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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)

PROFIT WARNING

This announcement is made by China Harmony Auto Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “**Directors**”) of the Company (the “**Board**”) hereby announces that, based on the Group’s latest unaudited consolidated financial statements for the financial year ended 31 December 2022 (“**FY2022**”) currently available to the Board, the Group is expected to record a loss attributable to the shareholders of the Company (the “**Shareholders**”) of approximately RMB1,630.4 million for FY2022, as compared to a profit attributable to the Shareholders of approximately RMB673.2 million for the year ended 31 December 2021 (“**FY2021**”).

The loss for FY2022 was mainly attributable to certain non-recurring items (the “**Non-recurring Items**”) in the aggregate amount of approximately RMB1,787.6 million as further elaborated below. If the Non-recurring Items were excluded, the Group would record a profit attributable to the Shareholders of not less than RMB162.1 million, which was lower than that for FY2021 of approximately RMB595.3 million and mainly attributable to the temporary closure of some of the stores under the domestic pandemic prevention policies during FY2022 which had adversely affected the Group’s sales and business operations.

The Non-recurring Items included:

- (i) the full provision made to the fair value changes on the FMC investment of approximately RMB1,217.0 million as provided for in the interim results of the Company for the six months ended June 30, 2022;
- (ii) an impairment loss of approximately RMB94.2 million on property, plant and equipment due to the closure of two stores to improve sales efficiency and profitability in a bid to optimize the existing sales network, and the relocation of three stores located in the redevelopment areas as requested by the government;
- (iii) an expected credit loss of approximately RMB354.6 million on the advances to and interest receivable from independent aftersales company, namely 河南和諧汽車維修服務有限公司 (Henan Hexie Automobile Aftersales Services Co., Ltd.*) (the “**Independent Aftersales Company**”) due to the failure to pay interest on time during FY2022 as the Independent Aftersales Company suffered cashflow issues from the impact of the epidemic;
- (iv) an impairment loss made on a prudent basis on the entire investment amount in a fund of approximately HK\$100.0 million (approximately RMB81.5 million as recorded in the 2021 Annual Report of the Company) due to the deregistration of the fund manager of the fund, which resulted in the Group’s failure to receive the interest from the fund in 2022; and
- (v) an impairment loss made on a prudent basis on the principal and accrued interest of the loans to certain third parties of approximately HK\$46.9 million (equivalent to approximately RMB40.3 million) due to the failure to recover the principal and accrued interest of the loans to third parties despite the Company’s repeated requests and demands (including serving demand letters and statutory demands to them).

As the Company is still in the course of preparing the annual results for FY2022, the information contained in this announcement is only based on the Group's latest unaudited consolidated financial statements for FY2022 currently available to the Board, which have not been finalised by the auditors and have been not reviewed by the audit committee of the Company, and thus may be subject to adjustments. The Group's financial results for FY2022 will be disclosed in the annual results announcement of the Company, which is expected to be published on 31 March 2023.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 27 March 2023

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. Chan Ying Lung.

For the purpose of illustration only and unless otherwise stated, conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1.00 to HK\$1.16. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.