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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)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF ASSETS**

**THE ACQUISITION**

On 4 November 2024, the Purchaser, an indirect non-wholly owned subsidiary, entered into the Sale and Purchase Agreement with the Vendor, Jie Hing (as the creditor of the Vendor) and Mr. Sze (as the guarantor) pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Assets at a consideration of HK\$150 million.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

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The terms of the Sale and Purchase Agreement are set out below:

**Date:** 4 November 2024

**Parties:**

- (1) the Purchaser;
- (2) the Vendor;
- (3) Jie Hing (as the creditor of the Vendor); and
- (4) Mr. Sze (as the guarantor).

### Subject matter

The Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Assets.

### Consideration and Terms of Payment

The initial consideration for the Acquisition payable by the Purchaser under the Sale and Purchase Agreement (“**Initial Consideration**”) will be HK\$150 million (subject to the adjustment as described under the section headed “Adjustment to Consideration” below), among which (i) HK\$50 million shall be paid by the Purchaser upon the signing of the Sale and Purchase Agreement; and (ii) the remaining balance shall be paid within 20 business days from the date of signing of the completion confirmation.

The Group intends to satisfy the above consideration by its internal resources.

## **Basis of consideration**

The Initial Consideration (subject to the adjustment as described under the section headed “Adjustment to Consideration” below) was determined after arm’s length negotiation between the parties on normal commercial terms with reference to, among others, (i) the value of the Assets as at 30 September 2024 according to the unaudited management accounts prepared by the Vendor which is HK\$100 million; (ii) a premium of HK\$50 million considering the customer resources after obtaining the customer information from the Vendor which will be consolidated as the customers of the Group, business integration and synergies by consolidating the BYD business in Hong Kong, as well as the expansion of market share; and (iii) the factors set out in the section headed “Reasons for, and benefits of, the Acquisition” in this announcement.

## **Adjustment to Consideration**

As agreed between the parties, the Initial Consideration shall be adjusted to the value of the Assets based on the actual count of the Assets by the Vendor and Purchaser on the completion date (the “**Final Consideration**”). If the difference between the Initial Consideration and the Final Consideration is within 3%, the Initial Consideration will not be adjusted; whereas if the difference between the Initial Consideration and the Final Consideration is greater than 3%, the Initial Consideration will be increased or deducted in accordance with the actual situation.

## **Conditions Precedent**

Completion shall be conditional upon the fulfillment of certain conditions precedent within 15 business days after the receipt of the first instalment of the Initial Consideration of HK\$50 million, including among others:

- (i) for the premises under the Sale and Purchase Agreement, complete the signing of all procedure documents for the transfer of lease or use of the Assets and the right to the deposit in relation thereto to the Purchaser (the conditions of which are not less advantageous than original lease or use of the Vendor);
- (ii) delivery to the Purchaser will commence immediately: all keys and codes (if any) required to enter the premises, all Assets under the Sale and Purchase Agreement and customer information (including but not limited to orders, payment records and all other related information, etc.). The Assets will be delivered at the original site according to the list provided by the Vendor in the Sale and Purchase Agreement, and the Final Consideration will be calculated based on the actual Assets delivered.

When the Vendor delivers the Assets, all relevant title rights certificates and documents shall be handed over to the Purchaser, and the Purchaser shall continue to enjoy the relevant rights. If necessary, the Vendor shall cooperate with relevant transfer registration procedures.

- (iii) upon the completion of paragraphs (i) and (ii) above, the Vendor and Purchaser shall mutually sign a completion confirmation.

### **Liquidated damages**

If the Vendor fails to complete the above conditions precedent paragraphs (i) and (ii) as agreed, the Purchaser is entitled to terminate the Sale and Purchase Agreement. The Vendor shall return all the consideration received from the Purchaser and pay an interest of the consideration at the daily rate of 0.016%. If the Purchaser fails to pay the consideration, the Purchaser shall compensate to the Vendor at the daily rate of 0.016%.

### **Guarantee**

Mr. Sze, as the director and shareholder of the Vendor, provided a guarantee to the Purchaser in relation to the obligations of the Vendor under the Sale and Purchase Agreement.

### **Creditor of the Vendor**

Jie Hing, as the creditor of the Vendor, recognised the fairness of the consideration and shall be obliged to assist in the transaction and right to be notified of the relevant circumstances. In the event that certain Assets have been pledged to Jie Hing, Jie Hing shall unconditionally cooperate with the Vendor and Purchaser in handling relevant mortgage and pledge procedures before delivery, and the rights and debts between the Vendor and Jie Hing shall be resolved mutually by the Vendor and Jie Hing on their own.

### **Completion**

The completion of the Acquisition shall take place on the completion date which is within 20 business days from the date of signing of the completion confirmation.

### **Information of the Assets**

The Assets to be purchased by the Purchaser pursuant to the Sale and Purchase Agreement include showrooms, service centres, warehouses, warehouse carparks, fixed assets such as decoration, equipment and facilities, tools and office furniture, as well as test drives and office cars, vehicles in stock, spare parts in stock, etc.

Based on the audited financial statements of the Vendor, the net profit before taxation and extraordinary items attributable to the Assets for the year ended 31 December 2023 and the year ended 31 December 2022 were approximately HK\$80 million and HK\$7 million, respectively; whereas the net profit after taxation and extraordinary items attributable to the Assets for the year ended 31 December 2023 and the year ended 31 December 2022 were approximately HK\$68 million and HK\$6 million, respectively. Based on the unaudited management accounts prepared by the Vendor, the value of the Assets as at 30 September 2024 was approximately HK\$100 million.

### **Reasons for, and benefits of, the Acquisition**

The Group has been developing its new energy vehicle business internationally and believes in the prospects of the new energy vehicle business in Hong Kong.

With this Acquisition, the Group will become the sole distributor of BYD new energy vehicles in the Hong Kong market, and the Group will gain a larger market share and brand exposure, strengthening the position in the Hong Kong new energy vehicle market. This will help increase consumer awareness, leading to higher sales volume. Furthermore, with a broader sales network and enhanced after-sales service system, the Group can provide customers with more convenient and efficient car purchase and maintenance services. This will offer customers a better buying experience, enhance customer satisfaction, and contribute to building a loyal customer base.

In view of the above, the Board considers that the terms of the Acquisition are fair and reasonable, and the Acquisition is entered into in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and its shareholders as a whole.

## **INFORMATION OF THE PARTIES**

### **The Group**

The Company is an investment holding company and is incorporated in the Cayman Islands and the Shares are listed on the Main Board of the Stock Exchange (stock code: 3836). As a leading pure luxury and ultra-luxury car dealer group in the PRC, the Group focuses on the main business of selling luxury and ultra-luxury cars, and owns advantageous brands such as Rolls-Royce, Bentley, Ferrari, BMW and Lexus. The Purchaser is a company incorporated in Hong Kong with limited liability and is an indirect non-wholly-owned subsidiary of the Company.

## **Vendor**

The Vendor is a company incorporated in Hong Kong with limited liability, and is the agent of BYD in Hong Kong. The Vendor is principally engaged in sales and after-sales services of new energy vehicles. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **Jie Hing**

Jie Hing is a company incorporated in Hong Kong with limited liability. Jie Hing is principally engaged in general trading. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Jie Hing and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **Mr. Sze**

Mr. Sze is the director and shareholder of the Vendor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, he is a third party independent of the Company and its connected persons.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise.

<b>“Acquisition”</b>	the acquisition of the Assets by the Purchaser from the Vendor under the Sale and Purchase Agreement
<b>“Assets”</b>	showrooms, service centres, warehouses, warehouse car parks, fixed assets such as decoration, equipment and facilities, tools and office furniture, as well as test drives and office cars, vehicles in stock, spare parts in stock, etc.
<b>“Board”</b>	the board of Directors

<b>“BYD”</b>	BYD (HK) Company Limited, a company incorporated in Hong Kong with limited liability, which and its ultimate beneficial owners are third parties independent of the Company and its connected persons
<b>“Company”</b>	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
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company
<b>“HK\$”</b>	Hong Kong Dollar, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	The Hong Kong Special Administrative Region of the PRC
<b>“Jie Hing”</b>	Hong Kong Jie Hing Trading Company Limited (香港捷興貿易有限公司), a company incorporated in Hong Kong with limited liability
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Mr. Sze”</b>	Sze Shun Kit (施純杰), the director and shareholder of the Vendor
<b>“PRC”</b>	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
<b>“Purchaser”</b>	Harmony New Energy Auto Service (Hong Kong) Limited (和諧新能源汽車服務(香港)有限公司), a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of the Company

<b>“Sale and Purchase Agreement”</b>	the sale and purchase agreement dated 4 November 2024 entered into between the Purchaser and the Vendor in relation to the Acquisition
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Vendor”</b>	JC Motor Limited (聯大汽車有限公司), a company incorporated in Hong Kong with limited liability
<b>“%”</b>	per cent.

By order of the Board  
**China Harmony Auto Holding Limited**  
**Feng Changge**  
*Chairman and Executive Director*

Hong Kong, 4 November 2024

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