THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **China Harmony Auto Holding Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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; AND (3) NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

HALCYON 鎧盛

Capitalised terms used in this cover page have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 26 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 27 to 28 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 75 of this circular.

A notice convening the EGM to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 4:00 p.m. on Friday, 8 August 2025 is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed and such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.hexieauto.com.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

23 July 2025

CONTENTS

Page

DEFINITIONS 1

LETTER FROM THE BOARD 7

LETTER FROM THE INDEPENDENT BOARD COMMITTEE 27

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER 29

APPENDIX I — FINANCIAL INFORMATION OF THE GROUP I-1

APPENDIX II — VALUATION REPORT II-1

APPENDIX III — GENERAL INFORMATION III-1

NOTICE OF EGM EGM-1

In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below.

"Additional Shareholder's Loans"	the additional Shareholder's Loans which were or 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
"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 (as supplemented by a supplemental agreement dated 22 July 2025) entered into among the Company, EGL and Mr. Feng in relation to the Disposal
"Announcements"	the announcements of the Company dated 23 May 2025 and 22 July 2025 relating to, among other things, the Agreement and the transactions contemplated thereunder
"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 the letter from the Board contained in this circular
"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 the Agreement owing by Henan Hexie to HICL, which upon completion of the CS Loans 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 Latest Practicable Date
"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 Latest Practicable Date
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the ordinary resolution in respect of the Agreement and the transactions contemplated thereunder including the Disposal and the Capital Restructuring comprising the Preferred Loans
"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 including the Disposal and the Preferred Loans

"Independent Financial Adviser"	Halcyon Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser engaged by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder including the Disposal and the Preferred Loans
"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
"Latest Practicable Date"	18 July 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"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 708,364,660 Shares, representing approximately 46.50% of the total issued share capital of the Company as at the Latest Practicable Date
"NEV"	new energy vehicles
"PRC"	the People's Republic of China which, for the purpose of this circular, 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Loans"	the loans and advances together with the interest accrued thereof with aggregate outstanding amount of approximately RMB1,118.7 million as at the date of the Agreement owing by the Disposal Group to the Company and/or fellow subsidiaries of the Disposal Company
"Shareholder's Loan Assignment"	the assignment of the Shareholder's Loans to the effect that the Shareholder's Loans shall be owing by the Disposal Group to the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuation"	independent valuation of the equity interests of the Disposal Company as at 31 December 2024 conducted by the Valuer
"Valuer"	Valplus Consulting Limited, an independent valuer appointed by the Company to conduct the Valuation
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong

"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

* *For identification purpose only*

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)

Executive Directors:
Mr. FENG Changge *(Chairman)*
Mr. FENG Shaolun *(Deputy Chairman)*
Mr. LIU Fenglei *(President)*
Ms. MA Lintao *(Vice President)*
Mr. CHENG Junqiang *(Vice President)*

Independent non-executive Directors:
Mr. WANG Nengguang
Mr. LAU Kwok Fan
Mr. SUNG Ka Woon

Registered office:
Vistra (Cayman) Limited
P.O. Box 31119
Grand Pavilion Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

Principal Place of Business and Headquarters in the PRC:
15A, Tower A, World Trade Center Building
Shangwuneihuan Road
CBD Zhengdong New District
Zhengzhou, Henan Province
PRC

Principal Place of Business in Hong Kong:
Room 1915, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

23 July 2025

To the Shareholders

Dear Sir or Madam,

(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; AND (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE TO THE DISPOSAL GROUP

INTRODUCTION

Reference is made to the Announcements.

On 23 May 2025 and 22 July 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 the Agreement, the issued share capital of the Disposal Company was US$10,000 (equivalent to approximately RMB72,000), and the total amount of the Shareholder's Loans was 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. Based on the annual report of BYD Company Limited ("**BYD Company**") for the year ended 31 December 2024, the products of BYD Company have become favourites among global consumers and ranked among the best-selling new energy vehicles in several countries and the overseas sales of BYD Company achieved strong growth by RMB61.7 billion or 38.5% from RMB160.2 billion in 2023 to RMB221.9 billion in 2024. To further scale the overseas NEV business of the Disposal

Group, 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: According to an article headlined "Chinese NEVs gain popularity abroad" published on 14 April 2025 by China Daily, China shipped a total of 6.41 million vehicles overseas in 2024, a surge of 23% year-on-year. In view of the rapid advancements in vehicle electrification, coupled with supportive policies introduced by the PRC government in the market, the Company is positive in the long-term growth prospects and the competitiveness of Chinese NEV brands in overseas markets. However, 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.

The purpose of this circular is to provide you with information in respect of, among other things, (i) details of the Agreement and the transactions contemplated thereunder including, among other things, the Disposal and the Preferred Loans; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the Valuation Report prepared by the Valuer; (v) a notice of the EGM; and (vi) other information as required by the Listing Rules.

THE AGREEMENT

Date

23 May 2025 (as supplemented by a supplemental agreement dated 22 July 2025)

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 was wholly-owned by Mr. Feng who was interested in 708,364,660 Shares, representing approximately 46.50% of the total issued share capital of the Company as at the Latest Practicable Date. Accordingly, EGL is a connected person of the Company pursuant to the Listing Rules. As at the Latest Practicable Date, no investments were held by EGL.

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 Company 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 approximately 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 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 RMB2,914.7 million, with net liabilities attributable to owners of the Disposal Company of approximately RMB200.4 million. The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser but excluding the abstained Directors) have reviewed the Valuation Report. Having considered that (i) the income approach is not appropriate for the Valuation as (a) the Disposal Group was still in an early development stage with operating track record less than two years from the Valuation Date, and such historical data is not sufficient to form a reliable basis for projecting future performance the Disposal Group; and (b) the use of projections would involve a high level of uncertainty, long-term forecast estimates and underlying assumptions; (ii) the market approach is also not appropriate as (a) there are insufficient relevant comparable transactions and companies to form a reliable basis for the Valuation after considering the uniqueness of the Disposal Group's pure NEVs distribution business model; and (b) given the short operating track records of the Disposal Group, the market approach based on latest financial metrices is not reasonable and applicable after considering the development status, business scale and operating losses of the Disposal Group; (iii) the adjusted net assets method under the asset approach is an appropriate and commonly used method for the valuation of an asset-intensive company, like the Disposal Company; and (iv) the key assumptions adopted by the Valuer in the Valuation are general assumptions commonly used for transactions of similar nature, the Directors are of view that the valuation method and the key assumptions adopted by the Valuer are fair and reasonable. Further details of the Valuation, including the methodology and assumptions adopted, are set out in the valuation report in Appendix II to this circular.

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 after taking into account the principal amount of the Sale Loan of RMB80 million. The Sale Loan Consideration 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 owing by the Company to EGL as at Disposal Completion 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 was 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. Such accrued interest shall be payable on demand and shall be settled by cash. As at the Latest Practicable Date, the accrued interest of the CS Loans was approximately RMB15.6 million.

Directors' view

Taking into account that (i) the Sale Share Consideration is equivalent to 45% of the Restructured Capital of the Disposal Group and exceeds 45% of the Adjusted NAV by an amount of approximately RMB90.9 million; (ii) the Sale Loan Consideration is equivalent to the principal amount of the Sale Loan on a dollar for dollar basis; (iii) the Consideration shall be payable by the Set-Off on a dollar-for-dollar basis; and (iv) reasons for and benefits of the Disposal as set out in the section headed "Reasons for and benefits of the Disposal" below, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent

Financial Adviser but excluding the abstained Directors) are of the view that the Consideration is fair and reasonable, and the Disposal is carried out 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 Independent Shareholders passing at the EGM an ordinary resolution approving among others, the entering into, execution, delivery and performance of the Agreement and the transactions and arrangements contemplated thereunder, including without limitation the Disposal and the Capital Restructuring comprising the Preferred Loans;

(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.

As at the Latest Practicable Date, none of the above conditions had been fulfilled. Regarding condition precedent (v), pursuant to certain distributorship agreements entered into between the Group and the manufacturers, the Group is required to obtain consents from the manufacturers regarding the shareholding change contemplated under the Agreement. The Company is optimistic that all necessary consents from the manufacturers will be obtained prior to the Disposal Completion. Up to the Latest Practicable Date, save for the consent required from the Group's

manufacturers, no other consent is required from any relevant government, regulatory authorities or other relevant third parties in relation to the Agreement and the transactions contemplated thereunder.

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.

Undertakings in relation to the Convertible Notes

Pursuant to the Agreement, each of the Company and EGL has irrevocably and unconditionally undertaken that, following Disposal Completion, in the event that each of them exercises any part of its conversion rights attaching to their respective Convertible Notes, the other one must exercise its conversion rights attaching to its respective Convertible Notes to the same extent, such that upon exercise of the conversion rights by each of the Company and EGL under their respective Convertible Notes, the respective equity interests of the Company and EGL in the Disposal Company shall remain as 55% and 45%, respectively.

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.

Save as disclosed above, no other undertakings provided by Mr. Feng to the Company in relation to the Disposal.

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). As at the Latest Practicable Date, the Company and/or other fellow subsidiaries of the Disposal Company provided the Additional Shareholder's Loans of approximately RMB8.0 million to the Disposal Group. The Group would consider to provide further Additional Shareholder's Loans prior to Disposal Completion should the Disposal Group require additional funding during this period. Taking into account that (i) the Disposal Company remains the wholly-owned subsidiary of the Company prior to Disposal Completion; (ii) the provision of Additional Shareholder's Loans serves as a financial buffer to address the unforeseen funding needs of the Disposal Group during such period; and (iii) assuming an interest rate of 4.0% per annum (being the same as that of the Preferred Loans) were to be applied to the Additional Shareholder's Loans, the potential interest income foregone would be minimal, the Board considers that the interest free arrangement of the Additional Shareholder's Loans is acceptable in the circumstances.

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 (if any), will be converted into the Preferred Loans repayable in two years from the date of completion of the Capital Restructuring. Given that the Preferred Loans primarily consist of the Shareholder's Loans previously extended by the Company to the Disposal Group for business development and working capital purposes, and considering that the Disposal Group remains in an expansion phase, the Company considers that it is reasonable to allow an appropriate repayment period of two years. This will provide the Disposal Group with sufficient time to stabilise operations, generate revenue, and improve liquidity, thereby avoiding undue strain on its working capital and ensuring continued operational flexibility. At the same time, it balances the Company's need for eventual recovery, creating a commercially reasonable timeline that supports growth while safeguarding financial interests. 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. The interest rate of Preferred Loans was determined with reference to the prevailing market interest rates offered by the Group's primary lending banks in the PRC and Hong Kong for the bank loans of the Group (excluding those of the Disposal Group). As the Preferred Loans were original Shareholder's Loans granted to the Disposal Group, and that the Disposal Group will continue to be managed by the same management who are also senior management of the Company, no security is required for the Preferred Loans.

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 (i.e. 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, 45% of which in the principal amount of RMB80 million is the subject of the Sale Loan, which will be sold to EGL pursuant to the Agreement. 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 Company 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 new shares (calculated by the principal amount of all Convertible Notes of RMB177,777,777 divided by the exchange rate of RMB7.2/US$1, and then divided by US$1 per conversion share) 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, of which 13,580,246 new shares to be allotted and issued by the Disposal Company upon the exercise of the conversion rights attaching to the Convertible Notes in the principal amount of RMB97,777,777 and 11,111,111 new shares to be allotted and issued by the Disposal Company upon the exercise of the conversion rights attaching to the Convertible Notes in the principal amount of RMB80,000,000
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.
Transferability	:	save and except the transfer of the Convertible Notes to EGL pursuant to the Agreement, the Convertible Notes or any rights and obligations thereunder may not be transferred or assigned by the holder thereof to any third party without the written consent of the Disposal Company and all other holder(s) of the Convertible Notes.

Upon Disposal Completion, the Convertible Notes will be held by the Company and EGL in proportion to their respective shareholdings in the Disposal Company, reflecting their proportional investment. As such, no security is required for the Convertible Notes. The interest rate, the term of two years and no security for the Convertible Notes were determined on the same basis for the Preferred Loans as mentioned above.

Pursuant to the Agreement, each of the Company and EGL has irrevocably and unconditionally undertaken that, following Disposal Completion, in the event that each of them exercises any part of its conversion rights attaching to their respective Convertible Notes, the other one must exercise its conversion rights attaching to its respective Convertible Notes to the same extent, such that upon exercise of the conversion rights by each of the Company and EGL under their respective Convertible Notes, the respective equity interests of the Company and EGL in the Disposal Company shall remain as 55% and 45%, respectively. As at the Latest Practicable Date, the Company and EGL had no intention to exercise the conversion rights attaching to the Convertible Notes.

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 and strategic considerations including but not limited to the market conditions in the NEV sector, relevant government policies, business development and financial performance of the Disposal Group, 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 Latest Practicable Date, the Disposal Group had 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, a leading automobile manufacturer in the PRC, to distribute and provide after-sales services for two new automobiles brands, namely BYD and DENZA, through establishment of distribution outlets and services centres, across various locations outside Mainland China. As at the Latest Practicable Date, the Disposal Group had 51 4S centres, 43 showrooms and 6 service centres spanning across Hong Kong, Cambodia, the Philippines, Singapore, Japan, Indonesia, Thailand, Malaysia, Australia, the United Kingdom, France, Poland, etc. As at the Latest Practicable Date, the Disposal Group was 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**
	RMB million	*RMB million*
Revenue	1,935.1*(Note)*	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.

Note: The intra-group balances of the Disposal Group in the amount of approximately RMB146.7 million were included.

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.

In recent years, the PRC government has introduced supportive policies to foster the development and overseas expansion of the NEV sector. For instance, in 2020, the National Development and Reform Commission issued the "新能源汽車產業發展規劃 (2021–2035年) (New Energy Vehicle Industry Development Plan (2021–2035)*)", which laid down the overall direction of the PRC government to accelerate the internationalisation of Chinese NEVs and encourage companies to explore overseas markets. Further reinforcing this commitment, a CCTV News article titled "遏制盲目投資、堅持走出去中國汽車產業發展關注這些事 (The Main Focus of China's Automotive Industry Development: Curbing Blind Investment and Adhering to Going Global*)" dated 1 September 2024 highlighted the government's continued support for NEV enterprises expanding internationally. Additionally, the PRC government has implemented various tax incentives to boost NEV adoption. Notably, in 2023, it extended the NEV tax exemption policy through 2027.

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 new automobiles 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. The industry challenges include substantial upfront costs, such as market research and dealership outlets setup costs, and working capital strained by inventory financing and manufacturer prepayment policies. As the Disposal Group is still in its organic growth phase and may require time to achieve profitability due to upfront operational and market penetration costs for further expansion, 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. The Disposal Group targets to reach a total sales network of 155 BYD and DENZA stores and expand its footprint to European countries such as Italy and Hungary, as well as certain countries in Middle East and Africa by the end of 2025. This business plan is not a mandatory target agreed between the Disposal Group and the manufacturers, but rather an ambitious development goal designed to swiftly capture target markets. The upfront investment required to execute this business plan in 2025 is estimated to be approximately RMB577.8 million, which would be funded by the Disposal Group's internal resources and/or external equity financing. The working capital needs for the Group's existing business operation could be supported by its internal resources, while the extra working capital required for the aforesaid expansion, which is estimated to be approximately RMB1.2 billion, would be covered by the Disposal Group's internal resources and/or external debt financing, scaling in line with its expanding sales network.

Having considered the above, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser but excluding the abstained Directors) 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

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 the excess of Consideration received regarding the Disposal of approximately RMB88.9 million would be recorded in equity (reserves) 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.

Shareholders are advised that the excess of Consideration received recognised in reserves in relation to the Disposal is for illustrative purposes only and is estimated based on the information currently available. The actual amount 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.

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 Convertible Notes

To facilitate the Disposal, the Company proposed to implement the Capital Restructuring, which includes converting approximately RMB177.8 million of the Shareholder's Loans into the Convertible Notes. At the time of issuance, the Disposal Company shall remain a wholly-owned subsidiary of the Company and therefore, the issuance of the Convertible Notes would not constitute a transaction for the Company.

The Listing Rules implications regarding the disposal of 45% of the Convertible Notes (i.e. the Sale Loan) are disclosed in the paragraph headed "In respect of the Disposal" above.

In respect of the connected transactions

EGL was wholly-owned by Mr. Feng, who was the Chairman of the Board, an executive Director and a controlling Shareholder interested in 708,364,660 Shares, representing approximately 46.50% of the total issued share capital of the Company as at the Latest Practicable Date. 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 and the Preferred Loans shall 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.

Mr. Feng, an executive Director, chairman of the Board and controlling Shareholder, is a beneficial owner of EGL and has a material interest in the Agreement and the transactions contemplated thereunder including the Disposal and the Preferred Loans, and therefore, he and his associates, Ms. Ma Lintao and Mr. Feng Shaolun, both are executive Directors and controlling Shareholders, have abstained from voting on the Board resolution(s) proposed to approve the Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Director has any material interest in the Agreement and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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 and advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder including, the Disposal and the Preferred Loans are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and as to the voting thereof.

Halcyon Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among other things, the ordinary resolution in respect of the Agreement and the transactions contemplated thereunder including the Disposal and the Capital Restructuring comprising the Preferred Loans.

The notice convening the EGM to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 4:00 p.m. on Friday, 8 August 2025, is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed and such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.hexieauto.com.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

As at the Latest Practicable Date, Mr. Feng through his associate, Eagle Seeker Company Limited, was interested or deemed to be interested in aggregate interests of 708,364,660 Shares, representing approximately 46.50% of the issued share capital of the Company. Pursuant to the Listing Rules, Eagle Seeker Company Limited, being an associate of Mr. Feng, is required to and will abstain from voting on the ordinary resolution in respect of the Agreement and the transactions contemplated thereunder including the Disposal and the Capital Restructuring comprising the Preferred Loans 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 and the transactions contemplated thereunder including the Disposal and the Capital Restructuring comprising the Preferred Loans and will be required to abstain from voting at the EGM.

As disclosed in the announcement of the Company dated 21 July 2025, the register of members of the Company will be closed from Tuesday, 5 August 2025 to Friday, 8 August 2025 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser but excluding the abstained Directors) consider that, although the Agreement and the transactions contemplated thereunder including the Disposal and the Preferred Loans are not in the ordinary and usual course of the Company's business, the terms of the Agreement and the transactions contemplated thereunder including the Disposal and the Preferred Loans are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser

but excluding the abstained Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

WARNING

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.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 27 to 28 of this circular which contains its recommendation to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder including the Disposal and the Preferred Loans and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 29 to 75 of this circular in this regard.

Your attention is also drawn to the appendices to this circular, which contain further information about the Group and other information as required pursuant to the Listing Rules.

Yours faithfully,
For and on behalf of the Board
China Harmony Auto Holding Limited
Liu Fenglei
CEO and Executive Director

The following is the full text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.

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)

23 July 2025

To the Independent Shareholders

Dear Sir/Madam,

(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; AND (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE TO THE DISPOSAL GROUP

We refer to the circular of the Company dated 23 July 2025 (the "**Circular**") of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder including the Disposal and the Preferred Loans are in the ordinary and usual course of business and whether the terms thereof are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and as to the voting thereof, and to advise the Independent Shareholders how to vote at the EGM. Halcyon

Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice are contained in its letter set out on pages 29 to 75 of the Circular.

Having taken into account the advice given by the Independent Financial Adviser, we considered that although the Agreement and the transactions contemplated thereunder including the Disposal and the Preferred Loans are not in the ordinary and usual course of the Company's business, the terms of the Agreement and the transactions contemplated thereunder including the Disposal and the Preferred Loans are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve, among other things, the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. WANG Nengguang **Mr. LAU Kwok Fan** **Mr. SUNG Ka Woon**

Independent non-executive Directors

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of the inclusion in this circular.

Rm 3401, 34/F,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

23 July 2025

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(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; AND (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE TO THE DISPOSAL GROUP

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into the agreement dated 23 May 2025 (as supplemented by a supplemental agreement dated 22 July 2025) (the "**Agreement**") with EGL as purchaser and Mr. Feng as purchaser's guarantor, 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 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 (the "**Disposal**"). Details of the Agreement and transactions contemplated thereunder (including the Disposal and the Preferred Loans) (the "**Transactions**") are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 23 July 2025 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meaning as those defined in the Circular.

As at the Latest Practicable Date, Mr. Feng, the Chairman of the Board and executive Director, through his associate, Eagle Seeker Company Limited, was interested or deemed to be interested in aggregate interests of 708,364,660 Shares, representing approximately 46.50% of the total issued share capital of the Company. Accordingly, EGL, being wholly-owned by Mr. Feng, is a connected person of the Company pursuant to the Listing Rules. As EGL is a connected person of the Company, the transactions contemplated under the Agreement (including the Disposal and the Preferred Loans) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Furthermore, as one of the applicable percentage ratios of certain transactions contemplated under the Agreement exceeds 25% but all are less than 75%, as such apart from being a connected transaction, certain transactions contemplated under the Agreement also constitute major transaction of the Company, and therefore the Transactions are subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. EGL and its associates and any Shareholders who are materially interested in the Transactions shall abstain from voting on the ordinary resolution in relation to the Transactions.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wang Nengguang, Mr. Lau Kwok Fan and Mr. Sung Ka Woon has been established to advise the Independent Shareholders as to whether the terms of the Agreement, the Disposal and the Preferred Loans are fair and reasonable, on normal comercial terms so far as the Independent Shareholders are concerned and is in the interest of the Company and the Independent Shareholders as a whole and as to voting thereof. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In the last two years from the date of our appointment, we have no other relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees paid or payable to us in connection with our appointment, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions that could reasonably be regarded as relevant to our independence. We are therefore independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Transactions.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us or referred to in the announcements of the Company dated 23 May

2025 and 22 July 2025 and the Circular, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and made after due and careful inquiry by the Directors and/or management of the Company. We have been advised by the Directors and/or the management of the Company that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company including the Agreement and certain published information from the public domain. We have also discussed with the Directors and/or the management of the Company with respect to the terms of and reasons for the transactions contemplated under the Agreement (including the Disposal and the Preferred Loans) and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, legal position, financial position or prospects of the Group, the Disposal Company, any members of the Disposal Group, EGL, Mr. Feng and each of their respective associates, and the parties involved in the transactions contemplated under the Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the transactions contemplated under the Agreement, we have considered the following principal factors and reasons:

1. Background to and reasons for the entering into of the Transactions

The Company is a company incorporated under in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. 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 and recognition.

As stated in the "Letter from the Board" of the Circular, in recent years, the PRC government has introduced a series of supportive policies to foster the development and overseas expansion of the NEV sector. For instance, in 2020, the National Development and Reform Commission issued the 新能源汽車產業發展規劃 (2021-2035年) (New Energy Vehicle Industry Development Plan (2021-2035)*)", which laid down the overall direction of the PRC government to accelerate the internationalisation of Chinese NEVs and encourage companies to explore overseas markets. Further reinforcing this commitment, a CCTV News article titled "遏制盲目投資、堅持走出去中國汽車產業發展關注這些事 (The Main Focus of China's Automotive Industry Development: Curbing Blind Investment and Adhering to Going Global*)" dated 1 September 2024 highlighted the PRC government's continued support for NEV enterprises expanding internationally. Additionally, the PRC government has implemented various tax incentives to boost NEV adoption. Notably, in 2023, it extended the NEV tax exemption policy through 2027.

According to the statistics released by the China Association of Automobile Manufacturers (the "**CAAM**") on 13 January 2025, China's NEV brands experienced significant growth in 2024, with total sales exceeding 12.866 million units, representing a year-on-year increase of around 35.5%, and accounting for approximately 40.9% of the total car sales 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 demonstrate the substantial growth opportunities presented by the export markets for Chinese NEVs, which the Company considers itself 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. The industry challenges include substantial upfront costs, such as market research and dealership outlets setup costs, and working capital strained by inventory financing and manufacturer prepayment policies. As the Disposal Group is still in its organic growth phase and may require time to achieve profitability due to upfront operational and market penetration costs for further expansion, 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.

The Disposal Group had 51 4S centres, 43 showrooms and 6 service centres spanning across Hong Kong, Cambodia, the Philippines, Singapore, Japan, Indonesia, Thailand, Malaysia, Australia, the United Kingdom, France, Poland, etc, of which majority of the overseas sales location have been loss making for the year ended 31 December 2024 with an aggregate loss of RMB194.9 million. We understand from the management of the Group that, most of the sales network overseas were newly established and have not yet become profitable as of 31 December 2024. As discussed with the management of the Company and noted from the Group's business plan, the Disposal Group planned to among other things, (i) continue its organic growth and reach a sales network of over 150 showrooms, services centers, 4S Centers by the end of this year; and (ii) expand its footprint to European countries such as Italy and Hungary, as well as certain countries in Middle East and Africa by the end of 2025, which in the upfront investment required to execute this business plan in 2025 is estimated to be approximately RMB577.8 million, which is expected to be funded by the Disposal Group's internal resources and/or external equity financing. The working capital needs for the Group's existing business operation could be supported by its internal resources, while the extra working capital required for the aforesaid expansion, which is estimated to be approximately RMB1.2 billion, would be covered by the Disposal Group's internal resources and/or external debt financing, scaling in line with its expanding sales network.

Considering the liquidity balance of the Group (with the Group recording negative operating cashflow in 2024, cash and cash equivalent balance of only HK$1.1 billion while current bank loans and other borrowings balances repayable within one year amounted to RMB3.4 billion), the loss-making condition of the Disposal Group during the development stage of operations together with the additional capital required referring to the business plan of the Disposal Group as mentioned above, such liquidity requirement would be considered burdensome to the Group as pursuant to the "Letter from the Board" of the Circular, the upfront investment required to execute this business plan in 2025 is estimated to be approximately RMB577.8 million and the extra working capital required for the Disposal Group's expansion, which is estimated to be approximately RMB1.2 billion, both of which is expected to be funded by the Disposal Group's internal resources and/or external equity financing.

Considering the above-mentioned operating conditions, the Directors are of the view that the entering into of the Agreement and the transactions as contemplated thereunder will allow the Group to diversify and mitigate the Group's financial exposure by reducing its equity interest in the Disposal Group given the Disposal Group is still in its growth phrase while allowing the Group to continue to enjoy the expected long-term growth prospects and competitive positioning of Chinese NEV brands in international markets. In view of such, the Directors are of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

2. Information of the Group

The Group is principally engaged in the sales of automobiles and provision of after-sales services. Since 2005, the Group has been operating 4S automobile dealership outlets in the PRC, specializing in luxury and ultra-luxury automobile brands as an authorized dealer. Taking into account the global economic downturn, causing a challenging operating environment for ultra-luxury automobile dealerships, coupled with the favourable environmental policies and a shift in consumer preference, the Group expanded into NEV sector since late 2023.

2.1 Financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the financial years ended 31 December 2022 ("**FY2022**"), 31 December 2023 ("**FY2023**") and 31 December 2024 ("**FY2024**"), as extracted from the 2022 Annual Report, 2023 Annual Report and 2024 Annual Report:

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Revenue	16,321,659	16,579,232	15,617,447
— Revenue from the sale of automobiles and others	14,324,782	14,209,334	13,373,660
— Provision of after-sales services	1,936,818	2,319,816	2,200,713
— Revenue from other sources	60,059	50,082	43,074
Cost of sales and services	(15,241,990)	(15,615,198)	(14,917,715)
Gross Profit	1,079,669	964,034	699,732
Other income and gains, net *(note)*	(1,232,990)	193,747	432,589
Loss before income tax	(1,507,285)	(178,379)	(314,147)
Loss for the year	(1,622,804)	(241,524)	(285,735)
Loss attributable to owners of the equity	(1,627,762)	(252,194)	(291,070)

*Note: The other income and gains, net includes impairment loss on advance to and interest receivables from Independent Aftersales Company ("**IAC**") amounting to RMB354.6 million, RMB218.2 million and RMB139.6 million for each of the FY2022, FY2023 and FY2024.*

For FY2022 and FY2023

Revenue of the Group increased slightly by approximately 1.6% from RMB16,321.70 million in FY2022 to RMB16,579.2 million for FY2023. Revenue from sales of automobiles and others is the largest contributor, which accounted for about 85.7% of total revenue, while the provision of after-sales services segment contributed approximately 14.0% of the revenue of the Group. The sales of automobiles and others segment recorded a 0.8% decrease in FY2023 compared to its corresponding period in FY2022 and the revenue from the provision of after-sales services segment grew 19.8% from RMB1,936.8 million in FY2022 to RMB2,319.8 million in FY2023 as a result of the increase in provision of after sales services during the year. In line with the increase in revenue, the Group's cost of sales and services rose by 2.5% from RMB15,242.0 million in FY2022 to RMB15,615.2 million in FY2023.

Owing to the impact of weak consumption spending caused by the macro economy and the decline in NEV prices, the gross profit from sales of automobiles and others recorded a decrease of 86.6% from RMB234.9 million generated in FY2022 to RMB31.4 million in FY2023. The drop was partly offset by the growth in gross profit from the provision of after-sales services of approximately 12.5% from RMB784.7 million recorded in FY2022 to RMB882.5 million for FY2023. Overall, the gross profit for FY2022 was RMB1,079.7 million compared to RMB964.0 million in FY2023 representing a decrease of 10.7% and the gross profit margin decreased from 6.6% in FY2022 to 5.8% in FY2023 primarily due to a reduction in NEV prices.

In addition, the Group also recorded other income and gains, net, of RMB193.7 million in FY2023 compared to an other loss, net, of RMB1,233.0 million in FY2022. The other income and gains, net, mainly comprised commission income, interest income, and sponsorship fees received from automobile manufacturers and amounting to RMB522.2 million which was partially offset by certain non-recurring losses of RMB413.1 million resulting from the writing off of property, plant and equipment due to store closures and relocation, expected credit losses on the advances to and interest receivable from IAC (a company in which the Group has a 19.8% equity interest), and impairment loss made on the prepayments, other receivables and other assets made to an independent third party provider of corporate management advisory and investment services during the year. The reversal to recording other income and gains for FY2023 as compared to the other loss in FY2022 was mainly due to the decrease in certain non-recurring losses in FY2023.

The Group also recorded additional finance costs of approximately 8.9% from RMB121.3 million in FY2022 to RMB132.0 million in FY2023 as a result of an increase in average balance of borrowings, which was slightly offset by a decrease of approximately 2.7% in the Group's selling and administrative expenses, from RMB1,229.0 million in FY2022 to RMB1,195.4 million in FY2023.

As a result of the above factors, during FY2023, an improvement in loss for the year of RMB241.5 million was recorded as compared to a loss of RMB1,622.8 million in FY2022 mainly attributable to the decrease in non-recurring losses.

For FY2023 and FY2024

The revenue of the Group in FY2024 decreased by 5.8% from RMB16,579.2 million to RMB15,617.4 million. Revenue from sales of automobiles and others remained to be the largest contributor accounting for 85.6% of the total revenue, while revenue from provision of after-sales services accounted for approximately 14.1% of the total revenue. The revenue from sales of automobiles and others was RMB13,373.7 million in FY2024, representing a reduction of approximately 5.9% from RMB14,209.3 million recorded in the corresponding period in FY2023

and revenue from the provision of after-sales services amounted to RMB2,200.7 million, representing a decrease of 5.1% as compared with RMB2,319.8 million in FY2023. The decrease was mainly attributable to the decrease in relevant services provided by the Disposal Group.

In line with the lessened revenue, the Group recorded a reduction of approximately 4.5% in the cost of sales and services from RMB15,615.2 million in FY2023 to RMB14,917.7 million in FY2024. The gross profit of the Group for FY2024 was RMB699.7 million representing a decrease of 27.4% compared to RMB964.0 million in FY2023. The gross profit margin of the Group for FY2024 also decreased to 4.5% compared to 5.8% for FY2023. The reduced gross profit was mainly due to the Group recording a gross loss of RMB82.3 million for FY2024 from sales of automobiles mainly brought on by the impact of weak consumer spending and subdued economic growth. The gross profit from provision of after sales services also dropped from RMB882.5 million in 2023 to RMB739.0 million in 2024.

The Group also recorded other income and gains, net of RMB432.6 million in FY2024 compared to other income and gains, net of RMB193.7 million in FY2023, primarily due to receiving more commission income, and a decrease in the written off of property, plant and equipment and no impairment loss on prepayment recorded in FY2024 and less impairment loss recorded on advances to and interest receivables from IAC. However, there was a 10.4% increase in administrative expenses from RMB337.6 million in FY2023 to RMB372.6 million in FY2024 driven by the Group's international expansion strategy and a 32.3% increase in finance costs from RMB132.0 million in FY2023 to RMB174.6 million in FY2024 due to increase in borrowing interests resulting from the expansion of international distribution outlets and average outstanding of bank borrowings.

As a result of the above, the Group recorded a deterioration in loss for the year of RMB285.7 million in FY2024 as compared to the loss of RMB241.5 million recorded in FY2023.

2.2 Financial position of the Group

The table below summarises the assets and liabilities of the Group as at 31 December 2022, 31 December 2023 and 2024 as extracted from the 2023 Annual Report and 2024 Annual Report:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Non-current assets	4,860,204	4,498,947	5,223,830
Current assets	5,942,353	6,336,219	7,023,475
Total assets	10,802,557	10,835,166	12,247,305
Non-current liabilities	876,323	861,877	1,190,312
Current liabilities	3,899,527	4,308,122	5,803,757
Total liabilities	4,775,850	5,169,999	6,994,069
Net assets	6,026,707	5,665,167	5,253,236
Equity attributable to the owners of the Company	5,946,823	5,572,299	5,173,726
Non-controlling interests	79,884	92,868	79,510
Total equity	6,026,707	5,665,167	5,253,236
Pledged and restricted bank deposit	220,347	498,791	313,845
Cash in transit	24,070	17,256	12,715
Cash and cash equivalent	1,161,992	1,048,193	1,107,974
Cash and bank balance	1,406,409	1,564,240	1,434,534
Bank loans and other borrowings	2,083,023	2,181,545	3,418,985
Gearing Ratio *(note)*	44.2%	47.7%	57.1%

Note: The gearing ratio of the Group is calculated by the total liabilities divided by the total assets

As at 31 December 2023

Total assets

As at 31 December 2023, the total assets of the Group mainly comprising (i) property, plant and equipment of RMB2,858.2 million; (ii) right of use assets of RMB839.1 million; (iii) inventories of RMB1,479.7 million; (iv) prepayments, other receivables and other assets of

RMB2,971.8 million; and (v) cash and bank balances of RMB1,048.2 million. The total assets of the Group as at 31 December 2023 was RMB10,835.2 million, which was comparable to that of RMB10,802.6 million as at 31 December 2022.

Total liabilities

The total liabilities of the Group as at 31 December 2023 was approximately RMB5,170.0 million mainly consisting of (i) total borrowings of RMB2,181.5 million; (ii) trade and bill payables of RMB1,030.0 million; (iii) contract liabilities of RMB504.5 million; (iv) other payables and accruals of 384.7 million; and (v) lease liabilities amounting to RMB931.8 million. The total liabilities of the Group increased approximately 8.3% compared to RMB4,775.9 million as at 31 December 2022. The increase was largely attributable to increased total borrowings and trade and bill payables.

As a result of the above, the Group recorded net asset value of RMB5,665.2 million as at 31 December 2023 and the gearing ratio representing the total liabilities divided by total assets was 47.7% as at 31 December 2023 compared to 44.2% as at 31 December 2022.

As at 31 December 2024

Total assets

As at 31 December 2024, the total assets of the Group was approximately RMB12,247.3 million, mainly composed of (i) property, plant and equipment of RMB3,266.3 million; (ii) right of use assets of RMB1,265.1 million; (iii) inventories of RMB1,921.9 million; (iv) prepayments, other receivables and other assets of RMB3,211.2 million; and (v) cash and bank balances of RMB1,108.0 million. The total assets of the Group increased by approximately 13.0% from RMB10,835.2 million as at 31 December 2023. The increase was largely attributable to increase in the abovesaid key components.

Total liabilities

The total liabilities of the Group as at 31 December 2024 was approximately RMB6,994.1 million mainly consisting of (i) total borrowings of RMB3,419.0 million; (ii) trade and bill payables of RMB855.2 million; (iii) contract liabilities of RMB879.3 million; (iv) other payables and accruals of RMB444.6 million; and (v) lease liabilities amounting to RMB1,323.8 million. The total liabilities of the Group increased approximately 35.3% compared to RMB5,170.0 million as at 31 December 2023. The increase was largely attributable to increased bank loans and other borrowings and lease liabilities.

As a result of the above, the Group recorded net asset value of RMB5,253.2 million as at 31 December 2024 and the gearing ratio was 57.1% as at 31 December 2024 compared to 47.7% recorded as at 31 December 2023.

3. Information on the EGL and Mr. Feng

EGL is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Feng and as at the Latest Practicable Date, there were no investments held by the EGL. As at the Latest Practicable Date, Mr. Feng is the Chairman of the Board, an executive Director and a controlling Shareholder who is interested in 708,364,660 Shares, representing approximately 46.50% of the total issued share capital of the Company. Accordingly, EGL is a connected person of the Company pursuant to the Listing Rules.

Mr. Feng was appointed as an executive Director of the Company on 24 September 2012 and is responsible for the overall strategic and overseas business direction of the Group. He is the founder of the Group, and has been in the automobile industry since 2005.

4. Principal terms of the Agreement

The principal terms of the Agreement are set out as follows:

(a) The Agreement

Date:	23 May 2025 (as supplemented by a supplemental agreement dated 22 July 2025)
Parties:	(i) The Company, as vendor; (ii) EGL, as purchaser; and (iii) Mr. Feng, as purchaser's guarantor.
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 the 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 the 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 approximately RMB90.9 million.

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 after taking into account the principal amount of the Sale Loan of RMB80 million. The Sale Loan Consideration 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. Such accrued interest shall be payable on demand and shall be settled by cash. As at the Latest Practicable Date, the accrued interest of the CS Loans was approximately RMB15.6 million.

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 Independent Shareholders passing at the EGM an ordinary resolution approving among others, the entering into, execution, delivery and performance of the Agreement and the transactions and arrangements contemplated thereunder, including without limitation the Disposal and the Capital Restructuring comprising the Preferred Loans;

(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.

As at the Latest Practicable Date, none of the above conditions had been fulfilled. Regarding condition precedent (v), pursuant to certain distributorship agreements entered into between the Group and the manufacturers, the Group is required to obtain consents from the manufacturers regarding the shareholding change contemplated under the Agreement. The Company is optimistic that all necessary consent from the manufacturers will be obtained prior to the Disposal Completion. Up to the Latest Practicable Date, save for the consent required from the Group's manufacturers, no other consent is required from any relevant government, regulatory authorities or other relevant third parties in relation to the Agreement and the transactions contemplated thereunder.

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.

Undertakings in relation to the Convertible Notes

Pursuant to the Agreement, each of the Company and EGL has irrevocably and unconditionally undertaken that, following Disposal Completion, in the event that each of them exercises any part of its conversion rights attaching to their respective Convertible Notes, the other one must exercise its conversion rights attaching to its respective Convertible Notes to the same extent, such that upon exercise of the conversion rights by each of the Company and EGL under their respective Convertible Notes, the respective equity interests of the Company and EGL in the Disposal Company shall remain as 55% and 45%, respectively.

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.

Save as disclosed above, no other undertakings were provided by Mr. Feng to the Company in relation to the Disposal.

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). As at the Latest Practicable Date, the Company and/or other fellow subsidiaries of the Disposal Company provided the Additional Shareholder's Loans of approximately RMB8 million to the Disposal Group. The Group would consider to provide further Additional Shareholder's Loans prior to Disposal Completion should the Disposal Group require additional funding during this period.

Taking into account that (i) the Disposal Company is the wholly-owned subsidiary of the Company before Disposal Completion; (ii) the Additional Shareholder's Loans serves as a buffer to address the unforeseen financial needs of the Disposal Group during such period; and (iii) even if an interest rate of 4.0% per annum (equivalent to the interest rate of the Preferred Loans) is assumed on the Additional Shareholder's Loans, the interest income on the Additional Shareholder's Loans during such period is expected to be minimal and would be eliminated during consolidation, the Board considers and we concur that the interest free arrangement of the Additional Shareholder's Loans is acceptable in the circumstances.

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.

(b) 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.

(c) 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).

(d) The Preferred Loans

The Shareholder's Loans in the amount of approximately RMB385.4 million (primarily consist of shareholder loan extended by the Company to the Disposal Group for business development and working capital purposes,) together with such amount of the Additional Shareholder's Loans (if any), 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. The interest rate of Preferred Loans was determined with reference to the prevailing market interest rates offered by the Group's primary lending banks in the PRC and Hong Kong for the bank loans of the Group (excluding those of the Disposal Group). As the Preferred Loans were original Shareholder's Loans granted to the Disposal Group, and that the Disposal Group will continue to be managed by the same management who are also senior management of the Company, no security is required for the Preferred Loans. When determining the term of the Preferred Loan, the Company took into consideration the Disposal Group's ongoing development and financial stability and in order not to trigger immediate repayment of a substantial loan amount which will provide the Disposal Group with sufficient time to stabilise operations, generate revenue, and improve liquidity, thereby avoiding undue strain on its working capital and ensuring continued operational flexibility and therefore the Company considers that it is reasonable to allow an appropriate repayment period of two years.

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.

(e) 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, 45% of which in the principal amount of RMB80 million is the subject of the Sale Loan which will be sold to EGL pursuant to the Agreement. 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 new shares (calculated by the principal amount of all Convertible Notes of RMB177,777,777 divided by the exchange rate of RMB7.2/US$1, and then divided by US$1 per conversion share) 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, of which 13,580,246 new shares to be allotted and issued by the Disposal Company upon the exercise of the conversion rights attaching to the Convertible Notes in the principal amount of RMB97,777,777 and 11,111,111 new shares to be allotted and issued by the Disposal Company upon the exercise of the conversion rights attaching to the Convertible Notes in the principal amount of RMB80,000,000.

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.
Transferability:	Save and except the transfer of the Convertible Notes to EGL pursuant to the Agreement, the Convertible Notes or any rights and obligations thereunder may not be transferred or assigned by the holder thereof to any third party without the written consent of the Disposal Company and all other holder(s) of the Convertible Notes.

Upon Disposal Completion, the Convertible Notes will be held by the Company and EGL in proportion to their respective shareholdings in the Disposal Company, reflecting their proportional investment. As such, no security is required for the Convertible Notes. The interest rate, the term of two years and no security for the Convertible Notes were determined on the same basis for the Preferred Loans as mentioned above.

Pursuant to the Agreement, each of the Company and EGL has irrevocably and unconditionally undertaken that, following Disposal Completion, in the event that each of them exercises any part of its conversion rights attaching to their respective Convertible Notes, the other one must exercise its conversion rights attaching to its respective Convertible Notes to the same extent, such that upon exercise of the conversion rights by each of the Company and EGL under their respective Convertible Notes, the respective equity interests of the Company and EGL in the Disposal Company shall remain as 55% and 45%, respectively. As at the Latest Practicable Date, the Company and EGL had no intention to exercise the conversion rights attaching to the Convertible Notes.

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 and strategic considerations including but not limited to the market conditions in the NEV sector, relevant government policies, business development and financial performance of the Disposal Group and other pertinent factors at the time of making the decision of exercising the conversion rights attaching to such Convertible Notes.

We have discussed with the management of the Company and noted that apart from the above factors, when considering exercising the conversion rights, the relevant Directors will also consider the maturity, the then liquidity and alternative investment options of the Group. We consider the above factors to be considered by the Directors to be appropriate factors for considering exercising conversion rights in general.

5. 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 Latest Practicable Date, 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, a leading automobile manufacturer in the PRC, to distribute and provide after-sales services for two new automobiles brands, namely BYD and DENZA, through establishment of distribution outlets and services centres, across various locations outside Mainland China. As at the Latest Practicable Date, the Disposal Group had 51 4S centres, 43 showrooms and 6 service centres spanning across Hong Kong, Cambodia, the Philippines, Singapore, Japan, Indonesia, Thailand, Malaysia, Australia, the United Kingdom, France, Poland etc. As at the Latest Practicable Date, 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 December 2024 *RMB million*	**For the year ended December 2023** *RMB'000*
Revenue	1,788.5 *(Note)*	16.4
Loss before taxation	(192.9)	(13.5)
Loss after taxation	(194.9)	(13.5)

Note: The intra-group balances of the Disposal Group in the amount of approximately RMB146.7 million were excluded.

Revenue from Hong Kong and overseas operations amounted to approximately RMB1,788.5 million, representing an increase of around 108.7 times as compared with the revenue for the same period in 2023. As the Group only recently launched its overseas NEV business in 2023, no substantial revenue was recorded by the Group in 2023. With the acquisition of the Cambodia business in December 2023 and the Thailand business in April 2025 together with the improvement in operation of other overseas entities established by the Group, revenue in 2024 increase accordingly.

	As at 31 December 2024 *RMB million*	As at 31 December 2023 *RMB million*
Current assets	**1,465.10**	**290.1**
Cash and cash equivalent	242.5	38.3
Accounts receivables	93.6	2.9
Prepayments	375.1	104.5
Other receivables	223.4	20.3
Inventories	530.5	124.1
Non-current assets	**1,252.15**	**140.8**
Fixed assets	429.4	25.8
Construction in progress	167.7	35.8
Right-of-use assets	580.5	78.36
Other non-current assets	74.4	0.84
Current liabilities	**1,279.48**	**79.3**
Short-term loans	489.7	2.8
Trade payable	160.6	0.004
Receipt in advance	519.9	74.9
Other current liabilities	109.3	1.6
Non-current liabilities	**1,635.26**	**343.3**
Long-term loans	33.7	—
Lease liabilities	578.1	80.4
Amounts due to related parties	1,017.4	262.9
Other non-current liabilities	6.0	—
Net (liabilities)/assets	(197.49)	8.2
Net (liabilities)/assets attributable to holding company	(202.0)	8.2

Assets of the Disposal Group mainly comprised of finance lease receivables for vehicles leased out under finance leases, property, plant and equipment, right-of-use assets, inventories for the Disposal Group's sales of NEVs operation and prepayment.

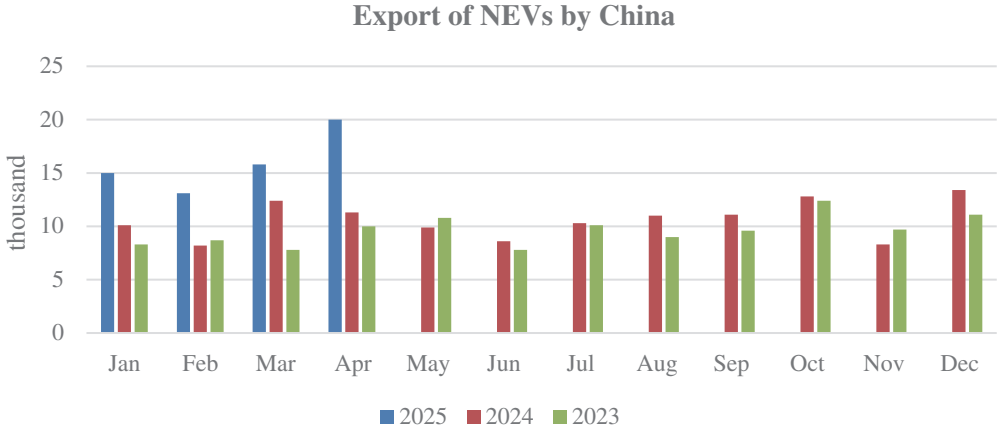
Liabilities of the Disposal Group comprise mainly of short-term borrowings (including shareholder's loan), receipt in advance and lease liabilities.

As disclosed in the "Letter from the Board" of the Circular, 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. Assuming the completion of Capital Restructuring had taken place on 31 December 2024, the adjusted net assets attributable to owners of the Disposal Company would be amounted to RMB353.5 million as part of the Shareholder's Loans of approximately RMB555.5 million would be capitalised as share capital of the Disposal Company.

6. Prospects of the Disposal Group

According to the data published by the CAAM, China's NEV sector has reached a penetration rate of over 40.9% in China in 2024. The total sales of new energy vehicles in China in 2024 exceeded 12 million units, representing a year-on-year increase of more than 35%. The sales in the first quarter of 2025 reached 3.07 million units, representing a 47% growth from the corresponding period in 2024. The upward trend is attributable to favourable policies rolled out by the PRC government, especially on extension of tax exemptions for NEV up to December 2027, providing a stable and predictable environment for consumers and manufacturer thus encouraging the investment in the industry. As the Chinese NEV market matures, Chinese car manufacturers have gained a deeper understanding of consumer needs and developed new NEV technologies and varieties while maintaining affordability, hence enhancing the popularity of Chinese NEV models in overseas markets.



Source: CAAM

China remains the largest NEV exporter in 2024. Based on data released by the CAAM, the total export of NEVs by China in 2024 exceeded 1.2 million units, representing a year-on-year growth of 6.7%. In the first quarter of 2025, China's exports of NEVs recorded a year-on-year increase by 43.9% to 441,000 units, continuing the upward momentum and global influence despite the uncertainty of the tariff implications.

As per a report published by the International Energy Agency the ("**IEA**"), the sales of electric cars has recorded a rising trend since 2016 with electric car sales reaching 17 million units globally in 2024, increasing by more than 25% compared to the previous year. In the first quarter of 2025, 4 million electric cars were sold and sales grew by 35% compared to the corresponding period in 2024, which was higher than the growth rate observed in the first quarters of the previous 2 years.

Emerging markets in Asia are becoming new centres of growth. According to the IEA, Asia (excluding China) recorded a significant increase in electric car sales, reaching almost 400,000 units in 2024, representing an increase of 40% from 2023. In Southeast Asia, sales rose by nearly 50% to represent 9% of all car sales in the region, in particular stronger sale shares in Thailand and Vietnam. Favourable policies such as subsidies and tax incentives to promote demand for NEVs and relatively affordable NEV imports from China mainly due to lower labour and manufacturing costs and supply chain advantages driven by research investment and infrastructure support was crucial for boosting sales in certain emerging electric vehicle markets. Across all emerging economies outside of China, Chinese imports made up 75% of increase in electric car sales during 2024.

In relation to the European market, the sales stagnated in 2024 primarily due to subsidies being phased out in some larger markets, such as France limiting the subsidized amount on NEVs for high-income car buyers and Germany cutting its subsidies on NEV in the end of 2023 and that there was no change in the target for CO2 emissions. Nonetheless, the electric vehicle sales share increased in 2024 in 14 out of 27 EU member states and around 20% of new cars sold in 2024 in the European market were electric vehicles.

Although the global tariff implications may bring uncertainty to the demand on China's NEV exports, the long-term expectation to lower CO2 emission and the shift in consumer demand coupled with policy support in certain emerging markets and the competitiveness of Chinese brand NEVs are expected to maintain a stable demand for NEVs in overseas markets in the near future and Chinese brands with its increasing presence abroad will continue to be an attractive option for consumers.

Taking into account the long-term prospects and competitiveness of Chinese NEV brands in overseas markets on one hand, but on the other hand considering the fact that the Disposal Group is still in an early stage of development and may require time to achieve profitability while requiring extensive amount of capital to fund its overseas development plan, the Company considers it is appropriate to reduce the Group's financial exposure by reducing its equity interest in the Disposal Group whilst maintaining control.

7. Analysis of the Convertible Notes and the Preferred Loan

As part of the Capital Restructuring which is a condition precedent to the Agreement, the Shareholder's Loan will be restructured into the Restructured Capital, the Preferred Loans and the Convertible Notes.

The Preferred Loan

As set out in the "Letter from the Board" to the Circular, the Shareholder's Loans in the amount of approximately RMB385.4 million together with any Additional Shareholder's Loans (being any additional Shareholder's Loan which were or may be granted by the Company to the Disposal Group from the date of the Agreement up to the date of Disposal Completion) shall be converted into the Preferred Loans which will be 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 by the Disposal Group to the Company shall be preferred over the repayment of the Convertible Notes and any dividend distribution by the Disposal Company.

We have discussed with the management of the Company and understand that the interest rate was determined with reference to the prevailing market interest rates offered by the Group's primary lending banks in the PRC and Hong Kong for the bank loans of the Group (excluding those of the Disposal Group). We have noted from drawdown notes of recent bank borrowings that the interest rates offered were ranged from 3.6% to 3.8% which were comparable to the interest rate of the Preferred Loan of 4%.

In order to assess the fairness and reasonableness of the interest rate for the Preferred Loans, we have conducted independent research from the public domain on comparable loan transactions (the "**Comparable Loan Transactions**") which (i) were announced by companies listed on the Main Board of the Stock Exchange from 1 January 2025 to the Latest Practicable Date disclosing terms of the loan transaction (including interest rate, maturity term and security (if any)); (ii) involved provision of financial assistance by way of loans by companies listed in Hong Kong (or their subsidiaries) to its connected persons governed by agreements first entered into during the said period; (iii) with a principal amount of over HK$20 million to identify loans which were relatively more comparable in size to that of the Preferred Loans; and (iv) with a maturity period of more than 1 year (i.e. non-current in nature) as the Preferred Loans with a maturity of 2 years is of non-current in nature, which in our opinion are suitable criteria for selecting the Comparable Loan Transactions.

As we identified only 3 comparable companies based on the above criteria, in order to select a sufficient number of Comparable Loan Transactions to reflect the prevailing market practice in respect of the provision of financial assistances, we have prolonged the review period to covering 1 January 2024 to the Latest Practicable Date (the "**Review Period**"), which in our view represents a suitable timeframe.

To the best of our knowledge and on a best-effort basis, we have identified a list of 15 Comparable Loan Transactions which fulfill the abovementioned selection criteria. We considered the list identified to be exhaustive based on the selection criteria and provides a general understanding on the provision of financial assistance by way of loans by companies listed in Hong Kong to its connected persons during the Review Period, illustrating that transactions of such nature are not uncommon. A summary of the Comparable Loan Transactions conducted during the Review Period is set out below:

Date of announcement/ agreement	**Stock code**	**Company name**	**Loan amount**	**Term to maturity**	**Security**	**Annual interest rate**
30 May 2025	1171	Yankuang Energy Group Company Limited ("**Yankuang**")	RMB1 billion	3 years	Secured *(note 1)*	3.1%
6 May 2025	6098	Country Garden Services Holdings Company Limited ("**Country Garden**")	RMB1 billion	5 years	Secured *(note 2)*	5%
17 Apr 2025	230	Minmetals Land Limited	RMB27,262,329.67 and RMB26,193,218.73	4 years	Unsecured	Nil
9 Dec 2024 *(note 3)*	6862	Haidilao International Holding Ltd ("**Haidilao**")	Up to RMB500 million	3 years	Unsecured	3.3% *(note 3)*
29 Nov 24	1065	Tianjin Capital Environmental Protection Group Company Limited ("**Tianjin Capital**")	RMB40,000,000	3 years *(note 4)*	Unsecured	5.00%

Date of announcement/ agreement	Stock code	Company name	Loan amount	Term to maturity	Security	Annual interest rate
11 Nov 24	767	Zhong Ji Longevity Science Group Limited ("**Zhong Ji**")	HK$30,000,000	3 years	Secured *(note 5)*	10.00%
1 Nov 24	1853	Jilin Province Chuncheng Heating Company Limited ("**Jilin**")	RMB300 million	5 years *(note 6)*	Unsecured	4.50%
30 Sep 24	1755	S-Enjoy Service Group Co., Limited ("**S-Enjoy**")	RMB120 million	3 years	Secured *(note 7)*	6.05%
12 Sep 24	2559	Dida Inc. ("**Dida**")	US$7,500,000	1.5 years	Secured *(note 8)*	5.35%
17 Jun 2024	1935	JH Educational Technology INC ("**JH**")	RMB55 million	2 years	Secured *(note 9)*	3.1%
29 May 2024 *(note 3)*	6862	Haidilao International Holding Ltd ("**Haidilao**")	Up to RMB20.0 million	1.58 years	Unsecured	3.1% *(note 3)*
22 Mar 2024	2377	China Boqi Environmental (Holding) Co., Ltd.	RMB22,000,000	8 years	Unsecured	3%
18 Mar 2024 *(note 10)*	658	China High Speed Transmission Equipment Group Co., Ltd ("**China High Speed**")	RMB250 million	5 years	Secured *(note 10)*	3%
17 Jan 24 *(note 11)*	6698	Star CM Holdings Limited ("**Star**")	HK$28,000,000	1.7 years	Unsecured	5% *(note 11)*
15 Jan 24	139	Central Wealth Group Holdings Limited ("**Central Wealth**")	HK$66,000,000	3 years	Secured *(note 12)*	7%

Date of announcement/ agreement	Stock code	Company name	Loan amount	Term to maturity	Security	Annual interest rate
			Maximum	8 years		10%
			Average	3.5 year		4.4%
			Median	3 years		4.5%
			Minimum	1.5 year		Nil
			2025 Maximum	5 years		5%
			2025 Average	4 years		2.7%
			2025 Median	4 years		3.1%
			2025 Min	3 years		Nil
	3836	The Company		2 years	Unsecured	4%

Source: the website of the Stock Exchange

Notes:

(1) As disclosed in the announcement of Yankuang, the loan is secured with assets of net value no less than the loan amount.

(2) As disclosed in the announcement of Country Garden, the loan is secured by 543,695,233 shares of Country Garden held by the borrowers, representing 16.26% of the total issued shares of Country Garden.

(3) As disclosed in the announcement of Haidilao, on May 29 2024, a subsidiary of Haidilao as lender and entered into a loan agreement with its connected person regarding a loan facility with a principal amount of up to RMB20.0 million at an interest rate equivalent to the one-year LPR announced in January yearly (i.e. 3.1%). Subsequently on December 9, 2024, the same parties entered into another loan agreement regarding a loan facility in a principal amount of up to RMB500.0 million, at an interest rate equivalent to the one-year LPR plus 20 bps. The initial one year LPR refers to the one-year LPR at the time of the first withdrawal and if there is a change in the one-year LPR, the interest rate will be correspondingly adjusted from the first day of the next month following the effective date of the adjustment. For reference sake, we have adopted the LPR rate published on 20 November 2024 of 3.1%.

(4) As disclosed in the announcement of Tianjian Capital, RMB24,350,000 of the loan amount will mature in three years while the remaining amount of RMB15,650,000 will mature in one year. Considering that the majority of the loan will have a maturity of 3 years, we have adopted a maturity of 3 years for the purpose of the analysis.

(5) As disclosed in the announcement of Zhong Ji, the owner of the borrowers, a director of Zhong Ji, is the guarantor of the loans.

(6) As disclosed in the announcement in Jilin, the loan period is from the date of obtaining the independent shareholders' approval to 31 December 2029. For reference's sake, we adopted 5 years as the maturity term.

(7) As disclosed in the announcement of S-Enjoy, the loan is secured by a mortgage of a property provided by the borrower. The interest rate shall be the higher of the LPR for loans of more than one year and less than five years published by the PBRC on date of drawdown or the fixed lending rate of 6.05%. For reference's sake, we have adopted the interest rate of 6.05%.

(8) As disclosed in the announcement of Dida, the loan is secured by a guarantee provided by a fellow subsidiary.

(9) As disclosed in the announcement of JH, the borrower, being a director and the controlling shareholder of JH, has made an undertaking to authorize JH to deduct the dividends payable to a company wholly owned by the borrower, and/or the remuneration payable to the borrower as a director to repay outstanding loan and accrued interests in the event that the borrower does not repay any loan and/or accrued interests.

(10) As disclosed in the announcement of China High Speed dated 26 May 2025, the loan agreement is entered into on 18 March 2024. The loan is secured by an undertaking given by one of the co-borrowers to use the dividends distributed to it as security.

(11) As disclosed in the announcement of Star dated 31 March 2025, a wholly owned subsidiary of Star entered into a series of loan agreements with the borrower, given that only one of the loan agreements exceeds HK$20 million (entered into on 17 January 2024), we have included the said agreement for our analysis. The interest rate for the said loan agreement is interest free from 18 January 2024 to 29 February 2024, and 5% from 1 March 2024 to 1 October 2025. As such, for prudence's sake, we have adopted 5% interest rate for our analysis.

(12) As disclosed in the announcement Central Wealth, the loan is secured by 25% of the issued shares of a company owned by the borrower.

As shown in the above table, the interest rates of the Comparable Loan Transactions ranged from nil to approximately 10% and the average and median interest rates of the Comparable Loan Transactions is 4.4% and 4.5%, respectively. Despite the 4% interest rates of the Preferred Loans is slightly below the average and median interest rates of the Comparable Loan Transactions, nonetheless the interest rates of the Preferred Loan falls within the range of the interest rates of the Comparable Loan Transactions and is above the average and median interest rates of the Comparable Loan Transactions announced in 2025 of 2.7% and 3.1%, respectively.

With regards to the maturity of the Comparable Loan Transactions, we note that the loans shall be repaid from within 1.5 year to 8 years, while the Preferred Loans are to be repaid in 2 years. The maturity of the Preferred Loans is within the range of the Comparable Loan Transactions and is closer to the lower end of the range. In addition, given the Disposal Group shall be owned as to 55% by the Company after the Disposal, and the fact that the repayment of the Preferred Loans by the Disposal Group shall be preferred over the repayment of the Convertible Notes and any dividend distribution by the Disposal Company, the Company did not

view it necessary to require security for the Preferred Loans, furthermore, seven of the Comparable Loan Transactions were also unsecured, implying that it is not uncommon that loans advanced to connected persons are unsecured.

Furthermore, we also noted from the annual reports of the Company for the past three financial years ended 31 December 2022, 2023 and 2024 that the effective interest rates per annum of bank borrowings of the Group was in the range of 3.5% to 6.0% while the average interest rate on interest income earned by the Group by taking into consideration the average cash and bank balances (cash and bank balances at the beginning of the year and at the end of the year divided by two) and the total interest income of 2024 was only amounted to 1.35%.

Despite the interest rate of the Preferred Loans of 4% is at the lower end of the range of the effective interest rates per annum of the bank borrowings of the Group, having considered the Disposal would, among other things, allow the Group to reduce its financial commitment in the Disposal Group and the interest rate of the Preferred Loans (i) falls within the range of the interest rates of the Comparable Loan Transactions and is above the average and median interest rate for Comparable Loan Transactions announced in 2025 of 2.7% and 3.1% respectively; (ii) is in the range of the effective interest rates per annum of the bank borrowings of the Group in the past three financial years; and (iii) the average cash and bank balances of the Group only earn an average interest rate of 1.35% per annum in which the interest income from the Preferred Loan would be higher, we are of the view that the interest rate of the Preferred Loans is fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms.

The Convertible Notes

The remaining Shareholders' Loan in the amount of approximately RMB177.8 million will be converted into two Convertible Notes upon completion of the Capital Restructuring with respective principal amounts of RMB97,777,777 and RMB80,000,000. The Sale Loan Consideration for the sales of 45% of the Convertible Notes to EGL of RMB80 million will be settled by EGL to the Company by way of the Set-Off. Details of the Convertible Notes are set out in the section "Principal terms of the Agreement" above.

In assessing the fairness and reasonableness of the terms of the Convertible Notes, including the interest rate, term to maturity, security and conversion price, we have conducted independent search for the issue and subscription of new notes/bonds, which (i) are announced by companies that are listed on the Main Board of the Stock Exchange during the period from 1 January 2024 to the Latest Practicable Date; and (ii) involved convertible notes/bonds with convertible rights issued by private companies (including subsidiaries of listed issuers) to listed issuers or their subsidiaries. As we identified only 2 comparable companies based on the above criteria, in order to select a sufficient number of comparable transactions to reflect the prevailing market practice, we

have prolonged the review period to covering 23 May 2023 (being two years prior to the date of the announcement of the Company dated 23 May 2025) to the Latest Practicable Date (the "**Comparable Period**").

Based on these criteria and the public information available on the Stock Exchange's website, to the best of our endeavours, we have identified an exhaustive list of a total of 3 comparable transactions that involved issue and subscription of convertible notes/bonds (the **"Comparable Issues**") which provide a general understanding on market transactions for issuance of convertible notes/bonds by private companies during the Comparable Period.

We consider that the Comparable Period is an appropriate timeframe to reflect the prevailing market conditions and sentiments in the Hong Kong capital market, to provide a general reference of the recent issue and subscription of new notes/bonds being conducted by private companies and to generate a reasonable and meaningful number of samples of the most recent transactions for the purpose of our analysis. We also are of the view that as convertible securities of private companies are of less liquidity as compared to those issued by listed companies, our selection criteria can identify suitable comparable transactions for our analysis.

Set out below are the details of the Comparable Issues:

Date of announcement	Stock code	Company name	Principal amount	Security	Interest rate	Term to maturity (years)	Adjusted NAV per share	Conversion price per share	Premium/ (Discount)
13 Dec 2024	1323	Huasheng International Holding Limited ("**Huasheng**")	HK$40,000,000	Secured *(note 1)*	8%	4 years	NA *(note 2)*	NA *(note 2)*	NA *(note 2)*
9 May 2024	1368	Xtep International Holdings Limited ("**Xtep**")	USD 154,000,000	Secured *(note 3)*	3.5%	8 years	USD2,399 *(note 4)*	USD5,988.95	149.6%
29 Nov 2023	3860	EPS Creative Health Technology Group Limited ("**EPS**")	JPY150,000,000	Unsecured	Nil	3 years	JYP256,333 *(note 5)*	JYP215,575	(15.9%)
			Maximum		8%	8 years			149.6%
			Average		3.8%	5 years			66.9%
			Median		3.5%	4 years			66.9%
			Minimum		Nil	3 years			(15.9%)
	3836	The Company		Unsecured	4.0%	2 years	RMB4.6	RMB7.2	56.4%

Source: the website of the Stock Exchange

Notes:

1. As disclosed in the announcement of Huasheng, the convertible bonds are secured by a personal guarantee provided by the sole shareholder of the issuing company and a debenture by way of a floating charge over inventory, cash, receivables and bank accounts of the issuing company.

2. As disclosed in the announcement of Huasheng, the number of conversion shares to be issued will be determined after taking into account the valuation of the issuing company with a valuation date within 3 months prior to the date of conversion, as such the valuation is not disclosed in the announcement.

3. As disclosed in the announcement of Xtep, the convertible bonds are secured by a floating charge over all the property, assets and rights of the issuing company and its subsidiaries created by the issuing company in favour of the holder of the convertible bond.

4. As disclosed in the circular of Xtep dated 2 August 2024, the valuation of the issuing company of the convertible bonds was USD143,958,000 as at the valuation date adopting market approach. The adjusted NAV per share of USD2,399 per share was based on the total issued share capital of the issuing company of 60,000 shares as at the date of the circular.

5. As disclosed in the announcement of EPS, the valuation of the issuing company of the convertible bonds was JPY1,538,000,000 as at the valuation date adopting the income approach. The adjusted NAV per share was JPY256,333 per share based on the total issued share capital of the issuing company of 6,000 shares as at the date of the announcement.

According to the information above, the interest rates of the Comparable Issues ranged from nil to 8%, with an average of approximately 3.8% and a median of 3.5%. The term to maturity of the Comparable Issues ranged from 3 years to 8 years.

As such, the interest rate of the Convertible Notes falls within the range of the interest rates of the Comparable Issue and is higher than the average and median interest rate of the Comparable Issues. Furthermore, the maturity of the Convertible Notes is shorter than those of the Comparable Issues.

Having considered that the Company will hold 55% interest in the Disposal Company and continue to exert control over business operation and finances of the Disposal Company upon Completion, the Company was of the view that a security was not required to be attached to the Convertible Notes. In addition, we note that one out of the three Comparable Issues did not have any security attached, indicating that it is not uncommon for Convertible Notes to be unsecured.

In assessing the fairness and reasonableness of the conversion price of the Convertible Notes, we have reviewed the Comparable Issues as set out above, and note that two Comparable Issues have disclosed information regarding the valuation of the issuer. We have assessed the adjusted net asset value ("**NAV**") per share of the Comparable Issues which have taken into account the valuation in adjusting the net asset value of the issuer and noted that the conversion price of the Comparable Issues ranged from a discount of 15.9% to a premium of 149.6% over the adjusted NAV per share.

In comparison, based on the adjusted net assets attributable to owners of the Disposal Company of approximately RMB355.1 million (as adjusted by the valuation of the Disposal Company of a net liabilities position of RMB200.4 million and 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 would be capitalised as share capital of the Disposal Company) and the number of 77,160,493 shares of the Disposal Company in issue upon completion of the Capital Restructuring, the adjusted NAV per share is approximately RMB4.6 per share. The conversion price of the Convertible Notes of US$1 (equivalent to RMB7.2) per share of

the Disposal Company, represents a premium of approximately 56.4% over the adjusted NAV per share of RMB4.6 per share. The said premium represented by the Conversion Price is within the range of the Comparable Issues and is thus considered fair and reasonable.

It is worth noting that the Comparable Issues may or may not be identical to the Disposal Company in terms of principal activities, geographical location, profitability and financial positions, and different underlying reasons leading to the issuance of convertible securities of the Comparable Issues may differ from that of the Convertible Notes.

Having considered the above, we are of the view that the terms of the Convertible Notes are comparable to those of the Comparable Issues and are fair and reasonable.

8. Analysis of the Sale Shares Consideration and Sale Loan Consideration

Pursuant to the Agreement, 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. While the consideration of the Sale Loan was determined on a dollar-to-dollar basis, the Sale Shares Consideration took into consideration, among other things, the Valuation of the equity value of the Disposal Company as at 31 December 2024 using asset-based approach.

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 of RMB200.4 million.

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 equity owners of the Disposal Company of approximately RMB200.4 million.

Further details of the Valuation, including the methodology and assumptions adopted, are set out in the valuation report in Appendix II to this circular.

(i) Expertise and independence of the Valuer

To assess the expertise and independence of the Valuer, we have (i) reviewed the engagement letter of the Valuer; and (ii) discussed with member of the valuation team engaged in the valuation of the Disposal Group to understand their experience and relationship with the Company as well as the valuation methodology adopted.

Based on our discussion with the Valuer and from public domain, the Valuer, Valplus Consulting Limited, provided valuation services to public and private companies for various purposes, 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 lead by Mr. Damon S.T. Wan ("**Mr. Wan**"), is a charterholder of Chartered Financial Analyst, a Certified FRM and a member of Royal Institution of Chartered Surveyors, who has been working in the professional valuation field since 2008 with working team including (i) Mr. Willy T.Y. Yu ("**Mr. Yu**"), who has been working in the banking and financial industry since 2014. Mr. Yu possesses experience in the aspects of corporate credit risk, cash trading, business valuation and ESG analysis; and (ii) Mr. Alfred Y.M. Wong ("**Mr. Wong**"), who is a member of CPA Australia and has been working in the corporate finance industry since 2015. Mr. Wong possesses experience in the aspects of corporate finance advisory, corporate credit risk and business valuation.

We also understand that the scope of work of the Valuer is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the preparation of the valuation report issued by the Valuer.

The Valuer has confirmed that they are an independent third party of the Company, the EGL, Mr. Feng, the Disposal Group and their respective associates. Furthermore, the Valuer confirmed to us that apart from normal professional fees payable to it in connection with its engagement for the issuance of the Valuation Report, no arrangements exist whereby it will receive any fee or benefit from the Group, EGL and its respective associates.

Based on our discussion with the Valuer and our review of their scope of work, we are not aware of any matters that could cause us to have doubts on the expertise and independence of the Valuer.

(ii) The Valuation

In assessing the fairness and reasonableness of the valuation of the Disposal Group, we have reviewed the Valuation Report, the basis and assumptions made, and the methodology adopted by the Valuer in preparing the Valuation. Details of the assumptions are set out in the valuation report as contained in Appendix II to the Circular (the "**Valuation Report**").

a) Valuation methodology

As discussed with the Valuer, the Valuation has been prepared in accordance with the International Valuation Standards published by the International Valuation Standards Council. We noted that the Valuer, after considering various valuation methods (including income approach, market approach and asset approach), has adopted asset approach as the primary valuation method.

Pursuant to the discussion with the Valuer, the market approach is not considered applicable to the Valuation, as the value of the subject company is compared to assets, equity interests, or securities that are similar to the Disposal Group with available market transaction data.

The use of market approach requires an active public market with sufficient comparable companies or transactions, however, the valuer is unable to identify sufficient samples of comparable companies or comparable transaction to form a reliable basis for opinion on value given the uniqueness of the Disposal Group's business, thus market approach is not applicable for the Valuation. Furthermore, given the short operating track records of the Disposal Group, the market approach based on latest financial metrices is not reasonable and applicable after considering the development status, business scale and operating losses of the Disposal Group.

For income approach, the value of the subject company is estimated based on the present value of future expected cash flows. It reflects the subject asset's earning potential and risks associated with the specific operation. As the Disposal Goup was still in an early stage of development with operating track record less than two years from the Valuation Date. Therefore,

the use of historical data is not sufficient to form a reliable basis of projections. Also, the use of projections would involve a high level of uncertain, long-term forecast estimates and underlying assumptions. Given the limited basis, qualifications and explanations, the income approach is therefore considered to be not appropriate for the Valuation.

While under the asset approach all of the subject's individual asset and liability account categories are analysed and valued separately. The value of the individual assets (both tangible and intangible) less the value of the liabilities (both recorded and contingent) represents the subject business value. The Valuer considered such asset approach by considering adjusted net asset value valuation to be a sound method for estimating the value of start-up business which is not mature but still under development.

We concur with the valuation methodology of asset approach adopted by the Valuer to be an appropriate valuation approach for the Disposal Group. As for market approach, the representative industry multiples ignore the capital structures and other non-operating items of the individual companies such as development stage and business nature of a company and we have also from public domain try to identify comparable transactions in the past two years, however we were also unable to identified market transactions which are comparable to the Disposal. For income approach, as the Disposal Group is in an early stage of development with operating track record less than one to two years from the Valuation Date, the use of historical data is not sufficient to form a reliable basis of projections, it would not be ideal for valuations of start-up business which is not mature but still under development as it involves high level of uncertain, long-term forecast estimates and underlying assumptions.

Based on the aforesaid, we concur with the Valuer on the inapplicability of market approach and income approach for the Valuation and we are of the view that the use of asset approach to conclude the Valuation to be appropriate.

b) Application of asset-based approach

Set out below is the comparison of book value and appraised value of the assets and liabilities of the Disposal Group as at 31 December 2024:

RMB'000	**Book value**	**Revaluation**
Assets		
Cash and bank balances	242,522	242,522
Trade receivables	93,595	93,595
Prepayments	375,058	374,316
Other receivables	223,423	222,938
Inventory	530,503	530,503
Fixed assets, net	429,237	432,124
Construction in progress	167,695	167,695
Intangible assets	409	409
Goodwill	53,987	53,987
Long-term deferred expenses	3,020	3,020
Deferred tax assets	17,294	17,294
Right of use assets	580,507	580,507
TOTAL ASSETS:	**2,717,250**	**2,718,910**
Liabilities		
Short-term loans	489,716	489,716
Trade payables	160,564	160,564
Receipt in advance	519,914	519,914
Wage payables	23,694	23,694
Tax payables	(2,330)	(2,330)
Other payables	87,921	87,921
Long-term loans	33,724	33,724
Deferred tax liabilities	6,030	6,030
Lease liabilities	578,112	578,112
Amounts due to related parties	1,017,395	1,017,395
TOTAL LIABILITES:	**2,914,740**	**2,914,740**
NET (LIABILITIES):	**(197,490)**	**(195,830)**
Less: Non-controlling interests:	4,536[1]	4,536[1]
NET (LIABILITIES) TO EQUITY OWNERS	**(202,026)**	**(200,366)**

1) The non-controlling interests ("**NCI**") refer to the carrying amount of the minority interests on the financial statement of the Disposal Group as at the Valuation Date.

Assets

As noted from the Valuation Report, the Disposal Group's assets primarily consist of cash and bank balances, trade receivable, prepayment, other receivables inventories, fixed assets, net, construction in progress, right of use assets. Out of the above-mentioned assets, adjustments on valuation have been made on prepayments, other receivables and fixed assets, net.

In arriving at the appraised value of the adjusted assets of the Disposal Group, the Valuer had among other things; (a) for trade receivables, reviewed aging schedule and settlement record of the receivables as well as carried out expected credit loss analysis based on (i) historical settlement track records; and (ii) market default and recovery rates have been performed; (b) for prepayments and other receivables, carried out expected credit loss analysis as mentioned above; and (c) for fixed assets, after considering the nature and usage of the fixed assets, adopted the reproduction cost new method to estimate the value of the fixed assets. When using the reproduction cost new method, the Valuer referred to appropriate price or cost indices to the historical costs of the fixed assets in their estimation of cost of reproduction new as of the Valuation Date. Depreciation for physical deterioration from wear and tear of the fixed assets was further deducted to reflect the usage conditions and outstanding economic benefits of the fixed assets.

Liabilities

As discussed with the Valuer, for liabilities they have considered that the fair value of liabilities shall be approximated to their respective carrying amount on the financial statements of the Disposal Group and after enquiring with the management of the Disposal Group, no material contingent liabilities were noted thus no valuation adjustment was made on the Disposal Group's liabilities.

We noted that the book value of assets being assessed in the Valuation Report were extracted from the management account of the Disposal Group and that the appreciation of assets primarily attributable to the appreciation in value of fixed assets, net and the depreciation of assets were attributable to prepayments and other receivables.

For our due diligence purpose, we have obtained calculation from the Valuer and noted the appraised value of certain fixed assets was arrived at after taking into account among other things, (i) the replacement cost considering the upward trend of the consumer price index of where the asset is located in; and (ii) the re-assessment of useful life of certain fixed assets by applying weighted average useful life for the relevant assets, while for deprecation of prepayments and other receivables we have obtained expected credit loss analysis from the Valuer and noted the impaired value was mainly attributable to a general credit loss factored in by making reference to global default rate published by Moody's. No adjustment was made regarding trade receivables as

after discussing with the Valuer and as confirmed by the management of the Disposal Group, that the Valuer, after checking the aging schedule and payment history none of the outstanding trade receivables as at 31 December 2024 were overdue and relevant trade receivables from insurance companies and automobile manufacturers are considered with low default risk given their solid standing and good credit rating.

We understand from the Valuer and noted from market precedents applying asset approach in valuation, the application of such valuation method in valuing the underlying assets and liabilities are consistent with market practice.

Furthermore, as discussed with the Valuer, comparable formulas have been applied in carrying out the valuation of the Disposal Group as compared to other asset approach valuation they have carried out previously.

The executive Directors (but excluding the abstained Directors) has reviewed the Valuation Report and as advised by the Valuer that (a) the adjusted net assets method is a sound method for estimating the value of start-up business; and (b) the key assumptions adopted by the Valuer in the Valuation are general assumptions commonly used for transactions of similar nature, the executive Directors (but excluding the abstained Directors) are of view that the valuation method and the key assumptions adopted by the Valuer are fair and reasonable.

Based on our understanding on the Valuation and during our discussion with the Valuer, in particular (i) our review of the relevant documents and our discussions with the Valuer in respect of their qualification and independence to perform the Valuation; (ii) our enquiry to the Valuer as to the applicability of each fundamental valuation approaches and their underlying rationale that it is not uncommon to apply cost approach for start-up business; (iii) our enquiry on the due diligence steps performed by the Valuer in ascertaining the scope of assets and liabilities; and (iv) our understanding on the valuation procedures on relevant category of assets and liabilities, we consider the methodology, principal bases, assumptions and parameters adopted for the Valuation Report to be appropriate.

9. 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 owing by the Company to EGL as at Disposal Completion 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.

10. Financial effect

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.

Effect on earnings

Based on (i) the aggregate Consideration of RMB330 million, (ii) the Adjusted NAV of the Disposal Group of RMB159.1 million as at 31 December 2024; (iii) the 45% of the Convertible Notes of RMB80.0 million; and (iv) the estimated transaction costs relating to the Disposal of approximately RMB2.0 million, the Group may be expected to record an excess of Consideration of approximately RMB88.9 million in equity (reserves) upon Disposal Completion. As the net asset value of the Disposal Group would differ from the Adjusted NAV of the Disposal Group as at 31 December 2024 on the Disposal Completion Date, the actual excess of Consideration to be recognized in equity (reserve) may differ from the above figures. Since the excess of Consideration will be recognized in equity (reserves), apart from the estimated professional fees payable by the Group, the Disposal is not expected to have any impact on the Group's earnings.

Effect on net asset value and cash flow and gearing

Referring to the analysis above, it is expected that if any excess of Consideration received regarding the Disposal would be recorded in equity (reserves) upon Disposal Completion.

As the aggregate Consideration will be settled by the Set-Off, there will not be any sales proceeds to be received from the Disposal. Apart from the estimated professional fees payable by the Group, the Disposal would not have any impact on the Group's cash flow position.

In terms of gearing (total debt to total equity), as the set-off will fully settled the CS Loan by the Consideration in which total debt would decrease, the gearing of the Group will improve accordingly.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how exactly the financial performance and position of the Group will be upon Disposal Completion.

Taking into consideration the above, including (i) the loss-making performance during the development stage of operations of the Disposal Group together with capital requirement (in referring to the business plan of the Disposal Group) would be considered burdensome to the Group's current liquidity position (with the Group recording negative operating cashflow in 2024, cash and cash equivalent balance of only HK$1.1 billion while current bank loans and other borrowings balances of RMB3.4 billion repayable within one year); (ii) the long-term prospects and competitiveness of Chinese NEV brands in overseas market; (iii) major terms of the Preferred Loan and Convertible Note were within the range of the market precedents noted above; and (iv) considering the performance and financial position of the Group and the scale Disposal Group as at 31 December 2024, that there would not be any material impact to the Company's operations and financial position regarding the Disposal; and (v) the factors considered by the relevant Directors for determining whether to exercise the conversion rights of the Convertible Notes are appropriate factors for considering exercising conversion rights in general and both the Company and EGL undertake they could only exercise their conversion rights together to upkeep their respective equity interest in the Disposal Company, we concur with the Directors that, the Disposal would allow the Group to continue hold a substantial equity interest in the Disposal Group and enjoy the future prospect of the Chinese NEV brands in overseas market while reducing the financial burden of the Group in funding the operation and capital requirement of the Disposal Group during such development stage of the Disposal Group and the Disposal is fair and reasonable and in the interest of the Company and its shareholders as whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that, although the Agreement and the transactions contemplated thereunder including the Disposal and the Preferred Loans are not in the ordinary and usual course of the Company's business, the terms of the Agreement and the transactions contemplated thereunder including the Disposal and the Preferred Loans are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and the entering into the Agreement is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend Independent Shareholders to vote in favor of the ordinary resolution for approving the Agreement and the transactions contemplated thereunder including the Disposal and the Preferred Loans at the relevant EGM.

Yours faithfully,
For and on behalf of
HALCYON CAPITAL LIMITED
Terry Chu
Managing Director

Mr. Terry Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 25 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2022, 2023 and 2024 have been disclosed in the following documents, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (https://www.hexieauto.com). The hyperlinks to aforesaid documents are set out below:

— the annual report of the Company for the year ended 31 December 2022 published on 27 April 2023 (pages 93 to 189):
https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701147.pdf

— the annual report of the Company for the year ended 31 December 2023 published on 30 April 2024 (pages 99 to 199):
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0430/2024043000031.pdf

— the annual report of the Company for the year ended 31 December 2024 published on 29 April 2025 (pages 103 to 213):
https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042901111.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2025, being the indebtedness date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness were as follows:

(i) Bank and other borrowings

As at the close of business on 31 May 2025, the Group had total bank and other borrowings of approximately RMB3,588.21 million, including:

— Secured and guaranteed borrowings of approximately RMB80.0 million, which were secured by the Group's assets including (i) inventories, (ii) property, plant and equipment and (iii) land use right, and were guaranteed by certain subsidiaries of the Company and/or a legal representative of certain subsidiaries of the Company.

— Unsecured and guaranteed borrowings of approximately RMB3,143.82 million which were guaranteed by certain subsidiaries of the Company, a legal representative of certain subsidiaries of the Company and his spouse; and

— Unsecured and unguaranteed borrowings of RMB364.39 million.

(ii) Lease liabilities

As at the close of business on 31 May 2025, the Group had lease liabilities of approximately RMB1,242.42 million.

Save as aforesaid or as otherwise disclosed herein, apart from intra-group liabilities and normal trade payables, accruals and other payables in the ordinary course of business, at the close of business on 31 May 2025, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

After taking into account the financial resources available to the Group, including the internally generated funds and the presently available credit facilities, the Directors, after due and careful enquiry, are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

The Company has obtained a letter on the working capital statement from its auditor as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In 2024, the Company achieved a total sales volume of 40,247 units, representing a year-on-year increase of 4.6%, of which 24,115 units of BMW (including MINI) were delivered throughout the year, representing a year-on-year decrease of 15.3%; 6,274 units of BYD (including DENZA) were delivered, representing a remarkable 146-fold increase from the previous year's sales volume; and 4,547 units of Lexus were delivered, representing a year-on-year increase of 6.6%.

Since 2023, the Group has forged a strategic alliance with BYD Company and commenced the overseas NEV business, with Hong Kong as the starting point and expanding to other Asia-Pacific and European markets. On 4 November 2024, the Group acquired the assets of JC Motor Limited, a local car dealer, consolidating its position as the sole BYD distributor in the Hong Kong market. As at the Latest Practicable Date, the Group has established service network for BYD across Hong Kong, Cambodia, the Philippines, Singapore, Japan, Indonesia, Thailand, Malaysia, Australia, the United Kingdom, France, Poland, etc. This growth highlights the synergy between BYD's cutting-edge NEV technology and the Group's distribution strengths, positioning the alliance as a pivotal force driving China's NEV globalisation strategy.

Looking ahead, the Company will vigorously expand into overseas NEV markets, while maintain an unwavering commitment to consolidating its core automotive business in Mainland China. Building on the resilience of China's automobile supply chain and the rising global competitiveness of domestic NEV brands, the Company aims to accelerate the internationalisation of domestic NEV brands. By deepening partnerships with these industry leaders and aligning with evolving sustainability trends, the Company seeks to position itself as a key enabler of green mobility innovation worldwide, driving both commercial success and progress toward global carbon reduction goals.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024 (the date to which the latest published audited consolidated financial statements of the Company were made up).

The following the text of the valuation report in connection with the valuation of the Disposal Company as at 31 December 2024, which has been prepared for the purpose of inclusion in this circular.

Valplus Consulting Limited
Unit 917, 9/F, Houston Centre
63 Mody Road Tsim Sha Tsui East
Hong Kong

23 July 2025

The Board of Directors,
China Harmony Auto Holding Limited,
Room 1915, 19/F,
Lee Garden One,
33 Hysan Avenue,
Causeway bay, Hong Kong

Dear Sirs/Madams,

Re: Valuation of 100% equity interest in iCar Group Limited

In accordance with the instructions from China Harmony Auto Holding Limited ("**Company**" and together with its subsidiaries, "**Group**"), we have conducted a valuation of the fair value of 100% equity interest ("**Equity Interest**") in iCar Group Limited ("**iCar**", and together with its subsidiaries, ("**iCar Group**"), a private limited liability company incorporated in the Cayman Islands with its operating subsidiaries principally engaged in the sales and after-sales services of new energy vehicles ("**NEVs**") in Hong Kong, Asia Pacific and European countries. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the fair value of the Equity Interest as at 31 December 2024 ("**Valuation Date**").

This report states the purpose of valuation and premise of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion on value.

1. PURPOSE OF VALUATION

This report is being solely prepared for the directors and management of the Company for reference and incorporation into a public circular of the Company in connection with a proposed disposal of 45% equity interest in iCar Group ("**Proposed Disposal**") by the Company under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

The Proposed Disposal, if approved and materialized, would be a commercial decision made by the transacting parties and the corresponding transaction price would be the result of negotiations between the transacting parties. The directors and management of the Company should be solely responsible for determining the consideration of the Proposed Disposal, in which Valplus Consulting Limited ("**Valplus**") is not involved in the negotiation and has no comment on the agreed consideration.

Furthermore, this valuation report does not constitute an opinion on the commercial merits and structure of the Proposed Disposal. We are not responsible for any unauthorized use of this report. Valplus assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

2. BASIS AND PREMISE OF VALUE

Our valuation has been prepared in accordance with the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council.

Our valuation is based on going concern premise and conducted on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3. SCOPE OF WORK

Our valuation opinion is based on the assumption stated herein and the information provided by the management of the Group, iCar Group or their representatives (together, "**Management**"). In the course of our valuation work, we have conducted the following process to evaluate the reasonableness of the adopted basis and assumption provided:

- Discussed with the Management in relation to the background, development, operation, financial performance and other relevant information of iCar Group;

- Reviewed relevant financial information, operational information and other relevant data concerning iCar Group;

- Reviewed and discussed with the Management on the business development concerning iCar Group;

- Performed market research in relation to the economic outlook in general and the specific economic environment and market elements affecting the business, industry, and market and obtained relevant statistical figures from the public sources;

- Examined relevant basis and assumptions of both the financial and operational information of iCar Group, which were provided by the Management;

- Designed an appropriate valuation model to derive the fair value of the Equity Interest;

- Presented all relevant information on the scope of work, sources of information, overview of iCar Group, valuation methodology, major assumptions, limiting conditions, remarks and opinion on value in this report.

4. SOURCES OF INFORMATION

We relied on the following major documents and information in our valuation analysis. Some of the information and materials are furnished by the Management. Other information is extracted from public sources such as government sources, HKEXnews, Bloomberg, Moody's, etc., if applicable.

The major documents and information include the followings:

- The certificates of incorporation of iCar dated 13 June 2024;

- The conditional sale and purchase agreement ("**SPA**") of the Proposed Disposal dated 23 May 2025 (as supplemented by a supplemental agreement dated 22 July 2025), entered into between (i) the Company; (ii) Epower Global Limited, the purchaser in relation to the Proposed Disposal; and (iii) Mr. Feng Changge, the Chairman of the Board, an executive Director and a controlling shareholder of the Company as at the Valuation Date;

- Announcement(s) and/or circular(s) made by the Company in relation to the Proposed Disposal;

- Audited annual reports and/or unaudited interim reports of the Group; and

- Historical financial information of iCar Group for the year ended 31 December 2024 ("**FS**").

In the course of our valuation, we had discussion with the Management on the industry and the development of iCar Group. Furthermore, we have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We consider that we have obtained adequate information from the sources described above to provide a reliable opinion on value.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all the matters which an audit or more extensive examination might disclose.

5. COMPANY PROFILE

iCar is a private limited liability company incorporated in the Cayman Islands on 13 June 2024. iCar acts as an investment holding company with nominal business activities and, through an intermediate holding entity namely iCar Group Holdings Limited ("**iCar Holdings**"), holds 100% equity interest in Harmony New Energy Auto Service Europe Holding BV ("**iCar Europe**") and iCar Asia Limited ("**iCar Asia**") as primary assets. iCar Holdings is a private limited liability company incorporated in the British Virgin Islands on 7 May 2024 with business registration number of 2148056 and registered capital of US$50,000. iCar Europe is a private limited liability company incorporated in Netherlands on 27 May 2024 with business registration number of 432098CBE and registered capital of EUR1,000. iCar Asia is a private limited liability company incorporated in Hong Kong on 28 June 2024 with business registration number of 76742199 and registered capital of HK$1. Through the operating subsidiaries, iCar is primarily engaged in the sales and after-sales services of NEVs in overseas markets.

Based on the FS provided by the Management, for the year ended 31 December 2024, the revenue of iCar Group amounted to approximately RMB1,935.1 million (included the intra-group balances) and recorded a net loss of approximately RMB194.9 million. iCar Group had total assets of approximately RMB2,717.3 million and its net liabilities excluding non-controlling interests were approximated to RMB202.0 million.

6. BUSINESS OVERVIEW

iCar Group operates as a comprehensive dealership platform to distribute new energy vehicles ("**NEVs**") under two leading Chinese NEV brands, namely BYD and DENZA via the development and operation of physical points of sales in overseas markets. In July 2025, iCar Group has been managing 51 4S centres, 43 showrooms and 6 service centres spanning across Hong Kong,

Cambodia, the Philippines, Singapore, Japan, Indonesia, Thailand, Malaysia, Australia, the United Kingdom, France, Poland, etc. As advised by the Management, iCar Group is the sole Tier-1 authorized dealer for BYD NEVs in Hong Kong, and the authorized national dealer for BYD NEVs in Cambodia. Apart from the retail sale and wholesale of the NEVs, iCar Group also provides after-sale services including but not limited to maintenance, second-hand vehicle trading and auto-part upgrading & car beauty services to the customers. As advised by the Management and for the financial year ended 31 December 2024, iCar Group has completed the sale of an aggregated number of over 7,000 units of NEVs.

7. ECONOMIC OVERVIEW

The economic overview of the Asia and Pacific ("**APAC**") region is based on by data from the Asian Development Bank's ("**ADB**") Basic Statistics and Asian Development Outlook ("**ADO**") 2025, released in April 2025. The region's gross domestic product ("**GDP**") growth is projected at 4.9% for 2025, moderating slightly to 4.7% in 2026, driven by solid domestic demand and electronics exports, though tempered by a slowdown in China's property sector and rising U.S. tariffs. Inflation is expected to ease to 2.3% in 2025 and 2.2% in 2026, supported by declining global commodity prices, enabling monetary policy easing in many economies. In 2024, the proportion of the population living below the national poverty line decreased significantly in countries like Cambodia and Fiji. Trade performance remains robust, with South Asia's higher growth offsetting challenges from trade barriers. For instance, India's GDP growth is projected at 7.2% and Vietnam's at 6.2% for 2025. Infrastructure investment needs remain substantial, estimated at US$26 trillion from 2016 to 2030, underscoring the region's push for sustainable development. The ADB emphasizes regional integration, technological innovation, and policies to enhance micro, small, and medium-sized enterprises to sustain inclusive growth and address external shocks.

The economic overview of the European Union ("**EU**") is made references to the Eurostat. According to Eurostat, the EU's GDP increased by 0.3% in the first quarter of 2025. In the fourth quarter of 2024, household real consumption per capita grew by 0.4%, reflecting sustained consumer spending. Industrial producer prices fell by 1.6% in March 2025 compared to February 2025, indicating some easing in production costs. The EU's international trade in goods recorded a surplus of EUR24.8 billion in January and February 2025, with exports rising by 6.2% to EUR248.7 billion and imports increasing by 5.7% to EUR224.7 billion in February 2025 compared to the previous year. However, energy product imports declined significantly in 2024, with a 16.2% drop in value to EUR375.9 billion and a 7.1% reduction in volume. The unemployment rate remained stable at 5.8% in March 2025, down from 6.0% in March 2024, while annual inflation held steady at 2.2% in April 2025. The EU economic policies continue to prioritize sustainable growth, with initiatives like the Clean Industrial Deal and Affordable Energy Action Plan launched

in February 2025 to enhance energy efficiency and support a just energy transition. These efforts aim to bolster competitiveness, promote digitalization, and maintain economic stability amidst global challenges.

8. INDUSTRY OVERVIEW

This section of industry overview is based on the research conducted and data provided by (i) International Energy Agency[1] ("**IEA**"); (ii) Reuters; (iii) BYD; and (iv) The State Council of the People's Republic of China.

The Chinese new energy vehicle industry, mainly encompassing battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), and fuel cell electric vehicles (FCEVs), has solidified its position as a global leader. In 2024, Chinese brands significantly expanded their presence in Asian countries and regions excluding China ("**Ex-China Asia**") and the EU, driven by technological advancements, competitive pricing, and robust domestic production capabilities.

NEV Market in Ex-China Asia

In 2024, the Ex-China Asia emerged as a significant growth area for Chinese-brand NEVs. According to the IEA, electric car sales in emerging and developing economies in Ex-China Asia increased by over 60% year-on-year, reaching nearly 400,000 units, with the sales share nearly doubling from 2.5% to 4%. Major Chinese car makers such as BYD, Great Wall Motor (GWM), Geely, and SAIC Motor played a crucial role in this growth, leveraging their cost-effective models and expanding distribution networks. Regarding the country-specific performance, some key highlights are summarized as below:

- Thailand: The electric car sales share rose to 13% in 2024 from 11% in 2023. Approximately 85% of NEVs in Thailand were imported from China, with brands like BYD leading the market;

- Indonesia: Electric car sales tripled in 2024, with the sales share exceeding 7%. Chinese brands capitalized on the demand for affordable NEVs, supported by government incentives;

- Malaysia: Electric car sales increased more than doubled in 2024 compared to 2023, with the sales share rising from less than 2% to nearly 4%; and

1) The IEA, established in 1974, is an autonomous intergovernmental organization based in Paris that offers policy recommendations, analysis and data on the global energy sector.

- India: JSW and SAIC Motor's MG Motor produced half of their vehicles domestically in 2024, with plans to launch their own EV brand in collaboration with BYD and Geely.

Chinese car-manufacturing companies have focused on affordability and localization to penetrate these markets. For instance, in Thailand, Chinese brands dominate due to their competitive pricing and robust supply chains. In India, partnerships with local manufacturers like JSW are facilitating market entry and compliance with local regulations. The IEA notes that Chinese OEMs accounted for a significant share of imports in markets like Thailand (around 85%), indicating their strong regional influence.

For 2025, the ex-China Asia is expected to continue its growth trajectory, supported by government policies promoting NEV adoption, such as subsidies and tax incentives. Chinese brands are likely to invest further in local production to mitigate import tariffs and enhance market penetration. The IEA projects continued growth in NEV sales, potentially exceeding 500,000 units in 2025, with Chinese brands maintaining a significant share.

NEV Market in the EU

In Europe, the electric car market in 2024 showed stagnation, with the sales share remaining at 20%, according to the IEA. This was due to subsidy phase-outs in countries like Germany and France, though growth was observed in others, such as (i) the NEV sales shares increased to nearly 30% in 2024 from 24% in 2023; (ii) a 88% sales shares of NEVs have been achieved in Norway, which is the globally-highest record; and (iii) a 56% sales shares for electric cars in Denmark.

Chinese brands, including BYD and SAIC Motor, have been expanding their presence in Europe, with BYD reporting significant sales growth in 2024. However, specific market share data for Chinese brands in Europe is limited, though their presence is growing, particularly in countries with high NEV adoption rates. In late 2024, the EU imposed additional tariffs on Chinese-made NEVs, citing unfair competition due to state subsidies. This led to a slowdown in export growth, with Chinese-brand NEV exports to Europe rising only 12.3% year-on-year in June 2024, down from 30–40% in previous periods.

For 2025, Europe's electric car sales are projected to reach 4,000,000 units, with a sales share of approximately 25%, driven by policies like the United Kingdom's Vehicle Emissions Trading Scheme, which targets a 28% NEV share. Chinese brands are expected to face continued challenges from tariffs, and in order to counter this, companies like BYD are establishing production facilities in Europe to bypass tariffs and strengthen market presence.

Challenges and Opportunities

- Trade barriers: The imposition of the EU tariffs in late 2024 and potential further restrictions in 2025 posed significant challenges for Chinese NEV exports to Europe. These tariffs, aimed at addressing perceived unfair subsidies, have sparked controversy, with Western nations advocating for fair competition and Chinese manufacturers defending their market success as a result of innovation and economies of scale;

- Local production and partnerships: To mitigate trade barriers, Chinese automakers are investing in local production. BYD's planned factories in Europe and partnerships like JSW and SAIC Motor in India demonstrate a strategic shift towards localization. This approach not only reduces tariff impacts but also aligns with local regulations and consumer preferences; and

- Consumer preferences and policy support: In Ex-China Asia, consumer demand for affordable EVs is driving growth, supported by government incentives like subsidies and tax breaks. In Europe, stringent CO2 emission targets and policies like the United Kingdom's emissions trading scheme are boosting NEV adoption, though subsidy reductions in some countries have slowed progress. Chinese brands are well-positioned to meet demand for cost-effective NEVs.

9. INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to historical performance, operations and industry, and other relevant information of iCar Group. In addition, we have made relevant enquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to financial information and other pertinent data concerning iCar Group provided to us by the Management.

The valuation of iCar Group requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of iCar Group;

- Historical information of iCar Group;

- Financial condition of iCar Group;

- Proposed business development of iCar Group;

- Nature, terms and conditions of relevant agreements, contracts, licenses, permits and rights, if applicable;
- Expected economic income from relevant agreements, contracts, licenses, permits and rights, if applicable;
- Regulations and rules of relevant industries;
- Economic and industry data affecting markets and other dependent industries;
- Market-derived investment return(s) of similar business; and
- General global economic outlook.

10. GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to value a business subject:

- Market approach;
- Asset approach; and
- Income approach.

Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value.

Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing businesses that are similar in nature. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive. A more detailed discussion of each approach is presented in the *ADDENDUM I — VALUATION APPROACHES* to this report.

11. VALUATION ANALYSIS

11.1. Methodology

In the process of valuing a business subject, we have taken into consideration of business nature, assets type, specialty of its operations, assets owned, and liabilities assumed and industry it is participating. Having considered the three general valuation methodologies, we believed that the asset approach would be appropriate and reasonable in the valuation of iCar Group.

Based on discussion with the Management and information provided by the Management, iCar Group was still in an early stage of development with operating track record less than two years from the Valuation Date. Therefore, the use of historical data is not sufficient to form a reliable basis of projections. Also, the use of projections would involve a high level of uncertain, long-term forecast estimates and underlying assumptions. Given available limited basis, qualifications and explanations, the income approach is therefore considered to be not appropriate for this valuation.

The market approach is also considered not appropriate as there are insufficient relevant comparable transactions and companies to form a reliable basis for opinion on value given the uniqueness of pure NEVs distribution business model of iCar Group. Also, given the short operating track records of iCar Group, the market approach based on latest financial metrices is not reasonable and applicable after considering the development status, business scale and operating losses of iCar Group.

Under the asset approach, we have adopted the adjusted net assets method ("**Adjusted NAV**"), of which all of the subject's individual asset and liability account categories are analysed and valued separately. The value of the individual assets (both tangible and intangible) less the value of the liabilities (both recorded and contingent) represents the subject business value. The Adjusted NAV is a sound method for estimating the value of start-up business which is not mature but still under development.

11.2. Assets and Liabilities Measurement

Under the asset approach, the value of the valuation target is determined by reasonably assessing the value of the assets and liabilities as stated on the balance sheet of the enterprise. To prepare the valuation, we have reviewed the assets and liabilities as stated in the FS of iCar Group as of the Valuation Date. Pursuant to the Management, iCar Group had no off-balance sheet assets or liabilities as of the Valuation Date. In the course of our measurement, we have made relevant enquiries to and obtained necessary information from the Management about the assets and liabilities of the FS. The measurement is prepared on the basis of agreed upon procedures,

approaches and methods. However, the assessed values provided by us in this report rely to a great extent on the representations made by the Management reflecting their best available estimates, judgment and knowledge concerning the assets & liabilities of the audited accounts. Based on the FS of iCar Group as of the Valuation Date, the major and material assets and liabilities of iCar Group are cash and bank balances, trade receivables, prepayments and other receivables, inventory, fixed assets, construction in progress, right-of-use assets & lease liabilities, short-term and long-term loans, trade payables, receipt in advance and amounts due to related parties.

Cash and bank balances

The cash and bank balances were highly liquid and were available for withdrawal upon demand, and therefore they were subject to cost basis where the fair value was equivalent to the corresponding carrying amount in the FS.

Trade receivables

The trade receivables were primarily consisted of car purchase payment receivables backed by mortgage arrangement from financial institutions, insurance commission receivables from insurance companies and warranty receivables from automobile manufacturers. The mortgage is normally settled within one month directly by major financial institutions. For the receivables from insurance companies and automobile manufacturers, their default risks are considered low, provided with their solid standing and good credit rating. After performing expected credit loss analysis and reviewing the walkthrough documents about the business model of iCar Group, we have checked against the aging schedule and settlement record of the receivables, indicating the payments were settled within the credit period with a high and prompt recoverability. Based on the above analysis, the fair value of trade receivables was estimated to be approximately equal to its respective carrying amount in the FS, with no material variance.

Prepayments and other receivables

The prepayments and other receivables were primarily consisted of payment in advance of fixed asset procurement, prepayments to suppliers, rebate receivables, commission receivables and tax recoverable. We have checked and reviewed against the relevant receivable information and also reviewed the walkthrough documents as provided by the Management, including but not limited to the debtors' names and exposure amounts. After performing expected credit loss analysis based on (i) historical settlement track records; and (ii) market default and recovery rates, the fair value of the prepayments and other receivables were estimated to be RMB374,316,000 and RMB222,938,000, respectively, approximately equal to their respective carrying amount in the FS, with no material variance.

Inventory

The inventory primarily consists of the NEVs held for sales owned by iCar Group. We have checked and reviewed the information of inventory provided by the Management including but not limited to the names, quantity, specifications, models and carrying amount and considered that the fair value of the inventory was estimated to be approximately equal to its carrying amount in the FS, with no material variance.

Fixed assets

The fixed assets include but not limited to structures & leasehold improvements, machineries and equipment, office fixtures and motor vehicles for the daily operation of outlets and service centres.

Considering the nature and usage of the fixed assets, we adopted the reproduction cost new method to estimate the value of the fixed assets. When using the reproduction cost new method, we referred to appropriate price or cost indices to the historical costs of the fixed assets in our estimation of their cost of reproduction new as of the Valuation Date. Depreciation for physical deterioration from wear and tear of the fixed assets was further deducted to reflect the usage conditions and outstanding economic benefits of the fixed assets. The applicable useful lives for the key categories of assets are summarised as follows:

Structures and leasehold improvements	4 to 20 years
Machineries	5 to 10 years
Electronic equipment	3 to 10 years
Furniture and fixture	5 to 10 years
Motor vehicles	4 to 8 years

Based on the above analysis, the fair value of the fixed assets approximated to RMB432,124,000 as at the Valuation Date.

Construction in progress

The construction in progress refers to the construction and set-up cost injected by iCar Group to build the new outlets and service centres. The fair value was based on the carrying amount in the FS.

Intangible assets

The intangible assets primarily consist of website development and service fees and 4 certificates of entitlement for the right to own and use a vehicle in Singapore. Having discussed with the Management and reviewed the relevant information and records, these intangible assets are mainly internally developed for self-use without reliable income stream, and thus their fair values were based on the carrying amount in the FS.

Goodwill

The goodwill arose from the business combinations in 2023 and 2024, and was subject to impairment testing by the Management for financial reporting purpose in accordance with the relevant accounting standards for the financial year ended 31 December 2023 and 2024. Having discussed with the Company's auditor and reviewed the relevant information, including but not limited to the sale and purchase agreements, financial information and valuation workings and report, there was no indication of impairment of goodwill for the aforesaid financial years, and thus its fair value was estimated to be approximately equal to its respective carrying amount in the FS.

Right of use assets & lease liabilities

The right of use assets and lease liabilities refer to the assets & liabilities in relation to the leases of the points of sales entered by iCar Group which were effective as at the Valuation Date. We have checked and reviewed against the relevant information, including but not limited to the location of outlets and service centres, lease tenures and monthly rents. Based on the above analysis, the fair value of right of use assets and lease liabilities were estimated to be approximately equal to the respective carrying amount in the FS.

Short- and long-term loans

Pursuant to the information provided by the Management, these are interest-bearing bank loans granted by major banks to iCar Group. The fair value of the loans was based on their carrying amount in the FS.

Trade payables

The trade payables mainly comprised the non-interest-bearing payables associated with the import of the NEV inventory. We have checked and reviewed information including but not limited to the creditors' names and payable amounts as provided by the Management, and considered that the fair value shall be approximated to their respective carrying amount in the FS.

Receipt in advance

The receipt in advance primarily consists of the short-term prepayments received from customers for the purchase of NEVs and other after-sales services. We have checked and reviewed information including but not limited to the creditors' names and advance amounts as provided by the Management, and considered that the fair value shall be approximated to their respective carrying amount in the FS.

Amounts due to related parties

The amounts due to related parties mainly referred to the shareholder's loans and advances together with the accrued interests owing by iCar Group to the Group. We have checked and reviewed information including but not limited to the creditors' names and payable amounts of the principal and interest portions as provided by the Management, and considered that the fair value shall be approximated to their respective carrying amount in the FS.

Other assets and liabilities

Upon our analysis and discussion with the Management, other assets and liabilities mainly included long-term deferred expenses, deferred tax assets, wage payables, tax payables, other payables and deferred tax liabilities, which were all subject to cost basis in this valuation.

11.3. Value Summary as of the Valuation Date

RMB'000	**Book value**	**Revaluation**
Assets		
Cash and bank balances	242,522	242,522
Trade receivables	93,595	93,595
Prepayments	375,058	374,316
Other receivables	223,423	222,938
Inventory	530,503	530,503
Fixed assets, net	429,237	432,124
Construction in progress	167,695	167,695
Intangible assets	409	409
Goodwill	53,987	53,987
Long-term deferred expenses	3,020	3,020
Deferred tax assets	17,294	17,294
Right of use assets	580,507	580,507
TOTAL ASSETS:	**2,717,250**	**2,718,910**
Liabilities		
Short-term loans	489,716	489,716
Trade payables	160,564	160,564
Receipt in advance	519,914	519,914
Wage payables	23,694	23,694
Tax payables[1]	(2,330)	(2,330)
Other payables	87,921	87,921
Long-term loans	33,724	33,724
Deferred tax liabilities	6,030	6,030
Lease liabilities	578,112	578,112
Amounts due to related parties	1,017,395	1,017,395
TOTAL LIABILITIES:	**2,914,740**	**2,914,740**
NET (LIABILITIES):	**(197,490)**	**(195,830)**
Less: Non-controlling interests[2]:	4,536	4,536
NET (LIABILITIES) TO EQUITY OWNERS:	**(202,026)**	**(200,366)**

* *Figures above are subject to rounding.*

Notes:

1) The negative tax payables represent input VAT.

2) The non-controlling interests ("**NCI**") refer to the carrying amount of the minority interests on the FS as at the Valuation Date.

Based on the above analysis, the revaluation of the net liabilities (excluding NCI) of iCar Group as at the Valuation Date was approximately RMB200,366,000 as compared to the respective book value of net liabilities (excluding NCI) approximated to RMB202,026,000, representing a decrease in amount of approximately RMB1,660,000. The change in the value was primarily due to the revaluation of the fixed assets and the loss allowance assessment of the receivables.

12. VALUATION ASSUMPTIONS

- Capital restructuring of the Proposed Disposal stipulated on the SPA is considered as a subsequent event after the Valuation Date and therefore the associated accounting impact on the Equity Interest has not been incorporated for the purpose of this valuation;

- As advised by the Company, the likelihood of any potential tax liabilities for the properties being crystalized is remote as iCar Group have no intention to sell the properties;

- iCar Group is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to iCar Group;

- To continue as a going concern, iCar Group will successfully carry out all necessary activities for the development of its business;

- The contractual parties of relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;

- The financial and operational information of iCar Group as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of iCar Group as at the respective balance sheet date;

- Market trends and conditions where iCar Group operates will not deviate significantly from the economic forecasts in general;

- Key management, competent personnel and technical staff will all be retained to support ongoing operations of iCar Group;

- There will be no material changes in the business strategy of iCar Group and its expected operating structure;

- Interest rates and exchange rates in the localities for the operations of iCar Group will not differ materially from those presently prevailing;

- All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where iCar Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which iCar Group operates or intends to operate, which would adversely affect the revenues and profits attributable to iCar Group.

13. LIMITING CONDITIONS

Our conclusion of the value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Our work in connection with this engagement is of a different nature to that of a formal audit or a review of information, as those terms are understood in applicable to relevant auditing and accounting standards. We do not, as part of this exercise, perform an audit, review, or examination of any of the historical, present or prospective financial information used and therefore, do not express any opinions with regard to it.

The estimated or assessed value of other assets were only used for the purpose of this valuation and does not constitute to be a formal valuation or second opinions on their fair or market values.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates as identified or being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for their accuracy. The value might be adjusted should more specific and update information of the valuation subject is made available to us.

We have made reference to the information provided by the Management in arriving at our opinion on value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and that any material facts have been omitted from the information provided. No responsibility for the operational and financial information that have not been provided to us is accepted.

We accept no responsibility for the realization and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this report. We assumed that financial and other information provided to us are accurate and complete.

We have not investigated the title to or any legal liabilities of iCar Group. We have assumed no responsibility for the title to iCar Group.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value(s) are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value(s) represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

We would particularly point out that our valuation was based on the information such as company background, business nature, market share, and future prospects of iCar Group provided to us by the Management.

14. REMARKS

The Management has reviewed and agreed on the report and confirmed the factual content of the report.

We hereby confirm that we have neither present nor prospective interests in iCar Group, the Group or the value reported herein.

15. OPINION ON VALUE

Based on the investigation and analysis stated above and on the valuation methods employed, we are of the opinion that iCar Group was in a **net-liability position** of approximately **RMB200,366,000 (RENMINBI TWO HUNDRED MILLION THREE HUNDRED AND SIXTY-SIX THOUSAND ONLY)**, indicating a nominal amount of fair value of the Equity Interest as at the Valuation Date.

Respectfully submitted,
For and on behalf of
VALPLUS CONSULTING LIMITED
Damon S.T. Wan, *CFA, FRM, MRICS*
Founding Partner

Analysed and reported by:

Willy T.Y. Yu, *CESGA*
Associate Director

Alfred Y.M. Wong, *CPA (Aust.)*
Manager

ADDENDUM I — VALUATION APPROACHES

Market Approach

The market approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analysing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to derive an indication of value.

Asset Approach

The asset approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operations, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

Income Approach

The income approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

ADDENDUM II — STAFF BIOGRAPHY

Damon S.T. Wan, *CFA, FRM, MRICS*
Founding Partner

Mr. Damon S.T. Wan is a CFA Charterholder, a Certified FRM and a member of Royal Institution of Chartered Surveyors. Mr. Wan has been working in the professional valuation field since 2008. He is experienced and specialized in performing properties, financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing.

Willy T.Y. Yu, *CESGA*
Associate Director

Mr. Willy T.Y. Yu is a Certified ESG Analyst and has been working in the banking and financial industry since 2014. He possesses experience in the aspects of corporate credit risk, cash trading, business valuation and ESG analysis.

Alfred Y.M. Wong, *CPA (Aust.)*
Manager

Mr. Alfred Y.M. Wong is a member of CPA Australia and has been working in the corporate finance industry since 2015. He possesses experience in the aspects of corporate finance advisory, corporate credit risk and business valuation.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' and chief executive' interests and short positions in securities of the Company or its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executive of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 of the Listing Rules to be notified to the Company and the Stock Exchange:

	Number of Shares held			Number of underlying shares held		Approximate % of the issued Share Capital of the Company as at the Latest
Name of Director	Personal Interests[(Note 1)]	Family Interests[(Note 2)]	Other interests	Personal Interests	Total Interests	Practicable Date
Mr. Feng	—	—	708,364,660 *(Note 3 and 4)*	2,500,000[(Note 5 and 6)]	710,864,660 [(Note 4)]	46.66%
Mr. Feng Shaolun	—	—	708,364,660 *(Note 4 and 7)*	—	708,364,660 [(Note 4)]	46.50%
Ms. Ma Lintao	—	710,864,660 *(Note 4 and 8)*	—	—	710,864,660 [(Note 4)]	46.66%
Mr. Liu Fenglei	778,587 [(Note 4)]	—	—	2,500,000[(Note 5 and 6)]	3,278,587 [(Note 4)]	0.21%
Mr. Wang Nengguang	40,000 [(Note 4)]	—	—	—	40,000 [(Note 4)]	0.00%

Notes:

(1) "Personal Interests" represents interests directly beneficially owned.

(2) "Family Interests" represents interests of spouse or child under 18.

(3) These 708,364,660 Shares are held by Eagle Seeker Company Limited ("**Eagle Seeker**"). Mr. Feng is deemed to be interested in the said 708,364,660 Shares by virtue of Eagle Seeker being held indirectly by Cititrust Private Trust (Cayman) Limited through Eagle Pioneer Company Limited, whereas Mr. Feng is the founder of the trust.

(4) Long position in the Shares.

(5) These interests represent options to subscribe for shares, in accordance with the share option scheme that was adopted by the Company in June 2015, and which were granted to the relevant Directors.

(6) These options were granted by the Company in May 2017 and accepted by the relevant grantees in May 2017.

(7) These 708,364,660 Shares are held by Eagle Seeker. Mr. Feng Shaolun is deemed to be interested in the said 708,364,660 Shares by virtue of Eagle Seeker being held indirectly by Cititrust Private Trust (Cayman) Limited through Eagle Pioneer Company Limited, whereas Mr. Feng Shaolun is one of the beneficiaries.

(8) Ms. Ma Lintao is Mr. Feng's spouse and is therefore deemed to be interested in all the Shares in which Mr. Feng is interested in.

(ii) Substantial Shareholders' and other persons' interests and short positions in securities of the Company or its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Shareholders and other persons (other then the Directors or the chief executive of the Company) had any interests or short position in the Shares, underlying Shares and debentures of the Company and its associated corporations which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered in the register referred therein:

Name of Shareholder	Capacity	Number of Shares held	Approximate % of the issued share capital of the Company as at the Latest Practicable Date
Eagle Seeker	Beneficial owner	708,364,660 *(Note 1)*	46.50%

Name of Shareholder	Capacity	Number of Shares held	Approximate % of the issued share capital of the Company as at the Latest Practicable Date
Eagle Pioneer Company Limited *(Note 2)*	Interest of controlled corporation	708,364,660 *(Note 1)*	46.50%
Cititrust Private Trust (Cayman) Limited *(Note 3)*	Trustee	708,364,660 *(Note 1)*	46.50%
Foxconn (Far East) Limited *(Note 4)*	Beneficial owner	128,734,000 *(Note 1)*	8.45%
Hon Hai Precision Industry Co. Ltd *(Note 4)*	Interest of controlled corporation	128,734,000 *(Note 1)*	8.45%

Notes:

(1) Long position in such Shares.

(2) Eagle Seeker is wholly owned by Eagle Pioneer Company Limited. Accordingly, Eagle Pioneer Company Limited is deemed to have interest in the 708,364,660 Shares held by Eagle Seeker.

(3) Eagle Pioneer Company Limited is wholly owned by Cititrust Private Trust (Cayman) Limited. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to have interest in the 708,364,660 Shares held by Eagle Seeker (the controlling shareholder of the Company), indirectly via Eagle Pioneer Company Limited. Mr. Feng, Executive Director and Chairman of the Board, is the founder of the trust of Cititrust Private Trust (Cayman) Limited.

(4) Foxconn (Far East) Limited ("**Foxconn**") is wholly owned by Hon Hai Precision Industry Co. Ltd. ("**Hon Hai**"), a company listed on the Taiwan Stock Exchange. Accordingly, Hon Hai is deemed to have interest in the 128,734,000 Shares held by Foxconn.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation)).

4. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, save for the Agreement, none of the Directors had any direct or indirect interest in any assets which have been acquired by or disposed of by or leased to any member of the Group, or are proposed to be acquired by or disposed of by or leased to any member of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, save for the Agreement, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, none of the Directors or any of their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

7. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business), which had been entered into by any member of the Group within the two years immediately preceding the date of this circular:

(i) the loan agreements dated 2 August 2023 and 28 August 2023, respectively, entered into between the Group and 河南和諧汽車維修服務有限公司 (Henan Hexie Automobile Aftersales Services Co., Ltd.*) and its subsidiaries (the "**IAC Group**") in relation to the loans provided by the Group to the IAC Group;

(ii) the sale and purchase agreement dated 4 November 2024 entered into between Harmony New Energy Auto Service (Hong Kong) Limited (和諧新能源汽車服務(香港)有限公司), an indirect non-wholly-owned subsidiary of the Company, and JC Motor Limited (聯大汽車有限公司) in relation to the acquisition of the 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.; and

(iii) the Agreement.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

9. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following sets out the qualification of the experts who have given an opinion or advice or statements as contained in this circular:

Name	Qualification
Halcyon Capital Limited	A corporation licensed to carry out type 6 regulated activities under the SFO
Valplus Consulting Limited	Independent professional valuer (for valuation of the equity interests of the Disposal Company). The qualification of the staff responsible for the Valuation at Valplus Consulting Limited is set out on page II-22 of this Circular.

The above experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letter or report and/or reference to their names, in the forms and context in which they respectively appear.

As at the Latest Practicable Date, the above experts did not have any interest in the share capital of the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been, since 31 December 2024 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

(i) The registered office of the Company is located at Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

(ii) The principal place of business and headquarters in the PRC of the Company is located 15A, Tower A, World Trade Center Building, Shangwuneihuan Road, CBD Zhengdong New District, Zhengzhou, Henan Province, PRC. Its principal place of business in Hong Kong is Room 1915, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

(iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(iv) The company secretary of the Company is Ms. WONG Wai Yee, Ella who is a Chartered Secretary, a Chartered Governance Professional and a fellow of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute.

(v) This circular has been prepared in both English and Chinese. In the event of any discrepancy, the English text shall prevail over the Chinese text.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.hexieauto.com) for a period of 14 days from the date of this circular:

(i) the Agreement;

(ii) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(iv) the Valuation Report from the Valuer as set out in Appendix II to this circular;

(v) the written consents as referred to in the paragraph headed "9. QUALIFICATIONS AND CONSENTS OF EXPERTS" in this appendix; and

(vi) this circular.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of China Harmony Auto Holding Limited (the "**Company**") will be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 8 August 2025 at 4:00 p.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution of the Company. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 23 July 2025.

ORDINARY RESOLUTION

"**THAT**:

(a) the Agreement (a copy of which is tabled at the EGM and marked "A" and initialled by the chairman of the EGM for identification purpose), the transactions contemplated thereunder (including the Disposal and the Capital Restructuring comprising the Preferred Loans) and any other ancillary documents, be and are hereby ratified, confirmed and approved;

(b) any one Director be and is hereby authorised for and on behalf of the Company to, among other matters, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters

and things as he/she may in his/her discretion consider necessary, appropriate, desirable or expedient to implement and give effect to the Agreement and the transactions contemplated thereunder (including the Disposal and the Capital Restructuring comprising the Preferred Loans) and to agree to such variations, amendments, waivers or matters thereto as are, in his/her opinion, in the interests of the Company and its shareholders as a whole."

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

Zhengzhou, PRC, 23 July 2025

Notes:

1. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint a proxy/more than one proxy to attend and vote instead of him/her/it. A proxy need not be a Shareholder. If more than one proxy is appointed, the number of Shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every Shareholder present in person or by proxy shall be entitled to one vote for each Share held by him/her/it.

2. A proxy form for the EGM is enclosed with the Company's circular. Such proxy form is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hexieauto.com). In order to be valid, a proxy form together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. As disclosed in the announcement of the Company dated 21 July 2025, for determining the eligibility of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 5 August 2025 to Friday, 8 August 2025 (both days inclusive), during which period no transfer of the Shares will be registered. The record date will be Friday, 8 August 2025 and in order to qualify for the Shareholders' entitlement to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 4 August 2025. In the event that the EGM is adjourned to a date later than Friday, 8 August 2025, due to bad weather conditions or other reasons, the period of closure of the register of members of the Company for determination of Shareholders' entitlement to attend and vote at the EGM will remain the same as stated above.

4. Where there are joint holders of any shares, any one of such joint holders may vote, either in person or by proxy in respect of such Shares as if he/she is solely entitled thereto; but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

5. Votes on the resolution proposed at the EGM will be taken by poll.

6. If Typhoon Signal No. 8 or above is hoisted, or a "black" rainstorm warning signal or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect in Hong Kong at or at any time after 7:00 a.m. on the date of the EGM, the EGM will be rescheduled. The Company will publish an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hexieauto.com) to notify Shareholders of the date, time and venue of the rescheduled meeting.

7. References to dates and times in this notice are to Hong Kong dates and time.

8. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.

As of the date of this notice, 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.