

04 October 2023

Market Announcement

NZX:2CC

2 Cheap Cars responds to NZMDT determination

In response to a determination issued today by the NZ Markets Disciplinary Tribunal, 2 Cheap Cars Group Limited (the Company) (NZX:2CC), acknowledged that it had breached NZX Listing Rules 2.1.1(c) and 2.13.2(c) pertaining to independent director requirements.

The breaches related to filling a sudden short-term vacancy at 2CC subsidiary, NZ Motor Finance Limited (**NZMF**) which is in run down mode, accounts for 1.2% of group revenue and at the time, was subject to restructuring.

Independent Director and previous Interim CEO, Gordon Shaw acted as a part-time consultant for eight weeks to oversee the collection and management of the NZMF loan book. It was a quick response to an urgent need as a new lower cost organisational structure was finalised, but the Board acknowledges that a broader consideration should have occurred.

2CC CEO, Paul Millward said that the breach was inadvertent and, while accepted and regrettable, had not caused loss to investors.

“We certainly regret the breach, but it was not intentional. No question, we should have more carefully considered the implications with regard to ensuring independent director requirements were maintained at all times.

“As a small cap company in turnaround mode, protecting shareholders’ interests remains at the forefront of all our decisions. That approach has seen us accelerate 2CC’s recovery in 2023 with the share price lifting from 31.5 cents at the start of the year to 82 cents today, restoring considerable shareholder value,” he said.

The Company noted that it had unsuccessfully appealed against the Tribunal’s assessment of the seriousness of that breach, the balance of aggravating and mitigating factors, and the consequent quantum of the final penalty imposed.

2CC disagrees with the Tribunal’s decision that the breach had the potential to cause a moderate impact on investors and the market, as its determination noted numerous factors which lessened the potential impact of the breach. The Tribunal’s resulting decision to apply Penalty Band 2, despite the lack of a disqualifying relationship, the limited nature of the role and the short period of the breach remains difficult for the Company to understand.

The Company also strongly disagrees with the Tribunal’s determination of ‘compliance history’ as an aggravating factor, albeit one with a lesser weighting. As reported to the market at the time, the 2022 breach of NZX Listing Rule 2.7.1 was identified by NZ RegCo as unintentional and resulting from reliance on legal advice from a reputable law firm.

The Tribunal also referred to determination NZMDT 1/2023 NZX v Hallenstein Glasson Holdings Limited (HLG) in providing precedent for assessing the 2CC penalty parameters, despite HLG being referred to as a more serious breach and the breach occurring over a number of years. 2CC acknowledges the Tribunal's views on this matter and its assessment of mitigating circumstances, but remains of the view, that the differential between the resulting penalties should be higher.

Company	Breach period	Fine
HLG	4 years	\$75,000
2CC	8 weeks	\$40,000

2CC Chair, Michael Stiasny said that while the Company accepts responsibility for breaches of the NZX Listing Rules, it disagrees with the determination of the penalty.

"It is essential that all NZX Companies are held to the same standard, and the balance of aggravating and mitigating factors when assessing penalties for Listing Rule breaches are applied consistently. That formed the basis of our appeal and is reflected in our views above," he said.

Ends

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About 2 Cheap Cars Group* (2CC)

2 Cheap Cars Group is one of New Zealand's largest used car retailers, also offering third party finance and insurance options. 2 Cheap Cars benefits from a vertically integrated supply chain, carefully controlling the process from procurement in Japan through to delivery of quality cars to our 12 car yards nationwide. Our mission is to deliver on our promise... 2 Cheap Cars, driving better deals, every day.

*2 Cheap Cars Group was previously known as NZ Automotive Investments (NZAI).