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HARMONY AUTO

和諧汽車

China Harmony Auto Holding Limited

中國和諧汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03836)

- (1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF 45% EQUITY INTERESTS
IN THE DISPOSAL COMPANY AND SHAREHOLDER'S LOANS
OWING BY THE DISPOSAL GROUP;**
- (2) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE TO
THE DISPOSAL GROUP;**
- (3) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO POSSIBLE DEEMED DISPOSAL OF
EQUITY INTERESTS IN THE DISPOSAL COMPANY;
AND**
- (4) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO POSSIBLE ACQUISITION OF
EQUITY INTERESTS IN THE DISPOSAL COMPANY**

THE DISPOSAL

The Board announces that after trading hours on 23 May 2025, the Company (as vendor), EGL (a company wholly-owned by Mr. Feng) (as purchaser) and Mr. Feng (as purchaser's guarantor) entered into the Agreement, pursuant to which, among other things, the Company has conditionally agreed to dispose of, and EGL has conditionally agreed to acquire, (i) the Sale Shares, representing 45% of the Restructured Capital of the Disposal Company, at the Sale Shares Consideration of RMB250,000,000; and (ii) the Sale Loan, representing 45% of the Convertible Notes issued by the Disposal Company, at the Sale Loan Consideration of RMB80,000,000. The aggregate amount of the Consideration of RMB330,000,000 shall be fully set off against the outstanding principal amount of the CS Loans of RMB330,000,000 owing by the Company to EGL as at Disposal Completion on a dollar-for-dollar basis.

To facilitate the Disposal and to segregate the obligations and liabilities of the Disposal Group in respect of the Preferred Loans following Disposal Completion, the Company proposes to implement the Capital Restructuring, as a condition precedent to Disposal Completion, to the effect that (a) the total amount of paid-up capital of the Disposal Company will be increased to approximately RMB555.6 million; (b) part of the Shareholder's Loans of approximately RMB385.4 million will be converted into the Preferred Loans; and (c) the remaining amount of the Shareholder's Loans of approximately RMB177.8 million will be converted into the Convertible Notes to be issued by the Disposal Company to the Company.

LISTING RULES IMPLICATIONS

In respect of the Disposal

As one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but all are less than 75%, the Disposal shall constitute a major transaction for the Company.

In respect of the Preferred Loans

Following Disposal Completion, the Preferred Loans shall constitute provision of financial assistance by the Company to the Disposal Group. As one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Preferred Loans exceeds 25% but all are less than 75%, the Preferred Loans shall also constitute a major transaction for the Company.

In respect of the Possible Acquisition

In the event that the Company alone (but not EGL) exercises in full the conversion rights attaching to the Convertible Notes held by it, the shareholding of the Disposal Company held by the Company would be increased from 55% to approximately 61.7%, which shall constitute an acquisition of the equity interests in the Disposal Company by the Company. As one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Possible Acquisition exceeds 5% but all are less than 25%, the Possible Acquisition shall constitute a discloseable transaction for the Company.

In respect of the Possible Deemed Disposal

In the event that EGL alone (but not the Company) exercises in full the conversion rights attaching to the Convertible Notes held by it, the shareholding of the Disposal Company held by EGL would be increased from 45% to approximately 51.9%, while the shareholding of the Disposal Company held by the Company would be reduced from 55% to approximately 48.1%, which shall constitute a deemed disposal of the equity interests in the Disposal Company by the Company. As one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Possible Deemed Disposal exceeds 25% but all are less than 75%, the Possible Deemed Disposal shall constitute a major transaction for the Company.

In respect of the connected transactions

As at the date of this announcement, EGL is wholly-owned by Mr. Feng, who is the Chairman of the Board, an executive Director and a controlling Shareholder interested in 710,864,660 Shares, representing approximately 46.48% of the total issued share capital of the Company as at the date of this announcement. Accordingly, EGL is a connected person of the Company pursuant to the Listing Rules. Following Disposal Completion, the Disposal Company will be owned as to 45% by EGL and is thus a connected subsidiary of the Company. Accordingly, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal shall also constitute connected transactions for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal. Mr. Feng and his associates are required to abstain from voting on the resolution(s) in respect of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal at the EGM. Save for the above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is no other Shareholder having a material interest in the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal who would be required to abstain from voting at the EGM.

The Independent Board Committee comprising Mr. Wang Nengguang, Mr. Lau Kwok Fan and Mr. Sung Ka Woon, being all the independent non-executive Directors, has been established to consider the terms of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal, and to advise the Independent Shareholders as to whether the terms of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, after taking into account the advice from the Independent Financial Adviser. The Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal; (ii) the letter of recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal; (iv) the valuation report in respect of the Valuation; (v) a notice convening the EGM; and (vii) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 June 2025 as additional time is required for the preparation of the relevant information for inclusion in the circular.

As the Disposal is subject to the fulfilment or waiver of the Conditions, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that after trading hours on 23 May 2025, the Company (as vendor), EGL (a company wholly-owned by Mr. Feng) (as purchaser) and Mr. Feng (as purchaser's guarantor) entered into the Agreement, pursuant to which, among other things, the Company has conditionally agreed to dispose of, and EGL has conditionally agreed to acquire, (i) the Sale Shares, representing 45% of the Restructured Capital of the Disposal Company, at the Sale Shares Consideration of RMB250,000,000; and (ii) the Sale Loan, representing 45% of the Convertible Notes issued by the Disposal Company, at the Sale Loan Consideration of RMB80,000,000. The aggregate amount of the Consideration of RMB330,000,000 shall be fully set off against the outstanding principal amount of the CS Loans of RMB330,000,000 owing by the Company to EGL as at Disposal Completion on a dollar-for-dollar basis.

As at the date of this announcement, the issued share capital of the Disposal Company is US\$10,000 (equivalent to approximately RMB72,000), and the total amount of the Shareholder's Loans is approximately RMB1,118.7 million. To facilitate the Disposal and to segregate the obligations and liabilities of the Disposal Group in respect of the Preferred Loans following Disposal Completion, the Company proposes to implement the Capital Restructuring, as a condition precedent to Disposal Completion, to the effect that (a) part of the Shareholder's Loans of approximately RMB555.5 million will be capitalised, increasing the total amount of paid-up capital of the Disposal Company to approximately RMB555.6 million; (b) part of the Shareholder's Loans of approximately RMB385.4 million will be converted into the Preferred Loans, of which repayment thereof will be preferred over the repayment of the Convertible Notes and any dividend distribution by the Disposal Company; and (c) the remaining amount of the Shareholder's Loans of approximately RMB177.8 million will be converted into the Convertible Notes to be issued by the Disposal Company to the Company. Further details of the Capital Restructuring are set out in the section headed "The Capital Restructuring" below.

The reasons for and benefits of the Disposal are summarised as follows:

- (i) Development of the overseas NEV business: Since 2023, the Group has commenced its development of the overseas NEV business and currently serves as the distribution agent for leading Chinese NEV brands, namely BYD and DENZA, in various locations across Asia and Europe. These brands have demonstrated strong competitiveness in international markets. To further scale this business, continuous investment and working capital will be required. Following Disposal Completion, with EGL becoming a shareholder of the Disposal Company, capital contributions for the future development and expansion of the Disposal Group would be shared by the Group and EGL in proportion to their respective equity interests;

- (ii) Diversification of financial risks: While the Company is positive in the long-term growth prospects and the competitiveness of Chinese NEV brands in overseas markets, it remains mindful of the highly competitive nature of the global automobile industry. Given the Disposal Group is still in its growth phase and may take time to achieve profitability, the Disposal enables the Company to diversify and mitigate the associated financial risks by reducing its exposure through reduction of its equity interests in the Disposal Group; and
- (iii) Mr. Feng's support as a controlling Shareholder: To launch and develop the overseas NEV business, significant upfront investment and working capital were required. In 2023, the Company entered into discussions with Mr. Feng regarding a potential joint investment to develop the overseas NEV business of the Disposal Group. To facilitate timely market entry, Mr. Feng initially provided funding in the form of the CS Loans to the Group, with a view to implementing the joint investment structure at a later stage. In light of the long-term capital requirements of the overseas NEV business, the parties have now agreed to formalise the joint investment structure through the Disposal.

Further details of the reasons for and benefits of the Disposal are set out in the section headed "Reasons for and benefits of the Disposal" below.

Principal terms of the Agreement are set out below.

THE AGREEMENT

Date

23 May 2025 (after trading hours)

Parties

- (i) The Company, as vendor;
- (ii) EGL, as purchaser; and
- (iii) Mr. Feng, as purchaser's guarantor.

EGL is an investment holding company and is wholly-owned by Mr. Feng who is interested in 710,864,660 Shares, representing approximately 46.48% of the total issued share capital of the Company as at the date of this announcement. Accordingly, EGL is a connected person of the Company pursuant to the Listing Rules.

Assets to be disposed of

The assets to be disposed of by the Company are the Sale Shares and the Sale Loan.

The Sale Shares represent 45% of the Restructured Capital of the Disposal Company, which shall amount to RMB250 million, and shall be transferred free from all encumbrances as at Disposal Completion together with all rights attaching or accruing thereto including but not limited to all rights to any dividends paid, declared or made in respect thereof after Disposal Completion.

The Sale Loan represents 45% of the Convertible Notes issued by the Disposal Company to the Company, the principal amount of which shall be RMB80 million, and shall be transferred free from all encumbrances as at Disposal Completion together with all rights, benefits and interests of any nature whatsoever attaching or accruing to it. The Convertible Notes can be converted into new shares of the Disposal Company to be allotted and issued upon the exercising of the conversion rights attaching thereto. Further details of the Convertible Notes are set out in the section headed “The Capital Restructuring — The Convertible Notes” below.

Consideration

The aggregate Consideration for the Sale Shares and the Sale Loan shall be the sum of RMB330,000,000, comprising the Sale Shares Consideration and the Sale Loan Consideration.

The Sale Shares Consideration

The Sale Shares Consideration is RMB250,000,000, which shall be payable by way of the Set-Off, and was determined upon arm’s length negotiations between the Company and EGL with reference to the loss-making financial results of the Disposal Group, the financial position of the Disposal Group, the Restructured Capital of the Disposal Group of approximately RMB555.6 million and the independent valuation of the equity interests of the Disposal Company as at 31 December 2024 as assessed by the Valuer.

For the two years ended 31 December 2023 and 2024, the Disposal Group recorded combined net loss of approximately RMB13.5 million and RMB194.9 million, respectively. From a financial position perspective, as at 31 December 2024, the Disposal Group had total assets of approximately RMB2,717.3 million, while it recorded net liabilities attributable to owners of the Disposal Company in the amount of approximately RMB202.0 million.

On the basis that completion of the Capital Restructuring had taken place on 31 December 2024, and part of the Shareholder's Loans of approximately RMB555.5 million had been capitalised as share capital of the Disposal Company, the Disposal Group would have recorded net assets attributable to owners of the Disposal Company of approximately RMB353.5 million (i.e. the Adjusted NAV). In light of the above, the Sale Share Consideration of RMB250 million exceeds 45% of the Adjusted NAV of approximately RMB159.1 million by an amount of RMB90.9 million.

The Company has engaged the Valuer to conduct the Valuation of the equity value of the Disposal Company as at 31 December 2024 using asset-based approach. The Valuer has preliminarily appraised that, as at 31 December 2024, the total assets of the Disposal Group would be approximately RMB2,718.9 million and total liabilities would be approximately HK\$2,914.7 million, with net liabilities attributable to owners of the Disposal Company of approximately RMB200.4 million. The valuation report, which will contain details of the methodology and assumptions of the Valuation, will be set out in the circular to be despatched to the Shareholders.

The Sale Loan Consideration

The Sale Loan Consideration is RMB80,000,000, which was determined upon arm's length negotiations between the Company and EGL and is the dollar-for-dollar equivalent of the amount representing 45% of the Convertible Notes, and shall be payable by way of the Set-Off.

The Set-Off

The Consideration shall be payable by EGL by way of set-off against the outstanding principal amount of the CS Loans of RMB330 million on a dollar-for-dollar basis.

The CS Loans comprised four loans with aggregate principal amount of RMB330 million granted by HICL to Henan Hexie, which are unsecured, bearing interest of 4.2% per annum and repayable by March, May and June 2026, respectively. As at the date of the Agreement, the aggregate outstanding amount of the CS Loans is approximately RMB343.5 million, comprising the principal amount of RMB330 million and the accrued interest of approximately RMB13.5 million. The CS Loans were granted by Mr. Feng to the Group for the purpose of funding the Group's overseas business development and expansion. Pursuant to the Agreement, as a condition precedent to Disposal Completion, a debt restructuring for the novation and assignment of the CS Loans shall be conducted such that the CS Loans shall be owing by the Company to EGL immediately following completion of the CS Loans Assignment and Novation to facilitate the Set-Off.

The Set-Off shall be in full and final settlement of all the outstanding principal amounts under the CS Loans (save and except the interest accrued or accruing thereon up to Disposal Completion). For the avoidance of doubt, pursuant to the Agreement, the interest of the CS Loans shall be accrued or accruing only up to the date of Disposal Completion.

Directors' view

Taking into account the above, the Directors (excluding the independent non-executive Directors who will provide their views after taking into account the advice of the Independent Financial Adviser) are of the view that the Consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Disposal Completion is conditional upon the fulfilment or waiver (as the case may be) of the following Conditions:

- (i) the Capital Restructuring having been completed;
- (ii) the CS Loans Assignment and Novation having been completed;
- (iii) the Shareholder's Loans Assignment having been completed;
- (iv) the Company having obtained the approval from the Independent Shareholders at the EGM to be convened to consider and approve the Agreement and the transactions contemplated thereunder, including without limitation the Disposal, the Capital Restructuring, the Possible Acquisition and the Possible Deemed Disposal;
- (v) the Company having obtained all necessary consents in relation to the transactions contemplated under the Agreement including but not limited to the consents (if required) of the Stock Exchange and the SFC and any relevant government or regulatory authorities and other relevant third parties;
- (vi) all representations and warranties of the Company under the Agreement being true and correct in all material respects and remaining so from the date of the Agreement up to immediately before Disposal Completion; and
- (vii) all representations and warranties of EGL under the Agreement being true and correct in all material respects and remaining so from the date of the Agreement up to immediately before Disposal Completion.

Save for Condition (vi) which may be waived by EGL and Condition (vii) which may be waived by the Company, all other Conditions are not capable of being waived.

If any of the Conditions is not fulfilled or waived (as the case may be) at or before 5:00 p.m. on 23 November 2025 or such other date as may be agreed between the Company and EGL in writing, the Agreement shall lapse and upon which the rights and obligations of the Company and EGL under the Agreement shall be null and void and of no further effect save for any antecedent breach.

Disposal Completion

Disposal Completion shall take place on the 3rd Business Day after the date of which the above Conditions are fulfilled or waived (as the case may be) or such other date as may be agreed between the Company and EGL in writing.

Purchaser's guarantor

Mr. Feng is the sole shareholder of EGL and as such has agreed under the Agreement to provide certain guarantees and indemnities to the Company, including, the guarantee of the due and punctual performance and observance by EGL of all of its obligations, commitments, undertakings, agreements, warranties, indemnities and covenants under or pursuant to the Agreement.

Pursuant to the Agreement, subject to (a) completion of the Capital Restructuring; and (b) the Disposal Completion having taken place, Mr. Feng has also irrevocably and unconditionally agreed and undertaken that he shall (i) not participate in, intervene with, or otherwise seek to influence the Company's decision to exercise the whole or any part of its conversion right under the Convertible Notes in the principal amount of RMB97,777,777 to be held by the Company; and (ii) provide all necessary assistance as may be reasonably requested by the Board from time to time in connection with the implementation of and giving effect to the conversion of such Convertible Notes.

Capped amount of the Additional Shareholder's Loans

Pursuant to the Agreement, from the date of the Agreement until Disposal Completion, except with the prior written consent of EGL, the Company warrants and undertakes that it shall procure that the Disposal Group shall not borrow or raise any further money from the Company and/or other fellow subsidiaries of the Disposal Company to such an extent so as to increase the existing Shareholder's Loans by more than RMB20.0 million in aggregate for the Disposal Group taken as a whole and any such further advances to be made by the Company and/or other fellow subsidiaries of the Disposal Company to the Disposal Group, whether directly or indirectly, shall be converted and form part of the Preferred Loans at Disposal Completion (and shall bear no interest from the respective dates of their advances up to their conversion into the Preferred Loans).

Proportional contribution

Subject to Disposal Completion having taken place, each of the Company and EGL has unconditionally and irrevocably agreed and undertaken that all future financial assistance required by and provided to the Disposal Group by the Disposal Company's shareholders shall be conducted in accordance with the proportion of their respective equity interests directly held in the Company for the time being.

THE CAPITAL RESTRUCTURING

As at the date of the Agreement, the Disposal Company has issued share capital of US\$10,000 divided into 10,000 shares, and Shareholder's Loans owing to the Company and six other fellow subsidiaries of the Disposal Company of approximately RMB1,118.7 million. The Shareholder's Loans are unsecured, interest bearing at rates determined with reference to the prevailing market rates, and have no fixed term of repayment, and were contributed by the Group to the Disposal Group for its development of the overseas NEV business.

To facilitate the Disposal and to segregate the obligations and liabilities of the Disposal Group in respect of the Preferred Loans following Disposal Completion, the Company proposes to implement the Capital Restructuring to restructure the Shareholder's Loans into the Restructured Capital, the Preferred Loans and the Convertible Notes.

The Restructured Capital

The Shareholder's Loans in the amount of approximately RMB555.5 million will be capitalised as share capital of the Disposal Company through the issue and allotment of 77,150,493 new shares of the Disposal Company to the Company. Upon completion of the Capital Restructuring, the total amount of the issued share capital of the Disposal Company will be increased from US\$10,000 to approximately RMB555.6 million (equivalent to approximately US\$77.2 million calculated based on the exchange rate of US\$1/RMB7.2).

The Preferred Loans

The Shareholder's Loans in the amount of approximately RMB385.4 million, together with such amount of the Additional Shareholder's Loans, will be converted into the Preferred Loans repayable in two years from the date of completion of the Capital Restructuring. The Preferred Loans shall bear interest of 4.0% per annum, and the repayment thereof by the Disposal Group shall be preferred over the repayment of the Convertible Notes and any dividend distribution by the Disposal Company.

For the purpose of the Capital Restructuring, it is contemplated that each fellow subsidiary of the Disposal Company granting the Shareholder's Loans shall assign all its benefits and interests in respect of the relevant portion of the Shareholder's Loans owing by the Disposal Group to such fellow subsidiary to the Company (the "**Shareholder's Loans Assignment**") such that the amount of the Shareholder's Loans which will be converted into the Preferred Loans shall be owing by the Disposal Group to the Company only immediately following completion of the Shareholder's Loans Assignment.

For the avoidance of doubt, the Preferred Loans will not affect the rights of other creditors of the Disposal Group.

The Convertible Notes

The remaining Shareholder's Loans in the amount of approximately RMB177.8 million will be converted into the two Convertible Notes upon completion of the Capital Restructuring. Principal terms of the Convertible Notes are set out as follows:

Issuer	: The Disposal Company
Subscriber	: The Company
Principal amount	: The principal amount of one of the Convertible Notes shall be RMB97,777,777 and the other one shall be RMB80,000,000
Issue price	: 100% of the principal amount
Interest	: 4.0% per annum
Security	: Nil
Maturity date	: The date falling on the second anniversary of the issue date
Conversion price	: US\$1 per conversion share, which is determined based on the Restructured Capital of the Disposal Group of approximately RMB555.6 million (equivalent to approximately US\$77.2 million calculated based on the exchange rate of US\$1/RMB7.2) and 77,160,493 shares of the Disposal Company in issue upon completion of the Capital Restructuring

- Conversion shares : 24,691,357 shares of the Disposal Company, representing approximately 24.2% of the enlarged issued share capital of the Disposal Company upon full conversion of the Convertible Notes
- Conversion right : The holder of the Convertible Notes shall have the right to convert the Convertible Notes into shares of the Disposal Company at any time during the period commencing from and including the date falling six months of the issue date up to the close of business on the maturity date.
- Redemption : The Disposal Company shall redeem all or such part of the outstanding amount of the Convertible Notes on the maturity date.

For the avoidance of doubt, the holder of the Convertible Notes can exercise the conversion right attaching to the Convertible Notes individually, and is not required to exercise such conversion right jointly. As such, following Disposal Completion, the relevant Convertible Notes will be held by the Company and EGL respectively, and in the event that either the Company or EGL individually exercises the conversion right attaching to the Convertible Notes, the shareholding of the Company in the Disposal Company may be altered, which may constitute an acquisition or deemed disposal of equity interests in the Disposal Company upon such exercising of conversion rights by the Company or EGL. Assuming the Company alone (but not EGL) exercises the conversion right in full, the shareholding held by the Company in the Disposal Company will be increased from 55% to approximately 61.7%. On the other hand, assuming EGL alone (but not the Company) exercises the conversion right in full, the shareholding held by EGL in the Disposal Company will be increased from 45% to approximately 51.9%, and the shareholding held by EGL in the Disposal Company will be reduced from 55% to approximately 48.1%. In such case, the Disposal Company will cease to be a subsidiary of the Company.

As mentioned above, pursuant to the Agreement, Mr. Feng has irrevocably and unconditionally agreed and undertaken that, among other things, he shall not participate in or intervene with the Company's decision of exercising the whole or any part of its conversion right under the Convertible Notes in the principal amount of RMB97,777,777 held by the Company. The decision of whether to exercise the conversion rights attaching to such Convertible Notes shall be determined solely by the Company itself. The Directors other than Mr. Feng and his associates will assess the matter objectively, taking into account the prevailing conditions, strategic considerations, and other pertinent factors at the time of making the decision of exercising the conversion rights attaching to such Convertible Notes.

INFORMATION OF THE DISPOSAL GROUP

The Disposal Company was incorporated in the Cayman Islands on 13 June 2024 with limited liability. Following its incorporation, the Company implemented a reorganisation such that the Disposal Company became the holding company of the Group's overseas NEV business. As at the date of this announcement, the Disposal Group has 42 subsidiaries engaging in the distribution of NEV and provision of after-sales services in overseas markets under the Disposal Company. Save for the acquisition of the 80% interests in the subsidiary engaging in the Cambodia business in December 2023 at the original acquisition costs of approximately RMB25.5 million and the acquisition of the 100% interest in the subsidiary engaging in the Thailand business in April 2025 at the original acquisition costs of approximately RMB14.0 million, all other entities were established by the Group.

The Group commenced its overseas NEV business in 2023. The Disposal Group has successfully partnered with BYD Company Limited, a leading automobile manufacturer in the PRC, to distribute and provide after-sales services for two NEV brands, namely BYD and DENZA, through establishment of distribution outlets and services centres, across various locations outside Mainland China. As at 30 April 2025, the Disposal Group had 45 4S centres, 34 showrooms and 4 service centres spanning across Hong Kong, Cambodia, the Philippines, Singapore, Japan, Indonesia, Thailand, Malaysia, Australia, the United Kingdom, France and Poland. As at the date of this announcement, the Disposal Group is the sole Tier-1 authorised dealer for BYD NEVs in Hong Kong, and the authorised national dealer for BYD NEVs in Cambodia.

Set out below is the unaudited combined financial information of the Disposal Group extracted from the audited accounts of the Group for the two years ended 31 December 2023 and 2024:

	For the year ended	
	31 December	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
Revenue	1,935.1	16.4
Loss before taxation	(192.9)	(13.5)
Loss after taxation	(194.9)	(13.5)

As at 31 December 2024, the Disposal Group recorded net liabilities attributable to owners of the Disposal Company in the amount of approximately RMB202.0 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the sale of automobiles and provision of after-sales services.

Since 2005, the Group has been operating 4S automobile dealership outlets in the PRC, specialising in luxury and ultra-luxury automobile brands as an authorised dealer. However, in recent years, the operating environment for luxury and ultra-luxury automobile dealerships in the PRC has become increasingly challenging driven by the global economic downturn, weakening consumer purchasing power and intensified market competition. On the other hand, the rapid advancement in the vehicle electrification, supported by favorable environmental policies and shifting consumer preferences, has led to strong growth in the NEV sector. Chinese NEV brands, in particular, have made significant improvements in product quality, technology advancement and competitive pricing. As a result, these brands, have not only increased their domestic market share but have also expanded aggressively into overseas markets. Given this industry shift, the Group sees strategic merit in diversifying its traditional luxury dealership business and capitalising on the long-term growth potential of the NEV sector, particularly in international markets where Chinese NEV brands are gaining momentum.

According to the statistics released by the China Association of Automobile Manufacturers on 13 January 2025, China's NEV brands experienced significant growth in 2024, with total sales reaching 12.866 million units, representing a year-on-year increase of approximately 35.5%, and accounting for approximately 40.9% of the total sales of NEV in the Mainland China. Among these sales, 1.284 million units of China's NEV brands were exported, representing a year-on-year increase of approximately 6.7%. These figures demonstrates the substantial opportunity presented by the export market for Chinese NEVs, which the Company considers is well-positioned for further expansion.

The rapid growth of overseas NEV markets presents significant business opportunities, but also requires substantial working capital and upfront investment for market entry, including the establishment of distribution and after-sales networks. To address these requirements, the Company entered into discussions with Mr. Feng in 2023 regarding a proposed joint investment to develop the overseas NEV business through the Disposal Group. The parties shared the intention that the joint investment would be contributed as to 55% by the Company and 45% by Mr. Feng. To facilitate an early market entry and capture first-mover advantage, Mr. Feng initially provided funding in the form of the CS Loans to strengthen the Group's working capital position and support the rapid commencement of the operations of the Disposal Group. The formal joint investment structure was intended to be implemented at a later stage.

After over a full financial year of operations, it became apparent that the long-term growth and expansion of the Disposal Group's overseas NEV business would require continuous and substantial working capital and investment, particularly for procurement of NEV inventory and the establishment of distribution outlets and service centres across multiple overseas locations and markets. In light of these funding requirements, the Company and Mr. Feng have agreed to proceed with finalising the joint investment structure, establishing a clear framework for future funding, operational responsibilities, and sharing of profits and losses.

While the Company remains confident in the long-term prospects and competitive positioning of Chinese NEV brands in international markets, it also acknowledges the challenges posed by the intense competition and capital-intensive nature of the global automotive industry. As the Disposal Group is still in its growth phase and may require time to achieve profitability due to upfront operational and market penetration costs, the Company considers it is prudent to diversify and mitigate the Group's financial exposure by reducing its equity interest in the Disposal Group. This strategic partnership is expected to enable the financial flexibility and operational resilience of the Disposal Group, enabling it to better navigate market challenges and pursue long-term growth.

Having considered the above, the Directors (excluding the independent non-executive Directors who will provide their views after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the Agreement and the Disposal are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS

In respect of the Disposal

Upon Disposal Completion, the Disposal Company will be owned as to 55% and 45% by the Company and EGL, respectively. Accordingly, members of the Disposal Group will remain as subsidiaries of the Company, and their results, assets and liabilities will continue to be consolidated into the consolidated financial statements of the Group.

Based on preliminary assessment, it is expected that a gain on the Disposal of approximately RMB88.9 million would be recorded upon Disposal Completion, which is calculated based on the aggregate Consideration of RMB330 million, less (i) 45% of the of Adjusted NAV of approximately RMB159.1 million; (ii) 45% of the Convertible Notes of RMB80.0 million; and (iii) the estimated transaction costs relating to the Disposal of approximately RMB2.0 million.

In respect of the Possible Deemed Disposal

In the event that EGL alone (but not the Company) exercises in full the conversion rights attaching to the Convertible Notes held by it during the conversion period, the shareholding of the Disposal Company held by the Company would be reduced from 55% to approximately 48.1%. Accordingly, the Disposal Company would cease to be a subsidiary of the Company and become an associate of the Company. The results, assets and liabilities of the Disposal Group would be deconsolidated from the consolidated financial statements of the Group, and an investment in associate would be recorded by the Group.

Based on preliminary assessment, it is expected that a gain on the Possible Deemed Disposal of approximately RMB14.1 million would be recorded upon EGL alone exercising the conversion rights attaching to its Convertible Notes in full, which is calculated based on the difference between (i) the Adjusted NAV of approximately RMB208.5 million for the remaining interest of 48.1% in the Disposal Company; and (ii) the Adjusted NAV based on the original equity interest of 55% of approximately RMB194.4 million.

In respect of the Possible Acquisition

In the event that the Company alone (but not EGL) exercises in full the conversion rights attaching to the Convertible Notes held by it during the conversion period, the shareholding of the Disposal Company held by the Company would be increased from 55% to approximately 61.7%.

Shareholders should note that the above expected gain on the Disposal or the Possible Deemed Disposal is for illustrative purpose only and is estimated based on the information currently available. The actual amount of gain or loss to be recognised in the consolidated financial statements of the Group will be determined with reference to the financial status of the Disposal Group at the time of Disposal Completion and conversion of the Convertible Notes.

As the aggregate Consideration will be settled by the Set-Off, there will not be any sales proceeds to be received from the Disposal.

LISTING RULES IMPLICATIONS

In respect of the Disposal

As one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but all are less than 75%, the Disposal shall constitute a major transaction for the Company.

In respect of the Preferred Loans

Following Disposal Completion, the Preferred Loans shall constitute provision of financial assistance by the Company to the Disposal Group. As one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Preferred Loans exceeds 25% but all are less than 75%, the Preferred Loans shall also constitute a major transaction for the Company.

In respect of the Possible Acquisition

In the event that the Company alone (but not EGL) exercises in full the conversion rights attaching to the Convertible Notes held by it, the shareholding of the Disposal Company held by the Company would be increased from approximately 55% to approximately 61.7%, which shall constitute an acquisition of the equity interests in the Disposal Company by the Company. As one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Possible Acquisition exceeds 5% but all are less than 25%, the Possible Acquisition shall constitute a discloseable transaction for the Company.

In respect of the Possible Deemed Disposal

In the event that EGL alone (but not the Company) exercises in full the conversion rights attaching to the Convertible Notes held by it, the shareholding of the Disposal Company held by EGL would be increased from 45% to approximately 51.9%, while the shareholding of the Disposal Company held by the Company would be reduced from 55% to approximately 48.1%, which shall constitute a deemed disposal of the equity interests in the Disposal Company by the Company. As one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Possible Deemed Disposal exceeds 25% but all are less than 75%, the Possible Deemed Disposal shall constitute a major transaction for the Company.

In respect of the connected transactions

As at the date of this announcement, EGL is wholly-owned by Mr. Feng, who is the Chairman of the Board, an executive Director and a controlling Shareholder interested in 710,864,660 Shares, representing approximately 46.48% of the total issued share capital of the Company as at the date of this announcement. Accordingly, EGL is a connected person of the Company pursuant to the Listing Rules. Following Disposal Completion, the Disposal Company will be owned as to 45% by EGL and is thus a connected subsidiary of the Company. Accordingly, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal shall also constitute connected transactions for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal. Mr. Feng and his associates are required to abstain from voting on the resolution(s) in respect of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal at the EGM. Save for the above, to the best knowledge, information and belief of the Directors, having

made all reasonable enquiries, there is no other Shareholder having a material interest in the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal who would be required to abstain from voting at the EGM.

The Independent Board Committee comprising Mr. Wang Nengguang, Mr. Lau Kwok Fan and Mr. Sung Ka Woon, being all the independent non-executive Directors, has been established to consider the terms of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal, and to advise the Independent Shareholders as to whether the terms of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, after taking into account the advice from the Independent Financial Adviser. The Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal; (ii) the letter of recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement, the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal; (iv) the valuation report in respect of the Valuation; (v) a notice convening the EGM; and (vii) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 June 2025 as additional time is required for the preparation of the relevant information for inclusion in the circular.

As the Disposal is subject to the fulfilment or waiver of the Conditions, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“Additional Shareholder’s Loans”	the additional Shareholder’s Loans which may be granted by the Company and/or fellow subsidiaries of the Disposal Company to the Disposal Group from the date of the Agreement up to the date of Disposal Completion
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“Adjusted NAV”	the adjusted net assets attributable to owners of the Disposal Company of approximately RMB353.5 million on the basis that completion of the Capital Restructuring had taken place on 31 December 2024, and part of the Shareholder’s Loans of approximately RMB555.5 million had been capitalised as share capital of the Disposal Company
“Agreement”	the conditional sale and purchase agreement dated 23 May 2025 entered into among the Company, EGL and Mr. Feng in relation to the Disposal
“associates”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) (excluding Saturday, Sunday, public holiday and any day on which typhoon cyclone warning signal No. 8 or above or a black rainstorm signal is hoisted or Extreme Conditions are announced or in force in Hong Kong during 9 a.m. to 5 p.m.) on which banks are generally open in Hong Kong to the general public for business
“Capital Restructuring”	the restructuring of the Shareholder’s Loans into the Restructured Capital, the Preferred Loans and the Convertible Notes
“Company”	China Harmony Auto Holding Limited (stock code: 3836), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Condition(s)”	condition(s) precedent to Disposal Completion pursuant to the Agreement, as described in the section headed “The Agreement — Conditions precedent” in this announcement
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of the Sale Shares Consideration and the Sale Loan Consideration

“Convertible Notes”	the convertible notes to be converted from part of the Shareholder’s Loans in the amount of approximately RMB177.8 million and issued by the Disposal Company to the Company
“CS Loans”	the four loans with aggregate outstanding principal amount and interests accrued thereon of approximately RMB343.3 million as at the date of this announcement owing by Henan Hexie to HICL, which upon completion of the Debt Assignment and Novation, will be owing by the Company to EGL
“CS Loans Assignment and Novation”	the novation and assignment of the CS Loans to the effect that the CS Loans shall be owing by the Company to EGL
“Director(s)”	the director(s) of the Company, from time to time
“Disposal”	the proposed disposal of the Sale Shares and the Sale Loan
“Disposal Company”	iCar Group Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“Disposal Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Disposal Group”	the Disposal Company and its subsidiaries
“EGL”	Epower Global Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Feng as at the date of this announcement
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder, including the Disposal, the Preferred Loans, the Possible Acquisition and the Possible Deemed Disposal

“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before tropical cyclone warning signal no. 8 or above is replaced with tropical cyclone warning signal no. 3 or below
“Group”	the Company and its subsidiaries, from time to time
“Henan Hexie”	Henan Harmony Auto Finance Leasing Co., Ltd.* (河南和諧汽車融資租賃有限公司, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“HICL”	Harmony Industrial Company Limited* (河南和諧置業有限公司), a company established in the PRC with limited liability and is owned as to 70% and 30% by Mr. Feng and his spouse, respectively
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Mr. Feng and his associates and any other Shareholder who is interested or involved in the transaction contemplated under the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Feng”	Mr. Feng Changge (馮長革), the Chairman of the Board, an executive Director and a controlling Shareholder interested in 710,864,660 Shares, representing approximately 46.48% of the total issued share capital of the Company as at the date of this announcement
“NEV”	new energy vehicles
“Possible Acquisition”	an acquisition of the equity interests in the Disposal Company by the Company upon the Company exercising the conversion rights attaching to the Convertible Notes held by the Company
“Possible Deemed Disposal”	a deemed disposal of the equity interests in the Disposal Company by the Company upon EGL exercising the conversion rights attaching to the Convertible Notes held by EGL
“PRC”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Preferred Loans”	the two-year term loan to be converted from part of the Shareholder’s Loans in the aggregate amount of approximately RMB385.4 million and the Additional Shareholder’s Loans (if any)
“Restructured Capital”	the paid-up capital of the Disposal Company in the amount of approximately RMB555.6 million upon completion of the Capital Restructuring
“Sale Loan”	45% of the Convertible Notes
“Sale Loan Consideration”	the consideration of RMB80.0 million payable by EGL to the Company for the Sale Loan pursuant to the Agreement
“Sale Shares”	45% of the Restructured Capital
“Sale Shares Consideration”	the consideration of RMB250.0 million payable by EGL to the Company for the Sale Shares pursuant to the Agreement
“Set-Off”	the set-off of the Consideration in full against the outstanding principal amount of the CS Loans as at Disposal Completion

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loans”	the loans and advances together with the interest accrued thereof with aggregate outstanding amount of approximately RMB1,118.7 million as at the date of the Agreement owing by the Disposal Group to the Company and/or fellow subsidiaries of the Disposal Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation”	independent valuation of the equity interests of the Disposal Company as at 31 December 2024 conducted by the Valuer
“Valuer”	Valplus Consulting Limited, an independent valuer appointed by the Company to conduct the Valuation
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
China Harmony Auto Holding Limited
Liu Fenglei
CEO and Executive Director

Hong Kong, 23 May 2025

As of the date of this announcement, the executive Directors are Mr. Feng Changge, Mr. Feng Shaolun, Mr. Liu Fenglei, Ms. Ma Lintao and Mr. Cheng Junqiang; and the independent non-executive Directors are Mr. Wang Nengguang, Mr. Lau Kwok Fan and Mr. Sung Ka Woon.

* *For identification purpose only*