solar Energy (Holding) Limited, on the other hand, agreed to exchange the Outstanding Convertible Notes for the Notes in the aggregate principal amount of US\$24,200,000 (representing the then outstanding principal amount of the Outstanding Convertible Notes)                                   |
| “Outstanding Convertible Notes” | the convertible notes due in 2019 issued by the Company to High Inspiring Limited under the convertible note purchase agreement dated 21 August 2017 entered into between the Company and High Inspiring Limited, which had been cancelled upon issue of the Notes   |

## DEFINITIONS

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|-----------------------|---|
| “PRC”                 | the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan      |
| “Relevant Period”     | the period commencing on the date falling six months preceding 28 May 2021, being the date of the Announcement, i.e. 28 November 2020 up to and including the Latest Practicable Date |
| “relevant securities” | has the meaning given to it in Note 4 to Rule 22 of the Takeovers Code  |
| “RMB”                 | Renminbi, the lawful currency of the PRC  |
| “SFC”                 | the Securities and Futures Commission of Hong Kong  |
| “SFO”                 | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)  |
| “Share Option Scheme” | the share option scheme adopted by the Company on 25 June 2014  |
| “Share(s)”            | the ordinary share(s) of par value HK\$0.10 each in the share capital of the Company  |
| “Shareholder(s)”      | the holder(s) of the Share(s)   |
| “Specific Mandate”    | the specific mandate to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issuance of the Subscription Shares                                  |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Limited   |
| “Subscriber”          | Daodu (Hong Kong) Holding Limited, a company incorporated in Hong Kong with limited liability, being the subscriber under the Subscription Agreement                                  |
| “Subscription”        | the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement   |

## DEFINITIONS

|                          |  |
|--------------------------|--|
| “Subscription Agreement” | the conditional agreement dated 28 May 2021 and entered into between the Company and the Subscriber for the Subscription   |
| “Subscription Price”     | HK\$0.059 per Subscription Share   |
| “Subscription Shares”    | new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement   |
| “Takeovers Code”         | the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs   |
| “US\$”                   | United States dollars, the lawful currency of the United States of America   |
| “Whitewash Waiver”       | the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Subscriber to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and any parties acting in concert with it which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement |
| “%”                      | per cent   |



**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

*Non-executive Directors:*

Mr. Wang Zhenyu

Mr. Zhang Jianxing (*Acting Chairman*)

*Independent Non-executive Directors:*

Mr. Hu Yuming

Mr. Lin Lei

Mr. Zhang Xiaoya

*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

29 July 2021

*To the Shareholders*

Dear Sir or Madam,

**(1) SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE  
(2) APPLICATION FOR WHITEWASH WAIVER  
AND  
(3) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the Subscription and the Whitewash Waiver.

On 28 May 2021, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, a maximum of 11,252,732,911 Subscription Shares at the Subscription Price of HK\$0.059 per Subscription Share for a total consideration of not more than RMB554,381,000.

## LETTER FROM THE BOARD

The primary purpose of this circular is to provide you with, among other things, (i) further details of the Subscription, the Whitewash Waiver and the Increase in Authorised Share Capital; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; and (iv) the notice of the EGM.

### SUBSCRIPTION AGREEMENT

- Date** 28 May 2021
- Parties** (i) the Company, as issuer; and  
(ii) the Subscriber, as subscriber.

### The Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a maximum of 11,252,732,911 Subscription Shares at the Subscription Price of HK\$0.059 per Subscription Share and at an aggregate Subscription Price of not more than RMB554,381,000. The exact number of the Subscription Shares to be issued will be determined by dividing RMB554,381,000 to be converted into HKD at the exchange rate of the central parity rate of RMB to HKD announced by the People's Bank of China on the Business Day immediately prior to the Completion Date by the Subscription Price. For the avoidance of doubt, the Subscriber shall fully apply the HKD equivalent of RMB554,381,000 for the Subscription, subject to a cap of HK\$663,911,241.749 (being 11,252,732,911 Subscription Shares at the Subscription Price of HK\$0.059 each).

The 11,252,732,911 Subscription Shares represent approximately (i) 166.27% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 62.44% of the enlarged fully paid up issued share capital of the Company upon Completion. The maximum aggregate nominal value of the Subscription Shares is HK\$1,125,273,291.1.

The Subscription Shares, when issued and fully paid-up, will rank *pari passu* in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the Subscription Shares.

The fully-paid Subscription Shares will be acquired with all dividends and distributions which are declared after the date of allotment of the Subscription Shares in their fully-paid form.

## LETTER FROM THE BOARD

### The Subscription Price

The Subscription Price of HK\$0.059 per Subscription Share represents:

- (i) a discount of approximately 47.79% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 30.59% to the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on 28 May 2021, being the date of the Subscription Agreement;
- (iii) a discount of approximately 23.97% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including 27 May 2021 of approximately HK\$0.0776 per Share;
- (iv) a discount of approximately 25.79% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including 27 May 2021 of approximately HK\$0.0795 per Share; and
- (v) a premium of approximately 22.92% over the audited consolidated net asset value per Share attributable to the Shareholders of approximately RMB0.04 (approximately HK\$0.048) per Share as at 31 December 2020, calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB272,203,000 as at 31 December 2020 and 6,767,636,215 Shares in issue as at the Latest Practicable Date.

The aggregate Subscription Price shall be payable in cash in HKD by the Subscriber on Completion with reference to the exchange rate of the central parity rate of RMB to HKD announced by the People's Bank of China on the Business Day immediately prior to the Completion Date. The Subscription Price of HK\$0.059 was arrived at after arm's length negotiations between the Company and the Subscriber after taking into account (i) an estimated market capitalisation of the Company of approximately HK\$400 million (approximately HK\$0.0591 per Share) with reference to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 45 consecutive trading days up to and including 18 February 2021 of approximately HK\$0.05887 per Share; (ii) the amount of the Subscription Shares to be issued; (iii) the controlling position to be obtained by the Subscriber; and (iv) the expected funding need of the Group, in particular, the substantial funding of approximately HK\$480 million which will be required to build a new production plant and to acquire the related production equipment.

## LETTER FROM THE BOARD

As it took time for the General Partner and the Limited Partners to discuss among themselves and seek internal approvals for the Subscription, the approximate Subscription Price must be agreed at the preliminary stage. Given the protracted nature of such internal processes (in particular, as one of the Limited Partners is a state-owned institution), the parties could not continuously reassess and revisit the Subscription Price based on the then prevailing closing prices of the Shares up to a date closer to the signing of the Subscription Agreement. As such, the historical 45 days average closing price up to 18 February 2021 was considered a reasonable benchmark (when compared with the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 and 60 consecutive trading days up to and including 18 February 2021, i.e. HK\$0.059 and HK\$0.06033 per Share, respectively) to determine the Subscription Price.

The Board considers that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### Conditions of the Subscription

The Subscription is conditional upon satisfaction or waiver of the following conditions:

- (a) the Subscriber having completed due diligence on the legal, financial and business aspects of the Company and the Group and is satisfied with the due diligence results;
- (b) the undertakings and warranties given by the Company in the Subscription Agreement remaining true and accurate in all material respects;
- (c) the Shareholders (or the Independent Shareholders, as the case may be) passing all necessary resolutions to be proposed at the EGM which are necessary for the transactions contemplated under the Subscription Agreement to be effective in compliance with the Listing Rules and the Takeovers Code, including but not limited, to approve:
  - (i) the entering into, delivering and performance of the Subscription Agreement and the transactions contemplated thereunder;
  - (ii) the granting of the Specific Mandate for the allotment and issuance of the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement;
  - (iii) the Whitewash Waiver (with at least 75% of the votes cast by the Independent Shareholders); and
  - (iv) the Increase in Authorised Share Capital;
- (d) the Listing Committee granting approval for the listing of, and permission to deal in, the Subscription Shares to be issued (and such approval not being subsequently revoked prior to the Completion);

## LETTER FROM THE BOARD

- (e) the Executive granting the Whitewash Waiver to the Subscriber and parties acting in concert with it and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (f) CDH having delivered an undertaking to dispose of such number of Shares so as to ensure that the minimum public float of the Company's issued share capital as enlarged by the Subscription will be maintained in accordance with the Listing Rules;
- (g) all necessary acknowledgements, consents and approvals (if any) for the transactions contemplated under the Subscription Agreement from third parties having been obtained by the Company; and
- (h) before Completion, there shall not have occurred any of the following situations:
  - (i) any material adverse change in the financial or other positions, or the income, assets, business or operations of the Group; or any development which, is reasonably believed to, possibly lead to such material adverse change;
  - (ii) any governmental action, court order, proceeding, inquiry or investigation rendering the Subscription illegal or imposing a prohibition or restriction on the Subscription;
  - (iii) any suspension in the trading of Shares (other than any temporary suspension relating to the clearance of any announcement in respect of the Subscription Agreement) for a consecutive of five (5) Business Days;
  - (iv) any outbreak or escalation of hostilities or terrorist acts in Hong Kong, the Mainland China or any other jurisdictions, laws of which are applicable to the Group; or any declaration of a state of emergency, war or other disaster or crisis by any of the said jurisdictions;
  - (v) any major disruption to the commercial banks, securities settlement or clearing services in Hong Kong, the Mainland China or any other jurisdictions, laws of which are applicable to the Group; or any announcement made by the relevant departments stating that all commercial bank activities have been completely suspended; and
  - (vi) any material adverse change in the financial market or the international finance, the political or economic status, exchange rates, foreign exchange control or taxation policies of Hong Kong, the Mainland China or any other jurisdictions, laws of which are applicable to the Group; or any development relating to such material adverse change.

## LETTER FROM THE BOARD

In the event that any of the above conditions shall not have been fulfilled or waived by the Subscriber (except for items (c), (d) and (e) which cannot be waived) within a period of six (6) months from the date of the Subscription Agreement (i.e. 28 May 2021), the Subscriber shall be entitled to extend the timing of fulfillment of the above conditions for a further period of not more than six (6) months or notify the Company to terminate the Subscription Agreement. Upon such termination (other than on grounds of the non-fulfillment of item (a) or (h)), the Company shall indemnify the Subscriber of all reasonable costs incurred by the Subscriber in connection with the negotiation, preparation, execution or termination of the Subscription Agreement (including professional services fees relating to due diligence for the Subscription) subject to a cap of not more than RMB3,000,000 in accordance with the relevant provisions in the Subscription Agreement.

The Subscriber will not waive item (f) above so long as there remains a possibility that the Company's public float will fall below the prescribed minimum public float requirement under the Listing Rules upon full issuance of the Subscription Shares.

In respect of item (g) above, save for the consent from CCBI Solar Energy (Holding) Limited (being the holder of the Notes), the Company is not aware of any acknowledgements, consents and approvals which are required from third parties for the transactions contemplated under the Subscription Agreement. For details of the Notes, please refer to the announcement of the Company dated 26 September 2019.

As at the Latest Practicable Date, none of the conditions had been fulfilled.

### **Completion**

Completion is expected to take place within ten (10) Business Days after all of the above conditions have been fulfilled or waived (or such other date as the Company and the Subscriber may agree in writing). The Company's obligation to issue the Subscription Shares shall be subject to the minimum public float requirement under the Listing Rules being met by the Company upon Completion. If the minimum public float requirement under the Listing Rules cannot be met upon Completion, the Subscription will not proceed.

### **Ranking**

The Subscription Shares will rank equally in all respects with the Shares in issue as at the date of allotment and issuance of the Subscription Shares.

### **Mandate for the issue of the Subscription Shares**

The allotment and issuance of the Subscription Shares is subject to approval by the Independent Shareholders at the EGM to be convened and held. Resolutions will be proposed at the EGM to approve, among other things, the Specific Mandate to allot and issue the Subscription Shares under the Subscription Agreement.

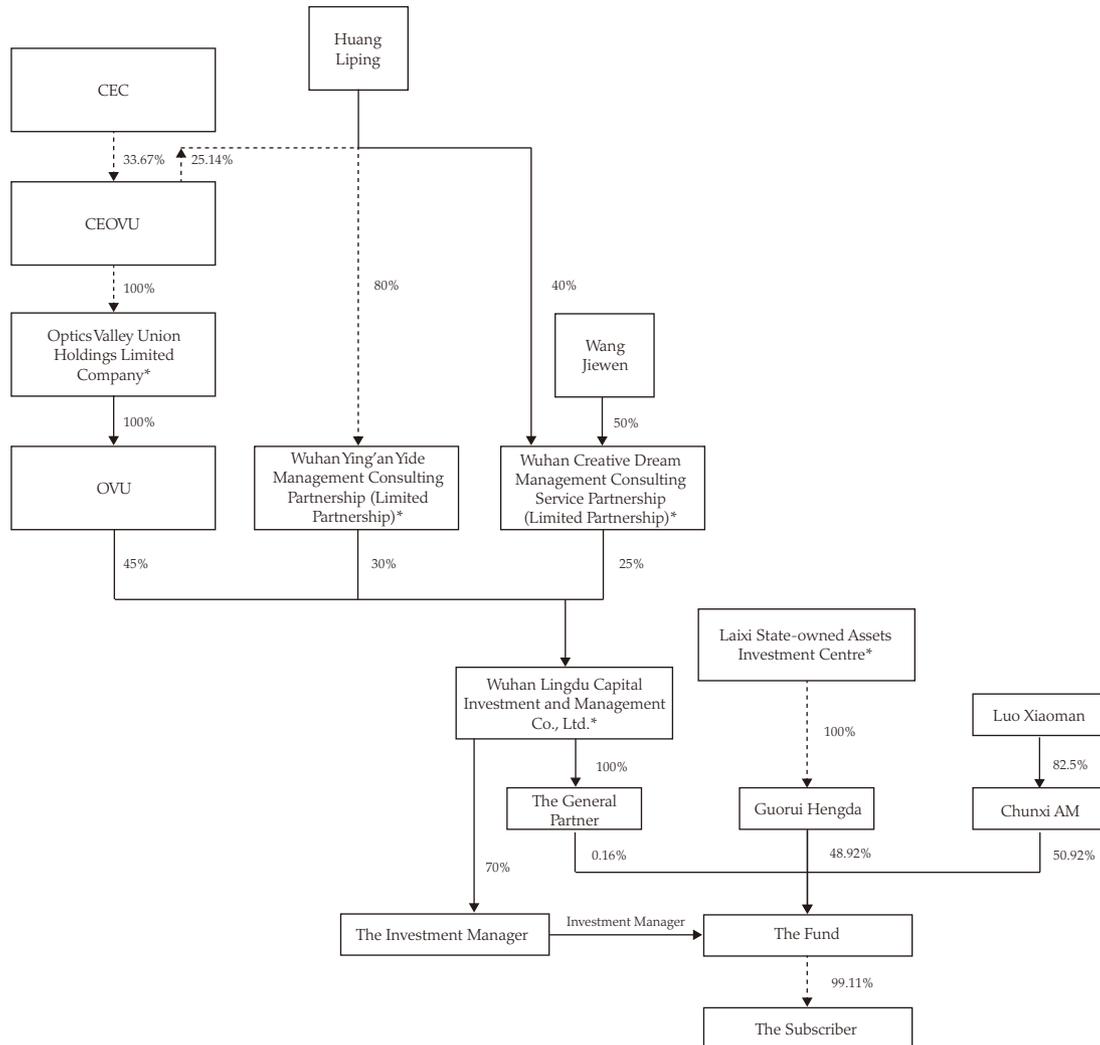
### **Listing application**

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

# LETTER FROM THE BOARD

## INFORMATION OF SUBSCRIBER

The Subscriber is a company incorporated in Hong Kong with limited liability and an indirect 99.11%-owned subsidiary of the Fund, which is managed by the Investment Manager with its shareholding structure as set out in the chart below:



*Note:* a dotted line denotes an indirect holding.

As set out in the chart above, the Fund is directly owned by the Limited Partners, namely Chunxi AM and Guorui Hengda, and the General Partner as to approximately 50.92%, 48.92% and 0.16%, respectively.

Guorui Hengda is ultimately and beneficially wholly owned by 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 by Qingdao Laixi Municipal Government, whereas Chunxi AM is a limited partnership incorporated in the PRC, which is beneficially owned by Ms. Luo Xiaoman (羅小曼) as to approximately 82.5% and by Shenzhen Limingtai

## LETTER FROM THE BOARD

Equity Investment Fund Co., Ltd.\* (深圳市利明泰股權投資基金有限公司) and Mr. Li Dongshan (李東山) as to 16.67% and 0.83%, respectively. Ms. Luo is also the sole director of the Subscriber.

Each of the General Partner and the Investment Manager is owned as to 100% and 70% by Wuhan Lingdu Capital Investment and Management Co., Ltd.\* (武漢零度資本投資管理有限公司), which is indirectly beneficially owned by China Electronics Optics Valley Union Holding Company Limited (Stock Code: 798) (“CEOVU”) (a company listed on the Stock Exchange and ultimately owned as to approximately 33.67% by China Electronics Corporation Limited\* (中國電子信息產業集團有限公司), a state-owned enterprise established under the laws of the PRC (“CEC”) and as to approximately 25.14% by Mr. Huang Liping (黃立平)) and two other limited partnerships (both of which are ultimately beneficially owned by Mr. Huang Liping as to 80% and 40%) as to 45%, 30% and 25%, respectively.

**Mr. Huang Liping**, aged 59, is an executive director and the president of CEOVU, while he served as the vice chairman and the president of Optics Valley Union Holding Limited Company\* (光谷聯合控股有限公司), and he is the ultimate sole beneficial owner of a substantial shareholder of CEOVU. Mr. Huang founded Wuhan Optics Valley Union Group Company Limited\* (武漢光谷聯合集團有限公司) (“OVU”) in 2005 with its principal activities of industrial park development and operation. As the chairman and the president of CEOVU, he has changed the name of the listed company to “CEOVU” after leading the listing of OVU on the Stock Exchange on 28 March 2014 and introducing CEC as the largest shareholder of CEOVU on 30 June 2016. Mr. Huang has over 25 years of experience in business management. He was one of the founders of Hongtao K Group Company Limited\* (紅桃開集團股份有限公司) (a company principally engaged in the development and manufacturing of bio-pharmaceutical products including Chinese medicine and health products, and real estate) and served as the vice chairman and an executive director. He also served as the chairman of Wuhan East Lake High Technology\* (武漢東湖高新集團有限公司), a public company listed on the Shanghai Stock Exchange (Shanghai Stock Code: 600133), and successively founded high-tech enterprises such as “Kenuo Biotechnology” and “Chopper Biology”.

**Ms. Luo Xiaoman**, aged 61, has extensive experiences in the catering industry, construction engineering industry and the trading of building materials and investment management. Ms. Luo invested in Chunxi AM in 2019, which is principally engaged in enterprise investment, providing direction for company operations and strategies advice for company development.

As disclosed above, the Fund is a single purpose fund funded and established in December 2020 with a fund size of RMB601 million by the investment platform of Qingdao Laixi Municipal Government and other industrial capital, which comprises capital contribution made from each of Chunxi AM (RMB306 million), Guorui Hengda (RMB294 million) and the General Partner (RMB1 million) and with net investment amount of RMB554,381,000 in the Subscription. The Fund’s investment’s focus is on new energy vehicle related industries. The Subscriber is a special purpose vehicle being used by the Fund for the purpose of the Subscription.

As at the Latest Practicable Date, each of the Subscriber and its ultimate beneficial owners was an Independent Third Party.

## LETTER FROM THE BOARD

### INFORMATION ON THE COMPANY AND THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the (i) manufacture and sale of automobile accessories; (ii) trading of automobile accessories; and (iii) operation of 4S dealership stores and related business.

### REASONS FOR THE SUBSCRIPTION

The Board was informed by the Investment Manager and noted that with the recovery of the automobile market and the vigorous development of new energy vehicles, the Fund continues to be optimistic about the development direction of the automobile industry and vigorously deploys related industries upstream and downstream. After communicating with the Qingdao Laixi Municipal Government through the Investment Manager, the Company and the Fund considered that they are highly compatible with each other, and the Qingdao Laixi Municipal Government strongly supports the auto parts industry and the investment by the Fund through the Subscription.

The Directors are also of the view that the Subscription represents a good opportunity for the Company to introduce a strategic investor with strong local government support and to raise sufficient funds 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 funds raised under the Subscription can also strengthen the Company's capital base and be utilised towards repayment of outstanding bank loans which will help significantly reduce the Company's capital cost and improve its financial position.

The Board (including the Independent Board Committee) is therefore of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

### Future intentions of the Subscriber regarding the Group

Upon Completion, the Subscriber will become a controlling shareholder (as defined under the Listing Rules) of the Company. The Subscriber has confirmed that:

- (a) it is intended that the Group will continue with its existing business following Completion;
- (b) it shares the view of the Board as disclosed in the paragraph headed "Reasons for the Subscription" above, in which it is mentioned that the Subscription is in the interests of the Group; and
- (c) there is no intention to (i) introduce any major changes to the existing business of the Group or (ii) discontinue the employment of any of the Group's employees or (iii) redeploy the fixed assets of the Group other than in its ordinary course of business.

## LETTER FROM THE BOARD

### CHANGE OF COMPOSITION OF THE BOARD

At the Latest Practicable Date, the Subscriber intended to nominate new Directors (i.e. one executive Director, two non-executive Directors and one independent non-executive Director) to the Board upon Completion.

Details of the actual change of the Board composition and biographies of any new Directors to be appointed will be further announced as and when appropriate in accordance with the Takeovers Code and the Listing Rules.

### USE OF PROCEEDS

The maximum gross proceeds to be raised from the Subscription is HK\$663,911,241.749. The maximum net proceeds to be raised from the Subscription is estimated to be approximately HK\$662 million, of which:

- (i) approximately HK\$480 million will be applied for enhancement of the Company's manufacturing capability:
  - (a) as to approximately HK\$70 million for purchase of land use rights in Economic Development Zone, Laixi City, Qingdao City, Shandong Province for construction of new production plants in late 2021 or first half of 2022;
  - (b) as to approximately HK\$360 million for the construction of new production plants and other supporting facilities including warehouse, research and development center, office building, staff dormitory and showroom on the lands through the above purchase of land use rights in Shandong Province to expand the Group's production capacity and technology capability for its manufacturing business. The construction work is expected to commence from late 2021 and be completed by 2023; and
  - (c) as to approximately HK\$50 million for purchase of related production equipment in the PRC for production of automotive parts for new energy vehicle, mainly including inverters and multifunctional mobile power supplies, to broaden the Group's product portfolio and pursue opportunities to expand its exposure in the new energy vehicle industry;
- (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:
  - (a) as to approximately HK\$44 million for the procurement costs of the Group's manufacturing business and automobile dealership and service business;

## LETTER FROM THE BOARD

- (b) as to approximately HK\$10 million for the remuneration of the Group's employees; and
- (c) as to approximately HK\$8 million for the Group's other daily expenses (including professional fees payable to the Group's legal advisers and auditors).

The net issue price per Subscription Share will be approximately HK\$0.059 per Subscription Share.

### SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had a total of 6,767,636,215 Shares in issue. The Company had no other outstanding shares, options, warrants, derivatives or other relevant securities that carry a right to subscribe for or which are convertible into Shares.

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon Completion, assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares; and (iii) upon Completion, assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and CDH has disposed of its Shares:

| Shareholders  | As at the Latest Practicable Date |                  | Upon Completion<br>(assuming a maximum of<br>11,252,732,911 Subscription<br>Shares to be issued) <sup>2</sup> |                  | Upon Completion<br>(assuming a maximum of<br>11,252,732,911 Subscription<br>Shares to be issued and<br>CDH has disposed of its Shares) |                   |
|---|-----------------------------------|------------------|---|------------------|--|-------------------|
|   | Number of<br>Shares               | Approximate<br>% | Number of<br>Shares   | Approximate<br>% | Number of<br>Shares  | Approximate<br>%  |
| The Subscriber and its<br>parties acting in concert | -                                 | -                | 11,252,732,911  | 62.44            | 11,252,732,911   | 62.44             |
| CDH <sup>1</sup>                                    | 2,889,580,226                     | 42.70            | 2,889,580,226   | 16.04            | 1,800,234,900  | 9.99 <sup>3</sup> |
| Fame Mountain                                       | 1,904,761,905                     | 28.15            | 1,904,761,905   | 10.57            | 1,904,761,905  | 10.57             |
| Public Shareholders                                 | 1,973,294,084                     | 29.15            | 1,973,294,084   | 10.95            | 3,062,639,410  | 17.00             |
| <b>Total</b>  | <b>6,767,636,215</b>              | <b>100.00</b>    | <b>18,020,369,126</b>   | <b>100.00</b>    | <b>18,020,369,126</b>  | <b>100.00</b>     |

*Notes:*

- CDH is beneficially wholly owned by CDH Fund IV, L.P. and the general partner of CDH Fund IV, L.P. is CDH IV Holdings Company Limited which is 80% beneficially owned by China Diamond Holdings IV, L.P. China Diamond Holdings Company Limited is the general partner of China Diamond Holdings IV, L.P., and China Diamond Holdings Company Limited is ultimately and beneficially owned as to (i) approximately 33.20% by Mr. Wu Shangzhi; (ii) approximately 28.78% by Mr. Jiao Shuge; (iii) approximately 7.79% by Mr. Wang Zhenyu, who is a non-executive Director; and (iv) approximately 30.23% by five Independent Third Parties, with each of them holding not more than 10% beneficial interest in China Diamond Holdings Company Limited.
- This scenario is for illustration purpose only and will not occur, as the Subscription Shares will not be issued if the minimum public float requirement under the Listing Rules cannot be met upon Completion. As such, the Company's public float will not, in any event, fall below the prescribed minimum public float upon full issuance of the Subscription Shares.
- CDH will become a public Shareholder upon its shareholding in the Company being decreased to less than 10% before Completion.

## LETTER FROM THE BOARD

### FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any fund raising activities during the twelve months immediately preceding the Latest Practicable Date.

### INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

Each of the Subscriber, its ultimate beneficial owners and/or the parties acting in concert with it has confirmed that, save for the Subscription and the Subscription Shares, neither it nor any party acting in concert with it:

- (i) has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Announcement and up to the Latest Practicable Date;
- (ii) owns or has control or direction over any voting rights or rights over the Shares or any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (iii) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities of the Company or of the Subscriber which might be material to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;
- (iv) has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver, other than the conditions of the Subscription under the Subscription Agreement;
- (v) apart from the Subscription consideration payable under the Subscription Agreement, has paid or will pay any other consideration, compensation or benefit in whatever form to the Company or any party acting in concert with it in connection with the Subscription;
- (vi) has entered into any understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber, its ultimate beneficial owners or any parties acting in concert with them on one hand and the Company or any party acting in concert with it on the other hand; and
- (vii) save for the undertakings relating to the public float to be obtained from CDH, has entered into any understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Subscriber, its ultimate beneficial owners, or any parties acting in concert with them, or (b) the Company, its subsidiaries or associated companies.

## LETTER FROM THE BOARD

### IMPLICATIONS UNDER THE TAKEOVERS CODE

Upon Completion, the Subscriber will hold a maximum of 11,252,732,911 Shares, representing approximately 62.44% of the enlarged fully paid up issued share capital of the Company (assuming there is no other change in the issued share capital of the Company save for the allotment and issuance of the Subscription Shares pursuant to the Subscription).

Under Rule 26.1 of the Takeovers Code, upon the allotment and issuance of the Subscription Shares at Completion, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it unless the Whitewash Waiver is granted by the Executive and the approval by 75% of the Independent Shareholders by way of poll is obtained in accordance with the Takeovers Code.

In this regard, an application has been made to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, the condition that respective resolutions relating to the Whitewash Waiver on one hand, and the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate) on the other hand, being separately approved by at least 75% and more than 50% respectively, of the votes cast by the Independent Shareholders either in person or by proxy at the EGM by way of poll. Save for CDH (which held 2,889,580,226 Shares, representing approximately 42.70% of the issued share capital of the Company as at the Latest Practicable Date), none of the Shareholders is required to abstain from voting for resolutions relating to the Whitewash Waiver, the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate).

The Whitewash Waiver may or may not be granted by the Executive. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription will not proceed. As at the Latest Practicable Date, the Company did not believe that the proposed transactions under the Subscription Agreement give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

### MINIMUM PUBLIC FLOAT IN THE SHARES

CDH shall, as one of the conditions precedent to the Subscription Agreement, give an undertaking to dispose of such number of Shares before Completion so as to ensure that the minimum public float will be maintained at all times in accordance with the Listing Rules upon Completion.

## LETTER FROM THE BOARD

It is the intention of the Board and the Subscriber that the Company will remain listed on the Stock Exchange after Completion. In addition to the undertaking from CDH as disclosed above, each of the Company and the Subscriber will undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the issued Shares will be held by the public. If the minimum public float requirement under the Listing Rules cannot be met upon Completion, the Subscription will not proceed.

The Company will require CDH to provide a list of purchasers/transferees/places who will acquire the Shares held by CDH to the Company so that it can ensure those purchasers/transferees/places are Independent Third Parties before CDH's disposal prior to Completion and will designate individual(s) to be responsible for monitoring the public float position of the Company and any changes in the shareholdings of the substantial shareholders of the Company from time to time.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, comprising all three (3) independent non-executive Directors, namely Mr. Hu Yuming, Mr. Lin Lei and Mr. Zhang Xiaoya has been formed to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver are fair and reasonable and on how to vote at the EGM. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver. The two (2) non-executive Directors, namely Mr. Wang Zhenyu and Mr. Zhang Jianxing, are not taking part in the Independent Board Committee due to (i) both of them being the employees of CDH Investments Management (Hong Kong) Limited, an affiliate of the general partner of CDH Fund IV, L.P., which indirectly holds the entire equity interests in CDH; and (ii) Mr. Wang Zhenyu's indirect interests in CDH.

Octal Capital Limited has been appointed, with the approval of the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver.

### **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

The Board proposes to increase the authorised share capital of the Company from HK\$1,000,000,000.00 divided into 10,000,000,000 Shares of HK\$0.1 each to HK\$2,000,000,000.00 divided into 20,000,000,000 Shares of HK\$0.1 each by the creation of an additional 10,000,000,000 new Shares, which shall rank equally in all respects with the existing Shares.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM to consider and, if thought fit, approve the Increase in Authorised Share Capital. The approval of the Increase in Authorised Share Capital by the Shareholders at the EGM is a condition precedent to the Completion.

## LETTER FROM THE BOARD

### EGM

A notice convening the EGM to be held at Room 1809, Feidiao International Building, No.1065A Zhaojiabang Road, Xuhui District, Shanghai, PRC on Monday, 13 September 2021 at 2 p.m. is set out on pages EGM-1 to EGM-3 of this circular. The EGM will be held for the Shareholders or the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate); (ii) the Whitewash Waiver; and (iii) the Increase in Authorised Share Capital.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office 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 but 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 enclosed form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

Save for CDH, no Shareholder has a material interest in the Subscription and the transactions contemplated thereunder (including the Specific Mandate), and the Whitewash Waiver, and will be required to abstain from voting on the resolutions to approve the Subscription and the transactions contemplated thereunder (including the Specific Mandate), and the Whitewash Waiver at the EGM. In addition, no Shareholders will be required to abstain from voting on the resolution to approve the Increase in Authorised Share Capital.

An announcement on the results of the EGM will be made by the Company following the EGM in accordance with the Listing Rules and the Takeovers Code.

### RECOMMENDATION

Your attention is drawn to (i) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate) as well as the Whitewash Waiver; and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate) as well as the Whitewash Waiver.

The Board (including members of the Independent Board Committee after taking the advice of the Independent Financial Adviser) considers that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate) as well as the Whitewash Waiver are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

## LETTER FROM THE BOARD

The Board is also of view that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

**Independent Shareholders are reminded to review the letter from the Independent Board Committee and the letter from the Independent Financial Adviser which are included in this circular.**

### GENERAL

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

**Since Completion is subject to the fulfillment of the conditions as set out in the Subscription Agreement, the Subscription may or may not proceed.**

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among others things, be subject to the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Subscription and the grant of the Specific Mandate, respectively, at the EGM. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, immediately upon issuance of the Subscription Shares, the shareholding of the Subscriber and parties acting in concert with it in the Company will exceed 50%. The Subscriber and parties acting in concert with it may increase their shareholding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

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

\* For identification purpose only

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.*



### 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)**

29 July 2021

*To the Independent Shareholders*

Dear Sir or Madam,

#### **(1) SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE AND (2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular of the Company dated 29 July 2021 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate) as well as the Whitewash Waiver are fair and reasonable and on how to vote at the EGM.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate) as well as the Whitewash Waiver. The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out on pages 25 to 51 of the Circular.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders are recommended to read the letter of advice from the Independent Financial Adviser, the letter from the Board contained in the Circular as well as the additional information set out in the appendices to the Circular. Having considered the terms of the Subscription Agreement, the Whitewash Waiver and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate) as well as the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions relating to the Subscription and the transactions contemplated thereunder (including the Specific Mandate), and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,

**Independent Board Committee**

**Mr. Hu Yuming Mr. Lin Lei Mr. Zhang Xiaoya**

*Independent non-executive Directors*

\* *For identification purpose only*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the Whitewash Waiver prepared for the purpose of inclusion in this circular.*



Octal Capital Limited  
801-805, 8/F, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

29 July 2021

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **(I) SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE; AND (II) APPLICATION FOR WHITEWASH WAIVER**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder and the Whitewash Waiver, details of which are contained in the circular to the Shareholders dated 29 July 2021 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the letter from the Board (the “**Letter from the Board**”) of the Circular, on 28 May 2021, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for a maximum of 11,252,732,911 Subscription Shares at the Subscription Price of HK\$0.059 per Subscription Share for a total consideration of not more than RMB554,381,000.

The 11,252,732,911 Subscription Shares represent approximately (i) 166.27% of the issued share capital of the Company as at the date of the Latest Practicable Date; and (ii) 62.44% of the enlarged fully paid up issued share capital of the Company upon Completion.

The allotment and issuance of the Subscription Shares is subject to approval by the Independent Shareholders at the EGM to be convened and held. Resolutions will be proposed at the EGM to approve, among other things, the Specific Mandate to allot and issue the Subscription Shares under the Subscription Agreement.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it (including the Fund, the General Partner, the Limited Partners and the Investment Manager and their respective ultimate beneficial owners) do not own or have control or direction over any Shares. Upon Completion, the Subscriber will hold a maximum of 11,252,732,911 Shares, representing approximately 62.44% of the enlarged fully paid up issued share capital of the Company (assuming there is no other change in the issued share capital of the Company save for the allotment and issuance of the Subscription Shares pursuant to the Subscription).

Under Rule 26.1 of the Takeovers Code, upon the allotment and issuance of the Subscription Shares at Completion, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it unless the Whitewash Waiver is granted by the Executive and the approval by 75% of the Independent Shareholders at the EGM by way of poll is obtained in accordance with the Takeovers Code. In this regard, an application has been made to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares.

### INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, comprising all three (3) independent non-executive Directors, namely Mr. Hu Yuming, Mr. Lin Lei and Mr. Zhang Xiaoya, has been formed to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver are fair and reasonable and on how to vote at the EGM. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver. The two (2) non-executive Directors, namely Mr. Wang Zhenyu and Mr. Zhang Jianxing, are not taking part in the Independent Board Committee due to (i) both of them being the employees of CDH Investments Management (Hong Kong) Limited, an affiliate of the general partner of CDH Fund IV, L.P., which indirectly holds the entire equity interests in CDH; and (ii) Mr. Wang Zhenyu's indirect interests in CDH.

We, Octal Capital Limited, have been appointed by the Company with approval from the Independent Board Committee to advise the Independent Board Committee in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we (i) were not connected with the directors, chief executives and substantial Shareholders, the Subscriber or any of their respective subsidiaries or associates or parties acting in concert with any of them; and (ii) do not have any shareholding, directly or indirectly, in any members of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Therefore, we are considered independent and suitable to give independent advice to the Independent Board Committee and the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Independent Shareholders. During the last two years, there was no engagement between the Company or the Subscriber and us. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial Shareholders or the Subscriber or any of its subsidiaries or their respective associates, and any parties acting in concert with them.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussions with the management of the Company regarding the Group, the Subscriber and the Subscription including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Subscriber and their respective associates nor have we carried out any independent verification of the information supplied.

As set out in the responsibility statement in Appendix II to the Circular, the Directors collectively and individually accept full responsibility for the Circular, which 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 the 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 in the Circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

Should there be any material changes after the Latest Practicable Date, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation in respect of the Subscription and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

#### 1. Background to and reasons for the Subscription

##### (i) *Information of the Company and the Subscriber*

###### *The Company*

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the (i) manufacture and sale of automobile accessories; (ii) trading of automobile accessories; and (iii) operation of 4S dealership stores and related business.

###### *The Subscriber*

The Subscriber is a company incorporated in Hong Kong with limited liability and an indirect 99.11%-owned subsidiary of the Fund, which is managed by the Investment Manager. For details of the background and shareholding structure of the Subscriber, please refer to the section headed "Information of Subscriber" in the Letter from the Board.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Financial information of the Group*

*Review of financial performance*

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 December 2018 (“FY2018”), 2019 (“FY2019”) and 2020 (“FY2020”) as extracted from the annual reports of the Group for FY2019 (the “2019 Annual Report”) and FY2020 (the “2020 Annual Report”) respectively:

|  | FY2018<br>(audited)<br>RMB'000 | FY2019<br>(audited)<br>RMB'000 | FY2020<br>(audited)<br>RMB'000 |
|--|--------------------------------|--------------------------------|--------------------------------|
| <b>Segment revenue</b>   |                                |                                |                                |
| – The manufacturing business   | 595,182                        | 468,050                        | 536,837                        |
| – The wholesale business   | 234,747                        | 61,285                         | 20,814                         |
| – Automobile dealership and service business                                 | 582,954                        | 1,221,297                      | 354,076                        |
| <b>Total revenue from continuing operations</b>                              | <b>1,412,883</b>               | <b>1,750,632</b>               | <b>911,727</b>                 |
| Cost of sales and services   | (1,252,705)                    | (1,610,550)                    | (807,316)                      |
| <b>Segment gross profits</b>   |                                |                                |                                |
| – The manufacturing business   | 94,774                         | 72,553                         | 86,424                         |
| – The wholesale business   | 18,990                         | 10,757                         | 3,975                          |
| – Automobile dealership and service business                                 | 46,414                         | 56,772                         | 14,012                         |
| <b>Total gross profits from continuing operations</b>                        | <b>160,178</b>                 | <b>140,082</b>                 | <b>104,411</b>                 |
| <b>Profit/(Loss) for the year from continuing operations attributable to</b> |                                |                                |                                |
| – Shareholders of the Company  | 146,038                        | (159,947)                      | (466,748)                      |
| – Non-controlling interests  | (15,670)                       | (13,599)                       | (6,910)                        |
| <b>Total</b>   | <b><u>130,368</u></b>          | <b><u>(173,546)</u></b>        | <b><u>(473,658)</u></b>        |

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### FY2018 vs FY2019

The Group recorded total revenue from continuing operations of approximately RMB1,750.6 million for FY2019, representing an increase of approximately RMB337.7 million or 23.9% as compared to that for FY2018. The increase in revenue was primarily attributable to the consolidation of revenue from the automobile dealership and services business through completion of the acquisition of such segment in September 2018. Besides, the Group recorded gross profit from continuing operations of approximately RMB140.1 million for FY2019, representing a decrease of approximately RMB20.1 million or 12.6% as compared to the same of approximately RMB160.2 million for FY2018. The decrease in gross profit was mainly due to (i) the decrease in revenue of the wholesale service business and manufacturing business for FY2019 as compared with FY2018; and (ii) the decline in gross profit margin in the automotive dealership and services business as a result of the overall downturn in China's automotive sales industry during FY2019.

The Group recorded net loss from continuing operations attributable to the Shareholders of approximately RMB159.9 million for FY2019, as compared to the net profit of approximately RMB146.0 million due to (i) the increase in cost of sales and services of approximately RMB357.8 million; (ii) the decrease in other revenue and gains and loss of approximately RMB240.5 million as a result of the decline in fair value change in the embedded derivative financial instruments in relation to the convertible notes in the principal amount of USD35 million due in 2019 and the decrease in interest income recorded from loans made by the Group; and (iii) the increase of distribution costs of approximately RMB47.2 million.

### FY2019 vs FY2020

The Group recorded total revenue from continuing operations of approximately RMB911.7 million for FY2020, representing a significant decrease of approximately RMB838.9 million or 47.9% as compared to that for FY2019. The decline in revenue was primarily attributable to the impact of the COVID-19 pandemic on the Group, which led to a significant decrease in revenue from the wholesale service business and the automobile dealership and service business of the Group. Furthermore, the Group recorded gross profit from continuing operations of approximately RMB104.4 million for FY2020, representing a decrease of approximately RMB35.7 million or 25.5% as compared to the same of approximately RMB140.1 million for FY2019. The decrease in gross profit was mainly due to the significant decrease in revenue from the wholesale service business and the automobile dealership and service business of the Group for FY2020 as compared with FY2019.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded net loss from continuing operations attributable to the Shareholders of approximately RMB466.7 million for FY2020, representing an increase of approximately RMB306.8 million or 191.8% as compared to the same for FY2019. The loss for the year from continuing operations was magnified as a result of the decrease in revenue and the increase in allowance for expected credit losses on trade receivables, deposits, prepayments and other receivables and amounts due from related parties (the “**Impairment Loss on Receivables**”). The Impairment Loss on Receivables was mainly attributable to the other receivables owed by Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.\* (內蒙古利豐鼎盛汽車有限公司) and its subsidiaries and associates. For details of the Impairment Loss on Receivables, please refer to the paragraph headed “Collection of Receivables” in the 2020 Annual Report.

### *Review of financial position*

Set out below is the summary of the audited consolidated statement of financial position of the Group as at 31 December 2018, 2019 and 2020 as extracted from the 2019 Annual Report and the 2020 Annual Report:

### *Summary of statements of financial position*

|  | <b>As at 31 December</b> |                  |                  |
|--|--------------------------|------------------|------------------|
|  | <b>2018</b>              | <b>2019</b>      | <b>2020</b>      |
|  | <b>(audited)</b>         | <b>(audited)</b> | <b>(audited)</b> |
|  | <i>RMB'000</i>           | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Non-current assets                     | 494,651                  | 365,408          | 278,559          |
| Current assets                         | 2,075,506                | 1,571,823        | 1,012,673        |
| – Cash and cash equivalent             | 134,460                  | 64,697           | 64,564           |
| <b>Total assets</b>                    | <b>2,570,157</b>         | <b>1,937,231</b> | <b>1,291,232</b> |
| Non-current liabilities                | 22,010                   | 116,485          | 163,456          |
| Current liabilities                    | 1,562,723                | 1,009,147        | 854,921          |
| <b>Total liabilities</b>               | <b>1,584,733</b>         | <b>1,125,632</b> | <b>1,018,377</b> |
| <b>Net assets</b>                      | <b>985,424</b>           | <b>811,599</b>   | <b>272,855</b>   |
| Bank and other borrowings:             |                          |                  |                  |
| – Current portion                      | 552,309                  | 489,982          | 286,595          |
| – Non-current portion                  | –                        | –                | 54,149           |
| <b>Total Bank and other borrowings</b> | <b>552,309</b>           | <b>489,982</b>   | <b>340,744</b>   |
| <b>Gearing ratio</b> <sup>(Note)</sup> | <b>160.8%</b>            | <b>138.7%</b>    | <b>373.2%</b>    |

*Note:* Gearing ratio represents total liabilities divided by net assets.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2019

As at 31 December 2019, the total assets of the Group amounted to approximately RMB1,937.2 million, with current assets of approximately RMB1,571.8 million and non-current assets of approximately RMB365.4 million. The current assets mainly included inventories of approximately RMB202.8 million and deposit, prepayments and other receivables of approximately RMB1,119.2 million, which represented approximately 10.5% and 57.8% of the total assets, respectively.

As at 31 December 2019, the Group's total liabilities amounted to approximately RMB1,125.6 million, with current liabilities of approximately RMB1,009.1 million and non-current liabilities of approximately RMB116.5 million. The current liabilities were mainly comprised of (i) bank and other borrowings of approximately RMB490.0 million; (ii) trade payables of approximately RMB238.9 million; and (iii) accruals and other payables of RMB181.8 million, which represented 43.5%, 21.2% and 16.1% of the total liabilities, respectively. As disclosed in the 2019 Annual Report, the secured and interest-bearing bank and other loans have remaining terms within 1 year and effective interest rates ranging from 3.48% to 13.80%.

As at 31 December 2019, the Group recorded net assets of approximately RMB811.6 million and the gearing ratio of the Group slightly decreased from approximately 160.8% as at 31 December 2018 to approximately 138.7% as at 31 December 2019, which indicated that the Group maintained a similar level of financial leverage.

As at 31 December 2020

As at 31 December 2020, the total assets of the Group amounted to approximately RMB1,291.2 million, with current assets of approximately RMB1,012.6 million and non-current assets of approximately RMB278.6 million. The current assets mainly included (i) inventories of approximately RMB131.5 million; (ii) trade receivables of approximately RMB161.2 million; and (iii) deposit, prepayments and other receivables of approximately RMB654.8 million, which represented approximately 10.2%, 12.5% and 50.7% of the total assets, respectively.

As at 31 December 2020, the Group's total liabilities amounted to approximately RMB1,018.4 million, with current liabilities of approximately RMB854.9 million and non-current liabilities of approximately RMB163.5 million. The current liabilities were mainly comprised of (i) bank and other borrowings of approximately RMB286.6 million; (ii) trade payables of approximately RMB283.5 million; and (iii) accruals and other payables of RMB201.3 million, which represented 28.1%, 27.8% and 19.8% of the total liabilities, respectively. As disclosed in the 2020 Annual Report, all of the bank and other borrowings bear fixed interest rates ranging from 5.00% to 13.80%.

As at 31 December 2020, the Group recorded net assets of approximately RMB272.9 million and the gearing ratio of the Group significantly increased from approximately 138.7% as at 31 December 2019 to approximately 373.2% as at 31 December 2020, which indicated that the financial leverage of the Group deteriorated during FY2020. As disclosed in the 2020 Annual Report, the increase in gearing ratio was mainly due to the recognition of the Impairment Loss on Receivables.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *(iii) Reasons for and benefits of the Subscription*

As stated in the Letter from the Board, the Board was informed by the Investment Manager and noted that with the recovery of the automobile market and the vigorous development of new energy vehicles (“NEV”), the Fund continues to be optimistic about the development direction of the automobile industry and vigorously deploys related industries upstream and downstream. After communicating with the Qingdao Laixi Municipal Government through the Investment Manager, the Company and the Fund considered that they are highly compatible with each other, and the Qingdao Laixi Municipal Government strongly supports the auto parts industry and the investment by the Fund through the Subscription. The Directors are also of the view that the Subscription represents a good opportunity for the Company to introduce a strategic investor with strong local government support and to raise sufficient funds 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 funds raised under the Subscription can also strengthen the Company’s capital base and be utilized towards repayment of outstanding bank loans which will help significantly reduce the Company’s capital cost and improve its financial position.

The maximum gross proceeds to be raised from the Subscription is HK\$663,911,241.749. The maximum net proceeds to be raised from the Subscription is estimated to be approximately HK\$662 million, of which

- (i) approximately HK\$480 million will be applied for enhancement of the Company’s manufacturing capability:
  - (a) as to approximately HK\$70 million for purchase of land use rights in Economic Development Zone, Laixi City, Qingdao City, Shandong Province for construction of new production plants in late 2021 or first half of 2022;
  - (b) as to approximately HK\$360 million for construction of new production plants and other supporting facilities including warehouse, research and development center, office building, staff dormitory and showroom on the lands through the above purchase of land use rights in Shandong Province to expand the Group’s production capacity and technology capability for its manufacturing business. The construction work is expected to commence from late 2021 and be completed by 2023; and
  - (c) as to approximately HK\$50 million for purchase of related production equipment in the PRC for production of automotive parts for NEV, mainly including inverters and multifunctional mobile power supplies, to broaden the Group’s product portfolio and pursue opportunities to expand its exposure in the NEV industry;
- (ii) approximately HK\$120 million will be applied for repayment of the outstanding bank loans of the Group; and

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- (iii) approximately HK\$62 million will be applied as general working capital of the Group:
  - (a) as to approximately HK\$44 million for the procurement costs of the Group's manufacturing business and automobile dealership and service business;
  - (b) as to approximately HK\$10 million for the remuneration of the Group's employees; and
  - (c) as to approximately HK\$8 million for the Group's other daily expenses (including professional fees payable to the Group's legal advisers and auditors).

### *Optimisation of business portfolio and relief of financial pressure*

As disclosed in the section headed "Financial information of the Group" in this letter, the Group has been suffering from (i) continuous loss from operations which amounted to approximately RMB173.5 million and RMB473.7 million for the FY2019 and FY2020 respectively and (ii) decreasing net assets from approximately RMB811.6 million as at 31 December 2019 to RMB272.9 million as at 31 December 2020. The worsening financial performance and position of the Group were mainly attributable to unsatisfactory operating results of the Group's automobile dealership and service business. In FY2020, the Group's automobile dealership and service business recorded a significant annual decline in revenue of approximately 71.0%, which led to a significant annual increase in segment loss of approximately 218.5% when compared to that for FY2019. In view of the deteriorating financial performance of the Group's automobile dealership and service business, the Group entered into equity transfer agreements with two independent third parties in FY2020 to dispose of its subsidiaries which were principally engaged in the relevant businesses. On the other hand, as mentioned in the section headed "Financial Information of the Group" above in this letter, the Group's manufacturing business is the only business segment of the Group which recorded revenue growth and segment profit for FY2020 as a result of the active sourcing of new customers, optimisation of customer and product structure, as well as the increase in selling price of products for certain customers. According to the 2020 Annual Report, the Group will assess its existing businesses and consider appropriate disposal of relevant businesses with long-term loss and uncertain prospects, so as to optimise resources allocation and improve the Group's profitability. Moreover, to further improve its manufacturing business and achieve turnaround results in the coming years, the Group will enhance management efficiency and capture market opportunities through an optimised organisational structure, more team incentives and further resource integration. Therefore, the Subscription is in line with the development strategies of the Group to optimise its existing business portfolio by streamlining the operation of automobile dealership and service business and reallocate its resources to focus on and expand its manufacturing business which is relatively more profitable.

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As disclosed in the 2020 Annual Report, as at 31 December 2020, the Group recorded current liabilities of RMB854.9 million, which mainly consisted of (i) bank and other borrowings of approximately RMB286.6 million (which were repayable within 12 months) and (ii) trade payables of approximately RMB283.5 million. The bank and other borrowings bear fixed interest rates of up to 13.8% per annum, and the Group incurred finance costs of approximately RMB42.9 million in FY2020, accounting for approximately 41.1% of the Group's gross profit. As mentioned above, the Group only had cash and bank balance of approximately RMB64.6 million as at 31 December 2020 which are not sufficient to settle the aforesaid liabilities. Therefore, the Group is in need of funding to fulfil its debt repayment obligation and reduce the finance costs arising from the bank and other borrowings, and thus alleviate the financial pressure of the Group.

### *Industry prospect*

During the year 2020, the global economy has taken a hit from the COVID-19 pandemic, and economic activities in the PRC, including the production and consumption of automotive products in the PRC have been affected. According to the statistics of China Association of Automobile Manufacturers, approximately 25.3 million new vehicles were sold in 2020 in the PRC, representing an annual decline of approximately 1.9% and marking its third straight annual decline since 2018. The annual decline in sales in the automobile industry in the PRC signaled a negative performance of automobile dealership industry.

As an upstream production line in the supply chain of the automotive industry, the automotive parts market was disrupted by the continuous slowdown of the global automotive industry in 2020. The shutdown of production lines and implementation of government policies restricting the movement of goods and labour as a preventive measure to the COVID-19 pandemic had severely disrupted the supply chains of the automotive industry in the first half of 2020. The impact on the supply chains of the automotive industry had in turn led to a decrease in the demand for the automotive parts manufacturing business. With reference to data released by General Administration of Customs of the People's Republic of China (中華人民共和國海關總署) ("GAC") on 18 January 2021 regarding the statistics of import and export amount, the total export amount of automotive parts for FY2020 amounted to USD56.5 billion, representing a year-on-year decline of approximately 6.6%, which demonstrated a relatively weak performance in the demand of automotive parts for year 2020, when compared to year 2019. However, the automotive parts market showed a strong sign of recovery in the first quarter of year 2021 as proven by the drastic increase in the export amount of automotive parts as compared to the same period in year 2020. According to the data released by GAC on 18 April 2021, the export amount of automotive parts hit USD17.8 billion for the first three months ended 31 March 2021, representing an increase of approximately 39.1% as compared to the same for the first quarter of 2020. In addition to the increase in spending on automobile following the trend of global economic recovery, the improvement in the growth rate of export amount is expected to persist as a result of the promotion of NEV.

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As a result of a new round of global scientific and technological revolution and further industrial reform, the automobile industry is facing a period of major change and moving towards full electrification. Despite the overall decline of sales in the automobile market in 2020, the production and sales of NEV have risen in contrast to the downturn of the general automobile industry, with production and sales reaching 1.36 million units and 1.37 million units, which represented an increase of approximately 7.5% and 10.9%, respectively. Driven by the tide of NEV development across the board, it is expected that the sales volume of NEV will exhibit an increasing trend in the future. The development of NEV, which includes battery electric, plug-in hybrid and hydrogen fuel-cell vehicle, was supplemented with favorable policy measures by the PRC to improve its technology and competitiveness. According to the Development Plan for the New Energy Vehicle Industry (2021-2035) (《國務院辦公廳關於印發新能源汽車產業發展規劃(2021-2035年)的通知》) (the “Plan”) released by the State Council of the PRC in October 2020, development goals and targets for NEV has been set out including market size and technology advancement. According to the Plan, by 2025, it is targeted by the PRC for the NEV industry to achieve (i) key technology breakthroughs in electric battery, drivetrain, and vehicle operation systems; (ii) lower the average power consumption of pure new pure electric vehicles to 12.0 kWh/100 km; and (iii) increase NEV sales volume to 20% of total sales of new vehicles. The above encouragements can effectively stimulate market demand and supply, which is expected to boost the development of NEV market. Furthermore, with reference to the Notice on Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles (《關於完善新能源汽車推廣應用財政補貼政策的通知》) jointly released by the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the National Development and Reform Commission in April 2020, subsidies on the NEV sales will be extended from the end of 2020 to the end of 2022, and the PRC government will improve the green car quota system to encourage automakers to make more environmentally friendly vehicles after it ends NEV subsidies in 2022 and boost NEV sales for public uses such as bus and trucks. Hence, it is anticipated that the NEV market will exhibit a strong performance growth in the future, which would in turn promote the development of the automotive parts industry.

As mentioned above, it is expected that approximately HK\$480 million of the net proceeds from the Subscription will be allocated to enhance the Group’s manufacturing capability in automobile products and broaden its exposure in NEV industry, which is in line with the trend of the recovery of the automobile market and the vigorous development of NEV.

### *Support from the Laixi government*

As mentioned above, the Directors are also of the view that the Subscription represents a good opportunity for the Company to introduce a strategic investor with strong local government support. Laixi State-owned Assets Investment Center is a municipal public institution and will be interested in equity interest of the Company through its approximately 48.5% equity interest in the Subscriber upon Completion. The Subscription reflects the Laixi government’s confidence in the Company’s future and support for the long-term development of the Company, which is beneficial for the Company to enhance the core competitiveness of its manufacturing business. We are of the view that the Subscription may boost confidence of external investors and broaden the Shareholder base of the Company.

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In addition, according to the use of proceeds from the Subscription, it is expected that approximately HK\$70 million will be used for purchasing of land use rights in Laixi City for construction of new production plants to expand the Group's production capacity and technology capability for its manufacturing business. We consider that, leveraging on the Laixi government's support, the Subscription represents a valuable opportunity for the Group to expand its footprint in Shandong Province and broaden its exposure in the NEV industry.

### *Other fundraising alternatives*

As advised by the Company, other than the Subscription, the Company considered the feasibility of other fundraising methods such as debt financing from bank or money lenders and other forms of equity financing. The Company considered that debt financing which would incur additional interest expenses would hinder the ability of the Group to achieve turnaround results in the coming years. Moreover, due to the loss-making performance of the Group and the fact that the majority of the Group's assets have already been pledged as security for the Group's existing bank borrowings, the Group could not obtain further debt financing with terms favorable to the Group. Under such circumstances, the Company considered that debt financing from banks or money lenders is not a preferable choice.

As regards equity fund-raising exercises, due to (i) the scale of the funding required; (ii) the thin trading liquidity of the Shares; and (iii) the net loss performance and high gearing position of the Group, the management of the Group expected that it would be difficult to attract investors or Shareholders to participate and appoint an underwriter to assist in any rights issue or open offer fund raising exercises. Moreover, the Company would be required to (i) undergo a relatively lengthy process to prepare and issue a prospectus and identify a suitable underwriter and share registrar; and (ii) incur additional administrative costs in respect of the rights issue or open offer, including the issuance costs of the prospectus and high underwriting fee taking into consideration the thin trading liquidity of the Shares and the Group's consecutive net loss performance and high gearing position. Taking into account the lengthy process and additional administrative costs involved, the Company considered that rights issue and open offer are also not a preferable choice.

Having considered (i) the worsening financial performance and position of the Group; (ii) the Subscription is in line with the development strategies of the Group to focus on and expand its manufacturing business; (iii) the proceeds of the Subscription will be used towards the repayment of the Group's outstanding bank loans which would alleviate the financial pressure of the Group; (iv) the prospect of the automobile industry in the PRC; (v) the support by the Laixi government through its participation in the Subscription; and (vi) it is not cost-effective nor feasible for the Group to obtain debt financing and/or carry out other forms of equity financing, we concur with the Directors' view that the Subscription offers a good opportunity to replenish working capital for the Group and to strengthen the financial position of the Company and is in the interest of the Company and the Shareholders as a whole.

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### 2. Principal terms of the Subscription Agreement

Set out below is a summary of the principal terms of the Subscription Agreement.

#### *Date*

28 May 2021

#### *Parties*

- (1) the Company; and
- (2) the Subscriber

#### *The Subscription Shares*

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a maximum of 11,252,732,911 Subscription Shares at the Subscription Price of HK\$0.059 per Subscription Share and at an aggregate Subscription Price of not more than RMB554,381,000. The exact number of the Subscription Shares to be issued will be determined by dividing RMB554,381,000 to be converted into HKD at the exchange rate of the central parity rate of RMB to HKD announced by the People's Bank of China on the Business Day immediately prior to the Completion Date by the Subscription Price.

The 11,252,732,911 Subscription Shares represent approximately (i) 166.27% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 62.44% of the enlarged fully paid up issued share capital of the Company upon Completion. The maximum aggregate nominal value of the Subscription Shares is HK\$1,125,273,291.1.

#### *Ranking*

The Subscription Shares will rank equally in all respects with the Shares in issue as at the date of allotment and issuance of the Subscription Shares.

#### *Subscription Price*

The Subscription Price of HK\$0.059 per Subscription Share represents:

- (i) a discount of approximately 47.8% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 30.6% to the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on 28 May 2021, being the date of the Subscription Agreement;

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- (iii) a discount of approximately 24.0% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including 27 May 2021 of approximately HK\$0.0776 per Share;
- (iv) a discount of approximately 25.8% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including 27 May 2021 of approximately HK\$0.0795 per Share; and
- (v) a premium of approximately 22.9% over the audited consolidated net asset value per Share attributable to the equity Shareholders of approximately HK\$0.048 as at 31 December 2020 (equivalent to approximately RMB0.04), calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB272,203,000 as at 31 December 2020 and 6,767,636,215 Shares in issue as at the Latest Practicable Date.

The aggregate Subscription Price shall be payable in cash in HKD by the Subscriber on Completion with reference to the exchange rate of the central parity rate of RMB to HKD announced by the People's Bank of China on the Business Day immediately prior to the Completion Date. The Subscription Price of HK\$0.059 was arrived at after arm's length negotiations between the Company and the Subscriber after taking into account (i) an estimated market capitalisation of the Company of approximately HK\$400 million (approximately HK\$0.0591 per Share) with reference of the average of the closing prices of the Shares as quoted on the Stock Exchange for the 45 consecutive trading days up to and including 18 February 2021 of approximately HK\$0.05887 per Share; (ii) the amount of the Subscription Shares to be issued; (iii) the controlling position to be obtained by the Subscriber; and (iv) the expected funding need of the Group, in particular, the substantial funding of approximately HK\$480 million which will be required to build a new production plant and to acquire the related production equipment.

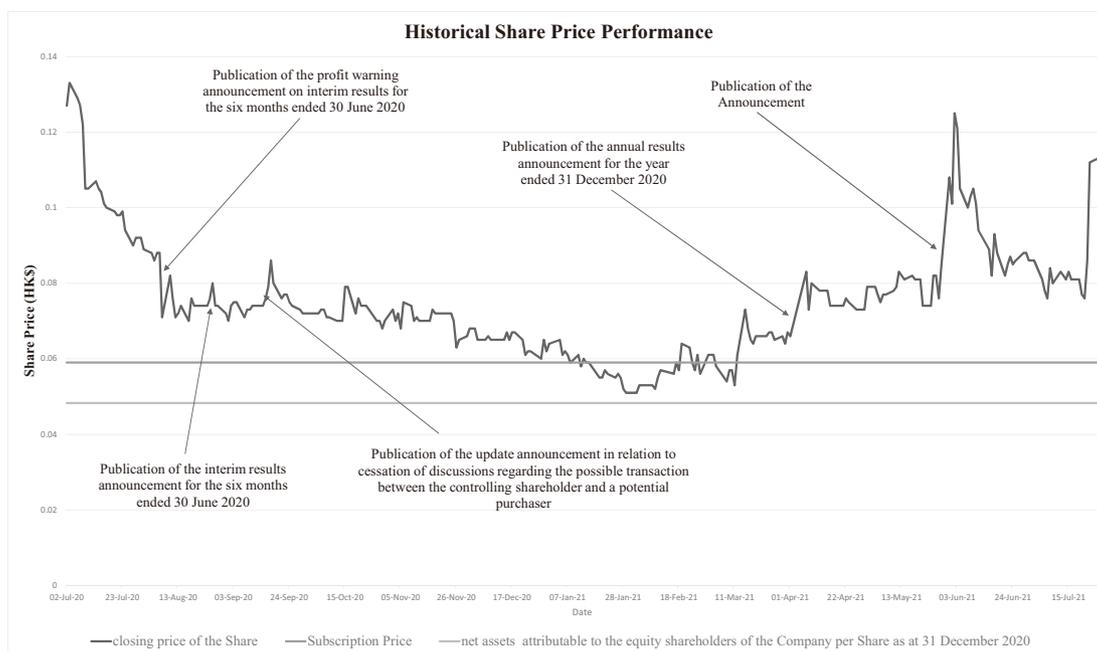
As it took time for the General Partner and the Limited Partners to discuss among themselves and seek internal approvals for the Subscription, the approximate Subscription Price must be agreed at the preliminary stage. Given the protracted nature of such internal processes (in particular, as one of the Limited Partners is a state-owned institution), the parties could not continuously reassess and revisit the Subscription Price based on the then prevailing closing prices of the Shares up to a date closer to the signing of the Subscription Agreement. As such, the historical 45 days average closing price up to 18 February 2021 was considered a reasonable benchmark (when compared with the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 and 60 consecutive trading days up to and including 18 February 2021, i.e. HK\$0.059 and HK\$0.06033 per Share, respectively) to determine the Subscription Price.

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### *Evaluation of the Subscription Price*

#### *(i) Historical price analysis*

In light of the above, we have analysed the historical closing prices of the Shares during the past twelve months prior to the Last Trading Day and up to the Latest Practicable Date. The following chart illustrates the daily closing prices of the Shares as quoted on the Stock Exchange, the Subscription Price and the net assets attributable to the equity Shareholder per Share as at 31 December 2020, during the period from 1 July 2020 up to and including the Latest Practicable Date (the “Review Period”):



Source: Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown in the chart above, the closing prices of the Shares ranged between HK\$0.051 per Share and HK\$0.133 per Share during the Review Period and the Shares had been traded above the net assets attributable to the equity Shareholder per Share as at 31 December 2020 of approximately HK\$0.048 per Share (equivalent to approximately RMB0.04) throughout the entire Review Period.

The closing prices of the Shares surged to a peak of HK\$0.133 in the first few weeks of the Review Period and started to drop thereafter and exhibited a downward trend for around eight months up to February 2021. During the first eight months, after the Company published a profit warning announcement in respect of the interim results of the Company for the six months ended 30 June 2020 (“FH2020”) on 6 August 2020, the closing prices of the Shares remained stagnant at a range from HK\$0.07 to HK\$0.08 from August to September 2020, and further demonstrated an overall downward trend from October 2020 to February 2021 following the release of the Company’s announcement dated 14 September 2020 in relation to the cessation of discussions regarding the possible transaction

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between the controlling shareholder and a potential purchaser involving a change in control of the controlling shareholder and indirectly a change in control of the Company. During the period from March 2021 to the Last Trading Day, the closing prices of the Shares have ramped up gradually from HK\$0.061 on 1 March 2021 to HK\$0.085 on the Last Trading Day, representing an increase of approximately 39.4%. After the publication of the Announcement, the closing price of the Shares reached HK\$0.125 on 2 June 2021, representing the highest closing price during the period from the Last Trading Day to the Latest Practicable Date. On the Latest Practicable Date, the Shares closed at HK\$0.113.

Further, the Subscription Price of HK\$0.059 per Share (i) is within the range of the closing prices between HK\$0.051 per Share and HK\$0.133 per Share and lower than the average closing price of HK\$0.075 per Share during the Review Period; (ii) represents a premium of approximately 15.7% over the lowest closing price of HK\$0.051 per Share and represents a discount of approximately 55.6% to the highest closing price of HK\$0.133 per Share; and (iii) represents a premium of approximately 22.9% over the net assets attributable to the equity Shareholders per Share as at the 31 December 2020.

In arriving at our opinion on the basis for determination of the Subscription Price, we observed that the financial performance and position of the Group have been worsening during FY2019 and FY2020. In particular, the total revenue from continuing operations decreased by 47.9% in FY2020, and as a result, the Group's net loss from continuing operations attributable to the Shareholders was magnified by approximately 2.9 times for FY2020. In the meanwhile, the net assets of the Group as at 31 December 2020 represented a significant decrease of approximately 68.9% as compared to the same as at 31 December 2019. Besides, we noted that, during the period starting from the publication of the profit warning announcement on the interim results of the Company for FH2020 on 6 August 2020 to the day prior to the publication of the Announcement (the "**Refined Period**"), the Shares generally closed within the range of approximately HK\$0.05 to HK\$0.08 and exhibited a declining trend after the publication of interim results announcement for FH2020. Even though the Shares started to rebound after the publication of the annual results for FY2020, the Shares generally closed within the upper bound of the range. We considered that the Subscription Price was determined with reference to the closing prices of the Shares during the Refined Period which reflected the historical financial performance of the Company.

Based on above, in spite of the fact that the historical share prices are higher than the Subscription Price at most of the time during the Review Period, after considering (i) the Group's consecutive net loss performance during FY2019 and FY2020 and its high gearing position; (ii) the Subscription Price is within the range of the closing prices of the Shares during the Refined Period; (iii) the discount represented by the Subscription Price could enhance the attractiveness of the Subscription; and (iv) the relative inactive trading condition of the Shares to be discussed below, we are of the opinion that the Subscription Price was determined on a reasonable basis.

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### (ii) Liquidity analysis

Set out below are the number of trading days and the percentage of the Shares' average daily trading volume as compared to the then total number of issued Shares as at the end of the period/month over the twelve-month period prior to the Latest Practicable Date:

| Period/month   | Total volume<br>of the Shares<br>traded<br>(Shares) | Number<br>of trading<br>days<br>(days) | Average<br>daily<br>volume<br>(Note 1)<br>(Shares) | Number of issued<br>Shares as at the<br>end of the<br>period/month<br>(Shares) | Approximately %<br>of average daily<br>trading volume to<br>the then total<br>number of issued<br>Shares as at<br>the end of the<br>period/month<br>(Note 2) |
|--|---|--|--|--|--|
| <b>2020</b>  |   |  |  |  |  |
| July   | 19,032,765  | 22                                     | 865,126  | 6,767,636,215  | 0.013%   |
| August   | 88,591,820  | 21                                     | 4,218,658  | 6,767,636,215  | 0.062%   |
| September  | 95,674,310  | 22                                     | 4,348,832  | 6,767,636,215  | 0.064%   |
| October  | 23,349,880  | 18                                     | 1,297,216  | 6,767,636,215  | 0.019%   |
| November   | 20,674,040  | 21                                     | 984,478  | 6,767,636,215  | 0.015%   |
| December   | 51,756,465  | 22                                     | 2,352,567  | 6,767,636,215  | 0.035%   |
| <b>2021</b>  |   |  |  |  |  |
| January  | 30,213,740  | 20                                     | 1,510,687  | 6,767,636,215  | 0.022%   |
| February   | 43,180,800  | 18                                     | 2,398,933  | 6,767,636,215  | 0.035%   |
| March  | 43,445,118  | 23                                     | 1,888,918  | 6,767,636,215  | 0.028%   |
| April  | 36,860,270  | 19                                     | 1,940,014  | 6,767,636,215  | 0.029%   |
| May (up to and<br>including the Last<br>Trading Day) | 13,265,000  | 19                                     | 698,158  | 6,767,636,215  | 0.010%   |
| May (31 May)   | 147,612,000   | 1                                      | 147,612,000  | 6,767,636,215  | 2.181%   |
| June   | 224,970,000   | 21                                     | 10,712,857   | 6,767,636,215  | 0.158%   |
| July (up to the Latest<br>Practicable Date)          | 144,920,915   | 17                                     | 8,524,760  | 6,767,636,215  | 0.126%   |

Source: Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.
2. The calculation is based on the average daily trading volume of the Shares divided by the total issued Shares at the end of each month or as at the Last Trading Day or as at the Latest Practicable Date, as applicable.

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As illustrated in the table above, the average daily trading volume of the Shares has been generally thin from July 2020 to the Last Trading Day. During the period, the average daily trading volume for the respective month or period ranged from approximately 698,158 Shares to 4,348,832 Shares, representing approximately 0.010% to 0.064% of the total number of Shares in issue.

After the publication of the Announcement, on the Last Trading Day to the Latest Practicable Date, we noted that there was an increase in trading volume of the Shares. During the period, the average daily trading volume for the respective month or period ranged from approximately 8,524,760 Shares to 147,612,000 Shares, representing approximately 0.126% to 2.181% of the total number of Shares in issue.

Given the relatively low trading liquidity of the Shares prior to the publication of the Announcement, we consider that it is reasonable for the Subscription Price to be set at a discount to the average prevailing historical closing prices of the Shares. To assess the fairness and reasonableness of the level of discount implied by the Subscription Price, we further performed comparable analysis as below.

### *(iii) Comparable companies analysis*

In order to assess the fairness and reasonableness of the Subscription Price, we have also conducted an analysis on price-to-earnings ratio (the “**P/E Ratio**”) and price-to-book value ratio (the “**P/B Ratio**”), being two commonly adopted and used benchmarks for appraising the valuation of a company given the P/E Ratio takes into consideration the profitability of the subject company, while the P/B Ratio takes into account the net assets of the subject company.

In the selection of the comparable companies, our selection criteria focused on companies that (i) are listed and remain trading on the Main Board of the Stock Exchange as at the Last Trading Day; (ii) have a market capitalisation of not more than HK\$1 billion (making reference to the Company’s market capitalisation of approximately HK\$0.5 billion as at the Last Trading Day); and (iii) are mainly engaged in the manufacturing of automotive parts and/or automobile dealership business with more than 50% of their revenue geographically derived from the PRC. According to the 2020 Annual Report, the manufacturing business (manufacturing of auto parts) and the automobile dealership and service business accounted for approximately 58.9% and 38.8% of the total revenue of the Group respectively, representing the core businesses of the Group. Based on our research on the website of the Stock Exchange in accordance with the above selection criteria, we have

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identified an exhaustive list of 9 companies (collectively, the “**Industry Comparables**”). Details of the Industry Comparables are set out below:

### Comparison with the Industry Comparables

|   | Company name<br>(Stock code)                               | Principal activities              | Market<br>Capitalisation<br>on the Last<br>Trading Day<br>HK\$ million | Latest published<br>annual net<br>profit/(loss)<br>attributable to<br>shareholders<br>prior to the Last<br>Trading Day<br>HK\$ million | Latest published<br>net assets/<br>(liabilities)<br>attributable to<br>shareholders<br>prior to the Last<br>Trading Day<br>HK\$ million | P/E Ratio<br>(times) | P/B Ratio<br>(times) |
|---|--|-----------------------------------|--|--|---|----------------------|----------------------|
| 1 | China Automotive Interior Decoration Holdings Limited (48) | Manufacturing of automotive parts | 108.7  | (4.7)  | 211.3   | N/A                  | 0.5                  |
| 2 | CCT Fortis Holdings Limited (138)                          | Automobile dealership             | 170.3  | (686.0)  | 2,138.0   | N/A                  | 0.1                  |
| 3 | Xinchen China Power Holdings Limited (1148)                | Manufacturing of automotive parts | 474.4  | (970.4)  | 2,620.3   | N/A                  | 0.2                  |
| 4 | Shuanghua Holdings Limited (1241)                          | Manufacturing of automotive parts | 61.8   | (6.2)  | 400.0   | N/A                  | 0.2                  |
| 5 | China First Capital Group Limited (1269)                   | Manufacturing of automotive parts | 256.4  | (448.5)  | 232.0   | N/A                  | 1.1                  |
| 6 | Centenary United Holdings Limited (1959)                   | Automobile dealership             | 390.0  | 25.7   | 304.5   | 15.2                 | 1.3                  |
| 7 | Ruifeng Power Group Company Limited (2025)                 | Manufacturing of automotive parts | 800.0  | 40.3   | 1,149.9   | 19.8                 | 0.7                  |
| 8 | Xiezhong International Holdings Limited (3663)             | Manufacturing of automotive parts | 608.0  | (315.9)  | 298.5   | N/A                  | 2.0                  |
| 9 | China Tianrui Automotive Interiors Co., LTD. (6162)        | Manufacturing of automotive parts | 326.0  | 61.0   | 324.1   | 5.3                  | 1.0                  |
|   |  |                                   |  |  | Maximum   | 19.8                 | 2.0                  |
|   |  |                                   |  |  | Minimum   | 5.3                  | 0.1                  |
|   |  |                                   |  |  | Median  | 15.2                 | 0.7                  |
|   |  |                                   |  |  | Average   | 13.4                 | 0.8                  |
|   | The Company <sup>(Note 1)</sup>                            |                                   | 339.3  | (575.6)  | 326.6   | N/A                  | 1.2                  |

Source: Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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*Notes:*

1. The implied market capitalisation of the Company was calculated by multiplying the total issued Shares as at the Last Trading Day by the Subscription Price.
2. For the purpose of this table, conversion of RMB into HK\$ in relation to the respective financial figures of the Industry Comparables and the Company denominated in RMB (if applicable and if any) is calculated at the approximate exchange rate of RMB1 to HK\$1.2. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

As illustrated in the table above, the Group recorded net loss attributable to the Shareholders for FY2020, and thus the P/E ratio analysis is not applicable to the Company and the information of the Industry Comparables is thus provided for reference only. In relation to the P/B Ratio, the P/B Ratios of the Industry Comparables ranged from approximately 0.1 time to approximately 2.0 times, with a median of approximately 0.7 time and an average of approximately 0.8 time. We noted that the implied P/B Ratio of the Company is approximately 1.2 times which is within the range of the Industry Comparables, and lies above the median and the average of the Industry Comparables.

However, we noted from the above table that Industry Comparable #2, #3 and #4 recorded P/B Ratio of approximately 0.1 time, 0.2 time and 0.2 time respectively, which are substantially lower than the average of the Industry Comparables. In order to understand such extremity noted among the Industry Comparables, we perform further assessments amongst Industry Comparable #2, #3 and #4:

1. In regard to Industry Comparable #2 and in comparison to the Company, it possessed substantial investment properties portfolio amounted to approximately HK\$1,645 million as at 31 December 2020, accounting for approximately 76.5% of its total equity. The substantial portion of investment properties held by Industry Comparable #2 resulted in a large asset base and hence a substantially low P/B Ratio.
2. In regard to Industry Comparable #3, during the past three years up to the Last Trading Day, its shares were generally traded between approximately HK\$0.3 and HK\$0.8 and there was no noticeably upward or downward trend. Based on its annual reports for past three years, its net asset attributable to its shareholders per share were approximately HK\$2.79, HK\$2.80 and HK\$2.04 as at 31 December 2018, 2019 and 2020 respectively, reflecting that the P/B Ratio of Industry Comparable #3 amounted to 0.2 time is in line with its price trend for the past three years up to the Last Trading Day which is substantially below its net asset attributable to its shareholders.
3. In regard to Industry Comparable #4, its share price movement for the past three years since the Last Trading Day has exhibited a downward trend and dropped significantly after the release of its announcement on 10 February 2020. With reference to the announcement, the Stock Exchange considered that Industry Comparable #4 has failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules, mainly taking into account that its scale of operation has substantially diminished to a low level.

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Based on above our further research, in particular, (i) the significant portion of investment properties held by Industry Comparable #2 resulting in a substantially low P/B Ratio as at the Last Trading Day; and (ii) the declining trend of the historical share price of Industry Comparable #4 mainly resulting from its potential insufficient scale of operation, we consider that the inclusion of the P/B Ratios of Comparable #2 and #4 may create anomalous result and distort our assessment of the implied P/B Ratio of the Company, while we consider that Industry Comparable #3 should be remained as one of the Industry Comparables taking into account that the P/B Ratio of Industry Comparable #3 amounted to 0.2 time is in line with its price trend for the past three years up to the Last Trading Day which is substantially below its net asset attributable to its shareholders and fulfill all the selection criteria of the Industry Comparables. For illustration purpose, after removing Industry Comparable #2 and #4, the P/B Ratios of the Industry Comparables ranged from approximately 0.2 time to approximately 2.0 times with the median of approximately 1.0 time and the average of approximately 1.0 time, the implied P/B Ratio of the Company of approximately 1.2 times will still lie above the median and the average.

### *Conclusion on evaluation of the Subscription Price*

Although the Subscription Price represents discounts of approximately 30.6%, 24.0% and 25.8% to the closing price per Share on the Last Trading Day and the average prices per Share for the period of five and 10 trading days up to and including 27 May 2021 respectively, in light of (i) the Subscription Price represents a premium of approximately 22.9% over the net assets attributable to the equity Shareholder per Share as at 31 December 2020; (ii) the Group's consecutive net loss performance during FY2019 and FY2020 and its high gearing position; (iii) the generally thin liquidity in terms of trading volume of the Shares; and (iv) the implied P/B Ratio of the Company lies above the median and the average of the Industry Comparables, we are of opinion that the Subscription Price is fair and reasonable and in the interest of the Company and Independent Shareholders as a whole from the perspective of comparable analysis.

### **3. Potential dilution effect on the shareholding of the Company**

For illustrative purpose, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (iii) upon Completion assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and CDH has disposed of its Shares.

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| Shareholders                                     | As at the                   |                      | Upon Completion              |                                   | Upon Completion                    |                      |
|--|-----------------------------|----------------------|------------------------------|-----------------------------------|------------------------------------|----------------------|
|  | Latest Practicable Date     |                      | (assuming a maximum of       |                                   | (assuming a maximum of             |                      |
|  | Number of                   | (approximately)      | 11,252,732,911 Subscription  | Shares to be issued) <sup>2</sup> | 11,252,732,911 Subscription Shares | to be issued and CDH |
|  | Shares                      | %                    | Number of                    | (approximately)                   | Number of                          | (approximately)      |
|  |                             |                      | Shares                       | %                                 | Shares                             | %                    |
| the Subscriber and its parties acting in concert | -                           | -                    | 11,252,732,911               | 62.44                             | 11,252,732,911                     | 62.44                |
| CDH <sup>1</sup>                                 | 2,889,580,226               | 42.70                | 2,889,580,226                | 16.04                             | 1,800,234,900                      | 9.99 <sup>3</sup>    |
| Fame Mountain                                    | 1,904,761,905               | 28.15                | 1,904,761,905                | 10.57                             | 1,904,761,905                      | 10.57                |
| Public Shareholders                              | 1,973,294,084               | 29.15                | 1,973,294,084                | 10.95                             | 3,062,639,410                      | 17.00                |
| <b>Total</b>                                     | <b><u>6,767,636,215</u></b> | <b><u>100.00</u></b> | <b><u>18,020,369,126</u></b> | <b><u>100.00</u></b>              | <b><u>18,020,369,126</u></b>       | <b><u>100.00</u></b> |

*Notes:*

- CDH is beneficially wholly owned by CDH Fund IV, L.P. and the general partner of CDH Fund IV, L.P. is CDH IV Holdings Company Limited which is 80% beneficially owned by China Diamond Holdings IV, L.P. China Diamond Holdings Company Limited is the general partner of China Diamond Holdings IV, L.P., and China Diamond Holdings Company Limited is ultimately and beneficially owned as to (i) approximately 33.20% by Mr. Wu Shangzhi; (ii) approximately 28.78% by Mr. Jiao Shuge; (iii) approximately 7.79% by Mr. Wang Zhenyu, who is a non-executive Director; and (iv) approximately 30.23% by five Independent Third Parties, with each of them holding not more than 10% beneficial interest in China Diamond Holdings Company Limited.
- This scenario is for illustration purpose only and will not occur, as the Subscription Shares will not be issued if the minimum public float requirement under the Listing Rules cannot be met upon Completion. As such, the Company's public float will not, in any event, fall below the prescribed minimum public float upon full issuance of the Subscription Shares.
- CDH will become a public Shareholder upon its shareholding in the Company being decreased to less than 10% before Completion.

As shown in the table above, the public Shareholders' shareholdings (excluding CDH which will be considered as a public Shareholder immediately after Completion) will be diluted from approximately 29.15% as at the Latest Practicable Date to approximately 17.00% immediately upon the Completion and CDH has disposed of its Shares.

From the perspective of the Independent Shareholders, being the public Shareholders before Completion, even though the dilution effect on the shareholding upon Completion may be considerable, while further taking into account (i) the benefits of the Subscription as discussed under the section headed "1. Background to and reasons for the Subscription – Reasons of and benefits for the Subscription" in this letter; (ii) the worsening financial performance and position of the Group; (iii) the lack of alternative fund raising method available to the Company; (iv) the Subscription will greatly strengthen the Company's capital base and working capital position as well as the net asset position and gearing position of the Group; (v) the Subscription Price is fair and

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reasonable so far as the Company and the Independent Shareholders are concerned as discussed above; and (vi) the proposed use of proceeds to facilitate the Group's optimisation plan as discussed in the section "Background to and reasons for the Subscription" above, we are of the view that the Subscription is an acceptable means of fund raising by the Company and the dilution effect on the shareholding of the Independent Shareholders is acceptable so far as the Company and the Independent Shareholders are concerned.

#### **4. Minimum public float in the Shares**

CDH shall, as one of the conditions precedent to the Subscription Agreement, give an undertaking to dispose of such number of Shares before Completion so as to ensure that the minimum public float will be maintained at all times in accordance with the Listing Rules upon Completion. With reference to the Letter from the Board, the Subscriber will not waive this condition so long as there remains a possibility that the Company's public float will fall below the prescribed minimum public float requirement under the Listing Rules upon full issuance of the Subscription Shares.

It is the intention of the Board and the Subscriber that the Company will remain listed on the Stock Exchange after Completion. In addition to the undertaking from CDH as disclosed above, each of the Company and the Subscriber will undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the issued Shares will be held by the public. If the minimum public float requirement under the Listing Rules cannot be met upon Completion, the Subscription will not proceed.

The Company will require CDH to provide a list of purchasers/transferees/places who will acquire the Shares held by CDH to the Company so that it can ensure those purchasers/transferees/places are Independent Third Parties before CDH's disposal prior to Completion and will designate individual(s) to be responsible for monitoring the public float position of the Company and any changes in the shareholdings of the substantial shareholders of the Company from time to time.

Based on the above, in particular (i) the undertaking by CDH to dispose certain number of Shares before Completion to maintain the minimum public float of the Company is one of the conditions precedent to the Subscription Agreement (which condition will not be waived by the Subscriber so long as there remains a possibility that the Company's public float will fall below the prescribed minimum public float requirement under the Listing Rules upon full issuance of the Subscription Shares); (ii) the Company and the Subscriber will undertake to the Stock Exchange to take appropriate steps to ensure that the Company will fulfill the minimum public float requirement; (iii) the Company will designate individual(s) to monitor the public float position of the Company from time to time; and (iv) the Subscription will not proceed if the minimum public float requirement under the Listing Rules cannot be met upon Completion, we are of the view that the Subscription Agreement is fair and reasonable and, we are of the view that the above measures and mechanism are sufficient to ensure that the Company will fulfill the public float requirement upon Completion.

**5. Possible financial effect of the Subscription**

*(i) Cashflow*

According to the 2020 Annual Report, the cash and cash equivalents of the Group amounted to approximately RMB64.6 million as at 31 December 2020. Upon Completion and save for the relevant expenses related to the Subscription, the cash position of the Group will be improved as the Subscription will supplement the working capital of the Group by approximately HK\$62.0 million. Accordingly, the cash position, net current assets and current ratio of the Company are expected to be improved upon Completion.

*(ii) Earnings*

The earnings per Share is expected to decrease as the number of issued Shares will increase upon Completion. However, immediate financial burden of the Group will also be alleviated as certain borrowings of the Company will be repaid by utilising the proceeds from the Subscription. Nevertheless, Shareholders are reminded that the actual impact of the Subscription on the Company's earnings will also be dependent on the actual financial performance of the Group in the long run.

*(iii) Net Asset Value*

According to the 2020 Annual Report, the net assets attributable to the equity Shareholders as at 31 December 2020 was approximately RMB272.2 million. Upon Completion and save for the relevant expenses related to the Subscription, the total assets of the Group will increase. As the Subscription Price of HK\$0.059 is higher than the net asset value per Share attributable to the equity Shareholders of approximately HK\$0.048 as at 31 December 2020, the net asset value per Share attributable to the equity Shareholders upon Completion will increase. Accordingly, there will be a positive impact on the net assets attributable to the equity Shareholders.

*(iv) Gearing*

The gearing ratio of the Group as at 31 December 2020 was approximately 373.2%, as calculated by dividing total liabilities by net assets of the Group according to the 2020 Annual Report. Upon Completion and the proceeds from the Subscription being utilised as planned, the total liabilities of the Group will decrease, while the total assets of the Group will increase. Thus, the gearing level of the Group is expected to decrease.

Based on the above, the Subscription would have an overall positive effect on the future earnings and the financial position of the Group in terms of cashflow, net asset value and gearing upon Completion. On such basis, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

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### 6. The Whitewash Waiver

As at the date of the Subscription Agreement, the Subscriber and parties acting in concert with it (including the Fund, the General Partner, the Limited Partners and the Investment Manager and their respective ultimate beneficial owners) do not own or have control or direction over any Shares. Upon Completion, the Subscriber will hold a maximum of 11,252,732,911 Shares, representing approximately 62.44% of the enlarged fully paid up issued share capital of the Company. Under Rule 26.1 of the Takeovers Code, upon the allotment and issuance of the Subscription Shares at Completion, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it unless the Whitewash Waiver is granted by the Executive and the approval by 75% of the Independent Shareholders at the EGM by way of poll is obtained in accordance with the Takeovers Code.

In this regard, an application has been made to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the condition that respective resolutions relating to the Whitewash Waiver on one hand, and the Subscription Agreement and the grant of Specific Mandate on the other hand, being separately approved by at least 75% and more than 50%, respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll. CDH shall abstain from voting at the EGM in respect of the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver. The Whitewash Waiver is a condition precedent to the Subscription Agreement which cannot be waived. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription will not proceed.

Given the possible benefits of the Subscription mentioned in the section headed "1. Background to and reasons for the Subscription" above in this letter and having considered our view described above that the terms of the Subscription are fair and reasonable so far as the Independent Shareholders are concerned for the reasons set out herein, we are of the opinion that the approval for the Whitewash Waiver, which is a prerequisite of the Subscription, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Subscription.

### RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular, that:

- (i) the worsening financial performance and position of the Group;
- (ii) the Subscription is in line with the development strategies of the Group to focus on and expand its manufacturing business;

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- (iii) the proceeds of the Subscription will be used towards the repayment of the Group's outstanding bank loans which would alleviate the financial pressure of the Group;
- (iv) the prospect of the auto parts and automobile industry in the PRC;
- (v) the support by the Laixi government through its participation in the Subscription;
- (vi) it is not cost-effective nor feasible for the Group to obtain debt financing and/or carry out other forms of equity financing;
- (vii) the generally thin liquidity in terms of trading volume of the Shares;
- (viii) the Subscription represents a premium of approximately 22.9% over the net assets attributable to the equity Shareholders per Share of the Company as at the 31 December 2020;
- (ix) the implied P/B Ratio of the Company is higher than both of the median and the mean of the Industry Comparables; and
- (x) the grant and approval of the Whitewash Waiver is a condition precedent to the completion of the Subscription Agreement,

we consider that although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, the terms of the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and the Subscription Agreement and the Whitewash Waiver are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of  
**Octal Capital Limited**

**Alan Fung**  
*Managing Director*

**Louis Chan**  
*Director*

*Note:* Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

## FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for each of the three years ended 31 December 2018, 2019 and 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.nfa360.com](http://www.nfa360.com)).

Annual report for the year ended 31 December 2018 (pages 60 to 159):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn20190429333.pdf>

Annual report for the year ended 31 December 2019 (pages 60 to 175):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051400787.pdf>

Annual report for the year ended 31 December 2020 (pages 57 to 171):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901489.pdf>

## Summary of financial information of the Group

The following is a summary of the audited consolidated results of the Group for each of the years ended 31 December 2018, 2019 and 2020 as extracted from the relevant annual reports:

|  | For the year ended 31 December      |                                     |   |   |
|--|-------------------------------------|-------------------------------------|---|---|
|  | 2020<br><i>(Audited)</i><br>RMB'000 | 2019<br><i>(Audited)</i><br>RMB'000 | 2018<br><i>(Audited)</i><br>RMB'000<br><i>(Restated)</i> <sup>1</sup> | 2018<br><i>(Audited)</i><br>RMB'000<br><i>(Before restatement)</i> <sup>1</sup> |
| <b>Revenue</b>   | 911,727                             | 1,750,632                           | 1,412,883   | 1,792,548   |
| <b>(Loss)/profit before taxation</b>   |                                     |                                     |   |   |
| – from continuing operations   | (451,376)                           | (207,350)                           | 132,682   | –   |
| – from discontinued operations   | –                                   | (35,278)                            | (50,913)  | –   |
|  | <u>(451,376)</u>                    | <u>(242,628)</u>                    | <u>81,769</u>   | <u>81,769</u>   |
| <b>(Loss)/profit for the year attributable to equity shareholders of the Company</b> |                                     |                                     |   |   |
| – from continuing operations   | (466,748)                           | (159,947)                           | 146,038   | –   |
| – from discontinued operations   | –                                   | (31,161)                            | (38,205)  | –   |
|  | <u>(466,748)</u>                    | <u>(191,108)</u>                    | <u>107,833</u>  | <u>107,833</u>  |

|   | For the year ended 31 December |                              |   |  |
|---|--------------------------------|------------------------------|---|--|
|   | 2020<br>(Audited)<br>RMB'000   | 2019<br>(Audited)<br>RMB'000 | 2018<br>(Audited)<br>RMB'000<br>(Restated) <sup>1</sup> | 2018<br>(Audited)<br>RMB'000<br>(Before<br>restatement) <sup>1</sup> |
| <b>(Loss)/profit for the year attributable to non-controlling interests</b>                 |                                |                              |   |  |
| – from continuing operations  | (6,910)                        | (13,599)                     | (15,670)  | –  |
| – from discontinued operations  | –                              | (4,506)                      | (38,358)  | –  |
|   | <u>(6,910)</u>                 | <u>(18,105)</u>              | <u>(54,028)</u>   | <u>(54,028)</u>  |
| <b>Total comprehensive (loss)/income attributable to equity shareholders of the Company</b> |                                |                              |   |  |
| – from continuing operations  | (497,959)                      | (172,390)                    | 197,161   | –  |
| – from discontinued operations  | –                              | (31,161)                     | (38,205)  | –  |
|   | <u>(497,959)</u>               | <u>(203,551)</u>             | <u>158,956</u>  | <u>158,956</u>   |
| <b>Total comprehensive (loss)/income attributable to non-controlling interests</b>          |                                |                              |   |  |
| – from continuing operations  | (6,910)                        | (13,599)                     | (15,670)  | –  |
| – from discontinued operations  | –                              | (4,506)                      | (38,358)  | –  |
|   | <u>(6,910)</u>                 | <u>(18,105)</u>              | <u>(54,028)</u>   | <u>(54,028)</u>  |
| <b>Tax expense/(credit)</b>   |                                |                              |   |  |
| – from continuing operations  | 22,282                         | (33,804)                     | 2,314   | –  |
| – from discontinued operations  | –                              | 389                          | 25,650  | –  |
|   | <u>22,282</u>                  | <u>(33,415)</u>              | <u>27,964</u>   | <u>27,964</u>  |

|  | For the year ended 31 December |                              |   |  |
|--|--------------------------------|------------------------------|---|--|
|  | 2020<br>(Audited)<br>RMB'000   | 2019<br>(Audited)<br>RMB'000 | 2018<br>(Audited)<br>RMB'000<br>(Restated) <sup>1</sup> | 2018<br>(Audited)<br>RMB'000<br>(Before<br>restatement) <sup>1</sup> |
| <b>Dividends distributed to owners</b> | -                              | -                            | -   | -  |
| <b>(Loss)/earnings per Share</b>       |                                |                              |   |  |
| - from continuing operations           | (6.90) cents                   | (2.36) cents                 | 2.49 cents  | -  |
| - from discontinued operations         | -                              | (0.46) cents                 | (0.65) cents  | -  |
|  | (6.90) cents                   | (2.82) cents                 | 1.84 cents  | 1.84 cents   |
| <b>Dividends per Share</b>             | -                              | -                            | -   | -  |

*Note:*

- The consolidated statement of profit or loss for the year ended 31 December 2018 has been restated in the 2019 annual report of the Company as if the operation discontinued during the year ended 31 December 2019 had been discontinued at the beginning of the comparative period.

There were no material items of income or expense in any of the years ended 31 December 2018, 2019 and 2020.

The auditor of the Company for each of the years ended 31 December 2018, 2019 and 2020 was HLB Hodgson Impey Cheng Limited. The audit opinions of HLB Hodgson Impey Cheng Limited in respect of these periods were not qualified and there was no modified opinions or emphasis of matter or material uncertainty related to going concern contained in the auditor's report of HLB Hodgson Impey Cheng Limited in respect of these periods.

### Indebtedness

At the close of business on 30 April 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

- secured bank and other borrowings of approximately RMB236,740,000, which were secured by the Group's property, plant and equipment, investment properties, right-of-use assets, and corporate guarantees provided by the Group;
- unsecured bank and other borrowings of approximately RMB103,058,000;
- lease liabilities of approximately RMB107,209,000; and
- contingent liabilities of approximately RMB3,038,000 in respect of certain claims brought against subsidiaries of the Company by third parties.

Save as set out above, and save for intra-group liabilities and normal trade payables in the ordinary course of business, as at 30 April 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

**MATERIAL CHANGE**

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group between 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, and the Latest Practicable Date.

## 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.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

| <i>Authorised</i>  |   | <i>HK\$</i>          |
|--|---|----------------------|
| 10,000,000,000   | Shares of HK\$0.10 each (as of the Latest Practicable Date)                                       | 1,000,000,000        |
| 20,000,000,000   | Shares of HK\$0.10 each (immediately upon completion of the Increase in Authorised Share Capital) | 2,000,000,000        |
| <i>Issued and to be issued, fully paid or credited as fully paid</i> |   |                      |
| 6,767,636,215  | Shares in issue as at the Latest Practicable Date   | 676,763,622          |
| 11,252,732,911   | Maximum number of Subscription Shares to be allotted and issued                                   | 1,125,273,291        |
| <b>18,020,369,126</b>  | <b>Total</b>  | <b>1,802,036,913</b> |

All the existing Shares in issue are listed on the Stock Exchange and rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

As at the Latest Practicable Date, no options granted by the Company under the Share Option Scheme remained outstanding.

No Shares had been issued since 31 December 2020, being the date on which the latest audited financial statements of the Group were made up. As at the Latest Practicable Date, the Company did not have any outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into.

### 3. DISCLOSURE OF INTERESTS

#### (A) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at the Latest Practicable Date, none of the Directors or chief executives 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, or which are required to be disclosed under the Takeovers Code.

#### (B) Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the following persons (other than Directors and chief executives of the Company) had interests or short positions in the Shares and underlying Shares, which are required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name  | Capacity/<br>Nature of interest      | Number of Shares<br>interested<br>(Note 1) | Percentage of<br>issued Shares |
|---|--------------------------------------|--|--------------------------------|
| CDH   | Beneficial Owner                     | 2,889,580,226 (L)                          | 42.70%                         |
| CDH Fast One Limited (Note 2)                   | Interest in a controlled corporation | 2,889,580,226 (L)                          | 42.70%                         |
| Fast Point Limited (Note 2)                     | Interest in a controlled corporation | 2,889,580,226 (L)                          | 42.70%                         |
| CDH Fund IV, L.P. (Note 2)                      | Interest in a controlled corporation | 2,889,580,226 (L)                          | 42.70%                         |
| CDV IV Holdings Company Limited (Note 2)        | Interest in a controlled corporation | 2,889,580,226 (L)                          | 42.70%                         |
| China Diamond Holdings IV, L.P. (Note 2)        | Interest in a controlled corporation | 2,889,580,226 (L)                          | 42.70%                         |
| China Diamond Holdings Company Limited (Note 2) | Interest in a controlled corporation | 2,889,580,226 (L)                          | 42.70%                         |

| Name  | Capacity/<br>Nature of interest                      | Number of Shares<br>interested<br>(Note 1) | Percentage of<br>issued Shares |
|---|--|--|--------------------------------|
| CCBI Solar Energy (Holding) Limited   | Person having a security interest in shares (Note 3) | 2,889,580,226 (L)                          | 42.70%                         |
| High Inspiring Limited  | Beneficial Owner                                     | 266,900,160 (L)                            | 3.94%                          |
| CCBI Investments Limited (Note 4)   | Person having a security interest in shares          | 2,889,580,226 (L)                          | 42.70%                         |
|   | Interest in a controlled corporation                 | 266,900,160 (L)                            | 3.94%                          |
| CCB International (Holdings) Limited (Note 4)                               | Person having a security interest in shares          | 2,889,580,226 (L)                          | 42.70%                         |
|   | Interest in a controlled corporation                 | 266,900,160 (L)                            | 3.94%                          |
| CCB Financial Holdings Limited (Note 4)                                     | Person having a security interest in shares          | 2,889,580,226 (L)                          | 42.70%                         |
|   | Interest in a controlled corporation                 | 266,900,160 (L)                            | 3.94%                          |
| CCB International Group Holdings Limited (Note 4)                           | Person having a security interest in shares          | 2,889,580,226 (L)                          | 42.70%                         |
|   | Interest in a controlled corporation                 | 266,900,160 (L)                            | 3.94%                          |
| China Construction Bank Corporation (Note 4)                                | Person having a security interest in shares          | 2,889,580,226 (L)                          | 42.70%                         |
|   | Interest in a controlled corporation                 | 266,900,160 (L)                            | 3.94%                          |
| Central Huijin Investment Ltd. (Note 4)                                     | Person having a security interest in shares          | 2,889,580,226 (L)                          | 42.70%                         |
|   | Interest in a controlled corporation                 | 266,900,160 (L)                            | 3.94%                          |
| Fame Mountain Mo Keung (Note 5)   | Beneficial owner                                     | 1,904,761,905 (L)                          | 28.15%                         |
|   | Interest in a controlled corporation                 | 1,904,761,905 (L)                          | 28.15%                         |
| The Subscriber (Note 6)   | Beneficial owner                                     | 11,252,732,911 (L)                         | 166.27%                        |
| Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司) (Note 6)            | Interest in a controlled corporation                 | 11,252,732,911 (L)                         | 166.27%                        |
| Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司) (Note 6) | Interest in a controlled corporation                 | 11,252,732,911 (L)                         | 166.27%                        |
| The Fund (Note 6)   | Interest in a controlled corporation                 | 11,252,732,911 (L)                         | 166.27%                        |

| Name   | Capacity/<br>Nature of interest      | Number of Shares<br>interested<br>(Note 1) | Percentage of<br>issued Shares |
|--|--------------------------------------|--|--------------------------------|
| Chunxi AM (Note 6)   | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| Luo Xiaoman (Note 6)   | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| Guorui Hengda (Note 6)   | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| Qingdao Changyang Investment Development Limited Company*<br>(青島昌陽投資開發有限公司) (Note 6)   | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| Laixi State-owned Assets Investment Center*<br>(萊西市國有資產投資中心) (Note 6)                  | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| The General Partner (Note 6)   | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| The Investment Manager<br>(Note 6)   | Investment Manager                   | 11,252,732,911 (L)                         | 166.27%                        |
| Wuhan Lingdu Capital Investment and Management Co., Ltd.*<br>(武漢零度資本投資管理有限公司) (Note 6) | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| OVU (Note 6)   | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| Optics Valley Union Holding Limited Company*<br>(光谷聯合控股有限公司) (Note 6)                  | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| China Electronics Optics Valley Union Company Limited (Note 6)                         | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| AAA Holdings Limited (Note 6)  | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| CEOVU (Note 6)   | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |
| Huang Liping (Note 6)  | Interest in a controlled corporation | 11,252,732,911 (L)                         | 166.27%                        |

*Notes:*

1. The letter “L” denotes a long position in the Shares.
2. Each of CDH Fast One Limited (as the sole shareholder of CDH); 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.
3. Pursuant to the Note Exchange Agreement, CDH entered into a share charge with CCBI Solar Energy (Holding) Limited, pursuant to which CDH, being the controlling Shareholder, charged 2,889,580,226 Shares held by it to CCBI Solar Energy (Holding) Limited. Closing has taken place on the same day as the date of the Note Exchange Agreement (the “Closing”). The Outstanding Convertible Notes have been cancelled with effect from Closing.
4. According to the terms of the Notes, unless waived by CCBI Solar Energy (Holding) Limited, the Company may be required to redeem the whole or part of the outstanding principal amount of the Notes at the redemption amount as stated in the Notes in the event that CDH fails to maintain the power to control the composition of, or to appoint or remove, a majority of the Directors or to remain the largest Shareholder during the term of the Notes which matured on 1 September 2020. As at the Latest Practicable Date, the outstanding principal amount of the Notes was approximately US\$1.7 million.
5. Mo Keung (as the sole director and sole shareholder of Fame Mountain) is deemed to be indirectly interested in the Company under the SFO.
6. Each of (i) the Subscriber; (ii) Shenzhen Daodu Industrial Limited Company\* (深圳道度實業有限公司) (as the sole shareholder of the Subscriber); (iii) 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)); (iv) the Fund (which directly owns 99.11% of Shenzhen Daodu Industrial Limited Company\* (深圳道度實業有限公司)); (v) Chunxi AM (which directly owns 50.92% of the Fund); (vi) Luo Xiaoman (who directly owns 82.50% of Chunxi AM); (vii) Guorui Hengda (which directly owns 48.92% of the Fund); (viii) Qingdao Changyang Investment Development Limited Company\* (青島昌陽投資開發有限公司) (as the sole shareholder of Guorui Hengda); (ix) Laixi State-owned Assets Investment Center\* (萊西市國有資產投資中心) (as the sole shareholder of Qingdao Changyang Investment Development Limited Company\* (青島昌陽投資開發有限公司)); (x) the General Partner (as the general partner of the Fund); (xi) the Investment Manager (as the investment manager of the Fund); (xii) 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); (xiii) 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)); (xiv) Optics Valley Union Holding Limited Company\* (光谷聯合控股有限公司) (as the sole shareholder of OVU); (xv) 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)); (xvi) AAA Holdings Limited (as the sole shareholder of China Electronics Optics Valley Union Company Limited); (xvii) CEOVU (as the sole shareholder of AAA Holdings Limited, and is indirectly owned as to 33.67% by CEC); and (xviii) Huang Liping (who 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), was deemed to be interested in the Subscription Shares to be issued to the Subscriber upon Completion under the SFO.

Save as disclosed above, as at Latest Practicable Date, the Directors were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

#### 4. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date:

| Date   | Closing price<br>per Share<br>HK\$ |
|--|------------------------------------|
| 30 November 2020   | 0.066                              |
| 31 December 2020   | 0.064                              |
| 29 January 2021  | 0.051                              |
| 26 February 2021   | 0.056                              |
| 31 March 2021  | 0.067                              |
| 30 April 2021  | 0.079                              |
| 27 May 2021 (being the last Business Day immediately preceding the date of the Announcement) | 0.076                              |
| 28 May 2021 (being the Last Trading Day)   | 0.085                              |
| 31 May 2021  | 0.108                              |
| 30 June 2021   | 0.086                              |
| 26 July 2021 (being the Latest Practicable Date)   | 0.113                              |

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.125 on 2 June 2021 and HK\$0.051 on 29 January 2021, respectively.

#### 5. DISCLOSURES REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (a) save for the Subscription, the Subscriber and parties acting in concert with it did not hold, own, control or have direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities in the Company, and had not dealt for value in any relevant securities in the Company during the Relevant Period;
- (b) the sole director of the Subscriber was not interested in any relevant securities in the Company, and had not dealt for value in any relevant securities in the Company during the Relevant Period;
- (c) no Shares acquired by the Subscriber and parties acting in concert with it pursuant to the Subscription will be transferred, charged or pledged to any other persons;

- (d) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Subscription, the Specific Mandate and the Whitewash Waiver;
- (e) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Subscriber or parties acting in concert with it and any other person;
- (f) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Subscriber and parties acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription, the Specific Mandate and/or the Whitewash Waiver;
- (g) the Company did not hold any relevant securities in the Subscriber, and had not dealt for value in any relevant securities in the Subscriber during the Relevant Period;
- (h) no Director was interested in any relevant securities in the Company or the Subscriber and none of them had dealt for value in any relevant securities in the Company or the Subscriber during the Relevant Period;
- (i) no (i) subsidiary of the Company, (ii) pension fund of the Company or any of its subsidiaries, or (iii) person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate in the Takeovers Code (but excluding exempt principal traders and exempt fund managers), held, owned or controlled any relevant securities in the Company;
- (j) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (k) no relevant securities in the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (l) no relevant securities in the Company were borrowed or lent by any of the Directors or by the Company or by the Subscriber or parties acting in concert with it;

- (m) there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Subscription, the Specific Mandate and/or the Whitewash Waiver or otherwise connected with the Subscription, the Specific Mandate and/or the Whitewash Waiver;
- (n) no benefit had been given or will be given to any Director as compensation for loss of office or otherwise in connection with the Subscription, the Specific Mandate and/or the Whitewash Waiver;
- (o) there was no material contract entered into by the Subscriber or parties acting in concert with it in which any Director had a material personal interest; and
- (p) none of the Directors beneficially held any Shares and accordingly, none of them will be entitled to vote for or against the Subscription and the transactions contemplated thereunder (including the Specific Mandate) and/or the Whitewash Waiver.

## 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had entered into service contracts with the Company or any subsidiary or associated company of the Company which (a) (including continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) are not determinable by the employer within one year without payment of compensation (other than statutory compensation).

| Name of Director | Position               | Date of signing | Term of appointment             | Fee per annum   |
|------------------|------------------------|-----------------|---------------------------------|---|
| Mr. Tong Fei     | Executive Director     | 1 July 2019     | 1 July 2019 – 30 June 2022      | Annual fee of HK\$1,500,000 and a discretionary bonus payable at or before the year end at the discretion of the Board    |
| Mr. Wang Zhenyu  | Non-executive Director | 28 August 2019  | 28 August 2019 – 27 August 2022 | No Director fee but is entitled to a discretionary bonus payable at or before the year end at the discretion of the Board |

| Name of Director   | Position                           | Date of signing   | Term of appointment   | Fee per annum   |
|--------------------|------------------------------------|-------------------|---|---|
| Mr. Zhang Jianxing | Non-executive Director             | 15 September 2020 | 15 September 2020 – 14 September 2023   | No Director fee but is entitled to a discretionary bonus payable at or before the year end at the discretion of the Board |
| Mr. Hu Yuming      | Independent non-executive Director | 28 August 2019    | 28 August 2019 – 27 August 2022   | RMB100,000  |
| Mr. Lin Lei        | Independent non-executive Director | 28 August 2019    | 28 August 2019 – 27 August 2022   | RMB100,000  |
| Mr. Zhang Xiaoya   | Independent non-executive Director | 19 March 2021     | 20 March 2021 – 19 March 2024<br>(former term: 20 March 2018 – 19 March 2021) | RMB100,000  |

There is no formula for calculating the discretionary bonus payable to Mr. Tong Fei, Mr. Wang Zhengyu and Mr. Zhang Jianxing under their respective service agreements. However, pursuant to the service agreements of Mr. Tong Fei, Mr. Wang Zhengyu and Mr. Zhang Jianxing, the aggregate sum of bonus payments payable to all Directors in any financial year shall, unless the Board determines otherwise, not exceed 10% of the audited consolidated net profit of the Company after taxation but before extraordinary items in the relevant financial year.

## 7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholders or their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group and/or has or may have any conflict of interest with the Group.

## 8. DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest 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 2020, being the date on which the latest audited financial statements of the Group were made up.

## 9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 10. MATERIAL CONTRACTS

During the two years preceding the date of the Announcement and up to the Latest Practicable Date, the Group entered into the following contracts, not being contracts entered into in the ordinary course of business of the Group carried on or intended to be carried on by the Group, and which are, or may be, material:

- (a) the Subscription Agreement;
- (b) the Notes; and
- (c) the Note Exchange Agreement.

## 11. EXPERT QUALIFICATIONS AND CONSENT

The following is the qualification of the expert which has given opinions and recommendations which are included in this circular:

| <b>Name</b>           | <b>Qualifications</b>  |
|-----------------------|--|
| Octal Capital Limited | a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interest, direct or indirect, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2020, being the date on which the latest audited financial statements of the Group were made up.

The Independent Financial Adviser had given its written consent and had not withdrawn its written consent to the issue of this circular with the inclusion of its recommendations, opinions, letter and/or references to its name in the form and context in which they respectively appear.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) during normal business hours from 10:00 a.m. to 4:00 p.m. (except Saturdays and public holidays) at the office of the Company's legal adviser, Paul Hastings, at 22/F, Bank of China Tower, 1 Garden Road, Hong Kong; (ii) on the website of the Company ([www.nfa360.com](http://www.nfa360.com)); and (iii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) from the date of this circular up to and including the date of the EGM:

- (a) the Articles;
- (b) the articles of association of the Subscriber;
- (c) the annual reports of the Company for the financial years ended 31 December 2019 and 31 December 2020;
- (d) the letter from the Board, the text of which is set out on pages 7 to 22 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this circular;
- (f) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on 25 to 51 of this circular;
- (g) the written consent referred to in the section headed "11. Expert Qualifications and Consent" in this Appendix II;
- (h) the service contracts and letters of appointment referred to in the paragraph headed "6. Directors' Service Contracts" in this Appendix II;
- (i) the material contracts referred to in the section headed "10. Material Contracts" in this Appendix II; and
- (j) this circular.

## 13. GENERAL

- (a) The principal members of the Subscriber's concert group are the Subscriber, the Fund, the General Partner, Chunxi AM, Guorui Hengda and the Investment Manager. As at the Latest Practicable Date, the address and director(s) of the Subscriber and the principal members of its concert group and their respective ultimate parent companies were as follows:

|                                 | <i>Address</i>  | <i>Director(s)</i>                     |
|---------------------------------|---|--|
| Subscriber                      | Room 1903, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong   | Luo Xiaoman                            |
| Fund                            | 6-102, 32 Yangqing Road, Jiangshan Town, Laixi City, Qingdao City, Shandong Province<br>(山東省青島市萊西市薑山鎮陽青路32號6-102)   | N/A                                    |
| General Partner <sup>1</sup>    | 4th Floor, Building 27, No. 396 Emeishan Road, Huangdao District, Qingdao City, Shandong Province<br>(山東省青島市黃島區峨眉山路396號27棟4層)   | Wang Jiewen                            |
| Chunxi AM                       | Room 712, 7th Floor, Building 5, No. 3 Boda Road, Chaoyang District, Beijing<br>(北京市朝陽區博大路3號院5號樓7層712)  | Luo Xiaoman                            |
| Guorui Hengda <sup>2</sup>      | No. 35, Beijing East Road, Economic Development Zone, Laixi City, Qingdao City, Shandong Province<br>(山東省青島市萊西市經濟開發區北京東路35號)  | Liu Wei, Zhang Peng and Zhang Feng     |
| Investment Manager <sup>1</sup> | No. 201, 1-2/F, Podium Building, Phase 2.7 (2012-083), Phase II of the Financial Back-end Service Center Base Construction Project, No. 77, Guanggu Avenue, East Lake New Technology Development Zone, Wuhan<br>(武漢市東湖新技術開發區光谷大道77號金融後臺服務中心基地建設專案二期2.7期(2012-083)裙樓棟1-2層201號) | Huang Liping, Wang Jiewen and Zhao Xin |

*Notes:*

- (1) as disclosed in the section headed "Information of the Subscriber" in the Letter from the Board of this circular, each of the General Partner and the Investment Manager was owned as to 100% and 70%, respectively, by Wuhan Lingdu Capital Investment and Management Co., Ltd.\* (武漢零度資本投資管理有限公司), which is indirectly beneficially owned by CEOVU (a company ultimately owned as to approximately 33.67% by CEC). The board of directors of CEOVU comprised Liu Guilin, Xiang Qunxiong, Zhang Jie and Sun Ying as non-executive directors; Qi Min, Qiu Hongsheng and Chan Ching Har Eliza as independent non-executive directors; and Huang Liping and Hu Bin as executive directors. The directors of CEC comprised of Rui Xiaowu, Zhang Dongchen, Song Ning, Huang Yongda, Sha Yuejia, Geng Ruguang, Zeng Yi, Zuo Qunsheng, Li Zhaoming.

- (2) the sole ultimate beneficial owner of Guorui Henda was Laixi State-owned Assets Investment Centre\* (萊西市國有資產投資中心), which did not have any director.
- (b) The address of the Independent Financial Adviser is 801-805, 8/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.
- (c) The English text of this circular shall prevail over its Chinese text in case of inconsistencies.

## NOTICE OF EGM



### 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 an extraordinary general meeting of New Focus Auto Tech Holdings Limited (the “**Company**”) will be held at Room 1809, Feidian International Building, No.1065A Zhaojiabang Road, Xuhui District, Shanghai, PRC on Monday, 13 September 2021 at 2 p.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions. Capitalised terms used herein have the same meanings as in the circular issued by the Company on 29 July 2021 (the “**Circular**”), unless the context otherwise requires.

#### ORDINARY RESOLUTIONS

1. “**THAT:**
  - (a) the authorised share capital of the Company be increased from HK\$1,000,000,000.00 divided into 10,000,000,000 shares (the “**Shares**”) of HK\$0.1 each to HK\$2,000,000,000.00 divided into 20,000,000,000 Shares of HK\$0.1 each by the creation of an additional 10,000,000,000 new Shares, which shall rank equally in all respects with the existing Shares (the “**Increase in Authorised Share Capital**”); and
  - (b) any director of the Company (the “**Director**”) be and is hereby authorised to do such acts and things, to sign and execute all such further documents (including under seal, as applicable) and to take such steps as he may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Increase in Authorised Share Capital and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waiver of any of the matters relating thereto or in connection therewith.”
2. “**THAT:**
  - (a) the subscription agreement dated 28 May 2021 (the “**Subscription Agreement**”, a copy of which has been produced to the EGM and marked “A” and initialled by the chairman of the EGM for the purpose of identification) entered into between the Company and Daodu (Hong Kong) Holding Limited (the “**Subscriber**”) pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber

## NOTICE OF EGM

has conditionally agreed to subscribe for a maximum of 11,252,732,911 new Shares (the “**Subscription Shares**”) at the subscription price of HK\$0.059 per Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

- (b) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of and permission to deal in the Subscription Shares, the Directors be and are hereby granted a specific mandate for the allotment and issue of the Subscription Shares in accordance with the terms of the Subscription Agreement; and
- (c) any Director be and is hereby authorised to do such acts and things, to sign and execute all such further documents (including under seal, as applicable) and to take such steps as he may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waiver of any of the matters relating thereto or in connection therewith.”

### SPECIAL RESOLUTION

- 3. “**THAT** subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the waiver (the “**Whitewash Waiver**”) of the obligation on the part of the Subscriber and parties acting in concert with it to make a mandatory general offer to the shareholders of the Company for all the issued Shares (other than those already owned or agreed to be acquired by Subscriber and parties acting in concert with it) which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of The Code on Takeovers and Mergers be and is hereby approved, and that any Director be and is hereby authorised to do all such acts and things and execute all such documents under seal where applicable as he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

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

Hong Kong, 29 July 2021

## NOTICE OF EGM

*Registered Office:*  
Cricket Square  
Hutchins Square  
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

*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 articles of association of the Company. A proxy need not be a member of the Company. A member who is the holder of two or more Shares 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, 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 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 authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
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 Wednesday, 8 September 2021 to Monday, 13 September 2021 (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, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Tuesday, 7 September 2021.

*As at the date of this notice, 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