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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)**

## **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ANNUAL REPORT 2024**

Reference is made to the annual report (the “**Annual Report**”) of China Harmony Auto Holding Limited (the “**Company**”) for the year ended 31 December 2024. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

Further to the information disclosed in the Annual Report, the board of directors of the Company (the “**Board**”) would like to provide to the shareholders of the Company and the potential investors with the following supplementary information in relation to the Annual Report:

### **SHARE OPTION SCHEME**

The number of options available for grant under the scheme mandate under the Share Option Scheme on 1 January 2024 and 31 December 2024 are 80,379,067 and 80,379,067, respectively. The total number of shares available for issue under the Share Option Scheme is 122,570,067, representing 8.05% of the Shares in issue (excluding treasury shares) (i.e. 1,523,264,677) as at the date of the Annual Report.

## ADVANCES TO AND INTEREST RECEIVABLE FROM IAC

As disclosed in the Company's annual report for the year ended 31 December 2024, the Group recognized a further expected credit loss ("ECL") of approximately RMB139.6 million on the advances to and interest receivable from Independent Aftersales Company ("IAC") in 2024, primarily resulted from IAC's failure to pay interest on time during the year.

The increase in the allowance for ECL was mainly attributable to the deteriorating financial position of IAC, exacerbated by the increasingly competitive business environment. During the year of 2024, intense price competition in the mainland China new energy vehicle market, coupled with narrow gross profit margins, significantly weakened IAC's earnings capacity and cashflow generation, thereby leading to a further deterioration of its liquidity position. Based on the unaudited management accounts of the IAC as at 31 December 2024, the net liabilities attributable to owners of IAC increased to approximately RMB855 million despite its effort in taking different measure to optimizing its operational efficiency by optimizing staff structure and reducing operating cost. The operating loss of approximately RMB36 million and finance costs of approximately RMB32 million were recorded for the year ended 31 December 2024. The Group remained in active communication with IAC throughout 2024 to explore possible settlement solutions. As at 31 December 2024, these discussions were still ongoing.

The ECL was calculated in accordance with the applicable accounting standards and based on assessment prepared by Valplus Consulting Limited ("**Valuer**"), an independent valuer engaged by the Company, and agreed by our auditor. The Valuer provided valuation services to public and private companies for various purpose, including investment, litigation support, taxation, financial reporting, M&A or IPO in compliance with relevant rules and requirements of regulators and professional bodies. The valuation team is led by Mr. Damon S.T. Wan, a Chartered Financial Analyst, Certified Financial Risk Manager, and member of Royal Institution of Chartered Surveyors, who has been working in the professional valuation field since 2008.

The Valuer used the general approach to measure lifetime expected credit losses by using the probability-weighted loss default model. The key parameters and inputs used in the model are set out below:

|                                                         | <b>As at 31 December<br/>2024</b> |
|---------------------------------------------------------|-----------------------------------|
| Exposure at default (“ <b>EAD</b> ”) <i>(Note 1)</i>    | RMB864.7 million                  |
| Probability of default (“ <b>PD</b> ”) <i>(Note 2)</i>  | 100%                              |
| Loss given default (“ <b>LGD</b> ”) <i>(Note 3)</i>     | 82.4%                             |
| ECL allowance <i>(Note 4)</i>                           | RMB712.4 million                  |
| Less: ECL recognized in the year ended 31 December 2022 | (RMB354.6 million)                |
| ECL recognized in the year ended 31 December 2023       | (RMB218.2 million)                |
| ECL recognized in the year ended 31 December 2024       | RMB139.6 million                  |

*Notes:*

1. This is the total value that the Group would be exposed to when IAC defaults, being the sum of the total advances and interest receivable.
2. Probability of default of 100% (same as the years ended 31 December 2022 and 2023) was adopted due to the occurrence of default events.
3. This is the proportion of the EAD that will be lost at events of default of other debtors with similar credit rating to IAC and adjusted for the success rate in recovery over the time of past due. The loss given default increased from 68.9% as at 31 December 2023 to 82.4% as at 31 December 2024 due to the longer overdue period.
4. The ECL is calculated using the formula:  $ECL = EAD \times PD \times LGD$ .

After netting off the ECL allowance, the advances to and interest receivable from IAC in the Group’s audited consolidated financial statements was approximately RMB152.3 million as at 31 December 2024. Such carrying value increased to RMB169.0 million as at 30 June 2025 due to the increase in interest receivable of approximately RMB16.7 million.

The Board is also pleased to announce that the Group received aggregate repayments of RMB40 million from IAC on 9 and 10 October 2025. The Company remains committed to the recovery of the outstanding balance, with the objective of minimising any potential losses to the Group.

The information contained in this announcement does not affect other information contained in the Annual Report. Save as disclosed in this announcement, the remaining contents of the Annual Report remain unchanged.

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

Zhengzhou, PRC, 6 November 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.*