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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)**

**(1) VOLUNTARY ANNOUNCEMENT OF ESTABLISHMENT OF 愛車公司  
(AICHE COMPANY\*);  
AND  
(2) DISCLOSEABLE TRANSACTION IN RELATION TO EQUITY  
TRANSFER OF GREEN FIELD MOTOR**

Reference is made to the Announcements dated 11 May 2015, 12 May 2015, 25 June 2015 and 7 December 2015 of the Company in relation to Green Field Motor. Capitalized terms used herein shall have the same meanings as those in the Announcements unless the context otherwise requires.

On 31 December 2015 (in non-trading hours), Henan Harmony, a wholly-owned subsidiary of the Company, signed a series of agreements with Harmony Futeng, in relation to the establishment of 浙江愛車互聯網智能電動車有限公司 (Zhejiang Aiche Internet Intelligent Electric Vehicle Company Limited\*) (“**Aiche Company**”), whereas Henan Harmony and Harmony Futeng will jointly establish Aiche Company, and invest in Green Field Motor through Aiche Company. These transactions include:

- **Establishment of Aiche Company:** Henan Harmony and Harmony Futeng will make joint capital contributions to establish Aiche Company, with a registered capital of RMB550 million, which will be owned as to 28% by Henan Harmony and 55% by Harmony Futeng, and as to 17% by other investors to be introduced in the future.
- **Acquisition of Green Field Motor by Aiche Company:** Harmony Futeng and Henan Harmony have agreed that the Share Transfer Agreement dated 7 December 2015 will not proceed and Henan Harmony will transfer to Aiche Company directly its 55% equity interests in Green Field Motor thereunder. As a result, Henan Harmony has entered into a new Equity Transfer Agreement (the “**Equity Transfer Agreement**”) on 31 December 2015 to transfer its entire 87.57% equity interests in Green Field Motor to Aiche Company.

Upon completion of the above-mentioned transactions, Harmony Futeng will hold 55% equity interests in Aiche Company and become its controlling shareholder. The Company, through Henan Harmony, will hold 28% equity interests in Aiche Company. Aiche Company will hold 87.57% equity interests in Green Field Motor and become its controlling shareholder. The above-mentioned transactions will be concluded with an aim to create a new economic electric vehicle platform and brand based on the R&D and production capabilities of Green Field Motor.

### **LISTING RULES IMPLICATIONS**

As all the applicable percentage ratios in respect of the establishment of Aiche Company are less than 5%, this transaction is exempted from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules, and the announcement of this transaction is made by the Company on a voluntary basis.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the acquisition of Green Field Motor by Aiche Company are more than 5% and all the applicable percentage ratios are less than 25%, this transaction constitutes a discloseable transaction of the Company and is subject to the announcement requirements under Chapter 14 of the Listing Rules.

### **ESTABLISHMENT OF AICHE COMPANY**

On 31 December 2015, Henan Harmony and Harmony Futeng (together the “**JV Parties**”) signed the Articles of Association and Shareholders' Agreement of Aiche Company (the “**Shareholders' Agreement**”), and agreed to make joint capital contributions to Aiche Company. With a registered capital of RMB550 million, Aiche Company will be owned as to 28% by Henan Harmony and 55% by Harmony Futeng, and as to 17% by other investors to be introduced in the future.

Harmony Futeng is a limited partnership enterprise incorporated in the PRC on 9 July 2015, in which Henan Harmony holds 39.2% equity interests, 鴻富錦精密電子(成都)有限公司(Hongfujin Precision Electronics (Chengdu) Co., Ltd.\*), a subsidiary of Hon Hai Precision Industry Co., Ltd. (“**Hon Hai**”), holds 29.4% equity interests, Shenzhen Tencent holds 29.4% equity interests and the Management Company holds 2% equity interests. Harmony Futeng is principally engaged in the investment in new energy and/or intelligent electric vehicles projects and related internet projects. Please refer to the announcement dated 18 June 2015 for detailed information of Harmony Futeng.

### **AQUISITION OF GREEN FIELD MOTOR BY AICHE COMPANY**

After prudent deliberation and in order to simplify the equity transfer procedures of Green Field Motor, Harmony Futeng and Henan Harmony have agreed that the Share Transfer Agreement as referred to in the announcement of the Company dated 7 December 2015 will not proceed, and Henan Harmony will transfer its 55% equity interests in Green Field Motor thereunder to Aiche Company directly.

## ***EQUITY TRANSFER AGREEMENT***

***Date*** 31 December 2015

### ***Parties***

Purchaser: Aiche Company

Vendor: Henan Harmony

### ***Equity interests to be transferred***

Pursuant to the Equity Transfer Agreement, Aiche Company has agreed to acquire and Henan Harmony has agreed to sell its entire 87.57% equity interests in Green Field Motor.

### ***Consideration and payment terms***

The consideration for the transaction is RMB347,400,000 (equivalent to approximately HK\$416,880,000), which was negotiated by Henan Harmony and Aiche Company on arm's length basis and determined by taking into consideration of, among others, the business value of Green Field Motor and the consideration paid by Henan Harmony regarding the auction and transfer.

As disclosed in the announcement dated 12 May 2015, there is a deferred payment arrangement between Henan Harmony and 上虞杭州灣工業園區投資發展有限公司(Shangyu Hangzhou Bay Industrial Park Investment Development Co., Ltd.\*), regarding Henan Harmony's acquisition of 64.64% equity interests in Green Field Motor. Therefore, Henan Harmony also has deferred payment arrangement with Aiche Company. Aiche Company shall pay RMB123,400,000 (equivalent to approximately HK\$148,080,000) in cash as the initial payment on or before 31 January 2016. Henan Harmony shall file and procure to complete an application for registration of the equity transfer with applicable administration for industry and commerce as soon as possible after receiving the initial payment but no later than 31 January 2016. If the remaining consideration is not fully deducted by Green Field Motor's tax payment to the local government by 17 June 2017, the undeducted remaining consideration shall be settled on or before 17 June 2020 by Aiche Company.

### ***REASONS FOR AND BENEFITS OF THE TRANSACTION***

The Company believes that its joint operation of Aiche Company with Harmony Futeng as well as the fact that Aiche Company will become the controlling shareholder of Green Field Motor will further strengthen Green Field Motor's shareholders base and enhance its technological and capital strength for development of high-speed electric vehicle models.

Based on the above, the Directors are of the view that the terms of the Equity Transfer Agreement are fair and reasonable on normal commercial terms and the transaction is in the interests of the Company and its shareholders as a whole.

## ***FINANCIAL EFFECTS OF THE EQUITY TRANSFER***

Upon the completion of the equity transfer, Aiche Company will directly hold 87.57% equity interests in Green Field Motor. There is no gain or loss expected to accrue to the Group as the consideration which will be paid under the Equity Transfer Agreement is equal to the consideration paid by Henan Harmony for acquiring the same equity interests and relevant expenditures in Green Field Motor. The proceeds from the equity transfer will be used as the general working capital of the Group.

## **LISTING RULES IMPLICATIONS**

As all the applicable percentage ratios in respect of the establishment of Aiche Company are less than 5%, this transaction is exempted from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules, and the announcement of this transaction is made by the Company on a voluntary basis.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the acquisition of Green Field Motor by Aiche Company are more than 5% and all the applicable percentage ratios are less than 25%, this transaction constitutes a discloseable transaction of the Company and is subject to the announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Announcements”	the announcements made by the Company dated 11 May 2015, 12 May 2015, 25 June 2015 and 7 December 2015 in relation to its equity interests in Green Field Motor;
“Board”	the board of directors of the Company;
“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;
“Equity Transfer Agreement”	the equity transfer agreement dated 31 December 2015 entered into between Henan Harmony and Aiche Company, pursuant to which Aiche Company has agreed to acquire and Henan Harmony has agreed to sell 87.57% equity interest in Green Field Motor;
“Group”	the Company and its subsidiaries;
“Harmony Futeng”	河南和諧富騰互聯網加智能電動汽車新能源合夥企業(有限合夥) (Henan Harmony Futeng Internet and Intelligent Electric Vehicle New Energy Partnership (Limited Partnership)*), a limited partnership incorporated in the PRC on 9 July 2015 and Henan Harmony holds 39.2% equity interests in Harmony Futeng;

“Henan Harmony”	河南和諧汽車貿易有限公司 (Henan Harmony Automobile Trading Co., Ltd. *), a company established in the PRC on 10 November 2011 and a wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Management Company”	河南和諧富騰互聯網加智能電動汽車企業管理有限公司 (Henan Harmony Futeng Internet and Intelligent Electric Vehicle Management Co., Ltd.*), a limited liability company incorporated in the PRC on 2 July 2015, in which Henan Harmony holds 40% equity interests, 鴻富錦精密電子(重慶)有限公司 (Hongfujin Precision Electronics (Chongqing) Co., Ltd.*), a subsidiary of Hon Hai, holds 30% equity interests, Shenzhen Tencent holds 30% equity interests;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

For illustration purposes only, amounts denominated in RMB in this announcement have been translated into Hong Kong dollars at an exchange rate of RMB1 = HK\$1.20.

By Order of the Board  
**China Harmony New Energy Auto Holding Limited**  
**Feng Changge**  
*Chairman of the Board*

Zhengzhou, the People’s Republic of China, 4 January 2016

*As at 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.*

\* For identification purpose only