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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 ON THE DISCLOSEABLE TRANSACTION

Reference is made to the announcement dated 1 September 2025 (the “**Announcement**”) of China Harmony Auto Holding Limited (the “**Company**”) in relation to the proposed subscription and deemed disposal of equity interest in a subsidiary. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

Further to the information disclosed in the Announcement, 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 Proposed Subscription.

FURTHER DETAILS ON THE PROPOSED SUBSCRIPTION

The Subscription Amount of US\$40,000,000 (equivalent to approximately RMB285.3 million), representing a subscription of 9.9999% of the enlarged issued share capital of the Target Company, was arrived at after arm’s length negotiations between the Target Company and the Subscriber, based on a mutually agreed, though non-mandatory, growth strategy of the Target Group and the funding required to execute the phased expansion plan, with recent unaudited financial results of the Target Group providing contextual background. The strategy involves a phased expansion plan of the retail network of the Target Group, alongside entry into new international markets in Asia Pacific, Europe,

the Middle East, and Africa. While the net liability position of the Target Company increased from RMB202.0 million as of 31 December 2024 to RMB264.3 million as of 30 April 2025, its operational performance demonstrated significant improvement in 2025. Revenue showed strong growth, rising from RMB1,788.4 million for the full year of 2024 to RMB2,135.9 million in just the first four months of 2025. Concurrently, the Target Company's net loss narrowed from RMB194.9 million for the full year of 2024 to RMB48.6 million for the first four months of 2025, indicating enhanced operational efficiency.

The shareholding percentage of 9.9999% was strategically determined through negotiation to balance between securing the Subscriber's board representation and affirmative rights over certain reserved matters and maintaining flexibility for the Target Company's future capital needs. In consideration of the substantial investment, the Subscriber was granted certain preferential treatments, which encompasses affirmative voting rights of the Subscriber or of the director nominated by the Subscriber on certain reserved matters, including but not limited to the approval concerning annual budgets, major capital expenditures unrelated to the principal business, major asset disposals, connected transactions and changes to corporate structures or principal business activities; and the arrangements in relation to the dividend policy and the liquidation preference as set out in the Announcement.

The grant of these preferential treatments is considered justifiable given the strategic and operational importance of the Subscriber to the Target Company and the wider Group. As the indirect wholly-owned subsidiary of BYD Company Limited (stock code of H shares: 01211 (HKD counter) and 81211 (RMB counter) and stock code of A shares: 002594), a pioneer and leader in the global new energy vehicles industry, the Subscriber is not merely a strategic investor but also a major supplier to the Target Group. The Target Group was primarily engaged in the distribution and after-sales services of two automobiles brands manufactured by BYD Company Limited, namely BYD and DENZA. As set out in the interim report of the Company for the six months ended 30 June 2025, the Group's revenue derived from Hong Kong and Overseas segment, of which over 95% were generated from sales of BYD and DENZA cars and provision of related after-sales services, was a significant contributor driving the Group's growth. During the six months ended 30 June 2025, the revenue generated from Hong Kong and Overseas segment surged approximately 5.0 times year-on-year, a growth rate that substantially exceeded the Group's overall increase of 29.1%, and accounted for approximately 40.5% of the Group's total revenue, underscoring its importance to the Company's financial position and long-term strategy. The strategic partnership with BYD Company Limited is therefore in the interest of the Company and its shareholders, as it secures a stable supply chain, enhances market credibility of the Group, and solidifies competitive position of the Group in the new energy vehicles market.

The dividend mechanism is strategically designed to secure new capital investment while retaining sufficient earnings for long-term growth. Under this mechanism, the Subscriber is entitled to request dividends of not less than 20% of Distributable Profits, and up to 60% of Distributable Profits after 1 January 2030. The dividend mechanism is structured to align the interests of all shareholders of the Target Company and reinforce a partnership dedicated to a sustainable value creation.

Similarly, the liquidation preference was a condition for securing the significant capital and strategic partnership required to accelerate the growth of the Target Group. It primarily provides protection in a low-value, low-probability exit scenario while the Subscriber is still incentivized to drive the Target Company toward a high-value outcome in the future, which aligns with the interest of all existing shareholders of the Target Company.

Given that Voting Proxy Agreement allows the Company to control the exercise of 90.0001% of voting rights in the Target Company and the Company will continue to consolidate the results of the Target Group after the Proposed Subscription, with the Target Company remained as a non-wholly owned subsidiary of the Company, the preferential treatments granted to the Subscriber would not allow the Subscriber to exert control on the Target Group and instead still ensures that the Target Company's day-to-day management and resource allocation consistently reflect and execute this agreed strategic direction over the long term. This helps to create a sustainable governance structure that accommodates both the Subscriber's protective needs and the Target Company's long-term growth. Taking into account the advantages brought by the Proposed Subscription (including the Subscription Amount and all the terms and conditions including such preferential treatments) and the future prospects and benefits brought by the Subscriber, as well as the alignment of the common business objections among all the existing shareholders of the Target Company, the Company does not expect the preferential treatments will cause material adverse effect to the Target Group that would further substantially hinders the operations of the wider Group.

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

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

Zhengzhou, PRC, 12 December 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.