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HARMONY AUTO

和諧汽車

China Harmony Auto Holding Limited

中國和諧汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03836)

PROPOSED DECLARATION AND PAYMENT OF THE FINAL DIVIDEND OUT OF SHARE PREMIUM ACCOUNT

The board of directors (the “**Board**”) of China Harmony Auto Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has resolved to recommend the declaration and payment of a final dividend for the year ended 31 December 2023 of HK\$0.037 per share out of the share premium account of the Company (the “**Share Premium Account**”), subject to approval by the shareholders of the Company (the “**Shareholders**”) at the annual general meeting of the Company to be held on Tuesday, 18 June 2024 (the “**AGM**”). The supplemental circular and the supplemental notice of AGM will be despatched to the Shareholders in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

As at the date of this announcement, the Company has 1,524,725,177 ordinary shares (the “**Shares**”) in issue. Based on the number of issued Shares as at the date of this announcement, the proposed final dividend, if declared and paid, will amount to an aggregate amount of approximately HK\$56.4 million. The proposed final dividend is intended to be paid out of the Share Premium Account pursuant to article 134 of the articles of association of the Company (the “**Articles**”) and in accordance with the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Cayman Companies Act**”).

CONDITIONS OF THE PAYMENT OF THE FINAL DIVIDEND OUT OF THE SHARE PREMIUM ACCOUNT

The payment of the proposed final dividend out of the Share Premium Account is conditional upon the satisfaction of the following conditions:

- (a) the passing of an ordinary resolution by the Shareholders declaring and approving the payment the proposed final dividend out of the Share Premium Account pursuant to Article 134 of the Articles at the AGM;
- (b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the proposed final dividend is paid, unable to pay its debts as they fall due in the ordinary course of business; and
- (c) the Company having complied with all requirements under the laws of the Cayman Islands and the Listing Rules regarding the payment of proposed final dividend out of the Share Premium Account.

The conditions cannot be waived. If the conditions are not satisfied, the proposed final dividend will not be paid.

CLOSURE OF REGISTER OF MEMBERS

Subject to the fulfilment of the above conditions, it is expected that the proposed final dividend will be paid in cash on or before Friday, 9 August 2024 to those Shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Friday, 28 June 2024 and the register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024, both days inclusive, during which no transfer of Shares will be registered. In order to be entitled to the proposed final dividend, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 June 2024.

REASONS FOR AND EFFECT OF THE PAYMENT OF THE PROPOSED FINAL DIVIDEND OUT OF THE SHARE PREMIUM ACCOUNT

As disclosed in the 2023 annual report of the Company, the net loss recorded for the year ended 31 December 2023 is mainly due to the non-recurring losses, which are primarily not arisen from the ordinary course of business of the Group. While the Group incurred a cash flow generated from its operating activities during the year ended 31 December 2023, the Board believes that the core business and operation of the Group will experience a new growth amid the economic recovery in 2024. The proposed final dividend reflects the full confidence of the Board in the Group's business strategy and capabilities.

The Board considers that it is appropriate to distribute the proposed final dividend in recognition of Shareholders' support. After taking into account a number of factors including the cash flow and financial condition of the Group, the Board considers it is appropriate and proposes that a final dividend be paid out of the Share Premium Account in accordance with article 134 of the Articles and the Cayman Companies Act. The Board considers such arrangement to be in the interests of the Company and its Shareholders as a whole. The Board believes that the payment of the proposed final dividend will not have any material adverse effect on the underlying assets, business, operations or financial position of the Group and does not involve any reduction in the authorised or issued share capital of the Company or reduction in the nominal or par value of the Shares or result in any change in the trading arrangements in respect of the Shares.

Shareholders should seek professional advice with their own tax advisers regarding the possible tax implications of the payment of the final dividend.

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

Hong Kong, 3 June 2024

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