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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)

INSIDE INFORMATION – ON FMC’S LATEST ROUND OF FINANCING

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

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that, on August 4, 2017 (after trading hours), FMC Cayman (“**FMC**”), of which the Company indirectly owns 33.33% equity interests, informed the Company that it had entered into a capital increase agreement and a supplemental agreement (the “**Investment Agreements**”) with an investment fund (the “**Investment Fund**”) formed by several investors in relation to FMC’s latest round of financing. According to the Investment Agreements, the Investment Fund has agreed to invest US\$200 million in FMC to subscribe for FMC’s equity interests.

To the best knowledge, information and belief of the Board, and having made all reasonable enquiries, the Investment Fund, its general partner and limited partners are independent third parties independent of the Company and its connected persons (as defined in the Listing Rules).

INFORMATION ABOUT FMC

FMC is an exempted company incorporated in the Cayman Islands. It is a global smart electric cars company, aiming to build premium smart electric cars in China and shape the future for global automobile industry, in order to provide enjoyable time for people on the move. FMC has established offices in Nanjing, Beijing, Hong Kong, Munich and Silicon Valley, etc.

In January of 2017, FMC had signed an agreement with Nanjing Development Zone to build a premium smart electric vehicle research & development and manufacturing base in Nanjing Development Zone, with a planned total annual production capacity of 300,000 units of smart electric cars, covering models such as SUV, sedan and MPV. The first phase of the base will commence construction in 2017 and will be completed and put into production in 2019, with a designed annual production capacity of 150,000 units of smart electric cars.

INFORMATION ABOUT THIS ROUND OF FINANCING OF FMC

The Investment Fund which invests in FMC is formed by well-known investment management institutions and large enterprise groups. The parties to the Investment Agreements have confirmed that the pre-money valuation of FMC is US\$550 million, indicating a post-money valuation of US\$750 million.

FINANCIAL IMPACT ON THE GROUP

Based on valuation of this round of financing of FMC, equity interests in FMC owned by the Group is valued at significant premium to the investment cost of the Group. Based solely on information currently available to the Company and not based on any figures or information that has been audited or reviewed by the Company's auditors (and not intended to be a profit forecast or profit guarantee), the Company estimates that FMC's financing activities in 2017 up to the date of this announcement would bring no less than RMB600 million of investment gain to the Group. The final amount of investment gain shall be subject to the disclosure in the interim reports and annual reports of the Company.

FMC plans to launch show cars for volume production in the fourth quarter of 2017, put into production in 2019 and seek for listing on a stock exchange afterwards. The Company believes that it will record continuing investment gain due to FMC's business development, follow-on financings and listing in the future. The Company will continue to announce the latest developments of FMC to our shareholders and potential investors.

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

By Order of the Board
China Harmony New Energy Auto Holding Limited
FENG Changge
Chairman and executive director

Zhengzhou, the People's Republic of China
August 7, 2017

As of the date of this announcement, the executive directors of the Company are Mr. Feng Changge, Mr. Liu Fenglei, Mr. Yang Lei, Mr. Qian Yewen and Ms. Ma Lintao; the non-executive director of the Company is Mr. Fan Qihui; and the independent non-executive directors of the Company are Mr. Xiao Changnian, Mr. Liu Zhangmin and Mr. Xue Guoping.