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HARMONY AUTO

和諧汽車

China Harmony New Energy Auto Holding Limited

中國和諧新能源汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03836)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent

RaffAello
Securities (HK) Ltd

THE PLACING

On 20 November 2019, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 52,000,000 Placing Shares to the Placee at a price of HK\$3.00 per Placing Share. The Placee and its ultimate beneficial owner are Independent Third Parties.

The Placing Price of HK\$3.00 per Placing Share represents (i) a premium of 9.09% over the closing price of HK\$2.75 per Share as quoted on the Stock Exchange on the trading date immediately preceding the Last Trading Day; and (ii) a premium of 8.77% over the average of the closing prices per Share of HK\$2.758 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Last Trading Day.

The maximum Placing Shares of 52,000,000 Shares represent approximately 3.42% of the existing issued share capital of the Company as at the date of this announcement and approximately 3.31% of the issued share capital of the Company as enlarged by the Placing.

The Placing Shares shall be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 13 June 2019.

The maximum gross proceeds from the Placing will be approximately HK\$156 million. The net proceeds, after the deduction of the placing commission and other related expenses, are estimated to be approximately HK\$154.76 million, representing a net issue price of approximately HK\$2.98 per Placing Share.

The Company intends to use the net proceeds raised from the Placing for establishing long term partnerships with the Company's strategic partners and for the general working capital of the Company to meet running expenses.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date	20 November 2019
Issuer	The Company
Placing Agent	RaffAello Securities (HK) Limited

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners, and the Placee and its ultimate beneficial owners are Independent Third Parties.

The Placing Agent will charge the Company a placing commission of 1.00% of the aggregate Placing Price for the Placing Shares. The Placing commission was negotiated on an arm's length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the prevailing commission rate charged by other placing agents and the size of the Placing. The Directors consider that the terms of the Placing, including the placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

Placee

The Placing Shares will be placed to the Placee namely, Successful Lotus Limited, who is independent of, and not connected with any directors, chief executive or substantial shareholder(s) (if any) of the Company or its subsidiaries and their respective associates. The Placee will not become a substantial shareholder (as defined in the Listing Rules) of the Company as a result of the Placing.

Successful Lotus Limited is an investment company wholly-owned by Dr. Lee Ka Kit. Dr. Lee Ka Kit is the Chairman and Managing Director of Henderson Land Development Company Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong (stock code: 12).

Number of Placing Shares

The maximum Placing Shares of 52,000,000 Shares represent approximately 3.42% of the existing issued share capital of the Company as at the date of this announcement and approximately 3.31% of the issued share capital of the Company as enlarged by the Placing. The maximum nominal value of the Placing Shares under the Placing will be HK\$520,000.00.

Placing Price

The Placing Price of HK\$3.00 per Placing Share represents (i) a premium of 9.09% over the closing price of HK\$2.75 per Share as quoted on the Stock Exchange on the trading date immediately preceding the Last Trading Day; and (ii) a premium of 8.77% over the average of the closing prices per Share of HK\$2.758 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Last Trading Day.

The Placing Price was determined and negotiated on an arm's length basis between the Company and the Placing Agent with reference to the recent market prices of the Shares. Given the size of the Placing Shares involved, the Directors consider that the Placing Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ranking of Placing Shares

The Placing Shares shall rank pari passu in all respects among themselves and with the existing issued Shares on the date of allotment and issue of the Placing Shares.

Conditions of the Placing

The Placing is conditional upon (i) the Placing Agent having received in immediately available funds the aggregate Placing Price of the Placing Shares from the Placee and confirmed the same in writing to the Company; and (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Placing Shares. If the above conditions are not fulfilled by 29 November 2019 (or such other date as may be agreed by the parties thereto), the Placing Agreement will be terminated forthwith and cease to have any effect and neither party shall have any claim against the other in respect of the Placing save for any antecedent breach and/or any rights or obligations which may have accrued under the Placing Agreement prior to such termination.

Completion

The Placing shall complete on the fifth Business Day after the satisfaction of the conditions set out above (or such other date as may be agreed by the parties thereto).

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

General Mandate to issue the Placing Shares

The issue of the Placing Shares is not subject to Shareholders' approval.

The Placing Shares will be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 13 June 2019, subject to the limit up to 20% of the total number of issued shares of the Company as at 13 June 2019. As at the date of this announcement, the Company has not utilised the General Mandate.

Termination

The Placing Agent shall be entitled by notice to the Company given prior to 4:00 p.m. on the day immediately preceding the date of Completion to terminate the Placing Agreement if:

- (i) any Specified Event or force majeure event comes to the notice of the Placing Agent; or
- (ii) there develops, occurs or comes into force:
 - (a) any new law or regulation or any change in existing laws or regulations or the interpretation thereof by any court or other competent authority in Hong Kong or the PRC which is reasonably expected to materially and adversely affect the business or financial condition or prospects of the Company as a whole; or
 - (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date hereof) of a political, military, economic or other nature (whether or not ejusdem generis with the foregoing) which will, or is reasonably expected to, have a material adverse effect on the Placing; or
 - (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which has or is reasonably expected to have a material adverse effect on the Placing; or
- (iii) there is a material adverse change in the business or in the financial or trading position of the Company taken as a whole which being unaware of by the Placing Agent and is material in the context of the Placing.

If notice is given pursuant to the above, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any rights or obligations which may have accrued under the Placing Agreement prior to such termination.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The changes of the shareholding structure of the Company as a result of the Placing are as follows:

Shareholders	As at the date of this announcement		Upon completion of the Placing	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Eagle Seeker Company Limited	690,066,160	45.36	690,066,160	43.86
Eagle Pioneer Company Limited ⁽¹⁾	690,066,160	45.36	690,066,160	43.86
Cititrust Private Trust (Cayman) Limited ⁽²⁾	690,066,160	45.36	690,066,160	43.86
Foxconn (Far East) Limited	128,734,000	8.46	128,734,000	8.18
Hon Hai Precision Industry Co. Ltd ⁽³⁾	128,734,000	8.46	128,734,000	8.18
Placee	–	–	52,000,000	3.31
Other public shareholders	702,463,017	46.18	702,463,017	44.65
Total	<u>1,521,263,177</u>	<u>100%</u>	<u>1,573,263,177</u>	<u>100%</u>

Notes:

- (1) Eagle Seeker Company Limited is wholly owned by Eagle Pioneer Company Limited. Accordingly, Eagle Pioneer Company Limited is deemed to have interest in the 690,066,160 Shares held by Eagle Seeker Company Limited.
- (2) Cititrust Private Trust (Cayman) Limited is interested in the 690,066,160 Shares through Eagle Seeker (the controlling Shareholder of the Company), indirectly via Eagle Pioneer Company Limited. Mr. Feng Change, Executive Director and Chairman of the Company, is the founder of the trust of Cititrust Private Trust (Cayman) Limited.
- (3) Hon Hai Precision Industry Co. Ltd., a company listed on the Taiwan Stock Exchange, is interested in 128,734,000 Shares through Foxconn (Far East) Limited.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Company is principally engaged in the sales of luxury and ultra-luxury passenger vehicles in the PRC and related customer services including aftersales services, financing and insurance agency, as well as development of new energy vehicles.

The Board considers that the Placing represents a good opportunity to raise additional funds to strengthen the Company's financial position and to meet its financial obligations. It will also widen the Company's shareholder base and should improve the liquidity of the Shares. The Board also considers that the terms of the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming all the Placing Shares have been placed, the maximum gross proceeds from the Placing will be approximately HK\$156 million. The net proceeds, after the deduction of the placing commission and other related expenses, are estimated to be approximately HK\$154.76 million, representing a net issue price of approximately HK\$2.98 per Placing Share.

The Company intends to use the net proceeds raised from the Placing for establishing long term partnerships with the Company's strategic partners and for the general working capital of the Company to meet running expenses.

FUND-RAISING ACTIVITY OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company had not conducted any fund-raising activities involving issue of its securities in the past twelve months immediately preceding the date of this announcement.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares.

DEFINITIONS

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

“associates”	has the meaning ascribed thereunder the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday, Sunday or public holiday in Hong Kong) on which commercial banks generally are open for business in Hong Kong
“Company”	China Harmony New Energy Auto Holding Limited (中國和諧新能源汽車控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3836)
“Completion”	completion of the placing of the Placing Shares in accordance with the terms and conditions as set out in the Placing Agreement
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 13 June 2019, pursuant to which a maximum of 305,423,135 new Shares may fall to be allotted and issued
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Directors, chief executive and substantial Shareholders of the Company or any of their respective associates

“Last Trading Day”	20 November 2019, being the date of the Placing Agreement
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Placee”	Successful Lotus Limited, who is independent of, and not connected with any directors, chief executive or substantial shareholder(s) (if any) of the Company or its subsidiaries and their respective associates
“Placing”	the placing, on a best efforts basis, of up to 52,000,000 new Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	RaffAello Securities (HK) Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement dated 20 November 2019 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$3.00 per Placing Share
“Placing Shares”	up to 52,000,000 new Shares to be placed under the Placing
“PRC”	the People’s Republic of China
“Professional Investor”	has the meaning as ascribed thereto in Part 1 of Schedule 1 to the SFO and any rules made thereunder
“SFO”	the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong
“Share(s)”	ordinary issued share(s) of HK\$0.01 each in the capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Specified Event”	means an event occurring or matter arising on or after the date of the Placing Agreement and prior to the date of Completion which has rendered any of the undertakings, warranties and representations given by the Company in the Placing Agreement untrue or incorrect and incapable of being remedied and such would have a material adverse impact on the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board
China Harmony New Energy Auto Holding Limited
Feng Changge
Chairman and Executive Director

Hong Kong, 20 November 2019

As of the date of this announcement, the executive directors of the Company are Mr. Feng Changge, Mr. Liu Fenglei, Ms. Ma Lintao, Ms. Feng Guo and Mr. Han Yang; and the independent non-executive directors of the Company are Mr. Wang Nengguang, Mr. Liu Zhangmin, Mr. Xue Guoping and Mr. Lau Kwok Fan.